

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2023 Business Plan and Budget

Draft

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RELIABILITY | RESILIENCE | SECURITY



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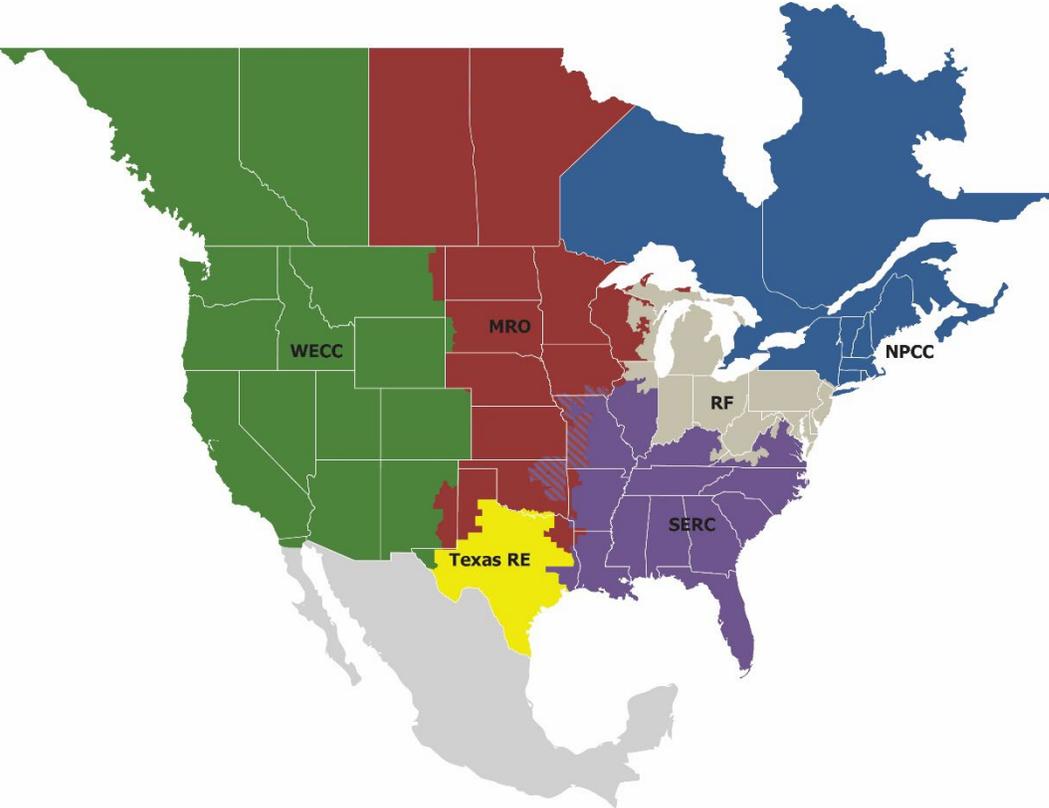
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Preface

Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities, is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security
Because nearly 400 million citizens in North America are counting on us

The North American BPS is divided into six Regional Entity boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one Region while associated Transmission Owners/Operators participate in another.



MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
Texas RE	Texas Reliability Entity
WECC	Western Electricity Coordinating Council

About NERC

Overview

The North American Electric Reliability Corporation (NERC) is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC's area of responsibility spans the continental U.S. and portions of Canada and Mexico. Entities under NERC's jurisdiction are the users, owners, and operators of the bulk power system (BPS)¹—a system that serves the needs of nearly 400 million people.

Electric Reliability Organization

The Federal Energy Regulatory Commission (FERC) certified and has oversight of NERC as the Electric Reliability Organization (ERO) within the United States to establish and enforce NERC Reliability Standards for the U.S. portion of the BPS, pursuant to Section 215 of the Federal Power Act (FPA). As of June 18, 2007, FERC granted NERC the legal authority to enforce Reliability Standards with all U.S. users, owners, and operators of the BPS and made compliance with those standards mandatory and enforceable. Section 215 also requires that the organization certified by FERC as the ERO seek recognition with relevant authorities in Canada and Mexico. In 2005, the U.S. Department of Energy (DOE) and Canadian federal and provincial governments agreed to bilateral principles for a consistent, continent-wide reliability regulatory framework under a non-governmental institution (the ERO) designed to function on an international basis. To date, NERC has memoranda of understandings (MOUs) with eight Canadian provinces² and the Canada Energy Regulator in furtherance of this framework. NERC works with the Mexican regulator, *Comisión Reguladora de Energía* (CRE), and the Mexican system and market operator, *CENACE*, under a MOU signed in 2017 to ensure consistency with the framework in Canada and the United States.

Membership and Governance

A 12-member Board of Trustees (Board), comprised of 11 independent trustees and NERC's president and chief executive officer serving as the management trustee, governs NERC. The Board has formed several committees to facilitate oversight of the organization in the areas of finance and audit, corporate governance and human resources, compliance, technology and security, nominations, and enterprise-wide risk.

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American BPS. Membership is voluntary and affords participants the opportunity to engage in the governance of the organization, including through election to the Member Representatives Committee (MRC).³ NERC, its members, and each applicable BPS owner, operator, and user must comply with the NERC [Rules of Procedure](#) (ROP).

¹ Standards, compliance, and enforcement activities focus on the [Bulk Electric System \(BES\)](#), comprised of certain BPS facilities.

² British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, and Nova Scotia

³ The [MRC](#) comprises voting representatives elected from the 12 membership sectors. The MRC elects the independent trustees and, along with the Board, votes on amendments to the bylaws. The MRC also provides policy advice and recommendations to the Board on behalf of stakeholders with respect to annual budgets, business plans, and other matters pertinent to the purpose and operation of the organization.

Scope of Oversight

As the international, multijurisdictional ERO in North America, NERC:

- Proposes, supports the development of, monitors compliance with, and enforces mandatory Reliability Standards for the North American BES, subject to regulatory oversight and approvals from FERC in the United States and applicable authorities in Canada
- Conducts near-term and long-term reliability assessments of the North American BPS
- Certifies BPS operators as having the knowledge and skills to perform reliability responsibilities
- Maintains situational awareness of events and conditions that may threaten BPS reliability
- Coordinates efforts to improve physical and cyber security for the BPS of North America
- Conducts detailed analyses and investigations of system disturbances and events as well as measures ongoing trends to determine root causes, uncover lessons learned, and issue findings as recommendations, guidelines, and actions to mitigate and control risks to reliability
- Identifies and prioritizes risks to reliability and uses a broad toolkit to mitigate and control risks to reliability, including the potential need for new or modified Reliability Standards, improved compliance monitoring and enforcement methods, or other initiatives.

Delegated Authorities

In executing its responsibility, NERC delegates certain authorities to the Regional Entities to perform aspects of the ERO functions described through delegation agreements. FERC has approved delegation agreements between NERC and the six Regional Entities. These agreements describe the authorities delegated and responsibilities assigned to the Regional Entities in the United States to address, among other things: (1) developing regional Reliability Standards; (2) monitoring compliance with and enforcement of Reliability Standards (both North American-wide and regional); (3) registering owners, operators, and users of the BES and certifying reliability entities (Reliability Coordinators [RCs], Balancing Authorities [BAs], and Transmission Operators [TOPs]); (4) assessing reliability and analyzing performance; (5) training and education; (6) event analysis and reliability improvement; and (7) situation awareness and infrastructure security. NERC expects Regional Entities whose territories and geographic footprints extend into Canadian provinces and Mexico to perform equivalent functions in those jurisdictions.

Statutory and Regulatory Background

NERC's authority as the ERO in the United States is based on FPA Section 215, as added by the Energy Policy Act of 2005,⁴ and FERC's regulations and orders pursuant to Section 215. In Canada, NERC's authorities are established by MOUs and regulations previously mentioned. In this Business Plan and Budget (BP&B), *Exhibit A – Application of NERC Section 215 Criteria* summarizes the major activities NERC proposes to undertake in 2023 and the approved FPA Section 215 criteria applicable to such activities.⁵

Funding

FPA Section 215 and FERC's regulations specify procedures for NERC's funding in the United States. NERC's annual BP&B is subject to FERC approval and, once approved, NERC's annual funding is provided primarily through assessments to load-serving entities. These assessments are allocated on a net-energy-for-load (NEL) basis. Equivalent funding mechanisms are provided in Canada, subject to the specific laws and regulations of each province. Regional Entity funding requirements are addressed separately in their respective BP&Bs, which must be reviewed and approved by NERC and FERC. The U.S. assessments for the Regional Entities are included in the overall NERC assessments to load-serving entities.

⁴ Section 215 of the FPA, 16 United States C. 824o.

⁵ North American Electric Reliability Corporation, Order on Compliance, 143 FERC ¶ 61,052 (2013).

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American BPS. Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations have been established, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work
- Collaborate to develop clear and consistent guidance across the ERO Enterprise
- Share information, knowledge, and resources across the ERO Enterprise
- Develop and share harmonized messages across ERO Enterprise communications
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise

Building upon these commitments, the ERO Enterprise is guided by the value drivers shown in the graphic below and engages in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the Board on December 12, 2019, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial [ERO Reliability Risk Priorities Report](#)
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability
4. Strengthen engagement across the reliability and security ecosystem in North America
5. Capture effectiveness, efficiency, and continuous improvement opportunities

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each BP&B may reference how activities support each of the strategic focus areas.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.⁶

⁶ The [2022 ERO Work Plan Priorities](#) were approved by the Board in November 2021. NERC management and the Board evaluate annual work plan priorities throughout the year.

Introduction and Executive Summary

TOTAL RESOURCES (in whole dollars)				
	2023 Budget	U.S.	Canada	Mexico
Statutory FTEs	236.88			
Non-statutory FTEs	-			
Total FTEs	236.88			
Statutory Expenses	\$ 97,070,018			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 97,070,018			
Statutory Fixed Asset Additions	\$ 6,549,000			
Non-Statutory Fixed Asset Additions	\$ -			
Total Fixed Asset Additions	\$ 6,549,000			
Statutory Funding of Reserves	\$ (1,043,818)			
Non-Statutory Funding of Reserves	\$ -			
Total Working Capital Requirement	\$ (1,043,818)			
Net Proceeds from Financing Activities	\$ (2,830,000)			
Total Statutory Funding Requirement	\$ 99,745,200			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 99,745,200			
	TOTAL	US	CANADA	MEXICO
Statutory Funding Assessments	\$ 88,286,953	TBD	TBD	TBD
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL	-	TBD	TBD	TBD
NEL%	0.00%	TBD	TBD	TBD

2023–2025 Business Plan and Budget Assumptions

2023–2025 Business Planning Overview

From supply chain compromises to several cyber breaches to cold and record heat weather-related events, there has been an alarming increase in reliability, resilience, and security risks to the bulk power system (BPS). In support of the Electric Reliability Organizations (ERO) Enterprise’s mission to assure the effective and efficient reduction of risks to the reliability and security of the grid, and with consideration to the extraordinary costs to nearly 400 million North American citizens if responsive and preventive measures are not taken to address these risks, the North American Electric Reliability Corporation (NERC) created a three-year business plan that is proactive in our approach, focusing on investments where the ERO can most influence change.

In the last quarter of 2021, NERC leadership and the Board of Trustees (Board) came together to examine industry dynamics, conduct a strengths, weaknesses, opportunities, and threats (SWOT) analysis, and align on strategic priorities and focus areas. Through the first half of 2022, NERC leadership and the Board conducted extensive outreach with industry stakeholders to share and gain feedback on the 2023–2025 areas of focus. In parallel, NERC leadership developed budget assumptions to support the three-year plan, which were shared in detail with the Board and discussed with key stakeholders, including the Member Representatives Committee (MRC) Business Plan and Budget (BP&B) Input Group, the Electricity Information Sharing and Analysis Center’s (E-ISAC’s) Member Executive Committee (MEC), and industry trades and forum representatives.

NERC’s proposed business plan for 2023–2025 does the following:

- Ensures NERC has the resources to address two critical emerging risks to BPS reliability, resilience, and security while leveraging the work of key partners:
 1. Evolving energy availability concerns as the resource mix changes and climatic conditions become more extreme
 2. Heightened cyber security risks driven by supply chain vulnerabilities occurring at an unprecedented rate
- Retools NERC’s approach to mitigating risk through a more nimble, stakeholder-owned standard setting process, and finds more effective ways to drive action in advance of an approved Reliability Standard
- Invests in NERC’s own infrastructure to reduce enterprise and cyber risks related to business activities and systems and create a more sustainable organization

The business plan does not:

- Duplicate the work of other partners, but rather leverages their expertise
- Anticipate any change to the regulatory framework around natural gas reliability and security
- Address new, evolving risks in technical areas NERC has not engaged in the past (e.g., 6 GHz communications)
- Staff a proprietary outreach program, but rather guides, leverages, and relies on the Regional Entities to lead relationships with key state and provincial authorities
- Assume all technical and regulatory activities “in house;” rather, NERC will continue to leverage the total reliability ecosystem, including stakeholder subject matter expert resources through the technical committees and standards development processes

The business plan’s value proposition:

- Provides the framework and plans for NERC and the industry to get ahead of key grid transformation risks by defining key performance outcomes
- Is responsive to key needs of the security role envisioned for the E-ISAC expressed by industry through the MEC and government partners, including the Department of Energy (DOE) and its Office of Cybersecurity, Energy Security, and Emergency Response (CESER)
- Leverages technology and expertise to drive more comprehensive analytics around reliability assessments (i.e., more complete assessments of energy availability) and key institutional risks (e.g., improving the cyber security posture of NERC’s own systems and applications)
- Creates the capacity for better analytics and focus to manage and improve the productivity of NERC’s back-office systems while reducing risk of human error due to current manual processes
- Continues a strong focus on driving efficiency while assuring effectiveness of ERO programs while embedding risk-informed thinking into programs and processes
- Adds a small, but critical, component to the overall cost of the transforming grid: approximately 7 cents/year on average for a typical residential customer

The business plan is centered on four priority areas of focus:

- **Energy:** Tackle the challenge of grid transformation and climate change-driven, extreme weather
- **Security:** Move the needle by focusing on supply chain, Information Technology (IT) and Operational Technology (OT) system monitoring, cyber design, and evolution of the Critical Infrastructure Protection (CIP) Standards
- **Agility:** Tool the company to be more nimble in key areas, particularly standards development and internal operational processes, re-visit the Federal Energy Regulatory Commission (FERC) settlement restrictions,⁷ and explore alternate funding mechanisms
- **Sustainability:** Invest in ERO systematic controls, eliminate single points of failure, strengthen succession planning, and ensure robust cyber security protections for all systems

Historical Budget and Assessment Overview

As reflected in the table below, NERC has managed growth of additional projects, capabilities, and responsibilities in a fiscally sensible manner. Over the 10-year period of 2013–2022, NERC’s average annual budget and assessment increase was 5.7%. During this period, NERC added the Cybersecurity Risk Information Sharing Program (CRISP), significantly expanded E-ISAC programs, improved the analytics behind routine reliability assessments, and implemented Align and the ERO Secure Evidence Locker (SEL) for the Compliance Monitoring and Enforcement Program (CMEP). This growth in budget masked multiple underlying productivity gains as programs matured, such as the reduction of personnel dedicated to enforcement processing and the elimination of NERC’s proprietary investigations team.

⁷ North American Electric Reliability Corporation, Order on Compliance, 143 FERC ¶ 61,052 (2013).

	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019 ⁽²⁾	2020	2021	2022 ⁽³⁾	Avg Annual
NERC Total Budget (millions)	\$54.3	\$56.4	\$66.7	\$67.2	\$69.6	\$73.1	\$79.9	\$82.7	\$82.9	\$88.8	
<i>Annual Increase %</i>		3.9%	18.3%	0.7%	3.6%	5.0%	9.3%	3.5%	0.2%	7.1%	5.7%
NERC Assessment (millions)	\$47.6	\$51.4	\$55.3	\$57.1	\$59.9	\$62.9	\$68.9	\$72.0	\$72.0	\$78.4	
<i>Annual Increase %</i>		8.0%	7.6%	3.3%	4.9%	5.0%	9.5%	4.5%	0.0%	8.9%	5.7%

⁽¹⁾ 2015 Budget increase includes addition of CRISP program (\$9 million)

⁽²⁾ Budgets in 2019 and prior years do not include net financing activity

⁽³⁾ 2022 Budget, as amended for Atlanta office transition costs

The table reveals some higher historic volatility in budget increases versus assessment increases, particularly in 2015 when NERC added CRISP. However, a large portion of the CRISP cost is funded by CRISP participants and, therefore, did not have a significant impact on assessments. The 2019 budget and assessment increases reflect a spike over historical norms primarily due to increased people and technology resources associated with the *E-ISAC Long-Term Strategic Plan* implementation. The 2021 budget and assessment had no increase resulting from the temporary deferral of costs and projects to provide industry relief due to the financial uncertainty associated with the COVID-19 pandemic.

Additionally, over the past 10-years, NERC’s average annual increase in full-time equivalents (FTEs) was just over 2.0%. The growth was entirely in the E-ISAC and CRISP, IT, and reliability assessments, analysis, and analytics program areas. The rest of NERC actually saw a decrease in FTEs, which is largely due to efforts around improving efficiency. Examples of these efforts include:

- **Optimization across the ERO Enterprise**
 - Align/SEL implementation to consolidate all ERO Enterprise CMEP activities onto a common, highly secure platform and dramatically increase the security of how registered entity evidence is handled
 - Creation of functional collaboration groups between the Regional Entities and NERC, using the expertise inside the ERO Enterprise
 - Leveraging ERO Enterprise technical innovation and cybersecurity collaboration, including the creation of a collaboration group of NERC and Regional Entity IT professionals charged with creating synthetic scale across the ERO Enterprise to share scarce cyber expertise, develop common tools where possible, and drive effective and timely mitigation to cyber risks
- **Leveraging industry partnerships**
 - Relied on partnerships with the Electric Power Research Institute (EPRI), Institute of Electrical and Electronics Engineers (IEEE), and the Power Systems Engineering Research Center (PSERC) to address BPS risks, such as resource availability, photovoltaic modeling, distributed energy resources (DER) and inverter-based resource interconnection standards
 - Collaborated with the North American Transmission Forum (NATF) and the North American Generator Forum (NAGF) on topics such as facility ratings, pandemic guidance, and supply chain, and with the National Association of Regulatory Utility Commissioners (NARUC) on the interconnection of inverter-based resources
 - Continued working closely with our government partners, including the DOE and Department of Homeland Security on cyber and physical security, energy analysis, and critical infrastructure interdependencies, and the ongoing work related to the current Russian invasion of Ukraine

- **Reimagining work**
 - Established round-the-clock E-ISAC Watch Operations
 - Transformed our workforce, changing where and how work is done
- **Improving processes with technology**
 - Launched new analysis platforms, including the E-ISAC Portal and tools, the Risk Registry, and the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) tool
 - Implemented back-office improvements to payroll, budgeting, performance management, and expense automation systems, and added cloud-based computing
- **Eliminating work / redeploying resources**
 - In addition to leveraging partnerships, eliminated some efforts and reallocated resources (e.g., human performance conference, standards and compliance workshops)
 - Formed a Reliability and Security Technical Committee (RSTC), which consolidated three committees and their subcommittees, reducing the number of face-to-face meetings and freeing NERC staff to focus on priority risks
 - Eliminated NERC’s Investigations department, instead relying on the expertise found in the Regional Entities
- **Facilities contracts**
 - Washington, D.C., and ATL facility lease savings

2023–2025 Key Budget Assumptions

With the proposed 2023–2025 business plan developed to achieve goals associated with the four areas of focus, NERC is proposing a higher than historical average budget and assessment increase over this time period to deal with a series of new and emerging risks that drive fundamental change in how the grid will need to be planned and operated (the intersection of extreme, and not necessarily rare, weather and grid transformation) and a step change in the severity of the cyber (and physical) security landscape. However, the financial plan assumes financing a portion of the capital technology investments and the use of reserves to smooth the assessment impact of the budget increases.

Technology Strategy

The Technology Strategy is a multi-year plan intended to show how the valuable NERC resources (time, talent, and dollars) will support the mission of the ERO Enterprise. The plan is flexible should the need arise to push projects out to subsequent years or should other technology resource impacting events occur (e.g., supply chain compromise), causing a need to rapidly shift attention to other areas. The plan addresses ever-emerging cyber security risks, enables agile business processes, mitigates ERO Enterprise and corporate risks, and delivers long-term benefits across the program areas. This plan aligns with the four priority areas of focus, and adheres to the following for investment justification:

- **Flexible:** Responsive to emerging issues (e.g., cyber) by shifting investments and priorities
- **Measureable:** Large investments are vetted through the IT Value Management Policy and Procedure for justification and expected benefits
- **Business-unit driven:** Investments are mapped to the NERC program areas and support primary mission objectives
- **Aligned to key business drivers:** Each investment is linked to a key set of business drivers that align with the ERO Enterprise value drivers (see page vi above)

Priority Focus Area	Key Technology Investments
Energy	<ul style="list-style-type: none"> Enhancements to existing systems with a focus on BPS reliability, data analytics, and cyber security: Centralized Organization Registration ERO System (CORES), Generator Availability Data System (GADS), Transmission Availability Data System (TADS), Reliability Assessment Data System (RADS), The Event Analysis Management System (TEAMS), and SAFNR New capabilities and FERC mandates, such as GADS Solar
Security	<ul style="list-style-type: none"> Security reviews of legacy applications, with decisions on retirement or replacement as applications age and more secure technologies evolve Cyber security capabilities for NERC, the ERO Enterprise, the E-ISAC, and CRISP Identity Access Management (IAM) and Privileged Access Management (PAM) technology, Data Loss Prevention (DLP), and procedural controls Mobile Device Management for protection of email and other applications
Agility	<ul style="list-style-type: none"> Efficiencies in the Internal Audit and Corporate Risk Management areas using currently licensed software, extending the reach of current platform investments Expansion of specialized infrastructure, including collaboration technologies (e.g., Microsoft Teams, WebEx, audio/visual (A/V) equipment) to extend and support ERO Enterprise collaboration and strategic workforce development
Sustainability	<ul style="list-style-type: none"> Enhancing disaster recovery capability to mitigate ransomware attacks and payments Expansion and modernization to cloud-based human resources and finance systems to ensure adherence to best practices, support internal audit controls, and further the benefits of the NERC 2.0 Connected Workforce model Modernization and support of core IT infrastructure to keep abreast of evolving security features and reduce support costs that come with aging systems Support of the CMEP with continued evolution of Align, ERO SEL, CORES, and NERC Membership Expansion of existing core service agreements and desktop infrastructure (e.g., Microsoft service agreements, laptops, cell phones, etc.) to support the increase in NERC staff, contractors, and expansion of secure remote work capabilities

The incremental technology investments referenced above span across NERC’s Statutory Program and Administrative Program departments (including IT itself) and are intended to support and further the activities necessary for the four areas of focus. The associated expenses are reflected in several cost categories of NERC’s budget, primarily capitalized software (fixed assets), software licenses and support, and contractors and consultants. The resulting total NERC business technology spend, exclusive of FTEs, is expected to increase from approximately \$14M in 2022 to \$25M in 2025. This projected level of spend was developed “bottom up” but also aligns with spending benchmarks obtained from Gartner Group for companies of NERC’s size with comparable activities.

