

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2024 Business Plan and Budget

Final

August 9, 2023

RELIABILITY | RESILIENCE | SECURITY



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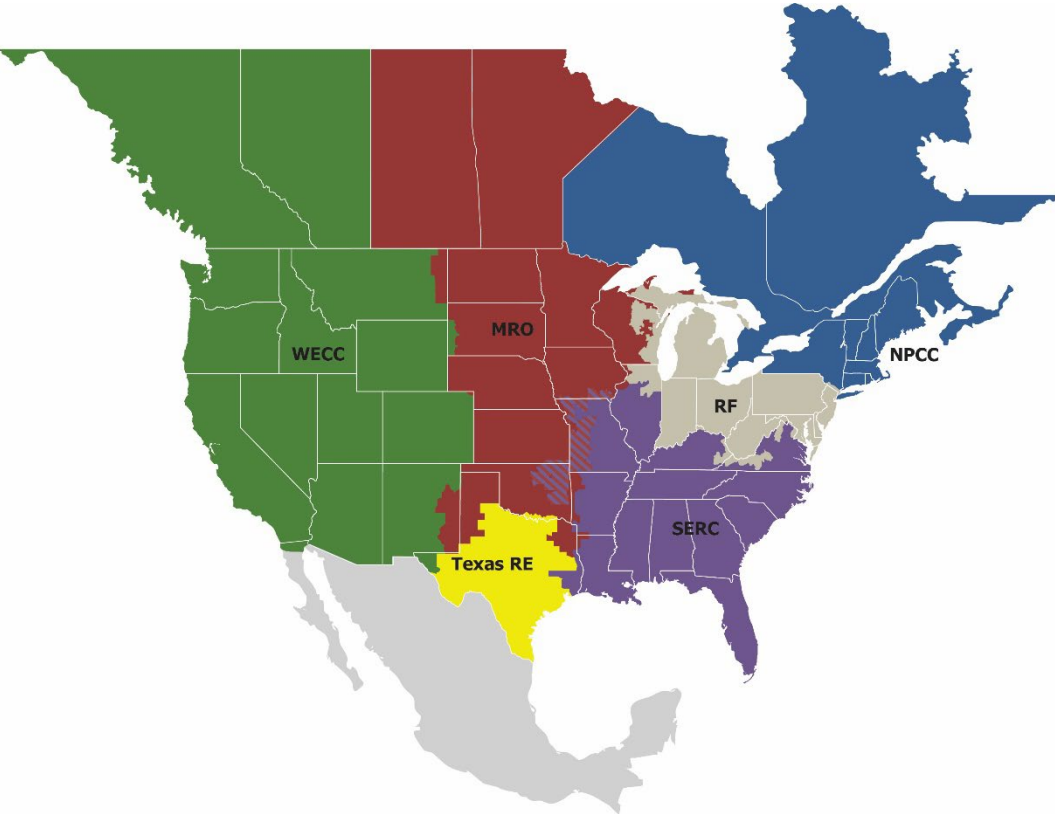
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# Preface

Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities, is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security  
*Because nearly 400 million citizens in North America are counting on us*

The North American BPS is divided into six Regional Entity boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one Region while associated Transmission Owners/Operators participate in another.



<b>MRO</b>	Midwest Reliability Organization
<b>NPCC</b>	Northeast Power Coordinating Council
<b>RF</b>	ReliabilityFirst
<b>SERC</b>	SERC Reliability Corporation
<b>Texas RE</b>	Texas Reliability Entity
<b>WECC</b>	Western Electricity Coordinating Council

# About NERC

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## Overview

The North American Electric Reliability Corporation (NERC) is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC's area of responsibility spans the continental United States and portions of Canada and Mexico. Entities under NERC's jurisdiction are the users, owners, and operators of the bulk power system (BPS)—a system that serves the needs of nearly 400 million people.<sup>1</sup>

## Electric Reliability Organization

The Federal Energy Regulatory Commission (FERC) certified and has oversight of NERC as the Electric Reliability Organization (ERO) within the United States to establish and enforce NERC Reliability Standards for the U.S. portion of the BPS, pursuant to Section 215 of the Federal Power Act (FPA). As of June 18, 2007, FERC granted NERC the legal authority to enforce Reliability Standards with all U.S. users, owners, and operators of the BPS and made compliance with those standards mandatory and enforceable. Section 215 also requires that the organization certified by FERC as the ERO seek recognition with relevant authorities in Canada and Mexico. In 2005, the U.S. Department of Energy and Canadian federal and provincial governments agreed to bilateral principles for a consistent, continent-wide reliability regulatory framework under a non-governmental institution (the ERO) designed to function on an international basis. To date, NERC has memoranda of understanding (MOUs) with eight Canadian provinces<sup>2</sup> and the Canada Energy Regulator in furtherance of this framework. NERC works with the Mexican regulator, *Comision Reguladora de Energía*, and the Mexican system and market operator, *CENACE*, under a MOU signed in 2017 to ensure consistency with the framework in Canada and the United States.

## Membership and Governance

A 12-member Board of Trustees (Board), comprised of 11 independent trustees and NERC's president and chief executive officer serving as the management trustee, governs NERC. The Board has formed several committees to facilitate oversight of the organization in the areas of finance and audit, corporate governance and human resources, compliance, technology and security, nominations, and enterprise-wide risk.

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American BPS. Membership is voluntary and affords participants the opportunity to engage in the governance of the organization, including through election to the Member Representatives Committee (MRC).<sup>3</sup> NERC, its members, and each applicable BPS owner, operator, and user must comply with the NERC [Rules of Procedure](#) (ROP).

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<sup>1</sup> Standards, compliance, and enforcement activities focus on the [Bulk Electric System \(BES\)](#), comprised of certain BPS facilities.

<sup>2</sup> British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, and Nova Scotia

<sup>3</sup> The [MRC](#) comprises voting representatives elected from 12 membership sectors. The MRC elects the independent trustees and, along with the Board, votes on amendments to the bylaws. The MRC also provides advice and recommendations to the Board on behalf of stakeholders with respect to annual budgets, business plans, and other matters pertinent to the purpose and operation of the organization.

## Scope of Oversight

As the international, multijurisdictional ERO in North America, NERC:

- Proposes, supports the development of, monitors compliance with, and enforces mandatory Reliability Standards for the North American BES, subject to regulatory oversight and approvals from FERC in the United States and applicable authorities in Canada
- Conducts near-term and long-term reliability assessments of the North American BPS
- Certifies BPS operators as having the knowledge and skills to perform reliability responsibilities
- Maintains situational awareness of events and conditions that may threaten BPS reliability
- Coordinates efforts to improve physical and cyber security for the BPS of North America
- Conducts detailed analyses and investigations of system disturbances and events as well as measures ongoing trends to determine root causes, uncover lessons learned, and issue findings as recommendations, guidelines, and actions to mitigate and control risks to reliability
- Identifies and prioritizes risks to reliability and uses a broad toolkit to mitigate and control risks to reliability, including the potential need for new or modified Reliability Standards, improved compliance monitoring and enforcement methods, or other initiatives

## Delegated Authorities

In executing its responsibility, NERC delegates certain authorities to the six Regional Entities to perform aspects of the ERO functions described above through delegation agreements, which are approved by FERC. These agreements describe the authorities delegated and responsibilities assigned to the Regional Entities in the United States to address, among other things: (1) developing regional Reliability Standards; (2) monitoring compliance with and enforcement of Reliability Standards (both North American-wide and regional); (3) registering owners, operators, and users of the BES and certifying reliability entities (Reliability Coordinators, Balancing Authorities, and Transmission Operators); (4) assessing reliability and analyzing performance; (5) training and education; (6) event analysis and reliability improvement; and (7) situation awareness and infrastructure security. NERC expects Regional Entities whose territories and geographic footprints extend into Canadian provinces and Mexico to perform equivalent functions in those jurisdictions.

## Statutory and Regulatory Background

NERC's authority as the ERO in the United States is based on FPA Section 215, as added by the Energy Policy Act of 2005,<sup>4</sup> and FERC's regulations and orders pursuant to Section 215. In Canada, NERC's authorities are established by MOUs and regulations previously mentioned. In this Business Plan and Budget (BP&B), *Exhibit A – Application of NERC Section 215 Criteria* summarizes the major activities NERC proposes to undertake in 2024 and the approved FPA Section 215 criteria applicable to such activities.<sup>5</sup>

## Funding

FPA Section 215 and FERC's regulations specify procedures for NERC's funding in the United States. NERC's annual BP&B is subject to FERC approval and, once approved, NERC's annual funding is provided primarily through assessments to load-serving entities. These assessments are allocated on a net-energy-for-load (NEL) basis. Equivalent funding mechanisms are provided in Canada, subject to the specific laws and regulations of each province. Regional Entity funding requirements are addressed separately in their respective BP&Bs, which must be reviewed and approved by NERC and FERC.

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<sup>4</sup> Section 215 of the FPA, 16 United States C. 824o.

<sup>5</sup> North American Electric Reliability Corporation, Order on Compliance, 143 FERC ¶ 61,052 (2013).

## ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American BPS. Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations have been established, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work
- Collaborate to develop clear and consistent guidance across the ERO Enterprise
- Share information, knowledge, and resources across the ERO Enterprise
- Develop and share harmonized messages across ERO Enterprise communications
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise

Building upon these commitments, the ERO Enterprise is guided by the value drivers shown in the graphic below and engages in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



## **ERO Enterprise Strategic and Operational Planning**

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regional Entities, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership revised the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and to ensure alignment with the BPS risks identified by NERC's Reliability Issues Steering Committee (RISC). This strategy, which was approved by the Board on December 12, 2019, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial [ERO Reliability Risk Priorities Report](#)
3. Build a strong, Electricity Information Sharing and Analysis Center-based security capability
4. Strengthen engagement across the reliability and security ecosystem in North America
5. Capture effectiveness, efficiency, and continuous improvement opportunities

As part of the business planning and budgeting process, NERC and the Regional Entities each have their own priorities and strategic focus areas, but continually come together to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.

# Introduction and Executive Summary

## Background

### Historical Budget and Assessment Increase Overview

For the 10-year period prior to the 2023–2025 plan discussed below, NERC’s average annual budget and assessment increase has been 5.7%. NERC incurred significant costs on behalf of the Electric Reliability Organization (ERO) Enterprise during this time period, including the Cyber Risk Information Sharing Program (CRISP) addition in 2015, the Electricity Information Sharing and Analysis Center (E-ISAC) program expansion in 2019, and the Align and ERO Secure Evidence Locker (SEL) system implementations. The 2021 budget and assessment were flat as a result of the temporary deferral of costs and projects in an effort to provide industry assessment relief through the financial uncertainty associated with the pandemic.

	2013	2014	2015 <sup>(1)</sup>	2016	2017	2018	2019 <sup>(2)</sup>	2020	2021	2022 <sup>(3)</sup>	Avg Annual
<b>NERC Total Budget (millions)</b>	\$54.3	\$56.4	\$66.7	\$67.2	\$69.6	\$73.1	\$79.9	\$82.7	\$82.9	\$88.8	
Annual Increase %		3.9%	18.3%	0.7%	3.6%	5.0%	9.3%	3.5%	0.2%	7.1%	5.7%
<b>NERC Assessment (millions)</b>	\$47.6	\$51.4	\$55.3	\$57.1	\$59.9	\$62.9	\$68.9	\$72.0	\$72.0	\$78.4	
Annual Increase %		8.0%	7.6%	3.3%	4.9%	5.0%	9.5%	4.5%	0.0%	8.9%	5.7%

<sup>(1)</sup> 2015 Budget increase includes addition of CRISP program (\$9 million)

<sup>(2)</sup> Budgets in 2019 and prior years do not include net financing activity

<sup>(3)</sup> 2022 Budget, as amended for Atlanta office transition costs

### 2023–2025 Strategic and Business Planning

From compromised supply chains and cyber breaches to record weather-related events, there has been an alarming increase in reliability, resilience, and security risks to the bulk power system (BPS). The industry is facing an absolute step change in the risk environment surrounding reliability and security. Three key challenges are:

- **Rapidly changing resource mix**
  - Retirements of synchronous generation and unbundling of essential reliability services
  - Interdependencies between the electric and natural gas systems
  - Uncertainties and engineering challenges resulting from the integration of more energy-constrained asynchronous inverter-based and distributed energy resources on the grid
- **Extreme weather**
  - Extreme, not infrequent
  - More widespread, more extreme, and of longer duration
  - Weather that at one time was not considered extreme can have extreme impacts on resource availability (e.g., long-term cloud cover, smoke, little/too much wind, etc.)
- **Rapidly evolving threat landscape**
  - Software vulnerabilities
  - Supply chain attacks
  - Ransomware
  - Physical attacks



In support of the ERO Enterprise’s mission to assure the effective and efficient reduction of risks to the reliability and security of the grid, and with consideration to the extraordinary costs to nearly 400 million North American citizens if responsive and preventive measures are not taken to address these risks, NERC developed a three-year plan to focus on investments where the ERO can most influence change.

In the last quarter of 2021, NERC leadership and the Board of Trustees (Board) came together to align on strategic priorities and focus areas for 2023–2025, and conducted extensive outreach with stakeholders to gain feedback. In parallel, NERC leadership developed budget assumptions to support the three-year plan, which were shared in detail with the Board and discussed with key stakeholders, including the Member Representatives Committee (MRC) Business Plan and Budget (BP&B) Input Group, the E-ISAC’s Member Executive Committee (MEC), and industry trades and forum representatives.

**NERC’s plan for 2023–2025 does the following:**

- Ensures NERC has the resources to address two critical emerging risks to BPS reliability, resilience, and security while leveraging the work of key partners:
  - Evolving energy availability concerns as the resource mix changes and climatic conditions become more extreme
  - Heightened cyber-security and physical risks driven by supply chain vulnerabilities occurring at an unprecedented rate
- Retools NERC’s approach to mitigating risk through a more nimble standard setting process that honors the important role of stakeholders in Reliability Standards development
- Invests in NERC’s own infrastructure to reduce enterprise and cyber risks related to business activities and systems and create a more sustainable organization

**The 2023–2025 plan’s value proposition:**

- Provides the framework and plans for NERC and the industry to get ahead of key grid transformation risks by defining key performance outcomes
- Is responsive to key needs of the security role envisioned for the E-ISAC expressed by industry through the MEC and government partners, including the Department of Energy and its Office of Cybersecurity, Energy Security, and Emergency Response
- Leverages technology and expertise to drive more comprehensive analytics around reliability assessments (i.e., more complete assessments of energy availability) and key institutional risks (e.g., improving the cyber security posture of NERC’s own systems and applications)
- Creates the capacity for better analytics and focus to manage and improve the productivity of NERC’s back-office systems while reducing risk of human error due to current manual processes
- Continues a strong focus on driving efficiency while assuring effectiveness of ERO programs and embedding risk-informed thinking into programs and processes

**The plan is centered on four strategic areas of focus:**

- **Energy:** Tackle the challenge of grid transformation and climate change-driven, extreme weather
- **Security:** Move the needle by focusing on supply chain, Information Technology (IT) and Operational Technology (OT) system monitoring, cyber design, and evolution of the Critical Infrastructure Protection (CIP) Standards

- **Agility:** Tool the company to be more nimble in key areas, particularly standards development and internal operational processes
- **Sustainability:** Invest in ERO systematic controls, eliminate single points of failure, strengthen succession planning, and ensure robust cyber security protections for all systems

With the 2023–2025 plan NERC proposed higher than historical average budget and assessment increases over this time period. However, the corresponding financial strategy included use of (1) project and equipment financing and (2) reserve releases in 2023 and 2025 to smooth the assessment impact of the budget increases.

*\$ millions*

	2022 <sup>(1)</sup>	2023	2024	2025	Notes
<b>Annual Total Budget</b>	\$88.8	\$101.0	\$110.1	\$122.6	
<i>\$ annual increase</i>	\$5.9	\$12.2	\$9.1	\$12.5	
<i>% annual increase</i>	7.2%	13.7%	9.0%	11.4%	<b>Annual avg. 2023-2025 11.4%</b>
<b>Annual Total Assessment</b>	\$78.4	\$87.1	\$97.2	\$108.0	
<i>\$ annual increase</i>	\$6.4	\$8.7	\$10.1	\$10.8	
<i>% annual increase</i>	8.9%	11.1%	11.6%	11.1%	<b>Annual avg. 2023-2025 11.3%</b>
<b>Recommended Reserve Usage</b>		\$2.0		\$0.5	

<sup>(1)</sup> 2022 budget includes amendment for Atlanta office lease costs (funded by reserves)

The detailed 2023 budget and 2024 and 2025 projections supporting the 2023–2025 plan were included in the 2023 BP&B, which was approved by the Federal Energy Regulatory Commission (FERC) on November 2, 2022.<sup>6</sup>

### Investment Benefit and Performance Reporting

Given the significant investments proposed in the 2023–2025 plan, NERC is committed to reporting on the value and progress of the activities associated with these investments. Success is measured through accomplishment of the annual Work Plan Priorities, which includes initiatives that support the four strategic areas of focus discussed above.<sup>7</sup> NERC leadership reports on the progress of these initiatives throughout the year and provides a comprehensive mid-year and end-of-year update to the Board on Work Plan Priority status, challenges, and accomplishments.

<sup>6</sup> Order Accepting 2023 Business Plans and Budgets and Directing Compliance Filing 181 FERC ¶ 61,095 (2022)

<sup>7</sup> The [2023 ERO Enterprise Work Plan Priorities](#) were approved by the Board in November 2022.

## 2024 Business Plan and Budget Overview

TOTAL RESOURCES (in whole dollars)				
	2024 Budget	U.S.	Canada	Mexico
Statutory FTEs	251.14			
Non-statutory FTEs	-			
<b>Total FTEs</b>	<b>251.14</b>			
Statutory Expenses	\$ 111,591,205			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	<b>\$ 111,591,205</b>			
Statutory Fixed Asset Additions	\$ 4,624,000			
Non-Statutory Fixed Asset Additions	\$ -			
<b>Total Fixed Asset Additions</b>	<b>\$ 4,624,000</b>			
Statutory Funding(Use) of Reserves	\$ (1,904,115)			
Non-Statutory Funding of Reserves	\$ -			
<b>Total Change in Working Capital</b>	<b>\$ (1,904,115)</b>			
<b>Net Proceeds from Financing Activities</b>	<b>\$ (2,594,260)</b>			
Total Statutory Funding Requirement	\$ 111,716,829			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	<b>\$ 111,716,829</b>			
	<b>TOTAL</b>	<b>US</b>	<b>CANADA</b>	<b>MEXICO</b>
<b>Statutory Funding Assessments</b>	<b>\$ 96,997,362</b>	<b>\$ 87,154,927</b>	<b>\$ 9,495,621</b>	<b>\$ 346,814</b>
<b>Non-Statutory Fees</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NEL</b>	<b>4,686,829,725</b>	<b>4,139,006,535</b>	<b>531,594,992</b>	<b>16,228,198</b>
<b>NEL%</b>	<b>100.00%</b>	<b>88.31%</b>	<b>11.34%</b>	<b>0.35%</b>

## Budget Reporting Format and Presentation

NERC and the Regional Entities' budgets are comprised of both operating and fixed asset additions (fixed assets, or capital) costs as well as financing activity, if applicable. Operating costs generally include personnel, contractor support, consulting, meetings, travel, office space, software licensing, communications, and other customary services to support office operations. Fixed assets primarily reflect investments in equipment, infrastructure, and software applications to support business operations and improve efficiency. These operating and fixed asset costs, as well as corresponding funding and financing activity, are shown on a Statement of Activities report (SOA report) in this document, which is provided at both the total organization and department levels. These reports include funding, expenses, and financing activity for the current budget year and prior budget year to show year-over-year changes.

## Overview of 2024 Budget and Funding Requirements

NERC's 2024 expense and fixed assets budget, including financing activity, is approximately \$113.6M, which is an increase of approximately \$12.6M (12.5%) from the 2023 budget. Total expenses are increasing approximately \$14.0M (14.4%) over 2023. The total fixed assets budget is approximately \$4.6M, a decrease of \$1.6M (25.7%) from 2023. The fixed assets budget includes the acquisition of \$1.8M in capital lease assets (primarily for equipment replacements), offset by corresponding lease proceeds reflected in financing activity. NERC is also proposing to finance \$2.4M of capital software expenditures in 2024, which is reflected by corresponding loan proceeds in financing activity. Approximately \$12.8M (11.3%) of NERC's 2024 budget is related to CRISP, with 78.8% of the CRISP budget funded by participating utilities and the majority of the remainder funded through assessments. See *Section A – Electricity Information Sharing and Analysis Center* for more information on CRISP funding.

NERC's proposed 2024 assessment is approximately \$97.0M, which is an increase of approximately \$9.9M (11.4%) from the 2023 assessment. Factors contributing to the difference between the 2024 budget and assessment include assumptions on other funding sources, such as third-party funding for CRISP and fees collected to fund the System Operator Certification and Credential Maintenance program. The proposed assessment includes a release of \$2.6M from reserves, comprised of \$1.3M from the Assessment Stabilization Reserve (ASR) and \$1.3M from the Operating Contingency Reserve (OCR). The allocation of the assessment among U.S. and Canadian entities will be impacted by the final determination of credits for certain costs for Canadian entities pursuant to *NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*.<sup>8</sup>

## 2024 Budget Assumptions

Below is an overview of key 2024 assumptions, including changed assumptions from the 2024 projection included in the 2023 BP&B.

### People Strategy

NERC is a knowledge-based organization. As the challenges to the reliability and security of the BPS evolve at the same time as the competition for talent increases, NERC's ability to retain, engage, and attract top talent is critical. NERC's people strategy for the 2023–2025 plan employs the following high-level workforce planning process:

- Identify the skills needed to support the four areas of focus
- Consider existing staff skillsets and succession planning
- Identify (1) gaps between current and needed skills, (2) single-threaded positions, (3) how to further optimize current resources, and (4) progress on current year Work Plan Priorities

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<sup>8</sup> *North American Electric Reliability Corp.*, Docket No. RR08-6-000, Attachment 16 (filed August 22, 2008)

- Create a plan to fill gaps using the following strategies:
  - Build – Develop current staff in the time frames needed
  - Borrow – Use contractors and consultants
  - Buy – Identify future full-time equivalent (FTE) staffing requests
  - Outsource – Outsource necessary functions that are not core to NERC’s mission
- Continually monitor and appropriately adjust plans to ensure business objectives are met

In 2024, NERC anticipates hiring 17 additional employees (14.3 FTEs, which incorporates a 6.0% vacancy rate) to support the four strategic areas of focus, primarily under Security and Energy. This is consistent with the projected FTE increase for 2024 included in the 2023 BP&B except for an additional five FTEs hired in 2023 to support a study on interregional transfer capability discussed further below. This is offset by the reduction of two open positions as part of resource optimization and efficiency efforts. Staffing is discussed in further detail in the *2024 Program Budget and FTE Comparisons* section below.

The 2024 personnel budget includes salaries, health insurance, and other benefits. NERC’s employee base consists primarily of professional skilled labor, with a relatively high concentration of cyber security and Information Technology (IT) employees. NERC competes for talent in the energy, high tech, cyber-security, and non-financial services sectors of the broader job market. In addition to the supply and demand for certain roles, inflation has played a factor in setting overall salary and cost of labor increases. NERC also conducts regular surveys to ensure compensation is market-based. Based on recently completed surveys and guidance from compensation advisors, for 2024 NERC is assuming a weighted average budgeted salary increase of 5.5%, which is consistent with the previous year’s projection. Medical and dental insurance premium cost estimates are also based on market data provided by the company’s benefits consultant and do not assume any plan changes. While salary rate increases are consistent with prior year projections, personnel costs have increased in 2024 over the prior projection primarily due to base salary inflation and higher medical insurance estimates. No other changes to retirement or other benefit plans have been assumed. A breakdown of 2024 personnel expenses is provided in *Table B-4 – Personnel*.

### **Technology Strategy**

NERC’s technology strategy for the 2023–2025 plan addresses ever-emerging cyber security risks, enables agile business processes, mitigates ERO Enterprise and corporate risks, and delivers long-term benefits across the program areas. This plan aligns with the four strategic areas of focus, and adheres to the following:

- Flexible: Responsive to emerging issues (e.g., cyber) by shifting investments and priorities
- Measureable: Large investments are vetted through the IT Investment Review Policy and Procedure for justification and expected benefits
- Business-unit driven: Investments are mapped to the NERC program areas and support primary mission objectives
- Aligned to key business drivers: Each investment is linked to a key set of business drivers that align with the ERO Enterprise value drivers (see page vi above)

NERC’s technology strategy uses a “Solutions Hub” concept, which, to the extent possible, centers on Commercial off the Shelf applications such as the Microsoft xRM Dynamics Customer Relationship Management (CRM) platform, Governance Risk and Compliance, along with other Software as a Service platforms to configure ERO Enterprise technology solutions. The Solutions Hub is supported by both on premises and specialized infrastructure, surrounded by best-in-class cyber-security tools.

The flexibility of the 2023–2025 plan allows for reprioritization of investments as requirements develop and the risk and cyber threat environment changes. As such, technology investments are overall consistent with the technology investment level included in the 2024 projection in the 2023 BP&B. Key investments planned for 2024 include:

- **ERO Portal upgrade.** The ERO Portal is the central hub for requesting access to various ERO Enterprise applications (e.g., The Event Analysis Management System (TEAMS), MisOperations Information Data Analysis System (MIDAS), User Management and Records (UMR), along with a host of other ERO Enterprise applications). Originally constructed in 2015, the ERO Portal will be upgraded to take advantage of a host of new capabilities with the primary focus on security and ease of use for stakeholders.
- **CRM Platform modernization.** Much like the ERO Portal, the CRM platform is where the majority of the aforementioned ERO Enterprise applications reside, with the ERO Portal being the central hub for requesting access. Originally installed in 2015, the CRM platform will be upgraded to enhance security and provide more capabilities as the ERO Enterprise application footprint expands on the platform, including the Reliability Assessment Data System (RADS) and Registered Entity Bulk Electric System (BES) Generation and Transmission (G&T) Inventory solutions discussed below.
- **RADS.** Each year, NERC is responsible for independently assessing and reporting on the overall reliability, adequacy, and associated risks that could impact the upcoming summer and winter seasons as well as the long-term, 10-year period. Additionally, as emerging risks and potential impacts to reliability are identified, special assessments are conducted. NERC is undertaking a two-phased effort to automate the collection, management, and analysis of reliability assessment data. The first effort planned for 2024 is a refinement of data collection procedures. The subsequent phase will include the implementation of a technical solution that will support these refinements.
- **Registered Entity BES G&T Inventory.** ERO Enterprise tracking of registered entity BES assets is currently performed in a number of disparate systems supporting focused business processes, each with their own perspective on assets. This effort will begin with significant emphasis on standardizing asset collection, including unique identification, consistent asset descriptions, and verification against a master asset system. A component of this master system will be available to registered entities so they can manage and validate their asset inventory, and will increase efficiencies by reducing data collection efforts. NERC plans to collaborate with industry on this effort with more details to come.
- **Enterprise Analytics.** The Enterprise Analytics program is a multi-faceted effort focused on: (1) increasing data analytics capabilities across the ERO Enterprise; (2) implementing data quality measures within the ERO Enterprise environment to ensure data is trustworthy and available; and (3) creating a framework for the highly secured movement of data within the ERO Enterprise. Efforts include integrations, data modeling, data curating, and reports creation.
- **Atlanta Collaboration Space.** In similar fashion to the creation of the Washington, D.C., office collaboration space, NERC will undertake an initiative to determine the needs of NERC employees and stakeholders to identify the most appropriate and accommodating collaboration and meeting space for the Atlanta office location, including supporting network and audio visual requirements.
- **Finance & Accounting System implementation.** In 2024, NERC will continue implementation of a more modern, integrated Finance & Accounting system to support the Agility and Sustainability focus areas. This includes better support for reporting requirements, improved efficiency of internal business processes and financial data available to NERC staff, and an enhanced internal controls environment.

- **NERC Public Website upgrade.** As part of ongoing efforts to make NERC the trusted, independent voice for reliability, the NERC public website, originally constructed and implemented in 2014, will undergo an upgrade in 2024 and 2025. The new site will enhance the user experience—more intuitive design for ease of use, targeted information for stakeholders, metrics to inform decisions and assess impact, as well as more contemporary branding to attract new talent.
- **Identity Governance & Administration (IGA) phase two.** Phase two of implementation of IGA will include external accounts that access the ERO Enterprise applications such as TEAMS, MIDAS, and UMR, along with a number of other ERO Enterprise applications. Implementation will be in concert with the ERO Portal upgrade to enhance security of external accounts accessing ERO Enterprise applications to ensure they have been fully vetted and to ensure that roles are clearly defined based on the principle of least privilege.
- **ERO SEL Development Environment.** Construction of an ERO SEL development environment is planned for 2024 to invest in the ERO SEL infrastructure such that development and testing activities can be performed concurrently.
- **Additional Cyber Security enhancements.** In addition to the IGA and ERO SEL security investments, additional security enhancements are slated to improve NERC’s control environment and reduce the cyber risk to the organization, including additional Data Management and Loss Prevention expansions, maturing endpoint user device protections such as Extended Detection and Response, and Enterprise Virtual Desktops.

#### **Interregional Transfer Capability Study (ITCS)**

Shortly after the draft 2024 BP&B was posted for stakeholder comment on May 25, 2023, Congress passed the Fiscal Responsibility Act of 2023, which included a mandate for NERC to conduct an ITCS to be filed with FERC by December 2, 2024. NERC, in consultation with the Regional Entities, will analyze the amount of power that can be moved or transferred reliably from one area to another area of the interconnected transmission systems by way of all transmission lines between the areas. NERC recognizes that transmission adequacy is crucial to the future of the electricity industry and, beyond the delivery of the ITCS, this challenge will only continue to grow if not addressed in a timely, well-thought-out manner in NERC’s future assessments and in conjunction with the critical work NERC does.

The resources proposed in response to the ITCS include (1) five incremental FTEs hired in 2023, including four FTEs to support the study and build capability to include more in-depth transmission analytics into our future reliability assessments, and one FTE to support strategic communications, such as those related to the ITCS, and (2) other one-time costs for consultants, meetings, and technology. To accommodate these unanticipated expenses, NERC reevaluated its priorities for 2023 and 2024 to determine what could be deferred, what resources could be reassigned, what resources were needed, and what would provide the most benefit to industry now and in the future. This includes the following:

- In 2023: NERC will not conduct a special assessment on new and evolving electricity market practices and will instead incorporate these issues in the 2023 Long-Term Reliability Assessment as well as in the ITCS. NERC is also deferring hiring four open positions in the Reliability Assessment and Performance Analysis (RAPA), Situation Awareness, and Standards and Power Risk Issues Strategic Management (PRISM) areas until 2024, allowing NERC to keep 2023 personnel expense close to original budget.
- In 2023 and in 2024: Funding earmarked for geomagnetic disturbance and electromagnetic pulse research, emerging technology and cyber risk studies, and environmental regulatory analysis will be repurposed to fund ITCS costs. None of these efforts are being permanently omitted; rather the priority timeline has been adjusted.

