

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2022 Business Plan and Budget Overview – Draft 1

Andy Sharp, Vice President and Chief Financial Officer

**RELIABILITY | RESILIENCE | SECURITY**



- **Budget – \$88.7M (\$5.8M or 7.0% increase from 2021)**
  - Primarily driven by personnel costs, consultants and contracts, and software licenses and support
  - Partially offset by Compliance and Enforcement program maturation
- **Assessment – \$79.1M (\$7.1M or 9.9% increase from 2021)**
  - Excludes any use of reserves to offset assessments
  - Assumes no capital financing, other than laptop leases
- **FTEs – 223.7 (net increase of 10.3 from 2021)**
  - Support for key focus areas and strategies

- Guided by the *ERO Enterprise Long-Term Strategy*
- April 2021
  - Preliminary budget and assessment shared with MRC Business Plan & Budget (BP&B) Input Group, Trades and Forums, and Finance and Audit Committee (FAC)
- May 2021
  - Draft 1 overview presented to FAC
  - **Draft 1 posted for comment on May 25**
  - NERC and Regional Entity (RE) 2022 BP&B briefing with FERC
- June 2021
  - First FAC webinar to review 2022 NERC and RE BP&Bs
  - **Comments on Draft 1 due June 18**

- Late June/July 2021
  - Draft 2 updates shared with MRC BP&B Input Group, Trades and Forums, and FAC
  - Draft 2 posted for comment
  - Second FAC webinar to review NERC and RE 2022 BP&Bs
- August 2021
  - Final draft posted
  - FAC and Board meetings to approve final NERC and RE 2022 BP&Bs
  - 2022 BP&Bs submitted to FERC for approval, with subsequent filings with Canadian authorities

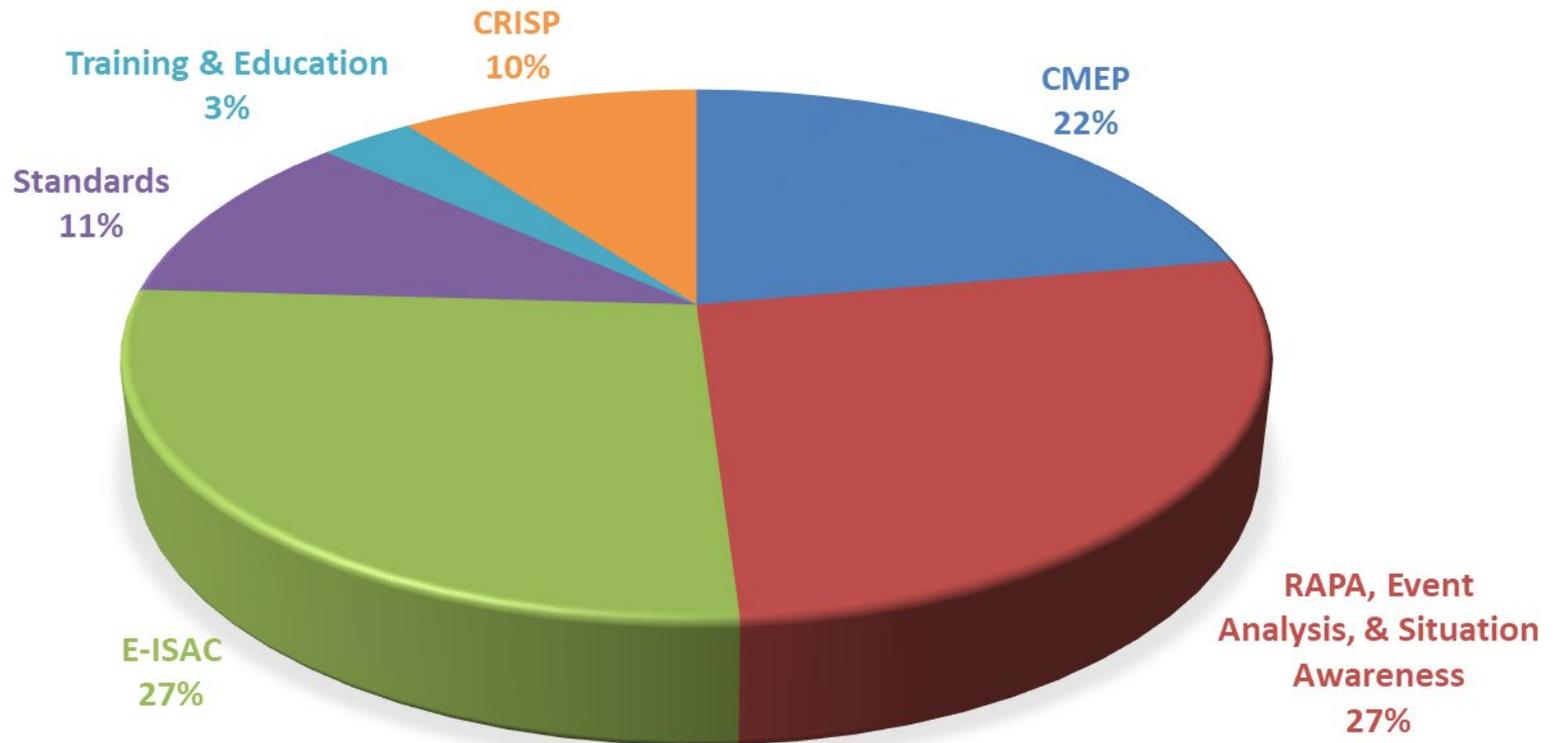
- Adequate resources to focus on risks to BPS reliability and security
  - Cyber security and supply chain compromise
  - Energy and fuel assurance and weatherization
  - E-ISAC & CRISP (analytics, operational technology, downstream natural gas)
- NERC internal security and workforce development
  - Increase capabilities for cyber security and system administration
  - Recruiting and managing an evolving and flexible “post-pandemic” workforce
  - Supports ERO Enterprise value driver to attract, engage, and retain top talent
- Partial return to in-person meetings and related travel
- Internal Audit contract support

