

In recent years, several events have highlighted increased risks to reliability and security: extreme heat events, cold weather events, cybersecurity breaches, and physical security attacks on substations, among others. What used to be considered low-probability events have become more frequent and continue at an unprecedented pace and complexity. Additionally, in the coming years, we expect that registration of new entities will increase at a greater rate than we have experienced since 2007. This combination of factors mandates the need for more robust controls for the changing grid, emerging technologies, physical security, and data protection. WECC requires specific expertise and resources to fulfill its delegated responsibilities and effectively collaborate with its stakeholders to address emerging risks and issues for the benefit of the Western Interconnection.

Given this rapidly evolving context, the 2024 draft budget was developed with four things in mind:

1. Ensuring WECC is adequately resourced to meet the increasing demands placed on the organization;
2. Maintaining working capital reserves at adequate levels;
3. Honoring the assessment stabilization work done in 2016 and 2019; and
4. Recognizing the uncertainty of impacts to meetings, travel, and recruiting and retention as we emerge from the pandemic.

## **Compliance Monitoring and Enforcement**

WECC's net number of registered entities continues to increase year over year, and at a steady pace, and the 2024 draft budget facilitates enhancements to monitor more fully across the spectrum of entities within the Western Interconnection. WECC anticipates that the recent FERC Order on Registration of Inverter-based Resources will also result in a large increase in registration activity within WECC over the next several years. Audit emphasis is necessarily on higher risk entities—mostly for Reliability Coordinators, Balancing Authorities, and Transmission Operators—but the continued growth in the number of registered entities requires more personnel to ensure that WECC adequately and holistically conducts ongoing assessment and oversight of all registered entities. The five additional FTEs in this area will support the organizational enhancements necessary to address the accelerating growth in the number of entities and their associated registration, monitoring, and enforcement impacts.

### Reliability Planning and Performance Analysis

In recent years, risks to the reliability of the Bulk Power System (BPS) have increased in number and magnitude. The industry is experiencing unprecedented challenges such as accelerated resource retirements and additions, integration of new types of technology on the grid, and more frequent extreme natural events, thus creating an increasing need for high-quality models and interconnection-wide analyses. WECC will continue to work closely with industry stakeholders through technical committees, forums, and targeted outreach to implement needed modeling enhancements, perform system analysis, and deliver interconnection-wide assessments. The additional three FTEs in this area will support growing demands on the Reliability Assessment and Performance Analysis (RAPA) department in the areas of system modeling and risk analysis.

#### *Peak Reliability Donation*

In the 2024 budget, WECC proposes using \$250,000 of Peak Reliability Donation funds for the following reliability-focused expenditures:

- \$225,000 for an expanded trial of PLEXOS software, an energy market simulation platform, to provide in-depth analytics and modeling support for reliability assessment activities; and
- \$25,000 for the acquisition of Electromagnetic Transient (EMT) simulation software to support the data collection and analysis of inverter-based resources.

### Summary

WECC's 2024 draft budget enables us to meet the demands placed on the organization that are being driven by the changing environment in which we operate. The statutory budget is increasing by approximately \$3.6 million (11.3%) from 2023 to 2024. WECC is proposing to add 8.0 additional statutory full-time equivalents (FTE).

The 2024 assessment increases to \$24.0 million (21.5%) due to lower penalties collected to offset assessments compared to last year.

Statutory working capital reserves are anticipated to be approximately \$10.7 million by December 31, 2023, which is over the Reserve Policy ceiling (one to three months of operating expenses) by approximately \$2.3 million. Per this draft of the 2024 Business Plan and Budget, management proposes using approximately \$492,000 of working capital reserves and \$250,000 of Peak Reliability Donation reserves to fund the 2024 budget. As we work through our assessment stabilization analysis later this year, one goal will be to bring our reserve levels back into the range per our policy in the next few years.

WECC's non-statutory budget is increasing by approximately \$398,000 (15.4%) from 2023 to 2024. The increase is driven primarily by two additional FTE needed due to the expansion of both State programs



and system activity. Non-statutory working capital reserves are anticipated to be \$4.9 million by December 31, 2023.

