

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2022 Business Plan and Budget Overview – Final Draft

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**RELIABILITY | RESILIENCE | SECURITY**



- The 2022 Business Plan & Budget (BP&B) supports the ERO's needs to fulfill its mission to assure the effective and efficient reduction of risks to the reliability and security of the grid
  - Priority bulk power system (BPS) risk areas include:
    - Supply chain compromise and increasingly sophisticated cyber attacks
    - Extreme and widespread weather-related events
    - Energy and fuel assurance
    - Increased distributed generation
  - Extraordinary costs to nearly 400 million North American citizens if measures are not taken in response to BPS risks
    - Electricity increasingly essential to everyday life

- Proper resourcing for Reliability Standards
  - Critical Infrastructure Protection (CIP) standard revision considerations necessitated by escalating threats and compromises
  - Changes to operating and planning standards identified by the Reliability Security and Technical Committee
  - Increased activity in the areas of renewable resources and extreme events
- Increased analytics for priority reliability and security risks
  - Collection of generating availability data for solar and wind
  - BPS security, including incorporation of cyber security into system models
  - Risks related to energy and fuel assurance and weatherization

- Continued Electricity Information Sharing and Analysis Center (E-ISAC) long-term strategy implementation
  - Succession planning and adoption of organization constructs used by other ISACs
  - Strengthening cyber and physical security analysis and information sharing
  - Key support areas for industry priorities, such as operational technology, Department of Energy 100-Day Plan, and natural gas partnerships
- NERC support services
  - Creating an employee experience that meets the needs of an evolving workforce
  - Managing applications, infrastructure, and cyber threats increasing in sophistication
  - Support for FERC-mandated Regional Entity audits and ERO Enterprise IT security audit
- Partial return to in-person meetings and related travel
  - Balancing value of face-to-face interactions with virtual format efficiencies
  - Best assumption, still well below pre-pandemic levels

- Despite increasingly sophisticated threats to the BPS, NERC's:
  - Average annual budgeted FTE growth since 2013, including 2022, is 2.1%
    - Principally in E-ISAC and IT security areas, offset by maturity in NERC's core programs
  - Total staff, excluding E-ISAC & Cybersecurity Risk Information Sharing Program (CRISP), Reliability Assessment and Performance Analysis (RAPA), and IT, is less in 2022 than 2013
  - 2021 budget and assessment held artificially flat during uncertainty of the pandemic
  - Total 2022 budget, assessment, and FTEs remain lower than pre-pandemic projections for 2022 in 2020 BP&B
  - Two-year average (for 2021 and 2022) budget and assessment increase is 3.2% and 4.5%, respectively

- Align and ERO Secure Evidence Locker (SEL)
  - Promotes effectiveness and efficiency by improving Compliance Monitoring and Enforcement Program (CMEP) consistency, quality, and data security
  - Significant savings over “avoided cost” to rebuild individual applications
- NERC investments for ERO Enterprise cyber and data security
  - ERO SEL
  - Dedicated resource to lead overall ERO Enterprise security strategy
  - ERO Enterprise IT security audit
- ERO Enterprise collaboration groups
  - Knowledge and best practice sharing
  - Identification of efficiency opportunities, e.g., training and joint purchasing

- Budget – \$88.0M (\$5.1M or 6.2% increase from 2021)
  - Increase primarily driven by personnel costs, consultants and contracts, and software licenses and support
  - Partially offset by CMEP maturation
- Assessment – \$78.4M (\$6.4M or 8.9% increase from 2021)
  - Excludes any use of reserves to offset assessments, subject to final Board of Trustees (Board) approval
- FTEs – 223.7 (net increase of 10.3 or 4.8% from 2021)
  - Support for key focus areas and strategies

