• **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
2022 BP&B Development Process

- 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)
    o Standards and engineering/analysis
    o E-ISAC & CRISP
    o 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

- E-ISAC: 27%
- Standards: 11%
- Training & Education: 3%
- CRISP: 10%
- CMEP: 22%

RAPA, Event Analysis, & Situation Awareness: 27%
NERC and E-ISAC Breakdown

Draft 1 2022 Budget

- **NERC (Excluding E-ISAC & CRISP)**
  - 2021: $50.0 million
  - 2022: $53.0 million
  - Increase: +5.3%

- **E-ISAC & CRISP**
  - 2021: $30.0 million
  - 2022: $33.0 million
  - Increase: +10.0%
• 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