## Reconciliation of 2023 to 2024 Statutory Budget—By Category

	2023 Budget	2024 Budget	Variance \$ Incr(Decr)	Variance % Incr(Decr)	Primary Drivers
<b>Funding</b>					
Assessments	\$ 19,750,537	\$ 24,000,000	\$ 4,249,463	21.5%	Penalties offset assessments
Penalties	11,218,646	9,587,948	(1,630,698)	-14.5%	Released from penalties collected
Other Income	248,100	1,075,250	827,150	333.4%	Additional R&S Workshop; higher interest rates
<b>Total Funding</b>	<b>\$ 31,217,283</b>	<b>\$ 34,663,198</b>	<b>\$ 3,445,915</b>	<b>11.0%</b>	
<b>Expenses</b>					
Personnel Expenses	\$ 25,820,126	\$ 28,895,986	\$ 3,075,860	11.9%	8 FTE, recruiting and retention initiatives, 3% merit pool, refined tax/benefit rates
Meeting Expenses	947,289	1,353,934	406,645	42.9%	Increased travel activity and rates; Additional R&S Workshop
Operating Expenses	5,833,037	6,008,620	175,583	3.0%	Software licensing and security tools
Indirect Expenses	(843,037)	(980,785)	(137,748)	16.3%	Increased WREGIS FTE and Statutory budget
<b>Total Expenses</b>	<b>\$ 31,757,415</b>	<b>\$ 35,277,755</b>	<b>\$ 3,520,340</b>	<b>11.1%</b>	
<b>Fixed Assets</b>	<b>\$ 54,868</b>	<b>\$ 127,040</b>	<b>\$ 72,172</b>	<b>131.5%</b>	Server refreshes and security upgrades to corporate WiFi
<b>Total Budget</b>	<b>\$ 31,812,283</b>	<b>\$ 35,404,795</b>	<b>\$ 3,592,512</b>	<b>11.3%</b>	
<b>Change in Working Capital</b>	<b>\$ (595,000)</b>	<b>\$ (741,597)</b>	<b>\$ (146,597)</b>		
<b>FTEs</b>	<b>160.0</b>	<b>168.0</b>	<b>8.0</b>	<b>5.0%</b>	

<sup>1</sup> Depreciation excluded from these values



## Reconciliation of 2023 to 2024 Statutory Budget—Major Drivers

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### Reconciliation of 2023 to 2024 DRAFT Statutory Budget—Major Drivers

	<u>in 000s</u>	
<b>2023 Approved Budget</b>	<b>31,812</b>	
+ 8 FTE, 3% merit, labor float adj., recruiting and retention initiatives, refinement of taxes/benefits	3,076	
+ Second in-person Reliability & Security Workshop in October	227	
+ Increase in equipment due to refresh of storage arrays, WiFi security, server refresh, battery backup replacement	127	
+ Increase in software licensing for existing and new security and reporting tools	275	
+ Conversion of Plexos license from a trial	80	
+ Net increase in travel due to more in-person meetings and outreach, increase in remote employees, inflationary impact on travel costs, and increase in FTEs	189	
+ Increase in business insurance premiums	64	
+ Outside legal counsel fees	60	
+ OATI licensing fees (international entities)	50	
+ Security monitoring tools	50	
- Increase in indirect allocation to WREGIS	(149)	
- Net decrease in consulting across WECC due to the completion of various projects and work; decreased reliance on consultants	(525)	
- Other net changes	69	
<b>2024 DRAFT Budget</b>	<b>35,405</b>	<b>11.3% increase</b>



## Reconciliation of Draft #1 to Draft #2 Changes

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### Changes Between Draft #1 and Draft #2 of the 2024 Statutory Budget

	<u>in 000s</u>
<b>Draft #1 Total Statutory Budget</b>	<b>35,498</b>
<b>Reductions:</b>	
- Meeting costs for Annual meeting due to location change	(37)
- Meeting costs for Reliability Risk Priorities Workshop due to location change	(80)
- Refinement of IT consulting and project feasibility	(450)
<b>Additions:</b>	
+ Board compensation structure updates	47
+ Telephone expenses missed in first draft	24
+ Refined software licensing anticipated expenditures	275
+ Travel expense refinement due to current travel cost trends	117
+ Change to overhead allocation due to changes in second draft	11
<b>Draft #1 to #2 Change</b>	<b>(93)</b>
<b>Draft #2 Total Statutory Budget</b>	<b>35,405</b>

## Changes in FTEs from 2023 to 2024

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In the 2024 budget, WECC is adding 8.0 statutory FTEs (10.0 FTEs in total) and realigning some positions within program areas due to evolving organizational needs and priorities driven by the environment in which WECC is operating.