People Strategy

NERC is a knowledge-based organization. As the challenges to the reliability and security of the BPS evolve at the same time as the competition for talent increases, NERC's ability to retain, engage, and attract top talent is critical. In support of the 2023–2025 business plan, the following high-level workforce planning process was conducted:

- Identified the skills needed to support the four areas of focus
- Considered existing staff skillsets and succession planning
- Identified gaps between current and needed skills, as well as where there were single threaded positions, and how to further optimize current resources
- Created a plan to fill these gaps using the following strategies:
 - Build – Develop current staff in the time frames needed
 - Borrow – Use contractors and consultants
 - Buy – Identify future FTE requests

The resulting proposed People Strategy consists of increases to merit salary, health insurance, and other benefits over the next three years for existing employees, and anticipates hiring 37 additional employees (34.8 FTEs, which incorporates a 6.0% vacancy rate) to support the four areas of focus, primarily in Security, along with Energy and Sustainability.

Focus Area	2023	2024	2025	TOTAL
Energy	3	4	1	8
Security	7	6	6	19
Agility	0	1	1	2
Sustainability	4	1	3	8
TOTAL	14	12	11	37
FTEs with 6% attrition rate	13.2	11.3	10.3	34.8

NERC's employee base consists primarily of professional skilled labor, with a relatively high concentration of cyber security and IT employees. NERC is scheduled to perform a market compensation study for all staff positions before the 2023 merit review cycle. However, based on several factors, including market supply and demand for cyber and IT talent and recent higher inflation rates, NERC is currently assuming a weighted average increase in merit adjustments of 5.5% to 6.0% over the three-year period. The weighted average assumes a higher increase for cyber security and IT positions compared to other staff members. This estimate is likely to prove to be conservative based on anecdotal data, but is a responsible starting point for this key cost driver. Medical and dental premium cost estimates are based on market data provided by the company's benefits consultant. No other changes to retirement or other benefit plans have been assumed.

The total projected three-year increase in personnel costs will be approximately \$17.5M over the 2022 budget. Approximately \$8.2M of this increase is attributed to the new FTEs proposed to be added in 2023–2025 and \$9.3M is the projected increase for the current workforce. A breakdown of 2023 personnel expenses is provided in *Table B4 – Personnel*.

Office Facilities and Rent

NERC will realize lower annual office rent expenses of approximately \$300k per year in 2023–2025 compared to previous rent projections due to receiving lease concessions related to the Atlanta office, which will be applied to budgeted rent (funded by assessments) for the remaining term of the Atlanta office lease, which ends in October 2025. Some other facility-related costs are projected to increase slightly during the three-year time period, which will partially offset some of the rent savings. A breakdown of 2023 rent expenses is provided in *Table B7 – Rent*.

The 2025 projection assumes continued development of capital software projects under the Technology Strategy, as well as lease financed and out-of-pocket expenditures for a potential new Atlanta office space. The 2025 projection assumes the acquisition of up to \$2.0 million of A/V equipment (financed through a new lease, with payments starting in 2026), \$800k in new furniture, \$600k in network and wireless infrastructure, and \$200k for legal and professional services.

Meetings and Travel

Meetings and travel expenses were reduced significantly (\$1.1M) in the 2021 budget from the 2020 budget in response to the COVID-19 pandemic. The 2022 budget was increased by \$400k (18.5%) over 2021 and the 2023 budget reflects an additional increase of \$500k over the 2022 budget, to a total of \$3.1M. The 2023 budget assumes two in-person meetings for the Board and RSTC and two hybrid meetings. In-person meetings have also been planned for the annual ERO Enterprise Leadership Conference and the Reliability Issues Steering Committee’s (RISC’s) Reliability Leadership Summit in 2023. While virtual attendance at meetings will be encouraged, NERC program areas have performed detailed travel projections by employee and event and included an assumed growth in FTEs to inform the requested budget increase in 2023. A breakdown of 2023 meeting and travel expenses is provided in *Table B5 – Meetings & Travel*.

Current projections in 2024 and 2025 show a more moderate increase in meetings and travel of \$99k and \$153k, respectively. With these projections, the 2025 travel budget would still be slightly below the pre-pandemic budget level; however, the unit cost of travel is increasing significantly from pre-pandemic levels, which means a net reduction in travel events but a higher unit cost per event.

Contractors and Consultants

Contractor and consultant expenses are projected to increase \$4.3M (31.5%) over the three-year period. Of this total amount, the costs related to the CRISP contract with the Pacific Northwest National Laboratory (PNNL) are estimated to increase by \$1.9M (33.1%). These cost estimates are best internal estimates and firmer projections are expected soon from PNNL. These PNNL costs are funded completely by CRISP participants and do not impact assessments. IT contractor and consultant costs are projected to increase \$1.9M (107.7%) over the three-year period, primarily to support the Technology Strategy. E-ISAC contractor and consultant costs are projected to increase by \$739k (34.0%) due to GridEx costs of approximately \$300k (2025 is a GridEx year, 2022 is an off year) and other anticipated contractor and consultants work including increased physical security projects. A breakdown of 2023 contractor and consultant expenses is provided in *Exhibit B – Contractor and Consultant Costs*.

Fixed Asset (Capital) Budget and Capital Financing

NERC’s fixed asset budget includes IT equipment and servers, including leased equipment (capital lease assets), and capital software. The fixed assets budget is projected to increase \$5.7M (116.7%) over the three-year period, primarily due to the capital software projects related to the Technology Strategy, as well as lease financed and out-of-pocket expenditures for a potential new Atlanta office space in 2025 (discussed above). A breakdown of 2023 fixed asset expenditures is provided in *Table B-12 – Fixed Assets*.

NERC’s capital financing program was established to fund certain ERO Enterprise software projects to spread these investment costs over multiple years and reduce the volatility of annual assessments. Due to the increased spending on capital software projects in 2023–2025, a portion of these projects are proposed to be financed with a 60-month loan amortization to level the assessment percentage increase over the next three years. Borrowing proceeds and related debt service (principal and interest) are included in the 2023–2025 budget and projections. The table below shows the assumed loan borrowing related to the Technology Strategy in 2023–2025.

Year	Capital Software Investment \$	Loan Financing Amount
2023	\$5.6M	\$4.0M
2024	\$6.2M	\$4.0M
2025	\$6.3M	\$2.5M

Further information on NERC’s capital financing program can be found in *Exhibit B – Capital Financing*.

2023–2025 Reserve Funding Assumptions

With this three-year financial plan, the annual increase from 2022 to 2023 represents the largest, single-year percentage increase of the three years. The use of \$2.0M in reserve funding, comprised of \$1.0M from the Assessment Stabilization Reserve (ASR)⁸ and \$1.0M from the Operating Contingency Reserve (OCR), is proposed in 2023 to reduce the assessment increase. An additional \$500k of OCR is assumed in 2025 to help fund any one-time out-of-pocket equipment or furnishing costs related to a potential new Atlanta office relocation. Using this reserve funding strategy, along with capital financing above, annual assessment increases are projected to stay between 11.2% and 11.4% during the three-year period.

2023–2025 Financial Summary

The table below reflects the preliminary estimates of the three-year budget and assessment amounts, with annual dollar and percentage increase amounts, and recommended reserve usage in 2023 and 2025. For more detailed information, see *Table B-13 – 2024 and 2025 Projections*.

\$ millions

	2022 ⁽¹⁾	2023	2024	2025	Notes
Annual Total Budget	\$88.8	\$100.8	\$109.6	\$122.0	
\$ annual increase	\$5.9	\$12.0	\$8.8	\$12.4	
% annual increase	7.2%	13.5%	8.7%	11.3%	Annual avg. 2023-2025 11.2%
Annual Total Assessment	\$78.4	\$87.3	\$97.1	\$108.0	
\$ annual increase	\$6.4	\$8.9	\$9.8	\$10.9	
% annual increase	8.9%	11.4%	11.2%	11.2%	Annual avg. 2023-2025 11.3%
Recommended Reserve Usage		\$2.0		\$0.5	

⁽¹⁾ 2022 budget includes amendment for Atlanta office lease costs (funded by reserves)

⁸ NERC Rules of Procedure (ROP) Section 1107.2 specifies that penalties received from July 1 through the following June 30 will offset U.S. assessments in the subsequent budget period. In 2015, the Board and FERC approved the creation of the ASR, which is funded by penalties received, was established to narrow the gap between annual budget and assessment percentage changes that result from year-to-year variations in penalty collections. The actual amount of the contribution, as well as releases from the fund to reduce assessments, are determined as part of NERC’s BP&B process.

2023 Business Plan and Budget Summary

Budget Reporting Format and Presentation

NERC and the Regional Entities' budgets are comprised of both operating and fixed asset addition (fixed asset, or capital) costs as well as net financing activity, if applicable. Operating costs generally include personnel, contractor support, consulting, meetings, travel, office space, software licensing, communications, and other customary services to support office operations. Fixed assets primarily reflect investments in equipment and software to support operations, including investments in applications and infrastructure to facilitate improved business processes and efficiency. These operating and fixed asset costs, as well as corresponding funding and financing activity, are shown on a Statement of Activities and Fixed Asset Expenditures report (SOA report) in this business BP&B document, which is provided at both the total entity and departmental levels. These reports include funding, expenses, and financing activity for the current budget year and prior budget year to show year-over-year changes.

Overview of 2023 Budget and Funding Requirements

NERC's 2023 expense and fixed asset budget, including financing activity, is approximately \$100.8M, which is an increase of approximately \$12.0M (13.5%) from the 2022 budget. Total expenses are increasing approximately \$12.1M (14.2%) over 2022. The total fixed asset budget is approximately \$6.6M, an increase of \$1.6M (33.1%) from 2022. The fixed assets budget includes the acquisition of \$130k in capital lease assets (primarily for laptop replacements), offset by corresponding lease proceeds reflected in financing activity. As discussed in the capital financing assumptions above, NERC is also proposing to finance \$4.0M of capital software expenditures in 2023, which is also reflected by corresponding loan proceeds in financing activity. Approximately \$11.7M (11.6%) of NERC's 2023 budget is related to CRISP, with the majority of the CRISP budget funded by participating utilities, and a small portion funded through assessments.

NERC's proposed 2023 assessment is approximately \$87.3M, which is an increase of approximately \$8.9M (11.4%) from the 2022 assessment. Factors contributing to the difference between the proposed 2023 budget and assessment include assumptions regarding other funding sources, such as third-party funding for CRISP and fees collected to fund the System Operator Certification and Credential Maintenance program. As discussed in the 2023–2025 reserve assumptions above, the proposed assessment accounts for a recommended release of \$2.0M from reserves to offset 2023 assessments, comprised of \$1.0M from the ASR and \$1.0M from the OCR. The composition of ASR and OCR is considerate of the fact that the ASR consists of prior U.S. penalty dollars and, therefore, the release of those funds only benefits U.S. load-serving entities (LSE). The allocation of the assessment among U.S. and Canadian entities will also be impacted by the final determination of credits for certain costs for Canadian entities pursuant to *NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*, which was included in NERC's filing to the FERC requesting acceptance of the NERC 2009 BP&B.⁹

2023 Program Budget and FTE Comparisons

The following table shows a 2023 versus 2022 total budget comparison by program area. The amounts reflect all direct and indirect departmental costs, including fixed asset expenditures. Costs incurred for Administrative Programs (overhead) are considered indirect and are allocated to the statutory departments based on the ratio of that department's budgeted FTEs to total budgeted statutory FTEs.

⁹ North American Electric Reliability Corp., Docket No. RR08-6-000, Attachment 16, (filed August 22, 2008)

2023 versus 2022 Total Budget by Program

Total Budget	2022 Budget	2023 Budget	Increase (Decrease)	
Reliability Standards	\$ 9,541,634	\$ 10,334,383	\$ 792,750	8.3%
CMEP	19,699,720	21,227,697	1,527,977	7.8%
RAPA	14,922,693	18,137,254	3,214,561	21.5%
Event Anlysis	3,819,053	4,103,538	284,486	7.4%
Situation Awareness	5,118,788	6,301,543	1,182,754	23.1%
Personnel Certification	1,843,435	1,826,093	(17,342)	-0.9%
Training and Education	1,035,557	1,122,033	86,476	8.4%
NERC Budget, excluding E-ISAC	\$ 55,980,879	\$ 63,052,542	\$ 7,071,662	12.6%
E-ISAC (non-CRISP)	\$ 23,862,079	\$ 26,007,132	\$ 2,145,053	9.0%
E-ISAC (CRISP)	8,985,326	11,729,345	2,744,019	30.5%
Total E-ISAC Budget	\$ 32,847,405	\$ 37,736,476	\$ 4,889,072	14.9%
Total Budget	\$ 88,828,284	\$ 100,789,018	\$ 11,960,734	13.5%

Almost all areas are increasing due to one or a combination of the following: (1) assumptions related to the People Strategy discussed above, particularly incremental FTEs (see table below), which also results in higher allocations of indirect costs from the Administrative Programs, and (2) capital software projects related to the Technology Strategy discussed above. E-ISAC is also increasing due to additional contractor and consultants costs, primarily for GridEx (2023 is a GridEx year, 2022 is an off year). The increase for CRISP is mainly attributable to the contract with PNNL, which is completely participant funded. The slight decrease in Personnel Certification is due to reduced contractor and consultants cost. Further information is available in *Section A – 2023 Business Plan and Budget Program Area and Department Detail*.

The following table presents a 2023 versus 2022 comparison of budgeted FTEs by department, reflecting 2023 additions, reallocations, and attrition assumptions. The number of FTEs represents the number of employees employed full time during the year, plus any employees employed part time or during a portion of the year, converted to a full-time basis. Also see *Appendix 1 – NERC Staff Organization Chart*.

2023 versus 2022 FTEs by Department

FTEs	2022 Budget	2023 Budget	Increase (Decrease)	
Reliability Standards	19.74	19.74	-	0.0%
CMEP	33.84	34.78	0.94	2.8%
RAPA	26.32	29.14	2.82	10.7%
Event Anlysis	6.58	6.58	-	0.0%
Situation Awareness	7.52	7.52	-	0.0%
Personnel Certification	2.82	2.82	-	0.0%
Training and Education	1.88	1.88	-	0.0%
Administrative Programs	81.08	88.55	7.47	9.2%
NERC FTEs, excluding E-ISAC	179.78	191.01	11.23	6.2%
E-ISAC (non-CRISP)	40.01	40.14	0.13	0.3%
E-ISAC (CRISP)	3.94	5.73	1.80	45.7%
Total E-ISAC FTEs	43.95	45.87	1.93	4.4%
Total FTEs	223.72	236.88	13.16	5.9%

To support the priority areas of focus, in 2023 NERC is adding 14 new positions (see the People Strategy discussion above), or 13.2 FTEs. The table above reflects these positions as follows:

- CMEP – The increase of 0.94 FTEs is for increased CIP audit support and expertise
- RAPA – The increase of 2.82 FTEs is for support for probabilistic assessments and incorporation of cyber analysis into system planning with the development of new cyber design techniques
- E-ISAC and CRISP – The increase of 1.93 FTEs is for increased analytical capabilities and leveraging of threat intelligence, support for OT initiatives and natural gas partnerships, and CRISP enhancement and expansion
- Administrative Programs – The 7.47 increase in FTEs is for increased support in the areas of cyber security, cloud computing, internal controls, procurement and communication.

2023 Reserves

At the end of 2023, NERC is projecting a total reserve budget of \$14.8M across all categories of reserves. This is an increase of \$5.6M (60.9%) from the total reserve amounts budgeted for the end of 2022 in NERC's [2022 Budget Amendment](#). This increase is primarily due to reserves not being used for an Atlanta office relocation, and the creation of a CRISP operating reserve. The reserve categories are as follows:

- **Future Obligation Reserve** – Includes funding that has been received to satisfy future obligations under lease, credit, loan, or other agreements to which the company is a party. This reserve is budgeted to be \$2.6M at the end of 2023.
- **System Operator Certification Reserve** – Includes surplus funding from fees collected for the System Operator Certification and Credential Maintenance program that are above incurred expenses and shall be used solely to the program needs. The 2023 System Operator Certification Reserve is budgeted to be \$699k at the end of 2023 and is comprised primarily of existing funds.
- **CRISP Reserves** – Represents funds dedicated to support CRISP. These reserves are established pursuant to a CRISP budget agreed to and funded entirely by utilities participating in CRISP. These reserves have no impact on assessments and are segregated from other reserves pursuant to the terms of the CRISP agreements. CRISP reserves are budgeted to be \$2.2M at the end of 2023.
- **OCR** – Includes both general working capital funds¹⁰ resulting from day-to-day operations and additional funds for contingencies that were not anticipated. NERC's current policy requires an OCR target of 3.5–7.0% of the company's total expense and fixed asset budget (less CRISP and System Operator Certification budgets), except as otherwise approved by the Board. This percentage is calculated against NERC's total budget for operating and fixed asset expenditures, less those costs related to CRISP and System Operator Certification, each of which has a separate reserve category. NERC is recommending to release \$1.0M of funds from the OCR to offset 2023 assessments, and the OCR is budgeted to be \$7.8M at the end of 2023. This is 8.9% of budgeted operating and fixed asset costs, which is slightly higher than the target maximum range.
- **ASR** – To date, this reserve has been funded entirely by previously received penalties from U.S. entities. NERC did not and does not expect to collect any penalties during the 12 months ending June 30, 2022, and is not proposing to deposit any funds into the ASR. NERC management is recommending to release \$1.0M of funds from the ASR to offset 2023 assessments, and the ASR is projected to have a balance of \$1.5M at the end of 2023.

¹⁰ NERC maintains a \$4M line of credit with a major financial institution. Based on cash flow projections and the timing by which assessments are billed and paid, NERC does not project a need to access working capital in 2023 for monthly cash flow needs. The "Working Capital Requirement" shown on the Total Resources table on p. 1 reflects the projected net change for the System Operator and CRISP reserves, as well as the release of \$1.0M from OCR to offset assessments. See Table B-1 for details.

Introduction and Executive Summary

The following SOA report compares the NERC 2022 budget, 2022 year-end projection, and 2023 budget.

Statement of Activities and Fixed Asset Additions 2022 Budget & Projection and 2023 Budget						
STATUTORY						
	2022	2022	Variance	2023	Variance	% Inc
	Budget	Projection	v 2022 Budget	Budget	v 2022 Budget	2023
			Over(Under)		Over(Under)	Over
						2022
Funding						
NERC Funding						
NERC Assessments	\$ 78,387,280	\$ 78,387,280	\$ -	\$ 87,286,953	\$ 8,899,673	
Penalties Released*	-	-	-	1,000,000	1,000,000	
Total NERC Funding	\$ 78,387,280	\$ 78,387,282	\$ 2	\$ 88,286,953	\$ 9,899,673	12.6%
Third-Party Funding (CRISP)	\$ 7,928,423	\$ 8,538,106	\$ 609,683	\$ 9,479,972	\$ 1,551,549	
Testing, Renewal, & Continuing Ed Fees	1,756,723	1,732,452	(24,271)	1,781,775	25,052	
Services & Software	60,000	60,000	-	60,000	-	
Miscellaneous	60,000	60,000	-	60,000	-	
Interest & Investment Income	76,500	30,000	(46,500)	76,500	-	
Total Funding (A)	\$ 88,268,926	\$ 88,807,840	\$ 538,914	\$ 99,745,200	\$ 11,476,274	13.0%
Expenses						
Personnel Expenses						
Salaries	\$ 39,557,528	\$ 39,684,470	\$ 126,943	\$ 44,250,356	\$ 4,692,828	
Payroll Taxes	2,310,836	2,277,286	(33,550)	2,513,603	202,767	
Benefits	6,038,487	5,924,211	(114,276)	6,624,553	586,066	
Retirement Costs	4,059,585	3,950,861	(108,724)	4,629,894	570,309	
Total Personnel Expenses	\$ 51,966,435	\$ 51,836,828	\$ (129,607)	\$ 58,018,406	\$ 6,051,971	11.6%
Meeting & Travel Expenses						
Meetings & Conference Calls	\$ 1,132,550	\$ 964,150	\$ (168,400)	\$ 1,257,650	\$ 125,100	
Travel	1,475,500	1,210,400	(265,100)	1,853,900	378,400	
Total Meeting & Travel Expenses	\$ 2,608,050	\$ 2,174,550	\$ (433,500)	\$ 3,111,550	\$ 503,500	19.3%
Operating Expenses, excluding Depreciation						
Contractors & Consultants	\$ 13,674,800	\$ 14,963,161	\$ 1,288,361	\$ 16,786,610	\$ 3,111,810	
Office Rent	3,243,277	3,191,370	(51,907)	3,022,266	(221,011)	
Office Costs	10,749,222	10,962,139	212,917	12,355,807	1,606,585	
Professional Services	2,488,100	2,918,961	430,861	3,290,596	802,496	
Miscellaneous	144,650	145,148	498	208,783	64,133	
Total Operating Expenses, excluding Depreciation	\$ 30,300,049	\$ 32,180,780	\$ 1,880,731	\$ 35,664,062	\$ 5,364,013	17.7%
Total Direct Expenses	\$ 84,874,534	\$ 86,192,158	\$ 1,317,624	\$ 96,794,018	\$ 11,919,484	14.0%
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ 135,000	\$ 117,428	\$ (17,572)	\$ 276,000	\$ 141,000	104.4%
Total Expenses (B)	\$ 85,009,534	\$ 86,309,586	\$ 1,300,052	\$ 97,070,018	\$ 12,060,484	14.2%
Change in Net Assets (=A-B)	\$ 3,259,392	\$ 2,498,254	\$ (761,138)	\$ 2,675,182	\$ (584,210)	
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 4,918,750	\$ 4,169,750	\$ (749,000)	\$ 6,549,000	\$ 1,630,250	33.1%
Financing Activity						
Loan or Financing Lease - Borrowing (-)	(2,100,000)	(2,100,000)	-	(4,130,000)	(2,030,000)	
Loan or Financing Lease - Principal Payments (+)	1,000,000	925,068	(74,930)	1,300,000	300,000	
Net Financing Activity (D)	\$ (1,100,000)	\$ (1,174,932)	\$ (74,932)	\$ (2,830,000)	\$ (1,730,000)	157.3%
Total Budget (=B+C+D)	\$ 88,828,284	\$ 89,304,404	\$ 476,120	\$ 100,789,018	\$ 11,960,734	13.5%
Change in Working Capital (=A-B-C-D)	\$ (559,358)	\$ (496,564)	\$ 62,794	\$ (1,043,818)	\$ (484,460)	
FTEs	223.72	217.48	(6.24)	236.88	13.16	5.9%

*Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve to offset U.S. assessments as approved by the NERC Board and FERC. Actual penalties invoiced in the current reporting year are shown as an increase to the Assessment Stabilization Reserve on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Reliability Standards and Power Risk Issue Strategic Management

Reliability Standards and Power Risk Issue Strategic Management (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	19.74	19.74	0.00
Personnel Expenses	3,926,928	4,206,355	279,427
Direct Expenses	\$ 4,321,038	\$ 4,685,964	\$ 364,926
Indirect Expenses	4,916,148	5,578,476	662,329
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	508,567	496,464	(12,103)
Financing Activity	(204,119)	(426,521)	(222,402)
Total Budget	\$ 9,541,634	\$ 10,334,383	\$ 792,750

Purpose and Scope

Reliability Standards

The Reliability Standards program carries out the Electric Reliability Organization’s (ERO’s) statutory responsibility to develop, adopt, obtain approval of, and modify mandatory NERC Reliability Standards (both continent-wide and regional) to assure the Bulk Electric System (BES) is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the bulk power system (BPS). The purpose of the Reliability Standards department is to deliver high-quality risk-based Reliability Standards, facilitate continent-wide industry engagement, and support regulatory filings. The group focuses on a risk-based approach to its projects, including ensuring that Reliability Standards are clear, timely, consider costs, effective in mitigating material risks, and do not unnecessarily burden industry with administrative requirements and/or detract from reliability or security. More information on the [Reliability Standards](#) program is available on the NERC website.