To fund the incremental costs net of these deferrals and repurposing of funds, NERC is proposing to release reserves to eliminate any impact to 2023 assessments and the 2024 assessment proposed in the draft 2024 BP&B, as follows:

- In 2023: As approved by FERC on August 10, 2023 (184 FERC ¶61.090), NERC is planning to use up to \$700k from its ASR to fund the net 2023 ITCS non-personnel costs.
- In 2024: The net increase over the draft 2024 BP&B is \$2.6M, for which NERC is proposing to use \$1.3M from the ASR to fund the net ITCS non-personnel costs, and \$1.3M from the OCR to fully fund the incremental ITCS FTEs hired in 2023.

In acknowledgement that the ITCS mandate was issued by the U.S. government, the use of reserves in this manner results in the study being primarily funded by U.S. entities; the ASR is made up entirely of U.S. penalties, and funding from Canada and Mexico makes up only approximately 12% of the OCR release (~\$156k) toward permanent FTE resources for transmission transfer capabilities. NERC is also projecting to release additional funds from the ASR and OCR in 2025 to help manage the assessment impact from the ongoing costs related to the additional FTEs.

### **Meetings and Travel**

While more virtual and hybrid options are available, meeting and travel costs are increasing. In 2024, the increase for meetings and travel is 11.5% higher than what was projected for 2024 in the 2023 BP&B, and marks the return to pre-pandemic levels. The 2024 budget is also increasing due to anticipated meetings and travel expenses related to the ITCS. Budget pressures are anticipated in this area as inflation impacts travel-related costs and requests for NERC engagement and attendance at events increases. A breakdown of 2024 meetings and travel expenses is provided in *Table B-5 – Meetings & Travel*.

### **Facilities and Rent**

Rent expense in 2024 for both NERC offices are based on annual cash rent payments, net of any pro-rated spread of free rent incentives or excess tenant improvement allowances. A breakdown of 2024 rent expenses is provided in *Table B-7 – Rent*.

The lease for NERC's office in Atlanta expires in 2025 and, similar to the 2025 projection in the 2023 BP&B, the 2025 projection in the 2024 BP&B includes estimated one-time costs associated with a potential Atlanta office relocation, as well as an OCR release of \$500k to offset the assessment impact of the one-time costs. NERC is completing a workplace assessment to determine future needs and, currently, anticipates a lower-cost solution that recognizes the value of in-person collaboration for both staff and stakeholders, balanced by the ability to work effectively through remote work technologies.

### **CRISP**

The contract with the Pacific Northwest National Laboratory (PNNL) currently matches the previous year projection for 2024. However, this is an estimate due to timing of contract negotiations and communication of the PNNL 2024 statement of work. Any changes to the assumption will not impact assessments since the PNNL contract is completely participant-funded. See *Section A – Electricity Information Sharing and Analysis Center* for more discussion on CRISP.

### **Fixed Asset Budget and Capital Financing**

NERC's fixed assets budget includes IT equipment and servers, including leased equipment (capital lease assets) as part of infrastructure investments to support operational sustainability. The fixed assets budget also includes capital software projects related to the technology investments noted above. A breakdown of 2024 fixed asset addition expenditures is provided in *Table B-12 – Fixed Assets*.



Budgeted borrowing in 2024 is approximately \$4.2M, which is ~\$100k higher than the prior year projection. The fixed assets budget includes the acquisition of \$1.8M in capital lease assets (primarily for equipment and server replacements, and also for ERO SEL Development Environment equipment), offset by corresponding lease proceeds in financing activity. NERC is also proposing to finance \$2.4M of the total \$2.7M capital software budget in 2024, which is reflected as loan proceeds in financing activity.

Principal payments are reduced over the prior year projection for 2024 due to the expectation of borrowing \$1.0M less in 2023 than what was projected, and the timing of future loan borrowing assumed to be later in the year. This is partially offset by higher interest rate assumptions. Further information on NERC's capital financing program can be found in *Exhibit B – Capital Financing*.

## 2024 Program Budget and FTE Comparisons

The following table shows a 2024 versus 2023 budget comparison by program area. The amounts reflect all direct departmental costs, including fixed asset expenditures and financing activity, as well as indirect costs incurred for Corporate Services (formerly called Administrative Programs), which are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. See *Section A – Corporate Services* for discussion on this allocation method.

### 2024 versus 2023 Total Budget by Program

Total Budget	2023 Budget	2024 Budget	Increase (Decrease)	
Reliability Standards & PRISM	\$ 10,349,112	\$ 11,572,434	\$ 1,223,322	11.8%
CMEP	21,268,510	22,938,135	1,669,625	7.9%
RAPA	18,154,510	23,025,951	4,871,440	26.8%
Event Analysis	4,107,435	4,808,401	700,966	17.1%
Situation Awareness	6,010,996	6,615,001	604,005	10.0%
Personnel Certification	1,961,763	2,440,201	478,438	24.4%
Training and Education	1,123,146	1,167,248	44,102	3.9%
<b>NERC Budget, excluding E-ISAC</b>	<b>\$ 62,975,472</b>	<b>\$ 72,567,370</b>	<b>\$ 9,591,898</b>	<b>15.2%</b>
E-ISAC (non-CRISP)	\$ 26,118,401	\$ 28,256,811	\$ 2,138,410	8.2%
E-ISAC (CRISP)	11,907,740	12,796,764	889,024	7.5%
<b>Total E-ISAC Budget</b>	<b>\$ 38,026,141</b>	<b>\$ 41,053,575</b>	<b>\$ 3,027,434</b>	<b>8.0%</b>
<b>Total Budget</b>	<b>\$ 101,001,613</b>	<b>\$ 113,620,945</b>	<b>\$ 12,619,332</b>	<b>12.5%</b>

The increase to the 2024 RAPA budget over 2023 is primarily driven by resources in response to the ITCS, discussed above. The increase to the 2024 Personnel Certification budget is due to the addition of funds to upgrade the System Operator Certification Continuing Education Database base platform. The 2024 budgets for all remaining program areas are increasing over 2023 primarily due to one or a combination of the following: (1) assumptions related to personnel, discussed above, particularly incremental FTEs (see table below), which, for some programs, may also result in higher allocations of indirect, fixed asset, and net financing activity costs from the Corporate Services departments and (2) costs related to technology projects discussed above, of which a significant portion are budgeted in the Business Technology area and allocated to the statutory program departments. Further information on the statutory program and Corporate Services budgets is available in *Section A – 2024 Business Plan and Budget Program Area and Department Detail*.

The following table presents a 2024 versus 2023 comparison of budgeted FTEs by department. Also see *Appendix 1 – NERC Staff Organization Chart*.

## 2024 versus 2023 FTEs by Department

FTEs	2023 Budget	2024 Budget	Increase (Decrease)	
Reliability Standards & PRISM	19.74	20.82	1.08	5.5%
CMEP	34.78	34.78	-	0.0%
RAPA	29.14	34.40	5.26	18.1%
Event Analysis	6.58	7.61	1.03	15.7%
Situation Awareness	7.52	8.55	1.03	13.8%
Personnel Certification	2.82	2.87	0.05	1.7%
Training and Education	1.88	1.88	-	0.0%
Corporate Services	88.55	91.76	3.21	3.6%
<b>NERC FTEs, excluding E-ISAC</b>	<b>191.01</b>	<b>202.68</b>	<b>11.67</b>	<b>6.1%</b>
E-ISAC (non-CRISP)	40.14	41.69	1.55	3.9%
E-ISAC (CRISP)	5.73	6.77	1.03	18.0%
<b>Total E-ISAC FTEs</b>	<b>45.87</b>	<b>48.46</b>	<b>2.59</b>	<b>5.6%</b>
<b>Total FTEs</b>	<b>236.88</b>	<b>251.14</b>	<b>14.26</b>	<b>6.0%</b>

To support the areas of focus, NERC is adding 17 new positions (see People Strategy section discussion above) in 2024. The total increase of FTEs in 2024 versus 2023 is 14.26, which is the net result of the additions, the reduction of two open positions as part of resource optimization and efficiency efforts, a 6.0% attrition rate, and assumptions of hiring dates throughout the year. The table above reflects these additions and reductions as well as inter-departmental reallocations as follows:

- Reliability Standards & PRISM – The increase of 1.08 FTEs is primarily the net result of the addition of two positions related to the Energy focus area for standards development and technical expertise support, offset by the reallocation of one position to the RAPA area.
- Compliance Monitoring and Enforcement Program (CMEP) – FTEs are flat, which is the net result of the addition of one position related to the Agility focus area for increased enforcement analysis support, and the combination of two positions into one in the Compliance Assurance and Organization Registration programs as part of ongoing resource efficiency efforts.
- RAPA – The increase of 5.26 FTEs is due to the addition of FTEs in response to the ITCS (discussed above) and the reallocation of one position from Reliability Standards & PRISM to RAPA.
- Event Analysis and Situation Awareness – The increase of 1.03 FTEs for each program is primarily due to the addition of one position for each related to the Energy focus area for increased Event Analysis and Situation Awareness program support.
- E-ISAC and CRISP – The increase of 2.59 FTEs is the net result of the addition of four positions related to the Security focus area for increased analytical capabilities, membership support, and CRISP enhancement and expansion, and a slight reduction in the direct allocation of dedicated Business Technology staff costs to E-ISAC and CRISP.
- Corporate Services – The increase of 3.21 FTEs is the net result of (1) the addition of two positions related to the Security and Sustainability areas for cloud computing and system administration; (2) the addition of one position related to Sustainability for support for the publications team; (3) the addition of one position to support strategic communication initiatives in response to the ITCS; (4) the reallocation of staff from and to the Corporate Services area to better align with functional responsibilities; and (5) the elimination of one position being filled with a contractor.

## 2024 Reserves

At the end of 2024, NERC is projecting a total reserve budget of \$18.7M across all categories of reserves. This is an increase of \$4.1M (27.9%) from the total reserve amounts budgeted for the end of 2023 in the NERC 2023 BP&B. The reserve categories are as follows:

- **Future Obligation Reserve** – Includes funding that has been received to satisfy future obligations under lease, credit, loan, or other agreements to which the company is a party. This reserve is budgeted to be \$3.1M at the end of 2024.
- **System Operator Certification Reserve** – Includes surplus funding from fees collected for the System Operator Certification and Credential Maintenance program that are above incurred expenses and shall be used solely for the program needs. The 2024 System Operator Certification Reserve is budgeted to be \$74k at the end of 2024 and is comprised primarily of existing funds.
- **CRISP Reserves** – Represents funds dedicated to support CRISP. These reserves are established pursuant to a CRISP budget agreed to and funded entirely by CRISP participants. These reserves have no impact on assessments and are segregated from other reserves pursuant to the terms of the CRISP agreements. CRISP reserves are budgeted to be \$4.3M at the end of 2024.<sup>9</sup>
- **OCR** – Includes both general working capital funds resulting from day-to-day operations and additional funds for contingencies that were not anticipated.<sup>10</sup> NERC’s current policy requires an OCR target of 3.5–7.0% of the company’s total expense and fixed asset budget except as otherwise approved by the Board. This percentage is calculated against NERC’s total budget for operating and fixed asset expenditures, less those costs related to CRISP and System Operator Certification, each of which has a separate reserve category. NERC is proposing to release \$1.3M from the OCR to offset 2024 assessments, and the OCR is budgeted to be \$10.9M at the end of 2024. This is 11.1% of budgeted operating and fixed asset costs, which is higher than the target maximum range and subject to Board approval.
- **ASR** – To date, this reserve has been funded entirely by previously received penalties from U.S. entities. In the 12 months ending June 30, 2023, NERC has collected and is proposing to deposit \$735k of penalty funds into the ASR. NERC is recommending the release of \$1.3M from the ASR to offset 2024 assessments, and the ASR is projected to have a balance of \$256k at the end of 2024.

See *Table B-1 – Total Reserves Analysis* for an analysis of projected reserve activity for 2023 and 2024 for all reserve categories.

The following SOA report compares the total NERC 2023 budget, 2023 year-end projection, and 2024 budget.

<sup>9</sup> CRISP reserves historically were limited to the CRISP Defense Fund Reserve, which is intended to fund any expenses related to investigation and defense in connection with a claim pertaining to the CRISP agreement between NERC and participating utilities. In 2022, FERC approved NERC’s request to annually redirect underruns of the prior year’s CRISP budget to the CRISP Operating Reserve. *North American Electric Reliability Corp., 180 FERC ¶ 61,013 (Letter Order July 8, 2022)*. In 2023, CRISP participants agreed to transfer a portion of funds from the CRISP Operating Reserve to fund a CRISP Equipment Reserve.

<sup>10</sup> As in past BP&Bs, NERC is not budgeting the use of working capital funds in 2024 for cash flow needs since assessments are billed and paid quarterly throughout the year. If an unforeseen revenue deficiency were to arise, NERC maintains a \$4.0M line of credit with a major financial institution. The “Change in Working Capital” referenced on the financial tables in this document reflects the projected net changes for the System Operator and CRISP reserves, if any, which result from the funding model for those programs. See Table B-1 for details.

## Introduction and Executive Summary

Statement of Activities and Fixed Asset Additions 2023 Budget & Projection and 2024 Budget						
STATUTORY						
	2023	2023	Variance 2023 Projection v 2023 Budget	2024	Variance 2024 Budget v 2023 Budget	% Inc 2023 Over 2022
	Budget	Projection	Over(Under)	Budget	Over(Under)	
<b>Funding</b>						
<b>NERC Funding</b>						
NERC Assessments	\$ 87,074,681	\$ 87,074,681	\$ -	\$ 96,997,362	\$ 9,922,681	
Penalties Released*	1,000,000	1,000,000	-	1,300,000	300,000	
<b>Total NERC Funding</b>	<b>\$ 88,074,681</b>	<b>\$ 88,074,681</b>	<b>\$ -</b>	<b>\$ 98,297,362</b>	<b>\$ 10,222,681</b>	<b>11.6%</b>
Third-Party Funding (CRISP)	\$ 9,569,170	\$ 9,262,969	\$ (306,201)	\$ 10,083,382	\$ 514,212	
Testing, Renewal, & Continuing Ed Fees	1,781,775	1,931,798	150,023	1,796,086	14,311	
Services & Software	60,000	60,000	-	60,000	-	
Miscellaneous	260,000	259,999	-	400,000	140,000	
Interest & Investment Income	76,500	1,500,001	1,423,501	1,080,000	1,003,500	
<b>Total Funding (A)</b>	<b>\$ 99,822,125</b>	<b>\$ 101,089,448</b>	<b>\$ 1,267,323</b>	<b>\$ 111,716,829</b>	<b>\$ 11,894,704</b>	<b>11.9%</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	\$ 44,250,356	\$ 44,582,457	\$ 332,101	\$ 50,263,573	\$ 6,013,217	
Payroll Taxes	2,513,603	2,409,532	(104,070)	2,706,709	193,106	
Benefits	6,624,553	6,043,454	(581,100)	7,572,900	948,347	
Retirement Costs	4,629,894	4,598,982	(30,912)	5,238,161	608,267	
<b>Total Personnel Expenses</b>	<b>\$ 58,018,406</b>	<b>\$ 57,634,425</b>	<b>\$ (383,981)</b>	<b>\$ 65,781,342</b>	<b>\$ 7,762,936</b>	<b>13.4%</b>
<b>Meeting &amp; Travel Expenses</b>						
Meetings & Conference Calls	\$ 1,291,650	\$ 1,323,251	\$ 31,601	\$ 1,375,300	\$ 83,650	
Travel	1,853,900	1,974,500	120,600	2,131,500	277,600	
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 3,145,550</b>	<b>\$ 3,297,750</b>	<b>\$ 152,200</b>	<b>\$ 3,506,800</b>	<b>\$ 361,250</b>	<b>11.5%</b>
<b>Operating Expenses, excluding Depreciation</b>						
Contractors & Consultants	\$ 17,149,110	\$ 16,966,382	\$ (182,728)	\$ 21,369,135	\$ 4,220,025	
Office Rent	3,022,266	3,022,266	-	3,089,858	67,592	
Office Costs	12,479,724	12,451,667	(28,057)	13,708,213	1,228,489	
Professional Services	3,290,596	2,992,225	(298,371)	3,517,866	227,270	
Miscellaneous	208,783	210,482	1,699	149,950	(58,833)	
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 36,150,479</b>	<b>\$ 35,643,022</b>	<b>\$ (507,457)</b>	<b>\$ 41,835,022</b>	<b>\$ 5,684,543</b>	<b>15.7%</b>
<b>Total Direct Expenses</b>	<b>\$ 97,314,435</b>	<b>\$ 96,575,197</b>	<b>\$ (739,238)</b>	<b>\$ 111,123,164</b>	<b>\$ 13,808,729</b>	<b>14.2%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ 254,254</b>	<b>\$ 249,545</b>	<b>\$ (4,709)</b>	<b>\$ 468,040</b>	<b>\$ 213,786</b>	<b>84.1%</b>
<b>Total Expenses (B)</b>	<b>\$ 97,568,689</b>	<b>\$ 96,824,742</b>	<b>\$ (743,947)</b>	<b>\$ 111,591,204</b>	<b>\$ 14,022,515</b>	<b>14.4%</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 2,253,436</b>	<b>\$ 4,264,706</b>	<b>\$ 2,011,270</b>	<b>\$ 125,625</b>	<b>\$ (2,127,811)</b>	
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 6,224,000</b>	<b>\$ 6,655,201</b>	<b>\$ 431,201</b>	<b>\$ 4,624,000</b>	<b>\$ (1,600,000)</b>	<b>-25.7%</b>
<b>Financing Activity</b>						
Loan or Financing Lease - Borrowing (-)	(4,130,000)	(3,561,198)	568,802	(4,212,498)	(82,498)	
Loan or Financing Lease - Principal Payments (+)	1,338,924	882,448	(456,480)	1,618,238	279,314	
<b>Net Financing Activity (D)</b>	<b>\$ (2,791,076)</b>	<b>\$ (2,678,751)</b>	<b>\$ 112,325</b>	<b>\$ (2,594,260)</b>	<b>\$ 196,816</b>	<b>-7.1%</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 101,001,613</b>	<b>\$ 100,801,192</b>	<b>\$ (200,421)</b>	<b>\$ 113,620,944</b>	<b>\$ 12,619,331</b>	<b>12.5%</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (1,179,488)</b>	<b>\$ 288,256</b>	<b>\$ 1,467,744</b>	<b>\$ (1,904,115)</b>	<b>\$ (724,627)</b>	
<b>FTEs</b>	<b>236.88</b>	<b>230.74</b>	<b>(6.14)</b>	<b>251.14</b>	<b>14.26</b>	<b>6.0%</b>

\*Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve to offset U.S. assessments as approved by the NERC Board and FERC. Actual penalties invoiced in the current reporting year are shown as an increase to the Assessment Stabilization Reserve on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

# Section A – 2024 Business Plan and Budget Program Area and Department Detail

## Reliability Standards and PRISM

Reliability Standards and Power Risk Issues and Strategic Management (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	19.74	20.82	1.08
Personnel Expenses	4,206,355	4,633,901	427,545
Direct Expenses	\$ 4,689,003	\$ 5,173,610	\$ 484,606
Indirect Expenses	5,590,166	6,269,041	678,875
Other Non-Operating Expenses	-	1,363	1,363
Fixed Asset Additions	496,464	265,395	(231,069)
Financing Activity	(426,521)	(136,975)	289,546
Total Budget	\$ 10,349,112	\$ 11,572,434	\$ 1,223,322

### Purpose and Scope

#### Reliability Standards

The Reliability Standards program carries out the ERO’s statutory responsibility to develop, adopt, obtain approval of, and modify mandatory NERC Reliability Standards (both continent-wide and regional) to assure the Bulk Electric System is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the bulk power system. The purpose of the Reliability Standards department is to deliver high-quality risk-based Reliability Standards, facilitate continent-wide industry engagement, and support regulatory filings. The group focuses on a risk-based approach to its projects, ensuring Reliability Standards are clear, timely, consider costs, effective in mitigating material risks, and do not unnecessarily burden industry with administrative requirements and/or detract from reliability or security. More information on the [Reliability Standards](#) program is available on the NERC website.

#### Power Risk Issues and Strategic Management

The overarching purpose of the Power Risk Issues and Strategic Management (PRISM) group is to leverage in-house expertise on Reliability Standards and standards development to implement cross-cutting efforts among NERC functions and the standing and technical committees. This group develops, supports, and prioritizes the ERO Risk Registry, and gauges responses to address reliability risks and work toward monitoring risk mitigation. This group also provides in-house training on Reliability Standards to effectuate a consistent view of their meaning, purpose, and relationship with the various work products of the committees and subcommittees. The PRISM group also conducts statistical analysis around the results of standards to identify potential weaknesses, redundancies, and overall necessity.

#### 2024 Areas of Focus

Key areas of focus for the Reliability Standards program include:

- Developing a more nimble standard setting process that honors the important role of stakeholders in Reliability Standards development
- Addressing cyber security risks by continuing to enhance cyber security Reliability Standards

- Integrating and updating standards to address new risks such as inverters, distributed energy resources, energy management, and fuel management
- Addressing Federal Energy Regulatory Commission directives, orders, or special reports
- Revising the Standard Processes Manual to allow for a more agile standards development process
- Implementing a project prioritization process

Key areas of focus for PRISM include:

- Continuing Energy Reliability Assessment Task Force efforts to address items that could impact energy constrained resources, including developing scenarios for energy assessments
- Supporting the Reliability Issues Steering Committee (RISC) and RISC report recommendations
- Enhancing the NERC Risk Registry to include the ERO Enterprise (ERO Risk Registry) and be publicly used by the Standards Committee and Reliability and Security Technical Committee (RSTC)
- Maintaining technical support for Reliability Standards by advising on new and existing projects
- Owning the Reliability Risk Framework and any necessary updates

### **2024 Resource Requirements**

The increase of 1.08 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is primarily the net result of an increase of two positions for standards development and technical expertise support, offset by the reallocation of one position to another department. The Contractors & Consultants budget includes funds for engineering expertise and technology-related support (see below).

### **2024 Technology Requirements**

The Contractors & Consultants budget includes funds to support the Standard Balloting System (SBS) and PRISM's tool for the ERO Risk Registry.

## **Explanation of Significant Cost Changes from 2023 to 2024**

### **Personnel**

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

### **Indirect Expenses**

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Reliability Standards and PRISM is due to the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

### **Fixed Asset Additions**

The decrease in Fixed Asset Additions is due to the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Reliability Standards and PRISM.

### **Net Financing Activity**

The change in Net Financing Activity is due to the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Reliability Standards and PRISM.

**Section A – 2024 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2023 Budget &amp; Projection, and 2024 Budget</b>					
<b>Reliability Standards and Power Risk Issues and Strategic Management</b>					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2024 Budget
			v 2023 Budget		v 2023 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 10,188,305	\$ 10,188,306	\$ -	\$ 11,274,349	\$ 1,086,044
Penalties Released	150,215	150,215	-	172,943	22,728
<b>Total NERC Funding</b>	<b>\$ 10,338,520</b>	<b>\$ 10,338,521</b>	<b>\$ -</b>	<b>\$ 11,447,292</b>	<b>\$ 1,108,772</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	10,592	166,845	156,253	125,141	114,549
<b>Total Funding (A)</b>	<b>\$ 10,349,112</b>	<b>\$ 10,505,366</b>	<b>\$ 156,254</b>	<b>\$ 11,572,434</b>	<b>\$ 1,223,322</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 3,144,776	\$ 2,873,804	\$ (270,973)	\$ 3,472,506	\$ 327,729
Payroll Taxes	200,354	195,880	(4,474)	204,892	4,539
Benefits	509,360	437,986	(71,374)	578,541	69,181
Retirement Costs	351,865	322,053	(29,812)	377,961	26,096
<b>Total Personnel Expenses</b>	<b>\$ 4,206,355</b>	<b>\$ 3,829,723</b>	<b>\$ (376,633)</b>	<b>\$ 4,633,901</b>	<b>\$ 427,545</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 75,000	\$ 75,000	\$ -	\$ 85,000	\$ 10,000
Travel	150,000	150,000	-	155,000	5,000
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 225,000</b>	<b>\$ 225,000</b>	<b>\$ -</b>	<b>\$ 240,000</b>	<b>\$ 15,000</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 202,739	\$ 202,739	\$ -	\$ 219,888	\$ 17,149
Office Rent	-	-	-	-	-
Office Costs	52,209	62,533	10,324	77,121	24,912
Professional Services	-	-	-	-	-
Miscellaneous	2,700	2,700	-	2,700	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 257,648</b>	<b>\$ 267,972</b>	<b>\$ 10,324</b>	<b>\$ 299,709</b>	<b>\$ 42,061</b>
<b>Total Direct Expenses</b>	<b>\$ 4,689,003</b>	<b>\$ 4,322,694</b>	<b>\$ (366,309)</b>	<b>\$ 5,173,610</b>	<b>\$ 484,606</b>
<b>Indirect Expenses</b>	<b>\$ 5,590,166</b>	<b>\$ 5,480,365</b>	<b>\$ (109,801)</b>	<b>\$ 6,269,041</b>	<b>\$ 678,875</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,363</b>	<b>\$ 1,363</b>
<b>Total Expenses (B)</b>	<b>\$ 10,279,169</b>	<b>\$ 9,803,059</b>	<b>\$ (476,110)</b>	<b>\$ 11,444,014</b>	<b>\$ 1,164,845</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 69,943</b>	<b>\$ 702,307</b>	<b>\$ 632,364</b>	<b>\$ 128,420</b>	<b>\$ 58,477</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 496,464</b>	<b>\$ 546,011</b>	<b>\$ 49,547</b>	<b>\$ 265,395</b>	<b>\$ (231,069)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (549,620)	\$ (466,696)	\$ 82,924	\$ (255,345)	\$ 294,275
Loan or Financing Lease - Principal Payments (+)	123,099	61,400	(61,699)	118,370	(4,729)
<b>Net Financing Activity (D)</b>	<b>\$ (426,521)</b>	<b>\$ (405,296)</b>	<b>\$ 21,225</b>	<b>\$ (136,975)</b>	<b>\$ 289,546</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 10,349,112</b>	<b>\$ 9,943,774</b>	<b>\$ (405,338)</b>	<b>\$ 11,572,434</b>	<b>\$ 1,223,322</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 561,591</b>	<b>\$ 561,591</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>19.74</b>	<b>18.98</b>	<b>(0.76)</b>	<b>20.82</b>	<b>1.08</b>

## Compliance Assurance and Organization Registration and Certification

Compliance Assurance and Organization Registration and Certification (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	22.56	21.62	(0.94)
Direct Expenses	\$ 6,932,394	\$ 7,405,653	\$ 473,259
Indirect Expenses	6,388,761	6,509,614	120,853
Other Non-Operating Expenses	16,627	32,804	16,177
Fixed Asset Additions	935,423	1,055,579	120,156
Financing Activity	(280,490)	(597,844)	(317,354)
Total Budget	\$ 13,992,714	\$ 14,405,806	\$ 413,092

### Purpose and Scope

#### Compliance Assurance

NERC's Compliance Assurance group works collaboratively with the Regional Entities to ensure effective implementation of risk-based compliance monitoring under the Compliance Monitoring and Enforcement Program (CMEP) across the ERO Enterprise. This program ensures that Regional Entities monitor registered entities for compliance according to their own facts and circumstances, including the entity's inherent risks, evaluation of controls to mitigate inherent risks, and other factors, such as risk elements and entity performance. The risk-based compliance monitoring approach also allows for the appropriate allocation of resources to issues that pose a higher level of risk to the reliability of the bulk power system (BPS). More information on the [Compliance Assurance](#) program is available on the NERC website.

#### Organization Registration and Organization Certification

Organization Registration (Registration) identifies and registers BPS users, owners, and operators that are responsible for performing specified reliability functions to which requirements of mandatory Reliability Standards are applicable. Organization Certification (Certification) ensures that an applicant to be a Reliability Coordinator (RC), Balancing Authority (BA), or Transmission Operator (TOP) has the tools, processes, training, and procedures to demonstrate its ability to meet the requirements of all the Reliability Standards applicable to the functions for which it is applying, thereby demonstrating the ability to become certified and then operational. The decision to certify changes to an already operating and certified RC, BA, or TOP is a collaborative decision between the affected Regional Entities and NERC. More information on the [Organization Registration and Certification](#) program is available on the NERC website.

### 2024 Areas of Focus

Key areas of focus for the Compliance Assurance, Registration, and Certification programs include:

- Continue efforts in addressing facility ratings and demonstrate the importance of implementing strong internal controls
- Continue to evaluate supply chain effectiveness and provide and analyze quarterly metrics on compliance data to inform emerging risks and Registration activities
- Enhance outreach to stakeholder/policy organizations and leverage the work of others
- Work to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensure meaningful oversight activities; and continue efforts to streamline risk-based CMEP activities



## 2024 Resource Requirements

The decrease of 0.94 FTEs full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is the result of the combination of two positions into one as a part of ongoing resource efficiency efforts. The Contractors & Consultants budget includes technology-related support (see below).

## 2024 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for Align and the ERO SEL.<sup>11</sup> The Contracts & Consultants budget includes support and maintenance for BESnet, the Centralized Organization Registration ERO System (CORES), Align, and the ERO SEL. The Fixed Assets Additions budget includes expenditures for enhancements to Align, the ERO SEL, and CORES, as well as the creation of the ERO SEL Development Environment. The Fixed Assets Additions budget also includes a portion of expenditures related to the development of the Enterprise Analytics and Registered Entity Bulk Electric System (BES) Generation and Transmission (G&T) Inventory systems, which are discussed in the *Introduction and Executive Summary*.<sup>12</sup>

## Explanation of Significant Cost Changes from 2023 to 2024

### Contractors & Consultants

The increase in Contractors & Consultants is primarily due to a combination of the following related to the Align and ERO SEL systems: (1) the incremental addition of dedicated system administrators and support; (2) the reclassification of dedicated tier 1, quality assurance, and business analyst support from Business Technology to Compliance Assurance; and (3) the partial reclassification of Align enhancement costs from capital software to contractors and consultants within the Compliance Assurance budget.

### Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Compliance Assurance, Registration, and Certification is due to the overall increase in expenses for the Corporate Services departments.

