



## **2023 Business Plan and Budget**

**Texas Reliability Entity, Inc.**

**Approved by Texas RE Board of Directors**

**Date: May 18, 2022**

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## Introduction

|   | TOTAL RESOURCES<br>(in whole dollars) |             |        |        |
|---|---------------------------------------|-------------|--------|--------|
|   | 2023 Budget                           | U.S.        | Canada | Mexico |
| Statutory FTEs                            | 67.0                                  |             |        |        |
| Non-statutory FTEs                        | -                                     |             |        |        |
| <b>Total FTEs</b>                         | 67.0                                  |             |        |        |
| Statutory Expenses                        | \$ 17,633,467                         |             |        |        |
| Non-Statutory Expenses                    | \$ -                                  |             |        |        |
| <b>Total Expenses</b>                     | \$ 17,633,467                         |             |        |        |
| Statutory Inc(Dec) in Fixed Assets        | \$ 100,000                            |             |        |        |
| Non-Statutory Inc(Dec) in Fixed Assets    | \$ -                                  |             |        |        |
| <b>Total Inc(Dec) in Fixed Assets</b>     | \$ 100,000                            |             |        |        |
| Statutory Working Capital Requirement     | \$ -                                  |             |        |        |
| Non-Statutory Working Capital Requirement |                                       |             |        |        |
| <b>Total Working Capital Requirement</b>  | \$ -                                  |             |        |        |
| Total Statutory Funding Requirement       | \$ 17,733,467                         |             |        |        |
| Total Non-Statutory Funding Requirement   | \$ -                                  |             |        |        |
| <b>Total Funding Requirement</b>          | \$ 17,733,467                         |             |        |        |
| <b>Statutory Funding Assessments</b>      | \$ 17,155,278                         |             |        |        |
| <b>Non-Statutory Fees</b>                 | \$ -                                  |             |        |        |
| NEL                                       | 392,847,979                           | 392,847,979 |        |        |
| NEL%                                      | 100.00%                               | 100.00%     |        |        |

Refer to Table B-1 Reserve Analysis on page 37 in Section B

## Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC) effective January 1, 2021. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the Public Utility Commission of Texas (PUCT) and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 90% of Texas load and 75% of the Texas land area.

## Membership and Governance

### Membership

Texas RE has the following six membership sectors under its Bylaws:

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE as a member and complies with the Texas RE Bylaws requirements. There is no charge for membership with Texas RE. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has one stakeholder committee, the Member Representatives Committee (MRC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, through its elected Chair and Vice Chair, who also serve as Affiliated Directors on Texas RE's Board. In addition, the MRC facilitates the Regional Standards Development Process, and coordinates the development of Regional Standards and variances with the development of continent-wide standards. A subcommittee of the MRC, the NERC Standards Review Forum (NSRF), monitors, reviews, and discusses NERC (continent-wide) Reliability Standards under development and Reliability Standards interpretation requests.

### Board of Directors

Texas RE is governed by a hybrid Board of Directors (Board), comprised of the following nine individuals:

- The Texas RE President and Chief Executive Officer (CEO)
- Four Independent Directors (elected by membership)
- Two Affiliated Directors (the Chair and Vice Chair of the Member Representatives Committee)
- Chairman of the PUCT or another PUCT Commissioner designated by the Chairman, as an *ex officio* non-voting member
- Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an *ex officio* non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and appointing a CEO to manage and be responsible for the day-to-day on-going activities of Texas RE.

## Statutory Functional Scope

In accordance with its Delegation Agreement with NERC and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory (or delegated) functions:

- Participation in the development of NERC Reliability Standards, or modifications thereof, and facilitation of developing needed Regional Standards or variances through Texas RE's Standards Development Process.
- Identification and registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcement of compliance with approved NERC Reliability Standards and Regional Standards, in accordance with the NERC ROP, in the ERCOT region.
- Analysis and assessment of system events and disturbances.
- Assessment of the present and future reliability, adequacy, and security of the BPS.
- Promotion of effective training and education of personnel.
- Promotion of situation awareness and the protection of critical infrastructure.

## Financial Policies

Texas RE has policies and procedures in place that address its overall financial management, including procurement and business expense reimbursement. Additionally, Texas RE has a working capital and operating reserve policy to ensure the stability of the ongoing operations of the organization. This policy is intended to provide funds for situations such as a sudden unanticipated increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses.

## 2023 Overview of Cost Impacts

In developing the Texas RE 2023 Business Plan and Budget, Texas RE reflects the collaborative development of the Electric Reliability Organization (ERO) Enterprise Long-Term Strategy. Texas RE also seeks input from its MRC, and posts the budget for comment. Prior to obtaining final approval from its Board, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

Overall, the Texas RE 2023 budgeted statutory expenses (\$17,733,467) increased by 3.3% from the 2022 budgeted statutory expenses (\$17,160,613). The \$572,855 increase in budget is due to adding one FTE for the IT department and higher rent cost.

The 2023 statutory assessment (\$17,155,278) increased 14.3% from the 2022 assessment (\$15,003,365).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 3.1%. Salaries expense is increasing 3.6%, which includes adding one additional Full Time Equivalent (FTE) in 2023, in the Information Technology department, and an allowance for salary increases and promotions. Payroll taxes are increasing 3.6%. Total Benefits expense is decreasing 2.2%. Health plan expense did not increase as projected in 2022; however, health plan expense is projected to increase 8% for 2023 over actual 2022 cost, which is lower than the 2022 budgeted cost. Employee Benefits include education reimbursement, relocation expenses, and training and professional development. Including these expenses in Employee Benefits is consistent with the NERC budget guidelines. Retirement costs are increasing 6.6%. All personnel-related expenses are increasing based on the additional salary expense for an additional FTE. (See IT program for details concerning FTE increase).
- Total Meeting and Travel expenses are decreasing 2.2%. Meetings expense is decreasing by \$15,000. The 2023 budget includes Workshop Expense for one offsite workshop in the Training and Education Program. The 2022 Meeting budget includes two proposed offsite workshops. An annual meeting with the Texas RE Board of Directors and stakeholders is included in Meetings expense for 2023. Travel expense is increasing 1.4% for 2023.
- Total Operating expenses are increasing by 29.3%. The Consultants and Contracts expense is increasing 15.9%. The budget includes three compensation studies and one custom survey. Rent cost is increasing 50.1%. Higher rent rates for the larger office space is causing this increase. This includes higher utility costs. Office costs are increasing 6.8%. This increase is due to higher pricing for office services and maintenance for the larger office space. Professional Services is increasing 12.0% due to increases in risk insurance and additional outside legal fees.

All statutory activity in the 2023 Business Plan and Budget aligns with the ERO Enterprise Long-Term Strategy.

## **ERO Enterprise Model and Transformation**

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system (BPS). Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring

delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



## ERO Enterprise Long-Term Strategy

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NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees (Board) on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial [ERO Reliability Risk Priorities Report](#);
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's Business Plan and Budget may reference how activities support each of the strategic focus areas.

