- Achieving and maintaining risk-based operations

- Being more effective and efficient

- Identifying and assessing emerging risks

- Promoting leading security practices, information sharing and analysis, and resilience

- Knowledge transfer and effective communications

- Strengthening engagement across North America

- **Goal 1:** Risk-responsive Reliability Standards
- **Goal 2:** Objective, risk-informed compliance monitoring, mitigation, enforcement, and entity registration
- **Goal 3:** Reduction of known reliability risks
- **Goal 4:** Identification and assessment of emerging reliability risks
- **Goal 5:** Identification and reduction of cyber and physical security risks
- **Goal 6:** Effective and efficient ERO Enterprise operations

- Heavy investment in E-ISAC
  - Second implementation year for E-ISAC long-term strategy
- Sizeable investment in technology and tools
  - Lays the foundation for effectiveness and efficiency for the ERO Enterprise
- Keeping costs low for NERC operations outside of E-ISAC
  - Majority of NERC's budget relates to personnel
  - Proposing to eliminate five positions from non-ISAC areas

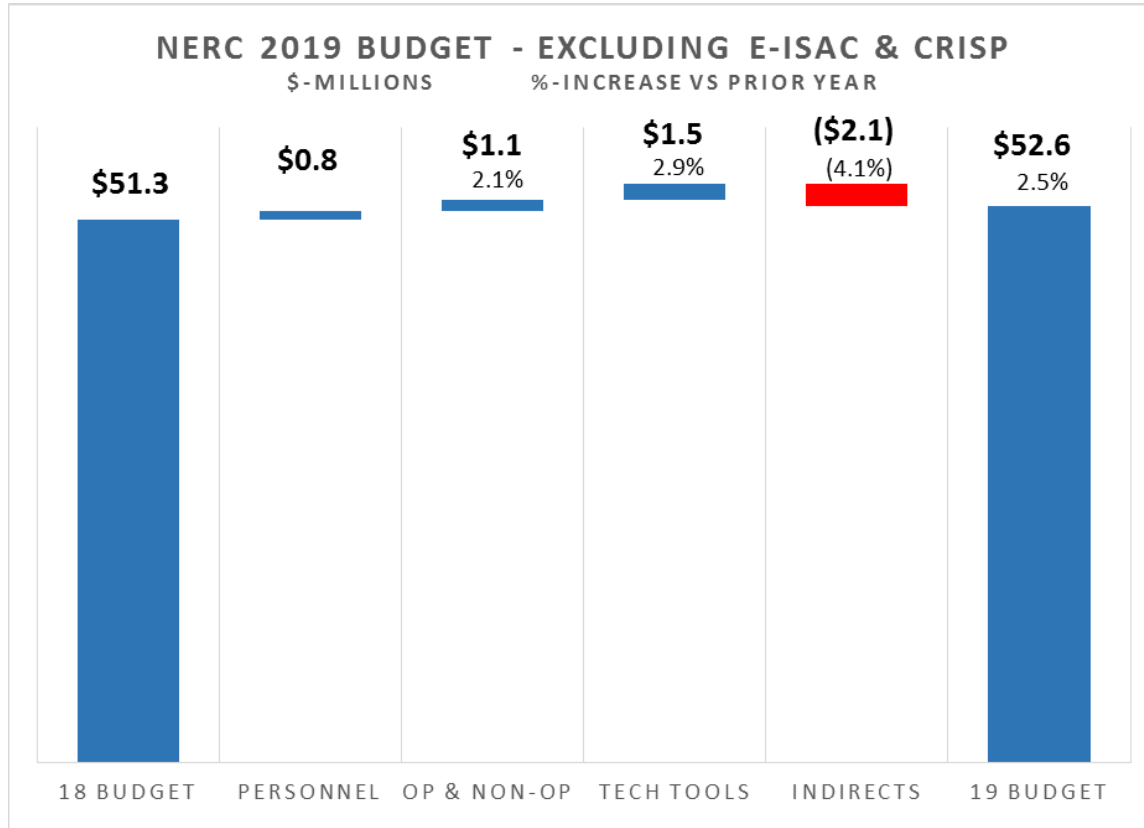**Overall budget and assessment increase unchanged from draft 1**

