

# NERC 2015 Business Plan and Budget – Draft #1 Overview

May 6, 2014  
Member Representatives Committee

**RELIABILITY | ACCOUNTABILITY**



## ❑ Major Initiatives

- Strategic Planning
- Registration
- Standards
- Compliance and Enforcement
- Reliability Assessments
- Situation Awareness/Events Analysis
- Security/ES-ISAC
- Training
- Enterprise IT Applications
- Corporate Services

## ❑ Financial Projections

## ❑ 2015 BP&B schedule

- Updated ERO Enterprise Strategic Plan for 2014-2017
  - Improved focus
  - Five goals
  - Metrics- May Board meeting
  - Drives NERC and Regional Entity resource planning and allocation
- 2014 corporate business plan and budget process improvements
  - Improved schedule
  - Coordination with Regional Entities
  - Reliability Issues Steering Committee (RISC) input
- Stakeholder input tracking posted on NERC website; rolling updates

- Deploying sustainable registration program based on reliability risks
- Identifying a properly scoped set of standard requirements, including incorporating BES definition
- Identifying and implementing supporting business processes and systems
- Aligning changes to the registration criteria with other NERC activities

- Supporting reliability risk management initiatives and process improvements
- Addressing FERC directives
- Continuing to transform standards to steady state
- Improving quality and content of standards
- Facilitating a smooth transition of new standards (e.g. CIP v5 and Physical Security)
- Continuing support of risk-based registration and the development of concurrent RSAWs

- Implementing consistent RAI techniques and principles
- Facilitating CIP v5 transition
- Auditor training
- Transitioning to single approach compliance monitoring and audit planning
- Identifying and implementing processing efficiencies
- Providing internal controls models
- Initiating compliance phase-in learning for new standards
- Consolidating common set of RSAWs, or successors, for all standards
- Reducing prior caseload

- Issuing reliability assessments, performance analyses reports
  - 10-year Long-Term Reliability Assessment
  - Two seasonal assessments: Summer and Winter
  - Special Assessment – e.g.: Essential Reliability Services, GMD, TBD
  - Annual State of Reliability Report
- Managing risk registry and prioritization process
  - Risk control strategies
  - Identify and track reliability risk indicators
  - Benchmark and measure reliability performance
- Supporting standards development and response to FERC directives
- Continuing development of reliability database capabilities

- Ensuring ERO is aware of BPS events and information is shared
- Collaborating with Forums on joint reliability initiatives and projects
- Keeping industry informed of emerging risks
- Tracking industry responses and providing timely updates
- Facilitating broader analysis of root and contributing causes and related training for industry
- Providing information and analysis to support risk-based methodologies and assessments



- Conducting security incident analyses and identifying lessons learned and security metrics
- Conducting GridSecCon and GridEx, focusing on physical and cyber security
- Coordinating with government agencies on policy issues
- Supporting CIP standards development and implementation
- Working through Critical Infrastructure Protection Committee (CIPC) to address emerging risk issues.

- Organizational and procedures enhancements providing further separation from compliance operations
- Option of securing additional space in DC office to facilitate further physical separation and security
- Gathering, analyzing and providing secure information regarding cyber threats and vulnerabilities to industry
- Updating portal capabilities and providing self-service access to users for security awareness services

- Industry interest in program but significant procurement and contract issues remain to be resolved-not clear whether project will move forward
- NERC participation at any level will be tied to minimum level of industry support and resolution of funding and procurement details
- Potential funding from reserves (\$200-\$300k) to fund basic NERC participation as user
- Considering requesting separate funding directly from CRISP participants to support additional NERC value added analytical services
- Preliminary CFM/CRISP resource estimate \$600k-\$850k
  - Third party service to store CRISP data
  - Software and hardware to support analyst
  - PNNL subscription services
  - 2 additional analyst (FTEs)

- Industry training
  - Standards, compliance, root cause analysis, etc.
- ERO Enterprise staff training
  - Regional entity compliance auditors, enforcement, etc.
- System Operator training
  - Initial certification
  - Continuing education
- Internal training
  - NERC employees - policies, information management, handling of confidential information, security, auditor training, etc.

- Applications that support NERC and Regional Entity operations
- Financial update reviewed during FAC meeting
- Additional discussion at SOTC meeting
- Regrouping with Regions on overall strategy and approach
- Increasing focus
  - Controlling pace and costs
  - Improving vendor procurement and contracting
  - Strengthening development oversight and resources

- Continuing to strengthen internal controls
- Increasing accounting and IT bench strength
- Continuing to evaluate and where practical implement NERC/Regional entity efficiencies
- NERC employee initiatives
  - Building core values into performance management system
  - Training
  - Climate surveys
  - Mentoring
  - Succession planning

- Less than 1% operating expense increase
- Less than 2 % total increase in operating and capital expenses (net of depreciation)
- 5.7% less than 2015 forecast in 2014 business plan and budget
- Assessment projections under development