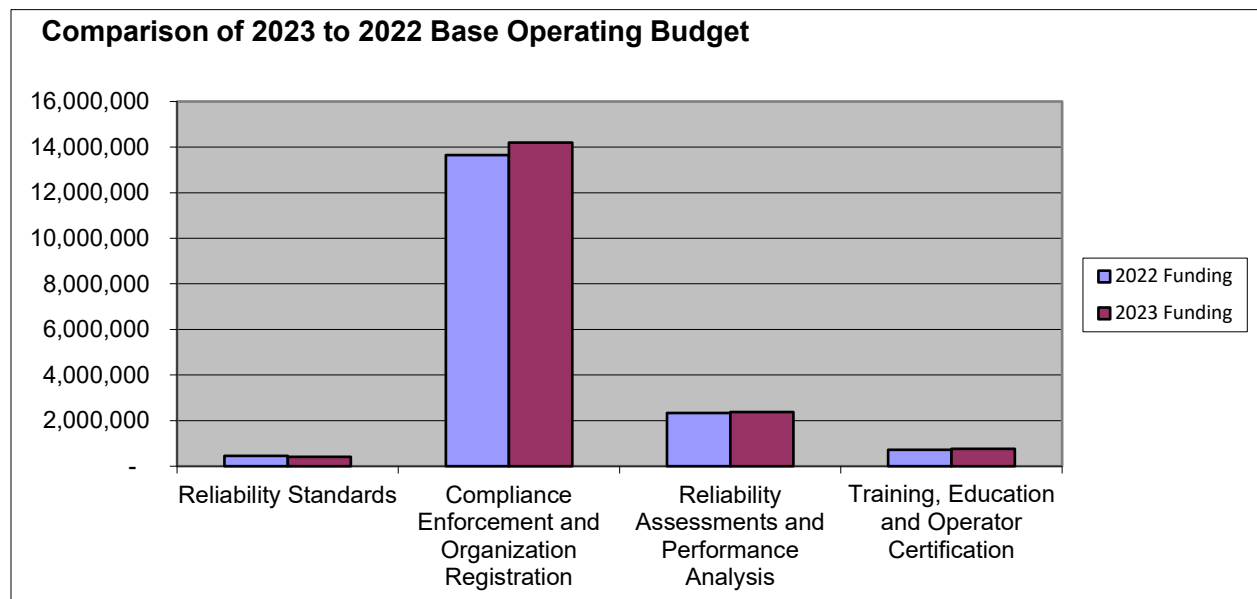
Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.



## Summary by Program

The following table summarizes the Texas RE budget by program area.

| Base Operating Budget                                | Budget               | Projection           | Budget               | Variance                     |             |
|--|----------------------|----------------------|----------------------|------------------------------|-------------|
|  | 2022                 | 2022                 | 2023                 | 2023 Budget v<br>2022 Budget | Variance %  |
| Reliability Standards                                | \$ 450,580           | \$ 450,580           | \$ 407,931           | \$ (42,649)                  | -9.5%       |
| Compliance Enforcement and Organization Registration | 13,648,328           | 13,648,328           | 14,194,994           | 546,666                      | 4.0%        |
| Reliability Assessments and Performance Analysis     | 2,338,222            | 2,338,222            | 2,370,932            | 32,710                       | 1.4%        |
| Training, Education and Operator Certification       | 723,482              | 723,482              | 759,610              | 36,128                       | 5.0%        |
| <b>Total by Program</b>                              | <b>\$ 17,160,613</b> | <b>\$ 17,160,613</b> | <b>\$ 17,733,467</b> | <b>\$ 572,854</b>            | <b>3.3%</b> |



## FTEs by Program Area

### Personnel Analysis

The following table displays total full-time equivalents (FTEs) by program area.

| Total FTEs by Program Area                                 | Budget<br>2022 | Projection<br>2022 | Direct FTEs<br>2023<br>Budget | Shared<br>FTEs 2023<br>Budget | Total FTEs<br>2023<br>Budget | Change<br>from 2022<br>Budget |
|--|----------------|--------------------|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| <b>STATUTORY</b>   |                |                    |                               |                               |                              |                               |
| <b>Operational Programs</b>                                |                |                    |                               |                               |                              |                               |
| Reliability Standards                                      | 1.25           | 1.25               | 1.25                          | -                             | 1.25                         | -                             |
| Compliance and Organization Registration and Certification | 41.75          | 41.75              | 41.75                         | -                             | 41.75                        | -                             |
| Training and Education                                     | 2.25           | 2.25               | 2.25                          | -                             | 2.25                         | -                             |
| Reliability Assessment and Performance Analysis            | 6.00           | 6.00               | 6.00                          | -                             | 6.00                         | -                             |
| <b>Total FTEs Operational Programs</b>                     | <b>51.25</b>   | <b>51.25</b>       | <b>51.25</b>                  | <b>-</b>                      | <b>51.25</b>                 | <b>-</b>                      |
| <b>Administrative Programs</b>                             |                |                    |                               |                               |                              |                               |
| General & Administrative                                   | 4.00           | 4.00               | 4.00                          | -                             | 4.00                         | -                             |
| Legal and Regulatory                                       | 2.75           | 2.75               | 2.75                          | -                             | 2.75                         | -                             |
| Information Technology                                     | 5.00           | 5.00               | 6.00                          | -                             | 6.00                         | 1.00                          |
| Human Resources  | -              | -                  | -                             | -                             | -                            | -                             |
| Finance and Accounting                                     | 3.00           | 3.00               | 3.00                          | -                             | 3.00                         | -                             |
| <b>Total FTEs Administrative Programs</b>                  | <b>14.75</b>   | <b>14.75</b>       | <b>15.75</b>                  | <b>-</b>                      | <b>15.75</b>                 | <b>1.00</b>                   |
| <b>Total FTEs</b>  | <b>66.00</b>   | <b>66.00</b>       | <b>67.00</b>                  | <b>-</b>                      | <b>67.00</b>                 | <b>1.00</b>                   |

