NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Agenda
Finance and Audit Committee Conference Call

April 11, 2008 | 10 a.m. EDT
Dial-In: 866-503-3045
Code: 42557010

Antitrust Compliance Guidelines

1. **February 11, 2008 Draft Meeting Minutes (open and closed sessions) — Approve**

2. **Draft #1 of the *2009 NERC Business Plan and Budget* — Review**
   a. David Whiteley will give an overview of the business plan.
   b. Bruce Walenczyk will give an overview of the budget.
   c. Up to one hour allotted for comments from stakeholders.

3. **Future Meetings**
   - May 6, 2008 meeting (Orlando, Florida)
   - June 6, 2008 conference call — 10 a.m. EDT
   - July 11, 2008 conference call — 10 a.m. EDT
   - July 29, 2008 meeting (Montreal, Quebec)
   - October 28, 2008 meeting (Washington, D.C.)

4. **Other Business**

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Antitrust Compliance Guidelines

I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.

- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

III. Activities That Are Permitted

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

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Draft Minutes
Finance and Audit Committee

February 11, 2008 | 9:15 a.m.
Arizona Grand Resort
Phoenix, AZ

Chairman Bruce Scherr called to order the duly noticed meeting of the North American Electric Reliability Corporation Finance and Audit Committee on February 11, 2008 at 9:15 a.m., MST, and a quorum was declared present. The agenda and list of attendees are attached as **Exhibits A** and **B** respectively. Chairman Scherr introduced and welcomed NERC's new Chief Financial Officer Bruce Walenczyk.

NERC Antitrust Compliance Guidelines

Chairman Scherr directed participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda.

Minutes

The committee approved the January 25, 2008 conference call minutes (**Exhibit C**).

First Quarter Mandate Items

Bruce Walenczyk reviewed the first quarter mandate items which included:

- 2009 Business Plan and Budget Timeline (**Exhibit D**)
- December 31, 2007 Unaudited Treasurer's Report
- December 31, 2007 Expanded Unaudited Treasurer's Report
- Budget to Actual Performance Analysis

December 31, 2007 Treasurer's Report

Bruce Walenczyk reported on the unaudited December 31, 2007 Treasurer's Report. Mr. Walenczyk highlighted the variances across the budgeted areas. He reported that total funding in 2007 including an incremental assessment to increase cash reserves by $805K was $1.2M over budget. Testing fees, GADS service fees, and interest income exceeded budget by approximately $350K. Personnel expenses for the year were $760K below budget primarily due to the timing of new hires and lower medical insurance premiums. Meeting expenses exceeded budget by $540K primarily due to unanticipated activities required to develop standards, conduct assessments and become engaged as the ERO. Operating expenses were $138K over budget primarily due to expenditures for leasehold

improvements in Washington D.C. and Princeton, computer supplies and maintenance, office supplies and a replacement server that were not budgeted. The Net Change in Assets in 2007 was $1,308K including $805K in incremental assessments to increase the cash reserve. On motion by Ken Peterson, the committee approved bringing the Treasurer's Report to the Board for approval.

Regional Entity December 31, 2007 Treasurer's Report

Bruce Walenczyk reviewed the unaudited Regional Entity consolidated December 31, 2007 Treasurer's Report. Mr. Walenczyk reported that across most of the Regional Entities personnel expenses were below budget due to delayed timing of new hires and the actual number of new employees. Meeting expenses were below budget due to lower staffing levels, fewer new employees and the use of teleconferencing all of which reduced the need for travel and in-person meetings. Total operating expenses were also below budget primarily to the fact that costs budgeted for computer purchases, relocation, furniture and equipment and software did not fully materialize.

NPCC Cross-Border Compliance Monitoring and Enforcement Cost Allocation

Ed Schwerdt discussed the NPCC-approved cross-border compliance monitoring and enforcement cost allocation. Mr. Schwerdt explained that NPCC's board does not endorse an ala carte funding approach, but recognizes the Canadian jurisdictional issues in regard to compliance monitoring and auditing. An NEL based allocation methodology may not be the most accurate way to allocate such costs. NPCC has developed and will apply an allocation methodology with respect to the CMEP that recognizes the number and size of audits to be performed. Chairman Scherr commended NPCC on their creative work and achieving a consensus.

Finance and Audit Committee 2007 Self-Assessment

Chairman Scherr reviewed the 2007 Self-Assessments for the committee.

Future Meetings

- April 11, 2008 conference call — 10 a.m. EDT
- May 6, 2008 meeting (Orlando, Florida)
- June 6, 2008 conference call — 10 a.m. EDT
- July 11, 2008 conference call — 10 a.m. EDT
- July 29, 2008 meeting (Montreal, Quebec)

The committee went into executive session at 10:10 a.m.

Submitted by,

Agenda Item 2
FAC Conference Call
April 11, 2008

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

DRAFT #1

2009 Business Plan and Budget

to ensure the reliability of the bulk power system

April 2008

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Introduction

Total NERC Resources (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Total Funding	$38,767,147			
Total FTEs	119.5			
NEL				
NEL %				

The North American Electric Reliability Corporation (NERC) is a not-for-profit membership corporation organized under the New Jersey Nonprofit Corporation Act with a mission to ensure the reliability of the bulk power system in North America. Membership in NERC is open to any person or entity that has an interest in the reliable operation of the North American bulk power system.

NERC has been certified as the Electric Reliability Organization (ERO) within the United States. The ERO is defined in Section 215(a)(2) of the Federal Power Act (FPA) as the self-regulatory organization certified by the Federal Energy Regulatory Commission (FERC) under Section 215(c) to establish and enforce reliability standards for the bulk power system, subject to review by FERC. NERC presently has memorandums of understanding in place with Ontario, Nova Scotia, Québec, and the Canadian National Energy Board. In addition, NERC has been designated as the "electric reliability organization" under Alberta's Transportation Regulation. NERC is working with the other governmental authorities in Canada to achieve equivalent recognition.

In the 2008 business plan, NERC extended the operation of the ERO into its first full year. The primary focus was to achieve excellence in operations at a record-setting pace while assuring the building blocks are in place to improve the reliability of the bulk power system in North America in both the short and long term. A new strategic plan was developed for the years 2008–2013[1] as the fundamental platform upon which annual business plans would be built. This business plan is the first one developed using the guidance and directions set in this new strategic plan.

NERC's principal activities in 2009 will continue to be the development, improvement, and adoption of reliability standards to ensure the reliable operation of the bulk power system of North America and the monitoring, evaluating, and enforcement (where authorized) of compliance with those reliability standards by owners, operators, and users of the bulk power system. In addition, NERC's principle activities will include conducting assessments of the reliability of the North American bulk power system. NERC will perform additional functions in support and furtherance of these principal responsibilities, such as training and certification of bulk power system operators, performing reliability readiness evaluations, and maintaining situation awareness of on-going events that threaten the reliability of the bulk power system. All of these activities serve the broad public purpose of helping to improve reliability.

Strategic Plan 2008–2013

During 2007, the NERC Board of Trustees developed a strategic plan to provide direction for the corporation's activities in 2008 and beyond. This plan has two key components: (1) reaffirmed

[1] ftp://ftp.nerc.com/pub/sys/all_updl/docs/pubs/Strategic-PlanWebsite.pdf

corporate mission, vision, and value statements that have been embodied in prior strategic plans[2], and (2) strategic directional statements for the company. The five strategic direction statements cover the following topics:

- Business Model
- International Relationships
- Operations
- Assessments
- Tools and Technology

Each of the elements in this business plan supports at least one of these strategic topics.

Delegated Authority and the Regional Entities

As part of its responsibilities, NERC, as the international ERO, delegates its authority to Regional Entities (including cross-border regional entities) to perform certain functions through delegation agreements. This is consistent with the business model described in the strategic plan and the Energy Policy Act. On March 20, 2008, FERC, in the United States, approved revised delegation agreements between NERC and eight regional entities (Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council (CBRE), Reliability*First*, SERC Reliability Corporation, Southwest Power Pool, Texas Regional Entity, and the Western Electricity Coordinating Council). These delegation agreements describe the enforcement authority delegated to the Regional Entities. The funding for Regional Entities is approved separately with each Regional Entity submitting its own business plan and budget for consideration by NERC and the regulatory authorities. The Regional Entity business plans and budgets may be found on the following Web site:

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, adjustment, and budget for each program area are included in Section A. The 2009 budget schedules are shown in Section B.

[2] *NERC Strategic Plan — 2003–2006*, approved by the Board of Trustees on June 10, 2003 and the updated version *NERC Strategic Plan — 2005–2008*, approved by the Board of Trustees on October 15, 2004.

Section A — 2009 Business Plan

Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)	2008 Budget	2008 Projection	2009 Budget
Total FTEs	15.0	14.0	15.0
Total Direct Funding	$3,118,592	$2,778,809	$3,291,072
Total Indirect Funding[3]	$1,871,931	$1,809,097	$2,417,431
Total Funding	$4,990,523	$4,587,906	$5,708,503

Background

NERC will accept and evaluate proposals for, and will develop and approve, technically sound, fair, and balanced reliability standards designed to ensure the reliability of the bulk power system in North America. NERC will submit such standards to FERC for adoption as mandatory for bulk power system owners, operators, and users in the United States, and to the applicable governmental authorities in Canada for similar status. NERC has established, and will utilize, a reliability standards development process that has been accredited by the American National Standards Institute (ANSI) as meeting ANSI's essential requirements for standards development; fair, balanced, open, inclusive, and conducted with due process. Volunteer technical experts and stakeholders from the electric utility industry will develop the standards under the facilitation of NERC's professional staff, including NERC's standards development coordinators and process manager.

The activities necessary to conduct the reliability standards development process will be conducted, to the extent possible, by conference calls, use of e-mail, Web site postings, and other means of electronic communications. In the event face-to-face meetings of participants are needed, those meetings will take place at NERC's headquarters in Princeton, New Jersey, or at other locations in various cities within the United States and Canada, as selected from time to time for the convenience of the meeting attendees.

Based on the allocation of professional and technical staff time to NERC programs and other resources that it expects to devote to the Reliability Standards Program, NERC estimates it will spend XX percent of its resources on this activity.

Standards Process

NERC's Reliability Standards Development Process will be overseen by a Standards Committee whose purpose is to ensure that all stakeholder interests are fairly represented in the development of reliability standards, and that standards development teams have the technical resources and capabilities required to develop technically sound standards that will gain industry support. The open, inclusive, balanced, and transparent process ensures the resulting standards are just,

[3] Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

reasonable, and nondiscriminatory. Participation by industry experts and compliance personnel ensures that the standards are technically sound, unambiguous, and measurable. The Standards Committee will be a broad-based, representative committee consisting of two representatives from each segment of the Registered Ballot Body (RBB). Participation in the RBB, which consists of multiple, defined segments, is open to any person or entity with an interest in the reliability of the North American bulk power system.

Reliability standards approved by the Board of Trustees will be filed with FERC for its approval in accordance with Section 215(d) of the FPA and 16 C.F.R. § 39.5, and to the applicable governmental authorities in Canada. Processing the standards project related-postings in accordance with the Reliability Standards Development Procedure remains a critical path to timely completion of new or revised standards. The three-year standards work plan contemplates over 35 standards development projects from 2008 through 2010, a four-fold increase from 2006. In addition, NERC coordinates its reliability standards development activities with business practice standards developed by the North American Energy Standards Board (NAESB). To ensure that standards project postings are reviewed and processed in a timely manner and delivered with the quality expected, NERC expects to add one FTE to the program in 2009.

As noted earlier, FERC must find that a proposed reliability standard is just and reasonable, not unduly discriminatory or preferential, and in the public interest. Once FERC approves a standard and the effective date is reached, compliance with the standard is legally binding on all applicable owners, operators, and users of the bulk power system in the United States. NERC is working to gain recognition as the Electric Reliability Organization in the various jurisdictions in Canada and presently has memoranda of understanding in place with Ontario, Nova Scotia, Québec, and the Canadian National Energy Board. NERC has also been recognized as the ERO by the Alberta Ministry of Energy. NERC standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law.

Status of Mandatory Standards and the 2009 Work Plan

On March 16, 2007, FERC approved 83 reliability standards that become mandatory and enforceable as of June 18, 2007. In addition, FERC directed modifications to 56 of the approved standards and is holding an additional 24 standards pending receipt of additional information. In December 2007 and January 2008 respectively, FERC approved three additional Facilities Design, Connections and Maintenance, and eight Critical Infrastructure Protection reliability standards for approval. As of March 7, 2008 FERC is considering one new standard (NUC-001-1 – Nuclear Plant Interface Coordination) and six revised reliability standards for approval. Additionally, FERC also approved eight WECC regional standards as mandatory and enforceable on June 8, 2007. Reliability standards are mandatory and enforceable in the Canadian provinces of Ontario and New Brunswick upon action of the NERC Board of Trustees to approve standards.

The continued focus of the 2009 standards work plan is to complete the work necessary to ensure all of NERC's existing standards meet statutory and regulatory requirements as ERO standards. The focus is to make identified improvements to the highest priority standards and execute the remaining work plan projects in accordance with the *Standards Development Work Plan 2008–2010,* and obtain regulatory approval of the standards. NERC will review its standards work plan with FERC and the appropriate governmental authorities in Canada at least annually, or as requested, to coordinate work priorities and expectations. NERC filed its most recent work plan update with FERC and the applicable governmental authorities in Canada in October 2007.

