

Trade Association Policy Input for the NERC Board of Trustees April 25, 2018

On behalf of our member companies, the American Public Power Association, the Canadian Electricity Association, the Edison Electric Institute, the Electricity Consumers Resource Council, the National Rural Electric Cooperative Association, and the Transmission Access Policy Study Group (together, the “Trade Associations”) provide the following policy input for the NERC Board of Trustees (“Board”) to review in advance of the meetings in Arlington.

The Trade Associations recommend that NERC and the board seek to reduce the (non-E-ISAC) budget for 2019.

Based on past Board meetings, the Trade Associations understood that the NERC annual budget would begin to level. At the April 17, 2018 Quarterly Trades and Forums meeting, which included some of the MRC members, NERC discussed a potential 11-12% budget increase for 2019. However, at the August 2017 Ottawa Board meetings, an 8.9% increase was discussed but it was emphasized that such a large increase was unlikely. As a result, the Trade Associations are concerned by the higher potential budget increase presented in August and April, which indicate an ongoing upward trend for the annual NERC budget. We understand that NERC staff is working on reducing the budget and look forward to hearing more on this effort.

The April 11-12% budget increase includes 4-5% for the E-ISAC. Our concern here is with the remaining 6-8% for non-E-ISAC activity, which includes increased funding for base operations (e.g., personnel, meeting travel, office expansion, and the FERC ordered GMD study) and technology and tools (e.g., CMEP tool and SAFNR). We understand that NERC is trying to retain qualified staff as well as better understand, predict, and address reliability and security. Registered Entities face the same challenges, which are heightened by declining industry revenues and customer’s interest in lower costs.¹ For Registered Entities to be effective and efficient, they must prioritize their investments, which includes deferring lower priority activities and cutting back on expenditures such as personnel, travel, and technology. This is not an easy task. We encourage the Board to work with NERC staff and the MRC to seek efficiencies and clearly communicate to industry stakeholders in forthcoming budget documents what work is needed, what work can be deferred, leverage their input as appropriate, and continue to advance the efficiency and effectiveness of the ERO through activities such as the effectiveness framework for stakeholder committee engagement.

We look forward to a meaningful discussion among the MRC sectors at the Arlington meeting.

¹ *ERO Enterprise Long-Term Strategy* at 2 (November 2017).