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

## 2022 Budget and Projection and 2023 Budget Comparisons

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital<br>2022 Budget & Projection, and 2023 Budget |                       |                       |   |                      |   |
|---|-----------------------|-----------------------|---|----------------------|---|
| STATUTORY   |                       |                       |   |                      |   |
|   | 2022<br>Budget        | 2022<br>Projection    | Variance<br>2022 Projection<br>v 2022 Budget<br>Over(Under) | 2023<br>Budget       | Variance<br>2022 Budget<br>v 2023 Budget<br>Over(Under) |
| <b>Funding</b>  |                       |                       |   |                      |   |
| <b>ERO Funding</b>  |                       |                       |   |                      |   |
| NERC Assessments  | \$ 15,003,365         | \$ 15,003,365         | \$ -  | \$ 17,155,278        | \$ 2,151,913  |
| Penalties Released*   | 558,750               | 558,750               | -   | 576,188              | 17,438  |
| <b>Total NERC Funding</b>   | <u>\$ 15,562,115</u>  | <u>\$ 15,562,115</u>  | <u>\$ -</u>   | <u>\$ 17,731,466</u> | <u>\$ 2,169,351</u>                                     |
| Interest  | 15,000                | 15,000                | -   | 2,000                | (13,000)  |
| <b>Total Funding (A)</b>  | <u>\$ 15,577,115</u>  | <u>\$ 15,577,115</u>  | <u>\$ -</u>   | <u>\$ 17,733,466</u> | <u>\$ 2,156,351</u>                                     |
| <b>Expenses</b>   |                       |                       |   |                      |   |
| <b>Personnel Expenses</b>   |                       |                       |   |                      |   |
| Salaries  | \$ 9,199,332          | \$ 9,199,332          | \$ -  | 9,528,203            | \$ 328,871  |
| Payroll Taxes   | 635,827               | 635,827               | -   | 658,636              | 22,809  |
| Benefits  | 1,641,720             | 1,641,720             | -   | 1,606,373            | (35,346)  |
| Retirement Costs  | 1,290,440             | 1,290,440             | -   | 1,375,439            | 84,999  |
| <b>Total Personnel Expenses</b>   | <u>\$ 12,767,318</u>  | <u>\$ 12,767,318</u>  | <u>\$ -</u>   | <u>\$ 13,168,651</u> | <u>\$ 401,333</u>                                       |
| <b>Meeting &amp; Travel Expenses</b>  |                       |                       |   |                      |   |
| Meetings  | \$ 71,900             | \$ 71,900             | \$ -  | 56,900               | \$ (15,000)   |
| Travel  | 371,684               | 371,684               | -   | 376,735              | 5,051   |
| <b>Total Meeting &amp; Travel Expenses</b>  | <u>\$ 443,585</u>     | <u>\$ 443,584</u>     | <u>\$ -</u>   | <u>\$ 433,635</u>    | <u>\$ (9,949)</u>                                       |
| <b>Operating Expenses, Excluding Depreciation</b>   |                       |                       |   |                      |   |
| Consultants & Contracts   | \$ 351,700            | \$ 351,700            | \$ -  | 407,700              | \$ 56,000   |
| Office Rent   | 1,473,545             | 1,473,545             | -   | 2,211,708            | 738,163   |
| Office Costs  | 684,840               | 684,840               | -   | 731,248              | 46,408  |
| Professional Services   | 607,625               | 607,625               | -   | 680,525              | 72,900  |
| <b>Total Operating Expenses</b>   | <u>\$ 3,117,710</u>   | <u>\$ 3,117,710</u>   | <u>\$ -</u>   | <u>\$ 4,031,181</u>  | <u>\$ 913,471</u>                                       |
| <b>Total Direct Expenses</b>  | <u>\$ 16,328,613</u>  | <u>\$ 16,328,612</u>  | <u>\$ -</u>   | <u>\$ 17,633,467</u> | <u>\$ 1,304,855</u>                                     |
| <b>Indirect Expenses</b>  | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>   | <u>\$ -</u>          | <u>\$ -</u>   |
| <b>Other Non-Operating Expenses</b>   | <u>\$ 320,000</u>     | <u>\$ 320,000</u>     | <u>\$ -</u>   | <u>\$ -</u>          | <u>\$ (320,000)</u>                                     |
| <b>Total Expenses (B)</b>   | <u>\$ 16,648,613</u>  | <u>\$ 16,648,613</u>  | <u>\$ -</u>   | <u>\$ 17,633,467</u> | <u>\$ 984,855</u>                                       |
| <b>Change in Net Assets (A - B)</b>   | <u>\$ (1,071,498)</u> | <u>\$ (1,071,498)</u> | <u>\$ -</u>   | <u>\$ 99,999</u>     | <u>\$ 1,171,496</u>                                     |
| <b>Fixed Assets, excluding Right of Use Assets (C)</b>  | <u>512,000</u>        | <u>512,000</u>        | <u>-</u>  | <u>100,000</u>       | <u>(412,000)</u>  |
| <b>TOTAL BUDGET (B + C)</b>   | <u>17,160,613</u>     | <u>17,160,613</u>     | <u>\$ -</u>   | <u>\$ 17,733,467</u> | <u>\$ 572,855</u>                                       |
| <b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>  | <u>\$ (1,583,498)</u> | <u>\$ (1,583,498)</u> | <u>\$ -</u>   | <u>\$ -</u>          | <u>\$ 1,583,496</u>                                     |
| <b>FTEs</b>   | 66.00                 | 66.00                 |   | 67.00                |   |

\*Penalties Released in the current year reflects the designated amount of funds released to offset U.S. Assessments. Actual penalties invoiced in the current year are reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

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## Section A – Statutory Programs 2023 Business Plan and Budget

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## Section A — 2023 Business Plan – Statutory Programs

### Reliability Standards Program

| <b>Reliability Standards Program<br/>(in whole dollars)</b> |             |             |                        |
|---|-------------|-------------|------------------------|
|   | 2022 Budget | 2023 Budget | Increase<br>(Decrease) |
| Total FTEs  | 1.25        | 1.25        | -                      |
| Direct Expenses   | \$ 262,704  | \$ 203,871  | \$ (58,833)            |
| Indirect Expenses   | \$ 175,389  | \$ 201,621  | \$ 26,232              |
| Other Non-Operating Expenses                                | \$ -        | \$ -        | \$ -                   |
| Inc(Dec) in Fixed Assets                                    | \$ 12,488   | \$ 2,439    | \$ (10,049)            |
| Total Funding Requirement                                   | \$ 450,580  | \$ 407,931  | \$ (42,649)            |

#### Program Scope and Functional Description

Texas RE’s Reliability Standards Program supports the NERC Reliability Standards Program and facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE MRC’s standards development activities, the NERC Standards Review Forum (NSRF), and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE’s Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. The Standards Development Process includes an appeal process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and other NERC activities relating to standards development. Texas RE regularly comments and votes on proposed NERC Reliability Standards and revisions from its perspective as the Compliance Enforcement Authority, based on recommendations and input from subject matter experts employed by Texas RE.

In addition, Texas RE reviews proposed NERC Reliability Standards. This Program area supports and facilitates standards activities of the Texas RE MRC and the NSRF. The MRC is a stakeholder committee that oversees the execution of the Texas RE Standards Development Process. The NSRF provides a regional stakeholder forum for education and discussion of NERC Reliability Standards activities, both regional and continent-wide.

Texas RE Standards staff provides education and advice to other Texas RE departments regarding issues relating to standards, including applicability and interpretation of requirements in accordance with NERC processes.

When developing Regional Standards, Texas RE is responsible for adhering to its FERC-approved Regional Standards development processes, and for assisting NERC as needed with obtaining NERC Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the record necessary to support approval.

### **2023 Key Assumptions**

- Continent-wide NERC Reliability Standards projects will consist primarily of new Standards Authorization Requests, Periodic Reviews, Standards Efficiency Review (SER) Implementation, and Standards Grading, covering both Critical Infrastructure Protection (CIP) and Operations and Planning standards. These activities will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the ERO Enterprise.
- Regional Standards development activity will be driven by requests the Regional Entity may receive or reliability issues the Regional Entity may identify. Although Regional Standards development activity is expected to remain low, Texas RE Regional Standard BAL-001-TRE-2 is subject to periodic review and revision under the Texas RE Regional Standard development process, and additional technical resources may be required in support of region-specific activities in connection with this standard.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standards development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement, supporting industry and auditor training, or providing information regarding the intent of the standard.
- The number of interpretations is expected to remain low. However, guidance requests associated with the implementation of standards may increase.