Standards Program Goals

The goals of the standards program for 2009 are to:

- Meet all directives of ERO governmental authorities with regard to standards development and procedures, including FERC Order Nos. 693, 705, and 706.
- Meet the milestones in the three-year standards work plan.
- Ensure the consistency and quality of regional reliability standards.
- Streamline and improve the standards process and associated tools.
- Work closely with NAESB in coordinating business practices and reliability standards.
- Communicate with stakeholders and regulators regarding standards development.
- Establish a long-term vision for standards improvement and initiate implementation of the strategy.
- Ensure the topics addressed by the reliability standards keep pace with changing industry needs.
- Strengthen the relationship with the industry's technical committees to ensure adequate input to standards development.

Standards Program Objectives

The standards program objectives for 2009 are grouped into six categories: standards development, regional reliability standards development, standards improvement, business practice interface, process improvement, and communications.

Standards Development

- Develop and revise standards as directed by applicable regulatory authorities with sufficient interaction with the regulatory authorities during the development process to achieve the goal of unconditional approval when filed for approval.
- Meet the deliverables outlined in the current version of the *Standards Development Work Plan 2008–2010*. Complete the following projects in 2009:
  - Project 2007-03 — Real-Time Operations
  - Project 2007-04 — Certifying System Operators
  - Project 2007-05 — Balancing Authority Controls
  - Project 2007-11 — Disturbance Monitoring
  - Project 2007-12 — Frequency Response
  - Project 2007-17 — Protection System Maintenance and Testing
  - Project 2008-03 — Emergency Operations
- In accord with the *Standards Development Work Plan 2008–2010*, initiate the development process for the following new or modified standards:
  - Use of phasor measurement devices;
  - Review of the INT family of standards;
  - Improvements to FAC-001 and FAC-002 pertaining to connecting new facilities to the grid;

- Update to the disturbance and sabotage reporting requirements;
- Improve the presentation and content of standards pertaining to protection systems;
- Modeling load and demand data modifications;
- Protection system standard improvements; and
- Resource adequacy assessments.

- Propose new standards resulting from lessons learned by other NERC programs in the course of their activities (e.g., reliability assessment and performance analysis, compliance monitoring and enforcement, readiness evaluations, training, reliability benchmarking, and situation awareness and infrastructure protection).

Regional Standards Development

- Process regional standards submitted for approval and make recommendations to the NERC Board of Trustees.
- Provide guidance to regional entities in the development of regional standards during the developmental stages of the process.

Standards Improvement

- As appropriate, incorporate changes to the *Reliability Standards Development Plan 2008–2010* based on the needs and priorities identified by the industry and regulators in a technical review and assessment of reliability standards.
- Use the *Reliability Standards Development Procedure* to incorporate changes to planning and operating criteria and the definition of adequate level of reliability into reliability standards.
- Implement recommendations of the Standards Committee on the future organization of NERC's Reliability Standards.

Business Practice Interface

- Continue to coordinate NERC–NAESB standards efforts with respect to transmission loading relief, available transfer capability, balancing authority controls, interchange, and related tools.
- Continue to review and identify improvements to the joint NERC–NAESB development processes and procedures.
- Explore the roles of NERC and NAESB organizationally to identify possible overlaps and create synergies resulting in increased efficiency.
- Schedule joint meetings between the Standards Committee and the NAESB Wholesale Electric Quadrant Executive Committee to consider issues of common interest.

Standards Process Improvement

- Revise standards development processes and procedures, as necessary, in response to findings of ERO three-year audit.
- Revise standards development rules and procedures in response to governmental agency directives.

- Evaluate alternatives and improvements that ensure consensus is being achieved in an efficient manner.
- Establish criteria for determining what is a "high quality" standard.
- For high priority standards, shorten average development time of a standard to 12 months through stakeholder ballot (exclusive of field testing) while ensuring that the standard produced meets the criteria for "high quality" defined above.
- Evaluate the need to develop a triage function to assign resources to key issues.
- Increase engagement between the Standards Committee and the standards drafting teams regarding progress to work plan deliverables and issues of concern.
- Develop an improved model for responding to requests for formal interpretation.
- Consider formally submitting approved standards to ANSI for adoption as a national ANSI standard.
- Submit all approved standards for regulatory approval within one month of Board of Trustees action.
- Develop and implement a reliability standard version control and notification process.
- Evaluate the need for process changes, and, if necessary, implement those appropriate changes to ensure drafting teams maintain focus on developing excellent technical standards.
- Consider the need to assign regulatory or legal expertise to drafting teams to assist in developing standards requirements and measures that are legally defensible.
- Improve the process of obtaining Standards Committee input in response to regulatory directives or questions relative to reliability standards.
- Consider the need to assign a professional technical writer to develop reliability standard language based on input from the drafting team.
- Establish targets for staffing and tools to support the standards process:
  - Identify areas for greatest opportunity for process improvement.
  - Rethink the process for achieving consensus on standards.
  - "Flatten" the standards process by conducting at least 50 percent of all drafting team and committee meetings by conference calls, Web casts, and e-mail actions.
  - Survey stakeholders and drafting team members for input into the process to identify opportunities for improvement.
  - Survey drafting team members after each project concludes for input into the process to identify opportunities for improvement.
  - Evaluate and improve ballot performance (quorums and balance).
  - Track adherence to the standards procedure.
  - Improve the training of drafting teams and revise drafting team guidelines as needed.

Communications

- Educate and inform industry stakeholders through standards workshops.
  - Consider innovative methods to increase industry participation, such as presentation of workshops through use of videotaping, Webinars, or WebEx's.

- Increase the outreach to industry stakeholders to specifically include trade organizations, through formalized standards conferences to obtain input to the reliability standards work plan and standards processes.
- Update and inform governmental regulators on the standards development work plan and processes through individual discussions and joint meetings and conferences.
- Develop standards program communications that support NERC's overall communications platform.
- Establish NERC's standards Web site as the "one-stop" for all supporting materials pertaining to the standards.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Reliability Standards

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 3,118,592	$ 3,118,592	$ -	$ 3,291,072	$ 172,480
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 3,118,592**	**$ 3,118,592**	**$ -**	**$ 3,291,072**	**$ 172,480**
Expenses					
Personnel Expenses					
Salaries	$ 2,129,315	$ 1,741,045	$ (388,270)	$ 1,925,182	$ 184,137
Payroll Taxes	121,612	99,437	(22,175)	113,847	14,410
Benefits	257,778	210,773	(47,005)	218,736	7,962
Retirement Costs	144,687	118,304	(26,383)	267,906	149,602
Total Personnel Expenses	**$ 2,653,392**	**$ 2,169,559**	**$ (483,833)**	**$ 2,525,670**	**$ 356,111**
Meeting Expenses					
Meetings	$ 160,000	$ 232,050	$ 72,050	$ 243,653	$ 11,603
Travel	205,200	245,700	40,500	335,000	89,300
Conference Calls	-	-	-	100,000	100,000
Total Meeting Expenses	**$ 365,200**	**$ 477,750**	**$ 112,550**	**$ 678,653**	**$ 200,903**
Operating Expenses					
Consultants	$ 100,000	$ 100,000	$ -	$ 50,000	$ (50,000)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	31,500	31,500	36,750	5,250
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	**$ 100,000**	**$ 131,500**	**$ 31,500**	**$ 86,750**	**$ (44,750)**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 3,118,592**	**$ 2,778,809**	**$ (339,783)**	**$ 3,291,072**	**$ 512,263**
Change in Assets	**$ -**	**$ 339,783**	**$ 339,783**	**$ -**	**$ (339,783)**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	26.0	28.0	33.0
Total Direct Funding	$4,669,493	$4,950,968	$6,749,829
Total Indirect Funding	$3,244,681	$1,809,097	$2,417,431
Total Funding	$7,914,174	$6,760,065	$9,167,260

Background

As the ERO, NERC monitors and enforces compliance with approved reliability standards by owners, operators, and users of the bulk power systems throughout North America.

Monitoring, auditing, investigating, and enforcing compliance with reliability standards by owners, operators, and users of the bulk power system, as well as the development and adoption of the reliability standards themselves, are at the core of NERC's mission. Through a rigorous program of monitoring, audits, investigations, mitigation activities, and if necessary, the imposition of penalties and sanctions for noncompliance with reliability standards, NERC will strive to maintain a high level of reliable operation of the bulk power system. Reliable operation of the bulk power system is in the public interest, because it will benefit all owners, operators, and users of the bulk power system and, ultimately, all users and consumers of electric power in North America.

NERC's Compliance Monitoring and Enforcement Program (CMEP) activities will be conducted at its headquarters in Princeton, New Jersey, at Regional Entity offices, at the locations of owners, operators, and users of the bulk power system, and at such other field locations throughout North America as are necessary to the performance of these activities, including the organization of enforcement and appeal hearings at locations by the Regional Entities.

Monitoring for compliance with, and investigating alleged violations of, reliability standards will be conducted by NERC and Regional Entities' professional staff, with assistance from time to time by volunteers from the electric industry, government, and academia. Volunteers will be utilized primarily to provide industry expertise to compliance audit teams, technical advice, and recommendations to compliance staff. The program will be carried out in the United States as described in the NERC Rules of Procedure, NERC CMEP, and Regional Entity Delegation Agreements as approved by the Federal Energy Regulatory Commission (FERC). Separate agreements exist with the Canadian Provinces and may involve differing practices and rules.

The NERC CMEP is comprised of four key areas: organization registration and certification, compliance monitoring and reporting, enforcement and mitigation, and regional program oversight.

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the reliability standards compliance enforcement process, NERC estimates that it will spend XX percent of its resources on this activity.

2009 Highlights

Registration and Certification

Registration and, in some cases, certification of the organizations responsible for complying with the standards, will be an ongoing activity. The NERC Compliance Registry contains information on over 1,800 distinct organizations responsible for some portion of reliability of the bulk power system. Maintaining a complete and accurate database will be an on-going activity. NERC, in 2008, expects to begin to utilize this database as a means of communicating compliance requirements to the owners, operators, and users of the bulk power system. Information necessary to support such communications must be collected at the time of registration and maintained for successful communication. This will require the addition of one FTE in this area to support the expansion of the database to allow input directly by the Regional Entities through enhanced Web interfaces.

Compliance Monitoring and Reporting

2009 will be the second full year for the enforceable CMEP in the United States. NERC continues to enhance the infrastructure to implement the CMEP including processes, procedures, software, and tools. NERC will implement a new Compliance Reporting, Analysis, and Tracking System (C-RATS) in 2008 using an outside software developer. This tool is expected to provide a much-improved reporting interface for the Regional Entities and enable more efficient reporting to appropriate governmental authorities including FERC. It will consolidate the registration, compliance violation, mitigation, and enforcement databases to allow efficient flow and analysis of information. This tool will directly interface with the regional databases and allow direct access to certain information by regulatory authorities replacing submissions by e-mail and otherwise. This effort will require two additional FTEs to fully support its development, operation, and maintenance.

Enforcement and Mitigation

Mitigation of violations of NERC Reliability Standards remains central to the NERC CMEP. As the NERC program continues to unfold, review, and approve mitigation plans (as required by FERC), settlements and remedial actions, as well as analysis of the effectiveness of mitigation and enforcement strategies, are extremely important. To allow for prompt and thorough review of mitigation plans and other enforcement actions and the associated analysis and tracking of enforcement results to ensure consistent application of enforcement actions and settlements, NERC expects to add one FTE in this area.

Regional Oversight

NERC continues to carry out its responsibility for oversight of the Regional Entity compliance programs to ensure consistency and achieve maximum efficiency by providing direct assistance and oversight to the Regional Entities. NERC provides field personnel to assist the Regional Entities in conducting compliance audits (or other activities) and to ensure consistent application of the program. The NERC staff may be utilized to supplement Regional Entity staff should a region need additional resources to effectively implement its program. NERC regional program coordinators serve in this role.

Consistency also is achieved through training. NERC's Training, Education, and Operator Certification Program will continue to train compliance auditors, ensuring there are competent

and trained personnel at NERC and in the Regional Entities. Resource requirements for this training are included in the Training, Education, and Operator Certification program sections. Other training will continue as necessary.

NERC will conduct a number of audits of the Regional Entity compliance programs, as required by its Rules of Procedure, within the three-year period following the inception of the enforceable programs. The scope of these audits will be established by NERC, but the audits themselves will most likely be carried out by professional contract auditors. This will represent a significant effort in 2009. NERC will add one FTE to support the process of audits of the Regional Entities and tracking of implementation of modifications to the Regional Entity compliance programs as a result of audit findings.

Other Activities

NERC compliance program staff also supports the development of compliance administration elements contained in NERC Reliability Standards. The *Reliability Standards Development Plan 2007–2009* details to plans to review and revise all of its reliability standards. This undertaking requires a significant amount of work and coordination with the standards program and Regional Entities to review and update the compliance administration elements of all standards. NERC and Regional Entity staff will develop effective compliance violation severity levels, data retention requirements, and monitoring methods that work in concert with the requirements and measures within the standards.

NERC compliance program staff also provides information and results to the Reliability Assessment and Performance Analysis program of NERC, and participates on each event analysis to make sure any potential violations of NERC standards are promptly identified and corrected.

