

NERC 2018 Business Plan and Budget Final Draft

Finance and Audit Committee Meeting
August 9, 2017

RELIABILITY | ACCOUNTABILITY



- Budget and strategy alignment
- Analytical capabilities
- E-ISAC – Implementation of long-term strategy
- CMEP technology program
- Standards review and cost effectiveness
- Employee development and training
- Resource allocation and efficiency of operations

- Updates from Draft 1 to Draft 2
 - Added costs related to E-ISAC long-term strategy
 - Personnel costs and assumptions
 - FTEs increased by 6 for E-ISAC long-term strategy (including one in CRISP)
 - Other costs remain close to Draft 1, with minor adjustments
- Updates from Draft 2 to Final
 - No financial impacts
 - Minor wording updates

- Total NERC before additional E-ISAC long-term strategy
 - Base case budget increase unchanged at 2.5%
 - Assessment base case increase unchanged at 3.3%
- Total NERC with additional E-ISAC long-term strategy costs
 - Adds another 2.6% to total budget increase
 - 5.1% overall increase
 - Adds another 1.8% to assessment increase
 - 5.1% overall increase
 - Includes release of \$600k in Assessment Stabilization Reserves
- CRISP
 - Finalizing budget with Battelle and participants
 - Anticipate minimal changes between 2017 and 2018

NERC overall budget increase at 5.1%
for expenses and capital expenditures

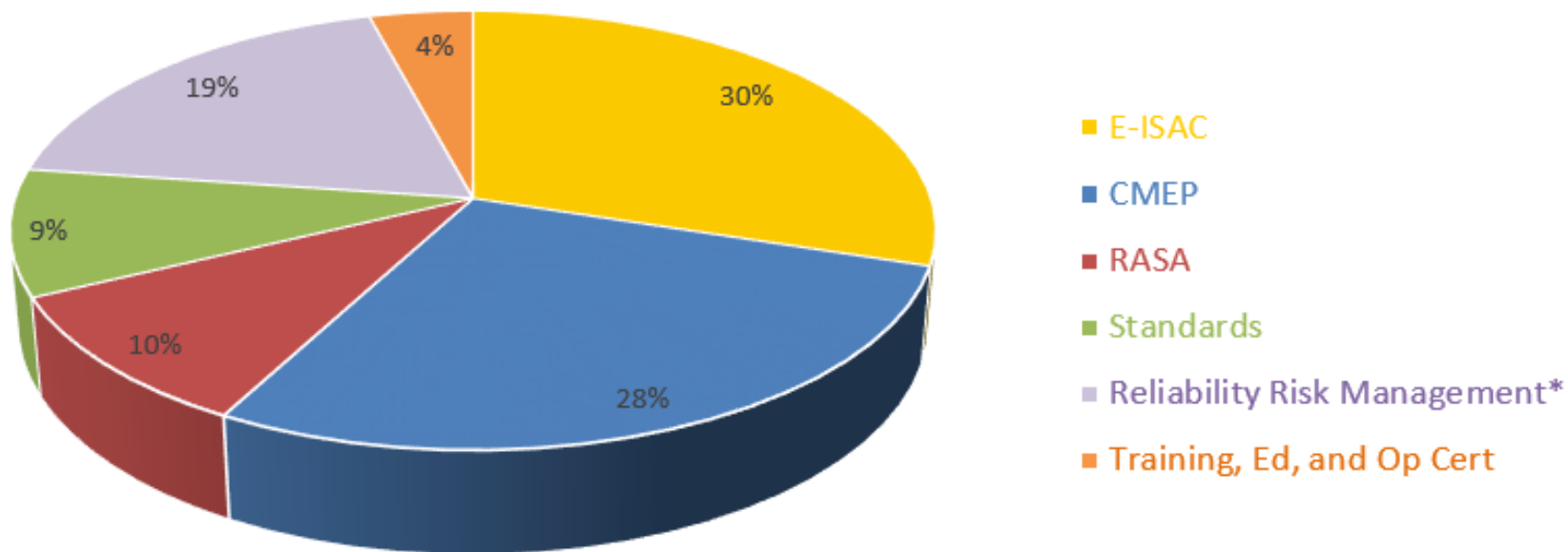
EXPENSES and FIXED ASSETS (CAPITAL)	2017	2018	Change	
			\$	%
Compliance Monitoring and Enforcement Programs*	\$ 17,305,535	\$ 20,465,126	\$ 3,159,591	18.3%
Reliability Risk Management	14,387,923	13,641,560	(746,363)	-5.2%
Standards	8,100,282	6,821,893	(1,278,389)	-15.8%
Reliability Assessments and System Analysis	7,535,594	7,312,956	(222,638)	-3.0%
Training, Education and Operator Certification	3,757,501	3,043,024	(714,477)	-19.0%
Programs (excluding E-ISAC)	\$ 51,086,835	\$ 51,284,559	\$ 197,724	0.4%
E-ISAC (without CRISP)	\$ 10,222,900	\$ 13,130,686	\$ 2,907,785	28.4%
CRISP - assessment funded	1,301,923	1,389,159	87,236	6.7%
CRISP - participant funded	6,990,517	7,330,753	340,236	4.9%
E-ISAC	\$ 18,515,341	\$ 21,850,597	\$ 3,335,256	18.0%
TOTAL EXPENSES and FIXED ASSETS (CAPITAL)	\$ 69,602,175	\$ 73,135,156	\$ 3,532,981	5.1%