- Draft 1 posted for stakeholder comment May 25–June 18
  - Budget \$88.7M (7.0% increase); Assessment \$79.1M (9.9% increase)
  - Six comment submissions received
    - Support for emphasis on addressing priority BPS reliability and security risks
    - Concerns with increases in light of perceived fiscal pressures facing industry
    - Requests for clarifications and recommendations for increasing efficiency
  - Response to comments posted on NERC website
- Draft 2 posted for stakeholder comment July 15–28
  - Budget \$88.0M (6.2% increase); Assessment \$78.4M (8.9% increase)
  - Refinement of costs and Washington, D.C. office rent reduced
  - No comments received
- No change to Final Draft from Draft 2, except for minor wording adjustments and inclusion of the most recent 2021 budget projections

- **Assessment – \$78.4M (\$6.4M or 8.9% increase from 2021)**
  - Excludes any use of reserves to offset assessments
    - Avoids rebound effect on 2023 assessments
    - Maintains adequate reserve levels to accommodate potential one-time costs for Atlanta office lease change decisions
    - Recognizes Regional Entity reserve draws benefit aggregate LSE assessments
  - Assumes no capital financing, other than IT equipment and A/V leases
    - Few “one-time” expenses
    - Avoids future year debt service
- **Assessments by country (based on 2020 NEL)**
  - US: \$70.7M (\$5.7M or 8.8% increase over 2021)
  - Canada: \$7.4M (\$606k or 8.9% increase over 2021)
  - Mexico: \$263k (\$36k or 15.7% increase over 2021)

- Total projected reserves at end of **2021** – \$11.1M
  - Operating Contingency Reserve (OCR) – \$6.3M
    - 8.6% of budget (slightly above target range)
  - Assessment Stabilization Reserve (ASR) – \$2.5M
  - Other reserves – \$2.3M
- Total projected reserves at end of **2022** – \$11.4M
  - OCR – \$6.3M
    - 8.0% of budget (slightly above target range)
  - ASR – \$2.5M
  - Other reserves – \$2.6M

- 2023 vs 2022
  - Budget increase of 5.1% (\$4.5M)
  - Assessment increase of 5.5% (\$4.3M)
  - FTE increase of 4.2% (9.4 FTEs)
- 2024 vs 2023
  - Budget increase of 5.1% (\$4.7M)
  - Assessment increase of 5.1% (\$4.2M)
  - FTE increase of 3.6% (8.5 FTEs)
- Preliminary projections by management do not reflect Board endorsement or approval
- Assessments do not yet factor in any potential use of reserves

- Continued resource additions and system enhancements to address priority BPS reliability and security risks
  - Resource needs under ongoing strategic review
  - System enhancements subject to scoping, requirements building, and business case development where applicable
- Salary and benefit increases consistent with historical precedent; prospective inflationary pressures not reflected
- Gradual increase in meetings and travel expenses, still below pre-COVID levels
- D.C. office savings continue
- No changed assumption for Atlanta office lease incorporated yet while options are explored



# Questions and Answers



# Additional Information

- **Personnel \$52.0M (7.8% increase from 2021)**
  - 3% salary increase (2.5% merit and 0.5% equity/market)
  - Medical insurance premium increase lower than previous years
  - Net increase of 10.3 FTEs (14 new positions, offset by 3 productivity gains)
    - Standards and analytics, E-ISAC & CRISP, IT security, and workforce strategy
- **Meetings and travel \$2.6M (18.5% increase from 2021)**
  - Assuming return to some in-person meetings and related travel
  - Continuing efficiencies gained from virtual meeting formats
- **Operating Expenses \$30.3M (5.3% increase from 2021)**
  - Return of consulting support deferred in 2021; increased audit support
  - Software licenses and support escalation and increased focus on security
  - D.C .office rent reduced, reflecting new lease assumptions
  - Assumes existing rent schedule for Atlanta office as options are explored

- Fixed Assets \$4.1M (49.7% increase from 2021)
  - \$2.0M for refresh of A/V lease, offset by lease proceeds (budget neutral)
  - Return to investment in data management tools
  - Planned IT equipment replacements
  - Excluding A/V lease purchase, fixed assets decreasing due to Align development completion
- Net Financing Activity (\$1.1M) (230.2% decrease from 2021)
  - Lease proceeds for laptops and A/V equipment
  - Lease principal payments for laptops and A/V equipment
  - Loan principal payments for ERO SEL

# 2022 Budget by Program Area



