

June 30, 2016

Mr. Michael Walker
Senior Vice President and Chief Financial and Administrative Officer
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Dear Mr. Walker:

Re: NERC 2017 Business Plan and Budget, Draft #1

I appreciate the opportunity to submit comments on Draft #1 of the North American Electric Reliability Corporation's (NERC) 2017 Business Plan and Budget (BPB). The Draft 2017 BPB reflects a proposed budget increase of 3.8%¹ from 2016 (including proposed E-ISAC portal upgrades²), and also projects annual increases of 2.5% for 2018, 2019, and 2020. It is disappointing to see that the projected 0.8% reduction for 2018 included in the 2016 BPB has been abandoned. The 2017 BPB projected increases follow average annual budget increases since 2013 of about 3%³; over that same period, the IESO experienced an average annual assessment increase of 4.5%⁴. With NERC's widely recognized state of maturity, stability with respect to core standards work, and adoption of risk-based compliance processes, we would expect to see nominal increases in NERC budgetary requirements.

This pattern of ongoing budget increases by NERC is not representative of the operating realities of regulated utilities in Ontario. Government authorities, stakeholders and ratepayers in Ontario expect the IESO to practice budget restraint. When regulatory fees, such as those for NERC, increase at rates above the rate of inflation, this forces cuts to IESO programs that may negatively affect our ability to execute on strategic priorities, including those that are designed to ensure the secure and reliable operation of the electricity grid now and in the future. This is happening during a time when the IESO, like NERC and other NERC-registered entities, is also responding to the changing nature of grid operations, supply mix changes, new environmental

¹ Excluding the CRISP program which is primarily funded by program participants.

² 2017 Business Plan and Budget Draft #1, page 13: an estimated additional \$750,000 may be added to the 2017 Budget but further information will not be available until the next draft of the business plan and budget.

³ Excluding the CRISP program.

⁴ IESO is not able to comment on projected assessments at this time because NERC has not determined how stabilization reserves will be applied, how credits to Canadian entities will be derived, or disclosed applicable ERO-wide Net Energy for Load (NEL).

regulation, and integration of newer technologies, while continuing to ensure a secure and reliable electricity grid.

Once again, the IESO appreciates the opportunity to comment and to provide these recommendations to NERC on the Draft 2016 BPB and for ongoing improvements to the ERO BPB documents and stakeholder review processes.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Lyle', with a stylized flourish at the end.

Michael Lyle

cc: Bruce Campbell, President and CEO, IESO

Michael Lyle
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