



NERC 2021 Business Plan and Budget (First Draft) Comments of the Canadian Electricity Association

I. Introduction

The Canadian Electricity Association (“CEA”) appreciates this opportunity to provide comments on the first draft of NERC’s 2021 Business Plan and Budget (“Draft NERC Budget”).

As the voice of the electricity sector in Canada, CEA remains an advocate of NERC’s international standard-setting model. In line with CEA members’ support for this model, CEA offers these comments in the spirit of helping to ensure NERC’s success.

II. Comments

NERC Budget

The Draft NERC Budget for 2021, including the Align tool delay costs, is \$82.9M. This represents a 0.2% increase over the 2020 budget. CEA is appreciative that this increase is below the prior 2021 projection of a budget increase of 2.8%.¹ This aligns with recommendations from CEA and other stakeholders that NERC seek opportunities to reduce annual budget increases, and to achieve budget stabilization through ongoing increases in efficiency and cost-effectiveness efforts.

CEA continues to recommend that NERC pursue budget stabilization and a decrease of annual budget increases to ensure that its operations are more aligned with the regulatory and fiscal realities faced by electric utilities. Ratepayers, regulators and governmental authorities expect utilities to meet mandates for the highest level of fiscal discipline, all while utilities must adapt to sector transformations and achieve policy and regulatory imperatives. Furthermore, this takes place in the context of the limited ability of utilities to flow through NERC costs to ratepayers.

COVID-19

While ensuring fiscal discipline, along with reliability, resilience and other core mandates is always important, this is perhaps more critical than ever in the context of the uncertain economic conditions resulting from the COVID-19 pandemic. Canadian utilities, their

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<https://www.nerc.com/gov/bot/FINANCE/2020%20NERC%20Business%20Plan%20and%20Budget%20DL/NERC%202020%20Business%20Plan%20and%20Budget%20-%20Final.pdf>





counterparts in the U.S., NERC, and governmental authorities and other members of the electricity community in North America have taken extraordinary actions to ensure that the electricity industry is able to continue to operate in a safe and reliable manner, and to deliver a critical service – reliable, safe, and affordable electricity, while also ensuring the safety of its workers.

As such, CEA is appreciative that NERC is additionally taking steps to ensure an overall flat assessment compared to 2020 in light of these extraordinary circumstances. CEA looks forward to reviewing more detailed assessment numbers in the second draft of NERC's budget.

Cost Pressures and Relief

While the sector has weathered the storm thus far, many electricity utilities are beginning to experience additional financial pressures due to COVID-19. For example, liquidity is becoming a challenge for some utilities as financial pressures due to COVID-19 cause some electricity customers, including industrial users, to defer or not pay their bills. Other utilities are facing policy imperatives to reduce costs, find savings, and to provide relief to customers during this time.

Utilities will continue to respond to these challenges, while ensuring they provide power, but they are under extraordinary pressures to manage costs and the current pandemic reality.

The steps NERC is taking for 2021 to address cost issues, along with the actions to provide responsible regulatory relief during the pandemic, are positive and appreciated. That said, it appears that NERC is tracking below budget for 2020, and this will result in a much higher operating reserve than normally targeted. Given the unprecedented current circumstances, CEA would ask NERC to consider methods to provide relief to entities, rather than recovering the same revenue even though 2020 costs seem to be under the expected budget.

Projections for 2022-2023

CEA looks forward to reviewing budget projections for 2022 and 2023. It is noted that some savings for 2021 are due to reduced travel and the deferment of non-critical projects and system enhancements. CEA would encourage NERC to continue examining ways to ensure budget stabilizations in future years, once items like these and others, resume. In addition, for future years, NERC may wish to examine ways to provide more cost certainty over a three-year horizon compared to a yearly one. This would align with electric sector realities, where rates are not typically modified on a yearly basis.





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E-ISAC

CEA commends NERC and the E-ISAC for the work done to refresh the E-ISAC strategic plan, including the optimization of resource allocation and the improvement of the effectiveness and efficiency of current products and services. Due to these actions, the budget projections for the E-ISAC (not including CRISP) are expected to be a 5.2% decrease from 2020, and well below prior projections.

CEA and its members have long urged NERC to improve the value proposition of the E-ISAC for all stakeholders, including Canadians, while also ensuring cost-effective and efficient E-ISAC operations. The steps NERC and the E-ISAC have taken to do this seem to be in the spirit of these recommendations, and in helping ensure the security of the Bulk Power System as a whole.

CEA encourages NERC and the E-ISAC to continue engaging with stakeholders to ensure that the full value of the E-ISAC is realized for all entities as the refresh of the strategic plan is implemented. CEA would encourage NERC to continue its efforts to leverage capabilities already available from other agencies or partners (such as the Canadian Centre for Cyber Security).

CEA trusts that the concerns outlined in this letter will be given due and fair consideration.

Dated:

Contact:

Francis Bradley
President & CEO
Canadian Electricity Association
bradley@electricity.ca