Compliance Monitoring and Enforcement Program Objectives

- Direct and oversee the Regional Entities implementation of their delegated compliance enforcement program responsibilities.
    - Maintain working relationships between NERC and the Regional Entities in order to achieve maximum effectiveness and consistency of monitoring, reporting, enforcement actions, and appeals by direct observation of program implementation.
    - Ensure timely mitigation of all violations of standards and requirements.
    - Provide oversight of Regional Entity compliance programs and conduct formal audits of at least three Regional Entity compliance programs.
    - Participate in settlement processes with the Regional Entities for violations of standards as required, and review all settlements for consistent application of settlement principles.
    - Review all enforcement actions for consistent application in all violations of standards.
    - Assess the effectiveness of enforcement actions in mitigating violations of standards.
- Maintain the training program for compliance auditors.
    - Work with the Training, Education, and Operator Certification and Reliability Readiness Evaluation and Improvement Programs to review and maintain auditor training requirements.

  - Ensure the training program requirements are delivered to all NERC and Regional Entity compliance auditors.
  - Maintain a training module for industry technical experts and audit volunteers.
  - Provide training on registration, reporting, and enforcement tools to the Regional Entity staff.
- Enhance processes, databases, and reporting tools to allow for seamless, uniform reporting of alleged and confirmed violations of standards, proposed penalty and sanction actions, and disposition of all violations.
- Maintain reporting relationships with appropriate governmental authorities in the United States, Canada, and Mexico and establish processes and procedures to report violations, levy penalties and sanctions, and remedy the violations.
  - Confidentially report all alleged violations of standards to FERC and the appropriate governmental authorities in the United States, Canada, and Mexico through established processes.
  - Make notice of penalty filings for all penalties and sanctions applied to compliance violations.
  - Provide other informational updates and filings as required by the NERC Rules of Procedure and governmental authorities.
- Maintain and enhance the reporting of violations of standards to the NERC Board of Trustees Compliance Committee.
  - Report quarterly all confirmed violations of NERC or approved regional standards for which investigatory, decisional, and appeal processes have been completed, including the identity of the organizations involved in those violations.
  - Track the mitigation of identified violations of standards.
- Develop, on a coordinated basis with the Reliability Standards Program, the compliance elements for approximately 100 new or revised standards.
- Manage all enforcement action appeals (resources based on approximately 25–30).
- Maintain a compliance reporting process.

Organization Registration and Certification Objectives

- Maintain an accurate registration list of all owners, operators, and users of the bulk power system for compliance monitoring and communication purposes.
  - Oversee the Regional Entities' implementation of the registration process.
  - Update and confirm the registration list as needed (at least annually).
  - Provide necessary registration information to FERC and other appropriate governmental authorities.
  - Review the completeness of the organization registration list and determine if additional efforts are necessary to identify other entities or collect more information from bulk power system owners, operators, and users.
  - Develop and maintain a process for appealing a decision to include an entity on the registration list.

- Implement organization certification within the Regional Entities.
  - Maintain processes and procedures, used by NERC and the Regional Entities, for carrying out the delegated certification activities that are required by the certification standards.
  - Provide auditors for certification audits scheduled by the Regional Entities.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Compliance and Organization Registration and Certification

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 4,669,493	$ 4,669,493	$ -	$ 6,749,829	$ 2,080,336
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 4,669,493**	**$ 4,669,493**	**$ -**	**$ 6,749,829**	**$ 2,080,336**
Expenses					
Personnel Expenses					
Salaries	$ 3,090,959	$ 3,262,980	$ 172,021	$ 3,928,364	$ 665,384
Payroll Taxes	202,423	213,688	11,265	257,263	43,575
Benefits	403,403	425,854	22,451	512,694	86,840
Retirement Costs	233,809	246,821	13,012	297,153	50,332
Total Personnel Expenses	**$ 3,930,593**	**$ 4,149,343**	**$ 218,749**	**$ 4,995,473**	**$ 846,130**
Meeting Expenses					
Meetings	$ 30,000	$ 44,625	$ 14,625	$ 46,856	$ 2,231
Travel	378,900	400,000	21,100	800,500	400,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 408,900**	**$ 444,625**	**$ 35,725**	**$ 847,356**	**$ 402,731**
Operating Expenses					
Consultants	$ 330,000	$ 330,000	$ -	$ 850,000	$ 520,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	27,000	27,000	32,000	5,000
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	25,000	25,000
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	**$ 330,000**	**$ 357,000**	**$ 27,000**	**$ 907,000**	**$ 550,000**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 4,669,493**	**$ 4,950,968**	**$ 281,474**	**$ 6,749,829**	**$ 1,798,862**
Change in Assets	**$ (0)**	**$ (281,475)**	**$ (281,474)**	**$ -**	**$ 281,475**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)	2008 Budget	2008 Projection	2009 Budget
Total FTEs	12.0	11.0	11.0
Total Direct Funding	$1,858,061	$1,759,110	$1,994,204
Total Indirect Funding	$1,497,545	$1,809,097	$2,417,431
Total Funding	$3,355,606	$3,568,207	$4,411,634

Background

NERC's Reliability Readiness Evaluation and Improvement Program will continue to conduct independent evaluations of balancing authorities, transmission operators, reliability coordinators, and other key entities that support the reliable operation of the bulk power system to assess their preparedness to meet their assigned reliability responsibilities.

The Reliability Readiness Evaluation and Improvement Program is an important component in helping NERC accomplish its mission. NERC evaluates entities that conduct activities and functions particularly critical to achieving the reliable operation of the bulk power systems. Readiness evaluations are designed to ensure operators of the bulk power system have adequate tools, processes, procedures, and infrastructure in place to operate reliably. The evaluations identify strengths and areas for improvement in an effort to promote excellence in operations among these organizations. Ensuring reliable system operations benefits all owners, operators, and users of the bulk power system and, ultimately, all users and consumers of electric power in North America.

Readiness evaluations are conducted on a three-year cycle. Many reliability readiness evaluation activities take place at the control centers of the evaluated entities, while the associated administrative support and report preparation takes place at NERC's headquarters in Princeton, New Jersey. Reliability readiness evaluation teams are led by a NERC staff member or representative and consist of industry volunteers with appropriate technical expertise. A report of the evaluation team's findings is published on the NERC Web site.

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the Reliability Readiness Evaluation and Improvement Program, NERC estimates that it will spend XX percent of its resources on this activity.

2009 Highlights

In 2009, the Reliability Readiness Evaluation and Improvement Program staff will continue to pursue the program's primary mission: to perform readiness evaluations of the registered entities across North America and assist them in implementing the evaluation team's recommendations. In addition to improving the evaluation process, program staff will work to expand the assistance aspect of the program to improve reliability by helping the industry help itself.

Program staff will provide meaningful guidance to industry committees and NERC's other program areas on topics that merit additional focus to support the goal of continuous improvement. To achieve this, program staff will continue to analyze readiness evaluation findings, while refining and expanding benchmarking activities. Program metrics will be expanded and the results will be shared with the industry. Using identified examples of excellence and reliability readiness evaluation experiences, program staff will work with industry committees and member forums to create useful excellent-practice guidelines for industry participants. Readiness program staff will have completed an inventory of the publicly posted positive observations by the end of 2008. In 2009, a database will be developed that could be accessed through the new NERC Web site.

In 2009, readiness staff will develop and implement a plan to shift the emphasis of a portion of the evaluations to a new area, assistance. The objective will be to improve reliability by helping the industry help itself. Readiness staff will also work with training staff to develop courses and workshops on topics requested by the industry. This activity will be driven by the owner, operators and users on the issues they identify. Readiness staff will interface directly with entities who request assistance on specific issues and will work with input from the NERC Operating Committee and Operating Reliability Subcommittee to create a process for this initiative.

NERC will also focus on evaluating and improving the effectiveness of the reliability readiness program and staff through a self-audit of its program. In collaboration with the Training, Education, and Operator Certification Program, two new advanced training courses for readiness team leaders will be developed. This training will add to the efficiency, consistency, and effectiveness of the reliability evaluations. To potentially reduce the time entities spend preparing for an evaluation, program staff will continue its efforts of streamlining the process.

Reliability Readiness Evaluation and Improvement Objectives

- Evaluate 65 reliability coordinators, balancing authorities, or transmission operators in 2009, independent of regional compliance audits.
    - Continue to expand the program to include evaluations of the large transmission owners (local control centers) that have been delegated functions or provide significant support to registered reliability entities. In 2009, approximately 12 evaluations of transmission owners will be conducted.
- Develop and implement a new industry assistance module within the existing evaluation process.
- Work with industry and member forum groups to continue to shift the Reliability Readiness Evaluation and Improvement Program into an INPO-type program that contains objective metrics.
- Work with the Operating Committee to develop and implement a comprehensive assistance program.
- Enhance communications to the industry on examples of excellence identified through the Reliability Readiness Evaluation and Improvement Program.
- Coordinate with the industry's technical groups to further develop and expand industry exceptional practices and work with the Training, Education, and Operator Certification Program to develop meaningful educational materials.

- Work with the Training, Education, and Operator Certification Program to develop an advanced training program for industry technical experts and volunteers who participate on reliability readiness evaluations.
- Maintain and enhance reporting of readiness evaluation recommendations.
  - Report quarterly the status and mitigation of each recommendation identified in the reliability readiness evaluation process.
  - Perform a critical analysis of evaluation recommendations and findings to determine meaningful trends, and communicate this information to the industry and the NERC board, as a mechanism for improvement.
  - Provide routine feedback to the standards program on deficient areas in existing reliability standards determined during the execution of the readiness evaluation process.
- Ensure reporting of all probable violations of standards and requirements to the regional compliance officers within two weeks of the conclusion of the readiness evaluations, unless the probable violation falls under the 48-hour reporting requirements.

Reliability Readiness Evaluations and Improvement Program

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Reliability Readiness Evaluation and Improvement

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 1,858,061	$ 1,858,061	$ -	$ 1,994,204	$ 136,143
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 1,858,061**	**$ 1,858,061**	**$ -**	**$ 1,994,204**	**$ 136,143**
Expenses					
Personnel Expenses					
Salaries	$ 1,340,884	$ 1,240,150	$ (100,734)	$ 1,375,490	$ 135,340
Payroll Taxes	88,799	82,128	(6,671)	81,340	(788)
Benefits	173,945	160,877	(13,068)	156,281	(4,597)
Retirement Costs	96,933	89,651	(7,282)	163,009	73,358
Total Personnel Expenses	**$ 1,700,561**	**$ 1,572,806**	**$ (127,755)**	**$ 1,776,120**	**$ 203,314**
Meeting Expenses					
Meetings	$ -	$ 19,203	$ 19,203	$ 20,164	$ 960
Travel	157,500	157,500	-	187,000	29,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 157,500**	**$ 176,703**	**$ 19,203**	**$ 207,164**	**$ 30,460**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ -	$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	9,600	9,600	10,920	1,320
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ 9,600**	**$ 9,600**	**$ 10,920**	**$ 1,320**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,858,061**	**$ 1,759,110**	**$ (98,951)**	**$ 1,994,204**	**$ 235,094**
Change in Assets	**$ -**	**$ 98,951**	**$ 98,951**	**$ -**	**$ (98,951)**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	6.0	6.0	6.0
Total Direct Funding	$1,400,295	$1,437,568	$1,847,043
Total Indirect Funding	$748,773	$1,809,097	$2,417,431
Total Funding	$2,149,068	$3,246,665	$4,264,474

Background

System Operator Certification Program

The System Operator Certification Program provides a certification credential for the operating personnel of the owners, operators, and users of the bulk power system. The program initially certifies the competency of operating personnel through examinations. The credential is maintained through the use of approved continuing education. Operation of the program is overseen by the Personnel Certification Governance Committee (PCGC), which is a standing committee of NERC reporting to the Board of Trustees. The PCGC provides oversight to the policies and processes used to implement and maintain the integrity and independence of the System Operator Certification Program. The PCGC reports to the Board of Trustees, but has autonomy in developing and implementing system operator certification eligibility requirements (the development, administration, and scoring of the system operator assessment instruments, and operational processes for the System Operator Certification Program).

Fees charged for the examinations and renewals of credentials are structured to fully recover the costs of operating the System Operator Certification Program. NERC's professional/technical staff administers the System Operator Certification Program on behalf of the PCGC on a fee-for-service basis designed to compensate NERC for its costs incurred in administering the program. In addition, NERC uses the services of a professional examination proctoring service to administer certification examinations at various locations around the United States and Canada.

The System Operator Certification Program is an important component of NERC's mission. Providing a system of certification of the knowledge of operating personnel of owners, operators, and users of the bulk power systems of North America helps achieve a base level of competence among these operating personnel in the performance of their reliability-related functions. This further ensures the reliable operation of the bulk power systems of North America. Ensuring the reliable operation of the bulk power systems benefits all owners, operators, and users of the bulk power systems and, ultimately, all users and consumers of electric power in North America. Reliable operation provides a broad-based benefit to the public and is in the public interest.

Continuing Education Program

NERC maintains a Continuing Education Program to foster the improvement of, and promote quality in, the training programs used and implemented by owners, operators, and users of the

bulk power system. The program approves those activities and entities meeting NERC's continuing education requirements.

Specifically, the NERC Continuing Education Program: promotes excellence in training programs, and advances improved performance for bulk power system operating personnel identified in the preceding paragraph; develops and maintains a process to approve continuing education providers and activities seeking approval by meeting continuing education requirements approved by NERC; periodically audits continuing education providers and training activities to ensure the approved providers and training activities satisfy NERC's continuing education requirements; and develops and maintains an appeals process for disputed application reviews, interpretations of guidelines and standards, probation or suspension of approved provider status, or continuing education hour disputes.

The costs of administering the Continuing Education Program are fully covered through fees paid by the continuing education providers. Records for this program are integrated with the portal and database used by the System Operator Certification Program. Costs for this tool are equally divided between the two programs.

