

# Announcement

## Board Approves 2022 Budgets, Accepts State of Reliability and RISC Reports

August 12, 2021

**ATLANTA** – NERC’s Board of Trustees concluded its quarterly meeting, featuring the approval of 2022 budgets, acceptance of the *2021 State of Reliability* and the *2021 ERO Reliability Risk Priorities Report*, review of winter preparedness, updates on standards projects and a strategic discussion with Canadian utility regulators. This was the fifth Board meeting held virtually due to the ongoing pandemic. Jim Robb, NERC’s president and chief executive officer (CEO), noted that the pandemic has forced NERC and its stakeholders to find different ways to work, collaborate and stay connected, while still remaining keenly focused on the reliability and security of the North American grid.

“The Northeast blackout on August 14, 2003, was the catalyst for the modern day reliability regime in North America, which serves nearly 400 million people effectively and efficiently,” Robb said. “Now, 18 years later, resilience against the pandemic is yet another challenge along with the rapidly evolving resource mix and rising security risks. Throughout this meeting, you will hear the vital activities NERC and industry are undertaking to assure a reliable and resilient grid across North America.”

Opening remarks were made by Andre Bernier, acting assistant deputy minister, Natural Resources Canada (NRCan); Allison Clements, commissioner, Federal Energy Regulatory Commission (FERC); Patricia Hoffman, acting assistant secretary, Office of Electricity, Department of Energy (DOE); and Francis Bradley, president and CEO, Canadian Electricity Association (CEA).

Prior to the Board meeting, NERC’s Board met with more than 30 utility regulators from seven Canadian provinces and Canada’s federal government. The meeting, moderated by David Morton, chair and CEO of the British Columbia Utilities Commission and chair of international affairs for CAMPUT, takes place each August to allow for strategic discussions. This year, the meeting focused on critical infrastructure interdependencies, cyber security and cross-border coordination. Discussions also covered the status of standards adoption in the provinces, a review of Canadian enforcement activity and an update on key issues by the CEOs of the Regional Entities that cover Canada. NERC Trustee Colleen Sidford, international liaison to the Board, summarized the discussions for Board meeting attendees.



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Key action by the Board included the approval of the 2022 Business Plans and Budgets for NERC and the Regional Entities. The 2022 NERC budget proposed an increase of 6.2% over 2021, which is primarily driven by personnel costs, consultants and contracts as well as software licenses and support; and 2022 assessments are increasing 8.9% over the prior year. NERC's two-year average budget increase (for 2021 and 2022) is 3.2%, and two-year average assessment increase is 4.5%. NERC's Business Plan and Budget focuses on addressing several key risk areas, including supply chain compromise and increasingly sophisticated cyber attacks; extreme and widespread weather-related events; and energy and fuel assurance.

The 2022 Business Plans and Budgets for the Regional Entities also were approved by NERC's Board, after undergoing approval by their respective regional boards. The combined budget increase for the ERO Enterprise (NERC and Regional Entities) is 6.5% over 2021, with an assessment increase of 6.0%.

The 2022 Business Plan and Budgets will be submitted to FERC for approval later this month. Throughout this planning process, significant input was received by stakeholders and industry representatives.

"We have developed a budget that reflects objectives and immediate needs related to resources to address priority risks to bulk power system reliability and security — NERC IT security and equipment needs, audits and strategic workforce development," Robb said. "We remain committed to thoughtfully balancing fiscal concerns while still managing the myriad responsibilities we are asked to address with the evolution of bulk power system risk."

In response to the Board's policy input request, Mark Lauby, NERC's senior vice president and chief engineer, provided an overview of winter energy policies, procedures and programs to identify and mitigate risks to the bulk power system readiness to the Member Representatives Committee at its meeting on Wednesday.

NERC's Board adopted the new Cold Weather Reliability Standards, which are pending FERC approval, in May. These standards require generator owners to implement plans to prepare for cold weather and provide certain generator cold weather operating parameters to the Reliability Coordinator, Transmission Operator and Balancing Authority for use in their analyses and planning.

In addition, the ERO Enterprise is pursuing several efforts beyond unit winterization to evaluate industry preparedness for the upcoming 2021–2022 winter season, Lauby said. The efforts include:

- **Winter Weather Preparedness Outreach and Industry Engagement:** Webinars, conferences and workshops focused on cold weather preparedness.
- **Registered Entity On-site/Virtual Engagement:** Some Regional Entities will conduct on-site or virtual visits with registered entities to better understand the extent of condition.
- **A Level 2 NERC Alert:** An alert will be issued this month to gauge actions being taken to prepare for the upcoming winter, specific mitigations from existing guidelines and lessons learned being implemented as well as their status/completion dates.
- **A Compliance Monitoring and Enforcement Program (CMEP) Practice Guide:** Development of a CMEP Practice Guide is being considered to help CMEP staff engage with and understand how registered entities are managing the risk to reliability related to cold weather preparedness in preparation for, and during the implementation of, the Cold Weather Reliability Standards.
- **2021/2022 Winter Reliability Assessment:** NERC's annual seasonal assessment will include additional focus on extreme winter weather preparation, energy management planning and expected operational conditions.

Howard Gugel, vice president of Engineering and Standards, provided updates on two ongoing standards efforts: Project 2020-03 – Supply Chain Low Impact Revisions and the [Standards Efficiency Review](#), which was initiated to evaluate NERC Reliability Standards using a risk-based approach to identify potential efficiencies through retirement or modification of Reliability Standard requirements.

Other Board action included the adoption of Project 2019-02 – BES Cyber System Information Access Management and the acceptance of the *2021 State of Reliability* and the *2021 ERO Reliability Risk Priorities Report*.

- **Project 2019-02 – BES Cyber System Information Access Management** provides increased options for entities to leverage third-party data storage and analysis systems and clarifies the protections expected when using third-party solutions (e.g., cloud services).
- The **2021 State of Reliability** looks at past performance and found that the grid continued to perform well, while facing significant challenges, including extreme weather, cyber and physical threats and a rapidly changing generation resource mix, all within the context of a global pandemic. The report also highlights key concerns for managing an evolving system, including operator-initiated load shedding, energy adequacy, sensitivities to weather events and a surge in cyber security attacks.
- The **2021 ERO Reliability Risk Priorities Report** is a forward-looking view of current and projected risks to bulk power system reliability. The report identified four significant evolving and interdependent risks — grid transformation, security, increased vulnerability due to extreme events and the ongoing pandemic. Grid transformation was identified as the most significant risk as it has broad implications and can be a catalyst for additional changes, often amplifying the impact on reliability, resilience and security.

Board presentations are located on the Board of Trustees [agenda page](#) on NERC’s website. The next Board meeting is November 4 with more details to come in September.

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