

Second Quarter Letter to Members

June 27, 2022



Brad Cox
*Generator and/or Power Marketer
Sector and Board Chair*



Sara Patrick
MRO President and CEO

From the Board Chair and President and CEO

Dear Members and Stakeholders:

The MRO Board of Directors held its second quarter meetings last week on June 22 and 23, 2022. The meetings were held in hybrid format with some attendees in person and some participating remotely. Much of the meeting discussions revolved around the extraordinary amount and pace of change industry is experiencing - requiring an equally unprecedented amount and pace of adaptation from both industry and the ERO Enterprise.

The board's Organizational Group Oversight Committee (OGOC) met on June 22 to hear reports from MRO's three advisory councils on progress made towards work plans and also met jointly with members of the Security Advisory Council to hear more about that group's efforts to identify and raise awareness of security risks across the region. The OGOC had a timely roundtable discussion on supply chain challenges facing industry and contemplated what activities MRO and its organizational groups might undertake to help industry mitigate risk.

Continuing the themes of adaptability and risk, we were fortunate to be joined at the June 23 board meeting by Howard Gugel, NERC Vice President of Engineering and Standards, and John Moura, NERC Director of Reliability Assessment and Performance Analysis. NERC recently celebrated the fifteenth anniversary of the date reliability standards first became effective and enforceable. Gugel shared some of the milestones along the way, as well as what lies ahead for the standards development process as the ERO Enterprise works to be more agile and nimble in response to emerging risk to the bulk power system.

Moura provided key findings from NERC's Summer Reliability Assessment and his insights on the challenges that several parts of North America are facing this summer. This report is particularly important to MRO as it warns that much of the region is at elevated or high risk for energy shortfalls. Bryan Clark, MRO's Director of Reliability Analysis, joined Moura to review MRO's 2022 Regional

Summer Assessment that provides a more detailed analysis of the North American-wide challenges that pose the greatest risk within MRO's regional footprint. Both Moura and Clark emphasized that while these assessments indicate conditions may warrant energy emergencies, there is no certainty that emergency actions will be required.

Finance and Audit Committee (FAC) Chair Dr. Dana Born drew correlations between the amount and pace of change and MRO's ability to flex and adapt when she presented the proposed 2023 MRO Business Plan and Budget. She noted the budget must ensure MRO is appropriately resourced to respond and stay ahead of risk, while at the same time balancing and integrating cost pressures on industry. The 2023 budget of \$23M reflects an increase of \$3M over the 2022 budget. The increase is primarily due to the addition of staff and related expenses. Assessments also increase by \$2.7M and will be supplemented by MRO's assessment stabilization fund to meet the remaining budget costs. Upon the FAC's recommendation, the board unanimously approved MRO's proposed 2023 Business Plan and Budget, 30-day cash reserves, and funding for MRO's post-retirement medical plan.

In addition to hearing board committee reports, the board also approved Baker Tilly to continue as the firm responsible for auditing MRO's 2022 financial statements.

You can read more about the discussions and actions taken at the second quarter board meetings in the full meeting minutes, which will be available on [MRO's website calendar](#) soon. Future board meetings are available on MRO's website calendar and the board encourages you to attend.



Brad Cox, Board Chair



Sara Patrick, President and CEO



MIDWEST
RELIABILITY
ORGANIZATION

CLARITY

ASSURANCE

RESULTS

380 St. Peter Street, Suite 800, Saint Paul, MN 55102 | www.MRO.net | 651-855-1760