Education Program
NERC develops and maintains an education program, learning materials, and activities to establish training requirements for NERC and Regional Entity staff. The primary audience of the training component is NERC and Regional Entity staff, whereas the education component focuses on providing educational activities and tools to industry stakeholders, participants, and regulators.

The training and education program activities are carried out by NERC's professional/technical staff and contractors with the assistance of volunteers from the electric industry, government, and academia possessing the appropriate technical knowledge and competencies. The training and education program activities are carried out at its headquarters in Princeton, New Jersey, through conferences calls, exchanges of information through e-mail, Web site postings, other means of electronic communications, and in meetings and conferences at locations around the United States and Canada as selected from time to time for the convenience of meeting attendees.

Developing and maintaining education activities for bulk power system operating personnel and the other targeted audiences is an important component of NERC's accomplishment of its mission. Providing an education program for the personnel of owners, operators, and users of the bulk power systems of North America, relating to their compliance with reliability standards and other reliability-related job functions, will help to achieve a high level of knowledge and competence among these personnel in the performance of their reliability-related functions. It also helps to promote a culture of compliance within the industry, and thereby will help to further ensure the reliable operation of the bulk power systems of North America.

2009 Highlights

System Operator Certification
In 2009, the System Operator Certification Program will finalize the three-year transition from reliance on testing for credential maintenance to using continuing education hours.

To accommodate the recordkeeping requirements for using continuing education, the program implemented a new portal and database in 2007 with additional upgrades in 2008. The database allows system operators to register for exams and track the status of maintaining their credential with approved continuing education hours. The fully allocated costs of this project were recovered through fees collected by the System Operator Certification Program and the Continuing Education Program. Continued improvements to the database are expected in 2009. The cost of these improvements, estimated to be $30,000, will be recovered through the fees received by the System Operator Certification Program and the Continuing Education Program.

It is necessary to perform a job analysis at least once every five years to ensure the examination is based on current job tasks. The last analysis was performed in 2005. A survey tool was developed in 2008 and will be administered in 2009 to identify the reliability-based tasks performed by system operators on the bulk power system. The surveys will be analyzed by a professional psychometric service to establish the new content outline for each credential. New examinations will be developed in 2010 based on the new content outline.

Since its inception, the certification program was designed and has operated to meet standards established by accreditation agencies, but has not pursued accreditation. In 2009 the PCGC will pursue accreditation of the System Operator Certification Program through either the International Standards Organization (ISO) or the ANSI, the same organization that accredits the NERC Reliability Standards Program. Accreditation will demonstrate the integrity, independence, and fairness of the program. The PCGC will use an expert contractor to help prepare NERC for the accreditation effort. The cost of the accreditation and the consultant is estimated to be $30,000.

In 2008, the PCGC began researching the feasibility of establishing a voluntary advanced certification credential. This advanced credential would recognize higher skills and knowledge and possibly take into account experience and quality of work. A demonstration of skills would be necessary to attain the advanced certification. The program will begin work in 2009 to establish the criteria and foundation for an advanced certification based on the results of the PCGC work in 2008. An outside consultant will be used to ensure the new certification credential is established properly, meeting accreditation criteria at a cost of $15,000.

The PCGC will also investigate the interest, feasibility, and scope of establishing a voluntary certification program for relay technicians. The operation of protection systems has implications in the reliable operation of the bulk power system and has been a factor in numerous large-scale outages. No additional costs are anticipated for this work in 2009.

Continuing Education Program

This program will continue to grow in 2009 as all system operators must use continuing education hours to maintain their credential instead of retesting. The program will continue to audit approved activities to verify the quality of these activities.

The database used by the System Operator Certification Program is also used by the continuing education program to enter approved learning activities and track system operator transcripts. Routine upgrades estimated to be $30,000 will be made to the database to improve administration and operation. This share of the cost of maintaining the the database is shared with the certification program and is fully recovered through user fees.

Criteria for education providers to qualify for "NERC-approved provider" status will also be raised to reflect an assurance of quality that did not exist with the old designation. Most of this activity will be performed by industry volunteers from the Personnel Subcommittee.

Education Program

To recognize the training providers with high quality programs, NERC will continue the effort begun in 2008 of investigating how to implement a voluntary process to accredit industry training programs that meet the high quality criteria. This effort is separate from the continuing education effort as it targets the quality of the entity's training program, not just the activities that are offered. If this program is implemented, it will be developed in 2010 for implementation in 2011. The Personnel Subcommittee will perform much of the work on this initiative with NERC staff.

Training was developed and delivered for compliance audit team leaders and volunteers in 2008. Three additional learning activities, designed to improve compliance auditor skills, will be developed or acquired and delivered in 2009. Standards drafting team leaders and participants received their first formal training in 2008. Two learning activities for advancing reliability readiness evaluator skills will also be developed in 2009. Two additional skills sets will be targeted for improvement in 2009. Developing (or acquiring) and delivering these activities will require the partial or whole use of outside contractors at a cost of $250,000 for contracting and procurement.

In 2008, NERC began offering monthly Webinars on current topics and issues of interest to the industry. The goal is to educate stakeholders on NERC program areas and various issues affecting reliability. The Webinars, presented as a part of the NERC communications activities, have been very successful with positive feedback. NERC will continue to offer these Webinars in 2009 with expanded capabilities of reaching a larger audience.

The education program and the human resources department will expand the NERC staff training initiative begun in 2008. Three additional technical skills and general industry knowledge courses will be developed and offered to improve employee knowledge and capabilities. These activities will be developed internally and obtained through outside sources. The delivery of these activities will be via classroom and e-learning. These activities will require $80,000 for contractor fees and course procurement.

Finally, NERC began delivering on-demand internet-based learning activities in 2007 and greatly expanded this in 2008 using an interim system with limitations. A needs analysis will be performed in 2008 identifying the features of a system to manage learning activities and knowledge with the necessary bandwidth and features for NERC and others to host many future activities for the industry. NERC will continue contracting for the interim system at a cost of $15,000 per year until the new system is developed and capable of delivering activities.

Training, Education, and Operator Certification 2009 Objectives

Operator Certification

- Administer the current System Operator Certification Program.
- Administer the job analysis tool to define the tasks performed by system operators for future examinations.

- Complete the three-year transition to the exclusive use of continuing education hours for maintaining system operator certification.
- Continue to identify and implement additional interface improvements to the portal and database that personnel use to register for the system operator certification examinations and track continuing education activities.
- Continue the development of an advanced certification for system operators.
- Investigate the feasibility, interest, and scope of developing a certification credential for protective relay technicians.
- Pursue accreditation of the program through ISO or ANSI.

Continuing Education

- Implement the newly raised requirements to become an approved training provider.
- Raise the quality and levels of training for system operators throughout North America to ensure that delivered training meets the needs of the System Personnel Certification Program.
- Continue to define and implement improvements to the portal and database used by providers to track delivered continuing education activities.

Training and Education

The tasks are arranged by the department or program they are intended to support.

Compliance

- Continue delivering the fundamental compliance auditor training for new NERC staff, regional entity staff, and contractors who act as team leaders, on a quarterly basis.
- Develop and deliver three new learning activities to further improve compliance auditor skills.
  - Partner with auditing organizations such as IIA to offer appropriate auditing courses for NERC compliance audit team members.
  - Develop and deliver audit training for IT specialists on the Critical Infrastructure Protection standards.
- Develop and deliver a compliance workshop for NERC and Regional Entity compliance staff.

Readiness

- Perform job task analysis for readiness evaluation team leaders and readiness evaluation team members.
- Develop and deliver two new advanced training courses for readiness team leaders to improve their skills.
- Continue to deliver on-demand fundamental training for industry technical experts and volunteers who participate on readiness evaluations (internet-based).

- Develop and deliver advanced training for industry technical experts and volunteers who participate on reliability readiness evaluations (internet-based).
- Develop and implement an assistance program to enable industry entities to improve reliability by "helping the industry help itself."

Standards

- Continue delivering existing courses for the drafting team leaders and participants.
- Develop and deliver two new courses to improve the skills of drafting team leaders and participants.

System Events Analysis

- Develop and deliver learning activities and materials on lessons learned from the analysis of system events and system performance.

Human Resources

- Assist in the development and delivery of three new training modules for NERC staff with the human resources department.

Communications

- Develop and deliver monthly learning activities on topics and issues of reliability via WebEx and post to the new learning management system for future viewing.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Training and Education

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 437,295	$ 437,295	$ -	$ 780,596	$ 343,301
Membership Dues	-	-	-	-	-
Testing Fees	963,000	963,000	-	1,066,447	103,447
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 1,400,295**	**$ 1,400,295**	**$ -**	**$ 1,847,043**	**$ 446,748**
Expenses					
Personnel Expenses					
Salaries	$ 714,461	$ 713,832	$ (629)	$ 740,375	$ 26,543
Payroll Taxes	43,554	43,529	(25)	43,782	253
Benefits	78,916	78,760	(156)	84,120	5,360
Retirement Costs	89,564	89,546	(17)	107,161	17,615
Total Personnel Expenses	**$ 926,495**	**$ 925,668**	**$ (827)**	**$ 975,438**	**$ 49,771**
Meeting Expenses					
Meetings	$ 54,000	$ 69,000	$ 15,000	$ 80,000	$ 11,000
Travel	55,800	66,400	10,600	87,225	20,825
Conference Calls	-	-	-	75,000	75,000
Total Meeting Expenses	**$ 109,800**	**$ 135,400**	**$ 25,600**	**$ 242,225**	**$ 106,825**
Operating Expenses					
Consultants	$ 100,000	$ 100,000	$ -	$ 45,000	$ (55,000)
Contracts	264,000	264,000	-	571,400	307,400
Office Rent	-	-	-	-	-
Office Costs	-	12,500	12,500	12,980	480
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	**$ 364,000**	**$ 376,500**	**$ 12,500**	**$ 629,380**	**$ 252,880**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,400,295**	**$ 1,437,568**	**$ 37,273**	**$ 1,847,043**	**$ 409,476**
Change in Assets	**$ 0**	**$ (37,273)**	**$ (37,273)**	**$ -**	**$ 37,273**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

- No new personnel are proposed for 2009.

Meeting Expenses

- The NERC WebEx contract and associated expenses are being transferred to the Training, Education, and Personnel Certification program.

Operating Expenses

- Three learning activities to be developed by consultants or procured for NERC staff are proposed at a cost of $80,000.
- Seven learning activities to be developed by consultants or procured for the compliance, standards, and readiness program are proposed at a cost of $250,000.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)	2008 Budget	2008 Projection	2009 Budget
Total FTEs	11.0	12.0	14.0
Total Direct Funding	$2,881,436	$3,382,633	$4,240,940
Total Indirect Funding	$1,372,750	$1,809,097	$2,417,431
Total Funding	$4,254,186	$5,191,730	$6,658,370

Background

In the United States, the ERO is required to "conduct periodic assessments of the reliability and adequacy of the bulk-power system in North America." (FPA, § 215(g); 16 C.F.R. § 39.11.) In accordance with this responsibility and NERC's responsibility to support the reliability of the North American bulk power system, NERC intends to prepare three reliability assessments each year: a long-term reliability assessment report; a summer assessment report; and a winter assessment report. These reports will analyze electricity demand and the adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system. NERC will also prepare special reliability assessment reports as conditions warrant or as directed by the Board of Trustees. Copies of all reliability assessment reports will be submitted to FERC, the U.S. Department of Energy (DOE), the applicable governmental authorities in Canada, regional advisory boards, and be made publicly available. Further, NERC will analyze significant system events that occur on the bulk power systems, identify the causes of such events, assess past reliability performance, disseminate its findings to the electric industry, and develop reliability performance benchmarks.

Reliability and adequacy assessments and analyses of significant system events occurring on the bulk power system will be conducted by teams comprising members of NERC's and Regional Entity professional/technical staff along with volunteers from the electric industry, government, and academia possessing appropriate technical competencies. Except to the extent that site visits are necessary in conducting analyses and investigations, the work of these teams will be carried out through conference calls, exchanges of information through e-mail, Web site postings, other means of electronic communications, and, to the extent necessary, in meetings at NERC's headquarters in Princeton, New Jersey or at meeting locations around the United States and Canada selected for proximity to and ease of access by the team members.

The purposes of NERC's reliability assessment and performance analysis activities (in addition to fulfilling its obligations under the FPA and the FERC Rule) are to: conduct, and report the results of, independent assessments of the overall reliability and adequacy of the interconnected North American bulk power systems, both as existing and as planned; analyze off-normal events on the bulk power system; identify the root causes of events that may be precursors of potentially more serious events impacting the reliable operation of the bulk power systems; assess past reliability performance for lessons learned; disseminate findings and lessons learned to the electric industry to improve reliability performance on the bulk power systems; and develop, and monitor performance against, reliability performance benchmarks. These objectives, and the

performance of reliability and adequacy assessments, are important components of NERC's accomplishment of its mission. By performing reliability and adequacy assessments of the bulk power systems as well as analyzing and determining the root causes of significant system events occurring on the bulk power systems, NERC seeks to disseminate to owners, operators, and users of the bulk power system, as well as to FERC and other applicable governmental authorities, information that can help prevent future significant system events and improve reliable operation of the bulk power systems of North America. Improvements in the reliable operation of the bulk power systems will benefit all owners, operators, and users of the bulk power systems, all users of electricity in North America, and will provide a broad-based benefit to the public and will be in the public interest.