### Compliance Monitoring and Enforcement

Five new FTEs are added to CMEP. One director is added to provide key leadership and management of risk-based analysis and planning in the recently combined areas of entity risk assessment, program analysis, and program administration. One manager and one lead are added in Entity Monitoring to provide management and leadership to ensure a more holistic ability to monitor across the spectrum of entity types and risks, particularly with the accelerating growth of generation registrations. Over the next several years, registration of new entities will continue to increase, and oversight emphasis must continue evolving with the changing grid, emerging technologies, physical security focus, and data protection needs. The work plan associated with the recent FERC Order on Registration of Inverter-based Resources is also anticipated to contribute to a significant increase in registration activities and downstream monitoring needs. The monitoring staff will need to work differently to broaden outreach and monitoring of more entities in a consistent value-added manner to reduce known and emerging risks to the BPS. One FTE is added with senior-level expertise in internal controls, and one FTE is



added to provide additional capabilities in data management and analysis and in business intelligence reporting.

## Reliability Assessment and Performance Analysis

Three FTEs are added to the RAPA program. In recent years, the pace of resource changes has accelerated, increasing the need for high-quality models and analytics. These enhanced models will become increasingly important to support the expected transmission expansion in the Western Interconnection to ensure continued BPS reliability. One director is added to provide additional expertise and oversight of WECC's modeling and data analytics functions. One risk analyst is added to support an integrated focus on understanding risk, increase risk assessment capabilities, and enhance the regional risk assessment. One engineer is added to focus on longer-term reliability assessments and support industry's need for Year 20 scenario and model development.

## Corporate Services

One position is transferred from Legal to Information Technology and converted to a business analyst position to provide support in areas such as change control, scorecards, asset management, and patch management, to free up subject matter experts for more technical work.

Details of FTE activity are discussed in the program area sections of the Business Plan and Budget.

Total FTEs by Program Area	Budget 2023	Projection 2023	Direct FTEs 2024 Budget	Shared FTEs* 2024 Budget	Total FTEs 2024 Budget	Change from 2023 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	3.00	3.00	3.00	-	3.00	-
Compliance Monitoring and Enforcement and Organization Registration and Certification	68.00	68.00	73.00	-	73.00	5.00
Reliability Assessment and Performance Analysis	38.00	38.00	41.00	-	41.00	3.00
Training and Outreach	8.50	8.50	8.50	-	8.50	-
Situation Awareness and Infrastructure Security	2.00	2.00	2.00	-	2.00	-
<b>Total FTEs Operational Programs</b>	<b>119.50</b>	<b>119.50</b>	<b>127.50</b>	<b>-</b>	<b>127.50</b>	<b>8.00</b>
<b>Corporate Services</b>						
Technical Committees and Member Forums	-	-	-	-	-	-
General and Administrative	18.00	18.00	18.00	-	18.00	-
Legal and Regulatory	4.50	4.50	3.50	-	3.50	(1.00)
Information Technology	11.00	11.00	12.00	-	12.00	1.00
Human Resources	4.00	4.00	4.00	-	4.00	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
<b>Total FTEs Corporate Services</b>	<b>40.50</b>	<b>40.50</b>	<b>40.50</b>	<b>-</b>	<b>40.50</b>	<b>-</b>
<b>Total FTEs</b>	<b>160.00</b>	<b>160.00</b>	<b>168.00</b>	<b>-</b>	<b>168.00</b>	<b>8.00</b>

\* A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.



## **Budget Forecasts for 2025 and 2026 and Assessment Stabilization**

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During the 2024 budget cycle, we improved our workforce planning process by creating a more robust framework for analyzing headcount needs. That same rigor was applied to workforce planning analyses for the forecasts for the 2025 and 2026 budget years. Increasing the depth of analysis related to workforce needs provides greater visibility into future budget needs and funding requirements.

Because of our efforts for 2025 and 2026 budget forecasting, we anticipate needing an additional 6.0 and 4.0 FTE, respectively, on top of the 8.0 FTE we are proposing to add for 2024. During the fall of 2023, we will perform an assessment stabilization analysis before the start of the 2025 budget cycle to help inform a strategy for assessment levels over the next few years.

From 2015 through 2022, assessments remained constant at the \$25 million level. In 2023 and 2024, assessments were lower than \$25 million due to large penalty sanctions collected. A preliminary and high-level review for 2025 and 2026 suggests that assessments will most likely increase to the \$30 million level for those years and beyond. As our assessment stabilization analysis is finalized later in the year, we will work with the MAC Budget Subcommittee to socialize the results and seek feedback.