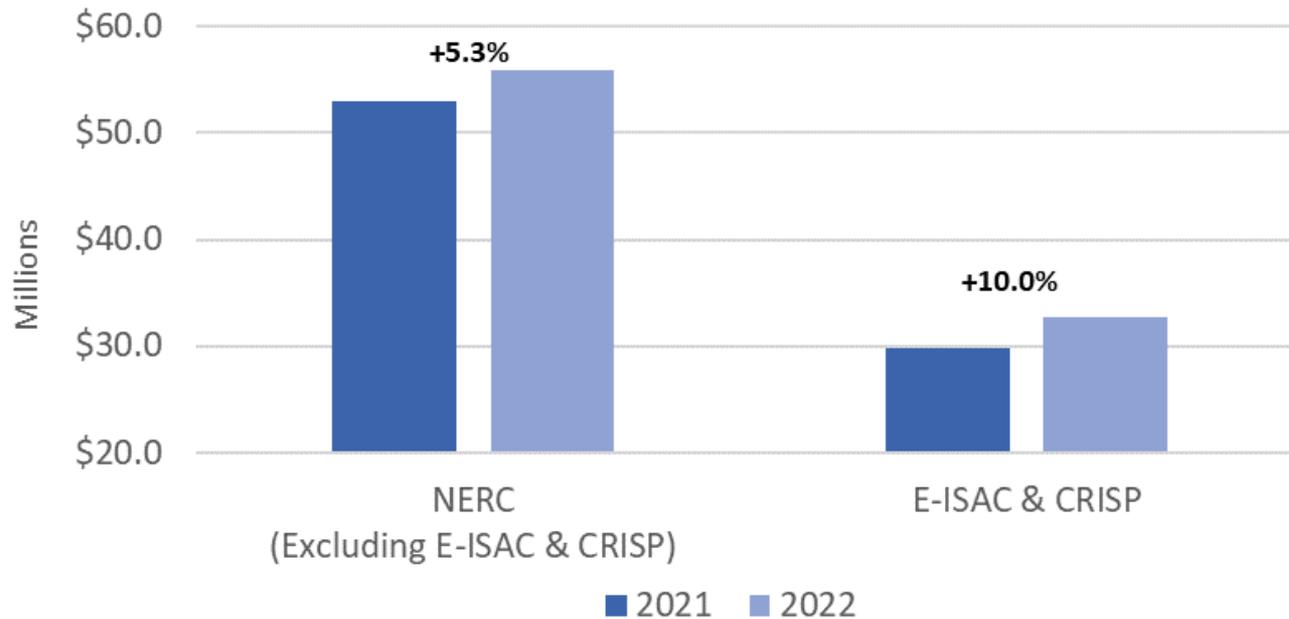
- 2021 budget and assessments held flat to provide industry relief during the uncertainty of the pandemic
- Average annual total budgeted FTE growth since 2013, including proposed 2022 FTEs, is 2.1%
- Total number of staff, excluding E-ISAC & CRISP, IT, and RAPA, is less in 2022 than in 2013
- Total budget, assessment, and FTEs are lower than pre-pandemic projections for 2022 in the 2020 BP&B
- NERC's two-year average budget increase (for 2021 and 2022) is 3.7% and the two-year average assessment increase is 5.0%