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the performance of reliability and adequacy assessments, the analysis of significant system events on the bulk power system, and to the development of reliability metrics and benchmarks, NERC estimates that it will spend XX percent of its resources on this activity.

Reliability Assessment Program Objectives

- Conduct and report the results of independent assessments of the overall reliability and adequacy of the interconnected North American bulk power systems for 2009 summer, 2009/2010 winter, and 2009–2018.
- Assess and report on the key issues, risks, and uncertainties that affect or have the potential to affect the reliability of existing and future electric supply and transmission (supply shortages, generating unit shutdowns, fuel supply and transportation disruptions, droughts, floods, strikes, extreme weather, etc.).
- Address potentially negative impacts on bulk power system reliability or adequacy due to concerns arising from the operation and planning of gas supply, transportation, and storage, and the operation and planning of electric systems.
- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new technology, new or proposed regulatory procedures, demand response initiatives, introduction of renewable energy sources, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power systems.
- Conduct and report the results of scenario analyses of specific emerging issues.
- Establish and maintain relationships with industry, regulatory, and governmental organizations involved with or having an interest in bulk power system reliability (e.g., DOE, FERC, EIA, RTOs/ISOs, Canadian provincial governmental agencies, etc.).
- Review international best practices on emerging issues and incorporate into annual reliability and adequacy assessment reports.
- Review regional reliability assessment processes, regional criteria, and methodologies for consistency and their interdependency and impact on neighboring regions.
- Sponsor forums for sharing best practices for reliability and planning assessments; review and recommend enhancements to current interregional and interconnection-wide reliability assessments.
- Complete studies of emerging reliability issues initiated under the NERC Reliability Issues Study Program (initiated in 2007.)

- Develop white papers on key emerging issues with associated metrics and industry action plans.
- Review the impact of potential fuel supply or transportation infrastructure interruptions in reliability assessments.
- Maintain a continuing working dialog on bulk power system reliability and adequacy issues with natural gas supply and transportation industry representatives.
- Develop and submit standards authorization requests (SARs), as required, for any deficiencies or needs revealed by reliability assessments, and solicit industry subject matter experts to serve on standards drafting teams.
- Continue the on-going improvement of NERC reliability assessment reports.

The objectives will require the addition of one FTE to the reliability assessment program. In addition, consulting resources of $250,000 are required.

Event Analysis and Information Exchange Program Objectives

One of the NERC recommendations following the August 2003 blackout was to establish a reliability performance monitoring function to evaluate and report bulk power system reliability performance. The Event Analysis and Information Exchange Program has made significant progress in implementing this blackout recommendation, but additional resources are needed for its full implementation.

XXX analyses of significant system events have been completed since the end of 2005 and YYY more events are under review, ZZZ of which have been delayed awaiting the availability of staff resources. Other related activities supported by the events analysis staff include: establishing an information release policy and a secure industry Web site for the Alerts needed due to critical infrastructure concerns; developing "Triage Team" plans and an industry support committee structure for event analysis; revising the events tracking database; providing technical support to the North American Synchro-Phasor Initiative; and fostering improved system powerflow and dynamics modeling through technical symposiums.

- Conduct NERC-level analyses, prioritized based on available resources, of significant system events to determine root causes and lessons learned.
- Participate in regional analyses as determined by NERC.
- Record all significant system events in the NERC Events Database, created in 2006 (in conjunction with the Situation Awareness and Infrastructure Security Program).
- Maintain and enhance *NERC's Blackout and Disturbance Response Procedures* (in conjunction with the Situation Awareness and Infrastructure Security Program).
- Direct teams in the analysis of significant system events.
- Analyze the frequency performance of the interconnections using data from appropriate measurement systems.
- Establish a clear set of criteria for sorting reported system events into categories, deciding what level of analysis is needed, and who will undertake such analyses (triage function).
- Communicate to the industry root causes of events that may be precursors of potentially more serious events and other "lessons learned" from all analyses. For these purposes, develop Advisories, Recommendations, and Essential Actions. In the cases of

Recommendations and Essential Actions, collect, summarize, and develop reports to FERC and governmental authorities in Canada on industry responses.

- Analyze and identify improvements to the interaction of the transmission system with nuclear power plants, especially related to minimum voltages required by the plants for the safe shutdown of reactors.
- Develop and submit SARs, as required, for any deficiencies or needs revealed by event analyses.
- Advise the Reliability Readiness Evaluation and Improvement Program of specific issues identified through analyses that should be included in future readiness evaluations.
- Advise the Compliance Monitoring and Enforcement Program of any potential reliability standards violations identified through significant system event analyses.
- Assess and report quarterly to NERC technical committees and the Board of Trustees on past reliability performance of the bulk power system.
- Assess and report annually to NERC technical committees and the Board of Trustees on reliability performance for the previous five years, including recommendations to improve reliability.
- Improve understanding of dynamic system behavior by: promoting understanding of inter-area oscillations and their importance to system integrity; and promoting application of Phasor Measurement Unit-based technology to improve system operator visualization and operational preparedness.
- Improve performance of system protection by promoting generator/transmission protection and controls coordination and improvement.
- Improve system modeling by sponsoring model validation/dynamics symposiums; assist interconnection-wide reliability assessment groups in improving the quality of base cases they develop; promote development of standard file formats for exchanging real-time powerflow data (power system "snapshots"); and standardize the mapping of power system elements (generators, transmission lines, etc.) in databases and power system models.
- Communicate regularly with the Transmission Owners and Operators Forum on findings from event analyses.

These objectives will require the addition of one engineer FTE to the Event Analysis and Information Exchange Program. In addition, $xxx,xxx for system analysis software is required for the new engineer.

Reliability Metrics and Benchmarking Program Objectives

There are five categories of reliability events presently included in NERC's reliability performance analysis database. In order to recognize and eliminate unreliable actions and at-risk conditions, the benchmarking program will track a number of leading indicators. Much of operating reliability and adequacy data related to metrics and leading indicators still reside in the Regional Entities and Reliability Coordinators. Due to lack of resources, no events in Categories 1 and 2 are being collected and analyzed at the present time. As a result, metrics data we have so far have been neither sufficient nor complete.

- Maintain a performance metrics "dashboard" on the NERC Web site, and develop appropriate reliability performance benchmarks (initiated in 2006).

- Identify and track key reliability indicators (such as system control performance, TLRs, disturbances, etc.) as a means of benchmarking reliability performance and measuring reliability improvements (initiated in 2006).
- Develop a centralized data collection process (and tool) to automate the collection and reporting processes.
- Report on changes in reliability performance compared to established benchmarks for each reliability performance indicator (initiated in 2006).
- Identify and continuously monitor performance indices to detect emerging trends and signs of a decline in reliability performance (initiated in 2006).
- Develop and submit SARs, as required, for any deficiencies or needs revealed by the benchmarking program.
- Review reliability metrics with industry, regulatory, and governmental organizations involved with or having an interest in bulk power system reliability.
- Develop leading indicators to recognize and eliminate unreliable actions and at-risk conditions.
- Establish and maintain a continuing working dialog on reliability benchmarking with industry representatives.
- Communicate performance results, trends, recommendations, and initiatives to those responsible to take actions; follow with confirmation of actions to correct any deficiencies identified.

Transmission Availability Data System (TADS) Objectives

The NERC Planning Committee (PC) formed a task force in October 2006 to develop a proposal for quantifying and measuring transmission system performance and reliability. This proposal was to identify the type of transmission availability data that transmission owners should report to NERC; a single process for collecting such data that avoids duplication of effort; the transmission availability statistics that could be calculated from the reported availability data; and guidelines for release of such data and statistics. The PC approved the final report of the task force at its June 2007 meeting, and the NERC Board of Trustees approved the Phase I data collection in October 2007. NERC contracted in 2008 for the development of custom software for TADS and is conducting training for data reporters: under the guidance of a contracted project manager.

Based on these efforts and progress to date, NERC is working with the Energy Information Administration to eliminate its requirement for transmission owners to report transmission availability data as part of Form EIA-411, Schedule 7.

Specific objectives for the TADS Program in 2009 include:

- Maintain and expand the Transmission Availability Data System (TADS) and report on trends in transmission equipment performance.
- Pending Board approval in 2008, expand the system to include historic Planned Outages and related metrics required by the TADS Task Force.
- Eliminate the need for duplicate Transmission Owner reporting via EIA-411.
- Export data from TADS to fulfill the EIA-411 Schedule 7 requirements.

- Expand the TADS to cross reference TADS and GADS automatic outage events. (Events which automatically outage both transmission circuits and generators should be integrated and such trends tracked via TADS.)

To meet the above objectives of the Transmission Availability Data System (TADS) will require contract software development at a cost of $xxx,xxx.

Generating Availability Data System (GADS) Objectives

NERC maintains a Generating Availability Data System (GADS) on the performance of electric generating equipment; provides assistance to those researching information on power plant availability; supports equipment reliability and availability analyses and other decision-making processes; facilitates the use of GADS data in conducting assessments of generation resource adequacy; and reports on trends in generating equipment performance.

GADS is used extensively throughout the industry to support resource adequacy studies and improve the availability performance of generating equipment. The 2009 budget for this program includes the following:

- Continued upgrades and improvements to pc-GAR plus maintenance and upgrades to other GADS-related programs, such as edit and entry programs.
- Complete work on translation tables to convert INPO data to the GADS format for collecting all nuclear data to reduce the reporting burden on data reporters (i.e., report once to both databases). Develop web interface data collection, editing and return reports program. (This software would allow reporters to batch GADS event and performance data to the software which will edit, mark errors and return reports to the user without human interface. It will store all event and performance records as "good data" or "data with errors". It will be a quick turn around and remove the need for some technical analyst support.)
- Place pc-GAR on the web. Set up account numbers where entities can use the software on a subscription basis as needed and access the same executable problems as NERC now sends them on CDs. This will lead to increased use of pc-GAR and more income from use of the software.
- Pursue additional special contracts with analysts for the application of GADS data. (One such agreement is in place, which yields income to NERC when the contractor makes use of GADS data in fulfilling contract services with clients.)
- Continue to provide GADS consulting and training services on a fee basis.
- Reevaluate pricing of GADS products and services to close the gap between expenses and revenues. Specific efforts to achieve this objective include:
  - Sales of pc-GAR to non utilities.
  - Sales of Manufacturers Support Services to equipment manufacturers.
  - Charging for workshops.
  - Receiving travel compensation for special assistance visits.

To meet the above objectives, the Generating Availability Data System (GADS) requires contract software development at a cost of $xxx,xxx.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Reliability Assessment and Performance Analysis

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 2,731,436	$ 2,731,436	$ -	$ 4,090,940	$ 1,359,504
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	150,000	150,000	-	150,000	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 2,881,436**	**$ 2,881,436**	**$ -**	**$ 4,240,940**	**$ 1,359,504**
Expenses					
Personnel Expenses					
Salaries	$ 1,597,025	$ 1,731,434	$ 134,409	$ 2,061,821	$ 330,387
Payroll Taxes	87,313	94,661	7,348	121,927	27,265
Benefits	212,587	230,479	17,892	234,261	3,782
Retirement Costs	203,611	220,747	17,136	266,649	45,902
Total Personnel Expenses	**$ 2,100,536**	**$ 2,277,321**	**$ 176,785**	**$ 2,684,657**	**$ 407,336**
Meeting Expenses					
Meetings	$ 92,500	$ 157,825	$ 65,325	$ 165,750	$ 7,925
Travel	203,400	314,238	110,838	362,733	48,495
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 295,900**	**$ 472,063**	**$ 176,163**	**$ 528,482**	**$ 56,420**
Operating Expenses					
Consultants	$ 75,000	$ 200,000	$ 125,000	$ 451,270	$ 251,270
Contracts	410,000	410,000	-	550,000	140,000
Office Rent	-	-	-	-	-
Office Costs	-	23,250	23,250	26,530	3,280
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	**$ 485,000**	**$ 633,250**	**$ 148,250**	**$ 1,027,800**	**$ 394,550**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 2,881,436**	**$ 3,382,633**	**$ 501,197**	**$ 4,240,940**	**$ 858,306**
Change in Assets	**$ -**	**$ (501,197)**	**$ (501,197)**	**$ -**	**$ 501,197**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Situation Awareness and Infrastructure Security Program

Situation Analysis and Infrastructure Security Program Resources (in whole dollars)	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.0	6.0	10.0
Total Direct Funding	$3,244,461	$3,381,862	$6,300,636
Total Indirect Funding	$623,977	$1,809,097	$2,417,431
Total Funding	$3,868,438	$5,190,959	$8,718,067

Background

NERC's Situation Awareness and Infrastructure Security (SAIS) program encompasses a broad set of coordinated, complementary activities intended to: maintain a near-real-time appreciation of conditions on the bulk power system and rapidly communicate substantive changes in those conditions to relevant parties; understand threats and vulnerabilities to the reliability of the bulk power system and plan and direct activities to defend against them; and develop and maintain processes, procedures, and tools that address industry's situation awareness and infrastructure security needs. Achieving these goals helps NERC fulfill its overall mission for the benefit of owners, operators and users of the bulk power system, and, ultimately, provides a broad-based benefit to the public. SAIS activities are carried out primarily by NERC's professional and technical staff at its headquarters in Princeton, New Jersey or at other locations in various cities within the United States and Canada, as selected from time to time for the convenience of the meeting attendees.

Based on the portion of its professional/technical staff time and other resources that it expects to devote to the situation awareness program, NERC estimates that it will spend XX% of its resources on this activity.

Activities in the SAIS program are grouped into three functional areas: ES-ISAC operations, critical infrastructure protection, and reliability tools and support services.

