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WIRAB Advice on the WECC 2025 Business Plan and Budget

May 17, 2024

Introduction:

The Western Interconnection Regional Advisory Body (WIRAB) appreciates the opportunity to provide advice on WECC's proposed 2025 Business Plan and Budget (BP&B). Established by the Federal Energy Regulatory Commission (FERC) at the request of Western Governors under Section 215(j) of the Federal Power Act, WIRAB's mandate includes advising FERC, WECC, and the North American Electric Reliability Corporation (NERC) on whether Reliability Standards, governance, fees, and other reliability matters proposed within the western region are reasonable and in the public interest.

The purpose of WECC's proposed 2025 BP&B is to allocate funding to enable the organization to fulfill its statutory responsibilities and its mission to effectively manage risks to the reliability and security of the Western Interconnection. With a proposed statutory budget of \$39.716 million for 2025, representing a 12.2 percent increase over the 2024 budget, WECC aims to address emerging challenges and bolster its operational capabilities.

Notably, the proposed statutory assessment to Load Serving Entities (LSEs) for 2025 is set at \$34.0 million, marking a significant 36 percent increase from 2024. Unlike previous years, where penalty sanctions from Reliability Standard violations offset these assessments, 2025 anticipates no penalty dollars to mitigate the burden on LSEs. This marks one of the only times penalties have not been levied in a budget year since the enforcement of mandatory reliability standards.

Key drivers behind the statutory budget increase, as outlined in WECC's line-item budget, include:

- (1) **Personnel Expenses:** A \$2.618 million increase primarily attributed to the addition of 7.0 Full-Time Equivalent (FTEs), along with budgeted merit and equity pools, and adjustments for labor, taxes, and benefits.
- (2) **Transmission Planning Project:** A \$1.5 million increase allocated to a collaborative transmission planning project with WPP and WestTEC to address evolving infrastructure needs.
- (3) **Travel Costs:** A \$313,000 increase driven by a distributed workforce, increased FTEs, inflationary travel expenses, and on-site requirements for oversight activities.
- (4) **Meeting Expenses:** A \$30,000 increase reflecting rising costs associated with organizational meetings due to inflation.
- (5) **IT Consulting Projects:** A \$303,000 decrease due to the completion of projects in preceding years.
- (6) **Software Licenses:** A \$229,000 increase due to escalation in software maintenance and licensing.

- (7) **Board Compensation:** A \$68,000 increase due to MAC approved Board compensation.
- (8) **Indirect Costs Allocation:** A \$168,000 decrease attributed to more indirect costs being allocated to non-statutory programs.

Additional changes contribute to an approximate \$54,000 overall increase in the statutory budget.

WECC's statutory funding projections for 2025 include:

- (1) Statutory Assessments: \$34,000,000
- (2) Penalty Sanctions to be released: \$0
- (3) Workshop & Miscellaneous fees: \$532,500
- (4) Interest: \$1,000,000
- (5) Peak Donation Reserves: \$1,500,000
- (6) Reserves: \$2,728,000

Comments and Recommendations:

WIRAB provides the following comments and recommendations regarding WECC's 2025 BP&B:

- 1. WIRAB supports WECC's proposal to augment the Compliance Monitoring and Enforcement Program (CMEP) by adding 4.0 FTEs. This strategic increase in staffing is essential to ensure that the program area can effectively address the growing workload associated with CMEP activities.**

The CMEP team at WECC plays a pivotal role in monitoring and enforcing compliance with mandatory FERC-approved NERC Reliability Standards among Registered Entities. With responsibility for overseeing over 400 registered owners, operators, and users of the Bulk Electric System (BES), the CMEP's work is paramount to fulfilling WECC's mission. However, as the industry landscape evolves, so do WECC's needs and priorities, necessitating adjustments to meet the demands of the sector.

WECC has observed a continuous uptick in entity registrations, primarily driven by Reliability Standard changes targeting inverter-based resources. In response to this trend, WECC proposes to bolster the CMEP by adding 4.0 FTEs. These additions include an enforcement engineer and an enforcement attorney to enhance bench strength, reduce the backlog in enforcement inventory, and manage the increased workload stemming from the self-logging program. Additionally, a compliance program coordinator is proposed to support the escalating workload associated with increased registrations and heightened expectations of the CMEP. A registration and certification manager also will be appointed to oversee the registration and certification staff as a dedicated team within the oversight planning group, reflecting the burgeoning workload in this domain.

In recent years, WECC has made concerted efforts to enhance staffing and expertise within the CMEP. These endeavors have resulted in increased staff competency and engagement across various areas, including operations and planning standards, critical infrastructure protection (CIP) standards, internal controls design and implementation for registered

entities, self-logging programs, proactive engagement, training, and entity risk assessments.

Given the escalating complexity of the dynamic grid landscape and compliance programs, adequate staffing within the CMEP is imperative to ensure robust oversight of Registered Entities. Furthermore, WECC's proactive engagement and risk-based compliance approach necessitates a team of skilled staff members capable of assisting registered entities in navigating reliability challenges, thereby mitigating overall system risk within the Western Interconnection.