### **2023 Goals and Key Deliverables**

- Provide input on and facilitate industry review of new and existing NERC Reliability Standards, including cost effectiveness/impact analysis.
  - Provide input and feedback for new and existing NERC Reliability Standards using compliance monitoring experience as a basis.
  - Support stakeholder awareness of standards development through engagement and support of the NSRF.
  - Provide guidance and outreach on approved NERC Reliability Standards and Regional Standards.
  - Develop, as needed, regional variances or Regional Standards to address specific reliability risks and evaluate the need for existing Regional Standards.
  - Review existing Regional Standards to determine if any could be incorporated as a regional variance to a continent-wide NERC Reliability Standard.
-

## Resource Requirements

### Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2022.

### Consultants and Contracts

No consulting support and contracts are budgeted for 2023, which is consistent with the 2022 budget.

Section A — 2023 Business Plan and Budget – Statutory Programs

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2023. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital |                    |                    |   |                   |   |
|--|--------------------|--------------------|---|-------------------|---|
| 2022 Budget & Projection, and 2023 Budget  |                    |                    |   |                   |   |
| RELIABILITY STANDARDS  |                    |                    |   |                   |   |
|  | 2022<br>Budget     | 2022<br>Projection | Variance<br>2022 Projection<br>v 2022 Budget<br>Over(Under) | 2023<br>Budget    | Variance<br>2022 Budget<br>v 2023 Budget<br>Over(Under) |
| <b>Funding</b>   |                    |                    |   |                   |   |
| <b>ERO Funding</b>   |                    |                    |   |                   |   |
| NERC Assessments   | \$ 365,936         | \$ 365,936         | \$ -  | 418,421           | \$ 52,486   |
| Penalties Released   | 13,628             | 13,628             |   | 14,053            | 425   |
| <b>Total NERC Funding</b>  | <b>\$ 379,564</b>  | <b>\$ 379,564</b>  | <b>\$ -</b>   | <b>\$ 432,475</b> | <b>\$ 52,911</b>  |
| Interest   | 366                | 366                | -   | 49                | (317)   |
| <b>Total Funding</b>   | <b>\$ 379,930</b>  | <b>\$ 379,930</b>  | <b>\$ -</b>   | <b>\$ 432,524</b> | <b>\$ 52,594</b>  |
| <b>Expenses</b>  |                    |                    |   |                   |   |
| <b>Personnel Expenses</b>  |                    |                    |   |                   |   |
| Salaries   | \$ 178,151         | \$ 178,151         | \$ -  | 135,442           | \$ (42,710)   |
| Payroll Taxes  | 12,875             | 12,875             | -   | 10,444            | (2,431)   |
| Benefits   | 41,405             | 41,405             | -   | 31,537            | (9,867)   |
| Retirement Costs   | 23,373             | 23,373             | -   | 19,548            | (3,825)   |
| <b>Total Personnel Expenses</b>  | <b>\$ 255,804</b>  | <b>\$ 255,804</b>  | <b>\$ -</b>   | <b>\$ 196,971</b> | <b>\$ (58,833)</b>                                      |
| <b>Meeting &amp; Travel Expenses</b>   |                    |                    |   |                   |   |
| Meetings & Conference Calls  | \$ -               | \$ -               | \$ -  | -                 | \$ -  |
| Travel   | 6,900              | 6,900              | -   | 6,900             | -   |
| <b>Total Meeting &amp; Travel Expenses</b>                                       | <b>\$ 6,900</b>    | <b>\$ 6,900</b>    | <b>\$ -</b>   | <b>\$ 6,900</b>   | <b>\$ -</b>   |
| <b>Operating Expenses, excluding Depreciation</b>                                |                    |                    |   |                   |   |
| Consultants & Contracts  | \$ -               | \$ -               | \$ -  | -                 | \$ -  |
| Office Rent  | -                  | -                  | -   | -                 | -   |
| Office Costs   | -                  | -                  | -   | -                 | -   |
| Professional Services  | -                  | -                  | -   | -                 | -   |
| <b>Total Operating Expenses</b>  | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>       | <b>\$ -</b>   |
| <b>Total Direct Expenses</b>   | <b>\$ 262,704</b>  | <b>\$ 262,704</b>  | <b>\$ -</b>   | <b>\$ 203,871</b> | <b>\$ (58,833)</b>                                      |
| <b>Indirect Expenses</b>   | <b>\$ 175,389</b>  | <b>\$ 175,389</b>  | <b>\$ -</b>   | <b>\$ 201,621</b> | <b>\$ 26,232</b>  |
| <b>Other Non-Operating Expenses</b>  | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ -</b>   | <b>\$ -</b>       | <b>\$ -</b>   |
| <b>Total Expenses</b>  | <b>\$ 438,092</b>  | <b>\$ 438,092</b>  | <b>\$ -</b>   | <b>\$ 405,492</b> | <b>\$ (32,601)</b>                                      |
| <b>Change in Assets</b>  | <b>\$ (58,163)</b> | <b>\$ (58,163)</b> | <b>\$ -</b>   | <b>\$ 27,032</b>  | <b>\$ 85,195</b>  |
| <b>Fixed Assets, excluding Right of Use Assets ( C )</b>                         | <b>\$ 12,488</b>   | <b>\$ 12,488</b>   | <b>-</b>  | <b>\$ 2,439</b>   | <b>(10,049)</b>   |
| <b>TOTAL BUDGET</b>  | <b>\$ 450,580</b>  | <b>\$ 450,580</b>  | <b>\$ -</b>   | <b>\$ 407,931</b> | <b>\$ (42,649)</b>                                      |
| <b>TOTAL CHANGE IN WORKING CAPITAL</b>   | <b>\$ (70,650)</b> | <b>\$ (70,650)</b> | <b>\$ -</b>   | <b>\$ 24,593</b>  | <b>\$ 95,243</b>  |
| <b>FTEs</b>  | 1.25               | 1.25               | -   | 1.25              | -   |



**Compliance Monitoring and Enforcement and Organization Registration and Certification Program**

| <b>Compliance Monitoring and Enforcement and Organization Registration and Certification Program</b> |                    |                    |                            |
|--|--------------------|--------------------|----------------------------|
| <b>(in whole dollars)</b>  |                    |                    |                            |
|  | <b>2022 Budget</b> | <b>2023 Budget</b> | <b>Increase (Decrease)</b> |
| Total FTEs   | 41.75              | 41.75              | -                          |
| Direct Expenses  | \$ 7,373,253       | \$ 7,379,404       | \$ 6,151                   |
| Indirect Expenses  | \$ 5,857,983       | \$ 6,734,127       | \$ 876,144                 |
| Other Non-Operating Expenses   | \$ -               | \$ -               | \$ -                       |
| Inc(Dec) in Fixed Assets   | \$ 417,093         | \$ 81,463          | \$ (335,629)               |
| Total Funding Requirement  | \$ 13,648,328      | \$ 14,194,994      | \$ 546,666                 |

**Program Scope and Functional Description**

Texas RE’s Compliance Monitoring and Enforcement and Organization Registration and Certification Program includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and Regional Standards, and enforcing and ensuring mitigation of violations of standards in accordance with the NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, and data submittals.

