

The American Public Power Association, Large Public Power Council, and Transmission Access Policy Study Group (collectively, the “Public Power Trade Associations”) appreciate the opportunity to comment on the North American Electric Reliability Corporation’s (NERC) Draft 2027 Business Plan and Budget. We value the constructive engagement between NERC, the Board, and industry stakeholders as we work to address an increasingly complex reliability and security environment.

We offer three recommendations on the implementation of 2027-2029 budget plan. NERC should: (1) prioritize affordability concerns, (2) tie spending to measurable performance, and (3) clarify how load growth will impact assessments.

1. PRIORITIZE AFFORDABILITY CONCERNS.

The Public Power Trade Associations and their members and representatives on the Members Representatives Committee have long advocated that NERC should explicitly consider affordability for electricity consumers who are the ultimate beneficiaries of NERC’s work. While NERC declined to adopt our recommendation in July 2024 to add affordability into the Electric Reliability Organization’s (ERO) Long-Term Strategy, we understand that the NERC leadership shares our concern of considering costs when evaluating risk-mitigation measures.

By 2029, NERC’s assessments will reach \$153 million, up from \$78 million in 2022—nearly doubling the costs ultimately borne by electricity consumers in just seven years. The Public Power Trade Associations do not oppose increased investment where justified by reliability and security needs. Rather, we encourage NERC to demonstrate that proposed expenditures represent the most cost-effective means of achieving those objectives.

We have three concrete suggestions for how NERC can prioritize affordability concerns:

- **Moderate annual assessment growth to below 10 percent.** NERC plans for a 10.3 percent increase in assessments each year from 2027 to 2029, which includes both budget increases and a replenishment of NERC’s operating contingency reserves (OCRs) to the midpoint of the Board-approved target range. We urge NERC to reduce the assessment increases to slightly below 10 percent. We believe that the reduction can be achieved without altering the Board-approved OCR target by spreading replenishment to the midpoint of the target range across a longer period.
- **Assess the potential for duplicative work across the ERO Enterprise and broader industry and reduce duplication where it exists.** NERC should conduct a thorough assessment of potentially duplicative or uncoordinated investments. Two areas that NERC may find opportunities to reduce duplication are (a) investments in

improving reliability assessments, where regional entities and regional transmission organizations are also investing in increased capabilities; and (b) cybersecurity, including expanding threat intelligence and artificial intelligence security capabilities, where federal agencies are also making similar investments.

- **Defer, phase, or streamline lower-priority work.** This will improve affordability, particularly where doing so would reduce cost and cumulative industry burden without materially increasing near-term reliability or security risk.

2. TIE SPENDING ON PERSONNEL AND TECHNOLOGY TO MEASURABLE PERFORMANCE.

NERC should articulate, whenever possible, the reliability, security, or operational improvements expected from major investments and how those improvements will be assessed.

In particular, we encourage NERC to define clear performance expectations for major investments, focusing on outcomes, such as improved risk identification, better analytical insight, higher-quality data, or reduced administrative burden. Those metrics can inform future budgeting decisions, including whether to expand existing initiatives or rely more heavily on existing high-performing capabilities; and

This approach will help ensure that budget growth is associated with demonstrable value, not simply expanded activity.

3. CLARIFY HOW LOAD GROWTH WILL IMPACT ASSESSMENTS.

NERC should explain how expected load growth—particularly from computational load—will affect both total assessments and the allocation of those costs. Stakeholders need to understand how rising Net Energy for Load affects assessment revenues and how those revenues ultimately affect utilities and their customers.