- **Personnel \$52.2M (8.3% 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 reallocations)
    - Standards and engineering/analysis
    - E-ISAC & CRISP
    - NERC IT security and workforce strategy
  
- **Meetings and travel \$2.6M (18.6% increase from 2021)**
  - Assuming return to some in-person meetings and related travel
  - Continuing efficiencies gained from virtual meeting formats

- **Operating Expenses \$30.7M (6.7% increase from 2021)**
  - Return of consulting support deferred in 2021; increased audit support
  - Software licenses and support escalation and increased focus on security
  - Assumes existing rent schedule (lease decisions to be reflected in Draft 2)
- **Fixed Assets \$2.1M (22.1% decrease from 2021)**
  - Decreasing due to Align development completion
  - Return to investment in data management tools
  - Planned IT equipment replacements
- **Net Financing Activity \$900k (6.6% increase from 2021)**
  - Lease proceeds for laptops
  - Lease principal payments for laptops and audio visual equipment
  - Loan principal payments for ERO Secure Evidence Locker

# Draft 1 2022 Budget by Program Area





- **Assessment – \$79.1M (\$7.1M or 9.9% increase from 2021)**
  - Excludes any use of reserves to lower assessments
  - Assumes no financing of capital software projects or equipment, other than laptop leases
  - Any use of reserves or financing will be reflected in Draft 2

- **Operating Contingency Reserve (OCR)**
  - Working capital funds and additional funds for unanticipated contingencies
  - Target between 3.5% and 7.0% of total budget minus System Operator Certification and CRISP budgets
- **Assessment Stabilization Reserve (ASR)**
  - To date, funded entirely by previously received penalties
  - Used to reduce U.S. assessments, subject to Board and FERC approval
- **Other reserves**
  - Future Obligation Reserve – Funding received to satisfy future obligations under lease, credit, loan, or other agreements
  - System Operator Certification Reserve – Surplus funding from operator certification fees, used solely for operator certification needs
  - CRISP Reserve – Funds dedicated to CRISP, funded by CRISP participants

- Total projected reserves at end of 2021 – \$11.2M
  - OCR – \$6.3M
    - Slightly exceeds target
  - ASR – \$2.5M
  - Other reserves – \$2.4M
- Total projected reserves at end of 2022 – \$10.7M
  - OCR – \$6.3M
    - Slightly exceeds target
  - ASR – \$2.5M
  - Other reserves \$1.9M

- NERC's 2023 and 2024 projections will be included in next draft of the 2022 BP&B



# Questions and Answers