

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC 2019 Business Plan and Budget – Draft #1 Overview

Finance and Audit Committee

May 30, 2018

RELIABILITY | ACCOUNTABILITY



- Achieving and maintaining risk-based operations
- Being more effective and efficient
- Identifying and assessing emerging risks
- Promoting leading security practices, information sharing and analysis, and resilience
- Knowledge transfer and effective communications
- Strengthening engagement across North America

- **Goal 1:** Risk-responsive Reliability Standards
- **Goal 2:** Objective, risk-informed compliance monitoring, mitigation, enforcement, and entity registration
- **Goal 3:** Reduction of known reliability risks
- **Goal 4:** Identification and assessment of emerging reliability risks
- **Goal 5:** Identification and reduction of cyber and physical security risks
- **Goal 6:** Effective and efficient ERO Enterprise operations

- Heavy investment in E-ISAC
 - Second implementation year for E-ISAC long-term strategy
- Sizeable investment in technology and tools
 - Lays the foundation for effectiveness and efficiency for the ERO Enterprise
- Keeping costs low for NERC operations outside of E-ISAC
 - Majority of NERC's budget relates to personnel
 - Proposing to eliminate five positions from non-ISAC areas

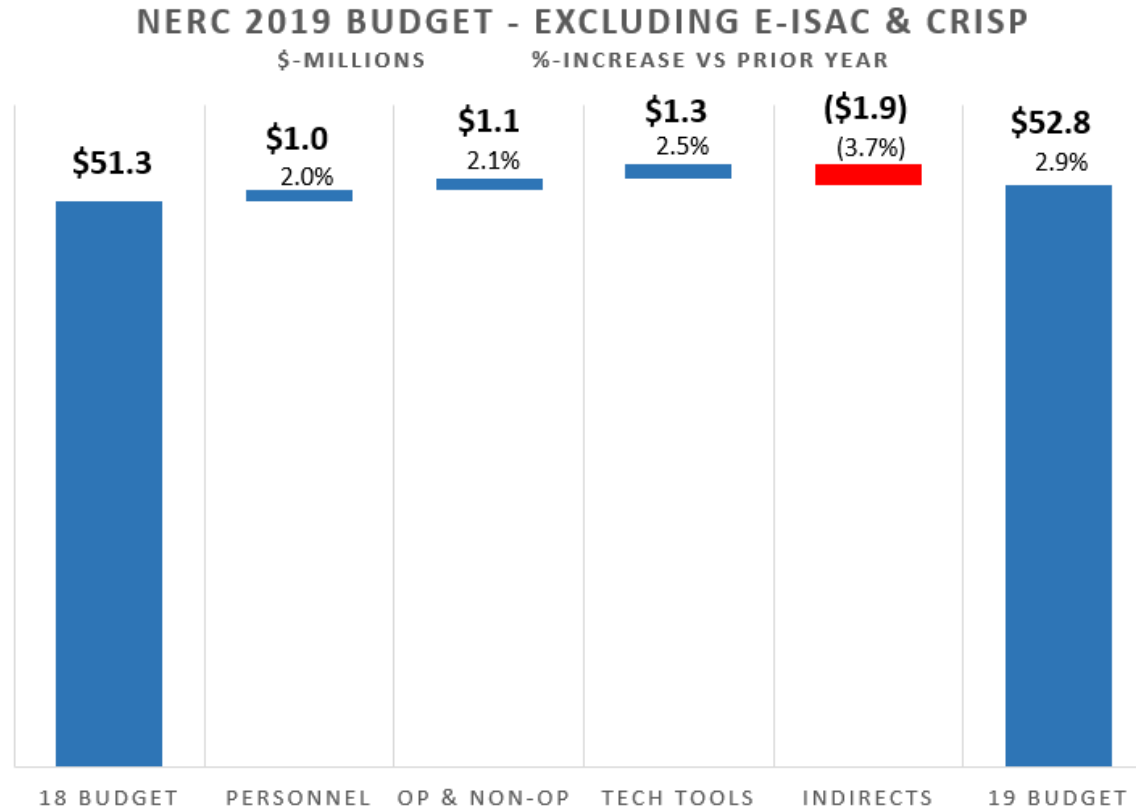
Budget

- 2018 total budget is \$73.1M
- 2019 draft 1 budget is \$80.0M
 - Prior year projection for 2019 was an increase of \$5.0M (6.7%)
 - **Draft 1 2019 budget reflects increase of \$6.9M (9.5%)**