### Fixed Asset Additions

The increase for Fixed Asset Additions is the net result of (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Compliance Assurance, Registration, and Certification; (2) the addition of equipment and capital software expenditures for the ERO SEL Development Environment; and (3) the addition of capital software expenditures related to the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

### Net Financing Activity

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Compliance Assurance, Registration, and Certification; (2) the addition of loan financing activity for capital software expenditures related to the ERO SEL Development Environment, Enterprise Analytics, and Registered Entity BES G&T Inventory systems; and (3) the addition of lease financing activity for ERO SEL Development Environment equipment.

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<sup>11</sup> Any budgeted expenditures and financing activity related to Align and the ERO SEL are divided evenly between the Compliance Assurance and Compliance Enforcement program area budgets.

<sup>12</sup> Any budgeted expenditures and financing activity for the Enterprise Analytics and Registered Entity BES G&T Inventory systems are divided evenly among the program area budgets that include Registration, Reliability Assessment, Performance Analysis, and Event Analysis.

**Section A – 2024 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2023 Budget &amp; Projection and 2024 Budget</b>					
<b>Compliance Assurance and Organization Registration and Certification</b>					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	Budget	2024 Budget v 2023 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 13,808,935	\$ 13,808,935	\$ -	\$ 14,096,283	\$ 287,347
Penalties Released	171,674	171,674	-	179,580	7,906
<b>Total NERC Funding</b>	<b>\$ 13,980,609</b>	<b>\$ 13,980,609</b>	<b>\$ -</b>	<b>\$ 14,275,862</b>	<b>\$ 295,253</b>
<b>Third-Party Funding</b>					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	12,105	183,459	171,354	129,944	117,839
<b>Total Funding (A)</b>	<b>\$ 13,992,714</b>	<b>\$ 14,164,068</b>	<b>\$ 171,354</b>	<b>\$ 14,405,806</b>	<b>\$ 413,092</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 4,179,061	\$ 4,007,207	\$ (171,853)	\$ 4,132,187	\$ (46,873)
Payroll Taxes	245,841	242,831	(3,010)	230,525	(15,315)
Benefits	787,967	649,001	(138,967)	707,990	(79,977)
Retirement Costs	467,379	433,217	(34,162)	451,185	(16,194)
<b>Total Personnel Expenses</b>	<b>\$ 5,680,248</b>	<b>\$ 5,332,256</b>	<b>\$ (347,992)</b>	<b>\$ 5,521,888</b>	<b>\$ (158,360)</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 92,000	\$ 92,000	\$ -	\$ 127,000	\$ 35,000
Travel	270,000	270,000	-	270,000	-
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 362,000</b>	<b>\$ 362,000</b>	<b>\$ -</b>	<b>\$ 397,000</b>	<b>\$ 35,000</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 140,800	\$ 260,800	\$ 120,000	\$ 780,321	\$ 639,521
Office Rent	-	-	-	-	-
Office Costs	746,196	749,352	3,156	703,394	(42,802)
Professional Services	-	-	-	-	-
Miscellaneous	3,150	3,150	-	3,050	(100)
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 890,146</b>	<b>\$ 1,013,302</b>	<b>\$ 123,156</b>	<b>\$ 1,486,765</b>	<b>\$ 596,619</b>
<b>Total Direct Expenses</b>	<b>\$ 6,932,394</b>	<b>\$ 6,707,557</b>	<b>\$ (224,837)</b>	<b>\$ 7,405,653</b>	<b>\$ 473,259</b>
<b>Indirect Expenses</b>	<b>\$ 6,388,761</b>	<b>\$ 6,026,092</b>	<b>\$ (362,669)</b>	<b>\$ 6,509,614</b>	<b>\$ 120,853</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 16,627</b>	<b>\$ 16,627</b>	<b>\$ -</b>	<b>\$ 32,804</b>	<b>\$ 16,177</b>
<b>Total Expenses (B)</b>	<b>\$ 13,337,782</b>	<b>\$ 12,750,276</b>	<b>\$ (587,506)</b>	<b>\$ 13,948,071</b>	<b>\$ 610,289</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 654,933</b>	<b>\$ 1,413,792</b>	<b>\$ 758,860</b>	<b>\$ 457,735</b>	<b>\$ (197,197)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 935,423</b>	<b>\$ 970,149</b>	<b>\$ 34,726</b>	<b>\$ 1,055,579</b>	<b>\$ 120,156</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (628,137)	\$ (513,169)	\$ 114,968	\$ (992,499)	\$ (364,362)
Loan or Financing Lease - Principal Payments (+)	347,646	274,476	(73,171)	394,654	47,008
<b>Net Financing Activity (D)</b>	<b>\$ (280,490)</b>	<b>\$ (238,693)</b>	<b>\$ 41,797</b>	<b>\$ (597,844)</b>	<b>\$ (317,354)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 13,992,714</b>	<b>\$ 13,481,732</b>	<b>\$ (510,982)</b>	<b>\$ 14,405,806</b>	<b>\$ 413,092</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 682,336</b>	<b>\$ 682,336</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>22.56</b>	<b>20.87</b>	<b>(1.69)</b>	<b>21.62</b>	<b>(0.94)</b>

## Compliance Enforcement

Compliance Enforcement (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	12.22	13.16	0.94
Direct Expenses	\$ 3,323,092	\$ 4,178,378	\$ 855,286
Indirect Expenses	3,460,579	3,962,374	501,795
Other Non-Operating Expenses	16,627	27,224	10,597
Fixed Asset Additions	532,573	682,744	150,171
Financing Activity	(57,075)	(318,391)	(261,316)
Total Budget	\$ 7,275,796	\$ 8,532,329	\$ 1,256,533

### Purpose and Scope

The Compliance Enforcement program is responsible for overseeing enforcement processes, the application of penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. The Compliance Enforcement group works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based Compliance Monitoring and Enforcement Program (CMEP). The group focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to the reliability of the bulk power system (BPS). More information on the [Compliance Enforcement](#) program is available on the NERC website.

### 2024 Areas of Focus

Key areas of focus for the Compliance Enforcement programs include:

- Continuing efforts to align risk determinations and using a risk-based approach to processing noncompliance
- Providing and analyze quarterly metrics on enforcement data
- Enhancing outreach to stakeholder/policy organizations
- Working to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensuring meaningful oversight activities; and continuing efforts to streamline risk-based CMEP activities

### 2024 Resource Requirements

The increase of 0.94 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is due to the addition of one position for enforcement analysis support. The Contractors & Consultants budget includes technology-related support (see below).

### 2024 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for Align and the ERO SEL.<sup>13</sup> The Contracts & Consultants budget includes support and maintenance for Align and the ERO SEL. The Fixed Assets Additions budget includes expenditures for enhancements to Align and the ERO SEL, as well as the creation of the ERO SEL Development Environment.

<sup>13</sup> Any budgeted expenditures and financing activity related to Align and the ERO SEL are divided evenly between the Compliance Assurance and Compliance Enforcement program area budgets.

## **Explanation of Significant Cost Changes from 2023 to 2024**

### **Personnel**

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

### **Contractors & Consultants**

The increase in Contractors & Consultants expenses is primarily due to a combination of the following related to the Align and ERO SEL systems: (1) the incremental addition of dedicated system administrators and support; (2) the reclassification of dedicated tier 1, quality assurance, and business analyst support from Business Technology to Compliance Assurance; and (3) the partial reclassification of Align enhancement costs from capital software to contractors and consultants within the Compliance Assurance budget.

### **Indirect Expenses**

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Compliance Enforcement is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

### **Fixed Asset Additions**

The increase for Fixed Asset Additions is the net result of (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Compliance Enforcement and (2) the addition of equipment and capital software expenditures for the ERO SEL Development Environment.

### **Net Financing Activity**

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Compliance Enforcement; (2) the addition of loan financing activity for capital software expenditures related to the ERO SEL Development Environment; and (3) the addition of lease financing activity for ERO SEL Development Environment equipment.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Compliance Enforcement					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2024 Budget
			v 2023 Budget		v 2023 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 7,176,249	\$ 7,176,249	\$ -	\$ 8,343,924	\$ 1,167,674
Penalties Released	92,990	92,990	-	109,309	16,319
<b>Total NERC Funding</b>	<b>\$ 7,269,239</b>	<b>\$ 7,269,239</b>	<b>\$ -</b>	<b>\$ 8,453,233</b>	<b>\$ 1,183,994</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	6,557	104,784	98,227	79,096	72,539
<b>Total Funding (A)</b>	<b>\$ 7,275,796</b>	<b>\$ 7,374,023</b>	<b>\$ 98,227</b>	<b>\$ 8,532,329</b>	<b>\$ 1,256,533</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,950,093	\$ 1,882,794	\$ (67,299)	\$ 2,164,379	\$ 214,286
Payroll Taxes	126,000	116,114	(9,886)	132,901	6,901
Benefits	230,201	182,191	(48,010)	242,503	12,302
Retirement Costs	216,063	209,224	(6,839)	237,218	21,155
<b>Total Personnel Expenses</b>	<b>\$ 2,522,357</b>	<b>\$ 2,390,323</b>	<b>\$ (132,034)</b>	<b>\$ 2,777,001</b>	<b>\$ 254,644</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 6,500	\$ 6,500	\$ -	\$ 7,150	\$ 650
Travel	54,000	54,000	-	74,000	20,000
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 60,500</b>	<b>\$ 60,500</b>	<b>\$ -</b>	<b>\$ 81,150</b>	<b>\$ 20,650</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 69,000	\$ 189,000	\$ 120,000	\$ 696,933	\$ 627,933
Office Rent	-	-	-	-	-
Office Costs	654,435	660,342	5,907	621,394	(33,041)
Professional Services	15,000	15,000	-	-	(15,000)
Miscellaneous	1,800	1,800	-	1,900	100
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 740,235</b>	<b>\$ 866,142</b>	<b>\$ 125,910</b>	<b>\$ 1,320,227</b>	<b>\$ 579,992</b>
<b>Total Direct Expenses</b>	<b>\$ 3,323,092</b>	<b>\$ 3,316,965</b>	<b>\$ (6,127)</b>	<b>\$ 4,178,378</b>	<b>\$ 855,286</b>
<b>Indirect Expenses</b>	<b>\$ 3,460,579</b>	<b>\$ 3,441,831</b>	<b>\$ (18,748)</b>	<b>\$ 3,962,374</b>	<b>\$ 501,795</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 16,627</b>	<b>\$ 16,627</b>	<b>\$ -</b>	<b>\$ 27,224</b>	<b>\$ 10,597</b>
<b>Total Expenses (B)</b>	<b>\$ 6,800,298</b>	<b>\$ 6,775,423</b>	<b>\$ (24,875)</b>	<b>\$ 8,167,976</b>	<b>\$ 1,367,678</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 475,498</b>	<b>\$ 598,600</b>	<b>\$ 123,102</b>	<b>\$ 364,353</b>	<b>\$ (111,145)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 532,573</b>	<b>\$ 567,790</b>	<b>\$ 35,217</b>	<b>\$ 682,744</b>	<b>\$ 150,171</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (340,241)	\$ (293,099)	\$ 47,142	\$ (650,257)	\$ (310,016)
Loan or Financing Lease - Principal Payments (+)	283,166	245,523	(37,643)	331,866	48,700
<b>Net Financing Activity (D)</b>	<b>\$ (57,075)</b>	<b>\$ (47,576)</b>	<b>\$ 9,499</b>	<b>\$ (318,391)</b>	<b>\$ (261,316)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 7,275,796</b>	<b>\$ 7,295,637</b>	<b>\$ 19,841</b>	<b>\$ 8,532,329</b>	<b>\$ 1,256,533</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 78,386</b>	<b>\$ 78,386</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>12.22</b>	<b>11.92</b>	<b>(0.30)</b>	<b>13.16</b>	<b>0.94</b>

## Reliability Assessments and Performance Analysis

The Reliability Assessments and Performance Analysis (RAPA) program identifies, prioritizes, and enables activities to reduce known and emerging risks to the bulk power system (BPS). Four primary groups at NERC are focused on this program: (1) Reliability Assessments and Technical Committee; (2) Performance Analysis; (3) Advanced System Analytics and Modeling; and (4) Engineering and Security Integration.

Reliability Assessments and Performance Analysis (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	29.14	34.40	5.26
Direct Expenses	\$ 8,870,659	\$ 12,249,417	\$ 3,378,757
Indirect Expenses	8,252,149	10,358,777	2,106,627
Other Non-Operating Expenses	-	33,650	33,650
Fixed Asset Additions	1,661,328	1,239,531	(421,797)
Financing Activity	(629,626)	(855,424)	(225,797)
Total Budget	\$ 18,154,510	\$ 23,025,951	\$ 4,871,440

### Purpose and Scope

#### Reliability Assessments and Technical Committee

The Reliability Assessments and Technical Committee group includes Reliability Assessment staff as well as the NERC staff secretaries of the Reliability and Security Technical Committee (RSTC). Reliability Assessment staff carry out the ERO's statutory responsibility to conduct assessments of the overall reliability and adequacy of BPS and associated emerging reliability risks that could impact the short, mid, and long-term planning horizons, as well as other reliability issues requiring in-depth analysis. Reliability Assessment activities directly address the risk priorities established by the Reliability Issues Steering Committee, and the group relies on its own engineering and analysis expertise as well as Regional Entity and stakeholder resources. The RSTC and its subgroups provide the oversight, guidance, and leadership essential to enhancing BPS reliability by addressing strategic focus areas efficiently and comprehensively. More information on the [Reliability Assessment](#) program and the [RSTC](#) is available on the NERC website.

#### Performance Analysis

The Performance Analysis group monitors the performance of and identifies risks to BPS reliability through analyzing industry data and measuring historic trends. Analysis performed includes identifying potential risks related to system, equipment, entity, and organizational performance that may indicate a need to develop (1) improvements to reporting applications, and (2) new data collection or analysis tools, or to create, revise, or retire reporting areas. Performance Analysis staff leads the ERO, technical committee, and stakeholder process to publish the *State of Reliability* (SOR) report examining the year-over-year performance indicators of the grid. The program also develops the business requirements for all new reliability information data systems, specifically those required by NERC Rules of Procedure Section 1600 Data Requests. More information on the [Performance Analysis](#) program is available on the NERC website.

#### Advanced System Analytics and Modeling

Advanced System Analytics and Modeling (ASAM) staff provide technical leadership and support in the areas of resource and demand balancing and system analysis and modeling, including technical support for the NERC balancing and modeling Reliability Standards. ASAM staff also provide support for the development and improvement of long-term, sustainable interconnection-based power flow, dynamic,

and load models that exhibit the accuracy and fidelity necessary to reflect actual Bulk Electric System (BES) reliability performance and dynamic conditions. ASAM further provides advanced statistical analysis functions to support: (1) the SOR report and reliability assessments; (2) the Frequency Response Annual Analysis report to the Federal Energy Regulatory Commission; (3) analytical review of Reliability Standard effectiveness; and (4) various reports on an emergent basis. ASAM further collaborates with academic and other research and development groups, advising on projects to provide insight on emergent issues.

### **Engineering and Security Integration**

The Engineering and Security Integration department is responsible for driving key reliability and security initiatives working with internal and external stakeholders. Primary areas of focus include better integrating security concepts with conventional engineering activities as well as enabling new technologies in a reliable and secure manner. The group is responsible for key ERO work priorities, including inverter-based resource and distributed energy resource (DER) initiatives across the ERO Enterprise, and promoting concepts of cyber planning and grid transformation issues. The group coordinates a significant number of NERC's technical stakeholder groups under the RSTC, supports the standards development process on engineering and security-related topics, provides technical expertise across the ERO Enterprise, and coordinates with the Electricity Information Sharing and Analysis Center on cross-departmental topics related to security risks.

The groups described above work collaboratively with NERC stakeholders, particularly through the RSTC, to create a reliability strategy that is relevant, timely, and effective to address the most important reliability risks. Further, these groups work closely with other organizations to collaborate, coordinate, and leverage expertise, including but not limited to the Department of Energy, Electric Power Research Institute, Institute of Electrical and Electronics Engineers, Institute of Nuclear Power Operations, North American Transmission Forum, North American Generator Forum, Carnegie Mellon Industry Center, Power Systems Energy Research Center, Interstate Natural Gas Association of America, Natural Gas Supply Association, Electricity Canada, and International Council on Large Electric Systems.

### **2024 Areas of Focus**

Key areas of focus for RAPA include:

- Ensuring the reliable and secure integration of BPS-connected inverter-based resources and DER, including the analysis of grid disturbances, development of technical guidance and educational materials, and collaboration with industry to ensure the Reliability Standards adequately address emerging risks in this area
- Increasing understanding of changing resource mix impacts on BPS reliability by collecting plant, event, connected energy storage, and performance data for photovoltaic and wind generation, combined with enhanced design data and event reporting for conventional generation
- Improving the ERO's analytic, independent, and objective capabilities and adapt to the evolving BPS reliability challenges by:
  - Enhancing reliability assessments to include evaluations of energy availability and expanded probabilistic methods that can identify risks of energy shortfall for all assessment areas in long-duration and seasonal time horizons
  - Further enhancing scenario development capabilities to better understand the implications of extreme weather, increased reliance on variable generation, and the changing climate and environmental conditions

- Conducting the Congressionally-mandated Interregional Transfer Capability Study (ITCS) and developing the capabilities to annually assess transmission adequacy and transfer capability, making recommendations that support long-term reliability needs
- Supporting technical studies that provide additional insight into the increasing dependency of natural gas generation, particularly during extreme winter weather and ramping periods
- Leveraging RAPA processes, tools, and products to measure and improve BES resilience for widespread long-term extreme temperature and weather events, including the development of a systematic collection of load loss outage and recovery data
- Assessing impacts from federal and state regulations (e.g., market, environmental) on the reliability and resilience of the BPS

### **2024 Resource Requirements**

The increase of 5.26 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is primarily due to the addition of four FTEs hired in 2023 in response to the ITCS (mentioned above and discussed in the *Introduction and Executive Summary*) and the reallocation of one FTE to the Engineering and Security Integration group from another department. The Contractors & Consultants budget includes support for (1) the ITCS; (2) probabilistic analysis; (3) the Generating Availability Data System (GADS); (4) studies and expertise related to grid transformation and security integration, and (5) technology systems (see below).

### **2024 Technology Requirements**

The majority of the Office Costs budget is related to software licenses and support for various analytical tools and data collection and management systems, including GADS, the Transmission Availability Data System, the Demand Response Availability Data System, as well as software to support the ITCS. The Contractors & Consultants budget includes support for pc-GAR software and the GMD reporting application, as well as initial efforts to automate the collection, management, and analysis of reliability assessment data through a Reliability Assessment Data System (RADS). The Fixed Assets Additions budget includes expenditures for (1) continued development of data collection applications for solar reporting, as well as integrating energy storage with the solar and wind facilities (GADS Solar and GADS Wind); (2) enhancements to the GMD reporting application; and (3) a portion of expenditures related to the development of the Enterprise Analytics and Registered Entity BES Generation and Transmission (G&T) Inventory systems, which are discussed in the *Introduction and Executive Summary*.<sup>14</sup>

## **Explanation of Significant Cost Changes from 2023 to 2024**

### **Personnel**

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

### **Meetings & Travel**

The increase for Meetings & Travel is related to increased cost and demand, as well as associated meetings and travel to support the ITCS, as discussed in the *Introduction and Executive Summary*.

### **Contractors & Consultants**

The increase for Contractors & Consultants expenses is the net result of (1) consulting costs in support of the ITCS; (2) the reclassification of fixed asset expenditures for RADS to Contractors & Consultants due to

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<sup>14</sup> Any budgeted expenditures and financing activity for the Enterprise Analytics and Registered Entity BES G&T Inventory systems are divided evenly among the program area budgets that include Registration, Reliability Assessment, Performance Analysis, and Event Analysis.



the deferral of RADS discovery work from 2023 to 2024; and (3) the reclassification of contractor and consultant funds to fixed assets expenditures for development and enhancement work on applications supporting Performance Analysis.

**Office Costs**

The increase for Office Costs is due to an increase of software license and support expenses for the ITCS and the GADS Solar and Wind applications, offset by a decrease of software license and support expenses for technology tools supporting ASAM and Reliability Assessments.

**Indirect Expenses**

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department’s budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for RAPA is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

**Fixed Asset Additions**

The decrease for Fixed Asset Additions is due to (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to RAPA; (2) the reclassification of fixed asset expenditures for RADS to Contractors & Consultants due to the deferral of RADS discovery work from 2023 to 2024; and (3) a decrease in development costs for GADS Solar and Wind as those applications are completed, offset by an increase in expenditures related to the development of the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

**Net Financing Activity**

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to RAPA and (2) the addition of loan financing activity for capital software expenditures related to the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

**Section A – 2024 Business Plan and Budget Program Area and Department Detail**

Statement of Activities and Fixed Asset Additions 2023 Budget & Projection and 2024 Budget					
Reliability Assessments and Performance Analysis					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	Budget	2024 Budget v 2023 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 17,964,426	\$ 17,964,426	\$ -	\$ 22,473,405	\$ 4,508,980
Penalties Released	114,449	114,449	-	285,766	171,317
<b>Total NERC Funding</b>	<b>\$ 18,078,875</b>	<b>\$ 18,078,875</b>	<b>\$ -</b>	<b>\$ 22,759,171</b>	<b>\$ 4,680,296</b>
<b>Third-Party Funding</b>					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	60,000	60,000	-	60,000	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	15,636	257,740	242,104	206,780	191,144
<b>Total Funding (A)</b>	<b>\$ 18,154,510</b>	<b>\$ 18,396,615</b>	<b>\$ 242,105</b>	<b>\$ 23,025,951</b>	<b>\$ 4,871,440</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,162,514	\$ 5,224,559	\$ 62,044	\$ 6,756,482	\$ 1,593,968
Payroll Taxes	307,570	299,757	(7,813)	375,148	67,577
Benefits	747,809	749,123	1,314	960,372	212,563
Retirement Costs	566,745	561,085	(5,660)	734,159	167,414
<b>Total Personnel Expenses</b>	<b>\$ 6,784,638</b>	<b>\$ 6,834,524</b>	<b>\$ 49,885</b>	<b>\$ 8,826,161</b>	<b>\$ 2,041,522</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 219,750	\$ 219,750	\$ -	\$ 257,250	\$ 37,500
Travel	244,400	244,399	-	398,600	154,200
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 464,150</b>	<b>\$ 464,149</b>	<b>\$ -</b>	<b>\$ 655,850</b>	<b>\$ 191,700</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 876,654	\$ 860,654	\$ (16,000)	\$ 1,818,400	\$ 941,746
Office Rent	-	-	-	-	-
Office Costs	740,217	747,855	7,638	944,006	203,789
Professional Services	-	-	-	-	-
Miscellaneous	5,000	4,999	-	5,000	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 1,621,871</b>	<b>\$ 1,613,507</b>	<b>\$ (8,364)</b>	<b>\$ 2,767,406</b>	<b>\$ 1,145,535</b>
<b>Total Direct Expenses</b>	<b>\$ 8,870,659</b>	<b>\$ 8,912,180</b>	<b>\$ 41,521</b>	<b>\$ 12,249,417</b>	<b>\$ 3,378,757</b>
<b>Indirect Expenses</b>	<b>\$ 8,252,149</b>	<b>\$ 8,465,980</b>	<b>\$ 213,831</b>	<b>\$ 10,358,777</b>	<b>\$ 2,106,627</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,650</b>	<b>\$ 33,650</b>
<b>Total Expenses (B)</b>	<b>\$ 17,122,809</b>	<b>\$ 17,378,160</b>	<b>\$ 255,352</b>	<b>\$ 22,641,843</b>	<b>\$ 5,519,035</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 1,031,702</b>	<b>\$ 1,018,454</b>	<b>\$ (13,247)</b>	<b>\$ 384,107</b>	<b>\$ (647,594)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 1,661,328</b>	<b>\$ 1,769,178</b>	<b>\$ 107,850</b>	<b>\$ 1,239,531</b>	<b>\$ (421,797)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (811,343)	\$ (720,944)	\$ 90,399	\$ (1,142,794)	\$ (331,451)
Loan or Financing Lease - Principal Payments (+)	181,717	94,850	(86,867)	287,371	105,654
<b>Net Financing Activity (D)</b>	<b>\$ (629,626)</b>	<b>\$ (626,094)</b>	<b>\$ 3,532</b>	<b>\$ (855,424)</b>	<b>\$ (225,797)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 18,154,510</b>	<b>\$ 18,521,244</b>	<b>\$ 366,734</b>	<b>\$ 23,025,951</b>	<b>\$ 4,871,440</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ (124,629)</b>	<b>\$ (124,629)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>29.14</b>	<b>29.32</b>	<b>0.18</b>	<b>34.40</b>	<b>5.26</b>

## Situation Awareness

Situation Awareness (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	7.52	8.55	1.03
Direct Expenses	\$ 3,229,002	\$ 3,892,040	\$ 663,038
Indirect Expenses	2,129,587	2,575,543	445,956
Other Non-Operating Expenses	-	21,842	21,842
Fixed Asset Additions	814,891	215,034	(599,857)
Financing Activity	(162,484)	(89,458)	73,026
Total Budget	\$ 6,010,996	\$ 6,615,001	\$ 604,005

### Purpose and Scope

NERC and the Regional Entities monitor bulk power system (BPS) conditions, significant occurrences, emerging risks, and threats across the 17 Reliability Coordinator regions in North America to maintain an understanding of conditions and situations that could impact reliable operation. NERC’s BPS Awareness (BPSA) group also supports the development and publication of NERC Alerts and awareness products and facilitates information sharing among industry, the Regional Entities, and the government during crisis situations and major system disturbances. The process for understanding the potential threats or vulnerabilities to BPS reliability starts with understanding occurrences and events in the context in which they occur, and registered entities robustly share information and collaborate with the ERO to maintain and improve overall reliability. More information on the [BPSA](#) program is available on the NERC website.

### 2024 Areas of Focus

Key areas of focus for BPSA include:

- Enhancing situation awareness tools to increase agility and efficiency, as well as visibility and understanding of the reliability or availability of natural gas and its interdependency with electrical generation
- Collaborating across the ERO Enterprise and with stakeholders to mitigate emerging and known risk by using all available tools, including the NERC Alerts process to issue Advisory (Level 1) Alerts on significant and emerging reliability and security-related topics as needed, and to facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts
- Continue engaging with industry, the Electricity Information Sharing and Analysis Center (E-ISAC), government partners, and the ERO Enterprise on emerging risks to BPS reliability
- Engaging situation awareness subject matter experts in support of the work of Reliability Standards, the E-ISAC, and the Reliability and Security Technical Committee to advance the security posture of the industry

### 2024 Resource Requirements

The increase of 1.03 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is related to the addition of one position for BPSA support required to take on the broader, deeper, and cross-section knowledge needed to maintain situational awareness across the system as it evolves. The Contractors & Consultants budget includes technology-related support (see below).

## **2024 Technology Requirements**

The majority of the Office Costs budget includes software licenses and support for various BPSA systems and tools related to wide-area view situation awareness, conditions monitoring, resource adequacy, inadvertent interchange, frequency monitoring, Reliability Coordinator information sharing, alerting, and data collection and analysis. The Contractors & Consultants budget includes support for PI Historian software, as well as initial discovery for development and/or enhancements to systems related to resource adequacy and curtailment events. The Fixed Assets Additions budget includes funds for ongoing enhancements to the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) and Reliability Coordinator information sharing tools.

## **Explanation of Significant Cost Changes from 2023 to 2024**

### **Personnel**

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

### **Meetings & Travel**

The increase for Meetings & Travel is related to increased cost and demand as discussed in the *Introduction and Executive Summary*.

### **Contractors & Consultants**

The increase in Contractors & Consultants expenses is support for expenses discussed in the Technology Requirements above.

### **Office Costs**

The increase for Office Costs is primarily related to the software licenses and support expenses discussed in the Technology Requirements above, including support for new systems and annual escalation for existing software agreements.

### **Indirect Expenses**

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Situation Awareness is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

### **Fixed Asset Additions**

The decrease for Fixed Asset Additions is due to (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Situation Awareness and (2) a decrease in enhancement costs for situation awareness tools as those enhancements are completed.

### **Net Financing Activity**

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Situation Awareness and (2) the addition of loan financing activity for capital software expenditures for situation awareness tools.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Situation Awareness					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2024 Budget
			v 2023 Budget		v 2023 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 5,949,736	\$ 5,949,736	\$ -	\$ 6,492,537	\$ 542,801
Penalties Released	57,225	57,225	-	71,051	13,826
<b>Total NERC Funding</b>	<b>\$ 6,006,961</b>	<b>\$ 6,006,961</b>	<b>\$ -</b>	<b>\$ 6,563,588</b>	<b>\$ 556,627</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	4,035	68,215	64,180	51,412	47,377
<b>Total Funding (A)</b>	<b>\$ 6,010,996</b>	<b>\$ 6,075,176</b>	<b>\$ 64,180</b>	<b>\$ 6,615,001</b>	<b>\$ 604,005</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,282,278	\$ 1,316,331	\$ 34,053	\$ 1,575,816	\$ 293,538
Payroll Taxes	77,182	69,211	(7,972)	90,980	13,798
Benefits	271,648	260,497	(11,150)	330,661	59,013
Retirement Costs	139,292	140,535	1,242	173,771	34,479
<b>Total Personnel Expenses</b>	<b>\$ 1,770,400</b>	<b>\$ 1,786,574</b>	<b>\$ 16,174</b>	<b>\$ 2,171,227</b>	<b>\$ 400,827</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 70,000	\$ 70,000	\$ -	\$ 71,000	\$ 1,000
Travel	16,000	16,000	-	18,700	2,700
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 86,000</b>	<b>\$ 86,000</b>	<b>\$ -</b>	<b>\$ 89,700</b>	<b>\$ 3,700</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 23,000	\$ 23,000	\$ -	\$ 83,000	\$ 60,000
Office Rent	-	-	-	-	-
Office Costs	1,348,302	1,351,321	3,019	1,546,713	198,411
Professional Services	-	-	-	-	-
Miscellaneous	1,300	1,299	-	1,400	100
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 1,372,602</b>	<b>\$ 1,375,620</b>	<b>\$ 3,018</b>	<b>\$ 1,631,113</b>	<b>\$ 258,511</b>
<b>Total Direct Expenses</b>	<b>\$ 3,229,002</b>	<b>\$ 3,248,194</b>	<b>\$ 19,192</b>	<b>\$ 3,892,040</b>	<b>\$ 663,038</b>
<b>Indirect Expenses</b>	<b>\$ 2,129,587</b>	<b>\$ 2,240,655</b>	<b>\$ 111,068</b>	<b>\$ 2,575,543</b>	<b>\$ 445,956</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,842</b>	<b>\$ 21,842</b>
<b>Total Expenses (B)</b>	<b>\$ 5,358,589</b>	<b>\$ 5,488,849</b>	<b>\$ 130,260</b>	<b>\$ 6,489,425</b>	<b>\$ 1,130,836</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 652,407</b>	<b>\$ 586,326</b>	<b>\$ (66,080)</b>	<b>\$ 125,576</b>	<b>\$ (526,831)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 814,891</b>	<b>\$ 847,883</b>	<b>\$ 32,992</b>	<b>\$ 215,034</b>	<b>\$ (599,857)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (209,379)	\$ (190,809)	\$ 18,570	\$ (200,301)	\$ 9,078
Loan or Financing Lease - Principal Payments (+)	46,895	25,104	(21,791)	110,843	63,948
<b>Net Financing Activity (D)</b>	<b>\$ (162,484)</b>	<b>\$ (165,705)</b>	<b>\$ (3,221)</b>	<b>\$ (89,458)</b>	<b>\$ 73,026</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 6,010,996</b>	<b>\$ 6,171,027</b>	<b>\$ 160,031</b>	<b>\$ 6,615,001</b>	<b>\$ 604,005</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ (95,851)</b>	<b>\$ (95,851)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>7.52</b>	<b>7.76</b>	<b>0.24</b>	<b>8.55</b>	<b>1.03</b>

## Event Analysis

Event Analysis (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	6.58	7.61	1.03
Direct Expenses	\$ 2,130,315	\$ 2,435,048	\$ 304,732
Indirect Expenses	1,863,389	2,292,516	429,128
Other Non-Operating Expenses	-	3,240	3,240
Fixed Asset Additions	255,905	314,552	58,647
Financing Activity	(142,174)	(236,955)	(94,781)
Total Budget	\$ 4,107,435	\$ 4,808,401	\$ 700,966

### Purpose and Scope

The Event Analysis program informs assessments of the reliability and adequacy of the Bulk Electric System (BES) through analysis of real-time operating events on the system. This includes identifying potential issues of concern related to system, equipment, entity, human error, and organizational performance that may indicate a need to (1) develop remediation and/or risk reduction strategies and action plans, (2) revise, retire, or consider new Reliability Standards, and (3) shape aggregate reliability assurance planning. The Event Analysis group analyzes reportable events to identify and understand lessons learned, sequence of events, root and contributing causes, risks to reliability, and potential mitigating actions. The group keeps the industry well informed of system events, emerging trends, event precursors, risk analysis, lessons learned, and recommended corrective and expected mitigation activities through various verbal and written communications/reports and cross-functional collaboration efforts. More information on the [Event Analysis](#) program is available on the NERC website.