There are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and registered entities. The risk-based Compliance and Enforcement Monitoring Program (CMEP) is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO’s compliance and enforcement functions. To support this effort, a set of new tools, referred to as Align and the Secure Evidence Locker (SEL) have been developed collaboratively with NERC, the Regional Entities, and registered entities. Risk-based CMEP is designed to improve Bulk Electric System (BES) reliability by focusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. Align and SEL will support those initiatives across the ERO.

Implementation of, and consideration of enhancements for, Align and SEL are expected to be major activities for Texas RE and the registered entities in 2023. Risk-based CMEP efforts that continue to fully develop, and the increase in the number of registered entities, will require Texas RE to appropriately allocate current resources and may require additional resources to provide continuous improvement in the processes. Based on the high level of coordination between NERC, Regional Entities, and registered entities that is necessary for an efficient and effective implementation, Align and SEL will shift and in some cases increase workload levels. Risk-based CMEP, enhanced security, and other factors (e.g., CIP Low Impact, Supply Chain, additional

registered entities associated with solar and battery Facilities, etc.) have gradually but significantly impacted resource staffing of Texas RE.

### 2023 Key Assumptions

- Expand risk-based focus in all standards, compliance monitoring, and enforcement programs.
- Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the Reliability Issues Steering Committee’s biennial *ERO Reliability Risk Priorities Report*.
- Strengthen engagement across the reliability and security ecosystem in North America.
- Capture effectiveness, efficiency, and continuous improvement opportunities.

### 2023 Goals and Key Deliverables

#### COMPLIANCE MONITORING

- Participate in NERC standards development, including addressing FERC directives, emerging risks, Standards Authorization Requests, and other projects as needed.
- Enhance the risk-based approach to compliance monitoring processes.
- Review, refine, and enhance Internal Control processes and outreach.
- Actively engage in the enhancement and full deployment of Align and SEL to ensure CMEP processes are efficient, effective, secure, and consistent for staff and stakeholders.
- Identify current and emerging risks to security and reliability affecting the ERCOT Interconnection.
- Strengthen feedback loops, with emphasis on the identified ERO Reliability Risk Priorities, to enhance risk-based Compliance Oversight Plans.
- Identify and develop monitoring approaches focusing on emerging risks such as Distributed Energy Resources, storage, and demand side resources.
- Expand cybersecurity outreach focusing on the risks and mitigation to the risks.
- Provide increased awareness and share best practices for cybersecurity.
- Enhance outreach efforts to new registrants by conducting one-on-one touchpoints with newly registered entities to discuss reliability and security issues and share best practices.
- Continue targeted outreach for winterization and extreme weather events.
- Promote and encourage effective collaboration and engagement with Texas RE Board, industry, regulators, and stakeholders.
- Expand ERO Enterprise stakeholder engagement to ensure the right subject matter experts participate to resolve issues in a timely and cost-effective manner.

- Proactively participate in ERO working groups to efficiently and effectively work with the ERO Enterprise.
- Ensure Texas RE is appropriately staffed and managed to maximize stakeholder value, maintain independence, and perform all delegated responsibilities. Promote communication, motivation, team building, and workforce development within Texas RE.

#### ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion using the Align and SEL systems.
- Undertake enforcement activities in accordance with established risk-based approaches.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Conduct technical assessments of registered entities' plans and activities to mitigate noncompliance.
- Support streamlined mechanisms implemented to expedite possible violations that pose a lesser reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, NERC, and stakeholders.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- Assure timely mitigation of all violations, assessing all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Enhance feedback loops to the Reliability Standard development process.

#### REGISTRATION AND CERTIFICATION

- Identify and register BES owners, operators, and users. Maintain accurate, up-to-date registration information through the Centralized Organization Registration ERO System (CORES), identifying entities responsible for compliance.
  - Ensure entities performing the functions of Reliability Coordinator, Balancing Authority, and Transmission Operator have and maintain the tools, processes, and training to meet applicable Reliability Standards requirements. Conduct
- 
-

certifications or certification reviews as required by changes to entity registration or equipment; two or three engagements are expected in 2023 consistent with past years.

### **Resource Requirements**

#### Personnel Expenses

The number of FTEs assigned to this Program is remaining consistent with 2022.

#### Consultants and Contracts

No consulting support and contracts are budgeted for 2023, which is consistent with the 2022 budget.

Section A — 2023 Business Plan and Budget – Statutory Programs

**Compliance Monitoring, Enforcement and Organization Registration and Certification Program**

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2023. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

| <b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>   |                      |                      |   |                      |   |
|---|----------------------|----------------------|---|----------------------|---|
| <b>2022 Budget &amp; Projection, and 2023 Budget</b>                                      |                      |                      |   |                      |   |
| <b>COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION</b> |                      |                      |   |                      |   |
|   | 2022<br>Budget       | 2022<br>Projection   | Variance<br>2022 Projection<br>v 2022 Budget<br>Over(Under) | 2023<br>Budget       | Variance<br>2022 Budget<br>v 2023 Budget<br>Over(Under) |
| <b>Funding</b>  |                      |                      |   |                      |   |
| <b>ERO Funding</b>  |                      |                      |   |                      |   |
| NERC Assessments  | \$ 12,222,254        | \$ 12,222,254        | \$ -  | \$ 13,975,276        | \$ 1,753,022  |
| Penalties Released  | 455,177              | 455,177              |   | 469,382              | 14,206  |
| <b>Total NERC Funding</b>   | <b>\$ 12,677,430</b> | <b>\$ 12,677,430</b> | <b>\$ -</b>   | <b>\$ 14,444,657</b> | <b>\$ 1,767,228</b>                                     |
| Interest  | 12,220               | 12,220               | -   | 1,629                | (10,590)  |
| <b>Total Funding</b>  | <b>\$ 12,689,649</b> | <b>\$ 12,689,649</b> | <b>\$ -</b>   | <b>\$ 14,446,287</b> | <b>\$ 1,756,637</b>                                     |
| <b>Expenses</b>   |                      |                      |   |                      |   |
| <b>Personnel Expenses</b>   |                      |                      |   |                      |   |
| Salaries  | \$ 5,104,337         | \$ 5,104,337         | \$ -  | \$ 5,150,734         | \$ 46,398   |
| Payroll Taxes   | 391,088              | 391,088              | -   | 384,920              | (6,168)   |
| Benefits  | 992,629              | 992,629              | -   | 933,315              | (59,313)  |
| Retirement Costs  | 721,425              | 721,425              | -   | 743,520              | 22,095  |
| <b>Total Personnel Expenses</b>   | <b>\$ 7,209,478</b>  | <b>\$ 7,209,478</b>  | <b>\$ -</b>   | <b>\$ 7,212,490</b>  | <b>\$ 3,011</b>   |
| <b>Meeting &amp; Travel Expenses</b>  |                      |                      |   |                      |   |
| Meetings & Conference Calls   | \$ -                 | \$ -                 | \$ -  | \$ -                 | \$ -  |
| Travel  | 143,175              | 143,175              | -   | 144,875              | 1,700   |
| <b>Total Meeting &amp; Travel Expenses</b>  | <b>\$ 143,175</b>    | <b>\$ 143,175</b>    | <b>\$ -</b>   | <b>\$ 144,875</b>    | <b>\$ 1,700</b>   |
| <b>Operating Expenses, excluding Depreciation</b>   |                      |                      |   |                      |   |
| Consultants & Contracts   | \$ -                 | \$ -                 | \$ -  | \$ -                 | \$ -  |
| Office Rent   | -                    | -                    | -   | -                    | -   |
| Office Costs  | 20,600               | 20,600               | -   | 22,040               | 1,440   |
| Professional Services   | -                    | -                    | -   | -                    | -   |
| Miscellaneous   | -                    | -                    | -   | -                    | -   |
| Depreciation  | -                    | -                    | -   | -                    | -   |
| <b>Total Operating Expenses</b>   | <b>\$ 20,600</b>     | <b>\$ 20,600</b>     | <b>\$ -</b>   | <b>\$ 22,040</b>     | <b>\$ 1,440</b>   |
| <b>Total Direct Expenses</b>  | <b>\$ 7,373,253</b>  | <b>\$ 7,373,253</b>  | <b>\$ -</b>   | <b>\$ 7,379,404</b>  | <b>\$ 6,151</b>   |
| <b>Indirect Expenses</b>  | <b>\$ 5,857,983</b>  | <b>\$ 5,857,983</b>  | <b>\$ -</b>   | <b>\$ 6,734,127</b>  | <b>\$ 876,144</b>                                       |
| <b>Other Non-Operating Expenses</b>   | <b>\$ -</b>          | <b>\$ -</b>          | <b>\$ -</b>   | <b>\$ -</b>          | <b>\$ -</b>   |
| <b>Total Expenses</b>   | <b>\$ 13,231,235</b> | <b>\$ 13,231,235</b> | <b>\$ -</b>   | <b>\$ 14,113,531</b> | <b>\$ 882,295</b>                                       |
| <b>Change in Net Assets</b>   | <b>\$ (541,586)</b>  | <b>\$ (541,586)</b>  | <b>\$ -</b>   | <b>\$ 332,756</b>    | <b>\$ 874,342</b>                                       |
| <b>Fixed Assets, excluding Right of Use Assets</b>  | <b>\$ 417,093</b>    | <b>\$ 417,093</b>    | <b>\$ -</b>   | <b>\$ 81,463</b>     | <b>\$ (335,629)</b>                                     |
| <b>TOTAL BUDGET</b>   | <b>\$ 13,648,328</b> | <b>\$ 13,648,328</b> | <b>\$ -</b>   | <b>\$ 14,194,994</b> | <b>\$ 546,666</b>                                       |
| <b>TOTAL CHANGE IN WORKING CAPITAL</b>  | <b>\$ (958,678)</b>  | <b>\$ (958,678)</b>  | <b>\$ -</b>   | <b>\$ 251,292</b>    | <b>\$ 1,209,971</b>                                     |
| FTEs  | 41.75                | 41.75                | -   | 41.75                | -   |