Power Risk Issues Strategic Management

The overarching purpose of the Power Risk Issue Strategic Management (PRISM) group is to leverage in-house expertise on Reliability Standards and standards development to implement cross-cutting efforts among NERC functions and the standing and technical committees. This group develops, supports, and prioritizes the ERO Risk Registry, and gauges responses to address reliability risks and work toward monitoring risk mitigation. This group also provides in-house training on Reliability Standards to effectuate a consistent view of their meaning, purpose, and relationship with the various work products of the committees and subcommittees. The PRISM group also conducts statistical analysis around the results of standards to identify potential weaknesses, redundancies, and overall necessity.

2023–2025 Areas of Focus

Key areas of focus for the Reliability Standards program include:

- Developing a more nimble stakeholder-owned process for Reliability Standards development
- Addressing cyber security risks by continuing to enhance cyber security Reliability Standards

- Integrating and updating standards to address new risks such as inverters, distributed energy resources (DER), energy management, and fuel management
- Addressing Federal Energy Regulatory Commission (FERC) directives and responding to FERC orders or special reports

Key areas of focus for PRISM include:

- Analyzing data on the BPS to review generator data for trends, particularly to identify patterns for inverter-based resources that could affect system performance and reliability
- Continuing the efforts of the Energy Reliability Assessment Task Force (ERATF) to address additional items that could impact energy constrained resources.
- Supporting the Reliability Issues Steering Committee (RISC) to implement a new risk prioritization method, hold the Leadership Summits, and release the ERO Reliability Risk Priorities reports
- Revising and enhancing the ERO Risk Registry
- Maintaining technical support for Reliability Standards by advising on new and existing projects
- Owning the Reliability Risk Framework and any necessary updates

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors and Consultants budget includes support for the Standard Balloting System (SBS) application and engineering expertise.

2023 Technology Requirements

The Fixed Assets Additions budget includes funds to enhance PRISM’s tool for tracking and ensuring complete visibility to identified risks and related work plan efforts.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of that department’s budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Costs for Reliability Standards and PRISM is due the overall increase in costs for the Administrative Programs.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) from the Administrative Programs.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Reliability Standards and Power Risk Issue Strategic Management					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 9,530,739	\$ 9,530,739	\$ -	\$ 10,323,791	\$ 793,053
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 9,530,739	\$ 9,530,739	\$ -	\$ 10,323,791	\$ 793,053
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	10,895	3,673	(7,222)	10,592	(303)
Total Funding (A)	\$ 9,541,634	\$ 9,534,412	\$ (7,222)	\$ 10,334,383	\$ 792,750
Expenses					
Personnel Expenses					
Salaries	\$ 2,951,243	\$ 3,001,995	\$ 50,752	\$ 3,144,776	\$ 193,534
Payroll Taxes	183,584	178,827	(4,757)	200,354	16,770
Benefits	467,848	460,509	(7,339)	509,360	41,512
Retirement Costs	324,253	318,210	(6,043)	351,865	27,612
Total Personnel Expenses	\$ 3,926,928	\$ 3,959,541	\$ 32,613	\$ 4,206,355	\$ 279,427
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 65,000	\$ 52,000	\$ (13,000)	\$ 75,000	\$ 10,000
Travel	115,000	92,000	(23,000)	150,000	35,000
Total Meetings & Travel Expenses	\$ 180,000	\$ 144,000	\$ (36,000)	\$ 225,000	\$ 45,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 158,960	\$ 158,960	\$ -	\$ 202,739	\$ 43,779
Office Rent	-	-	-	-	-
Office Costs	52,850	58,890	6,040	49,170	(3,680)
Professional Services	-	-	-	-	-
Miscellaneous	2,300	2,300	-	2,700	400
Total Operating Expenses, excluding Depreciation	\$ 214,110	\$ 220,150	\$ 6,040	\$ 254,609	\$ 40,499
Total Direct Expenses	\$ 4,321,038	\$ 4,323,691	\$ 2,653	\$ 4,685,964	\$ 364,926
Indirect Expenses	\$ 4,916,148	\$ 5,051,436	\$ 135,289	\$ 5,578,476	\$ 662,329
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,237,186	\$ 9,375,127	\$ 137,942	\$ 10,264,440	\$ 1,027,255
Change in Net Assets (=A-B)	\$ 304,448	\$ 159,285	\$ (145,164)	\$ 69,943	\$ (234,505)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 508,567	\$ 400,667	\$ (107,900)	\$ 496,464	\$ (12,103)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (290,610)	\$ (292,661)	\$ (2,051)	\$ (549,620)	\$ (259,010)
Loan or Financing Lease - Principal Payments (+)	86,491	74,559	(11,932)	123,099	36,608
Net Financing Activity (D)	\$ (204,119)	\$ (218,102)	\$ (13,983)	\$ (426,521)	\$ (222,402)
Total Budget (=B+C+D)	\$ 9,541,634	\$ 9,557,692	\$ 16,058	\$ 10,334,383	\$ 792,750
Change in Working Capital (=A-B-C-D)	\$ -	\$ (23,280)	\$ (23,280)	\$ -	\$ -
FTEs	19.74	19.37	(0.37)	19.74	0.00

Compliance Assurance and Organization Registration and Certification

Compliance Assurance and Organization Registration and Certification (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	21.62	22.56	0.94
Direct Expenses	\$ 6,492,428	\$ 6,932,394	\$ 439,966
Indirect Expenses	5,384,352	6,375,401	991,049
Other Non-Operating Expenses	27,500	27,500	-
Fixed Asset Additions	817,002	935,423	118,421
Financing Activity	(36,058)	(299,952)	(263,894)
Total Budget	\$ 12,685,223	\$ 13,970,766	\$ 1,285,543

Purpose and Scope

Compliance Assurance

NERC's Compliance Assurance group works collaboratively with the Regional Entities to ensure effective implementation of risk-based compliance monitoring under the Compliance Monitoring and Enforcement Program (CMEP) across the ERO Enterprise. This program ensures that Regional Entities monitor registered entities for compliance according to their own facts and circumstances, including the entity's inherent risks, evaluation of controls to mitigate inherent risks, and other factors, such as risk elements and entity performance. The risk-based compliance monitoring approach also allows for the appropriate allocation of resources to issues that pose a higher level of risk to the reliability of the bulk power system (BPS). More information on the [Compliance Assurance](#) program is available on the NERC website.

Organization Registration and Organization Certification

Organization Registration (Registration) identifies and registers BPS users, owners, and operators that are responsible for performing specified reliability functions to which requirements of mandatory Reliability Standards are applicable. Organization Certification (Certification) ensures that an applicant to be a Reliability Coordinator (RC), Balancing Authority (BA), or Transmission Operator (TOP) has the tools, processes, training, and procedures to demonstrate its ability to meet the requirements of all the Reliability Standards applicable to the functions for which it is applying, thereby demonstrating the ability to become certified and then operational. The decision to certify changes to an already operating and certified RC, BA, or TOP is a collaborative decision between the affected Regional Entities and NERC. More information on the [Organization Registration and Certification](#) program is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for the Compliance Assurance, Registration, and Certification programs include:

- Develop and implement a plan to address facility ratings and demonstrate the importance of implementing strong internal controls
- Evaluate supply chain effectiveness and provide and analyze quarterly metrics on compliance data to inform emerging risks and Registration activities
- Enhance outreach to stakeholder/policy organizations and leverage the work of others
- Work to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensure meaningful oversight activities; and continue efforts to streamline risk-based CMEP activities

2023 Resource Requirements

The increase of 0.94 full-time equivalents (FTEs) from the 2022 budget to the 2023 budget is for increased critical infrastructure protection (CIP) audit support and expertise. The Contractors & Consultants budget includes an annual security standard certification for the ERO SEL,¹¹ support for the Bulk Electric System (BES) notification and exception system tool, and process documentation support.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support primarily for Align and the ERO SEL, as well as a tool to manage Coordinated Functional Registration and Joint Registration Organizations. The Fixed Assets Additions budget includes expenditures for enhancements to Align, the ERO SEL, and the Centralized Registration ERO System (CORES). The Fixed Asset Additions budget also includes a share of costs for Organization Registration related to efforts to re-platform data management applications to create better integration of collection efforts and analysis for the ERO Enterprise.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the increase in FTEs explained above and merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The decrease in Contractors & Consultants expenses is related to the completion of Regional Entity CMEP audits in 2022.

Office Costs

The increase in Office Costs is primarily related to the software licenses and support expenses discussed in the Technology Requirements above.

Indirect Costs

Costs incurred for the Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of that department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Costs for Compliance Assurance and Registration and Certification is due to (1) the increase in FTEs discussed above and (2) the overall increase in costs for the Administrative Programs.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the enhancements to Registration systems discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) from the Administrative Programs.

¹¹ Any budgeted expenditures for Align or the ERO SEL are split evenly between the Compliance Assurance and Compliance Enforcement program area budgets.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Compliance Assurance and Organization Registration and Certification					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 12,673,290	\$ 12,673,290	\$ -	\$ 13,958,661	\$ 1,285,370
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 12,673,290	\$ 12,673,290	\$ -	\$ 13,958,661	\$ 1,285,370
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	11,933	4,096	(7,837)	12,105	172
Total Funding (A)	\$ 12,685,223	\$ 12,677,386	\$ (7,837)	\$ 13,970,766	\$ 1,285,543
Expenses					
Personnel Expenses					
Salaries	\$ 3,759,888	\$ 3,874,821	\$ 114,933	\$ 4,179,061	\$ 419,172
Payroll Taxes	224,943	215,730	(9,214)	245,841	20,897
Benefits	761,083	712,682	(48,401)	787,967	26,884
Retirement Costs	416,398	402,390	(14,008)	467,379	50,982
Total Personnel Expenses	\$ 5,162,312	\$ 5,205,622	\$ 43,311	\$ 5,680,248	\$ 517,936
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 82,000	\$ 65,600	\$ (16,400)	\$ 92,000	\$ 10,000
Travel	251,000	200,800	(50,200)	270,000	19,000
Total Meetings & Travel Expenses	\$ 333,000	\$ 266,400	\$ (66,600)	\$ 362,000	\$ 29,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 345,000	\$ 345,000	\$ -	\$ 140,800	\$ (204,200)
Office Rent	-	-	-	-	-
Office Costs	648,866	652,366	3,500	746,196	97,330
Professional Services	-	-	-	-	-
Miscellaneous	3,250	3,250	-	3,150	(100)
Total Operating Expenses, excluding Depreciation	\$ 997,116	\$ 1,000,616	\$ 3,500	\$ 890,146	\$ (106,970)
Total Direct Expenses	\$ 6,492,428	\$ 6,472,638	\$ (19,789)	\$ 6,932,394	\$ 439,966
Indirect Expenses	\$ 5,384,352	\$ 5,632,992	\$ 248,640	\$ 6,375,401	\$ 991,049
Other Non-Operating Expenses	\$ 27,500	\$ 22,288	\$ (5,212)	\$ 27,500	\$ -
Total Expenses (B)	\$ 11,904,280	\$ 12,127,918	\$ 223,639	\$ 13,335,295	\$ 1,431,015
Change in Net Assets (=A-B)	\$ 780,943	\$ 549,467	\$ (231,476)	\$ 635,471	\$ (145,473)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 817,002	\$ 844,295	\$ 27,293	\$ 935,423	\$ 118,421
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (318,287)	\$ (326,355)	\$ (8,068)	\$ (628,137)	\$ (309,850)
Loan or Financing Lease - Principal Payments (+)	282,228	278,177	(4,051)	328,184	45,956
Net Financing Activity (D)	\$ (36,058)	\$ (48,178)	\$ (12,120)	\$ (299,952)	\$ (263,894)
Total Budget (=B+C+D)	\$ 12,685,223	\$ 12,924,035	\$ 238,812	\$ 13,970,766	\$ 1,285,543
Change in Working Capital (=A-B-C-D)	\$ -	\$ (246,650)	\$ (246,650)	\$ -	\$ -
FTEs	21.62	21.60	(0.02)	22.56	0.94

Compliance Enforcement

Compliance Enforcement (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	12.22	12.22	0.00
Direct Expenses	\$ 3,317,700	\$ 3,320,053	\$ 2,353
Indirect Expenses	3,043,329	3,453,342	410,013
Other Non-Operating Expenses	27,500	27,500	-
Fixed Asset Additions	564,827	532,573	(32,254)
Financing Activity	61,141	(76,537)	(137,678)
Total Budget	\$ 7,014,497	\$ 7,256,931	\$ 242,434

Purpose and Scope

The Compliance Enforcement program is responsible for overseeing enforcement processes, the application of penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. The Compliance Enforcement group works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based Compliance Monitoring and Enforcement Program (CMEP). The group focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to the reliability of the bulk power system (BPS). More information on the [Compliance Enforcement](#) program is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for the Compliance Enforcement programs include:

- Continue efforts to align risk determinations and using a risk-based approach to processing noncompliance.
- Evaluate supply chain effectiveness and provide and analyze quarterly metrics on enforcement data to inform emerging risks
- Enhance outreach to stakeholder/policy organizations and leverage the work of others
- Work to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensure meaningful oversight activities; and continue efforts to streamline risk-based CMEP activities

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes the annual security standard certification for the ERO SEL¹² and staff training facilitation.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support primarily for Align and the ERO SEL. The Fixed Assets Additions budget includes expenditures for enhancements to Align and the ERO SEL.

¹² Any budgeted expenditures for Align or the ERO SEL are split evenly between the Compliance Assurance and Compliance Enforcement program area budgets.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The decrease in Contractors & Consultants expenses related to the completion of Regional Entity CMEP audits in 2022.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of that department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Costs for Compliance Enforcement is due to the overall increase in costs for the Administrative Programs.

Fixed Asset Additions

The decrease in Fixed Asset Additions is due to the allocation of fixed asset expenditures from the Administrative Programs.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) from the Administrative Programs.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Compliance Enforcement					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 7,007,753	\$ 7,007,753	\$ -	\$ 7,250,375	\$ 242,622
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 7,007,753	\$ 7,007,753	\$ -	\$ 7,250,375	\$ 242,622
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	6,744	2,190	(4,554)	6,557	(188)
Total Funding (A)	\$ 7,014,497	\$ 7,009,943	\$ (4,554)	\$ 7,256,931	\$ 242,434
Expenses					
Personnel Expenses					
Salaries	\$ 1,838,076	\$ 1,724,953	\$ (113,123)	\$ 1,950,093	\$ 112,017
Payroll Taxes	122,697	107,701	(14,996)	126,000	3,303
Benefits	210,112	193,484	(16,628)	230,201	20,089
Retirement Costs	204,099	185,032	(19,067)	216,063	11,964
Total Personnel Expenses	\$ 2,374,984	\$ 2,211,170	\$ (163,814)	\$ 2,522,357	\$ 147,373
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 7,000	\$ 5,600	\$ (1,400)	\$ 6,500	\$ (500)
Travel	30,000	24,000	(6,000)	54,000	24,000
Total Meetings & Travel Expenses	\$ 37,000	\$ 29,600	\$ (7,400)	\$ 60,500	\$ 23,500
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 249,000	\$ 249,000	\$ -	\$ 69,000	\$ (180,000)
Office Rent	-	-	-	-	-
Office Costs	639,816	639,816	-	651,396	11,580
Professional Services	15,000	15,000	-	15,000	-
Miscellaneous	1,900	1,900	-	1,800	(100)
Total Operating Expenses, excluding Depreciation	\$ 905,716	\$ 905,716	\$ -	\$ 737,196	\$ (168,520)
Total Direct Expenses	\$ 3,317,700	\$ 3,146,486	\$ (171,214)	\$ 3,320,053	\$ 2,353
Indirect Expenses	\$ 3,043,329	\$ 3,012,086	\$ (31,243)	\$ 3,453,342	\$ 410,013
Other Non-Operating Expenses	\$ 27,500	\$ 22,288	\$ (5,210)	\$ 27,500	\$ -
Total Expenses (B)	\$ 6,388,529	\$ 6,180,860	\$ (207,669)	\$ 6,800,895	\$ 412,366
Change in Net Assets (=A-B)	\$ 625,968	\$ 829,083	\$ 203,115	\$ 456,036	\$ (169,932)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 564,827	\$ 626,411	\$ 61,584	\$ 532,573	\$ (32,254)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (179,901)	\$ (174,509)	\$ 5,392	\$ (340,241)	\$ (160,340)
Loan or Financing Lease - Principal Payments (+)	241,042	239,492	(1,550)	263,704	22,662
Net Financing Activity (D)	\$ 61,141	\$ 64,983	\$ 3,842	\$ (76,537)	\$ (137,678)
Total Budget (=B+C+D)	\$ 7,014,497	\$ 6,872,254	\$ (142,243)	\$ 7,256,931	\$ 242,434
Change in Working Capital (=A-B-C-D)	\$ -	\$ 137,689	\$ 137,689	\$ -	\$ -
FTEs	12.22	11.55	(0.67)	12.22	0.00

Reliability Assessments and Performance Analysis

The Reliability Assessments and Performance Analysis (RAPA) program identifies, prioritizes, and enables activities to reduce known and emerging risks to the bulk power system (BPS). Four primary groups at NERC are focused on this program: (1) Reliability Assessments and Technical Committee; (2) Performance Analysis; (3) Advanced System Analytics and Modeling; and (4) BPS Security and Grid Transformation.

Reliability Assessments and Performance Analysis (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	26.32	29.14	2.82
Direct Expenses	\$ 7,486,899	\$ 8,870,659	\$ 1,383,760
Indirect Expenses	6,554,863	8,234,893	1,680,030
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	1,153,089	1,661,328	508,239
Financing Activity	(272,158)	(629,626)	(357,468)
Total Budget	\$ 14,922,693	\$ 18,137,254	\$ 3,214,561

Purpose and Scope

Reliability Assessments and Technical Committee

The Reliability Assessments and Technical Committee group includes Reliability Assessment staff as well as the NERC staff secretaries of the Reliability and Security Technical Committee (RSTC). Reliability Assessment staff carry out the ERO's statutory responsibility to conduct assessments of the overall reliability and adequacy of BPS and associated emerging reliability risks that could impact the short, mid, and long-term planning horizons, as well as other reliability issues requiring in-depth analysis. Reliability Assessment activities directly address the risk priorities established by the Reliability Issues Steering Committee (RISC), and the group relies on its own engineering and analysis expertise as well as Regional Entity and stakeholder resources. The RSTC and its subgroups provide the oversight, guidance, and leadership essential to enhancing BPS reliability by addressing areas of strategic focus efficiently and comprehensively, and ensuring technical accuracy. More information on the [Reliability Assessment](#) program and the [RSTC](#) is available on the NERC website.

Performance Analysis

The Performance Analysis group monitors the performance of and identifies risks to BPS reliability through analyzing industry data and measuring historic trends. Analysis performed includes identifying potential risks of concern related to system, equipment, entity, and organizational performance that may indicate a need to develop (1) improvements to reporting applications, and (2) new data collection or analysis tools, or to create, revise, or retire reporting areas. Performance Analysis staff leads the ERO, technical committee, and stakeholder process to publish the *State of Reliability* (SOR) report examining the year-over-year performance indicators of the grid. The program also develops the business requirements for all new reliability information data systems, specifically those required by NERC Rules of Procedure Section 1600 Data Requests. More information on the [Performance Analysis](#) program is available on the NERC website.