In light of these considerations, WIRAB supports WECC's proposal to add 4.0 FTEs to the CMEP. Recognizing the pressure that the additional workload will place on this program area, WIRAB acknowledges the importance of these regulatory changes and stands behind WECC's proactive measures to bolster its compliance monitoring and enforcement capabilities.

2. WIRAB supports WECC's initiative to strengthen its Reliability Assessment and Performance Analysis (RAPA) program area by adding 1.0 FTE with specialized expertise in electromagnetic transient (EMT) modeling.

The RAPA department at WECC plays a pivotal role in conducting a diverse array of studies and assessments crucial for the reliable planning and operation of the Bulk Electric System (BES) in the Western Interconnection. Collaborating closely with stakeholders, WECC RAPA staff strategizes to identify and mitigate potential risks to the system. Through a range of assessments, analyses, and studies, they provide invaluable insights essential for the reliable functioning of the BPS in the Western Interconnection. Moreover, by compiling and disseminating data and information, RAPA staff supports regional and local planning efforts, ultimately enhancing the region's overall ability to evaluate and address reliability risks.

In the 2025 BP&B, the request for an additional FTE in the RAPA program area reflects the organization's proactive response to the evolving landscape of resource changes impacting reliability. The accelerated pace of these changes underscores the need for sophisticated models and analytics. Particularly, as inverter-based resources become increasingly prevalent, the development of enhanced models, including EMT modeling, becomes imperative to uphold BPS reliability. Therefore, WECC's pursuit of an additional FTE with specialized expertise in EMT modeling is well-founded.

WIRAB has consistently championed WECC's endeavors to enhance assessments affecting the reliable operation of the bulk power system. By investing in improved models, WECC not only strengthens its own assessment capabilities but also delivers significant value to stakeholders across the West. These advanced models serve as invaluable tools for enhancing assessments and are instrumental in fostering collaboration and knowledge-sharing among stakeholders.

In light of these considerations, WIRAB believes WECC adequately justified the request to augment the RAPA program area with 1.0 FTE specializing in electromagnetic transient modeling. This strategic investment will undoubtedly fortify WECC's ability to conduct robust assessments and contribute to the continued reliability of the Western Interconnection.

- 3. WIRAB supports WECC's proposed addition of 1.0 FTE to its Training and Outreach program area as it will enable WECC to stay abreast of emerging policy issues and respond effectively to policy drivers, strengthening its connection with policymakers and addressing potential impacts on grid reliability.**

The Training and Outreach Program engages directly with stakeholders on topics including Reliability Standards, risk assessments, reliability planning and performance analysis, seasonal preparedness, policy impacts on reliability, grid operations, and security. This program encompasses two departments within the Strategic Engagement group: Training and Outreach, and External Affairs. Both departments work with external stakeholders to support the Compliance Monitoring and Enforcement Program (CMEP) and Reliability Assessment and Performance Analysis (RAPA) by facilitating clear communication, education opportunities, and timely discussions on reliability and security matters.

NERC has named energy policy as a new risk profile with broad implications across various energy and electric sectors. Energy policy can drive rapid changes in bulk power system (BPS) planning and operations, potentially affecting reliability and resilience. WECC should continue to enhance its outreach and collaboration with state commissions, WIRAB, and critical stakeholders. Effective communication, coordination, and collaboration with all key stakeholders are essential to navigate increasingly complex jurisdictional lines. An additional FTE focused on policy issues will empower WECC to respond proactively to policy changes and maintain robust connections with policymakers, ultimately supporting the reliability of the Western Interconnection.

- 4. WIRAB supports WECC's proposal to increase its Information Technology department by one FTE to provide cloud security expertise due to the rising deployment of cloud-based applications across the organization.**

WECC plays a crucial role in housing and managing vital data and systems essential to the secure operations and planning of the Western Interconnection. As such, the organization is not immune to cyber threats and potential attacks targeting critical infrastructure information. With WECC's transition to a distributed workforce model, there is an increased reliance on cloud-based applications for daily operations.

Cloud computing offers significant benefits, such as improved accessibility, scalability, and efficiency in data management and storage. However, these advantages also come with new cybersecurity challenges that require specialized knowledge and skills to address. By investing in an expert in cloud security, WECC can ensure the safety and integrity of its cloud-based systems, mitigating risks of data breaches and cyberattacks. This proactive measure will strengthen the organization's overall cloud-computing capabilities and safeguard critical infrastructure information about the Western Interconnection.

- 5. WIRAB supports the allocation of Peak Reliability Donation Funds to contribute to the financing of the Western Power Pool's (WPP) Western Transmission Expansion Coalition (WestTEC) initiative.**

In 2020, Peak Reliability, a non-profit organization overseeing Reliability Coordinator services across most of the Western Interconnection, ceased operations and donated approximately \$3.8 million in financial reserves from its Reliability Services activities to WECC. These funds were originally designated to enhance Peak Reliability Services, specifically focusing on maintaining real-time operational reliability within the Western Interconnection. It's crucial to note that these funds were not intended to support Peak's routine responsibilities as a Reliability Coordinator, but rather to finance special projects aimed at improving reliability within the Western Interconnection beyond the requirements of NERC Standards.