Approved by the Texas RE Board of Directors May 18, 2022

## Reliability Assessment and Performance Analysis Program

| <b>Reliability Assessments and Performance Analysis<br/>(in whole dollars)</b> |                    |                    |                                |
|--|--------------------|--------------------|--------------------------------|
|  | <b>2022 Budget</b> | <b>2023 Budget</b> | <b>Increase<br/>(Decrease)</b> |
| Total FTEs   | 6.00               | 6.00               | -                              |
| Direct Expenses  | \$ 1,436,415       | \$ 1,391,446       | \$ (44,969)                    |
| Indirect Expenses  | \$ 841,866         | \$ 967,779         | \$ 125,913                     |
| Other Non-Operating Expenses   | \$ -               | \$ -               | \$ -                           |
| Inc(Dec) in Fixed Assets   | \$ 59,941          | \$ 11,707          | \$ (48,234)                    |
| Total Funding Requirement  | \$ 2,338,222       | \$ 2,370,932       | \$ 32,710                      |

### Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program supports assessment of system adequacy and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system disturbances in the ERCOT region. In addition to these assessments and analyses, Texas RE participates with NERC, the Regions and stakeholders in ongoing work to evaluate system performance, measure progress in improving current reliability and track leading indicators of future reliability. This program requires validation and analysis of data collected from registered entities, which is used in measurement of ongoing reliability performance of generation, transmission, and demand response. RAPA also identifies risks and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, and grid modifications. Event analyses will determine causative factors for system disturbances as well as "lessons learned" upon recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes Situation Awareness (SA) and Infrastructure Security. Situation Awareness is closely tied to initial event notifications and review, performed as part of the Event Analysis Process in the RAPA Program, while Texas RE's Infrastructure Security effort is handled primarily by IT staff and CIP resources within CMEP.

### 2023 Key Assumptions

- Current staffing levels are expected to meet known and predicted program needs as well as adapt to any shifts in priorities. Evolution of ERO RAPA programs, particularly those involving data analytics and probabilistic analysis, have not established a need for additional Regional program resources at this time and Texas RE will continue to leverage support from IT staff and sharing ERO.
- Continued ERCOT ISO and Regional stakeholder support is expected in Regional planning activities that meet ERO schedules for the various proposed reliability assessments and Interconnection study case model building activities.

- Access to ERCOT-ISO data and applications continues as in the past, along with cooperation and coordination with ERCOT and registered entity technical experts for analysis of operations and trends.
- Travel and meeting expenses are held at 2022 levels given the fluid situation about COVID-19 impact on in-person gatherings and the continuing follow-up on recommendations in from the February 2021 extreme cold weather event report.

### **2023 Goals and Key Deliverables**

- Provide independent review of regional data and assist NERC in overall development of the annual long-term, summer and winter reliability assessments, support enhanced use of probabilistic analysis and consideration of extreme condition scenarios due to weather or other causes.
- Support NERC-wide modeling improvement efforts, particularly those related to dynamic loads, inverter-based resources, Distributed Energy Resources and generator model validation. Serve as the Interconnection model designee associated with MOD-032 and MOD-033 Reliability Standards and provide outreach with stakeholders to integrate annual fidelity and quality tests into Interconnection study-case development processes.
- Participate in ERO technical working groups under the NERC Reliability and Security Technical Committee (RSTC) and contribute to development of Reliability Guidelines and Technical Reference documents. Provide follow-up on effectiveness of guidelines with stakeholder outreach, especially for related ERCOT technical groups.
- Provide Section 1600 data collection support and analysis to meet NERC Performance Analysis initiatives or FERC requests. In 2023, rollout of additional data collection for wind, solar and battery systems is expected to begin.
- Perform analysis and support NERC’s annual State of Reliability report along with Region-specific annual reports and quarterly reviews. Support NERC Reliability Standards development and provide related outreach. Evaluate against existing and proposed Regional criteria and processes for reliability concerns and possible gaps. Support CMEP activities as needed and coordinate with Risk Assessment activities.
- Implement the NERC event analysis and cause-coding process, expecting a similar volume of events as prior years, estimated at 12 Category 1 (minor). Conduct follow-up on recommendations and trends from the February 2021 cold weather event and other major power system events across the ERO. Review and trend approximately 80 lesser system events, such as remedial action scheme mis-operations, communications issues, and frequency disturbances.
- Support application of the BES Definition, Registration criteria and associated processes through technical review of Registration requests. Roughly ten requests with significant review are expected, including support of the BES Exception process and materiality panels involving other Regions.
- Promote NERC Reliability Issues Steering Committee’s (RISC) identification and prioritization of BPS reliability risks and incorporate into RAPA activities and projects, focusing on likely impacts within the Region and means to mitigate them.