Electricity Sector Information Sharing and Analysis Center (ES-ISAC) Operations

NERC formed the ES-ISAC in 1999 to gather and disseminate information pertinent to the growing terrorist threat against critical infrastructure. Since then, the ES-ISAC has expanded its scope to include information about all types of threats to reliability and electricity infrastructure, including natural disasters, power system operational issues, and physical and cyber security.

The ES-ISAC performs the following functions:

- Receives reports of physical- and cyber-security related incidents from electricity sector participants and assists government agencies in analyzing them to uncover trends.
- Disseminates threat and vulnerability assessments to electric sector participants.

- Maintains situation awareness and communicates significant bulk power system events to United States and Canadian government agencies, electric sector participants, and other critical infrastructures as necessary.
- Liaisons with other ISACs.
- Analyzes sector interdependencies.
- Participates in infrastructure exercises.

Critical Infrastructure Protection

Critical infrastructure protection refers to a collection of strategic and tactical initiatives aimed at improving the overall resiliency of the bulk power system in North America to threats and vulnerabilities. These include physical and cyber security, particularly involving SCADA and process control systems; cross-sector dependencies and their implications to planning and operations; and, emergency response and business continuity planning, including training and exercises. NERC, coordinates, collaborates, and facilitates many of these initiatives.

Reliability Tools and Support Services

To help achieve its reliability mission, NERC provides tools and other support services for the use and benefit of bulk power system operators including reliability coordinators. These tools provide situation awareness and rapid communications, help implement transmission loading relief procedures, and meet requirements for same-time information to market participants and others. NERC also assesses new and emerging technologies and, as appropriate, encourages and facilitates their development into tools that enhance the reliability of the bulk power system.

Creation and management of tools is consistent with guidelines established by NERC's Board of Trustees. A description of each tool NERC currently supports is provided in the *NERC Reliability Tools and Support Service Catalog.*

Situation Awareness and Infrastructure Security 2009 Objectives

ES-ISAC

- Enhance the capability to monitor conditions on the bulk power system and rapidly communicate about conditions to appropriate stakeholders.
  - Continue the deployment of the Situation Awareness Tool to all reliability coordinators with completion targeted for 2010.
  - Deploy an emergency notification system.
  - Upgrade threat and incident reporting mechanisms.
- Improve the ES-ISAC governance model.
- Expand ES-ISAC operational capabilities to meet stakeholder needs.
  - Build a new state-of-the-art facility to house ES-ISAC operations.
  - Begin transitioning from part-time "virtual" staff to full-time staff with extended hours of operation.
  - Update the ES-ISAC Concept of Operations and document an emergency communications plan.

- Build effective coordination and communications channels with NERC's Events Analysis and Communications program areas.

Critical Infrastructure Protection

- Work with NERC's Critical Infrastructure Protection Committee (CIPC) to create plans for electric sector preparedness and emergency response exercises to be executed in 2010 and 2011.
- Work with the ISAC Council and CIPC to define a strategy for addressing cross-sector interdependency issues.
  - Participate in exercises designed to identify cross-sector dependencies.
  - Work with the ISAC Council and CIPC to prepare guidance on how to account for these dependencies in planning and operations.
- Actively manage the Infrastructure Security Guideline Program.
  - Review and improve existing security guidelines.
  - Develop new security guidelines to meet the needs of the electricity sector.
  - Consider whether any guidelines should be developed into NERC standards.
- Support other NERC business units' activities related to CIP standards.
- Identify priority activities for NERC in DOE's Roadmap to Secure Control Systems in the Energy Sector and, with DOE, create action plans for CIPC or other relevant NERC groups' consideration.
  - Monitor the progress of the DOE-sponsored Detection and Analysis of Threats in the Energy Sector (DATES) project and identify opportunities for active participation.
- Identify priority activities for NERC in DHS's National Infrastructure Protection Plan and, with DHS, create action plans for CIPC or other relevant NERC groups' consideration.
  - Participate in the DHS-sponsored activities to create and implement performance metrics related to its National Infrastructure Protection Plan.
- Strengthen relationships with government entities and continue ongoing efforts to build long-lasting partnership and collaboration.

Reliability Tools and Support Services

- Manage the North American SynchroPhasor Initiate (NASPI) project and provide periodic progress updates to the NASPI Executive Steering Group and to others as necessary.
- With appropriate technical committees, evaluate the need for and document requirements of new tools or improved functionality for existing tools (e.g., Interchange Distribution Calculator), and initiate upgrades using approved management processes.
- Meet performance and availability expectations for reliability tools and improve the support function to meet user expectations.

In order to achieve the goals for 2009, SAIS will need to add three FTEs.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Situation Awareness and Infrastructure Security

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 3,139,461	$ 3,139,461	$ -	$ 6,300,636	$ 3,161,175
Membership Dues	$ -	$ -	$ -	$ -	$ -
Testing Fees	$ -	$ -	$ -	$ -	$ -
Services & Software	$ 105,000	$ 110,000	$ 5,000	$ 35,000	$ (75,000)
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 3,244,461**	**$ 3,249,461**	**$ 5,000**	**$ 6,335,636**	**$ 3,086,175**
Expenses					
Personnel Expenses					
Salaries	$ 693,952	$ 756,251	$ 62,299	$ 1,208,023	$ 451,773
Payroll Taxes	$ 40,030	$ 43,624	$ 3,594	$ 71,437	$ 27,813
Benefits	$ 45,865	$ 49,983	$ 4,117	$ 137,253	$ 87,271
Retirement Costs	$ 79,654	$ 86,805	$ 7,151	$ 135,395	$ 48,590
Total Personnel Expenses	**$ 859,501**	**$ 936,662**	**$ 77,161**	**$ 1,552,108**	**$ 615,447**
Meeting Expenses					
Meetings	$ 102,000	$ 102,000	$ -	$ 85,800	$ (16,200)
Travel	$ 80,100	$ 135,000	$ 54,900	$ 177,254	$ 42,254
Conference Calls	$ -	$ -	$ -	$ -	$ -
Total Meeting Expenses	**$ 182,100**	**$ 237,000**	**$ 54,900**	**$ 263,054**	**$ 26,054**
Operating Expenses					
Consultants	$ 250,000	$ 250,000	$ -	$ 1,300,000	$ 1,050,000
Contracts	$ 1,952,860	$ 1,952,860	$ -	$ 2,679,600	$ 726,740
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ -	$ 5,340	$ 5,340	$ 30,874	$ 25,534
Professional Services	$ -	$ -	$ -	$ -	$ -
Computer Purchase & Maintenance	$ -	$ -	$ -	$ -	$ -
Furniture & Equipment	$ -	$ -	$ -	$ 475,000	$ 475,000
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Contingency	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ 2,202,860**	**$ 2,208,200**	**$ 5,340**	**$ 4,485,474**	**$ 2,277,274**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 3,244,461**	**$ 3,381,862**	**$ 137,401**	**$ 6,300,636**	**$ 2,918,775**
Change in Assets	**$ -**	**$ (132,401)**	**$ (132,401)**	**$ 35,000**	**$ 167,401**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Administrative Services

Technical Committees and Members' Forums

Background

The success of the NERC programs will depend on the active and direct participation of industry stakeholders, including its members. The stakeholders are the source of expertise in the industry, and provide the force that raises the bar for enhancing reliability through technical excellence.

NERC has established and facilitates a Members' Forum that serves the interests of stakeholders within a specific NERC sector, and general, technical committees that integrate the "deliverables" of NERC programs. NERC and its committees and forums follow four guiding principles: provide expertise; have a clear purpose; promote efficiency; and participate for the community good.

Members' Forum Objectives

- Reevaluate the structure, role, and deliverables of the technical integration committee(s) to ensure the industry is able to effectively and efficiently provide its expertise in support of NERC's mission as the ERO.
- Utilize the NERC technical integration committee(s) and its subject matter expert subgroups: for technical advice and support for all NERC programs with specific advice and support to the Reliability Assessment and Performance Analysis Program (Planning Committee) and the Reliability Readiness Evaluation and Improvement Program (Operating Committee); to serve as forums for technical discussion and integration of the outputs of each NERC program; and to provide expert technical opinions on all reliability matters to the NERC programs and the board.

Technical Committees and Member Forums

Funding sources and related expenses for the Members' Forums section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Technical Committees and Member Forums

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 713,288	$ 713,288	$ -	$ 148,750	$ (564,538)
Membership Dues	175,000	750,000	575,000	750,000	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 888,288**	**$ 1,463,288**	**$ 575,000**	**$ 898,750**	**$ (564,538)**
Expenses					
Personnel Expenses					
Salaries	$ 435,171	$ 435,171	$ -	$ 450,402	$ 15,231
Payroll Taxes	19,582	19,582	-	20,268	685
Benefits	46,731	46,731	-	48,367	1,636
Retirement Costs	39,403	39,403	-	40,782	1,379
Total Personnel Expenses	**$ 540,888**	**$ 540,888**	**$ -**	**$ 559,819**	**$ 18,931**
Meeting Expenses					
Meetings	$ 140,000	$ 162,163	$ 22,163	$ 170,271	$ 8,108
Travel	32,400	17,768	(14,632)	18,660	891
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 172,400**	**$ 179,931**	**$ 7,531**	**$ 188,931**	**$ 9,000**
Operating Expenses					
Consultants	$ 175,000	$ 175,000	$ -	$ 150,000	$ (25,000)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	**$ 175,000**	**$ 175,000**	**$ -**	**$ 150,000**	**$ (25,000)**
Other Non-Operating Expenses	$ -	$ -	**$ -**	$ -	**$ -**
Total Expenses	**$ 888,288**	**$ 895,819**	**$ 7,531**	**$ 898,750**	**$ 2,931**
Change in Assets	**$ 0**	**$ 567,469**	**$ 567,469**	**$ 0**	**$ (567,469)**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

General and Administrative

Background

The General and Administrative department consists of the president and ceo, the executive vice president, the director of inter-governmental affairs, and two administrative assistants. Their responsibilities include oversight and management of all NERC activities, interaction with the Board of Trustees and Regional Entity Management Group, and managing the relationships with governmental agencies, regulators, and other industry organizations.

Top-ten Goals for NERC in 2009

- Using stakeholder processes for development, obtain approval for ten standards work plan projects slated for completion in 2008. In particular **By March 1** — Using the stakeholder process for development, obtain board approval for Violation Severity Levels and **By May 9** — Using the stakeholder process for development, obtain board approval on ATC standards.
- **By year-end** — Have agreements in place in Alberta, British Columbia, Manitoba, Nova Scotia, Quebec, and Saskatchewan by the end of 2008 that lead to having mandatory reliability standards in each province.
- **By July 1** — Conclude ES-ISAC working group and initiate action to implement recommendations. Formalize cyber security relationship with DOE/DHS to provide expertise for advisories, recommendations, and essential actions. Re-establish the relationship with Public Safety Canada to ensure an effective and timely exchange of information pertaining to security threats and incidents.
- Manage the Compliance Monitoring and Enforcement Program so registered entities, Regional Entities, FERC, and NERC management view the implementation of the program to have successfully recognized and balanced the importance of self reports, mitigation plans, and 100% compliance with the standards all the time. Establish a process with the Regional Entities that ensures effective and efficient oversight of the RDAs. NERC compliance, in conjunction with standards and information technology, will develop and provide a knowledge management platform to share knowledge about compliance with NERC's reliability standards. Implement a Compliance reporting and tracking tool for NERC.
- Timely issue advisories, recommendations, or essential actions to the industry as a result of a completed event analysis. Quarterly present results of individual event analyses, as well as trends, to NERC committees and the Transmission Forum.
- **By year-end** — Expand the pilot of the Situation Awareness Tool to at least two additional participants; have ready to deploy to Regional Entities who want the tool.
- **By June 1** — Define reliability measures, including formulae or methodologies for their calculation; identify data collection and reporting guidelines, and recommend a metrics implementation plan resulting in at least ten bulk power system leading indicators.
- **By year-end** — Encourage and promote the adoption of synchrophasor technology in the U.S. and Canada. Specifically by: staffing a full-time position to coordinate NERC's involvement by **March 15**; preparing a three-year budget and transition plan by **June 1;** and continuing to work with NASPI leadership to identify communications requirements.
- **By April 1** — Finalize and begin to implement the Reliability Assessment Improvement Plan, including:

- Enhanced capacity definitions (replaces reference to committed/uncommitted capacity).
- RFC reporting two sub-regions.
- Consistent method to determine deliverability.
- Consistent treatment of variable generation (i.e., solar, wind, etc.).
- LTRA guidebook to clarify LTRA expectations and objectives.
- Consistent integration of DSM and treatment in the LTRA.
- Metrics development for seasonal assessments and 1–5 and 6–10 years for the LTRA.