Advanced System Analytics and Modeling

Advanced System Analytics and Modeling (ASAM) staff provide technical leadership and support in the areas of resource and demand balancing and system analysis and modeling, including technical support for the NERC balancing (BAL) and modeling (MOD) Reliability Standards. ASAM staff also provide support for the development and improvement of long-term, sustainable interconnection-based power flow, dynamic, and load models that exhibit the accuracy and fidelity necessary to reflect actual Bulk Electric System (BES) reliability performance and dynamic conditions. ASAM further provides advanced statistical analysis functions to support: (1) the SOR report and reliability assessments; (2) the Frequency Response Annual Analysis (FRAA) report to the Federal Energy Regulatory Commission (FERC); (3) analytical review of Reliability Standard effectiveness; and (4) various reports on an emergent basis.

BPS Security and Grid Transformation

The BPS Security and Grid Transformation department is responsible for driving key reliability and security initiatives working with internal and external stakeholders. Primary areas of focus include better integrating security concepts with conventional engineering activities as well as enabling new technologies in a reliable and secure manner. The group is responsible for key ERO work priorities, including inverter-based resource and distributed energy resource (DER) initiatives across the ERO Enterprise, and promoting concepts of cyber panning and grid transformation issues. The group coordinates a significant number of NERC's technical stakeholder groups under the RSTC, supports the standards development process on engineering and security-related topics, provides technical expertise across the ERO Enterprise, and coordinates with the Electricity Information Sharing and Analysis Center (E-ISAC) on cross-departmental topics related to security risks.

The groups described above work collaboratively with NERC stakeholders, particularly through the RSTC, to create a reliability strategy that is relevant, timely, and effective to address the most important reliability risks. Further, these groups work closely with other organizations to collaborate, coordinate, and leverage expertise, including but not limited to the Department of Energy (DOE), Electric Power Research Institute (EPRI), Institute of Electrical and Electronics Engineers (IEEE), Institute of Nuclear Power Operations (INPO), North American Transmission Forum (NATF), North American Generator Forum (NAGF), Carnegie Mellon Industry Center (CEIC), Power Systems Energy Research Center (PSERC), Interstate Natural Gas Association of America (INGAA), Natural Gas Supply Association (NGSA), Canadian Electricity Association (CEA), and International Council on Large Electric Systems (CIGRÉ).

2023–2025 Areas of Focus

Key areas of focus for RAPA include:

- Ensuring the reliable and secure integration of BPS-connected inverter-based resources and DER, including the analysis of grid disturbances, development of technical guidance and educational materials, and collaborating with industry to ensure the Reliability Standards adequately address emerging risks in this area
- Increasing understanding of impacts that the changing resource mix has on BPS reliability by collecting plant, event, connected energy storage, and performance data for photovoltaic and wind generation, combined with enhanced design data and event reporting for conventional generation
- Enhancing reliability assessments to include assessments of energy availability and expanded probabilistic methods that can identify risks of energy shortfall for all assessment areas in long-term and seasonal time horizons
- Leveraging RAPA processes, tools, and products to improve BES resilience for wide-spread long-term extreme temperature events

2023 Resource Requirements

The increase of 2.82 full-time equivalents (FTEs) from the 2022 budget to the 2023 budget is related to increased support for probabilistic assessments and incorporation of cyber analysis into system planning and development of new cyber design techniques. The Contractors & Consultants budget includes support for (1) related applications and databases; (2) analyses for energy risk and emerging technology; (3) the electromagnetic pulse (EMP) taskforce and geomagnetic disturbance (GMD) research; and (4) studies and expertise related to grid transformation and security integration.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for various analytical tools and data collection and management systems, including the Generating Availability Data System (GADS), the Transmission Availability Data System (TADS), and Demand Response Availability Data System (DADS). The Fixed Assets Additions budget includes expenditures for enhancements to GADS, TADS, and the Reliability Assessment Data System (RADS), and development of data collection applications to include solar reporting as well as integrating energy storage with the solar and wind facilities. The Fixed Assets Additions budget also includes a share of costs related to efforts to re-platform data management applications to create better integration of collection efforts and analysis for the ERO Enterprise.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the increase in FTEs explained above and merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase for Contractors & Consultants expenses is due to additional support for studies and expertise for BPS Security and Grid Transformation activities.

Office Costs

The increase for Office Costs is primarily related to the software licenses and support expenses discussed in the Technology Requirements above, including support for new data collection systems and annual escalation for existing software agreements.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of that department's budgeted FTEs to total budgeted statutory FTEs. The increase for the RAPA program is due to (1) the increase in FTEs discussed above and (2) the overall increase in costs for the Administrative Programs.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the enhancements for RAPA database systems discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) from the Administrative Programs.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Reliability Assessments and Performance Analysis					
			Variance		Variance
	2022	2022	2022 Projection	2023	2023 Budget
	Budget	Projection	v 2022 Budget	Budget	v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 14,848,167	\$ 14,848,167	\$ -	\$ 18,061,619	\$ 3,213,452
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 14,848,167	\$ 14,848,167	\$ -	\$ 18,061,619	\$ 3,213,452
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	60,000	60,000	-	60,000	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	14,527	4,697	(9,830)	15,636	1,109
Total Funding (A)	\$ 14,922,693	\$ 14,912,864	\$ (9,829)	\$ 18,137,254	\$ 3,214,561
Expenses					
Personnel Expenses					
Salaries	\$ 4,377,751	\$ 4,314,335	\$ (63,416)	\$ 5,162,514	\$ 784,764
Payroll Taxes	272,752	258,715	(14,038)	307,570	34,818
Benefits	637,359	607,479	(29,880)	747,809	110,450
Retirement Costs	485,536	450,786	(34,750)	566,745	81,209
Total Personnel Expenses	\$ 5,773,397	\$ 5,631,314	\$ (142,083)	\$ 6,784,638	\$ 1,011,241
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 180,000	\$ 144,000	\$ (36,000)	\$ 219,750	\$ 39,750
Travel	207,000	165,600	(41,400)	244,400	37,400
Total Meetings & Travel Expenses	\$ 387,000	\$ 309,600	\$ (77,400)	\$ 464,150	\$ 77,150
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 681,227	\$ 778,547	\$ 97,320	\$ 876,654	\$ 195,427
Office Rent	-	-	-	-	-
Office Costs	640,675	644,675	4,000	740,217	99,542
Professional Services	-	-	-	-	-
Miscellaneous	4,600	4,600	-	5,000	400
Total Operating Expenses, excluding Depreciation	\$ 1,326,502	\$ 1,427,822	\$ 101,320	\$ 1,621,871	\$ 295,369
Total Direct Expenses	\$ 7,486,899	\$ 7,368,736	\$ (118,162)	\$ 8,870,659	\$ 1,383,760
Indirect Expenses	\$ 6,554,863	\$ 6,459,686	\$ (95,177)	\$ 8,234,893	\$ 1,680,030
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 14,041,762	\$ 13,828,422	\$ (213,340)	\$ 17,105,553	\$ 3,063,790
Change in Net Assets (=A-B)	\$ 880,931	\$ 1,084,441	\$ 203,510	\$ 1,031,702	\$ 150,771
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 1,153,089	\$ 763,366	\$ (389,723)	\$ 1,661,328	\$ 508,239
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (387,479)	\$ (374,250)	\$ 13,229	\$ (811,343)	\$ (423,864)
Loan or Financing Lease - Principal Payments (+)	115,321	95,345	(19,977)	181,717	66,396
Net Financing Activity (D)	\$ (272,158)	\$ (278,905)	\$ (6,747)	\$ (629,626)	\$ (357,468)
Total Budget (=B+C+D)	\$ 14,922,693	\$ 14,312,883	\$ (609,810)	\$ 18,137,254	\$ 3,214,561
Change in Working Capital (=A-B-C-D)	\$ -	\$ 599,981	\$ 599,981	\$ -	\$ -
FTEs	26.32	24.77	(1.55)	29.14	2.82

Situation Awareness

Situation Awareness (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	7.52	7.52	0.00
Direct Expenses	\$ 3,022,490	\$ 3,199,002	\$ 176,512
Indirect Expenses	1,872,818	2,125,134	252,316
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	301,240	1,139,891	838,651
Financing Activity	(77,759)	(162,484)	(84,725)
Total Budget	\$ 5,118,788	\$ 6,301,543	\$ 1,182,754

Purpose and Scope

NERC and the Regional Entities monitor bulk power system (BPS) conditions, significant occurrences, emerging risks, and threats across the 17 Reliability Coordinator regions in North America to maintain an understanding of conditions and situations that could impact reliable operation. NERC's BPS Awareness (BPSA) group also supports the development and publication of NERC Alerts and awareness products and facilitates information sharing among industry, the Regional Entities, and the government during crisis situations and major system disturbances. The process for understanding the potential threats or vulnerabilities to BPS reliability starts with understanding occurrences and events in the context in which they occur, and registered entities robustly share information and collaborate with the ERO to maintain and improve overall reliability. More information on the [BPSA](#) program is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for BPSA include:

- Enhancing situation awareness tools to increase agility and efficiency, as well as visibility and understanding of the reliability or availability of natural gas and its interdependency with electrical generation
- Collaborating across the ERO Enterprise and with stakeholders to mitigate emerging and known risk by using all available tools, including the NERC Alerts process to issue Advisory (Level 1) Alerts on significant and emerging reliability and security-related topics as needed, and to facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts
- Continue engaging with industry, the Electricity Information Sharing and Analysis Center (E-ISAC), government partners, and the ERO Enterprise on emerging risks to BPS reliability
- Engaging situation awareness subject-matter experts in support of the work of Reliability Standards, the E-ISAC, and the Reliability and Security Technical Committee (RSTC) to advance the security posture of the industry

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes support for a data historian application.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for various BPSA systems and tools related to wide-area view situation awareness, conditions monitoring, resource adequacy, inadvertent interchange, frequency monitoring, Reliability Coordinator information sharing, alerting, and data collection and analysis. The Fixed Assets Additions budget includes expenditures for replacements of Situation Awareness systems that are nearing end-of-life.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the merit and market adjustments discussed in the *Introduction and Executive Summary*.

Office Costs

The increase for Office Costs is primarily related to the software licenses and support expenses discussed in the Technology Requirements above, including support for new systems and annual escalation for existing software agreements.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of that department's budgeted FTEs to total budgeted statutory FTEs. The increase for the BPSA program is due to the overall increase in costs for the Administrative Programs.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the replacement of systems discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) from the Administrative Programs.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Situation Awareness					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 5,114,638	\$ 5,114,638	\$ -	\$ 6,297,508	\$ 1,182,870
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 5,114,638	\$ 5,114,638	\$ -	\$ 6,297,508	\$ 1,182,870
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	4,150	1,468	(2,683)	4,035	(115)
Total Funding (A)	\$ 5,118,788	\$ 5,116,106	\$ (2,683)	\$ 6,301,543	\$ 1,182,754
Expenses					
Personnel Expenses					
Salaries	\$ 1,227,161	\$ 1,260,568	\$ 33,407	\$ 1,282,278	\$ 55,117
Payroll Taxes	76,087	80,209	4,122	77,182	1,095
Benefits	258,757	255,940	(2,817)	271,648	12,891
Retirement Costs	134,973	136,423	1,450	139,292	4,320
Total Personnel Expenses	\$ 1,696,978	\$ 1,733,140	\$ 36,162	\$ 1,770,400	\$ 73,422
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 70,000	\$ 68,000	\$ (2,000)	\$ 70,000	\$ -
Travel	22,000	17,600	(4,400)	16,000	(6,000)
Total Meetings & Travel Expenses	\$ 92,000	\$ 85,600	\$ (6,400)	\$ 86,000	\$ (6,000)
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 15,000	\$ 15,000	\$ -	\$ 23,000	\$ 8,000
Office Rent	-	-	-	-	-
Office Costs	1,217,412	1,218,412	1,000	1,318,302	100,890
Professional Services	-	-	-	-	-
Miscellaneous	1,100	1,100	-	1,300	200
Total Operating Expenses, excluding Depreciation	\$ 1,233,512	\$ 1,234,512	\$ 1,000	\$ 1,342,602	\$ 109,090
Total Direct Expenses	\$ 3,022,490	\$ 3,053,252	\$ 30,762	\$ 3,199,002	\$ 176,512
Indirect Expenses	\$ 1,872,818	\$ 2,018,489	\$ 145,671	\$ 2,125,134	\$ 252,316
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 4,895,308	\$ 5,071,741	\$ 176,433	\$ 5,324,136	\$ 428,828
Change in Net Assets (=A-B)	\$ 223,480	\$ 44,365	\$ (179,115)	\$ 977,407	\$ 753,927
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 301,240	\$ 267,601	\$ (33,639)	\$ 1,139,891	\$ 838,651
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (110,708)	\$ (116,944)	\$ (6,236)	\$ (209,379)	\$ (98,671)
Loan or Financing Lease - Principal Payments (+)	32,949	29,793	(3,156)	46,895	13,946
Net Financing Activity (D)	\$ (77,759)	\$ (87,151)	\$ (9,392)	\$ (162,484)	\$ (84,725)
Total Budget (=B+C+D)	\$ 5,118,788	\$ 5,252,190	\$ 133,402	\$ 6,301,543	\$ 1,182,754
Change in Working Capital (=A-B-C-D)	\$ -	\$ (136,085)	\$ (136,085)	\$ -	\$ -
FTEs	7.52	7.74	0.22	7.52	0.00

Event Analysis

Event Analysis (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	6.58	6.58	0.00
Direct Expenses	\$ 2,018,854	\$ 2,130,315	\$ 111,461
Indirect Expenses	1,638,716	1,859,492	220,776
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	229,522	255,905	26,382
Financing Activity	(68,040)	(142,174)	(74,134)
Total Budget	\$ 3,819,053	\$ 4,103,538	\$ 284,486

Purpose and Scope

The Event Analysis program informs assessments of the reliability and adequacy of the Bulk Electric System (BES) through analysis of real-time operating events on the system. This includes identifying potential issues of concern related to system, equipment, entity, human error, and organizational performance that may indicate a need to (1) develop remediation and/or risk reduction strategies and action plans, (2) revise, retire, or consider new Reliability Standards, and (3) shape aggregate reliability assurance planning. The Event Analysis group analyzes reportable events to identify and understand lessons learned, sequence of events, root and contributing causes, risks to reliability, and potential mitigating actions. The group keeps the industry well informed of system events, emerging trends, event precursors, risk analysis, lessons learned, and recommended corrective and expected mitigation activities through various verbal and written communications/reports and cross-functional collaboration efforts. More information on the [Event Analysis](#) program is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for Event Analysis include:

- Enhancing event processing in support of developing a coherent system performance picture within the Rules of Procedure Section 800 system performance monitoring and reporting program
- Enhancing program data collection, organization, and manipulation capabilities
- Tuning alignment activities of cross-functional project collaboration through data analysis and disturbance reporting flexibility and agility
- Reinforcing fundamental practices and advocacy of enhanced reliability practices through joint reliability partnership activities with stakeholders and the ERO Enterprise

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes support for The Event Analysis Management System (TEAMS), human performance activities, and potential augmentation for event analysis review.

2023 Technology Requirements

The Fixed Assets Additions budget includes expenditures for TEAMS enhancements and a share of costs related to efforts to re-platform data management applications to create better integration of collection efforts and analysis for the ERO Enterprise.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the merit and market adjustments discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase in Contractors & Consultants expenses is due to additional support for human performance activities.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of that department's budgeted FTEs to total budgeted statutory FTEs. The increase for the Event Analysis program is due to the overall increase in costs for the Administrative Programs.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the enhancements for TEAMS and database platforms discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) from the Administrative Programs.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Event Analysis					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 3,815,421	\$ 3,815,421	\$ -	\$ 4,100,008	\$ 284,587
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 3,815,421	\$ 3,815,421	\$ -	\$ 4,100,008	\$ 284,587
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	3,632	1,286	(2,346)	3,531	(101)
Total Funding (A)	\$ 3,819,053	\$ 3,816,707	\$ (2,346)	\$ 4,103,538	\$ 284,486
Expenses					
Personnel Expenses					
Salaries	\$ 1,297,758	\$ 1,311,270	\$ 13,512	\$ 1,336,089	\$ 38,331
Payroll Taxes	73,630	77,975	4,345	72,312	(1,317)
Benefits	205,684	190,721	(14,963)	193,518	(12,167)
Retirement Costs	145,524	141,706	(3,818)	144,644	(880)
Total Personnel Expenses	\$ 1,722,596	\$ 1,721,672	\$ (924)	\$ 1,746,563	\$ 23,967
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 35,000	\$ 20,000	\$ (15,000)	\$ 25,000	\$ (10,000)
Travel	91,000	72,800	(18,200)	91,000	-
Total Meetings & Travel Expenses	\$ 126,000	\$ 92,800	\$ (33,200)	\$ 116,000	\$ (10,000)
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 118,158	\$ 118,158	\$ -	\$ 220,802	\$ 102,644
Office Rent	-	-	-	-	-
Office Costs	50,500	50,500	-	45,750	(4,750)
Professional Services	-	-	-	-	-
Miscellaneous	1,600	1,600	-	1,200	(400)
Total Operating Expenses, excluding Depreciation	\$ 170,258	\$ 170,258	\$ -	\$ 267,752	\$ 97,494
Total Direct Expenses	\$ 2,018,854	\$ 1,984,730	\$ (34,124)	\$ 2,130,315	\$ 111,461
Indirect Expenses	\$ 1,638,716	\$ 1,768,134	\$ 129,418	\$ 1,859,492	\$ 220,776
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 3,657,570	\$ 3,752,863	\$ 95,294	\$ 3,989,807	\$ 332,237
Change in Net Assets (=A-B)	\$ 161,483	\$ 63,843	\$ (97,640)	\$ 113,731	\$ (47,752)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 229,522	\$ 200,244	\$ (29,278)	\$ 255,905	\$ 26,382
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (96,870)	\$ (102,439)	\$ (5,569)	\$ (183,207)	\$ (86,337)
Loan or Financing Lease - Principal Payments (+)	28,830	26,098	(2,733)	41,033	12,203
Net Financing Activity (D)	\$ (68,040)	\$ (76,341)	\$ (8,302)	\$ (142,174)	\$ (74,134)
Total Budget (=B+C+D)	\$ 3,819,053	\$ 3,876,766	\$ 57,713	\$ 4,103,538	\$ 284,486
Change in Working Capital (=A-B-C-D)	\$ -	\$ (60,059)	\$ (60,059)	\$ -	\$ -
FTEs	6.58	6.78	0.20	6.58	0.00

Electricity Information Sharing and Analysis Center

E-ISAC (including CRISP) (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	43.95	45.87	1.93
Direct Expenses	\$ 21,134,114	\$ 24,395,579	\$ 3,261,464
Indirect Expenses	10,944,281	12,963,316	2,019,035
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	1,223,416	1,368,735	145,319
Financing Activity	(454,407)	(991,153)	(536,746)
Total Budget	\$ 32,847,405	\$ 37,736,476	\$ 4,889,072

Purpose and Scope

The Electricity Information Sharing and Analysis Center (E-ISAC) provides its members and partners with resources to prepare for and reduce cyber and physical security threats to the North American electricity industry. The E-ISAC offers products and services that give timely, relevant, and actionable situational awareness and analysis to asset owners and operators as well as cross-sector and government partners. In 2017, the E-ISAC developed a long-term strategic plan to better define its mission and focus its resources. The central underpinning of the plan is for the E-ISAC to focus on providing timely and actionable information to industry regarding cyber and physical security threats and mitigation strategies. The strategic plan also recognizes the critical interdependencies between the E-ISAC, industry, U.S. and Canadian government agencies, and other stakeholders. In 2020, the strategic plan was validated in terms of the primary focus areas. More information on [E-ISAC](#) is available on the NERC website.

The E-ISAC also oversees the Cybersecurity Risk Information Sharing Program (CRISP), a unique public-private initiative among the E-ISAC, the North American electric utility industry, the Department of Energy (DOE), and the U.S. Intelligence Community that delivers real-time, relevant, and actionable cyber security risk information to all E-ISAC member electricity asset owners and operators, including those from Canada and Mexico. Using passive information sharing devices (ISDs) on participant networks outside boundary firewalls, participant data is collected and then matched against known threat signatures—classified and unclassified—to identify potential threats and provide participants with recommended mitigation steps. The Pacific Northwest National Laboratory (PNNL), is the primary subcontractor to NERC for the deployment of the required technology, supporting infrastructure, analysis, and technical capabilities for CRISP. PNNL is a U.S. DOE National Laboratory, operated by Battelle with oversight by the DOE.

The CRISP budget includes two major categories of expense: (1) costs funded fully by CRISP participants (participant-paid-only costs), which include the contract with PNNL, an annual security review, and any programs agreed to be funded exclusively by CRISP participants; and (2) operational and administrative program costs, which are funded 50% by participants and 50% by NERC assessments. These operational and administrative expenses include dedicated personnel for CRISP program management and administration, as well as time allocated from E-ISAC staff for data analysis. The participant-paid-only costs make up the majority of the CRISP budget, particularly the PNNL contract. These participant-paid-only costs as well as 50% of the CRISP operational and administrative expenses are shown on the “Third-Party Funding” line of the “CRISP Only” Statement of Activities and Fixed Asset Additions report below. Funding for the remaining 50% of CRISP operational and administrative costs (less additional funding from interest and investment income) is shown on the “NERC Assessments” line.

2023–2025 Areas of Focus

Key areas of focus for E-ISAC include:

- Reviewing and curating intelligence applicable to the electricity sector
- Conducting threat hunts for malicious software on Information Technology (IT) and Operational Technology (OT) sensor platforms
- Expanding CRISP participation and technology modernization
- Expanding membership and strategic relationships, including further collaboration with the natural gas sector, enhanced membership engagement, and establishing a vendor affiliate program

2023 Resource Requirements

The increase of 1.93 full-time equivalents (FTEs) from the 2022 budget to the 2023 budget is for increased analytical capabilities and leveraging of threat intelligence, support for key industry priorities, including OT and natural gas partnerships, and CRISP enhancement and expansion. The Contractors & Consultants budget includes expenses for security consulting, technology support, strategic partnerships, GridEx support, and Watch Officer contractors. This budget also includes the CRISP contract with PNNL, annual security review, and OT program support; these expenses make up \$7.0M of the total Contractors & Consultants budget and are funded fully by CRISP participants.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for data analysis and cyber and intelligence tools, GridEx activities, critical broadcast capability, customer relationship management (CRM) technology, the E-ISAC Portal, and various software needs to support CRISP. The Fixed Asset Additions budget also includes expenditures for enhancements to the E-ISAC Portal and the implementation of automated information sharing.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the increase in FTEs explained above and merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase in Contractors & Consultants expenses is primarily related to the CRISP PNNL contract for to increased operational costs and market pressures on insurance, additional security consulting, and support for GridEx (GridEx is held every other year, with 2023 being a GridEx “on” year).