Budget

- 2018 total budget is $73.1M
- 2019 draft 2 budget is $80.0M
  - Prior year projection for 2019 was an increase of $5.0M (6.7%)
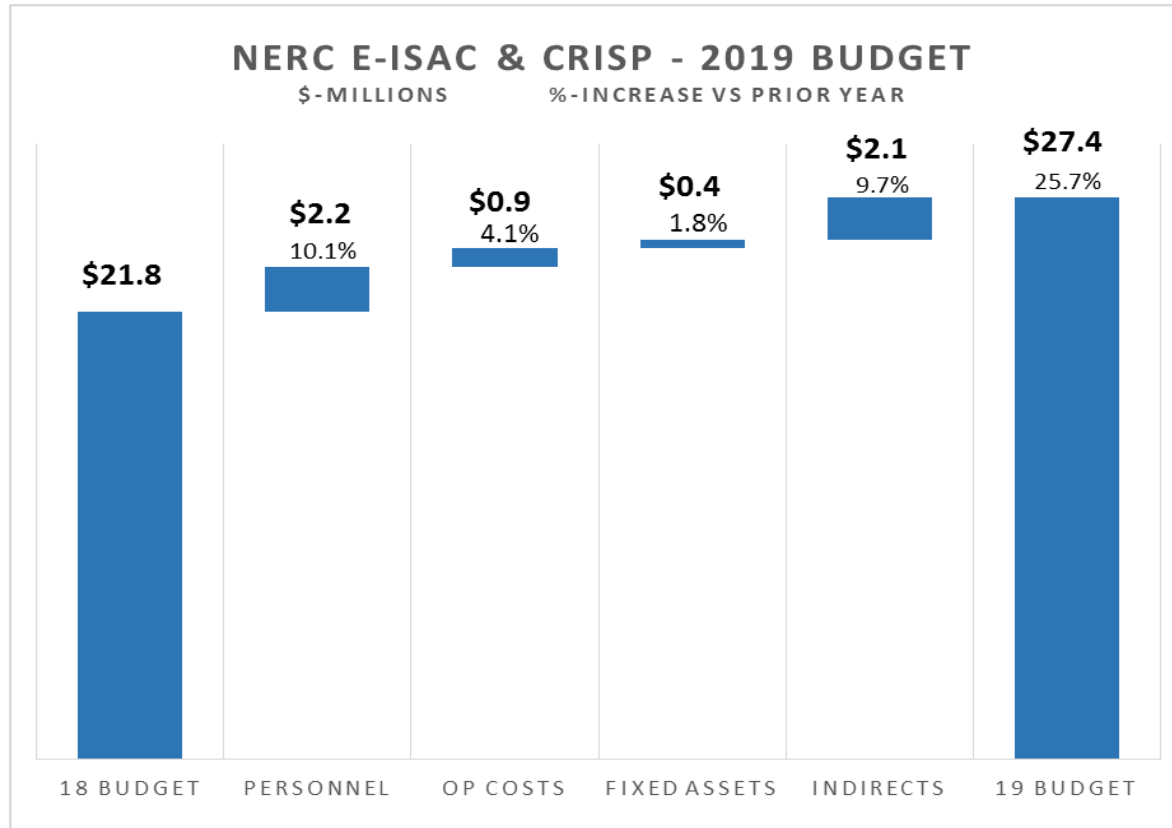 - **Draft 2 2019 budget reflects increase of $6.9M (9.5%)**

Assessments

- 2018 assessment is $62.9M
- 2019 draft 2 assessment is $69.4M
  - Prior year projection for 2019 was an increase of $5.6M (8.9%)
  - **Draft 2 2019 assessment reflects an increase of $6.5M (10.3%)**

- Budget is $52.6M, up $1.3M from $51.3M (2.5%)

NERC 2019 BUDGET - EXCLUDING E-ISAC & CRISP
$-MILLIONS   %-INCREASE VS PRIOR YEAR

18 BUDGET	PERSONNEL	OP & NON-OP	TECH TOOLS	INDIRECTS	19 BUDGET
$51.3	$0.8	$1.1 / 2.1%	$1.5 / 2.9%	($2.1) / (4.1%)	$52.6 / 2.5%

- Assessment is $49.6M (additional funding from workshop and training fees)

- Budget is $27.4M, up $5.6M from $21.8M (25.7%)
  - Second year of E-ISAC strategy accounts for $3.5M of increase

NERC E-ISAC & CRISP - 2019 BUDGET
$-MILLIONS   %-INCREASE VS PRIOR YEAR

18 BUDGET	PERSONNEL	OP COSTS	FIXED ASSETS	INDIRECTS	19 BUDGET
$21.8	$2.2 / 10.1%	$0.9 / 4.1%	$0.4 / 1.8%	$2.1 / 9.7%	$27.4 / 25.7%