### 2024 Areas of Focus

Key areas of focus for Event Analysis include:

- Enhancing event processing in support of developing a coherent system performance picture within the Rules of Procedure Section 800 system performance monitoring and reporting program
- Enhancing program data collection, organization, and manipulation capabilities
- Tuning alignment activities of cross-functional project collaboration through data analysis and disturbance reporting flexibility and agility
- Reinforcing fundamental practices and advocacy of enhanced reliability practices through joint reliability partnership activities with stakeholders and the ERO Enterprise

### 2024 Resource Requirements

The increase of 1.03 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is primarily related to the addition of one position for Event Analysis program support. The Contractors & Consultants budget includes potential augmentation for event analysis review, program activities support, and technology-related support (see below).

## **2024 Technology Requirements**

The Contractors & Consultants budget includes maintenance and support for The Event Analysis Management System (TEAMS). The Fixed Assets Additions budget also includes a portion of expenditures related to the development of the Enterprise Analytics and Registered Entity BES Generation and Transmission (G&T) Inventory systems, which are discussed in the *Introduction and Executive Summary*.<sup>15</sup>

## **Explanation of Significant Cost Changes from 2023 to 2024**

### **Personnel**

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

### **Contractors & Consultants**

The decrease in Contractors & Consultants expenses is due to a decrease in dedicated support and maintenance expenses for TEAMS.

### **Indirect Expenses**

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Event Analysis is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

### **Fixed Asset Additions**

The increase for Fixed Asset Additions is the net result of (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Event Analysis and (2) an increase for expenditures related to the development of the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

### **Net Financing Activity**

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Event Analysis and (2) the addition of loan financing activity for capital software expenditures related to the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

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<sup>15</sup> Any budgeted expenditures and financing activity for the Enterprise Analytics and Registered Entity BES G&T Inventory systems are divided evenly among the program area budgets that include Registration, Reliability Assessment, Performance Analysis, and Event Analysis.

**Section A – 2024 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2023 Budget &amp; Projection and 2024 Budget</b>					
<b>Event Analysis</b>					
	<b>2023</b>	<b>2023</b>	<b>Variance</b>	<b>2024</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2023 Projection</b>	<b>Budget</b>	<b>2024 Budget</b>
			<b>v 2023 Budget</b>		<b>v 2023 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 4,053,833	\$ 4,053,833	\$ -	\$ 4,699,395	\$ 645,562
Penalties Released	50,072	50,072	-	63,243	13,172
<b>Total NERC Funding</b>	<b>\$ 4,103,904</b>	<b>\$ 4,103,905</b>	<b>\$ -</b>	<b>\$ 4,762,638</b>	<b>\$ 658,734</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	3,531	59,688	56,157	45,763	42,232
<b>Total Funding (A)</b>	<b>\$ 4,107,435</b>	<b>\$ 4,163,593</b>	<b>\$ 56,158</b>	<b>\$ 4,808,401</b>	<b>\$ 700,966</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,336,089	\$ 1,355,165	\$ 19,076	\$ 1,626,448	\$ 290,359
Payroll Taxes	72,312	63,901	(8,411)	86,462	14,150
Benefits	193,518	186,251	(7,267)	242,253	48,735
Retirement Costs	144,644	147,399	2,754	180,085	35,440
<b>Total Personnel Expenses</b>	<b>\$ 1,746,563</b>	<b>\$ 1,752,716</b>	<b>\$ 6,152</b>	<b>\$ 2,135,248</b>	<b>\$ 388,684</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 25,000	\$ 25,000	\$ -	\$ 26,500	\$ 1,500
Travel	91,000	91,000	-	91,000	-
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 116,000</b>	<b>\$ 116,001</b>	<b>\$ -</b>	<b>\$ 117,500</b>	<b>\$ 1,500</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 220,802	\$ 190,802	\$ (30,000)	\$ 165,000	\$ (55,802)
Office Rent	-	-	-	-	-
Office Costs	45,750	45,150	(600)	16,000	(29,750)
Professional Services	-	-	-	-	-
Miscellaneous	1,200	1,200	-	1,300	100
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 267,752</b>	<b>\$ 237,152</b>	<b>\$ (30,600)</b>	<b>\$ 182,300</b>	<b>\$ (85,452)</b>
<b>Total Direct Expenses</b>	<b>\$ 2,130,315</b>	<b>\$ 2,105,868</b>	<b>\$ (24,447)</b>	<b>\$ 2,435,048</b>	<b>\$ 304,732</b>
<b>Indirect Expenses</b>	<b>\$ 1,863,389</b>	<b>\$ 1,960,573</b>	<b>\$ 97,184</b>	<b>\$ 2,292,516</b>	<b>\$ 429,128</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,240</b>	<b>\$ 3,240</b>
<b>Total Expenses (B)</b>	<b>\$ 3,993,704</b>	<b>\$ 4,066,441</b>	<b>\$ 72,737</b>	<b>\$ 4,730,804</b>	<b>\$ 737,100</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 113,731</b>	<b>\$ 97,151</b>	<b>\$ (16,580)</b>	<b>\$ 77,597</b>	<b>\$ (36,134)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 255,905</b>	<b>\$ 284,773</b>	<b>\$ 28,868</b>	<b>\$ 314,552</b>	<b>\$ 58,647</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (183,207)	\$ (166,958)	\$ 16,249	\$ (289,119)	\$ (105,912)
Loan or Financing Lease - Principal Payments (+)	41,033	21,966	(19,067)	52,164	11,131
<b>Net Financing Activity (D)</b>	<b>\$ (142,174)</b>	<b>\$ (144,992)</b>	<b>\$ (2,818)</b>	<b>\$ (236,955)</b>	<b>\$ (94,781)</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 4,107,435</b>	<b>\$ 4,206,222</b>	<b>\$ 98,787</b>	<b>\$ 4,808,401</b>	<b>\$ 700,966</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ (42,629)</b>	<b>\$ (42,629)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>6.58</b>	<b>6.79</b>	<b>0.21</b>	<b>7.61</b>	<b>1.03</b>



## Electricity Information Sharing and Analysis Center

E-ISAC (including CRISP) (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	45.87	48.46	2.59
Direct Expenses	\$ 24,658,079	\$ 25,996,156	\$ 1,338,077
Indirect Expenses	12,990,480	14,590,026	1,599,545
Other Non-Operating Expenses	-	8,791	8,791
Fixed Asset Additions	1,368,735	790,657	(578,078)
Financing Activity	(991,153)	(332,056)	659,097
Total Budget	\$ 38,026,141	\$ 41,053,575	\$ 3,027,434

### Purpose and Scope

The Electricity Information Sharing and Analysis Center (E-ISAC) provides its members and partners with resources to prepare for and reduce cyber and physical security threats to the North American electricity industry. The E-ISAC offers products and services that give timely, relevant, and actionable situational awareness and analysis to asset owners and operators as well as cross-sector and government partners. In 2017, the E-ISAC developed a long-term strategic plan to better define its mission and focus its resources. The central underpinning of the plan is for the E-ISAC to focus on providing timely and actionable information to industry regarding cyber and physical security threats and mitigation strategies. The strategic plan also recognizes the critical interdependencies between the E-ISAC, industry, U.S. and Canadian government agencies, and other stakeholders. In 2020, the strategic plan was validated in terms of the primary focus areas. More information on [E-ISAC](#) is available on the NERC website.

The E-ISAC also oversees the Cybersecurity Risk Information Sharing Program (CRISP), a unique public-private initiative among the E-ISAC, the North American electric utility industry, the Department of Energy (DOE), and the U.S. Intelligence Community that delivers real-time, relevant, and actionable cyber security risk information to all E-ISAC member electricity asset owners and operators, including those from Canada and Mexico. Using passive information sharing devices on participant networks outside boundary firewalls, participant data is collected and then matched against known threat signatures—classified and unclassified—to identify potential threats and provide participants with recommended mitigation steps. The Pacific Northwest National Laboratory (PNNL), is the primary subcontractor to NERC for the deployment of the required technology, supporting infrastructure, analysis, and technical capabilities for CRISP. PNNL is a U.S. DOE National Laboratory, operated by Battelle with oversight by the DOE.

### E-ISAC and CRISP Funding and Indirect Cost Allocation Structure

Of the total 2024 E-ISAC budget, including CRISP, approximately 74% is funded by assessments and 25% is funded by CRISP participants for CRISP costs. Just under 2% of the budget is funded by “other funding.” This includes interest income (\$397k), funding from the Downstream Natural Gas ISAC (\$60k), anticipated revenue from the Vendor Affiliate Program (\$300k), and anticipated revenue from industry trade associations to attend CRISP workshops (\$40k).<sup>16</sup> The Vendor Affiliate Program launched in 2022 with incremental implementation over three years. With the increasing complexities and risk in reliance on supply chain software components, this fee-for-service program provides opportunities for collaboration

<sup>16</sup> The funding from the Downstream Natural Gas ISAC equates to approximately half of a full-time equivalent (FTE), which covers the services the E-ISAC provides to the natural gas sector. Expenditures in this area are carefully monitored and fees will be adjusted as required.

and information sharing between the E-ISAC and the vendor community. Participating vendors collaborate with electricity sector stakeholders in a trusted environment, providing timely and actionable information, helping to maintain situational awareness as events unfold, and offering post-event analysis and subject matter expertise on an ongoing basis. Sales and business development activities are strictly prohibited. CRISP has also introduced “observer status” for energy sector support organizations such as the trade associations. Participants in observer status are able to join all tracks of the CRISP workshops, including the program update, in exchange for a fee. This additional funding will be used to offset workshop costs.

The E-ISAC and CRISP budgets are allocated indirect costs (i.e., the Direct Expenses, Fixed Asset Additions, and Net Financing Activity budgets of the Corporate Services departments) in the same manner as all other NERC statutory program departments, which is based on the ratio of a statutory program department’s FTEs to total budgeted statutory FTEs. There are no specific indirect costs that E-ISAC or CRISP incur that other statutory program departments do not.

The CRISP budget specifically includes two major categories of expense: (1) costs funded fully by CRISP participants, which include the contract with PNNL, an annual security review, and any programs agreed to be funded exclusively by CRISP participants; and (2) operational program costs, which are funded 50% by participants and 50% by NERC assessments. Examples of these operational costs include (1) dedicated personnel for CRISP program management and administration, as well as time allocated from E-ISAC staff for data analysis; (2) office costs, insurance, and indirect expenses (as noted above); and (3) fixed asset addition expenditures. The total costs paid by participants, which make up just under 80% of the CRISP budget (the majority of which is for the PNNL contract), are shown on the “Third-Party Funding” line of the Statement of Activities reports below. Funding for the remaining 50% of CRISP operational costs (less additional funding from investment income and fees for workshops) is shown on the “NERC Assessments” line.

## 2024 Areas of Focus

Key areas of focus for E-ISAC include:

- Reviewing and curating security intelligence applicable to the electricity sector
- Conducting threat hunts for malicious technology on Information Technology (IT) and Operational Technology (OT) platforms
- Expanding CRISP participation and technology modernization
- Expanding membership and strategic relationships, including (1) further collaboration with the natural gas sector, (2) enhanced membership engagement with registered entities, small and medium utilities, and emerging renewable energy participants, and (3) operating the vendor affiliate program
- Continuing to plan and execute the biennial GridEx exercise and annual Grid Security Conference

## 2024 Resource Requirements

The increase of 2.59 FTEs from the 2023 budget to the 2024 budget is the net result of the addition of four positions for increased analytical capabilities and leveraging of threat intelligence, membership support, and CRISP enhancement and expansion, and a slight reduction in the allocation of dedicated Business Technology staff to E-ISAC and CRISP. The Contractors & Consultants budget includes expenses for security consulting, strategic partnerships, GridEx support, OT security analysis, Watch Officer contractors, and technology support (see below). This budget also includes the CRISP contract with PNNL, annual security review, and member security training; these expenses make up \$7.4M of the total Contractors & Consultants budget and are funded fully by CRISP participants.

## **2024 Technology Requirements**

The majority of the Office Costs budget is related to software and content services licenses and support for data analysis and security intelligence tools, automated information sharing, GridEx activities, critical broadcast capability, customer relationship management (CRM) technology for member engagement and the E-ISAC Portal, a portion of costs for the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) tool that provides wide-area view situation awareness, and various technology needs to support CRISP. The Contractors & Consultants budget includes operational support and maintenance for the CRM technology for the Portal. The Fixed Asset Additions budget includes a portion of expenditures for SAFNR enhancements and computer equipment for CRISP.

## **Explanation of Significant Cost Changes from 2023 to 2024**

### **Personnel**

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

### **Meetings & Travel**

The increase for Meetings & Travel is related to increased cost and demand as discussed in the *Introduction and Executive Summary*.

### **Contractors & Consultants**

The decrease in Contractors & Consultants expenses is the net result of (1) decreased support costs for GridEx, which is held every other year (GridEx will not occur in 2024); (2) reduced Watch Officer contractor expenses to align with recent actuals; and (3) the estimated increase for the CRISP contract with PNNL.

### **Office Costs**

The decrease in Office Costs is due to the reduction of certain software licenses and support expenses.

### **Professional Services**

The decrease in Professional Services is a result of (1) a reduction in CRISP insurance requirements and (2) the partial reclassification of insurance costs from the CRISP budget to the NERC General and Administrative budget due to decreased CRISP participant responsibility for these insurance costs, as agreed up on by the CRISP participants and NERC.

### **Indirect Expenses**

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for the E-ISAC and CRISP is due to the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

### **Fixed Asset Additions**

The decrease for Fixed Asset Additions is due to (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to E-ISAC and CRISP and (2) a shift from capital software expenditures to contractors and consultants as part of a managed services provider model.

### **Net Financing Activity**

The change in Net Financing Activity is primarily due to the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to E-ISAC and CRISP.

**Section A – 2024 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2023 Budget &amp; Projection and 2024 Budget</b>					
<b>E-ISAC (including CRISP)</b>					
			Variance		Variance
	2023	2023	2023 Projection	2024	2024 Budget
	Budget	Projection	v 2023 Budget	Budget	v 2023 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 27,825,365	\$ 27,825,365	\$ -	\$ 29,777,135	\$ 1,951,771
Penalties Released	349,070	349,070	-	402,492	53,422
<b>Total NERC Funding</b>	<b>\$ 28,174,435</b>	<b>\$ 28,174,435</b>	<b>\$ -</b>	<b>\$ 30,179,628</b>	<b>\$ 2,005,193</b>
Third-Party Funding	\$ 9,569,170	\$ 9,262,969	\$ (306,201)	\$ 10,083,382	\$ 514,212
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	260,000	259,999	-	400,000	140,000
Interest & Investment Income	22,537	582,217	559,680	390,565	368,028
<b>Total Funding (A)</b>	<b>\$ 38,026,141</b>	<b>\$ 38,279,620</b>	<b>\$ 253,479</b>	<b>\$ 41,053,575</b>	<b>\$ 3,027,434</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 8,634,606	\$ 8,857,942	\$ 223,336	\$ 9,924,848	\$ 1,290,242
Payroll Taxes	503,699	473,762	(29,937)	544,491	40,792
Benefits	1,168,786	1,201,434	32,648	1,535,407	366,621
Retirement Costs	930,186	941,226	11,040	1,067,757	137,570
<b>Total Personnel Expenses</b>	<b>\$ 11,237,278</b>	<b>\$ 11,474,364</b>	<b>\$ 237,086</b>	<b>\$ 13,072,503</b>	<b>\$ 1,835,225</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 140,000	\$ 176,601	\$ 36,601	\$ 208,000	\$ 68,000
Travel	246,000	276,001	30,001	275,000	29,000
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 386,000</b>	<b>\$ 452,601</b>	<b>\$ 66,601</b>	<b>\$ 483,000</b>	<b>\$ 97,000</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 10,172,855	\$ 9,942,075	\$ (230,780)	\$ 10,066,237	\$ (106,618)
Office Rent	-	-	-	-	-
Office Costs	2,002,096	2,016,391	14,295	1,939,166	(62,930)
Professional Services	850,000	550,000	(300,000)	425,000	(425,000)
Miscellaneous	9,850	9,851	-	10,250	400
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 13,034,801</b>	<b>\$ 12,518,317</b>	<b>\$ (516,484)</b>	<b>\$ 12,440,653</b>	<b>\$ (594,148)</b>
<b>Total Direct Expenses</b>	<b>\$ 24,658,079</b>	<b>\$ 24,445,282</b>	<b>\$ (212,796)</b>	<b>\$ 25,996,156</b>	<b>\$ 1,338,077</b>
<b>Indirect Expenses</b>	<b>\$ 12,990,480</b>	<b>\$ 12,802,919</b>	<b>\$ (187,561)</b>	<b>\$ 14,590,026</b>	<b>\$ 1,599,545</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,791</b>	<b>\$ 8,791</b>
<b>Total Expenses (B)</b>	<b>\$ 37,648,559</b>	<b>\$ 37,248,201</b>	<b>\$ (400,358)</b>	<b>\$ 40,594,973</b>	<b>\$ 2,946,414</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 377,582</b>	<b>\$ 1,031,419</b>	<b>\$ 653,837</b>	<b>\$ 458,602</b>	<b>\$ 81,020</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 1,368,735</b>	<b>\$ 1,490,114</b>	<b>\$ 121,379</b>	<b>\$ 790,657</b>	<b>\$ (578,078)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (1,277,212)	\$ (1,090,269)	\$ 186,943	\$ (623,967)	\$ 653,245
Loan or Financing Lease - Principal Payments (+)	286,058	143,439	(142,619)	291,911	5,853
<b>Net Financing Activity (D)</b>	<b>\$ (991,153)</b>	<b>\$ (946,830)</b>	<b>\$ 44,323</b>	<b>\$ (332,056)</b>	<b>\$ 659,097</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 38,026,141</b>	<b>\$ 37,791,485</b>	<b>\$ (234,656)</b>	<b>\$ 41,053,575</b>	<b>\$ 3,027,434</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 488,135</b>	<b>\$ 488,135</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>45.87</b>	<b>44.34</b>	<b>(1.53)</b>	<b>48.46</b>	<b>2.59</b>

**Section A – 2024 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2023 Budget &amp; Projection and 2024 Budget</b>					
<b>E-ISAC Only</b>					
	<b>2023</b>	<b>2023</b>	<b>Variance</b>	<b>2024</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2023 Projection</b>	<b>Budget</b>	<b>2024 Budget</b>
			<b>v 2023 Budget</b>		<b>v 2023 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 25,531,428	\$ 25,531,428	\$ -	\$ 27,299,970	\$ 1,768,542
Penalties Released	305,436	305,436	-	346,276	40,840
<b>Total NERC Funding</b>	<b>\$ 25,836,864</b>	<b>\$ 25,836,864</b>	<b>\$ -</b>	<b>\$ 27,646,246</b>	<b>\$ 1,809,382</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	260,000	259,999	-	360,000	100,000
Interest & Investment Income	21,537	342,217	320,680	250,565	229,028
<b>Total Funding (A)</b>	<b>\$ 26,118,401</b>	<b>\$ 26,439,081</b>	<b>\$ 320,680</b>	<b>\$ 28,256,811</b>	<b>\$ 2,138,410</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 7,593,979	\$ 7,767,712	\$ 173,733	\$ 8,617,649	\$ 1,023,670
Payroll Taxes	442,675	422,466	(20,209)	468,991	26,316
Benefits	979,020	1,016,027	37,007	1,277,737	298,717
Retirement Costs	820,843	834,618	13,776	927,859	107,017
<b>Total Personnel Expenses</b>	<b>\$ 9,836,516</b>	<b>\$ 10,040,822</b>	<b>\$ 204,306</b>	<b>\$ 11,292,236</b>	<b>\$ 1,455,720</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 95,000	\$ 95,000	\$ -	\$ 100,000	\$ 5,000
Travel	210,000	210,000	-	237,000	27,000
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 305,000</b>	<b>\$ 305,000</b>	<b>\$ -</b>	<b>\$ 337,000</b>	<b>\$ 32,000</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 2,827,834	\$ 2,827,834	\$ -	\$ 2,391,237	\$ (436,597)
Office Rent	-	-	-	-	-
Office Costs	1,454,296	1,540,834	86,538	1,387,860	(66,436)
Professional Services	-	-	-	-	-
Miscellaneous	9,200	9,201	-	9,300	100
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 4,291,330</b>	<b>\$ 4,377,868</b>	<b>\$ 86,538</b>	<b>\$ 3,788,397</b>	<b>\$ (502,933)</b>
<b>Total Direct Expenses</b>	<b>\$ 14,432,846</b>	<b>\$ 14,723,691</b>	<b>\$ 290,845</b>	<b>\$ 15,417,633</b>	<b>\$ 984,787</b>
<b>Indirect Expenses</b>	<b>\$ 11,366,670</b>	<b>\$ 11,240,813</b>	<b>\$ (125,857)</b>	<b>\$ 12,552,234</b>	<b>\$ 1,185,563</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,791</b>	<b>\$ 8,791</b>
<b>Total Expenses (B)</b>	<b>\$ 25,799,517</b>	<b>\$ 25,964,504</b>	<b>\$ 164,987</b>	<b>\$ 27,978,658</b>	<b>\$ 2,179,141</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 318,884</b>	<b>\$ 474,577</b>	<b>\$ 155,693</b>	<b>\$ 278,153</b>	<b>\$ (40,731)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 1,186,143</b>	<b>\$ 1,295,882</b>	<b>\$ 109,739</b>	<b>\$ 564,389</b>	<b>\$ (621,754)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (1,117,560)	\$ (957,243)	\$ 160,317	\$ (540,965)	\$ 576,595
Loan or Financing Lease - Principal Payments (+)	250,301	125,938	(124,363)	254,729	4,428
<b>Net Financing Activity (D)</b>	<b>\$ (867,259)</b>	<b>\$ (831,305)</b>	<b>\$ 35,954</b>	<b>\$ (286,236)</b>	<b>\$ 581,023</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 26,118,401</b>	<b>\$ 26,429,081</b>	<b>\$ 310,680</b>	<b>\$ 28,256,811</b>	<b>\$ 2,138,410</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>40.14</b>	<b>38.93</b>	<b>(1.21)</b>	<b>41.69</b>	<b>1.55</b>

**Section A – 2024 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2023 Budget &amp; Projection and 2024 Budget</b>					
<b>CRISP Only</b>					
	<b>2023</b>	<b>2023</b>	<b>Variance</b>	<b>2024</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2023 Projection</b>	<b>Budget</b>	<b>2024 Budget</b>
			<b>v 2024 Budget</b>		<b>v 2023 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 2,293,937	\$ 2,293,937	\$ -	\$ 2,477,166	\$ 183,229
Penalties Released	43,634	43,634	-	56,216	12,582
<b>Total NERC Funding</b>	<b>\$ 2,337,571</b>	<b>\$ 2,337,571</b>	<b>\$ -</b>	<b>\$ 2,533,382</b>	<b>\$ 195,811</b>
Third-Party Funding	\$ 9,569,170	\$ 9,262,969	\$ (306,201)	\$ 10,083,382	\$ 514,212
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	40,000	40,000
Interest & Investment Income	1,000	240,000	239,000	140,000	139,000
<b>Total Funding (A)</b>	<b>\$ 11,907,740</b>	<b>\$ 11,840,539</b>	<b>\$ (67,201)</b>	<b>\$ 12,796,764</b>	<b>\$ 889,024</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,040,627	\$ 1,090,230	\$ 49,603	\$ 1,307,199	\$ 266,572
Payroll Taxes	61,024	51,296	(9,728)	75,500	14,476
Benefits	189,766	185,407	(4,359)	257,671	67,904
Retirement Costs	109,344	106,608	(2,735)	139,897	30,553
<b>Total Personnel Expenses</b>	<b>\$ 1,400,761</b>	<b>\$ 1,433,542</b>	<b>\$ 32,780</b>	<b>\$ 1,780,267</b>	<b>\$ 379,505</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 45,000	\$ 81,601	\$ 36,601	\$ 108,000	\$ 63,000
Travel	36,000	66,000	30,000	38,000	2,000
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 81,000</b>	<b>\$ 147,601</b>	<b>\$ 66,601</b>	<b>\$ 146,000</b>	<b>\$ 65,000</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 7,345,021	\$ 7,114,241	\$ (230,780)	\$ 7,675,000	\$ 329,979
Office Rent	-	-	-	-	-
Office Costs	547,800	475,557	(72,243)	551,306	3,506
Professional Services	850,000	550,000	(300,000)	425,000	(425,000)
Miscellaneous	650	651	-	950	300
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 8,743,471</b>	<b>\$ 8,140,449</b>	<b>\$ (603,022)</b>	<b>\$ 8,652,256</b>	<b>\$ (91,215)</b>
<b>Total Direct Expenses</b>	<b>\$ 10,225,232</b>	<b>\$ 9,721,591</b>	<b>\$ (503,641)</b>	<b>\$ 10,578,523</b>	<b>\$ 353,290</b>
<b>Indirect Expenses</b>	<b>\$ 1,623,810</b>	<b>\$ 1,562,106</b>	<b>\$ (61,704)</b>	<b>\$ 2,037,792</b>	<b>\$ 413,982</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 11,849,042</b>	<b>\$ 11,283,697</b>	<b>\$ (565,345)</b>	<b>\$ 12,616,315</b>	<b>\$ 767,273</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 58,698</b>	<b>\$ 556,842</b>	<b>\$ 498,144</b>	<b>\$ 180,449</b>	<b>\$ 121,751</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 182,592</b>	<b>\$ 194,232</b>	<b>\$ 11,640</b>	<b>\$ 226,268</b>	<b>\$ 43,676</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (159,651)	\$ (133,026)	\$ 26,625	\$ (83,002)	\$ 76,650
Loan or Financing Lease - Principal Payments (+)	35,757	17,501	(18,256)	37,182	1,425
<b>Net Financing Activity (D)</b>	<b>\$ (123,894)</b>	<b>\$ (115,525)</b>	<b>\$ 8,369</b>	<b>\$ (45,820)</b>	<b>\$ 78,075</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 11,907,740</b>	<b>\$ 11,362,404</b>	<b>\$ (545,336)</b>	<b>\$ 12,796,764</b>	<b>\$ 889,024</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ 478,135</b>	<b>\$ 478,135</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>5.73</b>	<b>5.41</b>	<b>(0.32)</b>	<b>6.77</b>	<b>1.03</b>

## Personnel Certification and Credential Maintenance

Personnel Certification and Credential Maintenance (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	2.82	2.87	0.05
Direct Expenses	\$ 1,108,890	\$ 1,553,151	\$ 444,261
Indirect Expenses	798,595	863,231	64,636
Other Non-Operating Expenses	-	1,704	1,704
Fixed Asset Additions	115,209	36,544	(78,665)
Financing Activity	(60,932)	(14,430)	46,502
Total Budget	\$ 1,961,763	\$ 2,440,201	\$ 478,438

### Purpose and Scope

The Personnel Certification and Credential Maintenance group oversees the System Operator Certification and Credential Maintenance programs that promote reliability of the North American bulk power system (BPS) by ensuring that system operators maintain their required credentials to work in system control centers across North America. NERC’s system operator certification exam tests specific knowledge of job skills and Reliability Standards and also prepares operators to handle the BPS during normal and emergency operations. Certification is maintained by completing NERC-approved Credential Maintenance Program courses and activities.

The Personnel Certification Governance Committee (PCGC) is a NERC standing committee that provides oversight to implement and maintain the integrity and independence of the NERC System Operator Certification Program. The Credential Maintenance Working Group reports to the PCGC and is responsible for developing and maintaining the Credential Maintenance Program under the general guidelines set by the PCGC. The PCGC’s Exam Working Group, which consists of subject matter experts from all regions of North America, is responsible for doing an extensive job analysis survey of certified operators across the industry, which provides the basis for the exams. NERC contracts with psychometric consultants who assist a working group of certified system operators in the development and maintenance of each exam.

The System Operator Certification and Credential Maintenance programs are completely self-funded through exam and continuing education provider fees, and the PCGC oversees the programs’ budgets. More information on the [System Operator Certification and Credential Maintenance Program](#) is available on the NERC website.