Office Costs

The increase in Office Costs is primarily related to annual escalation assumptions for software licenses and support expenses discussed in the Technology Requirements above.

Professional Services

The increase in Professional Services is due to market pressures for liability insurance required for CRISP.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of that department’s budgeted FTEs to total budgeted statutory FTEs. The increase for Indirect Costs in E-ISAC is due to (1) the increase in FTEs discussed above and (2) the overall increase in costs for the Administrative Programs.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the system enhancements and technology initiatives discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) from the Administrative Programs.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
E-ISAC (including CRISP)					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 25,135,900	\$ 25,135,900	\$ -	\$ 28,173,968	\$ 3,038,068
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 25,135,900	\$ 25,135,900	\$ -	\$ 28,173,968	\$ 3,038,068
Third-Party Funding	\$ 7,928,423	\$ 8,538,106	\$ 609,683	\$ 9,479,972	\$ 1,551,549
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	60,000	60,000	-	60,000	-
Interest & Investment Income	23,082	10,224	(12,858)	22,537	(545)
Total Funding (A)	\$ 33,147,405	\$ 33,744,230	\$ 596,826	\$ 37,736,476	\$ 4,589,072
Expenses					
Personnel Expenses					
Salaries	\$ 8,011,321	\$ 7,785,014	\$ (226,306)	\$ 8,634,606	\$ 623,285
Payroll Taxes	480,111	475,076	(5,035)	503,699	23,588
Benefits	1,069,032	1,035,261	(33,771)	1,168,786	99,754
Retirement Costs	869,944	822,882	(47,063)	930,186	60,242
Total Personnel Expenses	\$ 10,430,408	\$ 10,118,233	\$ (312,175)	\$ 11,237,278	\$ 806,869
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 102,000	\$ 91,600	\$ (10,400)	\$ 140,000	\$ 38,000
Travel	222,000	177,600	(44,400)	246,000	24,000
Total Meetings & Travel Expenses	\$ 324,000	\$ 269,200	\$ (54,800)	\$ 386,000	\$ 62,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 8,325,861	\$ 9,118,706	\$ 792,845	\$ 9,910,355	\$ 1,584,494
Office Rent	-	-	-	-	-
Office Costs	1,854,095	1,895,595	41,500	2,002,096	148,001
Professional Services	190,000	515,037	325,037	850,000	660,000
Miscellaneous	9,750	9,750	-	9,850	100
Total Operating Expenses, excluding Depreciation	\$ 10,379,706	\$ 11,539,088	\$ 1,159,382	\$ 12,772,301	\$ 2,392,595
Total Direct Expenses	\$ 21,134,114	\$ 21,926,521	\$ 792,407	\$ 24,395,579	\$ 3,261,464
Indirect Expenses	\$ 10,944,281	\$ 11,041,708	\$ 97,427	\$ 12,963,316	\$ 2,019,035
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 32,078,395	\$ 32,968,229	\$ 889,834	\$ 37,358,895	\$ 5,280,500
Change in Net Assets (=A-B)	\$ 1,069,009	\$ 776,001	\$ (293,009)	\$ 377,582	\$ (691,428)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 1,223,416	\$ 967,051	\$ (256,365)	\$ 1,368,735	\$ 145,319
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (646,952)	\$ (639,715)	\$ 7,237	\$ (1,277,212)	\$ (630,259)
Loan or Financing Lease - Principal Payments (+)	192,545	162,975	(29,570)	286,058	93,513
Net Financing Activity (D)	\$ (454,407)	\$ (476,740)	\$ (22,333)	\$ (991,153)	\$ (536,746)
Total Budget (=B+C+D)	\$ 32,847,405	\$ 33,458,540	\$ 611,136	\$ 37,736,476	\$ 4,889,072
Change in Working Capital (=A-B-C-D)	\$ 300,000	\$ 285,690	\$ (14,310)	\$ -	\$ (300,000)
FTEs	43.95	42.34	(1.61)	45.87	1.93

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
E-ISAC Only					
	2022	2022	Variance		Variance
	Budget	Projection	2022 Projection	2023	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)	Budget	Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 23,779,997	\$ 23,779,997	\$ -	\$ 25,925,595	\$ 2,145,598
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 23,779,997	\$ 23,779,997	\$ -	\$ 25,925,595	\$ 2,145,598
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Miscellaneous	60,000	60,000	-	60,000	-
Interest & Investment Income	22,082	7,224	(14,858)	21,537	(545)
Total Funding (A)	\$ 23,862,079	\$ 23,847,221	\$ (14,857)	\$ 26,007,132	\$ 2,145,053
Expenses					
Personnel Expenses					
Salaries	\$ 7,160,834	\$ 6,956,183	\$ (204,651)	\$ 7,593,979	\$ 433,144
Payroll Taxes	439,258	435,016	(4,242)	442,675	3,417
Benefits	933,864	907,003	(26,861)	979,020	45,156
Retirement Costs	800,898	758,140	(42,757)	820,843	19,945
Total Personnel Expenses	\$ 9,334,855	\$ 9,056,343	\$ (278,512)	\$ 9,836,516	\$ 501,661
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 90,000	\$ 82,000	\$ (8,000)	\$ 95,000	\$ 5,000
Travel	200,000	160,000	(40,000)	210,000	10,000
Total Meetings & Travel Expenses	\$ 290,000	\$ 242,000	\$ (48,000)	\$ 305,000	\$ 15,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 2,171,041	\$ 2,171,041	\$ -	\$ 2,740,334	\$ 569,293
Office Rent	-	-	-	-	-
Office Costs	1,384,704	1,414,704	30,000	1,454,296	69,592
Professional Services	-	-	-	-	-
Miscellaneous	9,200	9,200	-	9,200	-
Total Operating Expenses, excluding Depreciation	\$ 3,564,945	\$ 3,594,945	\$ 30,000	\$ 4,203,830	\$ 638,885
Total Direct Expenses	\$ 13,189,800	\$ 12,893,288	\$ (296,512)	\$ 14,345,346	\$ 1,155,546
Indirect Expenses	\$ 9,963,978	\$ 9,935,972	\$ (28,005)	\$ 11,342,901	\$ 1,378,924
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 23,153,777	\$ 22,829,261	\$ (324,517)	\$ 25,688,248	\$ 2,534,470
Change in Net Assets (=A-B)	\$ 708,301	\$ 1,017,960	\$ 309,659	\$ 318,884	\$ (389,417)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 1,122,006	\$ 879,347	\$ (242,659)	\$ 1,186,143	\$ 64,137
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (589,003)	\$ (575,653)	\$ 13,350	\$ (1,117,560)	\$ (528,557)
Loan or Financing Lease - Principal Payments (+)	175,299	146,654	(28,644)	250,301	75,002
Net Financing Activity (D)	\$ (413,705)	\$ (428,999)	\$ (15,294)	\$ (867,259)	\$ (453,554)
Total Budget (=B+C+D)	\$ 23,862,079	\$ 23,279,609	\$ (582,469)	\$ 26,007,132	\$ 2,145,053
Change in Working Capital (=A-B-C-D)	\$ -	\$ 567,612	\$ 567,612	\$ -	\$ -
FTEs	40.01	38.10	(1.91)	40.14	0.13

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
CRISP Only					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection	Budget	2023 Budget
			v 2022 Budget		v 2022 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 1,355,903	\$ 1,355,903	\$ -	\$ 2,248,373	\$ 892,470
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 1,355,903	\$ 1,355,903	\$ -	\$ 2,248,373	\$ 892,470
Third-Party Funding	\$ 7,928,423	\$ 8,538,106	\$ 609,683	\$ 9,479,972	\$ 1,551,549
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	1,000	3,000	2,000	1,000	-
Total Funding (A)	\$ 9,285,326	\$ 9,897,009	\$ 611,683	\$ 11,729,345	\$ 2,444,019
Expenses					
Personnel Expenses					
Salaries	\$ 850,486	\$ 828,831	\$ (21,655)	\$ 1,040,627	\$ 190,141
Payroll Taxes	40,853	40,060	(793)	61,024	20,171
Benefits	135,168	128,258	(6,910)	189,766	54,598
Retirement Costs	69,046	64,741	(4,305)	109,344	40,297
Total Personnel Expenses	\$ 1,095,553	\$ 1,061,890	\$ (33,663)	\$ 1,400,761	\$ 305,208
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 12,000	\$ 9,600	\$ (2,400)	\$ 45,000	\$ 33,000
Travel	22,000	17,600	(4,400)	36,000	14,000
Total Meetings & Travel Expenses	\$ 34,000	\$ 27,200	\$ (6,800)	\$ 81,000	\$ 47,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 6,154,820	\$ 6,947,665	\$ 792,845	\$ 7,170,021	\$ 1,015,201
Office Rent	-	-	-	-	-
Office Costs	469,391	480,891	11,500	547,800	78,409
Professional Services	190,000	515,037	325,037	850,000	660,000
Miscellaneous	550	550	-	650	100
Total Operating Expenses, excluding Depreciation	\$ 6,814,761	\$ 7,944,143	\$ 1,129,382	\$ 8,568,471	\$ 1,753,710
Total Direct Expenses	\$ 7,944,314	\$ 9,033,233	\$ 1,088,919	\$ 10,050,232	\$ 2,105,918
Indirect Expenses	\$ 980,303	\$ 1,105,736	\$ 125,432	\$ 1,620,414	\$ 640,111
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,924,618	\$ 10,138,969	\$ 1,214,351	\$ 11,670,647	\$ 2,746,029
Change in Net Assets (=A-B)	\$ 360,708	\$ (241,960)	\$ (602,668)	\$ 58,698	\$ (302,011)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 101,411	\$ 87,704	\$ (13,707)	\$ 182,592	\$ 81,181
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (57,949)	\$ (64,062)	\$ (6,113)	\$ (159,651)	\$ (101,703)
Loan or Financing Lease - Principal Payments (+)	17,247	16,321	(926)	35,757	18,511
Net Financing Activity (D)	\$ (40,702)	\$ (47,741)	\$ (7,039)	\$ (123,894)	\$ (83,192)
Total Budget (=B+C+D)	\$ 8,985,326	\$ 10,178,931	\$ 1,193,605	\$ 11,729,345	\$ 2,744,019
Change in Working Capital (=A-B-C-D)	\$ 300,000	\$ (281,922)	\$ (581,922)	\$ -	\$ (300,000)
FTEs	3.94	4.24	0.30	5.73	1.80

Personnel Certification and Credential Maintenance

Personnel Certification and Credential Maintenance (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	2.82	2.82	-
Direct Expenses	\$ 1,097,635	\$ 974,890	\$ (122,745)
Indirect Expenses	702,307	796,925	94,618
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	72,652	115,209	42,557
Financing Activity	(29,160)	(60,932)	(31,772)
Total Budget	\$ 1,843,435	\$ 1,826,093	\$ (17,342)

Purpose and Scope

The Personnel Certification and Credential Maintenance group oversees the System Operator Certification and Credential Maintenance programs that promote reliability of the North American bulk power system (BPS) by ensuring that system operators maintain their required credentials to work in system control centers across North America. NERC’s system operator certification exam tests specific knowledge of job skills and Reliability Standards and also prepares operators to handle the BPS during normal and emergency operations. Certification is maintained by completing NERC-approved Credential Maintenance Program courses and activities.

The Personnel Certification Governance Committee (PCGC) is a NERC standing committee that provides oversight to implement and maintain the integrity and independence of the NERC System Operator Certification Program. The Credential Maintenance Working Group (CMWG) reports to the PCGC and is responsible for developing and maintaining the Credential Maintenance Program under the general guidelines set by the PCGC. The PCGC’s Exam Working Group (EWG), which consists of subject matter experts from all regions of North America, is responsible for doing an extensive job analysis survey of certified operators across the industry, which provides the basis for the exams. NERC contracts with psychometric consultants who assist a working group of certified system operators in the development and maintenance of each exam.

The System Operator Certification and Credential Maintenance programs are completely self-funded through exam and continuing education provider fees, and the PCGC oversees the programs’ budgets. More information on the [System Operator Certification and Credential Maintenance Program](#) is available on the NERC website.

2023–2025 Areas of Focus

Key areas of focus for Personnel Certification and Credential Maintenance include:

- Evaluating the results of the credential maintenance research project that was completed in 2022
- Seeking industry input on improvement opportunities for the Personnel Certification and Credential Maintenance Program and development and implementing any changes
- Annual analysis of *System Operator Certification Program Manual* Appendix A topics (recognized operator training topics) and credential maintenance requirements

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes support for exam testing and development, credential maintenance audit and review services, and the System Operator Certification Continuing Education Database (SOCCED).

2023 Technology Requirements

The majority of the Office Costs budget is related to software license and support for SOCCEd. The Fixed Assets budget includes expenditures for SOCCEd enhancements.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the merit and market adjustments discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The decrease in Contractors & Consultants expenses is due to the completion of a credential maintenance research project in 2022.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of that department's budgeted FTEs to total budgeted statutory FTEs. The increase for the Personnel Certification and Credential Maintenance program is due to the overall increase in costs for the Administrative Programs.

Fixed Asset Additions

The increase for Fixed Asset Additions is related to the enhancements for SOCCEd discussed in the Technology Requirements above.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) from the Administrative Programs.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Personnel Certification and Credential Maintenance					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	1,756,723	1,732,452	(24,271)	1,781,775	25,052
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	500	2,000	1,500	500	-
Total Funding (A)	\$ 1,757,223	\$ 1,734,452	\$ (22,771)	\$ 1,782,275	\$ 25,052
Expenses					
Personnel Expenses					
Salaries	\$ 318,852	\$ 334,906	\$ 16,054	\$ 340,141	\$ 21,289
Payroll Taxes	23,835	23,742	(93)	24,946	1,111
Benefits	43,222	42,477	(745)	43,337	115
Retirement Costs	35,638	37,444	1,806	38,117	2,479
Total Personnel Expenses	\$ 421,547	\$ 438,570	\$ 17,022	\$ 446,540	\$ 24,993
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 32,000	\$ 25,600	\$ (6,400)	\$ 34,000	\$ 2,000
Travel	14,000	11,200	(2,800)	18,000	4,000
Total Meetings & Travel Expenses	\$ 46,000	\$ 36,800	\$ (9,200)	\$ 52,000	\$ 6,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 463,188	\$ 463,188	\$ -	\$ 307,750	\$ (155,438)
Office Rent	-	-	-	-	-
Office Costs	166,600	184,565	17,965	168,300	1,700
Professional Services	-	-	-	-	-
Miscellaneous	300	300	-	300	-
Total Operating Expenses, excluding Depreciation	\$ 630,088	\$ 648,053	\$ 17,965	\$ 476,350	\$ (153,738)
Total Direct Expenses	\$ 1,097,635	\$ 1,123,423	\$ 25,787	\$ 974,890	\$ (122,745)
Indirect Expenses	\$ 702,307	\$ 756,281	\$ 53,975	\$ 796,925	\$ 94,618
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,799,942	\$ 1,879,704	\$ 79,762	\$ 1,771,815	\$ (28,127)
Change in Net Assets (=A-B)	\$ (42,719)	\$ (145,252)	\$ (102,533)	\$ 10,460	\$ 53,179
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 72,652	\$ 59,986	\$ (12,666)	\$ 115,209	\$ 42,557
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (41,516)	\$ (43,816)	\$ (2,300)	\$ (78,517)	\$ (37,001)
Loan or Financing Lease - Principal Payments (+)	12,356	11,163	(1,193)	17,586	5,230
Net Financing Activity (D)	\$ (29,160)	\$ (32,653)	\$ (3,494)	\$ (60,932)	\$ (31,772)
Total Budget (=B+C+D)	\$ 1,843,435	\$ 1,907,037	\$ 63,602	\$ 1,826,093	\$ (17,342)
Change in Working Capital (=A-B-C-D)	\$ (86,212)	\$ (172,585)	\$ (86,373)	\$ (43,818)	\$ 42,394
FTEs	2.82	2.90	0.08	2.82	0.00

Training and Education

Training and Education (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
FTE Reporting	1.88	1.88	-
Direct Expenses	\$ 538,358	\$ 587,898	\$ 49,540
Indirect Expenses	468,205	531,283	63,079
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	48,435	43,473	(4,962)
Financing Activity	(19,440)	(40,621)	(21,181)
Total Budget	\$ 1,035,557	\$ 1,122,033	\$ 86,476

Purpose and Scope

Section 901 of the NERC Rules of Procedure acknowledges the need to acquire and sustain informed, knowledgeable, and skilled personnel in order to assure the reliable operation of the North American bulk power system (BPS). The Training and Education group facilitates the learning and development of NERC¹³ and ERO Enterprise staff as well as BPS industry participants. The program oversees and coordinates learning activities and resources that support the acquisition and increase of knowledge and skills among stakeholders. Learners are typically engaged through learning events and products and resources, such as custom-made and off-the-shelf interactive self-paced e-learning modules, video-based learning, and in-person and live-webinar instructor-led training.

2023–2025 Areas of Focus

Key areas of focus for Training and Education include support related to:

- Leadership development, new hire orientation, and confidential information training
- Events, including GridEx and the annual ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP) Staff Workshop
- Training materials for the Align CMEP tool

2023 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget. The Contractors & Consultants budget includes support for various training initiatives, including those that specifically support learning for and growth of the ERO Enterprise.

2023 Technology Requirements

The majority of the Office Costs budget is related to software license and support for the content and platform for a learning management system platform.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the merit and market adjustments discussed in the *Introduction and Executive Summary*.

¹³ NERC's Human Resources budget includes funding for general NERC employee training and development.

Office Costs

The increase for Office Costs is related cost increases for the software discussed in the Technology Requirements above.

Indirect Costs

Costs incurred for Administrative Programs are considered indirect and are allocated to the statutory departments based on the ratio of that department’s budgeted FTEs to total budgeted statutory FTEs. The increase for the Training and Education program is due to the overall increase in costs for the Administrative Programs.

Net Financing Activity

The change in Net Financing Activity is due to the allocation of financing activity (net result of proceeds and payments) from the Administrative Programs.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Training and Education					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 1,034,520	\$ 1,034,520	\$ -	\$ 1,121,024	\$ 86,505
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ 1,034,520	\$ 1,034,520	\$ -	\$ 1,121,024	\$ 86,505
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	1,038	368	(670)	1,009	(29)
Total Funding (A)	\$ 1,035,557	\$ 1,034,888	\$ (669)	\$ 1,122,033	\$ 86,476
Expenses					
Personnel Expenses					
Salaries	\$ 234,880	\$ 245,896	\$ 11,016	\$ 249,925	\$ 15,045
Payroll Taxes	18,880	14,151	(4,729)	20,183	1,303
Benefits	49,040	48,010	(1,030)	48,836	(204)
Retirement Costs	26,357	27,637	1,280	31,154	4,797
Total Personnel Expenses	\$ 329,158	\$ 335,694	\$ 6,537	\$ 350,098	\$ 20,940
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 2,000	\$ 1,600	\$ (400)	\$ 2,000	\$ -
Travel	3,500	2,800	(700)	3,500	-
Total Meetings & Travel Expenses	\$ 5,500	\$ 4,400	\$ (1,100)	\$ 5,500	\$ -
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 100,000	\$ 100,000	\$ -	\$ 90,000	\$ (10,000)
Office Rent	-	-	-	-	-
Office Costs	103,000	103,000	-	141,600	38,600
Professional Services	-	-	-	-	-
Miscellaneous	700	700	-	700	-
Total Operating Expenses, excluding Depreciation	\$ 203,700	\$ 203,700	\$ -	\$ 232,300	\$ 28,600
Total Direct Expenses	\$ 538,358	\$ 543,794	\$ 5,436	\$ 587,898	\$ 49,540
Indirect Expenses	\$ 468,205	\$ 505,926	\$ 37,722	\$ 531,283	\$ 63,079
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,006,562	\$ 1,049,720	\$ 43,158	\$ 1,119,181	\$ 112,619
Change in Net Assets (=A-B)	\$ 28,995	\$ (14,832)	\$ (43,827)	\$ 2,852	\$ (26,143)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 48,435	\$ 40,129	\$ (8,306)	\$ 43,473	\$ (4,962)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (27,677)	\$ (29,311)	\$ (1,634)	\$ (52,345)	\$ (24,668)
Loan or Financing Lease - Principal Payments (+)	8,237	7,467	(770)	11,724	3,486
Net Financing Activity (D)	\$ (19,440)	\$ (21,844)	\$ (2,404)	\$ (40,621)	\$ (21,181)
Total Budget (=B+C+D)	\$ 1,035,557	\$ 1,068,006	\$ 32,448	\$ 1,122,033	\$ 86,476
Change in Working Capital (=A-B-C-D)	\$ -	\$ (33,118)	\$ (33,118)	\$ -	\$ -
FTEs	1.88	1.94	0.06	1.88	0.00

Administrative Programs

Administrative Programs (in whole dollars)						
	Direct Expenses, Fixed Assets, & Net Financing Activity			FTEs		
	2022 Budget	2023 Budget	Increase (Decrease)	2022 Budget	2023 Budget	Increase (Decrease)
General & Administrative	\$ 12,536,346	\$ 9,020,093	\$ (3,516,253)	18.80	19.74	0.94
Legal and Regulatory	5,123,376	5,492,295	368,919	15.98	16.92	0.94
Information Technology	14,026,598	20,414,840	6,388,242	27.50	31.21	3.71
Human Resources & Administration	3,852,313	4,179,080	326,767	11.28	11.28	-
Finance and Accounting	2,186,385	3,036,955	850,570	7.52	9.40	1.88
Total Administrative Programs	\$ 37,725,018	\$ 42,143,263	\$ 4,418,245	81.08	88.55	7.47

Scope and Functional Description

NERC's Administrative Programs area includes the budget for all business and administrative functions of the organization, including (1) General and Administrative; (2) Legal and Regulatory; (3) Business (Information) Technology; (4) Human Resources and Administration; (5) Finance and Accounting; and (6) other general administrative expenses necessary to support program area activities. The costs of the Administrative Programs functions are allocated to the statutory programs as indirect expenses.

