Message

From: Tam Wagner [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=70AD853871354761A98848DE59C4C792-TAM WAGNER]
Sent: 2017-06-23 1:31:35 PM
To: Hanna Smith [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=f635b7ca1e924e76b641a64f40fcb20b-Hanna Smith]
Subject: Re: Follow-up: IESO Letter on Draft 1 of NERC Budget

Hi Hanna:

I discussed this with Mike and as the CEA's comments are consistent with our views, let's prepare a letter endorsing the CEA's submission. We can draw on some of the Ontario specific focus of this as well - for example, the significant steps taken so far to decrease electricity ratepayer costs (Ontario Fair Hydro Plan).

Mike will sign the letter so if we can have something ready for his review and signature by Wednesday mid-day, that would be great (Mike and I are off on Friday).

Let me know if you have any questions or concerns with the timing. Enjoy the rest of your vacation!

Cheers,
-Tam-

Sent from my BlackBerry 10 smartphone on the Bell network.

From: Hanna Smith
Sent: Friday, June 23, 2017 10:25 AM
To: Tam Wagner
Subject: Follow-up: IESO Letter on Draft 1 of NERC Budget

Good morning Tam,

Following up on this request from last week – do you know if a decision been made yet as to whether the IESO will be submitting its own comments on draft 1 of the NERC Budget as in past years? The deadline for comments is a week today. If we do proceed with comments, I'd like to make sure we have enough time to complete the letter and circulate it for the necessary approvals.

The CEA issued their draft letter for the RDTG's review this morning (see text copied at the bottom of this email).

Although I haven't seen the SRC's full comments, Ben Li noted the following:

> *SRC has drafted comments to suggest NERC to scale back its effort in reviewing and updating reliability standards now that the entire set has gradually reached a "steady state", and to not develop an interconnection-wide short-circuit models since such a model will have limited value to individual entities needing to evaluate short circuit levels for either breaker rating comparison or contingency simulation (as they are mostly evaluated on a more "local" basis. Bruce Campbell and Peter Gregg are aware of the SRC's effort, although the current draft comments have not been shared with them (or any IRC CEOs).*

Please let me know if you'd like further info.

Thank you,
Hanna
(905) 467-4379

CEA Draft Comments (issued for RDTG member comment on June 23)

NERC's Draft Budget proposes an annual budget increase of 2.5%, or 5.1% with the inclusion of the proposed actions to implement the 2018 E-ISAC Strategic Additions. This reflects a continuation of the pattern of considerable annual NERC budget increases.

With NERC forecasting an annual budget increase of 3.9% in 2019, and 2.1% in 2020, this trend looks set to continue. Canadian stakeholders continue to question the sustainability of annual increases well above the rate of inflation. CEA worries that this concern is not being adequately reflected in NERC's budget planning process.

As stated in previous years, with NERC in a state of maturity CEA believes that annual budget increases should be in a lower or flatter range than what is consistently being proposed. Also, as stated in previous years, these annual budget increases are inconsistent with the fiscal and regulatory realities faced by electric utilities. Ratepayers, regulators, and governmental authorities continue to expect rigorous fiscal discipline by the utility industry.

CEA strongly urges NERC to act to adapt to this reality, and to achieve a funding trajectory that aligns with both economic realities and stakeholder expectations. CEA further wishes to see more compelling and evident signs that NERC is putting serious consideration into achieving, where appropriate, budgetary stabilization, efficiencies and savings.

The new schedule for updating the RISC report and NERC's operating plan, along with the development and integration of a long-term strategy into NERC's strategic planning process, is an opportunity to better align risk identification and long-term budget planning. Having a more long-term view of operating needs based on current and future risk, and on strategic goals, is an opportunity for NERC to better prioritize budgetary expenditures to ensure they are made in the most effective and efficient manner possible, and to achieve lasting efficiencies and savings.

From: Hanna Smith
Sent: June 16, 2017 3:14 PM
To: Tam Wagner
Subject: Request for Comment: IESO Letter on NERC Budget (draft 1)

Hi Tam,

Please let me know if you think it would be a good idea for the IESO to submit comments on the first draft of NERC's 2018 budget and business plan. They are due by June 30. Here are the highlights of the budget:

- Combined expense and capital budget is approximately $71.4M, an increase of approximately $1.8M (2.5%) from the 2017 budget
- Total expenses are increasing approximately $2.4M (3.5%) over 2017.
- Total capital budget, excluding depreciation, is approximately $3.7M, a decrease of $696k from 2017
- The proposed 2018 assessment is approximately $61.8M, an increase of $1.9M (3.3%) from 2017
  - This does not contain a proposed release of funds from the Assessment Stabilization Reserve to reduce 2018 assessments, which would reduce U.S. assessments but not Canadian or Mexican assessments
- The proposed increases for the E-ISAC strategy are significant – an increase to NERC assessments of 6.1%, versus 3.1% without the E-ISAC increase
  - Mike Yealland calculated that an increase of 6.1% to the 2017 IESO assessment of $1,212,894 would correspond to $74k (USD)
  - David D. confirmed with David B. that he thinks we shouldn't dispute the E-ISAC increases to demonstrate that we're a team player on Security (see attached email)

* *We don't yet know what the IESO's 2018 NERC assessment will be – registered entity assessments are typically released with the final budget in early August*

- It's unclear what costs related to the geomagnetic disturbances analysis project, expected to be introduced later this year, will add to the budget
    - NERC released a GMD Research Work Plan on June 5 that estimated a project cost of $3 million to $3.5 over a minimum 3-year period

Attached for reference are the letters on the first draft of the NERC budgets from the past two years. We could continue with the same approach of expressing concern for the rising costs and recommending that NERC aim to reduce costs in lesser-priority areas.

Hanna
(416) 969-6213