### 2024 Areas of Focus

Key areas of focus for Personnel Certification and Credential Maintenance include:

- Seeking industry input on improvement opportunities for the Personnel Certification and Credential Maintenance Program and develop and implement any changes
- Moving to a new exam development and scheduling vendor
- Upgrading the System Operator Certification Continuing Education Database (SOCCED) base platform

### **2024 Resource Requirements**

There is no change in full-time equivalents (FTEs) from the 2023 budget to the 2024 budget. The Contractors & Consultants budget includes support for exam testing and development, credential maintenance audit and review services, and technology-related support (see below).

### **2024 Technology Requirements**

The Office Costs budget includes software licenses and support for SOCCED. The Contractors & Consultants budget includes funds for SOCCED support and maintenance and work to update the SOCCED platform.

## **Explanation of Significant Cost Changes from 2023 to 2024**

### **Personnel**

The increase for Personnel is related to the salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

### **Contractors & Consultants**

The increase in Contractors & Consultants expenses is primarily due to the effort to upgrade the SOCCED base platform.

### **Indirect Expenses**

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Personnel Certification and Credential Maintenance is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

### **Fixed Asset Additions**

The decrease for Fixed Asset Additions is due to (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Personnel Certification and Credential Maintenance and (2) a reclassification of SOCCED capital software costs to contractors and consultants, which is offset by decreased general contractor support for the System Operator Certification and Credential Maintenance program.

### **Net Financing Activity**

The change in Net Financing Activity is primarily due to the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Personnel Certification and Credential Maintenance.



**Section A – 2024 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2023 Budget &amp; Projection and 2024 Budget</b>					
<b>Personnel Certification and Credential Maintenance</b>					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	Budget	2024 Budget v 2023 Budget Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Third-Party Funding</b>					
Testing, Renewal, & Continuing Ed Fees	1,781,775	1,931,798	150,023	1,796,086	14,311
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	500	60,000	59,500	40,000	39,500
<b>Total Funding (A)</b>	<b>\$ 1,782,275</b>	<b>\$ 1,991,798</b>	<b>\$ 209,523</b>	<b>\$ 1,836,086</b>	<b>\$ 53,811</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 340,141	\$ 344,206	\$ 4,065	\$ 379,729	\$ 39,589
Payroll Taxes	24,946	24,291	(655)	26,046	1,100
Benefits	43,337	41,178	(2,159)	49,873	6,536
Retirement Costs	38,117	38,314	197	41,985	3,868
<b>Total Personnel Expenses</b>	<b>\$ 446,540</b>	<b>\$ 447,988</b>	<b>\$ 1,448</b>	<b>\$ 497,633</b>	<b>\$ 51,093</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 68,000	\$ 63,000	\$ (5,000)	\$ 72,000	\$ 4,000
Travel	18,000	28,600	10,600	23,500	5,500
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 86,000</b>	<b>\$ 91,599</b>	<b>\$ 5,599</b>	<b>\$ 95,500</b>	<b>\$ 9,500</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 407,750	\$ 572,281	\$ 164,531	\$ 782,260	\$ 374,510
Office Rent	-	-	-	-	-
Office Costs	168,300	181,795	13,495	177,458	9,158
Professional Services	-	-	-	-	-
Miscellaneous	300	300	-	300	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 576,350</b>	<b>\$ 754,375</b>	<b>\$ 178,025</b>	<b>\$ 960,018</b>	<b>\$ 383,668</b>
<b>Total Direct Expenses</b>	<b>\$ 1,108,890</b>	<b>\$ 1,293,963</b>	<b>\$ 185,072</b>	<b>\$ 1,553,151</b>	<b>\$ 444,261</b>
<b>Indirect Expenses</b>	<b>\$ 798,595</b>	<b>\$ 840,246</b>	<b>\$ 41,651</b>	<b>\$ 863,231</b>	<b>\$ 64,636</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,704</b>	<b>\$ 1,704</b>
<b>Total Expenses (B)</b>	<b>\$ 1,907,485</b>	<b>\$ 2,134,209</b>	<b>\$ 226,723</b>	<b>\$ 2,418,086</b>	<b>\$ 510,601</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ (125,210)</b>	<b>\$ (142,411)</b>	<b>\$ (17,200)</b>	<b>\$ (582,000)</b>	<b>\$ (456,790)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 115,209</b>	<b>\$ 127,581</b>	<b>\$ 12,372</b>	<b>\$ 36,544</b>	<b>\$ (78,665)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (78,517)	\$ (71,553)	\$ 6,964	\$ (35,160)	\$ 43,357
Loan or Financing Lease - Principal Payments (+)	17,586	9,414	(8,172)	20,731	3,145
<b>Net Financing Activity (D)</b>	<b>\$ (60,932)</b>	<b>\$ (62,139)</b>	<b>\$ (1,207)</b>	<b>\$ (14,430)</b>	<b>\$ 46,502</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 1,961,763</b>	<b>\$ 2,199,650</b>	<b>\$ 237,887</b>	<b>\$ 2,440,201</b>	<b>\$ 478,438</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (179,488)</b>	<b>\$ (207,852)</b>	<b>\$ (28,364)</b>	<b>\$ (604,115)</b>	<b>\$ (424,627)</b>
<b>FTEs</b>	<b>2.82</b>	<b>2.91</b>	<b>0.09</b>	<b>2.87</b>	<b>0.05</b>

## Training and Education

Training and Education (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	1.88	1.88	-
Direct Expenses	\$ 587,898	\$ 589,959	\$ 2,061
Indirect Expenses	532,397	566,053	33,657
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	43,473	23,963	(19,509)
Financing Activity	(40,621)	(12,728)	27,893
Total Budget	\$ 1,123,146	\$ 1,167,248	\$ 44,102

### Purpose and Scope

Section 901 of the NERC Rules of Procedure acknowledges the need to acquire and sustain informed, knowledgeable, and skilled personnel in order to assure the reliable operation of the North American bulk power system (BPS). The Training and Education group facilitates the learning and development of NERC and ERO Enterprise staff as well as BPS industry participants.<sup>17</sup> The program oversees and coordinates learning activities and resources that support the acquisition and increase of knowledge and skills among stakeholders. Learners are typically engaged through learning events and products and resources, such as custom-made and off-the-shelf interactive self-paced e-learning modules, video-based learning, and in-person and live-webinar instructor-led training.

### 2024 Areas of Focus

Key areas of focus for Training and Education include support related to:

- Leadership development, new hire orientation, and confidential information training
- Events, including annual ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP) Staff Workshop and preparation for GridEx
- Training materials for the Align CMEP tool

### 2024 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2023 budget to the 2024 budget. The Contractors & Consultants budget includes support for various training initiatives, including those that specifically support learning for and growth of the ERO Enterprise.

### 2024 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for the learning management system content and platform.

<sup>17</sup> NERC's Human Resources budget includes funding for general NERC employee training and development.

## **Explanation of Significant Cost Changes from 2023 to 2024**

### **Personnel**

The increase for Personnel is related to the salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

### **Indirect Expenses**

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Training and Education is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

### **Fixed Asset Additions**

The decrease for Fixed Asset Additions is due to the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Training and Education.

### **Net Financing Activity**

The change in Net Financing Activity is primarily due to the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Training and Education.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Training and Education					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2024 Budget
			v 2023 Budget		v 2023 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ 1,107,831	\$ 1,107,831	\$ -	\$ 1,140,333	\$ 32,502
Penalties Released	14,306	14,306	-	15,616	1,309
<b>Total NERC Funding</b>	<b>\$ 1,122,138</b>	<b>\$ 1,122,137</b>	<b>\$ -</b>	<b>\$ 1,155,949</b>	<b>\$ 33,811</b>
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	1,009	17,054	16,045	11,299	10,291
<b>Total Funding (A)</b>	<b>\$ 1,123,146</b>	<b>\$ 1,139,191</b>	<b>\$ 16,045</b>	<b>\$ 1,167,248</b>	<b>\$ 44,102</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 249,925	\$ 254,376	\$ 4,451	\$ 260,530	\$ 10,606
Payroll Taxes	20,183	24,238	4,055	19,285	(898)
Benefits	48,836	45,427	(3,409)	53,089	4,253
Retirement Costs	31,154	31,468	314	29,254	(1,900)
<b>Total Personnel Expenses</b>	<b>\$ 350,098</b>	<b>\$ 355,510</b>	<b>\$ 5,412</b>	<b>\$ 362,159</b>	<b>\$ 12,061</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 2,000	\$ 2,000	\$ -	\$ 2,000	\$ -
Travel	3,500	3,500	-	3,500	-
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 5,500</b>	<b>\$ 5,499</b>	<b>\$ -</b>	<b>\$ 5,500</b>	<b>\$ -</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 90,000	\$ 90,000	\$ -	\$ 90,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	141,600	141,951	350	131,600	(10,000)
Professional Services	-	-	-	-	-
Miscellaneous	700	699	(1)	700	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 232,300</b>	<b>\$ 232,650</b>	<b>\$ 350</b>	<b>\$ 222,300</b>	<b>\$ (10,000)</b>
<b>Total Direct Expenses</b>	<b>\$ 587,898</b>	<b>\$ 593,659</b>	<b>\$ 5,762</b>	<b>\$ 589,959</b>	<b>\$ 2,061</b>
<b>Indirect Expenses</b>	<b>\$ 532,397</b>	<b>\$ 560,164</b>	<b>\$ 27,767</b>	<b>\$ 566,053</b>	<b>\$ 33,657</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 1,120,295</b>	<b>\$ 1,153,823</b>	<b>\$ 33,529</b>	<b>\$ 1,156,013</b>	<b>\$ 35,718</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 2,852</b>	<b>\$ (14,632)</b>	<b>\$ (17,484)</b>	<b>\$ 11,236</b>	<b>\$ 8,384</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 43,473</b>	<b>\$ 51,721</b>	<b>\$ 8,248</b>	<b>\$ 23,963</b>	<b>\$ (19,509)</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ (52,345)	\$ (47,702)	\$ 4,643	\$ (23,056)	\$ 29,289
Loan or Financing Lease - Principal Payments (+)	11,724	6,276	(5,448)	10,328	(1,395)
<b>Net Financing Activity (D)</b>	<b>\$ (40,621)</b>	<b>\$ (41,426)</b>	<b>\$ (805)</b>	<b>\$ (12,728)</b>	<b>\$ 27,893</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 1,123,146</b>	<b>\$ 1,164,118</b>	<b>\$ 40,972</b>	<b>\$ 1,167,248</b>	<b>\$ 44,102</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ -</b>	<b>\$ (24,927)</b>	<b>\$ (24,927)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>1.88</b>	<b>1.94</b>	<b>0.06</b>	<b>1.88</b>	<b>0.00</b>

## Corporate Services

Corporate Services (in whole dollars)						
	Direct Expenses, Fixed Assets, & Net Financing Activity			FTEs		
	2023 Budget	2024 Budget	Increase (Decrease)	2023 Budget	2024 Budget	Increase (Decrease)
General & Administrative <sup>1</sup>	\$ 9,020,093	\$ 14,028,088	\$ 5,007,995	19.74	20.84	1.10
Legal & Regulatory	5,552,134	6,075,391	523,257	16.92	15.98	(0.94)
Business Technology	20,442,840	21,180,319	737,479	31.21	35.20	3.99
Human Resources & Administration	4,334,818	4,370,564	35,746	12.22	10.34	(1.88)
Finance & Accounting	2,881,218	3,285,324	404,106	8.46	9.40	0.94
<b>Total Corporate Services</b>	<b>\$ 42,231,103</b>	<b>\$ 48,939,686</b>	<b>\$ 6,708,583</b>	<b>88.55</b>	<b>91.76</b>	<b>3.21</b>

<sup>1</sup> In the 2023 budget, loan financing activity for capital software projects was budgeted in G&A and allocated to the statutory program departments using the FTE ratio allocation method. In 2024, loan financing activity for capital software is budgeted directly in the respective statutory program and corporate services departments based on a weighted percentage of capital software project costs. Since the 2023 G&A budget included \$4.0M in loan proceeds, which decreases the total G&A budget, this shift is the primary reason for the \$5.0M increase to the G&A budget in 2024.

### Scope and Functional Description

NERC’s Corporate Services area (formerly called Administrative Programs) includes the budget for all business and administrative functions of the organization, including (1) General & Administrative; (2) Legal & Regulatory; (3) Business Technology; (4) Human Resources (HR) & Administration; (5) Finance & Accounting; and (6) other general expenses necessary to support statutory program activities.

The Corporate Services department budgets include the same cost categories as the statutory program departments, including personnel, contractors and consultants, meetings and travel, office costs, professional services, fixed asset additions (fixed assets), and financing activity. These costs support NERC on the organizational level. If it is identified that a Corporate Services function provides dedicated support or manages investments that materially and quantifiably benefit a certain statutory program department, those associated costs are budgeted in the applicable statutory program department budget.

Since the activities of the Corporate Services departments support the entire organization, the budgets of the Corporate Services departments are allocated to the statutory program departments using the full time equivalent (FTE) ratio allocation method. The FTE ratio allocation method uses a percentage calculation of the number of FTEs in each statutory program department divided into the total statutory program department FTEs. This calculated percentage is used for the following allocations from the Corporate Services departments to the statutory program departments:

- Interest and Investment Income. The Cybersecurity Risk Information Sharing Program (CRISP) and the System Operator Certification program are excluded from the investment income allocation since these programs earn investment income from funds directly generated by their program.
- Miscellaneous Funding
- Direct and Non-Operating Expenses
- Fixed Assets
- Financing Activity

### General & Administrative

The General & Administrative (G&A) area is responsible for the administration and general management of the organization. Expenses in this area include office rent as well as personnel and related costs for (1) the Chief Executive Officer (CEO) and support staff and the Chief Administrative Officer (CAO); (2) the External Affairs department; and (3) Board of Trustees (Board) costs.

### External Affairs

The External Affairs department includes staff who are focused on five areas: (1) addressing policy matters that arise in legislative and regulatory arenas and managing outreach at the state, federal, and provincial levels; (2) serving as the liaison with government entities and industry stakeholders in the United States, Mexico and Canada; (3) managing all external and internal communications that support NERC initiatives, including media coordination, development of messaging and announcements, the public NERC website, social media, and other outreach, as well as facilitating consistent messaging internally and across the ERO Enterprise; (4) editing and design of all NERC publications including assessments, white papers, and guidelines; and (5) support for the Member Representatives Committee and the ERO Enterprise Executive Leadership Team.

### Board Costs

The following table details the Board costs included in the total G&A expenses.

Board of Trustee Expenses	2023 Budget	2024 Budget	Increase (Decrease)		
<b>Meeting and Travel Expenses</b>					
Quarterly Board Meetings	\$ 240,000	\$ 240,000	\$ -		0.0%
Trustee Travel	200,000	200,000	-		0.0%
<b>Total</b>	<b>\$ 440,000</b>	<b>\$ 440,000</b>	<b>\$ -</b>		<b>0.0%</b>
<b>Professional Services</b>					
Independent Trustee Fees	\$ 1,568,496	\$ 1,612,500	\$ 44,004		2.8%
Trustee Search Fees	-	100,000	100,000		
<b>Total</b>	<b>\$ 1,568,496</b>	<b>\$ 1,712,500</b>	<b>\$ 144,004</b>		<b>9.2%</b>
<b>Total</b>	<b>\$ 2,008,496</b>	<b>\$ 2,152,500</b>	<b>\$ 144,004</b>		<b>7.2%</b>

The increase for Independent Trustee Fees is due the approved increase of \$4,000 per trustee, which is based on the independent study on trustee compensation completed at the end of 2021. The increase for Trustee Search Fees is to conduct a search to fill one anticipated trustee vacancy.

### Legal & Regulatory

The Legal & Regulatory department supports the NERC statutory program and corporate services departments and is responsible for providing a wide range of governance and legal support regarding corporate, commercial, insurance, contract, employment, antitrust, real estate, copyright, tax, legislation, and other legal matters. The department also addresses legal and regulatory matters that arise in connection with NERC's role as the ERO and the delegation agreements with the Regional Entities. Additionally, the Legal & Regulatory department includes the Internal Audit and Corporate Risk Management functions, explained further below.

### Internal Audit

The Internal Audit group performs independent, objective activities (i.e., audits and assessments) designed to add value and improve NERC and Regional Entity operations. The activities ensure that (1) risks are appropriately identified, managed, and monitored across NERC and the ERO Enterprise; (2) internal control systems are adequately promoted and are effectively functioning; and (3) significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board are reported. Internal Audit specifically engages with NERC's Compliance and Certification Committee to collaborate on monitoring of the ERO Enterprise as contemplated by Sections 406, 506, and Appendix 4A of the NERC Rules of Procedure.

### **Corporate Risk Management**

The Corporate Risk Management (CRM) area focuses on ERO Enterprise corporate financial, operational, legal, regulatory, and compliance risks. In coordination with Internal Audit, CRM also conducts dynamic enterprise risk management, which is based on the Committee of Sponsoring Organization of the Treadway Commission framework. CRM also works with the Regional Entities to enhance the ERO Enterprise-wide corporate risk identification and risk mitigation efforts, resulting in more streamlined and coordinated reports and harmonized assessment of ERO Enterprise risks and processes.

### **Business Technology**

NERC's Business (Information) Technology department provides the technology and management needed for the organization to maintain daily operations and meet ERO statutory obligations, including applications and infrastructure leveraged by the ERO Enterprise and registered entities. The Business Technology department includes a Project Management Office (PMO) that provides project management skills and leadership for major ERO Enterprise and NERC business technology projects. NERC's Business Technology department focuses on five key areas: cyber security, NERC infrastructure support, the Electricity Information Sharing and Analysis Center (E-ISAC), ERO Enterprise application and infrastructure support, and ERO Enterprise new functionality.<sup>18</sup> Business Technology manages NERC's overall technology strategy, which is discussed in more detail in the *Introduction and Executive Summary*.

### **HR & Administration**

The HR & Administration department performs activities related to payroll, benefits and retirement plan administration, employee relations, performance and compensation management, succession planning, leadership and employee development, facilities management, and meeting planning and coordination. The HR function manages NERC's overall people strategy, which is designed to create an employee experience that meets the expectations of an evolving workforce and attracts, retains, and engages top talent by supporting a more sustainable, diverse, post-pandemic organization. This strategy is intended to ensure NERC has the talent to meet its goals as outlined in its four strategic areas of focus. A critical component to NERC's people strategy is workforce planning, which is discussed in more detail in the *Introduction and Executive Summary*.

### **Finance & Accounting**

NERC's Finance & Accounting department manages all finance and accounting functions, including accounts payable and receivable, assessment and CRISP billing, travel and expense reporting, budget management, financial reporting, corporate insurance program management, coordination of the annual external financial statement audit and Form 990, and property, sales, and use tax returns. This area also holds primary responsibility for the development of the annual business plan and budget and associated stakeholder outreach efforts. NERC Finance & Accounting manages systems, policies, procedures, and controls governing day-to-day practices, including procurement, expense reimbursement, and back office systems and procedures.

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<sup>18</sup> The E-ISAC is a specific area of focus for the Business Technology department given the amount of human and technology resources need to support the E-ISAC's critical mission to provide quality analysis and rapid sharing of security information on how to mitigate complex, constantly evolving threats to the grid. However, as discussed in the Corporate Services Scope and Functional Description section above, to the extent that any costs are primarily incurred to support the E-ISAC, those costs are directly assigned to the E-ISAC's budget.

## 2024 Areas of Focus

Key areas of focus for Corporate Services include:

- Continuing to enhance state outreach and engagement, including further developed outreach for ERO Enterprise assessments and reports, and expanding collaboration efforts with the National Association of Regulatory Utility Commissioners and government partners
- Elevating communication efforts across the ERO Enterprise to better educate, inform, and engage current stakeholders as well as working with subject matter experts to identify and attract new stakeholder groups
- Maturing internal assurance programs, including internal audit, risk management, and contingency planning
- Implementing and supporting adaptable and sustainable technology and enhancing cyber security to focus on prevention, detection, and mitigation
- Increasing automation and controls across the HR and Finance & Accounting areas

## 2024 Resource Requirements

The increase of 3.21 FTEs is the net result of (1) the addition of two positions related to the Security and Sustainability areas for cloud computing and system administration; (2) the addition of one position related to Sustainability for support for the publications team; (3) the addition of one position to support strategic communication initiatives in response to the Interregional Transfer Capability Study (ITCS), as discussed in the *Introduction and Executive Summary*; (4) the reallocation of staff from and to the Corporate Services area to better align with functional responsibilities; and (5) the elimination of one position being filled with a contractor.

The Contractors & Consultants budget includes various support and consulting needs across the Corporate Services departments, with the largest investments in Business Technology and HR & Administration. This includes support for Business Technology related to applications and infrastructure, cyber security, and the PMO, as well as HR functional services, such as executive coaching, leadership training, and administrative support. Additional contractor and consultant expenses in the Corporate Services area include public affairs consulting to support the ITCS, audit support for the Internal Audit function, and conversion activities related to the implementation of a new Finance & Accounting system.

## 2024 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for the Corporate Services departments, especially in Business Technology for the software required to support cyber security and overall daily operations. The Fixed Assets Additions budget includes funding for capital software projects in the Business Technology department that benefit company operations, including upgrades to the Customer Relationship Management platform and NERC website, as well as equipment replacements and upgrades to support operational sustainability. The Fixed Assets budget also includes funds for continued implementation of or enhancements to new Finance & Accounting and HR systems.

## Explanation of Significant Cost Changes from 2023 to 2024

### Personnel

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.



### **Contractors & Consultants**

The increase for Contractors & Consultants is primarily due to (1) additional support needs related to the investments discussed in the Technology Requirements above and (2) the reclassification of technology costs from the Fixed Asset Additions budget for capital software to Contractors & Consultants, which is offset by a decrease in Fixed Asset Additions.

### **Office Costs**

The increase in Office Costs is primarily related to the annual escalation for existing software agreements budgeted in the Business Technology department that support cyber security and daily operations. There is also an increase in software license costs in the HR & Administration and Finance & Accounting budgets due to the implementation of new HR and Finance & Accounting systems.

### **Professional Services**

The increase in Professional Services is due to a combination of (1) the partial reclassification of insurance costs from the CRISP budget to G&A due to decreased CRISP participant responsibility for these insurance costs, as agreed upon by the CRISP participants and NERC; (2) the trustee search fees discussed in Board costs above; and (3) an increase in legal expenses for real estate matters as NERC explores options for its Atlanta office location in anticipation of the current office lease expiration in 2025.

### **Fixed Asset Additions**

There is a significant decrease in fixed asset expenditures from the 2023 budget to the 2024 budget due to a reclassification of technology support from the Fixed Asset Additions budget for capital software to Contractors & Consultants, which is offset by an increase in the Contractors & Consultants budget.

### **Net Financing Activity**

Total NERC net financing activity (the net of loan and lease financing proceeds and payments) for 2024 is close to the net financing budget for 2023. However, in the 2023 budget, loan financing activity for capital software projects was budgeted in G&A and allocated to the statutory program departments using the FTE ratio allocation method. In 2024, loan financing activity for capital software is budgeted directly in the respective statutory program and corporate services departments based on a weighted percentage of capital software project costs. As such, a portion of loan financing activity has shifted out of the Corporate Services area to the statutory programs from the 2023 to 2024 budget. See the capital financing assumptions discussed in the *Introduction and Executive Summary* for additional information.

**Section A – 2024 Business Plan and Budget Program Area and Department Detail**

<b>Statement of Activities and Fixed Asset Additions</b>					
<b>2023 Budget &amp; Projection and 2024 Budget</b>					
<b>Corporate Services</b>					
			Variance		Variance
	2023	2023	2023 Projection	2024	2024 Budget
	Budget	Projection	v 2023 Budget	Budget	v 2023 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>NERC Funding</b>					
NERC Assessments	\$ (1,000,000)	\$ (1,000,000)	\$ -	\$ (1,300,000)	\$ (300,000)
Penalties Released	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ (1,000,000)</b>	<b>\$ (1,000,000)</b>	<b>\$ -</b>	<b>\$ (1,300,000)</b>	<b>\$ (300,000)</b>
<b>Third-Party Funding</b>					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	-	0	0	-	-
<b>Total Funding (A)</b>	<b>\$ (1,000,000)</b>	<b>\$ (1,000,000)</b>	<b>\$ -</b>	<b>\$ (1,300,000)</b>	<b>\$ (300,000)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 17,970,873	\$ 18,466,074	\$ 495,201	\$ 19,970,647	\$ 1,999,774
Payroll Taxes	935,516	899,548	(35,968)	995,979	60,463
Benefits	2,623,091	2,290,365	(332,726)	2,872,210	249,119
Retirement Costs	1,744,448	1,774,462	30,014	1,944,786	200,338
<b>Total Personnel Expenses</b>	<b>\$ 23,273,928</b>	<b>\$ 23,430,449</b>	<b>\$ 156,521</b>	<b>\$ 25,783,622</b>	<b>\$ 2,509,694</b>
<b>Meetings &amp; Travel Expenses</b>					
Meetings & Conference Calls	\$ 593,400	\$ 593,401	\$ -	\$ 519,400	\$ (74,000)
Travel	761,000	841,000	80,000	822,200	61,200
<b>Total Meetings &amp; Travel Expenses</b>	<b>\$ 1,354,400</b>	<b>\$ 1,434,400</b>	<b>\$ 80,000</b>	<b>\$ 1,341,600</b>	<b>\$ (12,800)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Contractors & Consultants	\$ 4,945,510	\$ 4,608,732	\$ (336,778)	\$ 6,667,096	\$ 1,721,586
Office Rent	3,022,266	3,022,266	-	3,089,858	67,592
Office Costs	6,580,619	6,494,978	(85,641)	7,551,361	970,742
Professional Services	2,425,596	2,427,225	1,629	3,092,866	667,270
Miscellaneous	182,783	184,484	1,701	123,350	(59,433)
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 17,156,774</b>	<b>\$ 16,737,685</b>	<b>\$ (419,089)</b>	<b>\$ 20,524,531</b>	<b>\$ 3,367,757</b>
<b>Total Direct Expenses</b>	<b>\$ 41,785,102</b>	<b>\$ 41,602,534</b>	<b>\$ (182,568)</b>	<b>\$ 47,649,753</b>	<b>\$ 5,864,651</b>
<b>Indirect Expenses</b>	<b>\$ (42,006,102)</b>	<b>\$ (41,818,825)</b>	<b>\$ 187,277</b>	<b>\$ (47,987,175)</b>	<b>\$ (5,981,073)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 221,000</b>	<b>\$ 216,291</b>	<b>\$ (4,709)</b>	<b>\$ 337,422</b>	<b>\$ 116,422</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ (1,000,000)</b>	<b>\$ (1,000,000)</b>	<b>\$ -</b>	<b>\$ (1,300,000)</b>	<b>\$ (300,000)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Financing Activity</b>					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	-	-	-	-	-
<b>Net Financing Activity (D)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (1,000,000)</b>	<b>\$ (1,000,000)</b>	<b>\$ -</b>	<b>\$ (1,300,000)</b>	<b>\$ (300,000)</b>
<b>FTEs</b>	<b>88.55</b>	<b>85.91</b>	<b>(2.64)</b>	<b>91.76</b>	<b>3.21</b>

## Section B – Supplemental Financial Information

### Breakdown by Statement of Activity Sections

The following detailed schedules support the consolidated Statement of Activities.

#### Table B-1 – Total Reserves Analysis

Total Reserves Analysis								
Statutory								
	Total Reserves	Future Obligation Reserve <sup>1</sup>	Operating Contingency Reserve <sup>2</sup>	System Operator Certification Reserve	CRISP Equipment Reserve <sup>3</sup>	CRISP Operating Reserve <sup>3</sup>	CRISP Defense Fund Reserve <sup>4</sup>	Assessment Stabilization Reserve
<b>Beginning Reserves - 1/1/2023</b>	<b>\$ 20,856,504</b>	<b>\$ 2,293,856</b>	<b>\$ 10,880,743</b>	<b>\$ 964,284</b>	<b>\$ -</b>	<b>\$ 2,961,621</b>	<b>\$ 500,000</b>	<b>\$ 3,256,000</b>
<b>Generation(use) of reserves from 2023 projections</b>								
Projected 2023 operating results, including debt service and financing	\$ 3,095,391	\$ -	\$ 2,329,465	\$ (106,202)	\$ -	\$ 872,127	-	\$ -
Budgeted addition(use) of reserves	(1,895,647)	283,841	(1,000,000)	(179,488)	-	-	-	(1,000,000)
Other addition(use) of reserves	(369,470)	330,530	-	-	450,000	(450,000)	-	(700,000)
<b>Projected Reserves - 12/31/2023</b>	<b>\$ 21,686,778</b>	<b>\$ 2,908,227</b>	<b>\$ 12,210,208</b>	<b>\$ 678,594</b>	<b>\$ 450,000</b>	<b>\$ 3,383,748</b>	<b>\$ 500,000</b>	<b>\$ 1,556,000</b>
<b>Projected Reserves - 12/31/2024</b>	<b>\$ 18,700,716</b>	<b>\$ 3,126,280</b>	<b>\$ 10,910,208</b>	<b>\$ 74,479</b>	<b>\$ 450,000</b>	<b>\$ 3,383,748</b>	<b>\$ 500,000</b>	<b>\$ 256,000</b>
Addition(use) of reserves	(1,686,062)	218,053	(1,300,000)	(604,115)	-	-	-	-
Less: Assessment Stabilization Reserve Release - Penalties	(1,300,000)	-	-	-	-	-	-	(1,300,000)
<b>Total Adjustments to Reserves</b>	<b>\$ (2,986,062)</b>	<b>\$ 218,053</b>	<b>\$ (1,300,000)</b>	<b>\$ (604,115)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,300,000)</b>
<b>Assessment Reconciliation</b>								
2024 Expenses, Capital Expenditures, & Net Financing	\$ 113,620,945							
Less: Assessment Stabilization Reserve Release - Penalties	(1,300,000)							
Addition(use) of reserves	(1,904,115)							
Less: Other Funding Sources	(13,419,468)							
<b>2024 NERC Assessment</b>	<b>\$ 96,997,362</b>							

<sup>1</sup>As explained in the discussion of reserves in the *Introduction and Executive Summary*, the Future Obligations Reserve offsets future, non-current liabilities.

<sup>2</sup>Except as otherwise approved by the Board, after review by the FAC, the amount of the Operating Contingency Reserve shall be between three and one half (3.5%) percent and seven (7%) percent of the company's total expense, fixed asset, and net financing budget minus the sum of the System Operator Certification and CRISP budgets, each of which have separate reserves.

<sup>3</sup>In 2022, FERC approved NERC's request to annually redirect underruns of the prior year's CRISP budget to the CRISP Operating Reserve. *North American Electric Reliability Corp., 180 FERC ¶ 61,013 (Letter Order July 8, 2022)*. In 2023, the CRISP participants agreed to transfer \$450k from the CRISP Operating Reserve to fund a CRISP Equipment Reserve.