- Provide content for workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate “lessons learned,” best practices, trends and observations. Conduct focused reviews with registered entities or ERCOT stakeholder groups on topics such as protection system mis-operations, model usage and validation, generator winter preparation or equipment performance.
- Support Texas RE cross-departmental use of software applications and data from ERCOT ISO, NERC, and other sources for analysis needs. Provide regional coordination to maintain the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, along with internal real-time visualization tools.
- Provide Situation Awareness during extreme conditions, major system events and ERO Crisis Action Plan drills. Manage NERC Alerts within the Region, anticipating four alerts, with two alerts expected to require extensive response coordination. Assist E-ISAC in outreach and planning NERC GridEx Security exercises. Texas RE will request to participate in Regional exercises for blackstart and severe weather operations.

### **Resource Requirements**

#### Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2022.

#### Consultants and Contracts

No consulting support and contracts are budgeted for 2023, which is consistent with the 2022 budget. No task assignments have been identified that require consulting or contractor support.



Section A — 2023 Business Plan and Budget – Statutory Programs

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the Reliability Assessment and Performance Analysis Program for 2023. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital<br>2022 Budget & Projection, and 2023 Budget |                     |                     |   |                     |   |
|---|---------------------|---------------------|---|---------------------|---|
| RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS  |                     |                     |   |                     |   |
|   | 2022<br>Budget      | 2022<br>Projection  | Variance<br>2022 Projection<br>v 2022 Budget<br>Over(Under) | 2023<br>Budget      | Variance<br>2022 Budget<br>v 2023 Budget<br>Over(Under) |
| <b>Funding</b>  |                     |                     |   |                     |   |
| <b>ERO Funding</b>  |                     |                     |   |                     |   |
| NERC Assessments  | \$ 1,756,492        | \$ 1,756,492        | \$ -  | \$ 2,008,423        | \$ 251,931  |
| Penalties Released  | 65,415              | 65,415              |   | 67,456              | 2,042   |
| <b>Total NERC Funding</b>   | <u>\$ 1,821,906</u> | <u>\$ 1,821,906</u> | <u>\$ -</u>   | <u>\$ 2,075,879</u> | <u>\$ 253,973</u>                                       |
| Interest  | 1,756               | 1,756               | -   | 234                 | (1,522)   |
| <b>Total Funding</b>  | <u>\$ 1,823,662</u> | <u>\$ 1,823,662</u> | <u>\$ -</u>   | <u>\$ 2,076,113</u> | <u>\$ 252,451</u>                                       |
| <b>Expenses</b>   |                     |                     |   |                     |   |
| <b>Personnel Expenses</b>   |                     |                     |   |                     |   |
| Salaries  | \$ 962,540          | \$ 962,540          | \$ -  | \$ 940,898          | \$ (21,642)   |
| Payroll Taxes   | 67,054              | 67,054              | -   | 64,970              | (2,084)   |
| Benefits  | 170,407             | 170,407             | -   | 152,305             | (18,103)  |
| Retirement Costs  | 138,774             | 138,774             | -   | 135,633             | (3,141)   |
| <b>Total Personnel Expenses</b>   | <u>\$ 1,338,775</u> | <u>\$ 1,338,775</u> | <u>\$ -</u>   | <u>\$ 1,293,806</u> | <u>\$ (44,969)</u>                                      |
| <b>Meeting &amp; Travel Expenses</b>  |                     |                     |   |                     |   |
| Meetings & Conference Calls   | \$ -                | \$ -                | \$ -  | \$ -                | \$ -  |
| Travel  | 87,500              | 87,500              | -   | 87,500              | -   |
| <b>Total Meeting &amp; Travel Expenses</b>  | <u>\$ 87,500</u>    | <u>\$ 87,500</u>    | <u>\$ -</u>   | <u>\$ 87,500</u>    | <u>\$ -</u>   |
| <b>Operating Expenses, excluding Depreciation</b>   |                     |                     |   |                     |   |
| Consultants & Contracts   | \$ -                | \$ -                | \$ -  | \$ -                | \$ -  |
| Office Rent   | -                   | -                   | -   | -                   | -   |
| Office Costs  | 10,140              | 10,140              | -   | 10,140              | -   |
| Professional Services   | -                   | -                   | -   | -                   | -   |
| Miscellaneous   | -                   | -                   | -   | -                   | -   |
| Depreciation  | -                   | -                   | -   | -                   | -   |
| <b>Total Operating Expenses</b>   | <u>\$ 10,140</u>    | <u>\$ 10,140</u>    | <u>\$ -</u>   | <u>\$ 10,140</u>    | <u>\$ -</u>   |
| <b>Total Direct Expenses</b>  | <u>\$ 1,436,415</u> | <u>\$ 1,436,415</u> | <u>\$ -</u>   | <u>\$ 1,391,446</u> | <u>\$ (44,969)</u>                                      |
| <b>Indirect Expenses</b>  | <u>\$ 841,866</u>   | <u>\$ 841,866</u>   | <u>\$ -</u>   | <u>\$ 967,779</u>   | <u>\$ 125,913</u>                                       |
| <b>Other Non-Operating Expenses</b>   | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>   | <u>\$ -</u>         | <u>\$ -</u>   |
| <b>Total Expenses</b>   | <u>\$ 2,278,281</u> | <u>\$ 2,278,281</u> | <u>\$ -</u>   | <u>\$ 2,359,225</u> | <u>\$ 80,944</u>  |
| <b>Change in Net Assets</b>   | <u>\$ (454,619)</u> | <u>\$ (454,619)</u> | <u>\$ -</u>   | <u>\$ (283,112)</u> | <u>\$ 171,507</u>                                       |
| <b>Fixed Assets, excluding Right of Use Assets</b>  | <u>\$ 59,941</u>    | <u>\$ 59,941</u>    | <u>\$ -</u>   | <u>\$ 11,707</u>    | <u>\$ (48,234)</u>                                      |
| <b>TOTAL BUDGET</b>   | <u>\$ 2,338,222</u> | <u>\$ 2,338,222</u> | <u>\$ -</u>   | <u>\$ 2,370,932</u> | <u>\$ 32,710</u>  |
| <b>TOTAL CHANGE IN WORKING CAPITAL</b>  | <u>\$ (514,560)</u> | <u>\$ (514,560)</u> | <u>\$ -</u>   | <u>\$ (294,819)</u> | <u>\$ 219,741</u>                                       |
| <b>FTEs</b>   | 6.00                | 6.00                | -   | 6.00                | -   |

## Training and Education

| <b>Training, Education and Operator Certification<br/>(in whole dollars)</b> |                    |                    |                                |
|--|--------------------|--------------------|--------------------------------|
|  | <b>2022 Budget</b> | <b>2023 Budget</b> | <b>Increase<br/>(Decrease)</b> |
| Total FTEs   | 2.25               | 2.25               | -                              |
| Direct Expenses  | \$ 385,305         | \$ 392,303         | \$ 6,998                       |
| Indirect Expenses  | \$ 315,700         | \$ 362,917         | \$ 47,217                      |
| Other Non-Operating Expenses   | \$ -               | \$ -               | \$ -                           |
| Inc(Dec) in Fixed Assets   | \$ 22,478          | \$ 4,390           | \$ (18,088)                    |
| Total Funding Requirement  | \$ 723,482         | \$ 759,610         | \$ 36,128                      |

### Program Scope and Functional Description

Texas RE’s Training, Education, and Continuing Education Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of NERC and Regional Reliability Standards, lessons learned from event analyses, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other programs provide expertise for educational materials, meetings, and workshops. Texas RE also supports ERO-wide initiatives such as GridSecCon and the Electric Power Human Performance Improvement Symposium, including co-hosting on a rotational basis among the Regions. In addition, Texas RE host the Generator Winter Weatherization Workshop.