General and Administrative

The General and Administrative (G&A) area is responsible for the administration and general management of the organization. Expenses allocated in this area include office rent as well as personnel and related costs for (1) the Chief Executive Officer (CEO), the Chief Engineer, the Chief Administrative Officer (CAO), and their support staff; (2) External Affairs staff, and (3) Board of Trustees (Board) costs.

External Affairs

The External Affairs group includes staff who are focused on three areas: (1) addressing policy matters that arise in legislative arenas and managing regulatory outreach; (2) managing all external and internal communications that support NERC initiatives, including editing and design of assessments/documents, media coordination and messaging, the public NERC website, social media, and other outreach, such as newsletters, as well as facilitating consistent messaging internally and across the ERO Enterprise; and (3) serving as the liaison with government entities and industry stakeholders in Mexico and Canada.

Board Costs

The following table details the Board costs included in the total G&A expenses.

Board of Trustee Expenses	2022 Budget	2023 Budget	Increase (Decrease)	
Meeting and Travel Expenses				
Quarterly Board Meetings	\$ 240,000	\$ 240,000	\$ -	0.0%
Trustee Travel	160,000	200,000	40,000	25.0%
Total	\$ 400,000	\$ 440,000	\$ 40,000	10.0%
Professional Services				
Independent Trustee Fees	\$ 1,580,000	\$ 1,568,500	\$ (11,500)	-0.7%
Trustee Search Fees	-	-	-	-
Total	\$ 1,580,000	\$ 1,568,500	\$ (11,500)	-0.7%
Total	\$ 1,980,000	\$ 2,008,500	\$ 28,500	1.4%

The increase for Meeting and Travel expenses is due to the planned return to some in-person Board meetings and related travel, which is discussed in the *Introduction and Executive Summary*. The slight decrease for independent trustee fees is due to adjusting the anticipated trustee compensation in 2023, which is based on the independent study on trustee compensation completed at the end of 2021.

Legal and Regulatory

The Legal and Regulatory department supports the NERC program areas and is responsible for providing a wide range of legal support to the NERC management team regarding antitrust, corporate, commercial, insurance, contract, employment, real estate, copyright, tax, legislation, and other legal matters. The department also addresses legal and regulatory matters that arise in connection with NERC's role as the Electric Reliability Organization and the delegation agreements with the Regional Entities. Additionally, the Legal and Regulatory department includes the Internal Audit and Corporate Risk Management functions, explained further below.

Internal Audit

The Internal Audit group performs independent, objective activities (i.e., audits and assessments) designed to add value and improve NERC and Regional Entity operations. The activities ensure that (1) risks are appropriately identified, managed, and monitored across NERC and the ERO Enterprise; (2) internal control systems are adequately promoted and are effectively functioning; and (3) significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board are reported. Internal Audit specifically engages with NERC's Compliance and Certification Committee (CCC) to collaborate on monitoring of the ERO Enterprise as contemplated by Sections 406, 506, and Appendix 4A of the NERC Rules of Procedure.

Corporate Risk Management

The Corporate Risk Management (CRM) area focuses on ERO Enterprise corporate financial, operational, legal, regulatory, and compliance risks. NERC's current enterprise risk management (ERM) process is conducted annually, based on the Committee of Sponsoring Organization of the Treadway Commission (COSO) framework. The results of the ERM process serve as a roadmap in developing the company's corporate risk, compliance, and ethics framework. The CRM group also works with the Regional Entities to enhance the ERO Enterprise-wide corporate risk identification and risk mitigation efforts, resulting in more streamlined and coordinated reports and harmonized assessment of ERO Enterprise risks and processes.

Business Technology

NERC's Business (Information) Technology department provides the technology and management needed for the organization to maintain daily operations and meet ERO statutory obligations, including applications and infrastructure leveraged by the ERO Enterprise and registered entities. The Business Technology department includes a Project Management Office (PMO) that provides project management skills and leadership for major ERO Enterprise and NERC business technology projects. NERC's Business Technology department focuses on five key areas: cyber security, NERC infrastructure support, the Electricity Information Sharing and Analysis Center (E-ISAC), ERO Enterprise application and infrastructure support, and ERO Enterprise new functionality. Business Technology manages NERC's overall Technology Strategy, which is discussed in more detail in the *Introduction and Executive Summary*.

Human Resources and Administration

The Human Resources (HR) and Administration functions primarily include payroll, benefits and retirement plan administration, employee relations, performance and compensation management, training and development, facilities management, and meeting planning and coordination. The HR group manages NERC's overall People Strategy, which is designed to create an employee experience that meets the expectations of an evolving workforce and attracts, retains, and engages top talent by supporting a

more sustainable, diverse, post-pandemic organization. This three-phased plan is intended to transform the HR practices to be more strategic to ensure NERC has the talent to meet its goals as outlined in its four areas of focus. A critical component to NERC’s People Strategy is workforce planning, which is discussed in more detail in the *Introduction and Executive Summary*.

Finance and Accounting

NERC’s Finance and Accounting department manages all finance and accounting functions, including accounts payable and receivable, assessment and Cybersecurity Information Sharing Program (CRISP) billing, travel and expense reporting, budget management, financial reporting, corporate insurance program management, coordination of the annual external financial statement audit and Form 990, and property, sales, and use tax returns. This area also holds primary responsibility for the development of the annual business plan and budget and associated stakeholder outreach efforts. NERC Finance and Accounting manages systems, policies, procedures, and controls governing day-to-day practices, including procurement, expense reimbursement, and back office systems and procedures.

2023–2025 Areas of Focus

Key areas of focus for the Administrative Programs include:

- Continuing to enhance state outreach and engagement, including further developed outreach for ERO Enterprise assessments and reports, and expanding collaboration efforts with the National Association of Regulatory Utility Commissioners (NARUC) and government partners
- Maturing internal assurance programs, including internal audit, risk management, and contingency planning
- Enhancing cyber security to focus on prevention, detection, and mitigation and designing technology solutions for today’s security and environment, supported by Information Technology (IT) policies, processes, and procedures that align with standard cyber frameworks and internal assurance programs
- Supporting adaptable and sustainable technology, including technical roadmaps that accelerate adoption of cloud computing and quality assurance programs that improve disaster recovery, testing capability, and solution performance and security
- Increasing automation and controls across the HR and Finance and Accounting areas, and providing meaningful data to track metrics and measure efficiency

2023 Resource Requirements

The 7.47 increase in full-time equivalents (FTEs) from the 2022 budget to the 2023 budget is for additional roles in External Affairs, Legal and Regulatory, Business Technology, and Finance and Accounting related to supporting the security and sustainability of the organization, particularly in the areas of cyber security, cloud computing, internal controls, procurement, and communications. The Contractors & Consultants budget includes various support and consulting needs across the Administrative Programs, with the largest investments related to the Technology and People Strategies discussed in the *Introduction and Executive Summary*. This includes support for application and infrastructure, cyber security, and PMO in the Business Technology department, and HR functional services, such as executive coaching, leadership training, and payroll processing. Additional contractor and consultant expenses in the Administrative Programs include support for Internal Audit, existing Finance and Accounting and HR systems, as well as discovery activities for a more integrated, cloud-based Finance and Accounting and HR system.

2023 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for the Administrative Programs, especially in Business Technology for the software required to support cyber security and overall daily operations. The Fixed Assets Additions budget includes funding for capital software projects in the Business Technology department that benefit company operations, including infrastructure investments in operational sustainability, enhancements for cyber security and data loss prevention systems, and upgrades to Microsoft SharePoint and collaboration tools, as well as technology equipment and server upgrades, including lease-financed technology equipment. The Fixed Assets Additions budget for the Administrative Programs also includes funds for enhancements to existing Finance and Accounting and HR systems.

Explanation of Significant Cost Changes from 2022 to 2023

Personnel

The increase for Personnel is related to the increase in FTEs explained above and merit and market adjustments discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to a planned return to some in-person meetings following pandemic conditions as discussed in the *Introduction and Executive Summary*.

Office Rent

The decrease in Office Rent is due to lease concessions related to the Atlanta office, which are being applied to budgeted rent for the remaining term of the lease that ends in October 2025.

Office Costs

The increase in Office Costs is primarily related to the Business Technology software licenses and support expenses discussed in the Technology Requirements above, including those related to the overall Technology Strategy and annual escalation for existing software agreements.

Professional Services

The increase in Professional Services is primarily related to market pressures on insurance.

Fixed Asset Additions

Fixed Asset Additions expenditures budgeted for the Administrative Programs are allocated to the statutory program areas as indirect costs. Though there is a significant increase in capital software projects in the Administrative Programs in 2023 related to the Technology Requirements discussed above, there is a decrease in these expenditures from 2022 to 2023. This is due to one-time purchases budgeted in 2022 for (1) audio/visual equipment funded by a lease program (which is budgeted in Fixed Assets Additions and directly offset by lease proceeds reflected in Net Financing Activity) and (2) office furniture and leasehold improvement expenditures (which were planned to be funded by reserves).¹⁴

Net Financing Activity

The change in Net Financing Activity is due to the capital financing assumptions discussed in the *Introduction and Executive Summary*, including loan proceeds of \$4.M, which is budgeted in G&A and allocated to the statutory program areas as indirect costs.

¹⁴ These expenditures were for a new Atlanta office lease in 2022 that did not materialize.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2022 Budget & Projection and 2023 Budget					
Administrative Programs					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Projection v 2022 Budget Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	-	-	-	-	-
Total Funding (A)	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
Expenses					
Personnel Expenses					
Salaries	\$ 15,540,598	\$ 15,755,712	\$ 215,114	\$ 17,970,873	\$ 2,430,275
Payroll Taxes	834,316	845,160	10,844	935,516	101,200
Benefits	2,336,350	2,377,648	41,298	2,623,091	286,741
Retirement Costs	1,416,863	1,428,353	11,489	1,744,448	327,584
Total Personnel Expenses	\$ 20,128,127	\$ 20,406,872	\$ 278,745	\$ 23,273,928	\$ 3,145,801
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 557,550	\$ 490,150	\$ (67,400)	\$ 593,400	\$ 35,850
Travel	520,000	446,000	(74,000)	761,000	241,000
Total Meetings & Travel Expenses	\$ 1,077,550	\$ 936,150	\$ (141,400)	\$ 1,354,400	\$ 276,850
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 3,218,406	\$ 3,616,602	\$ 398,196	\$ 4,945,510	\$ 1,727,104
Office Rent	3,243,277	3,191,370	(51,907)	3,022,266	(221,011)
Office Costs	5,375,408	5,514,320	138,912	6,492,780	1,117,372
Professional Services	2,283,100	2,388,924	105,824	2,425,596	142,496
Miscellaneous	119,150	119,649	499	182,783	63,633
Total Operating Expenses, excluding Depreciation	\$ 14,239,341	\$ 14,830,865	\$ 591,524	\$ 17,068,935	\$ 2,829,594
Total Direct Expenses	\$ 35,445,018	\$ 36,173,887	\$ 728,869	\$ 41,697,263	\$ 6,252,245
Indirect Expenses	\$ (35,525,018)	\$ (36,246,739)	\$ (721,721)	\$ (41,918,263)	\$ (6,393,245)
Other Non-Operating Expenses	\$ 80,000	\$ 72,852	\$ (7,148)	\$ 221,000	\$ 141,000
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A-B)	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	-	-	-	-	-
Net Financing Activity (D)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget (=B+C+D)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Working Capital (=A-B-C-D)	\$ (773,146)	\$ (773,146)	\$ -	\$ (1,000,000)	\$ (226,854)
FTEs	81.08	78.49	(2.59)	88.55	7.47

Section B – Supplemental Financial Information

Breakdown by Statement of Activity Sections

The following detailed schedules support the consolidated Statement of Activities.

Table B-1 – Total Reserves Analysis

Total Reserves Analysis								
Statutory								
	Total Reserves	Future Obligation Reserve ¹	Operating Contingency Reserve ²	System Operator Certification Reserve	CRISP Special Projects Reserve ³	CRISP Operating Reserve	CRISP Defense Fund Reserve ⁴	Assessment Stabilization Reserve
Beginning Reserves - 1/1/2022	\$ 16,101,643	\$ 1,381,843	\$ 8,728,678	\$ 915,083	\$ 445,316	\$ 1,596,902	\$ 512,821	\$ 2,521,000
Generation or (Use) of reserves from 2022 projections								
Projected 2022 operating results, including debt service and financing	\$ 42,348	\$ 708,893	\$ 90,710	\$ (86,374)	\$ (445,316)	\$ (225,565)	-	\$ -
From 2022 approved addition/(use) of reserves	(530,094)	(679,629)	(64,253)	(86,212)	-	300,000	-	-
Other addition/(use) of reserves	907,756	882,756	-	-	-	-	25,000	-
Projected Reserves - 12/31/22	\$ 16,521,653	\$ 2,293,863	\$ 8,755,135	\$ 742,497	\$ -	\$ 1,671,337	\$ 537,821	\$ 2,521,000
Projected Reserves - 12/31/23	\$ 14,761,676	\$ 2,577,704	\$ 7,755,135	\$ 698,679	\$ -	\$ 1,671,337	\$ 537,821	\$ 1,521,000
Adjustment in funding to achieve required reserve balance	(759,977)	283,841	(1,000,000)	(43,818)	-	-	-	-
Less: Assessment Stabilization Reserve Release - Penalties	(1,000,000)	-	-	-	-	-	-	(1,000,000)
Total Adjustments to Reserves	\$ (1,759,977)	\$ 283,841	\$ (1,000,000)	\$ (43,818)	\$ -	\$ -	\$ -	\$ (1,000,000)
Assessment Reconciliation								
2023 Expenses, Capital Expenditures & Net Financing	\$ 100,789,018							
Less: Assessment Stabilization Reserve Release - Penalties	(1,000,000)							
Adjustment in funding to achieve required reserve balance	(1,043,818)							
Less: Other Funding Sources	(11,458,247)							
2023 NERC Assessment	\$ 87,286,953							

¹As explained in the discussion of reserves in the *Introduction and Executive Summary*, the Future Obligations Reserve offsets future, non-current liabilities.

²Except as otherwise approved by the Board, after review by the FAC, the amount of the Operating Contingency Reserve shall be between three and one half (3.5%) percent and seven (7%) percent of the company's total expense and fixed asset budget minus the sum of the System Operator Certification and CRISP budgets, each of which have separate reserves.

³The CRISP Special Projects Reserve consists of unspent budgeted funds for CRISP Operational Technology projects.

⁴The CRISP Defense Fund Reserve is intended to fund any expenses related to investigation and defense in connection with a claim pertaining to the CRISP agreement between NERC and participating utilities.

See the 2023 Reserves discussion in the *Introduction and Executive Summary* for further details on the reserve categories and factors impacting reserve balances in 2023.

Table B-2 – Penalties

Penalty Sanctions and Allocation Method

NERC Rules of Procedure (ROP) Section 1107.2 specifies that penalty monies received by NERC during the 12 months ended June 30 are to be used in the subsequent budget year to offset assessments. In 2015, the Board of Trustees (Board) approved an updated *Working Capital and Operating Reserves Policy* that was approved by the Federal Energy Regulatory Commission (FERC). This updated policy allows NERC, with Board and FERC approval pursuant to ROP Section 1107.4, to place penalty funds into an Assessment Stabilization Reserve (ASR) for use in future years to offset assessments. Penalty sanctions released from the ASR are allocated to the following statutory programs to reduce assessments: (1) Reliability Standards and Power Risk Issues Strategic Management, (2) Compliance Assurance and Organization Registration and Certification, (3) Compliance Enforcement, (4) Reliability Assessment and Performance Analysis (RAPA), (5) Situation Awareness, (6) Event Analysis, (7) the Electricity Information Sharing and Analysis Center (E-ISAC), including the Cybersecurity Risk Information Sharing Program (CRISP), and (8) Training and Education. Penalty sanctions are allocated based on the number of full-time equivalents (FTEs) in the program divided by the aggregate total FTEs in the programs receiving the allocation.

NERC did not and does not expect to collect any penalties during the period July 1, 2021 to June 30, 2022 and is not requesting to deposit any funds into the ASR. The 2023 assessment includes a proposed release of \$1.0M from this reserve. The balance held in the ASR will be used for assessment offsets to stabilize and reduce assessments in future years.

Penalty Sanctions	Date Received	Amount Received
Penalties received between 7/1/2021 and 6/30/2022		
	N/A	\$ -
		<u>\$ -</u>
Penalties received prior to 6/30/2021, held in the assessment stabilization reserve		\$ 2,521,000
Total penalties available on 1/1/2023 to offset assessments		<u>\$ 2,521,000</u>
Adjustments		
Total penalties released to offset assessments in the 2023 Budget		\$ (1,000,000)
Total penalties held in Assessment Stabilization Reserve 12/31/2023		<u>\$ 1,521,000</u>

Table B-3 – Outside Funding

Outside Funding Breakdown By Program (Excludes Any Penalty Releases)	2022 Budget	2023 Budget	Increase (Decrease)
Reliability Standards and PRISM			
Interest & Investment Income Allocation	\$ 10,895	\$ 10,592	\$ (303)
Total	\$ 10,895	\$ 10,592	\$ (303)
Compliance Assurance, Certification, and Registration			
Interest & Investment Income Allocation	\$ 11,933	\$ 12,105	\$ 172
Total	\$ 11,933	\$ 12,105	\$ 172
Compliance Enforcement			
Interest & Investment Income Allocation	\$ 6,744	\$ 6,557	\$ (188)
Total	\$ 6,744	\$ 6,557	\$ (188)
Reliability Assessment and Performance Analysis			
Services and Software	\$ 60,000	\$ 60,000	\$ -
Interest & Investment Income Allocation	14,527	15,636	1,109
Total	\$ 74,527	\$ 75,636	\$ 1,109
Personnel Certification and Credential Maintenance			
Testing Fees	\$ 496,600	\$ 526,500	\$ 29,900
Certificate Renewals	825,000	764,000	(61,000)
Continuing Education Fees	435,123	491,275	(4,875)
Interest & Investment Income Allocation	500	500	-
Total	\$ 1,757,223	\$ 1,782,275	\$ (35,975)
Training and Education			
Interest & Investment Income Allocation	\$ 1,038	\$ 1,009	\$ (29)
Total	\$ 1,038	\$ 1,009	\$ (29)
Event Analysis			
Interest & Investment Income Allocation	\$ 3,632	\$ 3,531	\$ (101)
Total	\$ 3,632	\$ 3,531	\$ (101)
Situation Awareness			
Interest & Investment Income Allocation	\$ 4,150	\$ 4,035	\$ (115)
Total	\$ 4,150	\$ 4,035	\$ (115)
E-ISAC			
Third Party Funding (CRISP)	\$ 7,628,423	\$ 9,479,972	\$ 1,851,549
Miscellaneous Funding	60,000	60,000	-
Interest & Investment Income Allocation	23,082	22,537	(545)
Total	\$ 7,711,505	\$ 9,562,508	\$ 1,851,004
Grand Total	\$ 9,581,646	\$ 11,458,247	\$ 1,815,574

Testing Fees and Certificate Renewals – The \$30k increase in testing fees and \$61k decrease in certificate renewals reflects the estimate of the numbers of tests and renewals in 2023.

Third Party Funding (CRISP) – The \$1.2M increase is related to increased operational costs and market pressures on insurance for the contract with the Pacific Northwest National Laboratory (PNNL).

Table B-4 – Personnel

Personnel	2022 Budget	2023 Budget	Increase (Decrease)	
Salaries	\$ 39,557,528	\$ 44,250,356	\$ 4,692,828	11.9%
Payroll Taxes	2,310,836	2,513,603	202,767	8.8%
Benefits	6,038,487	6,624,553	586,066	9.7%
Retirement	4,059,585	4,629,894	570,309	14.0%
Total	\$ 51,966,435	\$ 58,018,406	\$ 6,051,971	11.6%
FTEs	223.72	236.88	13.16	5.9%
Cost per FTE				
Salaries	\$ 176,817	\$ 186,805	\$ 9,988	5.6%
Payroll Taxes	10,329	10,611	282	2.7%
Benefits	26,991	27,966	975	3.6%
Retirement	18,146	19,545	1,399	7.7%
Total	\$ 232,283	\$ 244,927	\$ 12,644	5.4%

The increase in overall Personnel costs is primarily related to the increase of 13.2 FTEs and salary and benefit increase assumptions. See the People Strategy and 2023 Program Budget and FTE Comparisons sections in the *Introduction and Executive Summary* for more details.

Table B-5 – Meetings & Travel

Meetings & Travel	2022 Budget	2023 Budget	Increase (Decrease)	
Meetings & Conference Calls	\$ 1,132,550	\$ 1,257,650	\$ 125,100	11.0%
Travel	1,475,500	1,853,900	378,400	25.6%
Total	\$ 2,608,050	\$ 3,111,550	\$ 503,500	19.3%

Meetings & Travel expenses are increasing as NERC continues to return to some in-person meetings and related travel (following a reduction in these budget areas in 2021 and 2022 related to the pandemic), while continuing to leverage efficiencies of virtual meeting formats. See the Meetings and Travel discussion in the *Introduction and Executive Summary* for more details.

Table B-6 – Contractors and Consultants

For discussion on the changes below, see the Resource Requirements sections of each program area in *Section A – 2022 Business Plan and Budget Program Area and Department Detail*.