- Personnel Costs and Assumptions
  - No net increase in budgeted FTEs over 2014
  - 6% FTE adjustment (attrition, hiring delays)-based on 3 year average
  - 2.5 % average salary increase pool (slightly below 3% market reference)
  - Incentive compensation budgeted at 18.4% of total base salary expense- represents 3 year average
  - Medical and dental benefit plan cost increase based on market data



- 3% reduction in contractor and consulting expense
- Do not include incremental cost for ES-ISAC CRISP participation
  - \$200-\$300k participant level cost estimate-would increase operating expenses by approximately 0.5%
  - Potential initial funding from reserves
- Do not include cost of potential physical separation of ES-ISAC operations in NERC's DC office
  - \$300k per year estimate- would increase operating expenses approximately 0.5%

- Contractor and Consulting Expenses

<b>Consultants &amp; Contracts</b>	<b>2014 BUDGET</b>	<b>2015 BUDGET</b>	<b>INC (DEC) OVER 2014</b>
Total Reliability Standards	-	-	-
Total Regional Entity Oversight	400,000	388,000	(12,000)
Total Reliability Assessments and Performance Analysis	638,085	955,450	317,365
Total Situation Awareness	1,289,108	1,077,321	(211,787)
Total Critical Infrastructure Department	190,000	426,800	236,800
Total ES-ISAC	786,450	703,335	(83,115)
Total Training, Education and Operator Certification	848,830	757,505	(91,325)
Total Policy and External Affairs	75,000	72,750	(2,250)
Total Information Technology	1,944,000	1,629,600	(314,400)
Total Human Resources	257,500	249,775	(7,725)
Total Finance and Accounting	400,000	388,000	(12,000)
<b>TOTAL CONSULTANTS AND CONTRACTS</b>	<b>6,828,973</b>	<b>6,648,536</b>	<b>(180,437)</b>

**NERC 2015 CAPITAL BUDGET**

**Computer & Software CapEx**

ERO Application Development	1,700,000
Generation Data Software	200,000
Hardware	100,000
	<hr/>
	\$ 2,000,000

IT Hardware and Software

Disaster Recovery	250,000
Data Storage	325,000
Replacement servers	202,000
NERC Software licenses	350,500
Replacement laptops	126,000

<b>Total Computer &amp; Software CapEx</b>	<hr/>
	\$ 1,253,500

**Equipment CapEx**

Replacement network devices	<hr/>
	\$ 365,000

<b>Total Capital Budget</b>	<hr/>
	<b>\$ 3,618,500</b>

## Statement of Activities and Fixed Assets Expenditures 2014 Budget & Projection, and 2015 Budget

### STATUTORY

	2014 Budget	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)	% Inc 2015 over 2014
<b>Expenses</b>				
Total Personnel Expenses	\$ 34,059,654	\$ 35,159,894	\$ 1,100,240	3.2%
Total Meeting Expenses	\$ 3,789,525	\$ 3,476,246	\$ (313,280)	-8.3%
Total Operating Expenses	\$ 17,612,133	\$ 17,234,950	\$ (377,184)	-2.1%
Other Non-Operating Expenses	\$ 144,000	\$ 144,000	\$ -	
<b>Total Expenses</b>	<b>\$ 55,605,313</b>	<b>\$ 56,015,089</b>	<b>\$ 409,776</b>	<b>0.7%</b>
<b>Fixed Assets</b>				
Depreciation	\$ (2,333,006)	\$ (2,333,006)	\$ 0	
Computer & Software CapEx	2,904,790	3,253,500	348,710	
Equipment CapEx	213,000	365,000	152,000	
<b>Inc(Dec) in Fixed Assets</b>	<b>784,784</b>	<b>1,285,494</b>	<b>500,710</b>	<b>63.8%</b>
<b>TOTAL BUDGET</b>	<b>\$ 56,390,096</b>	<b>\$ 57,300,583</b>	<b>\$ 910,486</b>	<b>1.6%</b>
FTEs	189.53	189.48	-	

- Projections under development
- Posted on May 16<sup>th</sup>
- Multiple factors considered
  - NERC and Regional Entity budgets and funding requirements
  - Year end working capital and operating reserve projections
  - Loss \$1.2M offset applied to reduce NERC assessments in 2014
  - NERC capital financing plan
  - Penalty offsets
  - Presence or absence of excess reserve offsets at Regions
  - Need to consider reserve requirements over planning period

- May 16 - post NERC, Regional Entity BP&Bs and Consolidated Budget and Assessment Projection-45 day comment period
- May 20 - FERC budget staff briefing
- May 21 - FAC Webinar to review 1<sup>st</sup> drafts
- July 9 - closed FAC call/meeting to review proposed final budget and assessments
- July 15 - post and distribute final NERC and Regional Entity BP&Bs and assessments to FAC
- July 17 - FAC conference call/webinar for management review of final NERC and Regional Entity BP&Bs

- August 13 – FAC meeting to recommend approval of final NERC, Regional Entity BP&Bs and assessments
- August 14 – Board of Trustees meeting to approve final NERC BP&B, Regional Entity BP&Bs and assessments
- August 23 – Submit NERC and Regional Entity BP&Bs and assessments to FERC for approval, with subsequent filings with Canadian authorities