- Assessment is $19.8M (additional funding from CRISP)

RELIABILITY | ACCOUNTABILITY

- For FERC and external reporting purposes, general and administrative expenses (e.g., finance, IT, and legal functions) are allocated as indirect expenses to the operating areas on a per FTE basis

- FTEs for non-ISAC areas are decreasing while E-ISAC FTEs are increasing, causing a sizeable shift in indirect expenses from the non-ISAC areas to the E-ISAC

- First draft posted for stakeholder comment May 18–June 29
- Comments received from various trade associations
- Addressed many comments with trades representatives
- Management response letter posted on July 13 includes additional information

RELIABILITY | ACCOUNTABILITY

- **Personnel**
  - Decrease of five FTEs outside of E-ISAC
  - 3.0% assumed salary increase
  - Increase in medical benefit costs
- **Compliance Monitoring and Enforcement Program (CMEP) tool**
  - Planned increase in 2019
  - Will offset future Regional Entity CMEP licenses and operating costs
- **Entity Registration and Standards tools**
  - Investment in planned solutions that have been accelerated to 2019 to complement and integrate with the CMEP tool
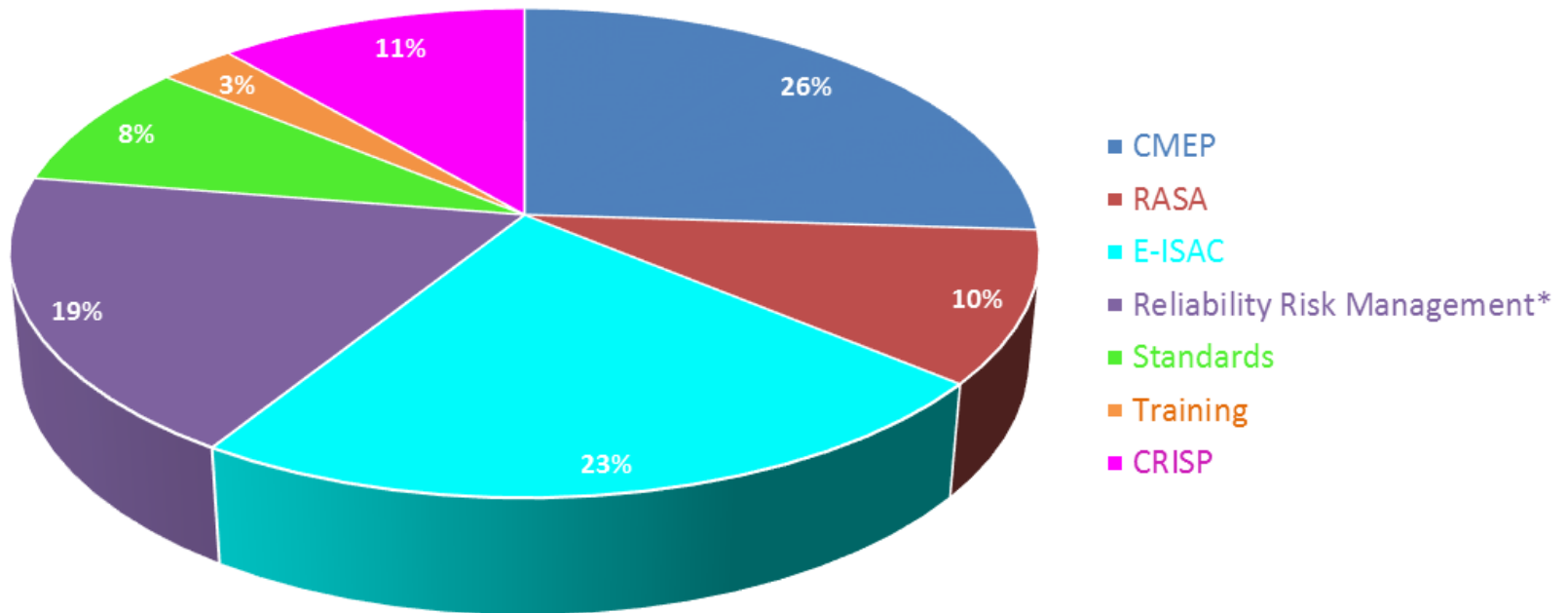
- **Situational Awareness tool (SAFNR)**

  ▪ Critical resource for NERC that provides a wide-area view to system conditions and supports GridEx

  ▪ Funded by NERC as the primary user, also benefits FERC and Regions

  ▪ Dated technology limits the ability to update underlying power system information or real-time data feeds

