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WIRAB Advice on the WECC 2022 Business Plan and Budget

June 1, 2021

Introduction:

The Western Interconnection Regional Advisory Body (WIRAB) appreciates the opportunity to provide advice on WECC's proposed 2022 Business Plan and Budget (BP&B). WIRAB was created by the Federal Energy Regulatory Commission (FERC), upon petition of Western Governors and in accordance with Section 215(j) of the Federal Power Act. WIRAB is charged with advising FERC, WECC, and the North American Electric Reliability Corporation (NERC) on whether proposed Reliability Standards, governance, and budgets of the Western Regional Entity (i.e., WECC) are reasonable and in the public interest.

WIRAB has reviewed WECC's proposed 2022 Business Plan and Budget and finds the budget and assessment to be reasonable and in the public interest.

WECC's proposed 2022 BP&B provides sufficient funding for the organization to fulfill its delegated function and its mission to effectively and efficiently mitigate risks to the reliability and security of the Western Interconnection Bulk Power System. WECC's proposed statutory budget for 2022 is \$29.7 million, \$1.1 million (4.0 percent) higher than WECC's 2021 statutory budget. The statutory assessment proposed for 2022 remains flat from 2021 at \$25.0 million.

WECC's line-item budget outlines three major drivers for the budget increase, which include:

- (1) an increase of \$1.417 million in personnel expenses (primarily due to an addition of 4.0 FTE to WECC's overall FTE count, a budgeted 3-percent merit pool increase, and other adjustments);
- (2) a decrease of \$501,000 in meeting expenses due to a planned increase in virtual meetings; and
- (3) an increase of \$181,000 in office expenses primarily for subscription-based computer licensing and security tools.

WECC's funding projections for 2022 include:

- (1) Statutory Assessments: \$25.0 million
- (2) Penalty Sanctions: \$2.8 million
- (3) Workshop & Miscellaneous fees: \$195,000
- (4) Interest: \$110,000
- (5) Reserves: \$1.6 million
- (6) Peak Donation Reserves: \$400,000

Comments and Recommendations:

WIRAB provides the following comments and recommendations regarding WECC's 2022 BP&B:

1. WIRAB supports WECC's proposed addition of 5 FTE to the Compliance Monitoring and Enforcement Program (CMEP).

The ongoing transformation of the western grid is creating challenges for grid planners, operators, security experts, and WECC, whose mission is "to effectively and efficiently mitigate risks to the reliability and security of the Western Interconnection's bulk power system (BPS), while carrying out the responsibilities of the Regional Entity."

WECC's CMEP staff conducts monitoring and enforcement activities to ensure that Registered Entities are operating in compliance with mandatory FERC-approved NERC Reliability Standards. This work is essential to WECC's mission, but as the system continues to evolve, WECC's needs, and priorities, are also necessarily changing. Accordingly, WECC proposes to add three FTE and transfer an additional two FTE to the CMEP. These additional five FTEs will serve to increase staff competency, efforts, and engagement with respect to, among other things, planning and protections systems; operations and planning standards; registered entity internal controls design, implementation, and assistance; entity risk assessments; and critical infrastructure protection (CIP) standards.

This increased staffing level in the CMEP is needed to ensure adequate oversight of Registered Entities. Therefore, WIRAB supports WECC's proposed addition of five FTE to the CMEP and commends WECC's effort to look internally for staffing efficiencies before adding to the overall FTE count.

2. WIRAB supports WECC's proposed increase of 1 FTE to the Legal and Regulatory Program External Affairs Department.

Timely and effective stakeholder engagement is essential to WECC's mission. Together, WECC's External Affairs, Communications and Training, and Outreach departments form WECC's Strategic Engagement group. Among other things, this group focuses on increasing the effectiveness of WECC's engagement with stakeholders; stakeholders that include WECC members, regulators, policymakers, legislators, consumer advocates, NGOs, and industry from across the Western Interconnection, as well as WECC's advisory bodies (i.e., WIRAB and WECC's Member Advisory Committee (MAC)). WECC's Strategic Engagement Group is also focused on producing and disseminating high-quality analysis pertaining to reliability and security topics of interest and sharing important findings with decision-makers across the Western Interconnection. This outreach and the timely dissemination of key findings and recommendations included in WECC's reliability assessments is directly aligned with WECC's social welfare mission and role of being an impartial and unbiased voice for mitigating risks to the reliability and security of the Western Interconnection.

In order to expand stakeholder outreach and education efforts across the West, WECC proposes to add one external affairs position to the Legal and Regulatory Program. WIRAB recognizes the importance of these efforts and supports WECC's proposed increase of one FTE in the External Affairs department.

3. WIRAB recommends that WECC add a description of the Peak donation—and WECC's proposed process to engage stakeholders in an effort to identify the best use(s) of those funds—in the proposed 2022 BP&B.

In 2020, Peak Reliability ceased operations and donated the financial reserves (approximately \$3.8 million) remaining from its Reliability Services activities to WECC. This money was collected to improve Peak Reliability Services focused on maintaining the reliability of real-time operations in the Western Interconnection. As noted above and in WECC's proposed 2022 BP&B, WECC plans to use \$400,000 of the Peak Reliability donation to cover various expenses in 2022.

WIRAB has suggested that WECC use the Peak donation to continue to fund reliability improvements at WECC for the benefit of the Western Interconnection. WECC is now taking steps to establish a process to determine how to use the Peak donation—developing a strategy, themes, and project proposals—and will solicit stakeholder input on how best to spend the Peak money. WIRAB recommends that WECC add a description of the Peak donation—and WECC's proposed process to engage stakeholders in an effort to identify the best use(s) of those funds—in the proposed 2022 BP&B.

WECC stakeholders are uniquely situated to help identify incremental projects to improve bulk electric system reliability and security throughout the West. WIRAB commends this effort and supports WECC's proposal to engage stakeholders in identifying the best use of funds donated by Peak Reliability.

4. WIRAB supports WECC's proposed budget and statutory assessment for 2022.

As noted above, WECC's mission is to effectively and efficiently reduce risks to the reliability and security of the bulk power system, while also carrying out its responsibilities as Regional Entity for the Western Interconnection. WIRAB has reviewed WECC's proposed 2022 BP&B to ensure the organization will have the financial resources necessary to fulfill this mission. WIRAB believes that the proposed 2022 BP&B includes the funding necessary to support WECC in the performance of its Regional Entity obligations, allocating sufficient resources to the organization's primary statutory program areas, which include WECC's Reliability Assessment and Performance Analysis; Reliability Standards; Compliance Monitoring and Enforcement and Organization; Registration and Certification; Training and Outreach; and Situational Awareness and Infrastructure Security program areas.

WIRAB also believes that the proposed BP&B includes sufficient funding to ensure WECC's ability to identify and address unique risks to the Western Interconnection's bulk power system. In 2020, WECC Board of Directors adopted a new set of Reliability Risk Priorities to guide the organization to mitigate risks to the Western Interconnection. The WECC Reliability

Risk Priorities include:

- Resource Adequacy and Performance
- Changing Resource Mix
- Distribution System and Customer Load Impacts on the BPS
- Extreme Natural Events

WIRAB supports these important efforts. WECC's proposed 2022 BP&B includes sufficient funding to support the organization in the performance of its statutory obligations, including its efforts to address the Board's identified Reliability Risk Priorities. Therefore, WIRAB supports WECC's proposed budget and statutory assessment for 2022.

Advice:

Following review, WIRAB finds the proposed statutory budget and assessment for 2022 to be in the public interest and recommends that the WECC Board approve WECC's 2022 Business Plan and Budget and Assessment.