

NERC 2022 Business Plan and Budget (First Draft) Comments of the Canadian Electricity Association

I. Introduction

The Canadian Electricity Association (“CEA”) appreciates this opportunity to provide comments on the first draft of NERC’s 2022 Business Plan and Budget (“Draft NERC Budget”).

As the voice of the electricity sector in Canada, CEA remains an advocate of NERC’s international standard-setting model. In line with CEA members’ support for this model, CEA offers these comments in the spirit of helping to ensure NERC’s success.

II. Comments

NERC Budget Overall

The Draft NERC Budget for 2022 is \$88.7M, a 7.0% increase from 2021. Assessments are expected to increase 9.9% from 2021.

CEA recognizes that the majority of increases are aimed at addressing the highly challenging and evolving reliability and security environment. This includes increased cyber security and supply chain challenges, more extreme weather, an evolving resource mix, and new technologies.

CEA is supportive of a budget that allows NERC to ensure its activities can effectively address emerging and priority reliability and security challenges in support of a secure and reliable North American grid.

At the same time, CEA continues to encourage NERC to seek opportunities to achieve budget stabilization and to minimize annual budget increases, when possible, through ongoing increases in efficiency, prioritization, and cost-effectiveness efforts. This would ensure that operations are more aligned with regulatory and fiscal realities faced by electric utilities.

We understand that this is not an easy task. Ratepayers, regulators and governmental authorities expect the electricity sector to have the highest level of fiscal discipline. This is while the industry must adapt to sector transformations, ensure secure and reliable operations, and achieve policy and regulatory imperatives. Furthermore, this takes place in the context of the limited ability of utilities to flow through NERC costs to ratepayers.

Opportunities

First, reliability and security challenges will likely continue to evolve and emerge at a fast pace. CEA encourages NERC to continue to examine how its overall programming and structure can become more adaptable to be able to effectively address challenges as they arise and evolve. This can help ensure that the NERC budget and operations are not only more sustainable in the longer-term, but that NERC programming is more resilient and nimbler in the face of a rapidly progressing reliability and security issues. This could also allow NERC to have longer term (ie. 3 year) budget planning cycles. The creation of the RSTC is a good example of an effort to do this.

Second, as NERC looks to address new or emerging issues, it is also important to keep examining other programs and investments to determine if they continue to have value or are done in the most efficient way. Efforts like the standards efficiency review show why it is useful to ensure a culture of continuous questioning and improvement. This continuous questioning and improvement culture should extend to, or be enhanced in, all NERC programs, possibly with increased stakeholder participation. The BP&B Input Group could be tasked with this effort, with Board Finance and Audit Committee oversight. Through this, we can ensure resources are being deployed for the highest impact activities.

Third, CEA would encourage NERC and the E-ISAC to continue to provide better evidence that the investments that the industry, via NERC, makes are providing tangible results and have corresponding value. This could be done through metrics or other reporting actions. More clearly and directly demonstrating how investments align with reliability and security outcomes can help to not only better justify spending, but also to help us determine if actions have optimal effects.

Fourth, CEA encourages NERC to continue to leverage partnerships with others in the reliability and security space and to avoid duplication of efforts. This includes determining if some activities are better suited for other organizations like the North American Transmission Forum, or continuing to action meaningful cooperation with government partners.

Overall, CEA is supportive of investments and resources to address identified reliability and security issues clearly and effectively. CEA also encourages NERC to continue to establish a culture of constant improvement in regard to prioritization, productivity, and value. It equally encourages NERC to develop metrics to assess value provided and demonstrate improvements.

E-ISAC

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CEA would note that the majority of the budget increases relate to the E-ISAC. Given the major security disruptions and evolutions that we have witnessed recently, CEA understands that budget increases are aimed at improving our collective security and resilience.

CEA and its members have long urged NERC to continue to improve the value proposition of the E-ISAC for all stakeholders, including Canadians, while also ensuring cost-effective and efficient E-ISAC operations. We have appreciated the efforts to this thus far.

Given both the increases in budget and the security challenges we collectively face, it is more important than ever that NERC and the E-ISAC continue engaging with stakeholders to ensure that the full value of the E-ISAC is realized for all entities, and that its activities have corresponding value.

CEA would also encourage NERC to continue its efforts to leverage capabilities already available from other agencies or partners (such as the Canadian Centre for Cyber Security).

CEA trusts that the issues outlined in this letter will be given due and fair consideration.

Dated: June 18, 2021

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