Assessments

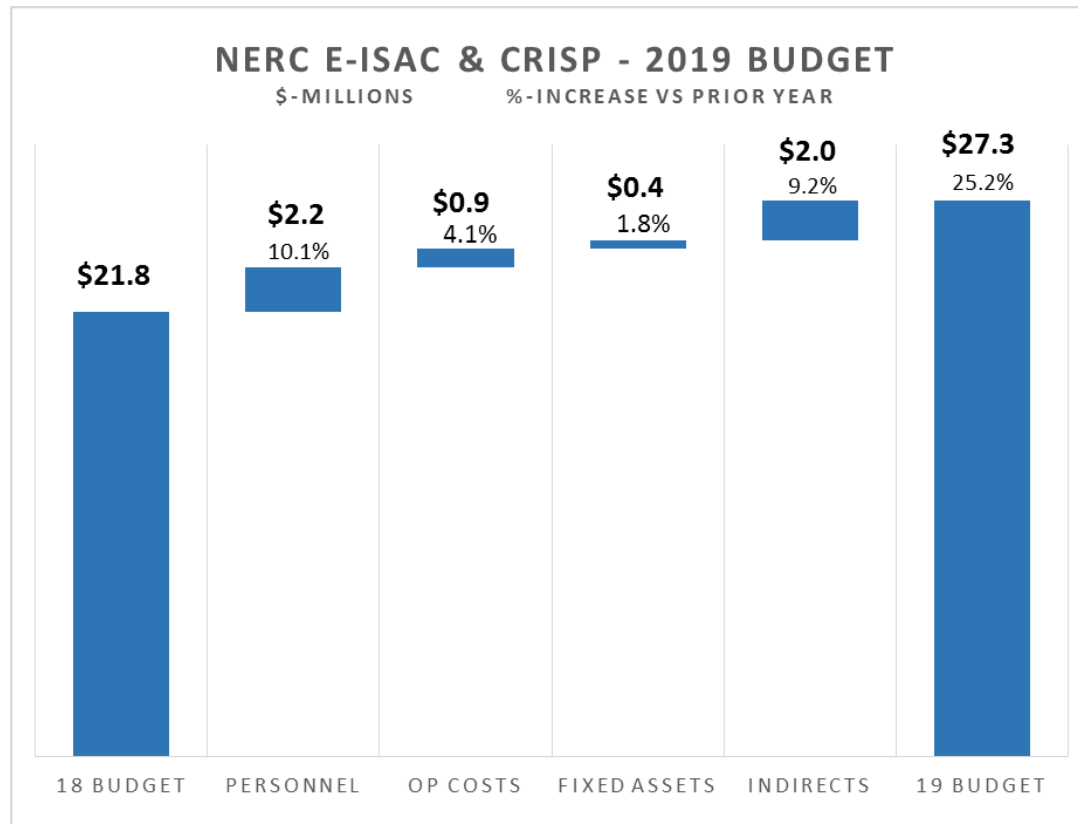
- 2018 assessment is \$63.0M
- 2019 draft 1 assessment is \$69.5M
 - Prior year projection for 2019 was an increase of \$5.6M (8.9%)
 - **Draft 1 2019 assessment reflects an increase of \$6.5M (10.3%)**

- Budget is \$52.8M, up \$1.5M from \$51.3M (2.9%)



- Assessment is \$49.8M (additional funding from workshop and training fees)

- Budget is \$27.3M, up \$5.5M from \$21.8M (25.2%)
 - Second year of E-ISAC strategy accounts for \$3.5M of increase



- Assessment is \$19.7M (additional funding from CRISP)