*Includes Entity Registration and CMEP Tool Development

NERC overall average assessment increase at 5.1%
for expenses and capital expenditures

FUNDING	2017	2018	Change	
			\$	%
Assessments				
Program Areas	\$ 58,580,633	\$ 61,565,201	\$ 2,984,568	5.1%
CRISP	1,275,681	1,371,768	96,087	7.5%
Total assessments	\$ 59,856,314	\$ 62,936,968	\$ 3,080,655	5.1%
Assessment Stabilization Releases				
Assessment Stabilization Releases	\$ 1,100,000	\$ 600,000	\$ (500,000)	-45.5%
CRISP Participant Funding	6,990,517	7,330,753	340,236	4.9%
Other revenues	2,204,830	2,113,500	(91,330)	-4.1%
Other funding	\$ 10,295,347	\$ 10,044,253	\$ (251,094)	-2.4%
TOTAL FUNDING	\$ 70,151,660	\$ 72,981,221	\$ 2,829,561	4.0%

NERC 2018 Budget By Program Area



*Includes Performance Analysis, Event Analysis and Situation Awareness

NERC Resource Allocation to Strategic Goal Areas



- Goal is to better align budget increases, assessment requirements, and billed assessments
- 2018 average assessment increase lowered from 6.1% to 5.1%
 - Release of \$600k lowers U.S. assessments specifically
- 2019 assessment increase is ~ 8.9%
 - Intersection of several major projects, so NERC will be working to lower this before 2019 budget
 - No assumption of reserve usage, but will have funds available to offset
- 2020 assessment increase is ~ 4.0%
 - Includes continuation of E-ISAC strategy
- Actual budget increases and use of reserves determined annually

- Assessment Stabilization Reserve projected at \$2,171,000 for January 1, 2018
 - Releasing \$1,100,000 in 2017 to offset U.S. assessments
 - Received \$500,000 penalty funds in May 2017
 - 2018 Final Draft using \$600,000 in 2018 to offset U.S. assessments
- Assuming no additional penalty receipts, projected Assessment Stabilization Reserve at the end of 2018 is \$1,571,000

- Future Obligation Reserves - \$1.8M
- Operating Contingency Reserve - \$3.0M
- System Operator Certification Reserve - \$700k
- CRISP Reserve - \$500k
 - Funded by participants, subject to final budget negotiation

- Total NERC Assessment Increase – 5.1%
 - U.S. Increase – 4.9%
 - Net of \$600K ASR release
 - Canadian increase ranges from 3.5% to 12.2% (average of 8.1%)
 - Compliance Credits & True Ups
 - Mexico Increase – 7.2%
 - Increase larger than normal due to NEL growth relative to others

Total Canadian Assessments

	% Change - 2018 v 2017			\$ Change - 2018 v 2017		
	Total Assessment	RE Assessment	NERC Assessment	Total Assessment	RE Assessment	NERC Assessment
AESO	1.5%	-1.1%	6.2%	\$ 22,678	\$ (11,264)	\$ 33,942
IESO	6.6%	3.1%	12.2%	211,373	62,996	148,377
New Brunswick	2.1%	-0.7%	8.4%	8,622	(1,907)	10,529
Quebec	6.9%	5.8%	8.6%	319,473	164,723	154,750
Nova Scotia	3.0%	2.6%	3.5%	11,537	6,150	5,387
Manitoba Hydro	1.3%	0.2%	4.5%	16,130	1,503	14,627
SaskPower	2.4%	1.2%	5.5%	28,879	10,658	18,221
British Columbia Hydro	5.9%	6.1%	5.3%	168,125	122,609	45,516
Total Canada	5.1%	3.5%	8.1%	\$ 786,817	\$ 355,468	\$ 431,349

- NERC continues to work with Mexican representatives on both operational and financial issues
- Recent meetings in late May kicked off joint leadership Steering Group and program area working groups
- Discussions with financial counterparts ongoing, anticipate greater funding from Mexico in 2018
 - Likely phased-in approach recognizing the gradual integration of activities
 - Uncertain on timing, potential for supplemental assessment filing



Questions and Answers