  ▪ Project is subject to business case approval and RFP process

    ○ $600k for upgrade is a placeholder

    ○ Approximately one-third budgeted to E-ISAC, may shift as benefits are realized

- **Second year of E-ISAC long-term strategy**
  - 11 new FTEs, primarily to support analytics
    - Original 2019 strategy called for 8 FTEs
    - E-ISAC proposes an additional 3
    - Includes FTEs/costs for support
  - Additional enhancements to new user portal
  - Additional GridEx support
  - Lease/facilities to support growth
  - Shared funding for SAFNR

RELIABILITY | ACCOUNTABILITY

NERC 2019 Budget By Program Area

- CMEP — 26%
- RASA — 10%
- E-ISAC — 23%
- Reliability Risk Management* — 19%
- Standards — 8%
- Training — 3%
- CRISP — 11%

*Includes Performance Analysis, Event Analysis, and Situation Awareness

NERC Resource Allocation to Operating Plan Goals
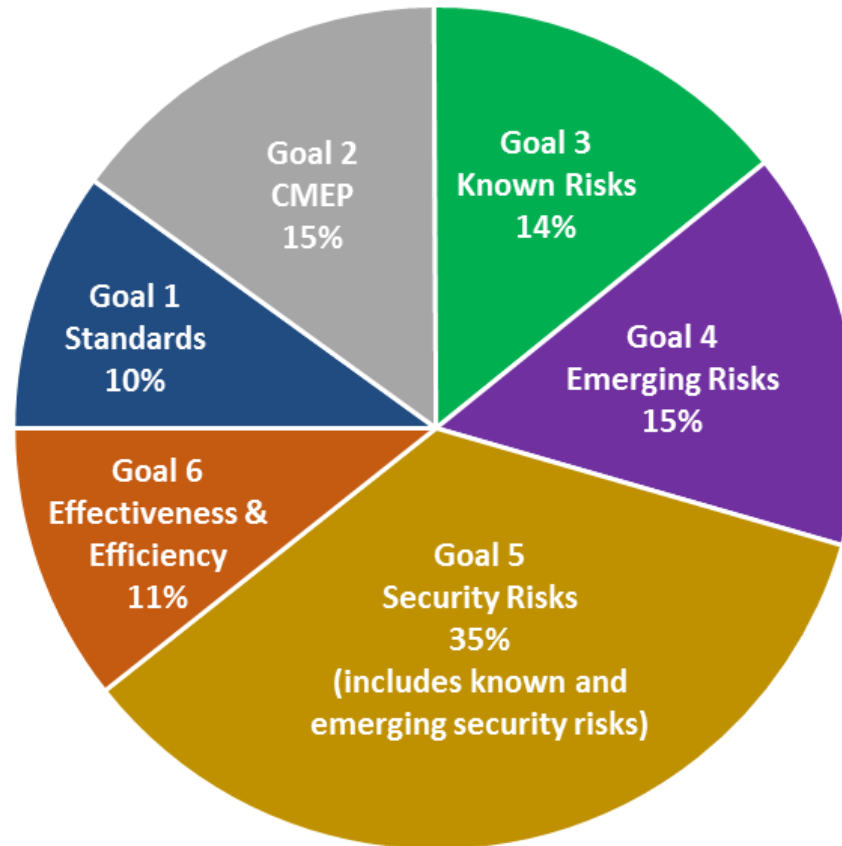
- Total assessments for NERC are $69.4M
  - 10.3% increase over 2018
  - Impacted by capital financing program and other funding (e.g., CRISP, workshop fees)

- Assessment Stabilization Reserve (ASR)
  - Recommended release of $550k results in matching budget and assessment increase of **9.5%**
  - $550k release included in draft 2, subject to Board of Trustees approval

- Total NERC assessment increase – **9.5%**
  - US average increase – **9.7%**
    - Net of $550k ASR release
  - Canada average increase – **7.4%**
    - Includes compliance credits and true-ups
  - Mexico average increase – **11.8%**

RELIABILITY | ACCOUNTABILITY

- July 31 – Comments due on draft 2
- August 8 – MRC BP&B Input Group call
- August 8 – Final BP&Bs and assessments posted on NERC website
- August 15 – FAC meeting to recommend approval of final BP&Bs
- August 16 – Board meeting to approve final BP&Bs
- August 24 – Submit BP&Bs to FERC for approval, with subsequent filings with Canadian authorities

RELIABILITY | ACCOUNTABILITY

Questions and Answers

RELIABILITY | **ACCOUNTABILITY**