- For FERC and external reporting purposes, general and administrative expenses (e.g., finance, IT, and legal functions) are allocated as indirect expenses to the operating areas on a per FTE basis
- FTEs for non-ISAC areas are decreasing while E-ISAC FTEs are increasing, causing a sizeable shift in indirect expenses from the non-ISAC areas to the E-ISAC

- **Personnel**

- Decrease of five FTEs outside of E-ISAC
- 3.0% assumed salary increase
- Increase in medical benefit costs

- **Compliance Monitoring and Enforcement Program (CMEP) tool**

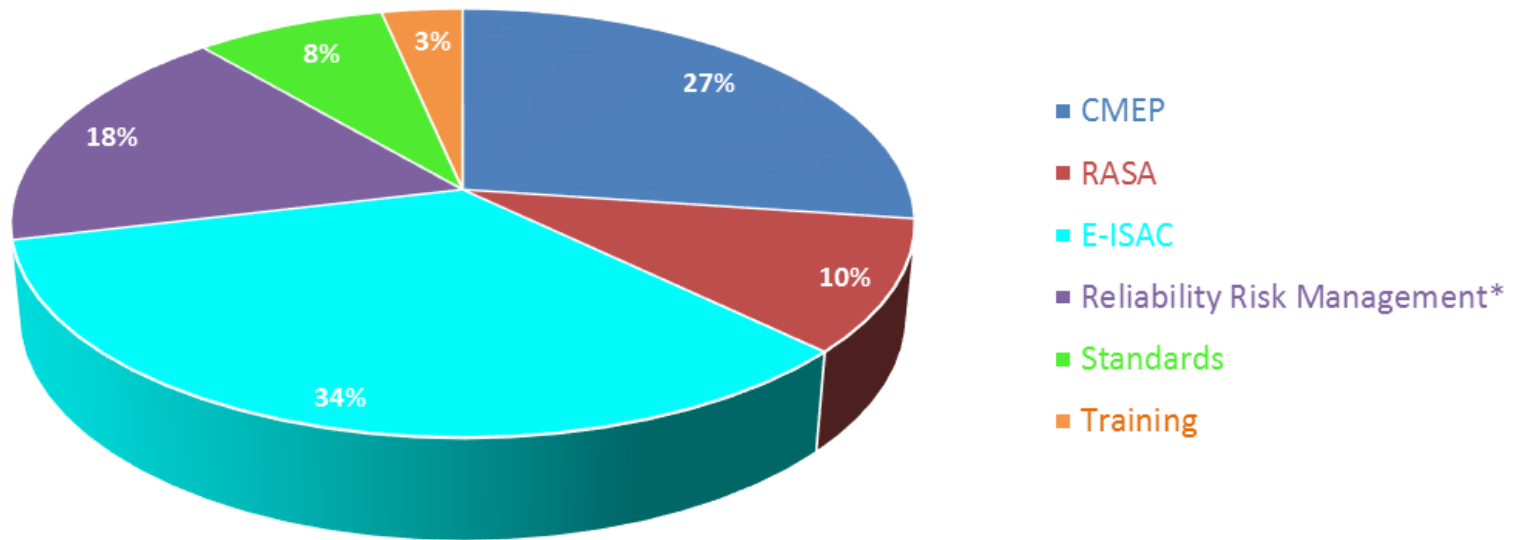
- Planned increase in 2019
- Investment in complementary solutions for Entity Registration and Standards
- Will offset future Regional Entity CMEP licenses and operating costs

- **Situational Awareness tool (SAFNR)**

- Key resource for FERC, NERC, and Regional Entities, funded by NERC
- Provides wide-area view and visibility to impacts such as hurricanes, hot and cold weather extremes, and varying system conditions
- Supports GridEx exercises
- Dated technology limits the ability to update underlying power system information or real-time data feeds
- Upgrade critical for coordination with E-ISAC
 - Improvements address GridEx IV recommendations
 - Partially funded by E-ISAC strategy

