

June 18, 2021

Erica Chanzas  
Manager, Business Planning  
North American Electric Reliability Corporation  
3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326

Dear: Ms. Chanzas,

**Re: First Draft of NERC 2022 Business Plan and Budget Posted for Stakeholder Review and Comment**

The IESO appreciates the opportunity to submit comments on the first draft of North American Reliability Corporation's (NERC) 2022 Business Plan and Budget.

The first draft of the NERC Budget for 2022 is \$88.7 million (a \$5.8 million or 7.0% increase from 2021). Assessments are expected to be \$79.1 million (a \$7.1 million or 9.9% increase from 2021). NERC noted that the assessments estimate currently excludes any use of reserves to offset assessments and assumes no capital financing other than for laptop leases.

As you know, many organizations in the electricity sector, including the IESO, have been asked to find cost savings to lessen financial impacts on electricity consumers. The IESO is undertaking significant measures to ensure cost prudence at this time, while remaining committed to maintaining the reliability of Ontario's bulk electricity system.

The cost of electricity has been a significant public concern in the province of Ontario. This has been the case for a number of years but has been especially acute during the COVID-19 pandemic. In 2020, the Government of Ontario took steps to lower and freeze electricity rates for residential consumers, as well as made changes to industrial electricity programs in order to provide cost relief for businesses. For the last few years, the IESO has maintained a flat revenue requirement to support the government's policy of cost containment. This includes taking specific steps to re-prioritize work and reduce operating costs to avoid impacts to consumers during the COVID-19 pandemic. The IESO's commitment to sound financial management means it has limited ability to pass through increased NERC costs to Ontario ratepayers. Any rise in regulatory fees in the current environment will impact the IESO's ability to execute on its strategic priorities due to the need to divert budget to cover these increases.

To be clear, the IESO supports NERC's activities that help maintain reliability and that identify and assess emerging reliability risks. However, the IESO strongly encourages NERC to find business efficiencies to ensure any budget and total assessment increases are reduced from

levels currently contemplated in the draft budget and business plan. To do this, the IESO encourages NERC to investigate the following potential measures in order to reduce assessments for the second draft of the business plan and budget:

- Pursue reductions in lease costs for leases reaching end of term by taking advantage of the potential to reduce office space needs through the continued implementation of a robust remote working policy, as was used during the COVID-19 pandemic;
- Similarly, assess the extent to which the planned return to in-person meetings is desirable and consider whether certain types of meetings can be continued on a remote basis going forward in order to maintain cost reductions achieved last year;
- Assess the ability to expand the use of capital financing on assets beyond laptop leases; and,
- Where prudent, make use of available reserves to fund one time expenses.

In addition, the IESO supports the comments expressed by the Canadian Electricity Association (CEA) regarding the draft 2022 budget, including noting that the majority of the budget increases for 2022 relate to the E-ISAC. Like the CEA, the IESO understands that these increases are aimed at improving the collective security and resilience of the North American bulk power system. The IESO continues, however, to encourage NERC to expand its efforts to leverage capabilities already available from other agencies or partners (such as the Canadian Centre for Cyber Security) in order to reduce duplication of efforts and help ensure cost efficiency.

Finally, the IESO wishes to reiterate its support for a methodology for establishing assessments that acknowledges the capabilities, expertise and mandate of each entity. In particular, the IESO notes the role that many Canadian entities play in compliance and enforcement as well as the IESO's role in cybersecurity in Ontario.

Yours truly,

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Michael Lyle

Vice-President, Legal Resources & Corporate Governance, General Counsel and Chief Reliability Compliance Officer

cc: Lesley Gallinger, President & CEO, IESO