



## NERC 2019 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 2019 Business Plan and Budget (“Draft Budget”).

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

### II. Comments

CEA is concerned that the trend of annual NERC budget increases continues, with the Draft Budget proposing an increase from 2018 of 9.5%. This is above the prior year budget increase projection for 2019 of 6.7%. Assessments also are set to increase at a rate above the prior year projection for 2019 of 8.9%, with the Draft Budget noting a 10.3% assessment increase.

On April 25<sup>th</sup>, CEA signed a letter with other trade associations recommending that NERC seek to reduce the (non-E-ISAC) budget for 2019<sup>1</sup> in response to NERC discussing a possible 11-12% budget increase for 2019 at the April Quarterly Trades and Forums Meeting. CEA appreciates that NERC staff has taken this feedback into account, and has proposed ways to decrease the (non-E-ISAC) budget in the Draft Budget. That said, the non-EISAC portion of the budget is still set to increase by 2.9% over the previous year.

Over the last 3 years NERC budgets have increased at an average of 3.2%. Given the fiscal and regulatory realities faced by electric utilities in Canada, these budget increases seem unsustainable. Ratepayers, regulators and governmental authorities continue to mandate the highest levels of fiscal discipline. Utilities must practice this discipline, while at the same time adapting to sector transformations and achieving policy and regulatory imperatives. CEA understands that this task is not easy.

CEA recommends NERC move towards a funding trajectory that aligns with these economic realities and stakeholder expectations. NERC, with ongoing stakeholder input,

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<sup>1</sup> Trade Association Policy Input for the NERC Board of Trustees April 25, 2018





should undertake further and more coordinated, dedicated and transparent efforts to reduce annual budget increases and to achieve budget stabilization. This can be achieved through ongoing cost-effectiveness efforts and by becoming more efficient, including through:

- Better prioritization of investment and activities;
- Achieving a more efficient and effective stakeholder committee engagement process;
- Longer-term budget planning, aligned with the view to achieve lasting efficiencies and savings;
- Maintaining a commitment to keeping operation costs low;
- Ensuring resources are being directed towards activities which appropriately address ongoing and emerging reliability considerations and risks;
- Ensuring that all NERC activities are aligned with risks, goals and priorities outlined in ERO Enterprise strategic and operational documents.

Finally, with respect to the E-ISAC budget increases, CEA understands that increases are supported by the ESCC Member Executive Committee. However, the magnitude of the increases has initiated conversation amongst Canadian registered entities regarding the overall value that the E-ISAC provides. 34% of the NERC budget is expected to be directed towards E-ISAC activities in 2019 and more resources will continue be directed toward the E-ISAC to implement the E-ISAC Long-Term Strategic Plan. The utmost care must be taken to ensure that full value is being realized for these expenditures for all stakeholders.

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

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