

Cooperative Sector Comments on Draft 1 NERC 2022 Business Plan and Budget

Submitted via email by Patti Metro at NRECA

The Cooperative Sector appreciates the opportunity to review and provide comments on the First Draft of NERC's 2022 Business Plan and Budget. The thoroughness of the posted documents and presentations and the outreach opportunities provided are evidence of the importance of a transparent ERO budget process.

- The Cooperative sector understands the need for the increased focus on cyber and physical security threats to the electric utility infrastructure which is the driver for the 2022 Budget E-ISAC and CRISP 10% increase from the 2021 budget. Knowing this, it is important to continue the efforts to find efficiencies in managing and implementing the E-ISAC long-term strategy while being mindful of limiting future budget increases beyond 2022. We continue to recommend that the E-ISAC metrics are evaluated and modified as needed to demonstrate the value of information sharing to E-ISAC members and to always strive to enhance the quality and usefulness of information. In addition, when considering the increase in FTEs specifically for these programs, carefully consider how these additions might offset per-member cost reductions realized due to expansion of the program. It is important that these budget increases provide an improved level of service and value for the participants.
- The Cooperative sector is surprised with the proposed overall increase of 38 FTEs across the ERO. Many stakeholder organizations are maintaining or lowering headcount through 2022. The ERO has consolidated its CMEP processes in the ALIGN software but NERC and the Regional Entities are projecting staff increases to manage the program that was touted to be more efficient than the previous individually managed programs. The ERO, however, did not cite any significant changes in its CMEP or registration/certification programs to justify additional FTEs in those areas. In addition, as the ERO has been focusing on risk-based actions, it has not identified the any risks or evidence that there is a reliability need for increased standards development efforts which is used to explain the additional Reliability Standards FTEs. We encourage NERC and the Regional Entities to review the need for adding FTEs.
- The Cooperative sector suggests the ERO Enterprise consider evaluating a more consistent approach to operating reserves and their use so that the impacts to budgets and assessments can be more consistent and predictable across the overall ERO Enterprise budget. It appears that Reserve policies and the criteria for use of reserves vary widely amongst the Regional Entities and NERC.

The following are examples provided to understand this recommendation:

1. NERC requires a reserve target of 3.5–7.0% of the company's total expense and fixed asset budget.
2. SERC maintains a Working Capital Reserve to satisfy cash flow needs for daily operations, as well as for contingencies that were not anticipated at the time the BP&B was prepared.
3. WECC maintains Working Capital Reserve balance equal to one to three months of Personnel, Meeting, and Operating Expenses per its Reserve Policy.
4. RF Working Capital Reserve has consisted of the amount necessary to satisfy projected cash flow needs for daily operations. In addition, its Board approved a \$1,000,000 operating reserve for 2022 which is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.