- **By Year End** — Assess proposed climate change legislation to assure consistency with reliability of the bulk power system. Identify and evaluate interdependencies, in particular water, pipelines, rail transportation, and storage capacity.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
General and Administrative

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 3,006,820	$ 3,006,820	$ -	$ 5,610,425	$ 2,603,605
Membership Dues	$ -	$ -	-	$ -	-
Testing Fees	$ -	$ -	-	$ -	-
Services & Software	$ -	$ -	-	$ -	-
Workshops	$ -	$ -	-	$ -	-
Interest	$ 200,000	$ 200,000	-	$ 200,000	-
Miscellaneous	$ -	$ -	-	$ -	-
Total Funding	**$ 3,206,820**	**$ 3,206,820**	**$ -**	**$ 5,810,425**	**$ 2,603,605**
Expenses					
Personnel Expenses					
Salaries	$ 705,082	$ 1,405,869	$ 700,787	$ 1,312,298	$ (93,571)
Payroll Taxes	$ 24,348	$ 48,548	24,200	$ 77,603	29,056
Benefits	$ 50,380	$ 100,453	50,073	$ 149,101	48,648
Retirement Costs	$ 90,110	$ 179,671	89,561	$ 190,283	10,612
Total Personnel Expenses	**$ 869,920**	**$ 1,734,541**	**$ 864,621**	**$ 1,729,285**	**$ (5,256)**
Meeting Expenses					
Meetings	$ 139,000	$ 234,034	$ 95,034	$ 245,735	$ 11,702
Travel	$ 155,900	$ 163,695	7,795	$ 263,975	100,280
Conference Calls	$ 113,000	$ 121,671	8,671	$ 73,872	(47,799)
Total Meeting Expenses	**$ 407,900**	**$ 519,399**	**$ 111,499**	**$ 583,582**	**$ 64,183**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ -	$ -
Contracts	$ -	$ -	-	$ -	-
Office Rent	$ 680,000	$ 680,000	0	$ 711,523	31,523
Office Costs	$ 470,000	$ 446,051	(23,949)	$ 480,973	34,922
Professional Services	$ 720,000	$ 720,000	-	$ 720,000	-
Computer Purchase & Maintenance	$ -	$ -	-	$ -	-
Furniture & Equipment	$ 59,000	$ -	(59,000)	$ -	-
Miscellaneous	$ -	$ -	-	$ -	-
Contingency	$ -	$ -	-	$ -	-
Total Operating Expenses	**$ 1,929,000**	**$ 1,846,051**	**$ (82,949)**	**$ 1,912,497**	**$ 66,445**
Other Non-Operating Expenses	$ -	$ -	**$ -**	$ 1,585,061	**$ 1,585,061**
Total Expenses	**$ 3,206,820**	**$ 4,099,991**	**$ 893,171**	**$ 5,810,425**	**$ 1,710,433**
Change in Assets	**$ -**	**$ (893,171)**	**$ (893,171)**	**$ -**	**$ 893,171**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Legal and Regulatory

Background

The legal department will provide legal advice to the CEO, Board of Trustees, staff, and stakeholders on all legal and regulatory matters affecting NERC; review items filed with governmental units for legal sufficiency; maintain relationships with the United States, Canadian, and Mexican jurisdictions; review all contracts; and retain and oversee work of outside counsel.

2009 Goals and Objectives

- Obtain recognition of NERC as the electric reliability organization in all nine Canadian jurisdictions.
- Achieve mandatory reliability standards in all nine Canadian jurisdictions, with enforcement comparable to that in the United States.
- Complete and file with the Federal Energy Regulatory Commission the three-year performance assessment of NERC and the Regional Entities required by section 39.3(c) of the Commission's regulations and the July 20, 2006 Order Certifying NERC as the "electric reliability organization" under Section 215 of the Federal Power Act.
- Obtain regulatory approvals for new and revised reliability standards on a timely basis.
- Process all appeals of compliance actions in an effective and efficient manner.

In order to achieve the goals and objectives as stated above, the Legal and Regulatory department will need to hire one additional attorney.

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Legal and Regulatory

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 1,601,283	$ 1,601,283	$ -	$ 3,498,374	$ 1,897,091
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 1,601,283**	**$ 1,601,283**	**$ -**	**$ 3,498,374**	**$ 1,897,091**
Expenses					
Personnel Expenses					
Salaries	$ 848,599	$ 651,012	$ (197,587)	$ 961,205	$ 310,193
Payroll Taxes	39,344	30,183	(9,161)	56,841	26,658
Benefits	84,142	64,550	(19,592)	109,210	44,660
Retirement Costs	74,898	57,459	(17,439)	126,437	68,978
Total Personnel Expenses	**$ 1,046,983**	**$ 803,204**	**$ (243,779)**	**$ 1,253,694**	**$ 450,490**
Meeting Expenses					
Meetings	$ 3,000	$ 3,000	$ -	$ 3,000	$ -
Travel	51,300	37,715	(13,585)	75,000	37,285
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 54,300**	**$ 40,715**	**$ (13,585)**	**$ 78,000**	**$ 37,285**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ 1,500,000	$ 1,500,000
Contracts	-	-	-	108,000	108,000
Office Rent	-	-	-	-	-
Office Costs	-	8,050	8,050	8,680	630
Professional Services	500,000	500,000	-	550,000	50,000
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	**$ 500,000**	**$ 508,050**	**$ 8,050**	**$ 2,166,680**	**$ 1,658,630**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 1,601,283**	**$ 1,351,970**	**$ (249,313)**	**$ 3,498,374**	**$ 2,146,405**
Change in Assets	**$ -**	**$ 249,313**	**$ 249,313**	**$ -**	**$ (249,313)**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Information Technology

Background

NERC relies on Information Technology (IT) to achieve its reliability mission. IT provides the foundational computer networks, systems, and tools that drive NERC's day-to-day business processes and ensures that these information assets meet NERC's existing and future needs. IT also supports the development, implementation, and operation of reliability tools used by system operators and others to monitor system conditions in near-real time.

Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems. IT goals include, but are not limited to:

- Establishing and directing the strategic long-term goals, policies, and procedures of NERC's information technology department, which complement NERC's strategic goals and reliability mission.
- Assessing NERC's evolving business environment and recommending technology solutions to drive productivity, efficiency, and effectiveness.
- Planning and implementing organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems to meet the needs of a large, diverse user base, both internal and external to NERC.
- Ensuring all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security.
- Creating and managing an information security program aimed at reducing risk to acceptable levels.

Information Technology Objectives

- Achieve compliance with NERC's Cyber Security Standards CIP-002–CIP-009 by June 30, 2009.
- Continue the development, integration, and expansion of databases and applications into a unified NERC-wide Information Management System. This system will ultimately feed active content to NERC's Web site.
- Initiate the second phase of NERC's Web site redesign project.
  - Create and automate processes to deliver active content to the Web site.
  - Implement the business rules governing the creation of content as well as the review and approval criteria for publication.
  - Introduce collaboration tools to allow for the ready flow of information between applications and between users.
- Work with SAIS to deliver tools to enhance situation awareness.
  - Continue development of the Situation Awareness Tool through additional pilot phases for new users.
  - Identify and deploy an emergency notification system.

  - Assist in the design and build-out of a Situation Awareness Operations Center.
- Enhance IT infrastructure to better support a growing staff in multiple locations.
  - Redesign telecommunications networks for increased throughput and redundancy.
  - Create and implement plans to redeploy business-critical systems in redundant, high availability configurations.

In order to achieve the goals and objectives as stated above, the IT department will need to hire one additional project manager.

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Information Technology

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 2,303,735	$ 2,303,735	$ -	$ 2,544,258	$ 240,523
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 2,303,735**	**$ 2,303,735**	**$ -**	**$ 2,544,258**	**$ 240,523**
Expenses					
Personnel Expenses					
Salaries	$ 843,695	$ 892,243	$ 48,548	$ 948,208	$ 55,966
Payroll Taxes	57,439	60,744	3,305	64,554	3,810
Benefits	131,470	139,035	7,565	147,756	8,721
Retirement Costs	115,531	122,179	6,648	129,842	7,664
Total Personnel Expenses	**$ 1,148,135**	**$ 1,214,201**	**$ 66,066**	**$ 1,290,361**	**$ 76,160**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ 5,500	$ 5,500
Travel	30,600	38,000	7,400	46,638	8,638
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 30,600**	**$ 38,000**	**$ 7,400**	**$ 52,138**	**$ 14,138**
Operating Expenses					
Consultants	$ 250,000	$ 250,000	$ -	$ 270,000	$ 20,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	275,000	119,700	(155,300)	204,184	84,484
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	600,000	600,000	-	642,575	42,575
Furniture & Equipment	-	-	-	85,000	85,000
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	**$ 1,125,000**	**$ 969,700**	**$ (155,300)**	**$ 1,201,759**	**$ 232,059**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 2,303,735**	**$ 2,221,901**	**$ (81,834)**	**$ 2,544,258**	**$ 322,357**
Change in Assets	**$ -**	**$ 81,834**	**$ 81,834**	**$ -**	**$ (81,834)**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Human Resources

Background

NERC has assembled an exceptional team of highly qualified employees to carry out the activities of the ERO. By the end of 2009, NERC expects to increase its resources to XXX employees.

The human resources department, in adherence with applicable federal and state laws, designs, plans, and implements human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development.

2009 Goals and Objectives

- Recruit stellar employees.
- Provide training programs.
- Review employee benefits.

In order to achieve the goals and objectives as stated above, the HR department will need to hire a benefits administrator.

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Human Resources

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 473,958	$ 473,958	$ -	$ 608,093	$ 134,135
Membership Dues	$ -	$ -	$ -	$ -	$ -
Testing Fees	$ -	$ -	$ -	$ -	$ -
Services & Software	$ -	$ -	$ -	$ -	$ -
Workshops	$ -	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Funding	**$ 473,958**	**$ 473,958**	**$ -**	**$ 608,093**	**$ 134,135**
Expenses					
Personnel Expenses					
Salaries	$ 289,910	$ 300,698	$ 10,788	$ 385,799	$ 85,101
Payroll Taxes	$ 18,125	$ 18,799	$ 674	$ 22,814	$ 4,015
Benefits	$ 124,437	$ 129,067	$ 4,630	$ 43,834	$ (85,234)
Retirement Costs	$ 32,486	$ 33,695	$ 1,209	$ 38,295	$ 4,600
Total Personnel Expenses	**$ 464,958**	**$ 482,260**	**$ 17,302**	**$ 490,743**	**$ 8,483**
Meeting Expenses					
Meetings	$ -	$ -	$ -	$ -	$ -
Travel	$ 9,000	$ 10,784	$ 1,784	$ 11,000	$ 216
Conference Calls	$ -	$ -	$ -	$ -	$ -
Total Meeting Expenses	**$ 9,000**	**$ 10,784**	**$ 1,784**	**$ 11,000**	**$ 216**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ 100,000	$ 100,000
Contracts	$ -	$ -	$ -	$ -	$ -
Office Rent	$ -	$ -	$ -	$ -	$ -
Office Costs	$ -	$ 6,350	$ 6,350	$ 6,350	$ -
Professional Services	$ -	$ -	$ -	$ -	$ -
Computer Purchase & Maintenance	$ -	$ -	$ -	$ -	$ -
Furniture & Equipment	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Contingency	$ -	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ -**	**$ 6,350**	**$ 6,350**	**$ 106,350**	**$ 100,000**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Expenses	**$ 473,958**	**$ 499,394**	**$ 25,436**	**$ 608,093**	**$ 108,699**
Change in Assets	**$ -**	**$ (25,436)**	**$ (25,436)**	**$ -**	**$ 25,436**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Finance and Accounting

Background

NERC will file its 2009 Business Plan and Budget, the 2009 Business Plans and Budgets of the Regional Entities, and the 2009 funding request of the Western Interconnection Regional Advisory Body ("2009 ERO Budget Filing") with FERC and the applicable governmental authorities in Canada. The 2009 budget filing will include supporting schedules detailing all proposed assessments, dues, fees, and other charges as well as proposed expenditures for statutory and nonstatutory activities.

The Finance and Accounting department will direct the financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax and audit activities; and monitor financial and accounting controls and standards.

Finance and Accounting Objectives

- Participate in completing the three-year performance assessment of NERC and an evaluation of the effectiveness of each Regional Entity.
- Evaluate and recommend the implementation of budgeting software across NERC and the Regional Entities to achieve greater consistency in the annual budgeting process.
- Participate in reviewing and updating of employee benefit plans.
- Complete the NERC and Regional Entity true-up filing.
- Implement an initiative tracking mechanism.
- Develop procedures and accounting processes for the application of penalties to future assessments.
- Institute an internal audit function.
- Establish program specific expense tracking systems.
- Provide advice from the financial perspective on contracts into which the organization may enter.