<sup>4</sup>The CRISP Defense Fund Reserve is intended to fund any expenses related to investigation and defense in connection with a claim pertaining to the CRISP agreement between NERC and participating utilities.

See the 2024 Reserves discussion in the *Introduction and Executive Summary* for further details on the reserve categories and factors impacting reserve balances in 2024.

## Table B-2 – Penalties

### Penalty Sanctions and Allocation Method

NERC Rules of Procedure (ROP) Section 1107.2 specifies that penalty monies received by NERC during the 12 months ended June 30 are to be used in the subsequent budget year to offset assessments. In 2015, the Board of Trustees (Board) approved an updated *Working Capital and Operating Reserves Policy* that was approved by the Federal Energy Regulatory Commission (FERC). This updated policy allows NERC, with Board and FERC approval pursuant to ROP Section 1107.4, to place penalty funds into an Assessment Stabilization Reserve (ASR) for use in future years to offset assessments. Penalty sanctions released from the ASR are allocated to the following statutory programs to reduce assessments: (1) Reliability Standards and Power Risk Issues Strategic Management, (2) Compliance Assurance and Organization Registration and Certification, (3) Compliance Enforcement, (4) Reliability Assessment and Performance Analysis (RAPA), (5) Situation Awareness, (6) Event Analysis, (7) the Electricity Information Sharing and Analysis Center (E-ISAC), including the Cybersecurity Risk Information Sharing Program (CRISP), and (8) Training and Education. Penalty sanctions are allocated based on the number of full-time equivalents (FTEs) in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Penalty Sanctions	Date Received	Amount Received
<b>Penalties received between 7/1/2022 and 6/30/2023</b>		
	October 2022	\$ 735,000
		<u>\$ 735,000</u>
Penalties received prior to 6/30/2022, held in ASR		\$ 2,521,000
Budgeted release of ASR in 2023		(1,000,000)
Additional projected release of ASR in 2023		<u>(700,000)</u>
<b>Total penalties available on 1/1/2024 to offset assessments</b>		<u>\$ 1,556,000</u>
<b>Adjustments</b>		
Total penalties released to offset assessments in the 2024 Budget		\$ (1,300,000)
<b>Total penalties held in ASR 12/31/2024</b>		<u>\$ 256,000</u>

During the period July 1, 2022, to June 30, 2023, NERC has collected and is proposing to deposit \$735k of penalty funds into the ASR. NERC is recommending the release of \$1.3M from the ASR to offset 2024 assessments. The balance held in the ASR will be used for assessment offsets to stabilize and reduce assessments in future years.

**Table B-3 – Outside Funding**

Outside Funding Breakdown By Program (Excludes Any Penalty/Reserve Releases)	2023 Budget	2024 Budget	Increase (Decrease)
<b>Reliability Standards and PRISM</b>			
Interest & Investment Income Allocation	\$ 10,592	\$ 125,141	\$ 114,549
<b>Total</b>	<b>\$ 10,592</b>	<b>\$ 125,141</b>	<b>\$ 114,549</b>
<b>Compliance Assurance, Certification, and Registration</b>			
Interest & Investment Income Allocation	\$ 12,105	\$ 129,944	\$ 117,839
<b>Total</b>	<b>\$ 12,105</b>	<b>\$ 129,944</b>	<b>\$ 117,839</b>
<b>Compliance Enforcement</b>			
Interest & Investment Income Allocation	\$ 6,557	\$ 79,096	\$ 72,539
<b>Total</b>	<b>\$ 6,557</b>	<b>\$ 79,096</b>	<b>\$ 72,539</b>
<b>Reliability Assessment and Performance Analysis</b>			
Services and Software	\$ 60,000	\$ 60,000	\$ -
Interest & Investment Income Allocation	15,636	206,780	191,144
<b>Total</b>	<b>\$ 75,636</b>	<b>\$ 266,780</b>	<b>\$ 191,144</b>
<b>Personnel Certification and Credential Maintenance</b>			
Testing Fees	\$ 526,500	\$ 546,000	\$ 19,500
Certificate Renewals	764,000	748,400	(15,600)
Continuing Education Fees	491,275	501,686	3,250
Interest & Investment Income Allocation	500	40,000	39,500
<b>Total</b>	<b>\$ 1,782,275</b>	<b>\$ 1,836,086</b>	<b>\$ 46,650</b>
<b>Training and Education</b>			
Interest & Investment Income Allocation	\$ 1,009	\$ 11,299	\$ 10,291
<b>Total</b>	<b>\$ 1,009</b>	<b>\$ 11,299</b>	<b>\$ 10,291</b>
<b>Event Analysis</b>			
Interest & Investment Income Allocation	\$ 3,531	\$ 45,763	\$ 42,232
<b>Total</b>	<b>\$ 3,531</b>	<b>\$ 45,763</b>	<b>\$ 42,232</b>
<b>Situation Awareness</b>			
Interest & Investment Income Allocation	\$ 4,035	\$ 51,412	\$ 47,377
<b>Total</b>	<b>\$ 4,035</b>	<b>\$ 51,412</b>	<b>\$ 47,377</b>
<b>E-ISAC</b>			
Third Party Funding (CRISP)	\$ 9,569,170	\$ 10,083,382	\$ 514,212
Miscellaneous Funding	260,000	400,000	140,000
Interest & Investment Income Allocation	22,537	390,565	368,028
<b>Total</b>	<b>\$ 9,851,706</b>	<b>\$ 10,873,947</b>	<b>\$ 1,022,241</b>
<b>Grand Total</b>	<b>\$ 11,747,445</b>	<b>\$ 13,419,468</b>	<b>\$ 1,664,862</b>

Interest & Investment Income – Increasing due to anticipated higher interest rates.

Testing Fees & Certificate Renewals – Changes reflect the estimated number of 2024 tests and renewals.

Third Party Funding (i.e., CRISP participant funding) – Increasing primarily due to the estimated increase for the contract with the Pacific Northwest National Laboratory (PNNL), which is fully funded by CRISP participants. The increase in third-party funding is also due to higher personnel costs for CRISP, including an additional FTE that also results in higher allocations of costs from the Corporate Services, for which CRISP participants pay 50%.

Miscellaneous Funding – Increasing in E-ISAC due to estimated increased revenue from the E-ISAC Vendor Affiliate Program, as well as additional funding for CRISP from energy sector support organizations participating in CRISP workshops. See *Section A – Electricity Information Sharing and Analysis Center* for more discussion on E-ISAC and CRISP funding.

**Table B-4 – Personnel**

Personnel	2023 Budget	2024 Budget	Increase (Decrease)	
Salaries	\$ 44,250,356	\$ 50,263,573	\$ 6,013,217	13.6%
Payroll Taxes	2,513,603	2,706,709	193,106	7.7%
Benefits	6,624,553	7,572,900	948,347	14.3%
Retirement	4,629,894	5,238,161	608,267	13.1%
<b>Total</b>	<b>\$ 58,018,406</b>	<b>\$ 65,781,342</b>	<b>\$ 7,762,936</b>	<b>13.4%</b>
<b>FTEs</b>	<b>236.88</b>	<b>251.14</b>	<b>14.26</b>	<b>6.0%</b>
<b>Cost per FTE</b>				
Salaries	\$ 186,805	\$ 200,144	\$ 13,339	7.1%
Payroll Taxes	10,611	10,778	167	1.6%
Benefits	27,966	30,154	2,189	7.8%
Retirement	19,545	20,858	1,312	6.7%
<b>Total</b>	<b>\$ 244,927</b>	<b>\$ 261,934</b>	<b>\$ 17,007</b>	<b>6.9%</b>

The increase in overall personnel costs is primarily related to the increase of 14.26 FTEs and salary and benefit increase assumptions for existing staff. See the Personnel and 2024 Program Budget and FTE Comparisons discussions in the *Introduction and Executive Summary* for more details.

**Table B-5 – Meetings & Travel**

Meetings & Travel	2023 Budget	2024 Budget	Increase (Decrease)	
Meetings & Conference Calls	\$ 1,291,650	\$ 1,375,300	\$ 83,650	6.5%
Travel	1,853,900	2,131,500	277,600	15.0%
<b>Total</b>	<b>\$ 3,145,550</b>	<b>\$ 3,506,800</b>	<b>\$ 361,250</b>	<b>11.5%</b>

While more virtual and hybrid options are available, meeting and travel costs are increasing due to inflation and NERC engagement requests and attendance. The 2024 budget marks the return to pre-pandemic levels (following a reduction in these budget areas in 2021 and 2022 related to the pandemic). The 2024 budget is also increasing due to anticipated meeting and travel expenses related to the Interregional Transfer Capability Study (ITCS) discussed in the *Introduction and Executive Summary*.

**Table B-6 – Contractors & Consultants**

Contractors & Consultants	2023 Budget	2024 Budget	Increase(Decrease)
<b>Reliability Standards &amp; PRISM</b>			
SBS and PRISM Application Support	\$ 90,739	\$ 107,888	\$ 17,149
Engineering and Standards Support	112,000	112,000	-
<b>Total</b>	<b>\$ 202,739</b>	<b>\$ 219,888</b>	<b>\$ 17,149</b>
<b>CMEP</b>			
Process Documentation Support	\$ 50,000	\$ -	\$ (50,000)
Secure Evidence Locker Annual Certification	100,000	100,000	-
Align and Secure Evidence Locker Application Support	-	1,249,866	1,249,866
BES Exception Process and CORES Application Support	40,800	105,388	64,588
Workshop Facilitation	19,000	22,000	3,000
<b>Total</b>	<b>\$ 209,800</b>	<b>\$ 1,477,254</b>	<b>\$ 1,267,454</b>
<b>RAPA</b>			
RADS, GADS, pc-GAR, and GMD Application Support	\$ 301,654	\$ 344,400	\$ 42,746
Interregional Transfer Capability Study (ITCS) Consulting & Support	-	1,250,000	1,250,000
Reliability Analyses, Studies, Research, and Other Support	575,000	224,000	(351,000)
<b>Total</b>	<b>\$ 876,654</b>	<b>\$ 1,818,400</b>	<b>\$ 941,746</b>
<b>Event Analysis</b>			
TEAMS Application Support	\$ 90,802	\$ 35,000	(55,802)
Event Analysis Activity and Review Support	130,000	130,000	-
<b>Total</b>	<b>\$ 220,802</b>	<b>\$ 165,000</b>	<b>\$ (55,802)</b>
<b>Situation Awareness</b>			
Situation Awareness Application Support	\$ 23,000	\$ 83,000	\$ 60,000
<b>Total</b>	<b>\$ 23,000</b>	<b>\$ 83,000</b>	<b>\$ 60,000</b>
<b>E-ISAC</b>			
Security and Other Consulting	\$ 413,198	\$ 393,767	(19,431)
GridEx and Other Events	626,000	305,660	(320,340)
Technology Support	447,991	564,053	116,062
Watch Operations	940,645	727,757	(212,888)
Partnerships	400,000	400,000	-
CRISP PNNL and Other Participant Paid	6,982,599	7,400,000	417,401
Other CRISP Support	362,422	275,000	(87,422)
<b>Total</b>	<b>\$ 10,172,855</b>	<b>\$ 10,066,237</b>	<b>\$ (106,618)</b>
<b>Personnel Certification and Credential Maintenance</b>			
System Operator Testing Expenses and Examination Development	\$ 110,750	\$ 159,760	\$ 49,010
Special Project and Other Support	102,000	52,500	(49,500)
Continuing Education Audit and Review Services	120,000	120,000	-
SOCCE Database Support & Platform Update	75,000	450,000	375,000
<b>Total</b>	<b>\$ 407,750</b>	<b>\$ 782,260</b>	<b>\$ 374,510</b>
<b>Training and Education</b>			
ERO Enterprise and Industry Learning and Development Support	\$ 90,000	\$ 90,000	-
<b>Total</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>-</b>
<b>General &amp; Administrative</b>			
Communications Support	\$ 20,000	\$ 75,000	\$ 55,000
Public Affairs Consulting for ITCS	\$ -	\$ 240,000	240,000
Executive and Leadership Support	100,000	125,000	25,000
<b>Total</b>	<b>\$ 120,000</b>	<b>\$ 440,000</b>	<b>\$ 320,000</b>
<b>Business Technology</b>			
Applications & Infrastructure, Security, PMO and Operations Support	\$ 3,420,510	\$ 4,597,096	\$ 1,176,586
<b>Total</b>	<b>\$ 3,420,510</b>	<b>\$ 4,597,096</b>	<b>\$ 1,176,586</b>
<b>Human Resources &amp; Administration</b>			
Training and Development	\$ 440,000	\$ 290,000	(150,000)
HR Consulting and Other Services	410,000	545,000	135,000
<b>Total</b>	<b>\$ 850,000</b>	<b>\$ 835,000</b>	<b>\$ (15,000)</b>
<b>Finance &amp; Accounting</b>			
Accounting and System Conversion Support	\$ 350,000	\$ 540,000	\$ 190,000
<b>Total</b>	<b>\$ 350,000</b>	<b>\$ 540,000</b>	<b>\$ 190,000</b>
<b>Legal &amp; Regulatory</b>			
Internal Audit Support	\$ 195,000	\$ 245,000	\$ 50,000
Workshop Facilitation	10,000	10,000	-
<b>Total</b>	<b>\$ 205,000</b>	<b>\$ 255,000</b>	<b>\$ 50,000</b>
<b>Total Contractors &amp; Consultants</b>	<b>\$ 17,149,110</b>	<b>\$ 21,369,135</b>	<b>\$ 4,220,025</b>

Compliance Monitoring and Enforcement Program (CMEP) – Increasing primarily due to a combination of the following related to the Align and ERO Secure Evidence Locker (SEL) systems: (1) the incremental addition of dedicated system administrators and support; (2) the reclassification of dedicated tier 1, quality assurance, and business analyst support from Business Technology to Compliance Assurance and Enforcement; and (3) the partial reclassification of Align enhancement costs from capital software to contractors and consultants within the Compliance Assurance and Enforcement budgets.

RAPA and General & Administrative – Increasing due to consulting and contractor support for the ITCS discussed in the *Introduction and Executive Summary*.

Personnel Certification and Credential Maintenance – Increasing due to costs associated with the upgrade of the System Operator Certification Continuing Education Database base platform.

Business Technology – Increasing primarily due to the reclassification of technology costs from the fixed assets budget for capital software to contractors and consultants, which is offset by a decrease in the fixed assets budget, and additional support needs as part of the technology strategy investments discussed in the *Introduction and Executive Summary*.

For additional information on expenses for contractors and consultants, see the Resource Requirements sections of each program area in *Section A – 2024 Business Plan and Budget Program Area and Department Detail*.

**Table B-7 – Rent**

Office Rent	2023 Budget	2024 Budget	Increase (Decrease)
Office Rent	\$ 2,872,266	\$ 2,945,858	\$ 73,592 2.6%
Maintenance	150,000	144,000	(6,000) -4.0%
<b>Total</b>	<b>\$ 3,022,266</b>	<b>\$ 3,089,858</b>	<b>\$ 67,592 2.2%</b>

Rent expense in 2024 for the Atlanta and Washington, D.C. offices is based on annual cash rent payments, net of any pro-rated spread of free rent incentives or excess tenant improvement allowances. The increase from the 2023 to the 2024 budget reflects the annual increase per the lease agreements for both offices.



**Table B-8 – Office Costs**

Office Costs	2023 Budget	2024 Budget	Increase (Decrease)	
Telephone	\$ 385,000	\$ 428,592	\$ 43,592	11.3%
Internet	359,249	336,532	(22,717)	-6.3%
Office Supplies	129,850	185,495	55,645	42.9%
Computer Supplies	196,450	202,995	6,545	3.3%
Software Licenses & Support	10,035,952	10,963,565	927,613	9.2%
Subscriptions and Publications	440,923	627,596	186,673	42.3%
Dues	170,700	166,156	(4,544)	-2.7%
Postage	10,500	6,494	(4,006)	-38.2%
Express Shipping	75,200	97,945	22,745	30.2%
Copying	39,900	14,165	(25,735)	-64.5%
Stationary & Office Forms	-	105	105	-
Expensed A/V and Hardware Lease Costs	365,000	380,000	15,000	4.1%
Equipment Repair/Service Contracts	144,000	150,000	6,000	4.2%
Bank Charges	30,000	44,400	14,400	48.0%
Merchant Card Fees	97,000	104,173	7,173	7.4%
<b>Total</b>	<b>\$ 12,479,724</b>	<b>\$ 13,708,213</b>	<b>\$ 1,228,489</b>	<b>9.8%</b>

Software Licenses & Support – Includes non-capital software license and support costs, as well as expenses for infrastructure management software, data center co-location, offsite data backup, and network and security monitoring. The increase in this area is related to (1) annual escalation estimates for software licenses for tools used by the statutory program and Corporate Services departments, particularly for Business Technology and (2) new software products to support the technology strategy discussed in the *Introduction and Executive Summary*.

Subscriptions and Publications – Increasing due to an increase in research and advisory-related subscriptions as a result of the increase in FTEs and strategic initiatives.

The remaining changes to Office Costs items are to bring these budgets closer to recent actual costs.

**Table B-9 – Professional Services**

Professional Services	2023 Budget	2024 Budget	Increase (Decrease)	
Independent Trustee Fees	\$ 1,568,496	\$ 1,612,500	\$ 44,004	2.8%
Trustee Search Fees	-	100,000	100,000	
Outside Legal	495,000	645,000	150,000	30.3%
Government Relations	20,000	20,000	-	0.0%
Accounting and Auditing Fees	145,000	145,000	-	0.0%
Insurance Commercial	1,040,000	862,716	(177,284)	-17.0%
Outside Services	22,100	132,650	110,550	500.2%
<b>Total</b>	<b>\$ 3,290,596</b>	<b>\$ 3,517,866</b>	<b>\$ 227,270</b>	<b>6.9%</b>

Independent Trustee Fees – Increasing due to the approved increase of \$4,000 per trustee, which is based on the independent study on trustee compensation completed at the end of 2021. The increase for Trustee Search Fees is to conduct a search to fill one anticipated trustee vacancy.

Outside Legal – Increasing due to legal expenses for real estate matters as NERC explores options for its Atlanta office location in anticipation of the current office lease expiration in 2025.

Insurance Commercial – Decreasing due to a reduction in CRISP insurance assumptions, offset by an increase in Outside Services for CRISP support and risk management and advisory services.

**Table B-10 – Miscellaneous**

Miscellaneous Expenses	2023 Budget	2024 Budget	Increase (Decrease)	
Miscellaneous Expense	\$ 10,250	\$ 12,550	\$ 2,300	22.4%
Employee Rewards and Recognition	52,617	25,400	(27,217)	-51.7%
Employee Engagement	117,917	85,000	(32,917)	-27.9%
Sponsorships	28,000	27,000	(1,000)	-3.6%
<b>Total</b>	<b>\$ 208,783</b>	<b>\$ 149,950</b>	<b>\$ (58,833)</b>	<b>-28.2%</b>

Employee Rewards and Recognition – Decreasing due to the reclassification of funds for the employee referral program from Miscellaneous to Personnel.

Employee Engagement – Decreasing to bring this budget closer to recent actual costs.

**Table B-11 – Other Non-Operating Expenses**

Other Non-Operating Expenses	2023 Budget	2024 Budget	Increase (Decrease)	
Property and Other Tax Expense	\$ 100,000	\$ 140,000	\$ 40,000	40.0%
Interest Expense	154,254	328,040	173,786	112.7%
<b>Total</b>	<b>\$ 254,254</b>	<b>\$ 468,040</b>	<b>\$ 213,786</b>	<b>84.1%</b>

Property and Other Tax Expense – Increasing to bring this budget closer to recent actual costs.

Interest Expense – Increasing due to the capital financing assumptions discussed in *Exhibit B – Capital Financing*.

**Table B-12 – Fixed Assets**

Fixed Asset Additions	2023		2024		Increase (Decrease)
	Budget	Budget	Budget	Budget	
Computer & Software CapEx	\$ 5,319,000	\$ 2,854,000			(2,465,000) -46.3%
Furniture & Fixtures CapEx	-	-			-
Equipment CapEx	775,000	-			(775,000) -100.0%
Capital Lease Assets	130,000	1,770,000			1,640,000 1261.5%
Leasehold Improvements	-	-			-
<b>Total</b>	<b>\$ 6,224,000</b>	<b>\$ 4,624,000</b>	<b>\$ (1,600,000)</b>		<b>-25.7%</b>

Computer and Software CapEx – Decreasing primarily due to the reclassification of technology costs from the fixed assets budget for capital software to contractors and consultants, which is offset by an increase to the contractors and consultants budget.

Equipment CapEx and Capital Lease Assets – The decrease in Equipment CapEx and increase in Capital Lease Assets is related to (1) the reclassification of technology-related equipment from Equipment CapEx to Capital Lease Assets due to the assumption of lease financing for this equipment and (2) equipment for the ERO SEL Development Environment and additional equipment replacements in support of the technology strategy discussed in the *Introduction and Executive Summary*.

Also as described in the *Introduction and Executive Summary*, in 2024 NERC is projecting to finance \$2.4M of the approximately \$2.9M of capital software expenditures reflected in Computer & Software CapEx above, and lease finance the approximately \$1.8M of equipment and server replacements reflected in Capital Lease Assets above. The 2024 loan and lease financing borrowing and loan and lease financing principal payments are reflected in the Net Financing Activity section of NERC's Statement of Activity report. Also see *Exhibit B – Capital Financing* for further details.

**Table B-13 – 2025 and 2026 Projections**

Statement of Activities and Fixed Asset Additions 2024 Budget & Projected 2025 and 2026 Budgets							
	2024 Budget	2025 Projection	\$ Change 25 vs 24	% Change 25 vs 24	2026 Projection	\$ Change 26 vs 25	% Change 26 vs 25
<b>Funding</b>							
<b>ERO Funding</b>							
NERC Assessments	\$ 96,997,362	\$ 108,465,823	\$ 11,468,461	11.8%	\$ 118,066,407	\$ 9,600,584	8.9%
Penalties Released	1,300,000	300,000	(1,000,000)	-76.9%	-	(300,000)	-100.0%
<b>Total NERC Funding</b>	<b>\$ 98,297,362</b>	<b>\$ 108,765,823</b>	<b>\$ 10,468,461</b>	<b>10.6%</b>	<b>\$ 118,066,407</b>	<b>\$ 9,300,584</b>	<b>8.6%</b>
<b>Third-Party Funding</b>							
Testing Fees	\$ 10,083,382	\$ 10,797,658	\$ 714,276	7.1%	\$ 11,337,836	\$ 540,178	5.0%
Services & Software	1,796,086	1,902,796	106,710	5.9%	1,834,996	(67,800)	-3.6%
Miscellaneous	60,000	60,000	-	0.0%	60,000	-	0.0%
Interest & Investment Income	400,000	520,000	120,000	30.0%	540,000	20,000	3.8%
	1,080,000	1,080,000	-	0.0%	1,080,000	-	0.0%
<b>Total Funding (A)</b>	<b>\$ 111,716,829</b>	<b>\$ 123,126,277</b>	<b>\$ 11,409,448</b>	<b>10.2%</b>	<b>\$ 132,919,239</b>	<b>\$ 9,792,962</b>	<b>8.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 50,263,573	\$ 55,253,738	\$ 4,990,166	9.9%	\$ 59,195,145	\$ 3,941,407	7.1%
Payroll Taxes	2,706,709	2,876,346	169,637	6.3%	2,985,132	108,786	3.8%
Benefits	7,572,900	8,651,829	1,078,929	14.2%	9,611,201	959,373	11.1%
Retirement Costs	5,238,161	5,754,000	515,838	9.8%	6,186,191	432,192	7.5%
<b>Total Personnel Expenses</b>	<b>\$ 65,781,342</b>	<b>\$ 72,535,912</b>	<b>\$ 6,754,570</b>	<b>10.3%</b>	<b>\$ 77,977,670</b>	<b>\$ 5,441,758</b>	<b>7.5%</b>
<b>Meetings &amp; Travel Expenses</b>							
Meetings & Conference Calls	\$ 1,375,300	\$ 1,492,725	\$ 117,425	8.5%	\$ 1,421,151	\$ (71,574)	-4.8%
Travel	2,131,500	2,117,180	(14,320)	-0.7%	2,208,791	91,611	4.3%
<b>Total Meetings and Travel Expenses</b>	<b>\$ 3,506,800</b>	<b>\$ 3,609,905</b>	<b>\$ 103,105</b>	<b>2.9%</b>	<b>\$ 3,629,942</b>	<b>\$ 20,037</b>	<b>0.6%</b>
<b>Operating Expenses, excluding Depreciation</b>							
Contractors and Consultants	\$ 21,369,135	\$ 22,286,613	\$ 917,478	4.3%	\$ 23,602,875	\$ 1,316,262	5.9%
Office Rent	3,089,858	3,136,567	46,709	1.5%	2,865,458	(271,109)	-8.6%
Office Costs	13,708,213	14,610,768	902,555	6.6%	15,377,504	766,736	5.2%
Professional Services	3,517,866	3,542,146	24,280	0.7%	3,756,042	213,896	6.0%
Miscellaneous	149,950	150,650	700	0.5%	153,150	2,500	1.7%
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 41,835,022</b>	<b>\$ 43,726,744</b>	<b>\$ 1,891,722</b>	<b>4.5%</b>	<b>\$ 45,755,029</b>	<b>\$ 2,028,285</b>	<b>4.6%</b>
<b>Total Direct Expenses</b>	<b>\$ 111,123,164</b>	<b>\$ 119,872,561</b>	<b>\$ 8,749,397</b>	<b>7.9%</b>	<b>\$ 127,362,641</b>	<b>\$ 7,490,079</b>	<b>6.2%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 468,040</b>	<b>\$ 722,429</b>	<b>\$ 254,389</b>	<b>54.4%</b>	<b>\$ 907,018</b>	<b>\$ 184,589</b>	<b>25.6%</b>
<b>Total Expenses (B)</b>	<b>\$ 111,591,205</b>	<b>\$ 120,594,990</b>	<b>\$ 9,003,786</b>	<b>8.1%</b>	<b>\$ 128,269,659</b>	<b>\$ 7,674,668</b>	<b>6.4%</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 125,625</b>	<b>\$ 2,531,287</b>	<b>\$ 2,405,662</b>	<b>1915.0%</b>	<b>\$ 4,649,580</b>	<b>\$ 2,118,294</b>	<b>83.7%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 4,624,000</b>	<b>\$ 7,309,000</b>	<b>\$ 2,685,000</b>	<b>58.1%</b>	<b>\$ 8,476,500</b>	<b>\$ 1,167,500</b>	<b>16.0%</b>
<b>Financing Activity</b>							
Loan or Financing Lease - Borrowing (-)	(4,212,498)	(5,862,501)	(1,650,003)	39.2%	(6,812,500)	(949,999)	16.2%
Loan or Financing Lease - Principal Payments (+)	1,618,238	2,178,742	560,504	34.6%	3,160,401	981,659	45.1%
<b>Net Financing Activity (D)</b>	<b>\$ (2,594,260)</b>	<b>\$ (3,683,759)</b>	<b>\$ (1,089,499)</b>	<b>42.0%</b>	<b>\$ (3,652,099)</b>	<b>\$ 31,660</b>	<b>-0.9%</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 113,620,945</b>	<b>\$ 124,220,231</b>	<b>\$ 10,599,287</b>	<b>9.3%</b>	<b>\$ 133,094,060</b>	<b>\$ 8,873,828</b>	<b>7.1%</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (1,904,115)</b>	<b>\$ (1,093,954)</b>	<b>\$ 810,161</b>	<b>-42.5%</b>	<b>\$ (174,821)</b>	<b>\$ 919,134</b>	<b>-84.0%</b>
<b>FTEs</b>	<b>251.14</b>	<b>262.08</b>	<b>10.94</b>	<b>4.4%</b>	<b>269.60</b>	<b>7.52</b>	<b>2.9%</b>

The current projection for 2025 estimates a budget increase of \$10.6M (9.3%) and assessment increase of \$11.5M (11.8%) over 2024. This includes the following key assumptions in support of the strategic areas of focus:

- FTE increase of 10.94
- Weighted average salary increase of 5.5%
- Continued technology investments
- Reserve release of \$1.3M, comprised of the following:

- \$500k from the Operating Contingency Reserve (OCR) to fund potential one-time out-of-pocket costs related to Atlanta office relocation in 2025
- An additional \$500k from the OCR and \$300k from the ASR to reduce impact from incremental resources hired in 2023 in response to the ITCS

Borrowing in 2025 is currently estimated to be \$5.9M. The 2025 borrowing continues to assume a new audio/visual equipment lease for an Atlanta office relocation of \$2.0M, and reflects an increase of \$1.4M for lease financing of IT datacenter equipment replacements previously not projected to be lease financed, to help smooth assessments. Additionally, \$1.0M of budgeted 2023 borrowing is being deferred and reallocated to 2025.

2025 will be year 3 of the initial 2023–2025 strategic plan initially put forth in the 2023 BP&B. The 2025 budget projection, excluding the unanticipated FTEs hired in 2023 in response to the ITCS, is generally consistent with the 2025 budget projection included in the 2023 BP&B. Factoring in the additional FTEs hired in response to the ITCS and other adjustments, the three-year plan increase (2025 vs 2022) is now \$35.4M versus the originally projected \$33.8M in the 2023 BP&B, with the majority of the increase attributable to adding resources to develop the expertise and capacity to annually assess transmission adequacy and transfer capability.

The projection for 2026 is preliminary and will be further refined during the next budget cycle. Currently, the 2026 budget increase over 2025 is estimated to be approximately \$8.8M (7.1%) and the assessment increase is projected to be \$9.6M (8.9%), which reflects a reduced level of increase relative to the increases for 2023–2025. The increase for 2026 is driven primarily by personnel (including the addition of 7.5 FTEs) and continued technology investments for infrastructure, ERO applications, and security. The 2026 projection for borrowing is currently \$6.8M, which includes loan borrowing for capital software projects and lease financing for a technology equipment refresh for the ERO SEL.

## Section C – Non-Statutory Activity

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NERC has no non-statutory activities.