Section B – Supplemental Financial Information

Consultants & Contracts	2022 Budget	2023 Budget	Increase(Decrease)
Reliability Standards			
Standards and PRISM Application Support	\$ 108,960	\$ 90,739	\$ (18,221)
Engineering and Standards Support	50,000	112,000	62,000
Total	\$ 158,960	\$ 202,739	\$ 43,779
CMEP			
Compliance Assurance Process Documentation Support	\$ 75,000	\$ 50,000	\$ (25,000)
Evidence Locker Annual Certification	100,000	100,000	-
Regional Entity CMEP Audit Support	360,000	-	(360,000)
BES Exception Process Application Support	40,000	40,800	800
Workshop Facilitation	19,000	19,000	-
Total	\$ 594,000	\$ 209,800	\$ (384,200)
RAPA			
RAPA Application Support	\$ 261,227	\$ 301,654	\$ 40,427
BPS Security and Grid Transformation Support	-	200,000	200,000
Emerging Technology and Energy Risk Analysis	200,000	250,000	50,000
Probabilistic Analysis	50,000	55,000	5,000
Research Partnerships and Projects	150,000	50,000	(100,000)
Workshop Facilitation	20,000	20,000	-
Total	\$ 681,227	\$ 876,654	\$ 195,427
Event Analysis			
Event Analysis Application Support	\$ 88,157	\$ 90,802	2,645
Human Performance Activity Support	-	\$ 100,000	100,000
Event Analysis Review Support	30,000	30,000	-
Total	\$ 118,157	\$ 220,802	\$ 102,645
Situation Awareness			
Situation Awareness Application Support	\$ 15,000	\$ 23,000	\$ 8,000
Total	\$ 15,000	\$ 23,000	\$ 8,000
E-ISAC			
Security and Other Consulting	\$ 87,950	\$ 325,698	\$ 237,748
GridEx and Other Events	278,000	626,000	348,000
Technology Support	491,843	447,991	(43,852)
Operations	913,248	940,645	27,397
Partnerships	400,000	400,000	-
CRISP PNNL and Other Participant Paid	6,043,520	6,982,599	939,079
CRISP Support	111,300	187,422	76,122
Total	\$ 8,325,861	\$ 9,910,355	\$ 1,584,494
Personnel Certification and Credential Maintenance			
System Operator Testing Expenses and Examination Development	\$ 96,188	\$ 110,750	\$ 14,562
Research Support	140,000	-	(140,000)
Continuing Education Audit and Review Services	100,000	120,000	20,000
SOCED Database Support	125,000	75,000	(50,000)
Translation Services	2,000	2,000	-
Total	\$ 463,188	\$ 307,750	\$ (155,438)
Training and Education			
ERO Enterprise and Industry Learning and Development Support	\$ 100,000	\$ 90,000	\$ (10,000)
Total	\$ 100,000	\$ 90,000	\$ (10,000)
General and Administrative			
Communications Support	\$ 20,000	\$ 20,000	\$ -
Executive Support	100,000	100,000	-
Total	\$ 120,000	\$ 120,000	\$ -
Information Technology			
Applications & Infrastructure, Security, and Ongoing Operations Support	\$ 1,733,406	\$ 3,420,510	\$ 1,687,104
Total	\$ 1,733,406	\$ 3,420,510	\$ 1,687,104
Human Resources			
Training and Development	\$ 565,000	\$ 440,000	\$ (125,000)
HR Consulting Services	305,000	410,000	105,000
Total	\$ 870,000	\$ 850,000	\$ (20,000)
Finance and Accounting			
Finance and Accounting Support	\$ 185,000	\$ 350,000	\$ 165,000
Total	\$ 185,000	\$ 350,000	\$ 165,000
Legal & Regulatory			
Internal Audit and Corporate Risk Management Support	\$ 300,000	\$ 195,000	\$ (105,000)
Workshop Facilitation	10,000	10,000	-
Total	\$ 310,000	\$ 205,000	\$ (105,000)
Total Consultants & Contracts	\$ 13,674,799	\$ 16,786,610	\$ 3,111,811

Table B-7 – Rent

Office Rent	2022 Budget	2023 Budget	Increase (Decrease)	
Office Rent	\$ 3,119,677	\$ 2,872,266	\$ (247,411)	-7.9%
Maintenance	123,600	150,000	26,400	21.4%
Total	\$ 3,243,277	\$ 3,022,266	\$ (221,011)	-6.8%

As discussed in the *Introduction and Executive Summary*, the decrease in Office Rent is due to lease concessions related to the Atlanta office, which are spread over the remaining term (ending in October 2025), offset by a projected increase for maintenance costs for the Atlanta and Washington, D.C. offices.

Table B-8 – Office Costs

Office Costs	2022 Budget	2023 Budget	Increase (Decrease)	
Telephone	\$ 333,838	\$ 385,000	\$ 51,162	15.3%
Internet	325,783	359,249	33,466	10.3%
Office Supplies	131,350	129,850	(1,500)	-1.1%
Computer Supplies	156,450	196,450	40,000	25.6%
Software License and Support	8,582,357	9,940,035	1,357,678	15.8%
Subscription and Publications	443,894	412,923	(30,971)	-7.0%
Dues	157,850	170,700	12,850	8.1%
Postage	10,500	10,500	-	0.0%
Express Shipping	34,700	75,200	40,500	116.7%
Copying	39,500	39,900	400	1.0%
Audio/Visual and Hardware Lease	280,000	365,000	85,000	30.4%
Equipment Repair/Service Contracts	130,000	144,000	14,000	10.8%
Bank Charges	28,000	30,000	2,000	7.1%
Merchant Card Fees	95,000	97,000	2,000	2.1%
Total	\$ 10,749,222	\$ 12,355,807	\$ 1,606,585	14.9%

Software License and Support includes non-capital software license and support costs, as well as expenses for infrastructure management software, data center co-location, offsite data backup, and network and security monitoring. The \$1.4M increase in this area is related to (1) annual escalation estimates for software licenses for tools used by the Statutory and Administrative Programs, particularly for Information Technology (IT) and (2) new software products to support the Technology Strategy discussed in the *Introduction and Executive Summary*.

The \$41k increase for Express Shipping is due to NERC's shift to a primarily remote workforce following the pandemic. The \$85k increase for Audio/Visual (A/V) and Hardware Lease is due to support costs for a new A/V equipment lease for NERC's new Washington, D.C. office, which is being designed to support collaborative meeting spaces. The remaining changes to Office Costs items are to bring these budgets closer to recent actual costs.

Table B-9 – Professional Services

Professional Services	2022 Budget	2023 Budget	Increase (Decrease)	
Independent Trustee Fees	\$ 1,580,000	\$ 1,568,496	\$ (11,504)	-0.7%
Trustee Search Fees	-	-	-	0.0%
Outside Legal	430,000	495,000	65,000	15.1%
Government Relations	20,000	20,000	-	0.0%
Accounting and Auditing Fees	160,000	145,000	(15,000)	-9.4%
Insurance Commercial	284,000	1,040,000	756,000	266.2%
Outside Services	14,100	22,100	8,000	56.7%
Total	\$ 2,488,100	\$ 3,290,596	\$ 802,496	32.3%

As discussed on in the Administrative Programs section, the slight decrease for independent trustee fees is due to adjusting the anticipated trustee compensation in 2023, based on the independent study on trustee compensation completed at the end of 2021.

The increase for Outside Legal is to bring the budgets closer to recent actual costs. The \$756k increase for Insurance Commercial is to bring the CRISP liability insurance and NERC property and liability insurance budgets closer to projected estimates based on market pressures in this area.

Table B-10 – Miscellaneous

Miscellaneous Expenses	2022 Budget	2023 Budget	Increase (Decrease)	
Miscellaneous Expense	\$ 10,250	\$ 10,250	\$ -	0.0%
Employee Rewards and Recognition	21,400	52,617	31,217	145.9%
Employee Engagement	85,000	117,917	32,917	38.7%
Sponsorships	28,000	28,000	-	0.0%
Total	\$ 144,650	\$ 208,783	\$ 64,133	44.3%

In support of the People Strategy discussed in the *Introduction and Executive Summary*, the increase of \$31k for Employee Rewards and Recognition is for an employee referral program and the \$33k increase for Employee Engagement is primarily to further develop NERC's internal communications program.

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	2022 Budget	2023 Budget	Increase (Decrease)	
Property and Other Tax Expense	\$ 60,000	\$ 100,000	\$ 40,000	66.7%
Interest Expense	75,000	176,000	101,000	134.7%
Total	\$ 135,000	\$ 276,000	\$ 141,000	104.4%

The increase of \$40k for Property and Other Tax Expense is to bring this budget closer to recent actual costs. The \$101k for Interest Expense is related to the capital financing assumptions discussed in the *Introduction and Executive Summary*.

Table B-12 – Fixed Assets

Fixed Asset Additions	2022 Budget	2023 Budget	Increase (Decrease)	
Computer & Software CapEx	\$ 1,268,750	\$ 5,644,000	4,375,250	344.8%
Furniture & Fixtures CapEx	400,000	-	(400,000)	-100.0%
Equipment CapEx	750,000	775,000	25,000	3.3%
Capital Lease Assets	2,100,000	130,000	(1,970,000)	-93.8%
Leasehold Improvements	400,000	-	(400,000)	-100.0%
Total	\$ 4,918,750	\$ 6,549,000	\$ 1,630,250	33.1%

The increase in Computer and Software CapEx is for capital software projects that are part of the Technology Strategy discussed in the *Introduction and Executive Summary* and in the Technology Requirements sections of each program area in *Section A – 2022 Business Plan and Budget Program Area and Department Detail*. Also as mentioned in the *Introduction and Executive Summary*, NERC is assuming to finance \$4.0M of the expenditures for these capital software projects in 2023. The loan borrowing and 2023 loan principal payments are reflected in the Net Financing Activity section of NERC's Statement of Activity and Fixed Asset Additions reports (also see *Exhibit B – Capital Financing* for further details).

The decrease of approximately \$2.0M in Capital Lease Assets is related to the budgeted acquisition of A/V equipment in 2022 that is being funded by a lease. The \$130k budgeted for Capital Lease Assets in 2023 is for a refresh of lease-financed laptops. These capital asset expenditures are directly offset by lease financing borrowing which, along with related lease principal payments, are reflected in the Net Financing Activity section of NERC's Statement of Activity and Fixed Asset Additions reports.

The \$400k decreases for Furniture & Fixtures CapEx and Leasehold Improvements are related to one-time out-of-pocket costs included in the 2022 budget for an Atlanta Office relocation (to be funded by reserves) that did not materialize.

Table B-13 – 2024 and 2025 Projections

For further details on the 2024 and 2025 projections below, see the 2023–2025 Business Plan and Budget Assumptions section of the *Introduction and Executive Summary*.

Section B – Supplemental Financial Information

Statement of Activities and Fixed Asset Additions 2023 Budget & Projected 2024 and 2025 Budgets							
	2023	2024	\$ Change	% Change	2025	\$ Change	% Change
	Budget	Projection	24 vs 23	24 vs 23	Projection	25 vs 24	25 vs 24
Funding							
ERO Funding							
NERC Assessments	\$ 87,286,953	\$ 97,093,528	\$ 9,806,575	11.2%	\$ 108,014,873	\$ 10,921,345	11.2%
Penalties Released	1,000,000	-	(1,000,000)	-100.0%	-	-	
Total NERC Funding	\$ 88,286,953	\$ 97,093,528	\$ 8,806,575	10.0%	\$ 108,014,873	\$ 10,921,345	11.2%
Third-Party Funding	\$ 9,479,972	\$ 10,306,520	\$ 826,548	8.7%	\$ 11,204,674	\$ 898,154	8.7%
Testing Fees	1,781,775	1,785,825	4,050	0.2%	1,845,825	60,000	3.4%
Services & Software	60,000	60,000	-	0.0%	60,000	-	0.0%
Miscellaneous	60,000	60,000	-	0.0%	60,000	-	0.0%
Interest & Investment Income	76,500	161,500	85,000	111.1%	211,500	50,000	31.0%
Total Funding (A)	\$ 99,745,200	\$ 109,467,373	\$ 9,722,173	9.7%	\$ 121,396,871	\$ 11,929,498	10.9%
Expenses							
Personnel Expenses							
Salaries	\$ 44,250,356	\$ 48,521,164	\$ 4,270,808	9.7%	\$ 52,989,318	\$ 4,468,154	9.2%
Payroll Taxes	2,513,603	2,667,526	153,924	6.1%	2,817,431	149,904	5.6%
Benefits	6,624,553	7,297,239	672,686	10.2%	8,005,511	708,272	9.7%
Retirement Costs	4,629,894	5,062,748	432,854	9.3%	5,529,340	466,592	9.2%
Total Personnel Expenses	\$ 58,018,406	\$ 63,548,677	\$ 5,530,271	9.5%	\$ 69,341,599	\$ 5,792,922	9.1%
Meetings & Travel Expenses							
Meetings & Conference Calls	\$ 1,257,650	\$ 1,243,300	\$ (14,350)	-1.1%	\$ 1,345,450	\$ 102,150	8.2%
Travel	1,853,900	1,966,900	113,000	6.1%	2,017,300	50,400	2.6%
Total Meetings and Travel Expenses	\$ 3,111,550	\$ 3,210,200	\$ 98,650	3.2%	\$ 3,362,750	\$ 152,550	4.8%
Operating Expenses, excluding Depreciation							
Contractors and Consultants	\$ 16,786,610	\$ 16,507,698	\$ (278,912)	-1.7%	\$ 17,782,871	\$ 1,275,173	7.7%
Office Rent	3,022,266	3,182,937	160,671	5.3%	3,318,414	135,477	4.3%
Office Costs	12,355,807	13,405,558	1,049,751	8.5%	14,433,239	1,027,681	7.7%
Professional Services	3,290,596	3,749,600	459,004	13.9%	4,258,604	509,004	13.6%
Miscellaneous	208,783	211,850	3,067	1.5%	212,850	1,000	0.5%
Total Operating Expenses, excluding Depreciation	\$ 35,664,062	\$ 37,057,643	\$ 1,393,581	3.9%	\$ 40,005,978	\$ 2,948,335	8.0%
Total Direct Expenses	\$ 96,794,018	\$ 103,816,520	\$ 7,022,502	7.3%	\$ 112,710,327	\$ 8,893,807	8.6%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ 276,000	\$ 444,000	\$ 168,000	60.9%	\$ 540,000	\$ 96,000	21.6%
Total Expenses (B)	\$ 97,070,018	\$ 104,260,520	\$ 7,190,502	7.4%	\$ 113,250,327	\$ 8,989,807	8.6%
Change in Net Assets (=A-B)	\$ 2,675,182	\$ 5,206,853	\$ 2,531,671	94.6%	\$ 8,146,544	\$ 2,939,691	56.5%
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 6,549,000	\$ 7,409,500	\$ 860,500	13.1%	\$ 10,657,752	\$ 3,248,252	43.8%
Financing Activity							
Loan or Financing Lease - Borrowing (-)	(4,130,000)	(4,140,000)	(10,000)	0.2%	(4,650,000)	(510,000)	12.3%
Loan or Financing Lease - Principal Payments (+)	1,300,000	2,069,000	769,000	59.2%	2,784,000	715,000	34.6%
Net Financing Activity (D)	\$ (2,830,000)	\$ (2,071,000)	\$ 759,000	-26.8%	\$ (1,866,000)	\$ 205,000	-9.9%
Total Budget (=B+C+D)	\$ 100,789,018	\$ 109,599,020	\$ 8,810,002	8.7%	\$ 122,042,079	\$ 12,443,059	11.4%
Change in Working Capital (=A-B-C-D)	\$ (1,043,818)	\$ (131,647)	\$ 912,171	-87.4%	\$ (645,208)	\$ (513,561)	390.1%
FTEs	236.88	248.16	11.28	4.8%	258.50	10.34	4.2%

Section C – Non-Statutory Activity

NERC has no non-statutory activities.

Section D – Consolidated Statement of Activities by Program Area

Statement of Activities, Fixed Asset Additions, Financing Activity, and Change in Working Capital by Program 2023 Budget	Statutory Activities														
	Statutory Total	Reliability Standards and Power Risk Issue Strategic Management	Compliance Assurance, Registration, and Certification	Event Analysis	Compliance Enforcement	Personnel Certification and Credential Maintenance	Training and Education	Reliability Assessments and Performance Analysis	Situation Awareness	E-ISAC (Including CRSP)	General and Administrative (Includes Executive and External Affairs)	Legal and Regulatory	Information Technology	Human Resources and Administration	Accounting and Finance
Funding															
ERO Funding															
NERC Assessments	\$ 87,286,953	\$ 10,174,644	\$ 13,788,206	\$ 4,050,292	\$ 7,158,045	\$ -	\$ 1,106,820	\$ 17,940,880	\$ 6,240,690	\$ 27,827,377	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
Penalties Released	1,000,000	149,148	170,455	49,716	92,330	-	14,205	120,739	56,818	346,591	-	-	-	-	-
Total NERC Funding	\$ 88,286,953	\$ 10,323,791	\$ 13,958,661	\$ 4,100,008	\$ 7,250,375	\$ -	\$ 1,121,024	\$ 18,061,619	\$ 6,297,508	\$ 28,173,968	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
Third-Party Funding	\$ 9,479,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,479,972	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	1,781,775	-	-	-	-	1,781,775	-	-	-	-	-	-	-	-	-
Services & Software	60,000	-	-	-	-	-	60,000	-	-	-	-	-	-	-	-
Miscellaneous	60,000	-	-	-	-	-	-	-	60,000	-	-	-	-	-	-
Interest & Investment Income	76,500	10,592	12,105	3,531	6,557	500	1,009	15,636	4,035	22,537	-	-	-	-	-
Total Funding (A)	\$ 99,745,200	\$ 10,334,383	\$ 13,970,766	\$ 4,103,538	\$ 7,256,931	\$ 1,782,275	\$ 1,122,033	\$ 18,137,254	\$ 6,301,543	\$ 37,736,476	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
Expenses															
Personnel Expenses															
Salaries	\$ 44,250,356	\$ 3,144,776	\$ 4,179,061	\$ 1,336,089	\$ 1,950,093	\$ 340,141	\$ 249,925	\$ 5,162,514	\$ 1,282,278	\$ 8,634,606	\$ 4,952,529	\$ 3,616,183	\$ 5,823,349	\$ 2,064,681	\$ 1,514,132
Payroll Taxes	2,513,603	200,354	245,841	72,312	126,000	24,946	20,183	307,570	77,182	503,699	224,404	182,382	332,659	105,214	90,857
Benefits	6,234,553	509,360	787,967	193,518	230,201	43,337	48,836	747,809	271,648	1,168,786	580,325	514,412	906,267	370,373	251,714
Retirement Costs	4,629,894	351,865	467,379	144,644	216,063	38,117	31,154	566,745	139,292	930,186	404,156	377,618	625,439	176,582	160,653
Total Personnel Expenses	\$ 58,018,406	\$ 4,206,355	\$ 5,680,248	\$ 1,746,563	\$ 2,522,357	\$ 446,540	\$ 350,098	\$ 6,784,638	\$ 1,770,400	\$ 11,237,278	\$ 6,161,414	\$ 4,690,595	\$ 7,687,714	\$ 2,716,850	\$ 2,017,355
Meeting and Travel Expenses															
Meetings & Conference Calls	\$ 1,257,650	\$ 75,000	\$ 92,000	\$ 25,000	\$ 6,500	\$ 34,000	\$ 2,000	\$ 219,750	\$ 70,000	\$ 140,000	\$ 430,000	\$ 10,000	\$ 138,400	\$ 10,000	\$ 5,000
Travel	1,853,900	150,000	270,000	91,000	54,000	18,000	3,500	244,400	16,000	246,000	450,000	120,000	75,000	60,000	56,000
Total Meeting & Travel Expenses	\$ 3,111,550	\$ 225,000	\$ 362,000	\$ 116,000	\$ 60,500	\$ 52,000	\$ 5,500	\$ 464,150	\$ 86,000	\$ 386,000	\$ 880,000	\$ 130,000	\$ 213,400	\$ 70,000	\$ 61,000
Operating Expenses, excluding Depreciation															
Contractors & Consultants	\$ 16,786,610	\$ 202,739	\$ 140,800	\$ 220,802	\$ 69,000	\$ 307,750	\$ 90,000	\$ 876,654	\$ 23,000	\$ 9,910,355	\$ 120,000	\$ 205,000	\$ 3,420,510	\$ 850,000	\$ 350,000
Office Rent	3,022,266	-	-	-	-	-	-	-	-	-	3,022,266	-	-	-	-
Office Costs	12,355,807	49,170	746,196	45,750	651,396	168,300	141,600	740,217	1,318,302	2,002,096	423,350	141,700	5,339,500	305,930	282,300
Professional Services	3,290,596	-	-	-	15,000	-	-	-	-	850,000	1,866,496	325,000	-	9,100	225,000
Miscellaneous	208,783	2,700	3,150	1,200	1,800	300	700	5,000	1,300	9,850	50,567	-	3,717	127,200	1,300
Total Operating Expenses, excluding Depreciation	\$ 35,664,062	\$ 254,609	\$ 890,146	\$ 267,752	\$ 737,196	\$ 476,350	\$ 232,300	\$ 1,621,871	\$ 1,342,602	\$ 12,772,301	\$ 5,482,679	\$ 671,700	\$ 8,763,727	\$ 1,292,230	\$ 858,600
Total Direct Expenses	\$ 96,794,018	\$ 4,685,964	\$ 6,932,394	\$ 2,130,315	\$ 3,320,053	\$ 974,890	\$ 587,898	\$ 8,870,659	\$ 3,199,002	\$ 24,395,579	\$ 12,524,093	\$ 5,492,295	\$ 16,664,840	\$ 4,079,080	\$ 2,936,955
Indirect Expenses	\$ -	\$ 5,578,476	\$ 6,375,401	\$ 1,859,492	\$ 3,453,342	\$ 796,925	\$ 531,283	\$ 8,234,893	\$ 2,125,134	\$ 12,963,316	\$ (12,720,093)	\$ (5,492,295)	\$ (16,689,840)	\$ (4,079,080)	\$ (2,936,955)
Other Non-Operating Expenses	\$ 276,000	\$ -	\$ 27,500	\$ -	\$ 27,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,000	\$ -	\$ 25,000	\$ -	\$ -
Total Expenses (B)	\$ 97,070,018	\$ 10,264,440	\$ 13,335,295	\$ 3,989,807	\$ 6,800,895	\$ 1,771,815	\$ 1,119,181	\$ 17,105,553	\$ 5,324,136	\$ 37,358,895	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A-B)	\$ 2,675,182	\$ 69,943	\$ 635,471	\$ 113,731	\$ 456,036	\$ 10,460	\$ 2,852	\$ 1,031,702	\$ 977,407	\$ 377,582	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 6,549,000	\$ 496,464	\$ 935,423	\$ 255,905	\$ 532,573	\$ 115,209	\$ 43,473	\$ 1,661,328	\$ 1,139,891	\$ 1,368,735	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activity															
Loan or Financing Lease - Borrowing (-)	\$ (4,130,000)	\$ (549,620)	\$ (628,137)	\$ (183,207)	\$ (340,241)	\$ (78,517)	\$ (52,345)	\$ (811,343)	\$ (209,379)	\$ (1,277,212)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	1,300,000	123,099	328,184	41,033	263,704	17,586	11,724	181,717	46,895	286,058	-	-	-	-	-
Net Financing Activity (D)	\$ (2,830,000)	\$ (426,520.91)	\$ (299,952)	\$ (142,174)	\$ (76,537)	\$ (60,932)	\$ (40,621)	\$ (629,626)	\$ (162,484)	\$ (991,153)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget (=B+C)	\$ 100,789,018	\$ 10,334,383	\$ 13,970,766	\$ 4,103,538	\$ 7,256,931	\$ 1,826,093	\$ 1,122,033	\$ 18,137,254	\$ 6,301,543	\$ 37,736,476	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Working Capital (=A-B-C-D)	\$ (1,043,818)	\$ -	\$ -	\$ -	\$ -	\$ (43,818)	\$ -	\$ -	\$ -	\$ -	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -
FTEs	236.88	19.74	22.56	6.58	12.22	2.82	1.88	29.14	7.52	45.87	19.74	16.92	31.21	11.28	9.40

Exhibit A – Application of NERC Section 215 Criteria

**DISCUSSION OF HOW THE NERC MAJOR ACTIVITIES
IN THE 2023 BUSINESS PLAN AND BUDGET
MEET THE NERC WRITTEN CRITERIA FOR DETERMINING WHETHER A
RELIABILITY ACTIVITY IS ELIGIBLE TO BE FUNDED UNDER
FEDERAL POWER ACT SECTION 215**

This Exhibit will be provided in the final draft of the 2023 Business Plan and Budget.