In order to achieve the goals and objectives as stated above, the Finance and Accounting department will need to hire one financial analyst.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities
2008 Budget & Projection, and 2009 Budget
Finance and Accounting

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	$ 885,574	$ 885,574	$ -	$ 983,523	$ 97,949
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 885,574**	**$ 885,574**	**$ -**	**$ 983,523**	**$ 97,949**
Expenses					
Personnel Expenses					
Salaries	$ 498,523	$ 517,415	$ 18,892	$ 686,153	$ 168,738
Payroll Taxes	30,988	32,162	1,174	40,576	8,414
Benefits	82,954	86,098	3,144	77,960	(8,138)
Retirement Costs	60,509	62,802	2,293	91,705	28,903
Total Personnel Expenses	**$ 672,974**	**$ 698,476**	**$ 25,502**	**$ 896,393**	**$ 197,917**
Meeting Expenses					
Meetings	$ -	$ 14,175	$ 14,175	$ 15,000	$ 825
Travel	12,600	16,308	3,708	19,910	3,602
Conference Calls	-	-	-	-	-
Total Meeting Expenses	**$ 12,600**	**$ 30,483**	**$ 17,883**	**$ 34,910**	**$ 4,427**
Operating Expenses					
Consultants	$ -	$ -	$ -	$ -	$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	2,000	2,000	2,220	220
Professional Services	200,000	150,000	(50,000)	50,000	(100,000)
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	**$ 200,000**	**$ 152,000**	**$ (48,000)**	**$ 52,220**	**$ (99,780)**
Other Non-Operating Expenses	$ -	$ -	**$ -**	$ -	**$ -**
Total Expenses	**$ 885,574**	**$ 880,959**	**$ (4,615)**	**$ 983,523**	**$ 102,564**
Change in Assets	**$ -**	**$ 4,615**	**$ 4,615**	**$ -**	**$ (4,615)**

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

-

Personnel Expenses

-

Meeting Expenses

-

Operating Expenses

-

Section B — 2009 Schedules

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities 2008 Budget & Projection, and 2009 Budget STATUTORY	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Funding	$ 24,938,996	$ 24,938,996	$ -	$ 36,565,700	$ 6,600,000
Membership Dues/Non-Stat Assessments	175,000	750,000	575,000	750,000	-
Testing Fees	963,000	963,000	-	1,066,447	103,447
Services & Software	255,000	260,000	5,000	185,000	(75,000)
Workshops	-	-	-	-	-
Interest	200,000	200,000	-	200,000	-
Miscellaneous	-	-	-	-	-
Total Funding	**$ 26,531,996**	**$ 27,111,996**	**$ 580,000**	**$ 38,767,147**	**$ 6,628,447**
Expenses					
Personnel Expenses					
Salaries	$ 13,187,575	$ 13,648,098	$ 460,523	$ 15,983,319	$ 2,335,222
Payroll Taxes	773,557	787,086	13,529	972,253	185,167
Benefits	1,692,609	1,722,660	30,052	1,919,572	196,911
Retirement Costs	1,261,195	1,347,083	85,888	1,854,617	507,534
Total Personnel Expenses	**$ 16,914,936**	**$ 17,504,928**	**$ 589,992**	**$ 20,729,761**	**$ 3,224,834**
Meeting Expenses					
Meetings	$ 720,500	$ 1,038,075	$ 317,575	$ 1,081,729	$ 43,654
Travel	1,372,700	1,603,108	230,408	2,384,894	781,786
Conference Calls	113,000	121,671	8,671	248,872	127,201
Total Meeting Expenses	**$ 2,206,200**	**$ 2,762,853**	**$ 556,653**	**$ 3,715,495**	**$ 952,642**
Operating Expenses					
Consultants	$ 1,280,000	$ 1,405,000	$ 125,000	$ 4,716,270	$ 3,311,270
Contracts	2,626,860	2,626,860	-	3,909,000	1,282,140
Office Rent	680,000	680,000	0	711,523	31,523
Office Costs	745,000	691,341	(53,659)	852,461	161,120
Professional Services	1,420,000	1,370,000	(50,000)	1,320,000	(50,000)
Computer Purchase & Maint.	600,000	600,000	-	667,575	67,575
Furniture & Equipment	59,000	-	(59,000)	560,000	560,000
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	360,000
Total Operating Expenses	**$ 7,410,860**	**$ 7,373,201**	**$ (37,659)**	**$ 12,736,830**	**$ 5,723,628**
Other Non-Operating Expenses	**$ -**	**$ -**	**$ -**	**$ 1,585,061**	**$ 1,585,061**
Total Expenses	**$ 26,531,996**	**$ 27,640,982**	**$ 1,108,986**	**$ 38,767,147**	**$ 11,126,164**
Change in Assets	**$ (0)**	**$ (528,986)**	**$ (528,986)**	**$ 0**	**$ 528,986**

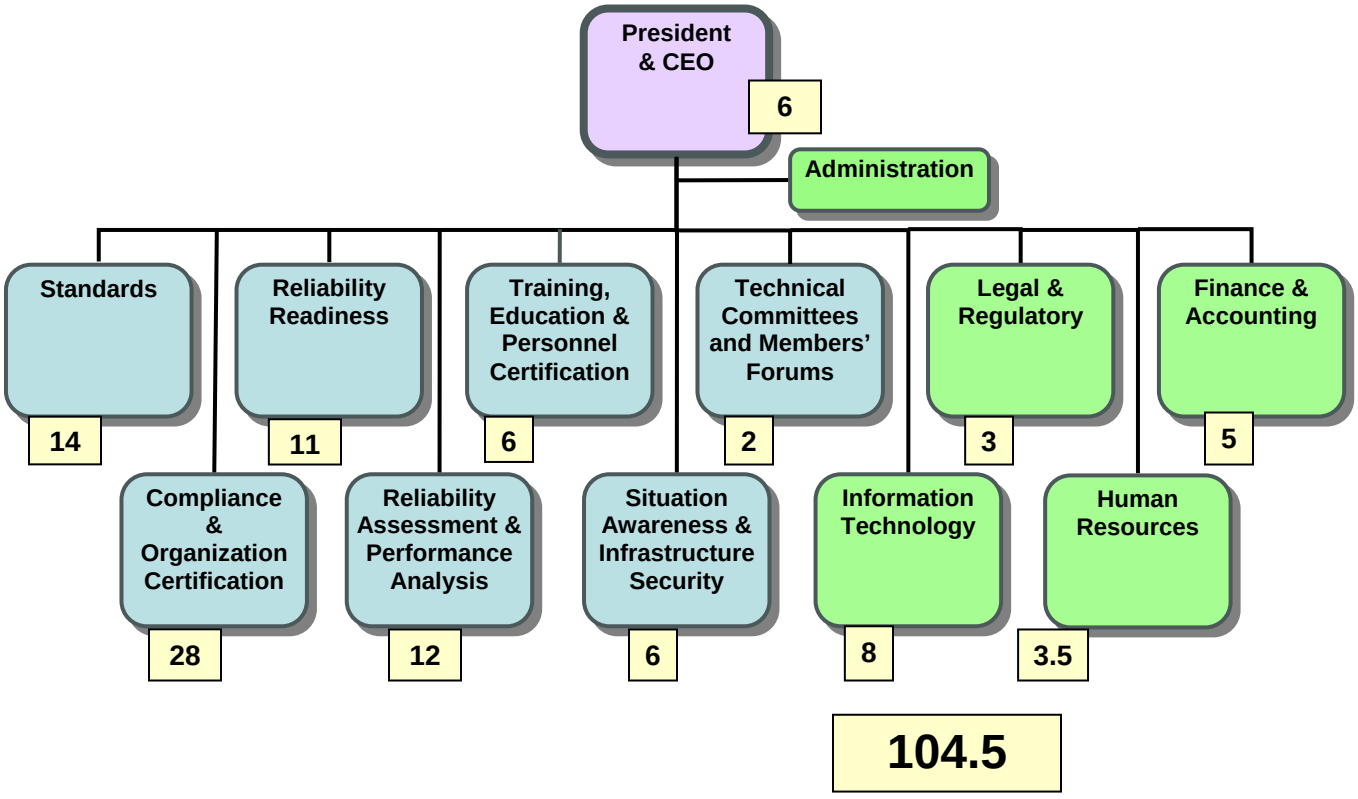
Personnel Analysis

Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
STATUTORY				
Operational Programs				
Reliability Standards	15.0	14.0	15.0	1.0
Compliance and Organization Registration and Certification	26.0	28.0	33.0	5.0
Reliability Readiness Audit and Improvement	12.0	11.0	11.0	0.0
Training and Education	6.0	6.0	6.0	0.0
Reliability Assessment and Performance Analysis	11.0	12.0	14.0	2.0
Situational Awareness and Infrastructure Security	5.0	6.0	10.0	4.0
Total FTEs Operational Programs	**75.0**	**77.0**	**89.0**	**12.0**
Administrative Programs				
Member Forums	2.0	2.0	2.0	0.0
General & Administrative	3.0	6.0	5.0	-1.0
Information Technology	8.0	8.0	9.0	1.0
Legal and Regulatory	5.0	3.0	4.0	1.0
Human Resources	3.5	3.5	4.5	1.0
Accounting	5.0	5.0	6.0	1.0
Total FTEs Administrative Programs	**26.5**	**27.5**	**30.5**	**3.0**
Total FTEs	**101.5**	**104.5**	**119.5**	**15.0**

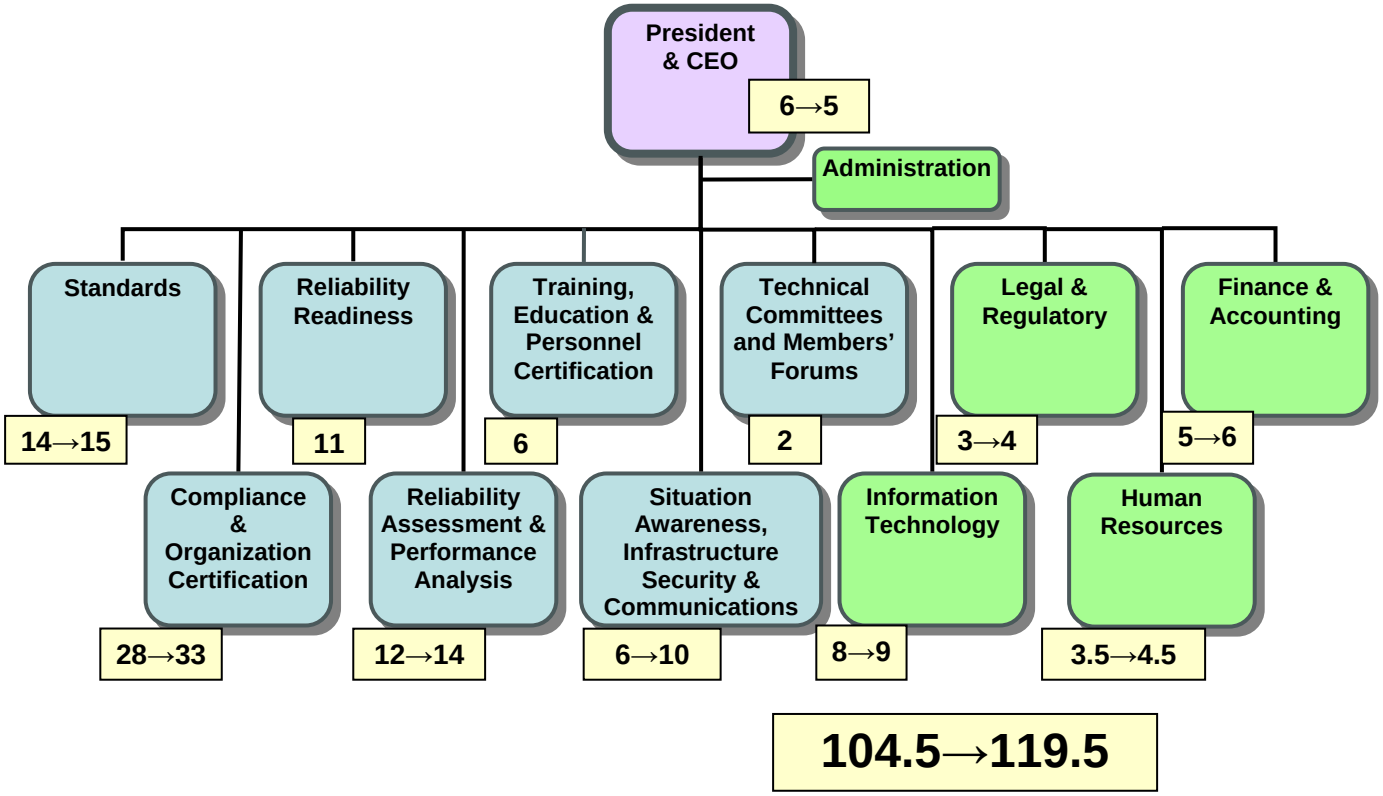
2008 Organizational Chart

Table 3



2009 Organizational Chart

Table 4



Reserve Analysis 2008–2009

Table 5

Reserve Analysis 2008-2009 STATUTORY		
Cash Available 2008		
Beginning Cash @ January 1, 2008		8,532,029
Less: 2008 Assessments collected in 2007		(7,683,040)
2008 ERO Funding (from LSEs or designees)		24,938,996
2008 Other funding sources (Cash basis)		1,593,000
Change in assets [1]		
Total Cash Available 2008		27,380,985
Cash Needed 2008		
2008 Projected expenses (Cash basis) [2]		27,640,982
Less: 2008 Projected other funding sources		(2,173,000)
Change in liabilities		
Total Cash Needed 2008		**25,467,982**
Projected Ending Cash Balance, December 31, 2008		**1,913,003**
Desired Cash Balance, December 31, 2009 (10% of Assessments) [3]		3,498,064
Less: Projected Cash Balance December 31, 2008		1,913,003
Increase(decrease) in assessments needed to raise cash balance		1,585,061
2009 Assessment (Personnel, Meeting & Operating Expenses)		37,182,086
2009 Assessment (Non-Operating Expenses)		0
2009 Other funding sources		(2,201,447)
Adjustment to increase cash balance		1,585,061
2009 Assessment and reserve adjustment		36,565,699

[1] Assumes all other assets remain at same levels as 12/31/08

[2] Assumes all other liabilities remain at same levels as 12/31/08

[3] Comment from Board of Trustees explaining reserve balance required.

Regional Entity Assessment Analysis

Assessments by Country

Table 6

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page XX, of the 2009 NERC Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

NOTE: THESE TABLES WILL BE AVAILABLE FOR THE APRIL 22 POSTING FOR INDUSTRY COMMENT.

Supplemental Funding

Table B-1

Personnel Expenses

Table B-2

Meeting Expenses

Table B-3

Operating Expenses

Table B-4

Table B-5

Table B-6

Table B-7

Table B-8

Table B-9

Table B-10

Table B-11