# Section D – Consolidated Statement of Activities by Program

Statement of Activities, Fixed Asset Additions, Financing Activity, and Change in Working Capital by Program 2024 Budget	Statutory Activities														
	Statutory Total	Reliability Standards and Power Risk Issue Strategic Management	Compliance Assurance, Registration, and Certification	Event Analysis	Compliance Enforcement	Personnel Certification and Credential Maintenance	Training and Education	Reliability Assessments and Performance Analysis	Situation Awareness	E-ISAC (Including CIBSP)	General and Administrative (Includes Executive and External Affairs)	Legal and Regulatory	Information Technology	Human Resources and Administration	Accounting and Finance
<b>Funding</b>															
<b>ERO Funding</b>															
NERC Assessments	\$ 96,997,362	\$ 11,274,349	\$ 14,096,283	\$ 4,699,395	\$ 8,343,924	\$ -	\$ 1,140,333	\$ 22,473,405	\$ 6,492,537	\$ 29,777,135	\$ (1,300,000)	\$ -	\$ -	\$ -	\$ -
Penalties Released	1,300,000	172,943	179,580	63,243	109,309	-	15,616	285,766	71,051	402,492	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ 98,297,362</b>	<b>\$ 11,447,292</b>	<b>\$ 14,275,862</b>	<b>\$ 4,762,638</b>	<b>\$ 8,453,233</b>	<b>\$ -</b>	<b>\$ 1,155,949</b>	<b>\$ 22,759,171</b>	<b>\$ 6,563,588</b>	<b>\$ 30,179,628</b>	<b>\$ (1,300,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Third-Party Funding	\$ 10,083,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,083,382	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	1,796,086	-	-	-	-	1,796,086	-	-	-	-	-	-	-	-	-
Services & Software	60,000	-	-	-	-	-	60,000	-	-	-	-	-	-	-	-
Miscellaneous	400,000	-	-	-	-	-	-	-	400,000	-	-	-	-	-	-
Interest & Investment Income	1,080,000	125,141	129,944	45,763	79,096	40,000	11,299	206,780	51,412	390,565	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 111,716,829</b>	<b>\$ 11,572,434</b>	<b>\$ 14,405,806</b>	<b>\$ 4,808,401</b>	<b>\$ 8,532,329</b>	<b>\$ 1,836,086</b>	<b>\$ 1,167,248</b>	<b>\$ 23,025,951</b>	<b>\$ 6,615,001</b>	<b>\$ 41,053,575</b>	<b>\$ (1,300,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>															
<b>Personnel Expenses</b>															
Salaries	\$ 50,263,573	\$ 3,472,506	\$ 4,132,187	\$ 1,626,448	\$ 2,164,379	\$ 379,729	\$ 260,530	\$ 6,756,482	\$ 1,575,816	\$ 9,924,848	\$ 5,339,641	\$ 3,706,933	\$ 7,029,481	\$ 2,294,569	\$ 1,600,022
Payroll Taxes	2,706,709	204,802	230,525	86,462	132,901	26,046	19,285	375,148	90,980	544,491	235,674	182,514	382,517	102,680	92,595
Benefits	2,572,900	578,541	707,990	242,253	242,503	49,873	53,089	960,372	330,661	1,535,407	628,025	540,420	1,120,383	352,630	230,753
Retirement Costs	5,238,161	377,961	451,185	180,085	237,218	41,985	29,254	734,159	173,771	1,067,757	434,097	391,470	760,810	186,430	171,979
<b>Total Personnel Expenses</b>	<b>\$ 65,781,342</b>	<b>\$ 4,633,901</b>	<b>\$ 5,521,888</b>	<b>\$ 2,135,248</b>	<b>\$ 2,777,001</b>	<b>\$ 497,633</b>	<b>\$ 362,159</b>	<b>\$ 8,826,161</b>	<b>\$ 2,171,227</b>	<b>\$ 13,072,503</b>	<b>\$ 6,637,437</b>	<b>\$ 4,821,336</b>	<b>\$ 9,293,191</b>	<b>\$ 2,936,309</b>	<b>\$ 2,095,349</b>
<b>Meeting and Travel Expenses</b>															
Meetings & Conference Calls	\$ 1,375,300	\$ 85,000	\$ 127,000	\$ 26,500	\$ 7,150	\$ 72,000	\$ 2,000	\$ 257,250	\$ 71,000	\$ 208,000	\$ 358,000	\$ 10,000	\$ 138,900	\$ 10,000	\$ 2,500
Travel	2,131,500	155,000	270,000	91,000	74,000	23,500	3,500	398,600	18,700	275,000	475,000	125,000	106,200	60,000	56,000
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 3,506,800</b>	<b>\$ 240,000</b>	<b>\$ 397,000</b>	<b>\$ 117,500</b>	<b>\$ 81,150</b>	<b>\$ 95,500</b>	<b>\$ 5,500</b>	<b>\$ 655,850</b>	<b>\$ 89,700</b>	<b>\$ 483,000</b>	<b>\$ 833,000</b>	<b>\$ 135,000</b>	<b>\$ 245,100</b>	<b>\$ 70,000</b>	<b>\$ 58,500</b>
<b>Operating Expenses, excluding Depreciation</b>															
Contractors & Consultants	\$ 21,369,135	\$ 219,888	\$ 780,321	\$ 165,000	\$ 696,933	\$ 782,260	\$ 90,000	\$ 1,818,400	\$ 83,000	\$ 10,066,237	\$ 440,000	\$ 255,000	\$ 4,597,096	\$ 835,000	\$ 540,000
Office Rent	3,089,858	-	-	-	-	-	-	-	-	3,089,858	-	-	-	-	-
Office Costs	13,708,213	77,121	703,394	16,000	621,394	177,458	131,600	944,006	1,546,713	1,939,166	501,027	252,355	5,942,347	439,032	416,600
Professional Services	3,517,866	-	-	-	-	-	-	-	-	425,000	2,333,216	610,000	-	4,650	145,000
Miscellaneous	149,950	2,700	3,050	1,300	1,900	300	700	5,000	1,400	10,250	53,550	1,700	4,400	62,200	1,500
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 41,835,022</b>	<b>\$ 299,709</b>	<b>\$ 1,486,765</b>	<b>\$ 182,300</b>	<b>\$ 1,320,227</b>	<b>\$ 960,018</b>	<b>\$ 222,300</b>	<b>\$ 2,767,406</b>	<b>\$ 1,631,113</b>	<b>\$ 12,440,653</b>	<b>\$ 6,417,651</b>	<b>\$ 1,119,055</b>	<b>\$ 10,543,843</b>	<b>\$ 1,340,882</b>	<b>\$ 1,103,100</b>
<b>Total Direct Expenses</b>	<b>\$ 111,123,164</b>	<b>\$ 5,173,610</b>	<b>\$ 7,405,653</b>	<b>\$ 2,435,048</b>	<b>\$ 4,178,378</b>	<b>\$ 1,553,151</b>	<b>\$ 589,959</b>	<b>\$ 12,249,417</b>	<b>\$ 3,892,040</b>	<b>\$ 25,996,156</b>	<b>\$ 13,888,088</b>	<b>\$ 6,075,391</b>	<b>\$ 20,082,134</b>	<b>\$ 4,347,191</b>	<b>\$ 3,256,949</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ 6,269,041</b>	<b>\$ 6,509,614</b>	<b>\$ 2,292,516</b>	<b>\$ 3,962,374</b>	<b>\$ 863,231</b>	<b>\$ 566,053</b>	<b>\$ 10,358,777</b>	<b>\$ 2,575,543</b>	<b>\$ 14,590,026</b>	<b>\$ (14,028,088)</b>	<b>\$ (6,075,391)</b>	<b>\$ (20,272,740)</b>	<b>\$ (4,350,599)</b>	<b>\$ (3,260,357)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 468,040</b>	<b>\$ 1,363</b>	<b>\$ 32,804</b>	<b>\$ 3,240</b>	<b>\$ 27,224</b>	<b>\$ 1,704</b>	<b>\$ -</b>	<b>\$ 33,650</b>	<b>\$ 21,842</b>	<b>\$ 8,791</b>	<b>\$ 140,000</b>	<b>\$ -</b>	<b>\$ 190,606</b>	<b>\$ 3,408</b>	<b>\$ 3,408</b>
<b>Total Expenses (B)</b>	<b>\$ 111,591,205</b>	<b>\$ 11,444,014</b>	<b>\$ 13,948,071</b>	<b>\$ 4,730,804</b>	<b>\$ 8,167,976</b>	<b>\$ 2,418,086</b>	<b>\$ 1,156,013</b>	<b>\$ 22,641,843</b>	<b>\$ 6,489,425</b>	<b>\$ 40,594,973</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 125,625</b>	<b>\$ 128,420</b>	<b>\$ 457,735</b>	<b>\$ 77,597</b>	<b>\$ 364,353</b>	<b>\$ (582,000)</b>	<b>\$ 11,236</b>	<b>\$ 384,107</b>	<b>\$ 125,576</b>	<b>\$ 458,602</b>	<b>\$ (1,300,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 4,624,000</b>	<b>\$ 265,395</b>	<b>\$ 1,055,579</b>	<b>\$ 314,552</b>	<b>\$ 682,744</b>	<b>\$ 36,544</b>	<b>\$ 23,963</b>	<b>\$ 1,239,531</b>	<b>\$ 215,034</b>	<b>\$ 790,657</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Financing Activity</b>															
Loan or Financing Lease - Borrowing (-)	\$ (4,212,498)	\$ (255,345)	\$ (992,499)	\$ (289,119)	\$ (650,257)	\$ (35,160)	\$ (23,056)	\$ (1,142,794)	\$ (200,301)	\$ (623,967)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	1,618,238	118,370	394,654	52,164	331,866	20,731	10,328	287,371	110,843	291,911	-	-	-	-	-
<b>Net Financing Activity (D)</b>	<b>\$ (2,594,260)</b>	<b>\$ (136,975.05)</b>	<b>\$ (597,844)</b>	<b>\$ (236,955)</b>	<b>\$ (318,391)</b>	<b>\$ (14,430)</b>	<b>\$ (12,728)</b>	<b>\$ (855,424)</b>	<b>\$ (89,458)</b>	<b>\$ (332,056)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Budget (=B+C)</b>	<b>\$ 113,620,945</b>	<b>\$ 11,572,434</b>	<b>\$ 14,405,806</b>	<b>\$ 4,808,401</b>	<b>\$ 8,532,329</b>	<b>\$ 2,440,201</b>	<b>\$ 1,167,248</b>	<b>\$ 23,025,951</b>	<b>\$ 6,615,001</b>	<b>\$ 41,053,575</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (1,904,115)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (604,115)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,300,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>251.14</b>	<b>20.82</b>	<b>21.62</b>	<b>7.61</b>	<b>13.16</b>	<b>2.87</b>	<b>1.88</b>	<b>34.40</b>	<b>8.55</b>	<b>48.46</b>	<b>20.84</b>	<b>15.98</b>	<b>35.20</b>	<b>10.34</b>	<b>9.40</b>

# Exhibit A – Application of NERC Section 215 Criteria

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## DISCUSSION OF HOW THE NERC MAJOR ACTIVITIES IN THE 2024 BUSINESS PLAN AND BUDGET MEET THE NERC WRITTEN CRITERIA FOR DETERMINING WHETHER A RELIABILITY ACTIVITY IS ELIGIBLE TO BE FUNDED UNDER FEDERAL POWER ACT SECTION 215

### I. Introduction

This Exhibit discusses how the major activities in NERC’s 2024 Business Plan and Budget meet the NERC written criteria for determining whether a reliability activity is eligible to be funded under §215 of the Federal Power Act (FPA §215). This Exhibit is intended to satisfy Recommendation No. 38 resulting from the financial performance review of NERC conducted by the Federal Energy Regulatory Commission’s (Commission’s) Division of Audits (DA) in 2012–2013 and adopted by the Commission in its November 2, 2012 order on NERC’s 2013 Business Plan and Budget.<sup>19</sup> NERC submitted the written criteria to the Commission in a compliance filing dated February 21, 2013 in Docket No. FA11-21-000.<sup>20</sup> The Commission approved the NERC written criteria, with modifications, in an order issued in that docket on April 18, 2013.<sup>21</sup> The NERC written criteria as used in this Exhibit incorporate the modifications specified in the Compliance Order.<sup>22</sup>

### II. Reliability Standards and Power Risk Issue Strategic Management 2024 Major Activities

The major activities of Reliability Standards and Power Risk Issue Strategic Management (PRISM) are described at pages 14–15 of the 2024 Business Plan and Budget. Reliability Standards carries out the ERO’s statutory responsibility to develop, adopt, obtain approval of, and modify as and when appropriate, mandatory Reliability Standards to assure the Bulk Electric System (BES) is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damages to major equipment, or limit interruptions. The Reliability Standards department delivers high-quality risk-based Reliability Standards, facilitates continent-wide industry engagement, and supports regulatory filings. Reliability Standards focuses on a risk-based approach to its projects, ensuring Reliability Standards are clear, timely, consider costs, effective in mitigating material risks, and do not unnecessarily burden industry with administrative requirements and/or detract from reliability or security. The major activity of PRISM is to leverage in-house expertise on Reliability Standards and standards development to implement cross-cutting efforts among NERC functions and the NERC standing and technical committees. The PRISM group provides in-house training on Reliability Standards and conducts statistical analyses concerning the results of standards to identify potential weaknesses, redundancies, and overall necessity.

The major activities for the Reliability Standards group for 2024 include developing a more nimble standard-setting process that honors the important role of stakeholders in standards development; addressing cyber security risk by continuing to enhance cyber security Reliability Standards; integrating and updating standards to address new risks such as inverters, distributed energy resources, energy

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<sup>19</sup> *North American Electric Reliability Corporation, Order Accepting 2013 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filing*, 141 FERC ¶ 61,086 (2012) (“2013 Budget Order”). Recommendation 38, as adopted in the 2013 Budget Order, is: “In its annual business plan and budget filings, [NERC should] provide an explanation as to why the proposed activities to be undertaken by each program area for the budget year are statutory, including, at a minimum: a description and the purpose of the major activities to be taken by each program area and an explanation for why the activity is a statutory activity.” *Id.* at P 16.

<sup>20</sup> *Compliance Filing of the North American Electric Reliability Corporation in Response to Paragraph 30 of November 2, 2012 Commission Order – NERC Written Criteria for Determining Whether a Reliability Activity is Eligible to be Funded Under Federal Power Act Section 215*, filed February 1, 2013 in Docket No. FA 11-21-000.

<sup>21</sup> *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013) (“Compliance Order”).

<sup>22</sup> For ease of reference, the complete NERC written criteria, as modified in accordance with the Compliance Order, are provided at the end of this Exhibit.



management, and fuel management; addressing FERC directives, orders or special reports; revising the Standard Processes Manual to allow for a more agile standards development process; and implementing a project prioritization process.

The major activities of the PRISM group for 2024 include continuing the efforts of the Energy Reliability Assessment Task Force (ERATF) to address items that could impact energy constrained resources, including developing scenarios for energy assessments; supporting the Reliability Issues Steering Committee (RISC) and RISC Risk Priorities report recommendations; enhancing the NERC Risk Registry to include the entire ERO Enterprise (ERO Risk Registry) and be publicly used by the Standards Committee and the Reliability and Security Technical Committee; maintaining technical support for Reliability Standards by advising on new and existing projects; and owning the Reliability Risk Framework and any necessary updates.

The major activities of the Reliability Standards and PRISM program satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure (ROP)?
- I.B: Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?
- I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated?
- I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures, and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, (iii) industry personnel?
- II.F.1: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (ii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
- IV: Is the activity one that was required or directed by a Commission order issued pursuant to §215? (Reliability Standards development projects are often initiated in response to directives in Commission orders).
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for the Reliability Standards Program are §300 and Appendix 3A.)
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- X. Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

**III. Compliance Assurance and Organization Registration and Certification and Compliance Enforcement 2024 Major Activities**

The major activities of Compliance Assurance and Organization Registration and Certification and Compliance Enforcement are described on pages 17-18 and 20 of the 2024 Business Plan and Budget.

Compliance Assurance works collaboratively with the Regional Entities to ensure effective implementation of risk-based compliance monitoring under the Compliance Monitoring and Enforcement Program (CMEP) across the ERO Enterprise. Compliance Assurance ensures that Regional Entities monitor registered entities for compliance according to their facts and circumstances, including the entity's inherent risks, evaluation of controls to mitigate inherent risks, and other factors, in order to allow for appropriate allocation of resources to issues that pose a higher level of risk to the reliability of the BPS.

Organization Registration (Registration) identifies and registers BPS users, owners, and operators that are responsible for performing specified reliability functions to which requirements of mandatory Reliability Standards are applicable. Organization Certification (Certification) ensures that an applicant to be a Reliability Coordinator (RC), Balancing Authority (BA), or Transmission Operator (TOP) has the tools, processes, training, and procedures to demonstrate its ability to meet the requirements of all the Reliability Standards applicable to the functions for which it is applying, thereby demonstrating the ability to become certified and then operational. The decision to certify changes to an already operating and certified RC, BA, or TOP is a collaborative decision between the affected Regional Entities and NERC.

The major activities of Compliance Assurance and Organization Registration and Certification for 2024 include: continuing efforts to address facility ratings and demonstrate the importance of implementing strong internal controls; continuing to evaluate supply chain effectiveness and provide and analyze quarterly metrics on compliance data to inform emerging risks and Registration activities; enhancing outreach to stakeholder and policy organizations and leveraging work of others; working to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensuring meaningful oversight activities; and continuing efforts to streamline risk-based CMEP activities.

Compliance Enforcement is responsible for overseeing enforcement processes, the application of Penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. Compliance Enforcement works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based CMEP. It also focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to reliability. Compliance Enforcement monitors Regional Entities' enforcement processes and provides oversight of the BPS. The major activities of Compliance Enforcement for 2024 include continuing efforts to align risk determinations and use a risk-based approach to processing noncompliance; providing and analyzing quarterly metrics on enforcement data; enhancing outreach to stakeholder/policy organizations; working to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensuring meaningful oversight activities; and continuing efforts to streamline risk-based CMEP activities.

The major activities of Compliance Assurance, Organization Registration and Certification, and Compliance Enforcement satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?

- I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated?
- II. Is the activity necessary or appropriate for the monitoring and enforcement of compliance with Reliability Standards?
- A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
- B: Is the activity necessary or appropriate for the Certification of RCs, TOPs, and BAs as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?
- D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
- E: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards.
- F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the process? This includes development of guidance documents. (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities? (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are §400 and 500 and Appendices 4B, 4C, 5A, 5B and 5C.)

- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in the activities encompassed by one or more of the other criteria?
- X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

#### **IV. Reliability Assessments and Performance Analysis 2024 Major Activities**

The major activities of Reliability Assessments and Performance Analysis (RAPA) are described at pages 23–25 of the 2024 Business Plan and Budget. RAPA comprises four primary groups: (1) Reliability Assessments and Technical Committee (RATC); (2) Performance Analysis (PA); (3) Advanced System Analytics and Modeling (ASAM); and (4) Engineering and Security Integration.

The RATC group, which includes Reliability Assessment staff and the NERC staff secretaries of the RSTC, carries out the ERO’s statutory responsibility to conduct assessments of the reliability and adequacy of the BPS and associated emerging reliability risks that could impact the short, mid, and long-term planning horizons, as well as other reliability issues requiring in-depth analysis. Reliability Assessment activities directly address the risk priorities established by the RISC. RATC relies on its own engineering and analysis expertise as well as Regional Entity and stakeholder resources. The RSTC and its subgroups provide the oversight, guidance, and leadership essential to enhancing BPS reliability by addressing areas of strategic focus efficiently and comprehensively.

Performance Analysis monitors the performance of and identifies risks to reliability of the BPS through analyzing industry data and measuring historic trends. Analysis performed by Performance Analysis includes identifying potential risks of concern related to systems, equipment, entity and organizational performance that may indicate a need to develop improvements to reporting applications and new data analysis tools, or to create, revise, or retire reporting areas. Performance Analysis staff leads the ERO, technical committees, and stakeholder process to publish the *State of Reliability* (SOR) Report examining year-over-year performance indicators of the grid. Performance Analysis also develops the business requirements for all new reliability information data systems, specifically those required by NERC ROP 1600 data requests.

Advanced System Analytics and Modeling staff provide technical leadership and support in the areas of resource and demand balancing and system analysis and modeling, including technical support for the balancing (BAL) and modeling (MOD) Reliability Standards. ASAM staff also provides support for the development and improvement of long-term, sustainable interconnection-based power flow, dynamic, and load models that demonstrate the accuracy and fidelity necessary to reflect actual BES reliability performance and dynamic conditions. ASAM provides advanced statistical analysis functions to support the SOR Report and reliability assessments, the Frequency Response Annual Analysis (FRAA) report to the FERC, analytical review of Reliability Standard effectiveness, and various reports on an emergent basis.

The Engineering and Security Integration department is responsible for driving key reliability and security initiatives working with internal and external stakeholders. Primary areas of focus include better

integrating security concepts with conventional engineering activities as well as enabling new technologies in a reliable and secure manner. The group is responsible for key ERO work priorities, including inverter-based resource and distributed energy resource initiatives across the ERO Enterprise, and promoting concepts of cyber planning and grid transformation issues. The group coordinates a significant number of NERC’s technical stakeholder groups under the RSTC, supports the standards development process on engineering and security-related topics, provides technical expertise across the ERO Enterprise, and coordinates with the Electricity Information Sharing and Analysis Center (E-ISAC) on cross-departmental topics related to security risks.

The four RAPA groups work collaboratively with NERC stakeholders, particularly through the RSTC, to create a reliability strategy that is relevant, timely, and effective to address the most important reliability risks. Further, these groups work closely with other organizations to collaborate, coordinate, and leverage expertise, including but not limited to the U.S. Department of Energy, Electric Power Research Institute, Institute of Electrical and Electronics Engineers, Institute of Nuclear Power Operations, North American Transmission Forum, North American Generator Forum, Carnegie Mellon Industry Center, Power Systems Energy Research Center, Interstate Natural Gas Association of America, Natural Gas Supply Association, Canadian Electricity Association, and International Council on Large Electric Systems.

The major activities of RAPA for 2024 include (1) ensuring the reliable and secure integration of BPS-connected inverter-based resources and distributed energy resources, including the analysis of grid disturbances, development of technical guidance and educational materials, and collaboration with industry to ensure Reliability Standards adequately address emerging risks in this area; (2) increasing understanding of impacts that the changing resource mix has on BPS reliability by collecting plant, event, connected energy storage, and performance data for photovoltaic and wind generation, combined with enhanced design data and event reporting for conventional generation; (3) Improving the ERO’s analytic, independent, and objective capabilities and adapt to the evolving BPS reliability challenges by: (a) enhancing reliability assessments to include evaluations of energy availability and expanded probabilistic methods that can identify risks of energy shortfall for all assessment areas in long-duration and seasonal time horizons; (b) further enhancing scenario development capabilities to better understand the implications of extreme weather, increased reliance on variable generation, and the changing climate and environmental conditions; (c) conducting the Congressionally-mandated Interregional Transfer Capability Study (ITCS) and developing the capabilities to annually assess transmission adequacy and transfer capability, making recommendations that support long-term reliability needs; and (d) supporting technical studies that provide additional insight into the increasing dependency of natural gas generation, particularly during extreme winter weather and ramping periods; (4) leveraging RAPA processes, tools, and products to measure and improve BES resilience for wide-spread long-term extreme temperature events, including the development of a systematic collection of load loss outage and recovery data; and (5) assessing impacts from federal and state regulations on the reliability and resilience of the BPS.

The major activities of RAPA satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
- I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance—past, present and future; publishing or disseminating the

- results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences and near miss events?
- II.E.: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as: (1) Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences, and near miss events?
- III.A: Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the BPS?
- III.B: Is the activity necessary or appropriate for measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
- III.D. Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability?
- III.E. Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V. Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for major activities of the RAPA program are §801-806 and §809-811.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

## V. Situation Awareness 2024 Major Activities

The major activities of Situation Awareness are described at page 28 of the 2024 Business Plan and Budget. The NERC Situation Awareness group and the Regional Entities monitor BPS conditions, significant occurrences and emerging risks, and threats across the 17 Reliability Coordinator regions in North America, to maintain an understanding of conditions and situations that could impact reliable operation. NERC’s BPS Awareness Group supports development and publication of NERC Alerts and awareness products, and facilitates information sharing among industry, Regional Entities and government during crisis situations and major system disturbances. Major activities of Situation Awareness for 2023 include (1) enhancing situation awareness tools to increase agility and efficiency, as well as visibility and understanding of the reliability or availability of natural gas and its interdependency with electric generation; (2) collaborating across the ERO Enterprise and with stakeholders to mitigate emerging and known risk by using all available tools, including the NERC Alerts process to issue Advisory (Level 1) Alerts on significant and emerging reliability and security-related topics as needed, and to facilitate the tracking of actions specified in Recommendations (Level 2) and Essential Actions (Level 3) Alerts; (3) continue engaging with industry, the E-ISAC, government partners, and the ERO Enterprise on emerging risks to BPS reliability; and (4) engaging situation awareness subject-matter experts in support of the work of Reliability Standards, the E-ISAC, and the RSTC to advance the security posture of the industry.

The major activities of the Situation Awareness group satisfy the following criteria:

- I.C.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (2) Monitoring, event analysis and investigations of BPS major events, off-normal occurrences and near-miss events?
- III.C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
- III.D: Is the activity necessary or appropriate for awareness of circumstances on the BPS System and to contribute to understanding risks to reliability?
- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are ROP 810 and 1001.)

## VI. Event Analysis 2024 Major Activities

The major activities of Event Analysis are described at pages 31 of the 2024 Business Plan and Budget. The Event Analysis program informs assessments of the reliability and adequacy of the BES through analysis of real-time operating events. This includes identifying potential issues of concern related to system, equipment, entity, human error, and organizational performance that may indicate a need to (1) develop remediation and/or risk reduction strategies and action plans, (2) revise, retire, or consider new Reliability Standards; and (3) shape aggregate reliability assurance planning. Event Analysis analyzes reportable events to identify and understand lessons learned, sequence of events, root and contributing causes, risks to reliability, and potential mitigating actions. Event Analysis keeps the industry well informed of system events, emerging trends, event precursors, risk analysis, lessons learned, and recommended corrective and expected mitigation activities through various verbal and written communications and reports and cross-functional collaboration efforts.

Major activities for the Event Analysis group in 2024 include: enhancing event processing in support of developing a coherent system performance picture within the NERC ROP Section 800 system performance monitoring and reporting program; enhancing program data collection, organization, and manipulation capabilities; tuning alignment activities of cross-functional project collaboration through data analysis and disturbance reporting flexibility and agility; and reinforcing fundamental practices and advocacy of enhanced reliability practices through joint reliability partnership activities with stakeholders and the ERO Enterprise.

The major activities of the Event Analysis group satisfy the following criteria:

- I.C.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (2) Monitoring, event analysis and investigations of BPS major events, off-normal occurrences and near-miss events?
- II.E.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as: (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences, and near miss events?
- II.F.3: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (3) Disseminating, through workshops, webinars, Advisories, Recommendations, Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities; monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities?
- III.B. Is the activity necessary or appropriate for measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results



- of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
- III.C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
- III.D. Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability?
- III.E. Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- III.F. Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V. Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are §807-808 and §810-811 and Appendix 8.)
- VI. Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

## **VII. Electricity Information Sharing and Analysis Center 2024 Major Activities**

The major activities of the Electricity Information Sharing and Analysis Center (E-ISAC) are described at pages 34–35 of the 2024 Business Plan and Budget. The E-ISAC provides its members and partners with resources to prepare for and reduce cyber and physical security threats to the North American electricity industry. The E-ISAC offers products and services that give timely, relevant, and actionable situational awareness and analysis to asset owners and operators as well as cross-sector and government partners. The central underpinning of the E-ISAC’s strategic plan, developed in 2017, is for the E-ISAC to focus on providing timely and actionable information to industry regarding cyber and physical security threats and mitigation strategies. The strategic plan also recognizes the critical interdependencies between the E-ISAC, industry, U.S. and Canadian government agencies, and other stakeholders.

The E-ISAC oversees the Cybersecurity Risk Information Sharing Program (CRISP), a unique public-private initiative among the E-ISAC, the North American electric utility industry, the U.S. Department of Energy (DOE), and the U.S. Intelligence Community that delivers real-time, relevant, and actionable cyber security risk information to all E-ISAC member electricity asset owners and operators, including those from Canada and Mexico. Using passive information sharing devices on participant networks outside boundary firewalls, participant data is collected and then matched against known threat signatures, both classified and unclassified, to identify potential threats and provide participants with recommended mitigation steps. The Pacific Northwest National Laboratory, a U.S. DOE National Laboratory, operated by Battelle

with oversight by the DOE, is the primary subcontractor to NERC for the deployment of the required technology, supporting infrastructure, analysis, and technical capabilities for CRISP.

The major activities of the E-ISAC for 2024 include: reviewing and curating intelligence applicable to the electricity sector; conducting threat hunts for malicious software on Information Technology and Operational Technology sensor platforms; expanding CRISP participation and technology modernization; expanding membership and strategic relationships, including further collaboration with the natural gas sector, enhanced membership engagement with registered entities, small and medium utilities, and emerging renewable energy participants; operating the Vendor Affiliate Program (initiated in 2022, this program provides opportunities for collaboration and information sharing between the E-ISAC and the vendor community); and continuing to plan and execute the biennial GridEx exercise (not scheduled for 2024) and annual Grid Security Conference.

The major activities of the E-ISAC satisfy the following criteria:

- I.C.1: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and investigation of BPS major events, off-normal occurrences and near-miss events?
- III.D: Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability.
- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS.
- III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for these major activities are §810 and 1003.)

#### **VIII. Personnel Certification and Credential Maintenance 2024 Major Activities**

NERC has placed the System Operator Certification and Credential Maintenance Program into a separate group overseen by the NERC Personnel Certification Governance Committee (PCGC), a NERC standing committee. These programs are funded through examination, renewal, and continuing education provider fees, and do not receive funding from FPA §215 statutory assessments. The PCGC oversees the budgets for these programs. For completeness, however, a summary of the major activities of the Personnel Certification and Credential Maintenance group is provided in this Exhibit.

The major activities of the Personnel Certification and Credential Maintenance group are described at page 40 of the 2024 Business Plan and Budget. This group promotes the reliability of the North American

BPS by ensuring that employers have a workforce of system operators that meet minimum qualifications and maintain their required credentials to work in system control centers. NERC’s System Operator Certification exam tests specific knowledge of job skills and Reliability Standards, and prepares operators to handle the BPS during normal and emergency operations. The PCGC’s Exam Working Group, comprised of subject matter experts from all regions of North America, is responsible for doing an extensive job analysis survey of certified operators across the industry, which provides the basis for the exams. Certification is maintained by completing NERC approved Credential Maintenance Program courses and activities. The Credential Maintenance Working Group reports to the PCGC and is responsible for developing and maintaining the Credential Maintenance Program under the guidelines set by the PCGC.

The major activities for the Personnel Certification and Credential Maintenance Program for 2024 include: seeking industry input on improvement opportunities for the Personnel Certification and Credential Maintenance Program and developing and implementing any changes; moving to a new exam development and scheduling vendor; and upgrading the System Operator Certification Continuing Education Database (SOCCED) base platform.