Following Advice from WIRAB, WECC designated Peak Reliability Donation Funds for investment in special projects targeting the reliability and security of the Bulk Power System in the Western Interconnection. WECC devised a structured process to determine the utilization of Peak donations, involving the development of a strategic framework and thematic considerations and soliciting direct stakeholder input to optimize their utilization. Subsequently, WECC allocated approximately \$400,000 in 2022, \$595,000 in 2023, and \$250,000 in 2024 from Peak Donation Funds towards special projects enhancing WECC's data management capabilities and assessment performance.

WECC proposes allocating \$2.2 million in Peak Donation Funds over three budgetary years to further the transmission planning initiative undertaken by the Western Power Pool through its WestTEC project. Within the \$39.716 million 2025 statutory budget, \$1.5 million from Peak Donation Funds is designated to support the WestTEC endeavor, with an additional \$500,000 allocated for 2024 and \$200,000 for 2026. WestTEC represents a collaborative, West-wide effort aimed at formulating an actionable transmission plan to meet the future energy grid's needs. While this effort is included in the statutory budget, it should be viewed as a distinct, fully self-funded project beyond WECC's statutory obligations, thereby resulting in only an approximate \$2.8 million (7.9 percent) year-over-year increase in the WECC statutory budget.

WECC's executive team has maintained transparency with WIRAB and WECC stakeholders throughout the deliberations concerning using Peak Donation Funds for this project. WIRAB acknowledges and values this direct engagement and encourages WECC to ensure that the WestTEC initiative adheres to principles of transparency, independence, and inclusivity, with due consideration for interconnection-wide transmission planning perspectives. Additionally, WIRAB underscores the importance of WECC's continued involvement in the decision-making process to uphold these objectives and advocates for regular reporting on the initiative's progress to the WECC Board and stakeholders.

Given the direct involvement of Western States and Provinces in the WestTEC effort through the Committee on Regional Electric Power Cooperation (CREPC), WIRAB emphasizes the significance of keeping stakeholders informed about progress and seeking WIRAB Advice to ensure the initiative adequately addresses reliability within the Western Interconnection.

WIRAB believes that the WestTEC initiative represents a valuable step towards ensuring a reliable transmission system for the future. By upholding principles of transparency, independence, and inclusivity, the initiative can secure social license. Therefore, WIRAB endorses using Peak Reliability Donation Funds to partially finance the WPP's WestTEC effort to formulate an actionable transmission plan to support the future energy grid.

6. WIRAB supports the proposed Statutory Assessment of \$34 million, a \$9 million (36 percent) increase over the 2024 assessment, as it appropriately funds WECC's operations and does not artificially cap the organization's business plan and budget.

The proposed Statutory Assessment for Load Serving Entities (LSEs) in 2025 is set at \$34 million, marking a notable 36 percent increase from 2024. This adjustment is necessary due to WECC's anticipated lack of penalty sanctions collected to offset assessments. In 2023, WECC received significant penalty sanctions totaling over \$18 million for Reliability Standards violations from Western Entities. NERC's policy allows these penalty funds received by June 30 to offset assessments in the following year. WECC offset assessment with the large penalty sanctions over two years with approval from FERC and support from WIRAB. However, in 2025, WECC anticipates no penalty dollars collected by this deadline, marking the first instance of no penalties levied in a budget year since the enforcement of mandatory reliability standards.

WIRAB supports the increase, acknowledging that it may pose a challenge to LSEs that had budgeted based on prior assessments. Nevertheless, WECC's approach to budgeting and setting assessments based on costs is suitable and aligns with the public interest. WECC's transparent Business Plan and Budget process offers LSEs sufficient information and lead time to plan for the upcoming assessment in 2025.

WECC's budget development process has been open and transparent. To further aid in the transition and to the extent it is not already doing so, WIRAB encourages WECC to proactively notify LSEs of the estimated impact of its 2025 assessment compared to 2024, including the rationale for the increase, as soon as the board approves the Draft Business Plan and Budget, in order to provide WECC entities with sufficient time to incorporate the assessment into their budgeting processes and to explain the increase to their decision-makers.

In conclusion, WIRAB supports the proposed Statutory Assessment for 2025 as it ensures WECC's continued ability to operate effectively and uphold reliability standards while allowing LSEs time to adjust to the new budgetary impacts.

Advice:

Following review, WIRAB finds the proposed statutory budget and assessment for 2025 to be reasonable and in the public interest. WIRAB advises that the WECC Board approve WECC's 2025 Business Plan and Budget and Assessment.

WIRAB further advises that WECC take extra care to inform and to explain to LSEs, responsible for WECC Assessments, about the anticipated impact of the 2025 Assessment upon approval of the Draft BP&B by the Board. This early notification will enable entities to seamlessly integrate the Assessment increase into their budgeting procedures.