

# **WIRAB Comments on the Peak Reliability 2016 Business Plan and Budget**

May 14, 2015

The Western Interconnection Regional Advisory Body (“WIRAB”) appreciates the opportunity to comment on the proposed 2016 Business Plan and Budget for Peak Reliability (“Peak”).

WIRAB was created by Western Governors under Section 215 of the Federal Power Act. Members of WIRAB represent the Governors of 14 western states, the Canadian provinces of Alberta and British Columbia, and Mexico. WIRAB is charged to advise the North American Electricity Council (“NERC”), the Federal Energy Regulatory Commission (“FERC”), and the Western Electricity Coordinating Council (“WECC”) on whether proposed reliability standards and the governance and budgets of WECC are in the public interest. FERC has encouraged WIRAB to provide similar advice regarding the governance and budgets of Peak.

WIRAB recommends that Peak make three adjustments to its proposed budgets for 2016:

1. Although WIRAB supports the inclusion of the additional FTE in the Finance and Accounting section in the Peak budget that will be used under alternative funding, this position is inappropriate for purposes of Section 215 funding and Peak should remove the costs from the budget submitted to NERC. This position is being added to handle the increased accounting activities associated with the transition to an alternative funding arrangement. The cost increase associated with the new funding agreement would not be incurred if Peak remained on Section 215 funding and is therefore inappropriately included in Peak’s budget submitted to NERC.
2. Peak should include \$50,000 of additional reserves in its budget that will be used under alternative funding as a contingency for emergent issues such as new standards, new legislation, and new technology. Peak noted the lack of reserves for this purpose in the second version its 2016 Budget Proposal dated April 3, 2015. Peak should initiate a member and stakeholder discussion of the appropriate use and level of financial reserves prior to the development of its 2017 budget.
3. Peak should include the revenues and expenses of the Peak Reliability Synchrophasor Project (PRSP) grant from the U.S. Department of Energy when the grant agreement is final.

WIRAB also recommends specific additions to Peak’s 2016 Business Plan in three key areas:

## **1. Situational Awareness and Infrastructure Security Program:**

The following bullet should be added to the SAIS Program’s 2016 Goals and Key Deliverables:

- Peak will post monthly progress reports on the implementation of the Enhanced Curtailment Calculator (ECC) on its website for member and stakeholder review.

The cost of implementing the ECC was previously budgeted in 2014 and 2015. When major projects are behind schedule or over budget, Peak should develop a process for informing members and stakeholders of the steps it is taking to get the project back on track. Peak should also explain the reasons for project delays or cost overruns in its annual Business Plan and Budget.

## **2. General and Administrative Section:**

The following bullets should be added to the General and Administrative section's 2016 Goals and Key Deliverables:

- Peak will track the services provided by the dedicated membership services position and demonstrate that these services improve the reliability of the Western Interconnection prior to including this position in its 2017 statutory budget.
- Peak will track its cost of responding to WECC data requests, work to automate its response process, and work with WECC to standardize requests to more cost-effectively provide the requested data.

The duties of the additional FTE dedicated to membership services are not well specified in the 2016 Business Plan. Peak should monitor and track the services provided by this position in 2016 and demonstrate how these services improve the reliability of the Western Interconnection prior to funding this position in 2017.

Peak has appropriately included \$25,000 in Consultants and Contracts to respond to WECC data requests. However, Peak should track its actual cost of responding to WECC data requests. Peak should also work to automate its response process and work with WECC to standardize data requests.

## **3. Non-Statutory Business Plan and Budget:**

The detail provided in Peak's Non-Statutory Business Plan and Budget is insufficient to provide members and stakeholders with a complete 2016 financial picture of Peak. New services, in various stages of development, are expected to begin in 2016 and are the primary driver of the significant increase in FTEs and operating expenses. Peak should provide a description of the new services and of the key financial assumptions underlying the revenue and expense projections in the non-statutory budget. Without this information it is impossible to assess the financial risk that these new services and key assumptions pose to the 2016 statutory budget and assessment.

We conclude by looking ahead to the development of Peak's 2017 budget. WIRAB recommends that Peak initiate a member and stakeholder discussion of the appropriate uses and level of financial reserves prior to the development of its 2017 budget. The current proposed budget does

not include any reserves for contingencies or emergent issues such as new standards or new technologies. The lack of a contingency policy seems inappropriate given the rapidly changing resource mix in the Western Interconnection, which could lead to new or modified standards, and Peak's heavy reliance on technology.