

Re: Management Response to Comments on the Draft NERC 2025 Business Plan and Budget

Date: August 5, 2024

The deadline for comments on the draft NERC 2025 Business Plan and Budget (BP&B) ended on June 26, 2024. Four comment submissions were received, which are posted on [NERC's website](#). Overall, the comments received were constructive and generally supportive. Major themes of the comments included the following:

- Expressed support for the three-year planning cycle
- Concern with the rate of increases
- Request for more detail on technology investments
- Questions on the need for FTE increases

NERC appreciates the comments received and has reviewed and discussed them with the NERC Board of Trustees (Board) Finance and Audit Committee (FAC), the Member Representatives Committee (MRC) BP&B Input Group, and representatives of the Trades and Forums. While we don't see the comments driving any materials changes to the final 2025 BP&B, we value the input of our stakeholders and will continue to provide ongoing, transparent information on the progress and benefits of our investments. We'd also like to provide the following directly in response to the comments received:

- We are experiencing an absolute step-change with the complex risk environment surrounding our industry and the challenges that come with it.
- For NERC, this means an increased volume of work with more critical timelines, more complex issues requiring new capabilities and expertise, and a more diverse stakeholder base with different objectives. For example:
 - In the past, NERC created less than 9 new standards revisions a year on well understood topics. Currently, we have 33 new standards in development that are technically complex and require more collaboration with industry.
 - Today, we have approximately 1,800 registered entities and we will be adding 200-400 more non-traditional entities as a result of the inverter-based resources registration initiative.
 - Our reliability assessments will require more in-depth and expanded analysis and will include more data and analysis, like transmission capability and frequency response, to address resource adequacy.

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- The volume and sophistication of attacks continues to increase, which requires us to have the expertise to monitor, analyze, defend, and keep things running, with no tolerance for down time.
- It has become critical for NERC to ensure we have the right resources in place to address these new demands.
- We recognize the need to manage the level of budget increases, and subject to the next three-year plan (2026–2028), our preliminary projections for 2026 and 2027 show a downward trend in the rate of annual budget and assessment increases as initiatives shift from Sustainability “right-sizing” efforts to Energy and Security.
- NERC’s three-year planning process includes a rigorous prioritization and resource planning exercise, and work is underway on our next three-year plan (2026–2028). We also must acknowledge that the nature of our work is mandated and performed within the context of our statutory obligations.
- Regarding some specific comments NERC’s people and technology resources and investments:
 - Two recent hires in our technical areas have deep natural gas expertise.
 - One of NERC’s strategic focus areas for the 2023-2025 plan is Sustainability. This includes how we create a sustainable organization that is supported with a succession planning framework for assured continuity of business operations.
 - We acknowledge the comment and request for more detail on some of our technology investments, and we will be discussing the best way to make this information available and describe further how these projects will support our reliability initiatives.

NERC appreciates the comments received on the 2025 BP&B and greatly values the advisory role of the MRC BP&B Input Group and their guidance through the process. The proposed final 2025 BP&B will be posted in advance of the Board’s August 14–15, 2024, meetings as part of the material for the August 14 FAC open meeting on the NERC website.

We are all facing a moving target on priorities as the grid grows ever-more complex. Our role as the ERO is to shine the light on any challenges on the grid—now and for the future—and our focus remains on the strategic thematic areas as part of our 2023–2025 plan: **Energy, Security, Agility, and Sustainability**. We understand that cost increases are never welcomed, regardless of the benefits they may provide, and we vow to continue being good stewards for the effective and efficient use of our resources.

Sincerely,



Andy Sharp
Vice President and Chief Financial Officer