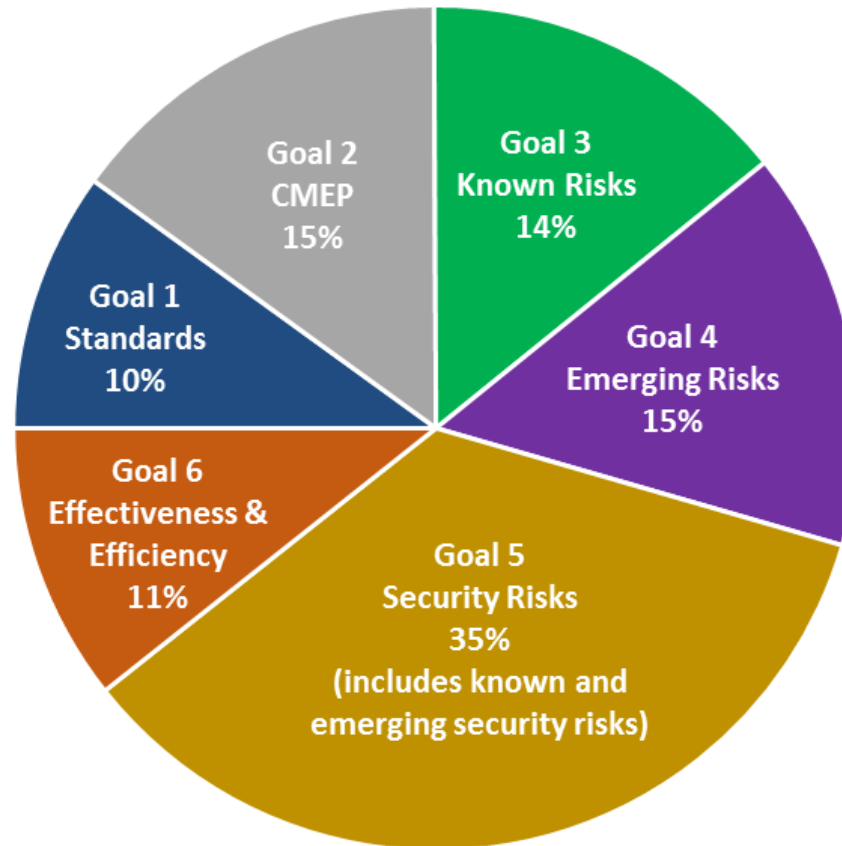
- **Second year of E-ISAC long-term strategy**
 - 11 new FTEs, primarily to support analytics
 - Original 2019 strategy called for 8 FTEs
 - E-ISAC proposes an additional 3
 - Includes FTEs/costs for support
 - Additional enhancements to new user portal
 - Additional GridEx support
 - Lease/facilities to support growth
 - Shared funding for SAFNR

NERC 2019 Budget By Program Area



*Includes Performance Analysis, Event Analysis, and Situation Awareness

NERC Resource Allocation to Operating Plan Goals



- Total assessments for NERC are \$69.5M
 - 10.3% increase over 2018
 - Impacted by capital financing program
- Additional impacts
 - Other funding (CRISP, workshop fees, etc.)
 - Assessment stabilization program

- \$2.1M in Assessment Stabilization Reserves (ASR)
 - \$400k release – buys down assessments increase to 9.8%
 - \$800k release – buys down assessments increase to 9.2%
 - \$1.2M release – buys down assessments increase to 8.5%
- Release of \$564k results in matching budget and assessments increase of 9.5%

- June 25 – MRC BP&B Input Group call
- June 29 – Comments due on first drafts
- July 10 – Quarterly Trades and Forums meeting, closed FAC call
- July 13 – Post final drafts for comment
- July 17 – MRC BP&B Input Group call
- July 19 – FAC webinar to review final drafts
- July 31 – Comments due on final drafts
- August 8 – MRC BP&B Input Group call
- August 15 – FAC meeting to recommend approval of final BP&Bs
- August 16 – Board meeting to approve final BP&Bs
- August 24 – Submit BP&Bs to FERC for approval, with subsequent filings with Canadian authorities



Questions and Answers