The major activities of the Personnel Certification group satisfy the following criteria:

- I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?
- II.C: Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?
- II.F.1: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provision for the major activities of the Personnel Certification Program is §900.)
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

#### **IX. Training and Education 2024 Major Activities**

The major activities of Training and Education are described at page 43 of the 2024 Business Plan and Budget. The Training and Education group facilitates the learning and development of NERC and ERO Enterprise staff as well as BPS and industry participants, in accordance with NERC ROP 901, which acknowledges the need to acquire and sustain informed, knowledgeable and skilled personnel to assure the reliable operation of the North American BPS. The program oversees and coordinates learning activities and resources that support the acquisition and increase of knowledge and skills among stakeholders. Learners are typically engaged through learning events and products and resources.

The major activities for the Training and Education group for 2024 include: leadership development, new hire orientation, and confidential information training; events, including the annual ERO Enterprise Compliance Monitoring and Enforcement Program Staff Workshop and preparation for GridEx; and developing training materials for the Align CMEP tool.

The major activities of Training and Education satisfy the following criteria:

- I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?
- II.F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes development of guidance documents. (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities. (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?
- III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for the major activities of Training and Education are in §900.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and the applicable provisions of Commission orders.

**X. Corporate Services (formerly Administrative Services) 2024 Major Activities**

NERC’s Corporate Services Departments are General and Administrative, Legal and Regulatory, Business (Information) Technology (IT), Human Resources (HR) and Administration, and Finance and Accounting. The departments’ major activities are described at pages 46–49 of the 2024 Business Plan and Budget.

General and Administrative is responsible for the administration and general management of the organization and includes the Chief Executive Officer, Chief Administrative Officer, and support staff; External Affairs staff (legislative and regulatory relations, internal and external communications, and liaison with government entities and industry stakeholders in the U.S., Canada and Mexico); and Board of Trustees costs, as well as Office Rent for NERC’s two offices.

Legal and Regulatory provides legal support to the organization, including management and the NERC program areas. Legal support is provided in areas including corporate, commercial, insurance, contracts, employment, antitrust, real estate, copyright, tax, legislation, and other legal matters. Legal and regulatory support is also provided in connection with matters relating to NERC’s role as the ERO, including the delegation agreements with Regional Entities. Legal and Regulatory also includes the Internal Audit and Corporate Risk Management functions.

Business Technology provides the technology and management needed for the organization to maintain daily operations and meet ERO statutory obligations, including applications and infrastructure leveraged by the ERO Enterprise and registered entities. Business Technology’s Project Management Office provides project management skills and leadership for major ERO Enterprise and NERC business technology projects. The Business Technology Department focuses on five key areas: cyber security, NERC infrastructure support, the E-ISAC, ERO Enterprise application and infrastructure support, and ERO Enterprise new functionality. Business Technology manages NERC’s overall Technology Strategy.

HR and Administration’s activities include payroll, benefits and retirement plan administration, employee relations, performance and compensation management, succession planning, leadership and employee development, facilities management, and meeting planning and coordination. The HR function manages NERC’s overall people strategy to create an employee experience that meets expectations of an evolving workforce and attracts, retains, and engages top talent.

Finance and Accounting manages all finance and accounting functions of NERC, including accounts payable and receivable, assessment and CRISP billing, travel and expense reporting, budget management, financial reporting, corporate insurance program management, coordination of the annual financial statement audit and Form 990, property, sales, and use tax returns, and management of systems, policies, procedures and controls governing day-to-day practices, including procurement, expense reimbursement, and back office systems and procedures. Finance and Accounting is also responsible for preparation of the annual business plan and budget.

The major activities for the Corporate Services programs for 2023 include: (1) continuing to enhance state outreach and engagement, including further developed outreach for ERO Enterprise assessments and reports, and expanding collaboration efforts with NARUC and government partners; (2) elevating communications efforts across the ERO Enterprise to better educate, inform, and engage current stakeholders as well as working with subject matter experts to identify and attract new stakeholder groups; (3) maturing internal assurance programs, including internal audit, risk management, and contingency planning; (4) implementing and supporting adaptable and sustainable technology and enhancing cyber security to focus on prevention, detection, and mitigation; and (5) increasing automation and controls across the HR and Finance and Accounting areas.

As support functions for all of NERC’s statutory programs, the major activities of NERC’s Corporate Services Departments satisfy the following criteria:

- I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
- II.A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?

- II.D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
- III.C: Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
- V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable ROP provisions for ERO Enterprise audits conducted by the Internal Audit group in Legal and Regulatory are §406, §506, and Appendix 4A, and for major activities of Finance and Accounting is §1100.)
- VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and the applicable provisions of Commission orders.
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- XI: Is the activity a governance or administrative/overhead function, activity or service necessary or appropriate for the activities encompassed by the other criteria and, in general, necessary and appropriate to operate a functioning organization?

**NERC WRITTEN CRITERIA FOR DETERMINING  
WHETHER AN ACTIVITY IS ELIGIBLE TO BE FUNDED  
UNDER SECTION 215 OF THE FEDERAL POWER ACT**

For purposes of internal management approval of a proposed new activity or group of related activities (“major activity”), the proposed activity or major activity must be shown to fall within at least one of the criteria listed below. When sub-criteria are listed below a roman numeral numbered major criterion, the proposed activity should be a positive answer to at least one of the sub-criteria. Conversely, an activity that falls under a sub-criterion should pertain to the subject matter of the major criterion.

NERC’s annual business plan and budget will describe how each major activity falls within one or more of the criteria listed below. If the major activity is substantially the same as a major activity that was shown to fall within the criteria in a previous year’s business plan and budget, the current year’s business plan and budget can refer to the prior year business plan and budget.

A determination that an activity falls within FPA §215 does not necessarily mean that NERC will propose or undertake such activity. The determination of whether an activity falling under FPA §215 should or will be undertaken in a given budget year will be addressed in the context of the applicable business plan and budget and will include opportunities for stakeholder input.

The criteria listed below are not necessarily each distinct from the others. An activity or major activity may fall within more than one of the criteria listed below.

- I. Is the activity necessary or appropriate for the development of Reliability Standards?
  - A. Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?
  - B. Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?
  - C. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as:
    1. Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System (BPS)<sup>23</sup> based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
    2. Monitoring, event analysis and investigation of BPS major events, off-normal occurrences and near miss events?
  - D. Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?

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<sup>23</sup> This document uses the term “Bulk Power System” because that is the term defined and used in FPA §215. NERC recognizes that a different term, “Bulk Electric System,” is used to define the current reach of reliability standards.

- II. Is the activity necessary or appropriate for the monitoring and enforcement of compliance with Reliability Standards?
  - A. Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the BPS that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?
  - B. Is the activity necessary or appropriate for the Certification of RCs, TOPS, and BAs as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?
  - C. Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?<sup>24</sup>
  - D. Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
  - E. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as:
    - 1. Measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
    - 2. Monitoring, event analysis and investigation of BPS major events, off-normal occurrences, and near miss events?
  - F. Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as:
    - 1. Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
    - 2. Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes development of guidance documents.

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<sup>24</sup> Although certification of system operating personnel is an activity falling within the scope of, and eligible to be funded pursuant to, FPA §215, NERC strives to fully fund the costs of this activity through fees charged to participants.



3. Disseminating, through workshops, webinars, Advisories, Recommendations, Essential Actions, and other publications; “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities; monitoring and investigation of BPS major events, off-normal occurrences and near miss events, and other BPS monitoring activities?
4. Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?
- G. Is the activity necessary or appropriate for the development and provision of tools and services that are useful for the provision of adequate reliability, because they relate specifically to compliance with existing Reliability Standards and they proactively help avert Reliability Standard violations and BPS disturbances?
- III. Is the activity necessary or appropriate for conducting and disseminating periodic assessments of the reliability of the BPS or monitoring the reliability of the BPS?
  - A. Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the BPS?
  - B. Is the activity necessary or appropriate for measuring reliability performance—past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the BPS based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
  - C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the BPS in connection with BPS major events and off-normal occurrences, but not real-time operational control of the BPS?
  - D. Is the activity necessary or appropriate for awareness of circumstances on the BPS and to contribute to understanding risks to reliability?
  - E. Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the BPS?
  - F. Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the BPS?
  - G. Is the activity necessary or appropriate for data collection and analysis of information regarding BPS reliability matters mandated by the Commission?
- IV. Is the activity one that was required or directed by a Commission order issued pursuant to FPA §215? Justification of an activity as a FPA §215 activity based on this category must reference the particular Commission order and directive.
- V. Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)?

- VI. Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?
- VII. Is the activity necessary or appropriate to maintain NERC’s certification as the Electric Reliability Organization? This Criterion includes conducting periodic assessments of NERC’s and the Regional Entities’ performance as the Electric Reliability Organization as required by 18 C.F.R. §39.3(c).
- VIII. Does the activity respond to or is it necessary or appropriate for audits of NERC and the Regional Entities conducted by the Commission?
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- X. Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?
- XI. Is the activity a governance or administrative/overhead function, activity or service necessary or appropriate for the activities encompassed by the other criteria and, in general, necessary and appropriate to operate a functioning organization? (Should NERC perform any non-FPA §215 activities, the costs of governance and administrative/overhead functions must be appropriately allocated.)

NERC’s current governance and administrative/overhead functions are carried out in the following program areas:

- A. Technical Committees and Members’ Forum Programs
- B. General and administrative (includes, but is not limited to, executive, board of trustees, communications, government affairs, and facilities and related services)
- C. Legal and Regulatory
- D. Information Technology
- E. Human Resources
- F. Accounting and Finance

The following matters are excluded from the scope of FPA §215 activities. While a list of non-FPA §215 activities would be infinite, the following excluded matters are listed here because they are expressly referred to in FPA §215, the Commission’s ERO regulations and/or a Commission order issued pursuant to FPA §215:

- A. Developing or enforcing requirements to enlarge BPS facilities, or to construct new transmission capacity or generation capacity, or requirements for adequacy or safety of electric facilities or services.
- B. Activities entailing Real-time operational control of the BPS.
- C. Activities pertaining to facilities used in the local distribution of electricity.

## Exhibit B – Capital Financing

The company maintains a capital financing program (line of credit) as a funding source for major software application development projects and hardware equipment. NERC financed \$2.0M for ERO Secure Evidence Locker (SEL) project costs, borrowing \$1.3M in late 2020 and the remaining \$700k in 2021, with an interest rate of 2.5% and 3.2%, respectively. Borrowings under the credit facility for the ERO SEL are amortized over a five-year period and can be prepaid without penalty.

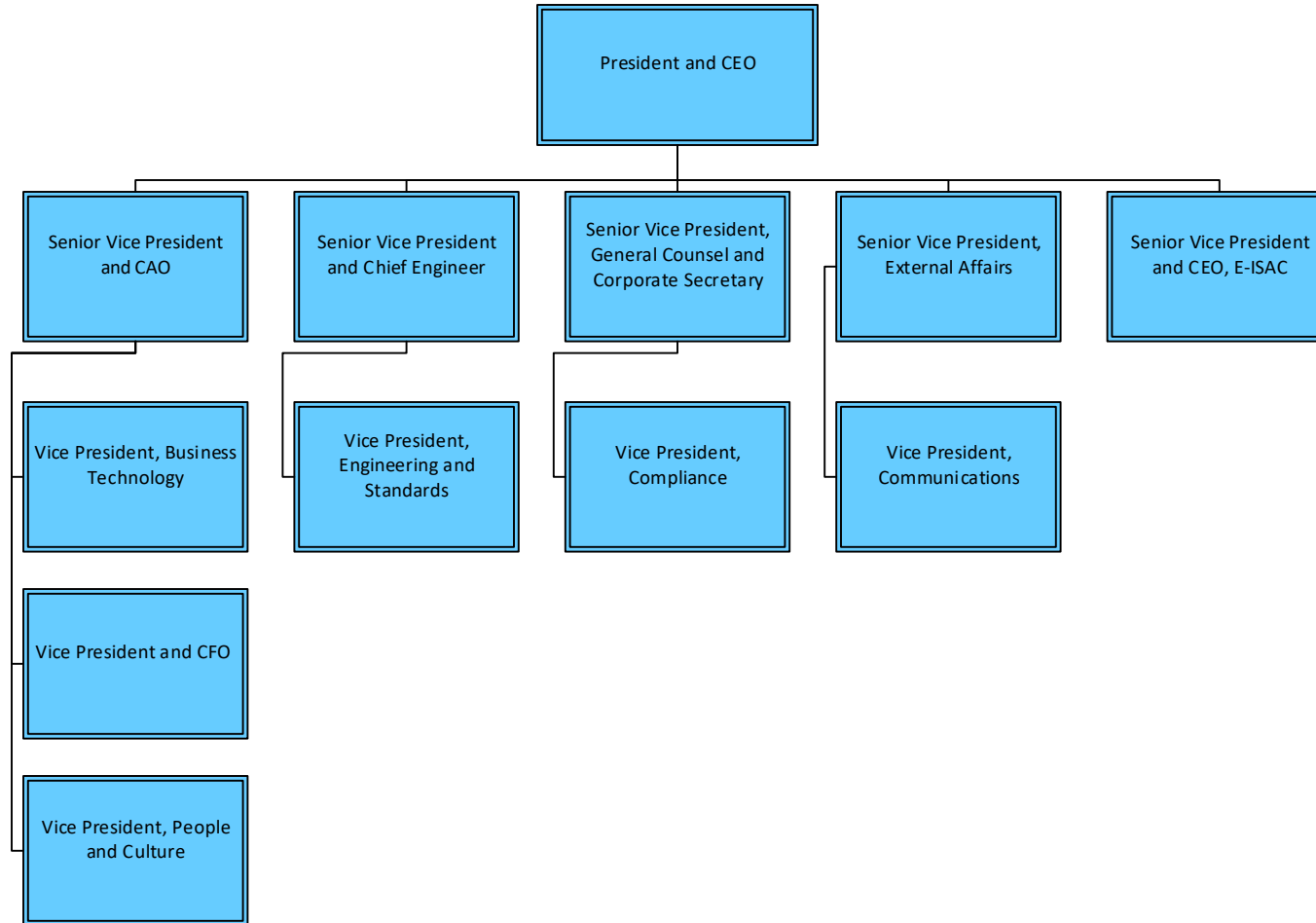
As discussed in the *Introduction and Executive Summary*, due to increased spending on capital software projects related to the 2023–2025 Technology Strategy, a portion of these projects is proposed to be financed with NERC’s capital borrowing facility using a five-year loan amortization. NERC has assumed loan borrowings of \$2.4M in 2024, \$2.1M in 2025, and \$4.5M in 2026 with an interest rate of 6.5%. Loans in each period are assumed to be closed late in each calendar year, with debt service beginning January 1 of the following year.

The tables below show projected year-end outstanding debt and the future annual payments for debt service.

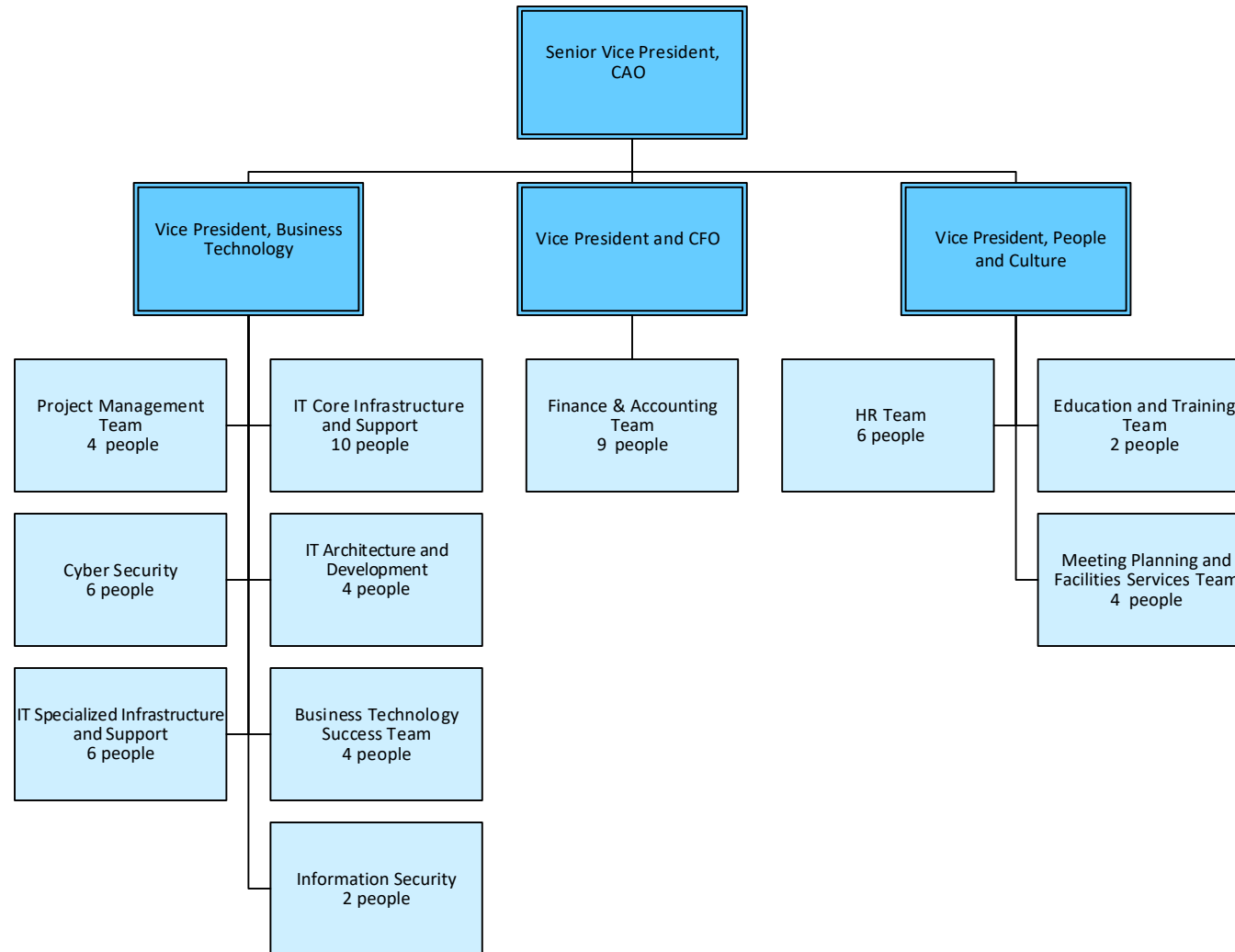
	Year-End Outstanding Loan Debt Balance				
	Prior Years Actual	2023 Projected	2024 Budget	2025 Projected	2026 Projected
Prior Years	\$ 1,383,224	\$ 969,300	\$ 543,643	\$ 105,847	\$ -
2023 Projection	-	3,000,000	2,475,164	1,915,180	1,317,694
2024 Budgeted	-	-	2,442,500	2,015,193	1,559,270
2025 Projected	-	-	-	2,100,000	1,732,612
2026 Projected	-	-	-	-	4,500,000
<b>Total Outstanding Balance</b>	<b>\$ 1,383,224</b>	<b>\$ 3,969,300</b>	<b>\$ 5,461,307</b>	<b>\$ 6,136,220</b>	<b>\$ 9,109,576</b>

	Future Annual Payments for Loan Debt Service				
		2023 Projected	2024 Budget	2025 Projected	2026 Projected
Prior Years - Principal		\$ 413,924	\$ 425,657	\$ 437,796	\$ 105,847
2023 Projection		-	524,836	559,984	597,486
2024 Budgeted		-	-	427,307	455,923
2025 Projected		-	-	-	367,388
2026 Projected		-	-	-	-
Interest Expense		33,253	201,050	299,924	350,531
<b>Total Principal and Interest Costs</b>		<b>\$ 447,177</b>	<b>\$ 1,151,543</b>	<b>\$ 1,725,011</b>	<b>\$ 1,877,175</b>

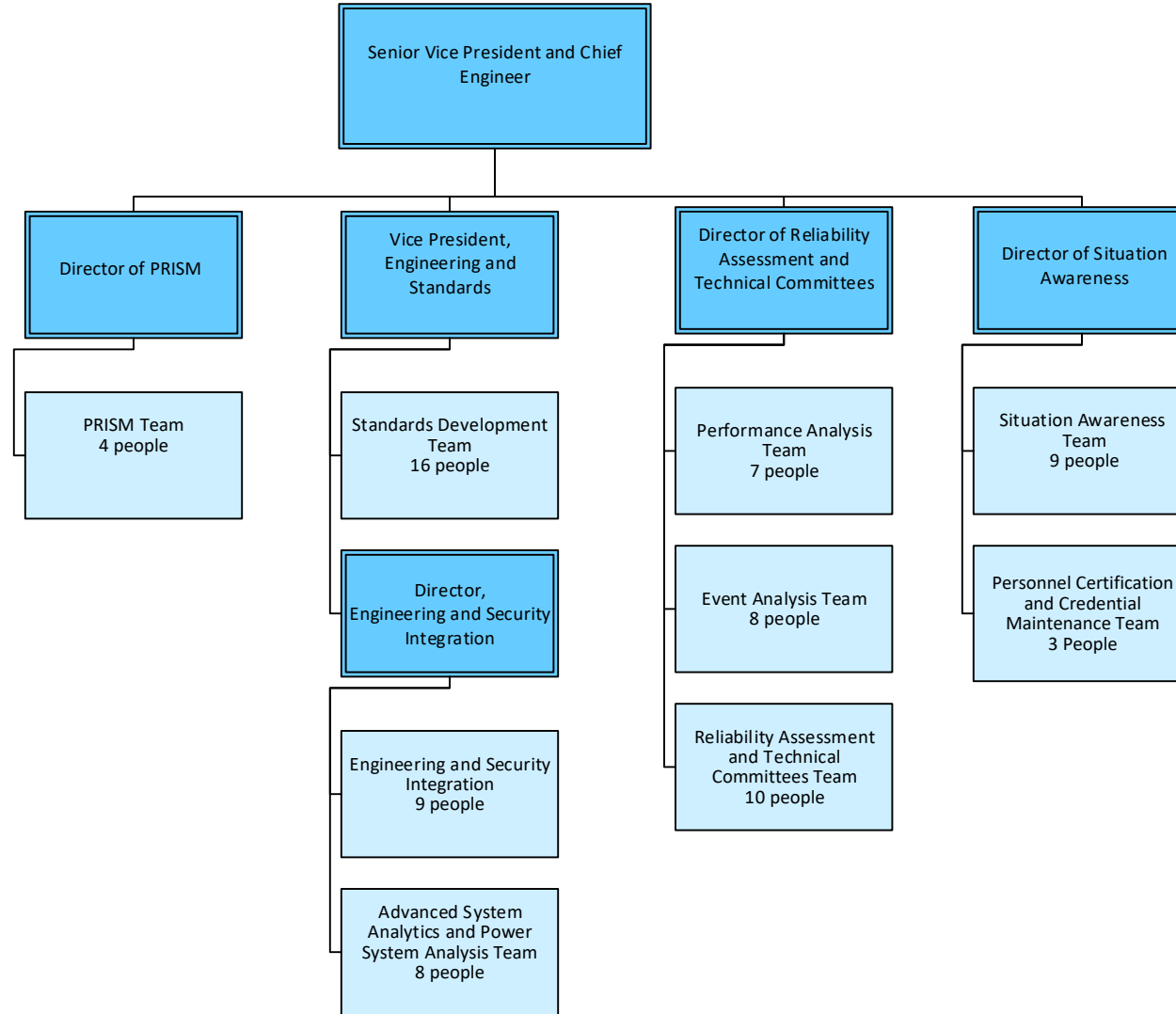
# NERC Staff Organization Chart – Budget 2024



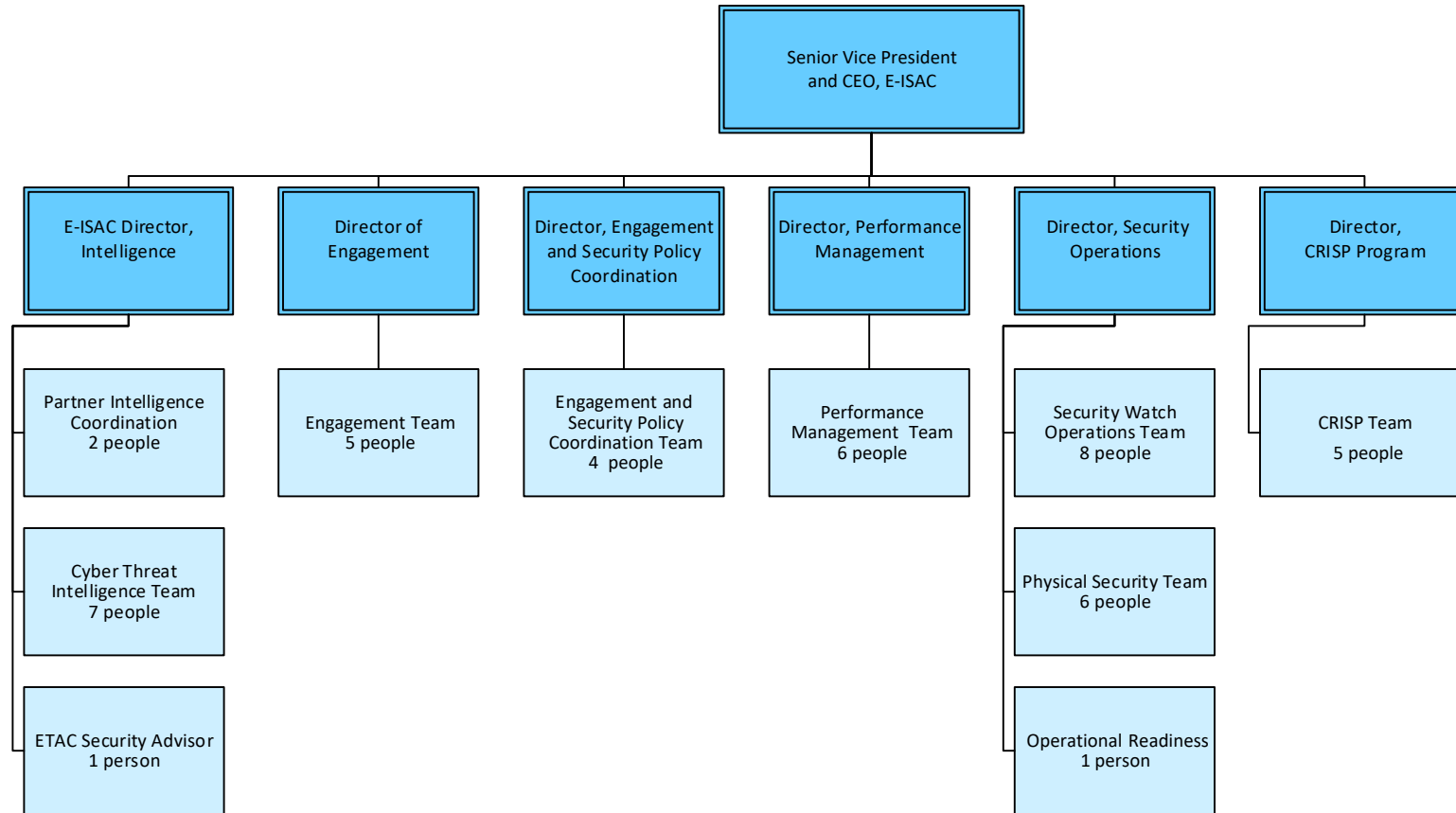
# Business Technology, Finance & Accounting, and HR & Administration



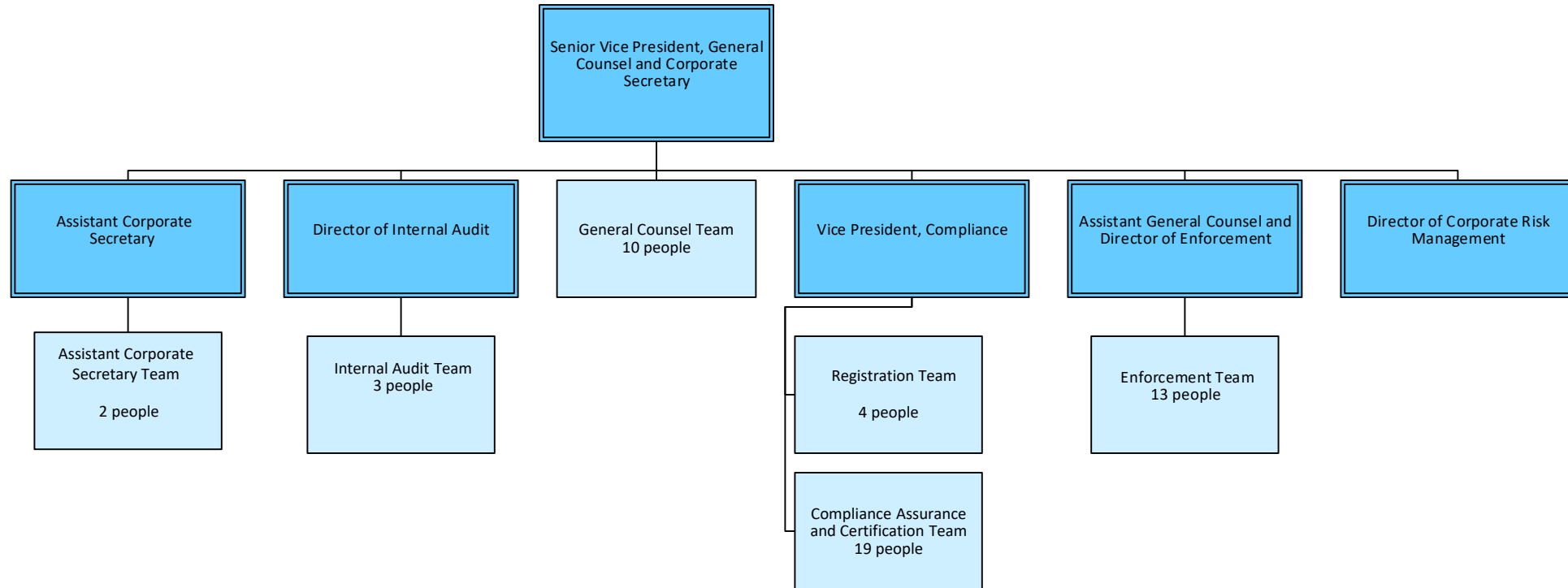
# Reliability Standards & PRISM, RAPA, Situation Awareness, and Personnel Certification and Credential Maintenance



# Electricity Information Sharing and Analysis Center



# Legal and Regulatory, Internal Audit, Corporate Risk Management, Compliance Assurance, Organization Registration and Certification, and Compliance Enforcement





# External Affairs