Exhibit B – Capital Financing

The company secured a capital financing program in July 2020 for \$8.0 million as a funding source for major software application development projects and hardware equipment that primarily benefit the ERO Enterprise. The \$8.0M non-revolving credit facility was available to finance certain capital expenditures made from July 2020 to December 2021, as approved by the Board of Trustees (Board) and the Federal Energy Regulatory Commission (FERC). NERC financed \$2.0M for ERO Secure Evidence Locker (SEL) project costs, borrowing \$1.3M in late 2020 and the remaining \$700k in 2021, with an interest rate of 2.5% and 3.2%, respectively. Borrowings under the credit facility for the ERO SEL are amortized over a five-year period and can be prepaid without penalty.

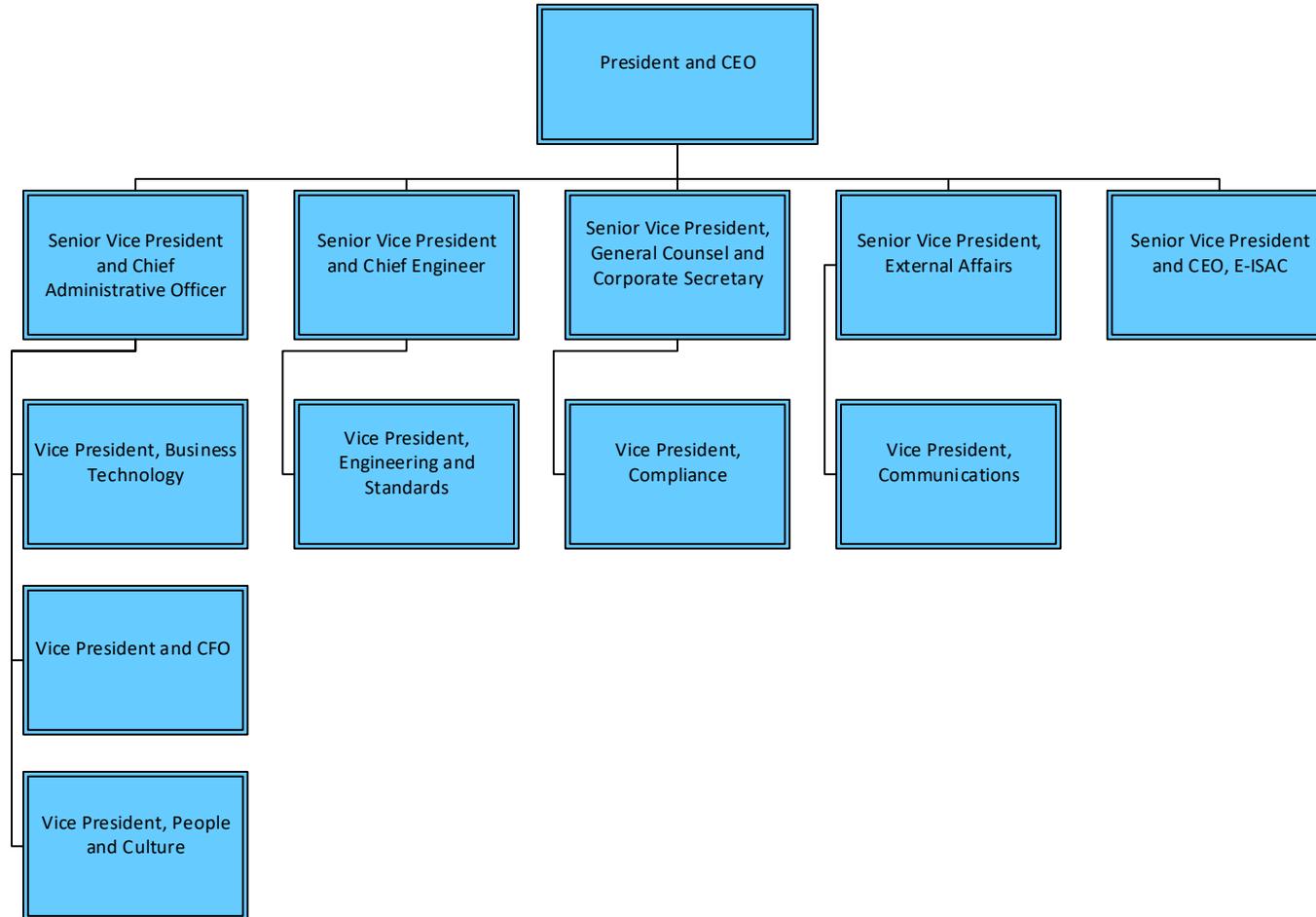
As discussed in the *Introduction and Executive Summary*, due to increased spending on capital software projects related to the 2023–2025 Technology Strategy, a portion of these projects is proposed to be financed with a new capital borrowing facility using a five-year loan amortization. NERC has assumed borrowings of \$4.0M in 2023, \$4.0M in 2024, and \$2.5M in 2025, and has budgeted an average interest rate of 5.0%.

The tables below show projected year-end outstanding debt and the future annual payments for debt service.

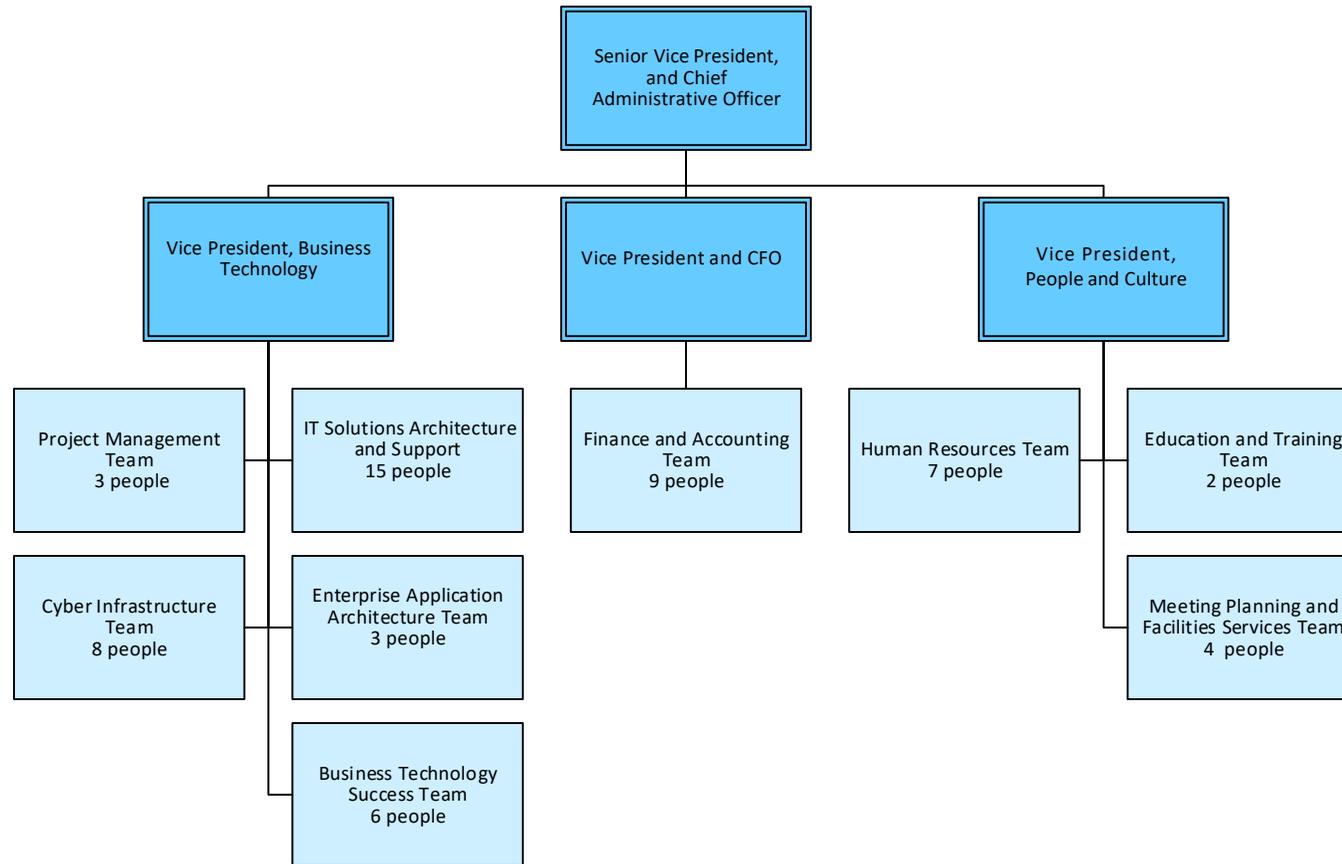
	Year-End Outstanding Debt Balance				
	Prior Years	2022	2023	2024	2025
	Actual	Projected	Budget	Projected	Projected
Prior Years	\$ 1,773,292	\$ 1,383,225	\$ 969,301	\$ 543,644	\$ 105,848
2022 Projection	-	-	-	-	-
2023 Budgeted	-	-	3,700,000	2,956,000	2,176,000
2024 Projected	-	-	-	3,700,000	2,956,000
2025 Projected	-	-	-	-	2,315,000
Total Outstanding Balance	\$ 1,773,292	\$ 1,383,225	\$ 4,669,301	\$ 7,199,644	\$ 7,552,848

	Future Annual Payments for Debt Service				
		2022	2023	2024	2025
		Projected	Budget	Projected	Projected
Prior Years - Principal		\$ 390,067	\$ 413,924	\$ 425,657	\$ 437,796
2022 Projection		-	-	-	-
2023 Budgeted		-	300,000	744,000	780,000
2024 Projected		-	-	300,000	744,000
2025 Projected		-	-	-	185,000
Interest Expense		44,575	151,000	319,000	415,000
Total Principal and Interest Costs		\$ 434,642	\$ 864,924	\$ 1,788,657	\$ 2,561,796

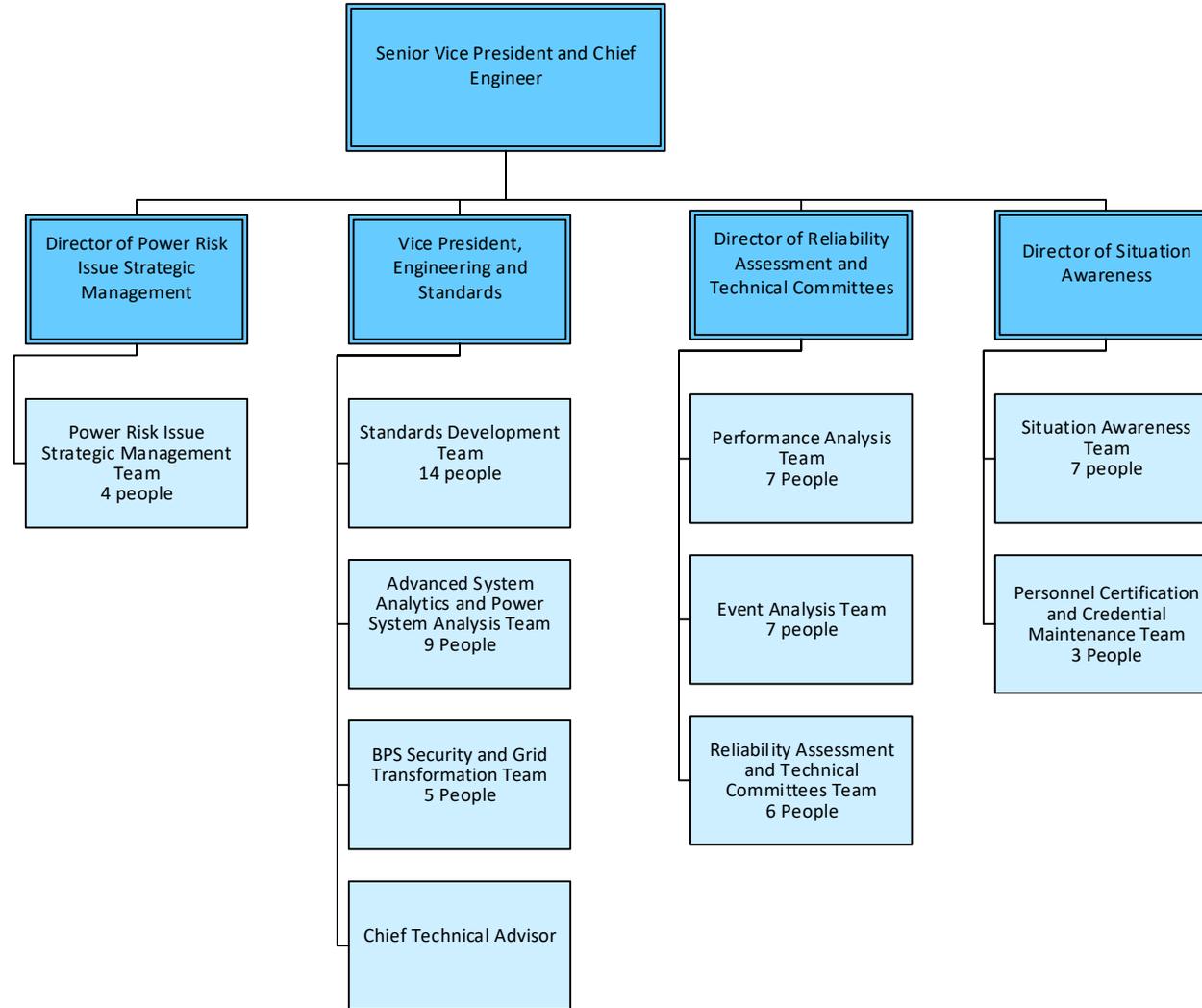
NERC Staff Organization Chart – Budget 2023



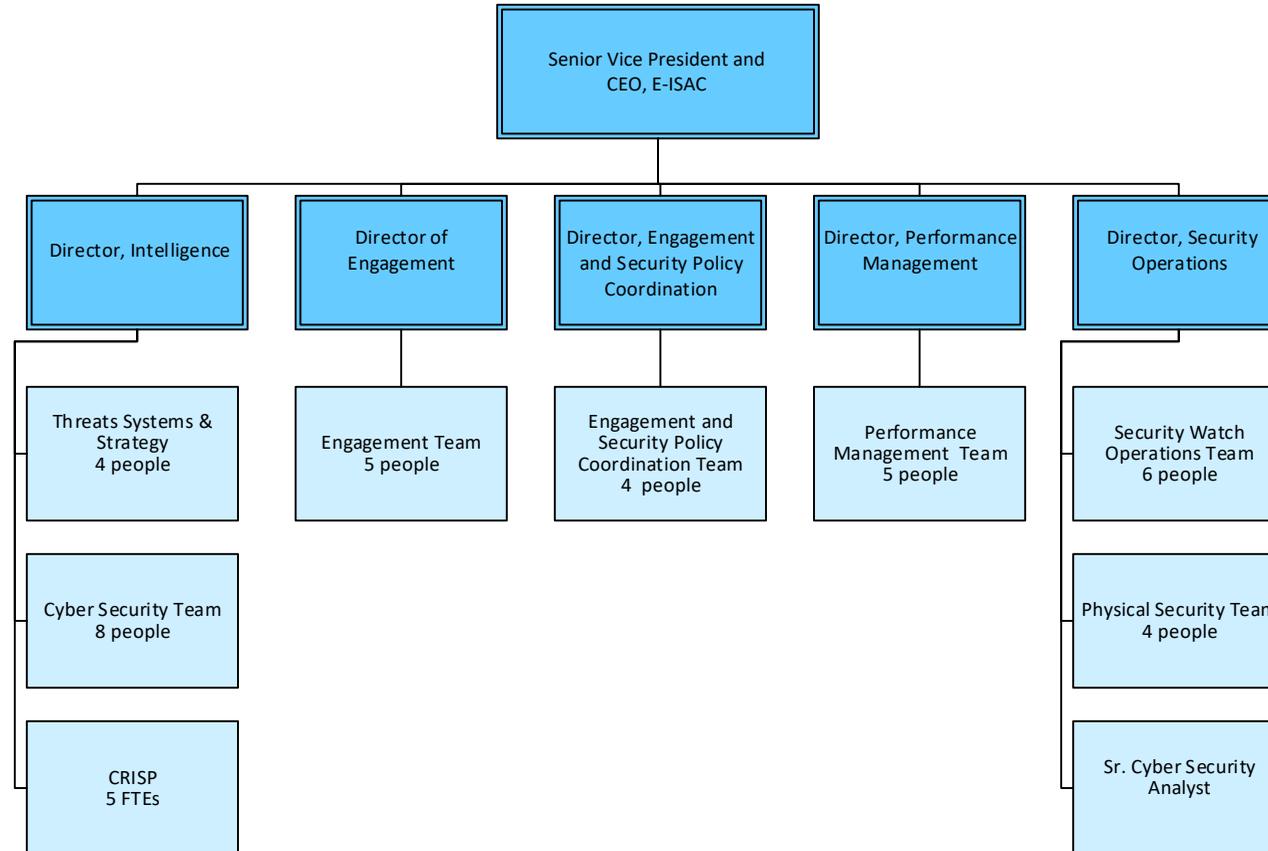
Shared Services



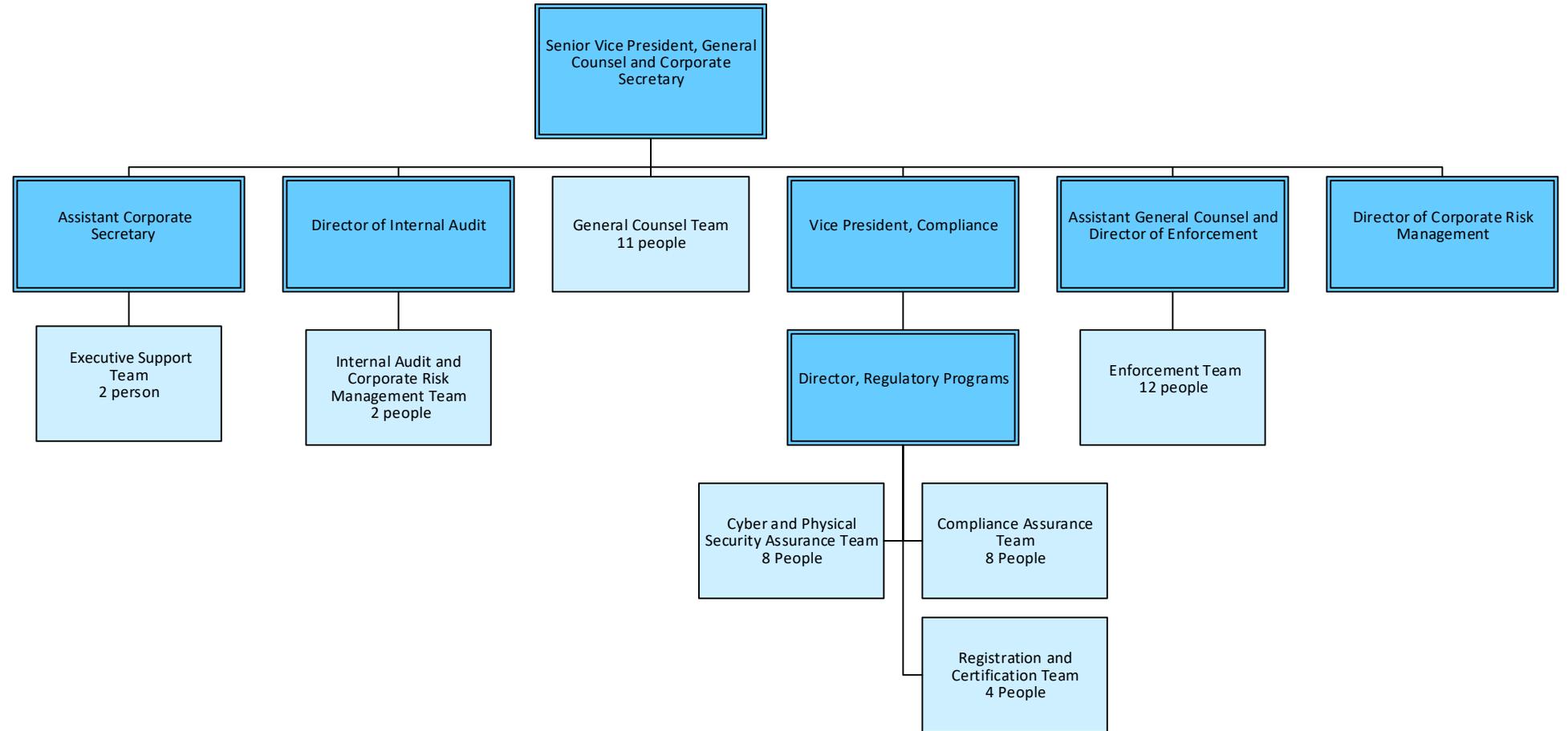
Engineering & Standards and Reliability Risk Management



Electricity Information Sharing and Analysis Center



Legal and Regulatory, Internal Audit, Corporate Risk Management, and Compliance Enforcement



External Affairs