Texas RE will continue to coordinate Standards and Compliance workshops, Reliability 101, security-based CIP workshops, and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2023. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost-effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other ERO Enterprise and external industry meetings.

### 2023 Key Assumptions

- Host a similar number of training and outreach events as in prior years.
- Share best practices concerning generator plant winter readiness.
- Provide continued guidance on the implementation of the Risk-Based CMEP, including Inherent Risk Assessments, Compliance Oversight Plans, and Internal Control Reviews.

- Identify and communicate common themes and root causes of Reliability Standard violations.
- Deliver internal and stakeholder training related to the implementation of the new releases of Align and the Secure Evidence Locker platforms.
- Texas RE will support the ERO goal to mitigate known and emerging risks by providing timely and valuable outreach and training events to stakeholders. Additionally, the Stakeholder Outreach program provides guidance and coaching to entities on effective mitigation of identified and emerging risks.
- Texas RE will educate registered entities regarding changes to NERC Reliability Standards, ERO procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with risk, reliability, security, and compliance.
- Texas RE will increase targeted outreach efforts that promote BPS reliability, security, and risk mitigation across its footprint.

There are no additional assumptions unique to the Texas RE Training and Education Program.

### **2023 Goals and Key Deliverables**

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.
- Develop technical materials for and present Reliability Standards and Compliance workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including *Talk with Texas RE* meetings to support CMEP implementation and any new or modified NERC Reliability Standards, procedures, or programs.
- Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding Reliability Standards revisions and interpretations, other reliability or compliance-related information, and Texas RE and NERC activities.
- Maintain and continually enhance the Texas RE website.
- Develop an Annual Report summarizing Texas RE's accomplishments during the prior year.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance and reliability working groups.
- Provide a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.

- Explore opportunities to improve training for stakeholders and keep Texas RE's content and delivery mediums relevant.

### **Resource Requirements**

#### Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2022.

#### Consultants and Contracts

No consulting support and contracts costs are budgeted for this department. No task assignments have been identified that require consulting or contractor support in 2023.

Section A — 2023 Business Plan and Budget – Statutory Programs

Training and Education

The following table shows the funding sources and related expenses for the Training and Education Program for 2023. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital<br>2022 Budget & Projection, and 2023 Budget |                    |                    |   |                   |   |
|---|--------------------|--------------------|---|-------------------|---|
| TRAINING, EDUCATION and OPERATOR CERTIFICATION  |                    |                    |   |                   |   |
|   | 2022               | 2022               | Variance  | 2023              | Variance                                    |
|   | Budget             | Projection         | 2022 Projection<br>v 2022 Budget<br>Over(Under) | Budget            | 2022 Budget<br>v 2023 Budget<br>Over(Under) |
| <b>Funding</b>  |                    |                    |   |                   |   |
| <b>ERO Funding</b>  |                    |                    |   |                   |   |
| NERC Assessments  | \$ 658,684         | \$ 658,684         | \$ -  | \$ 753,159        | \$ 94,474                                   |
| Penalties Released  | 24,530             | 24,530             | \$ -  | 25,296            | 766   |
| <b>Total NERC Funding</b>   | <b>\$ 683,215</b>  | <b>\$ 683,215</b>  | <b>\$ -</b>                                     | <b>\$ 778,455</b> | <b>\$ 95,240</b>                            |
| Interest  | 659                | 659                | -   | 88                | (571)                                       |
| <b>Total Funding</b>  | <b>\$ 683,873</b>  | <b>\$ 683,873</b>  | <b>\$ -</b>                                     | <b>\$ 778,542</b> | <b>\$ 94,669</b>                            |
| <b>Expenses</b>   |                    |                    |   |                   |   |
| <b>Personnel Expenses</b>   |                    |                    |   |                   |   |
| Salaries  | \$ 250,405         | \$ 250,405         | \$ -  | \$ 269,177        | \$ 18,772                                   |
| Payroll Taxes   | 17,963             | 17,963             | -   | 19,055            | 1,091                                       |
| Benefits  | 34,339             | 34,339             | -   | 32,100            | (2,239)                                     |
| Retirement Costs  | 35,727             | 35,727             | -   | 38,451            | 2,724                                       |
| <b>Total Personnel Expenses</b>   | <b>\$ 338,435</b>  | <b>\$ 338,435</b>  | <b>\$ -</b>                                     | <b>\$ 358,783</b> | <b>\$ 20,348</b>                            |
| <b>Meeting &amp; Travel Expenses</b>  |                    |                    |   |                   |   |
| Meetings & Conference Calls   | \$ 34,500          | \$ 34,500          | \$ -  | \$ 19,500         | \$ (15,000)                                 |
| Travel  | 3,030              | 3,030              | -   | 4,680             | 1,650                                       |
| <b>Total Meeting &amp; Travel Expenses</b>  | <b>\$ 37,530</b>   | <b>\$ 37,530</b>   | <b>\$ -</b>                                     | <b>\$ 24,180</b>  | <b>\$ (13,350)</b>                          |
| <b>Operating Expenses, excluding Depreciation</b>   |                    |                    |   |                   |   |
| Consultants & Contracts   | \$ -               | \$ -               | \$ -  | \$ -              | \$ -  |
| Office Rent   | -                  | -                  | -   | -                 | -   |
| Office Costs  | 6,340              | 6,340              | -   | 6,340             | -   |
| Professional Services   | 3,000              | 3,000              | -   | 3,000             | -   |
| Miscellaneous   | -                  | -                  | -   | -                 | -   |
| Depreciation  | -                  | -                  | -   | -                 | -   |
| <b>Total Operating Expenses</b>   | <b>\$ 9,340</b>    | <b>\$ 9,340</b>    | <b>\$ -</b>                                     | <b>\$ 9,340</b>   | <b>\$ -</b>                                 |
| <b>Total Direct Expenses</b>  | <b>\$ 385,305</b>  | <b>\$ 385,305</b>  | <b>\$ -</b>                                     | <b>\$ 392,303</b> | <b>\$ 6,998</b>                             |
| Indirect Expenses   | \$ 315,700         | \$ 315,700         | \$ -  | \$ 362,917        | \$ 47,217                                   |
| Other Non-Operating Expenses  | \$ -               | \$ -               | \$ -  | \$ -              | \$ -  |
| <b>Total Expenses</b>   | <b>\$ 701,004</b>  | <b>\$ 701,004</b>  | <b>\$ -</b>                                     | <b>\$ 755,220</b> | <b>\$ 54,215</b>                            |
| <b>Change in Net Assets</b>   | <b>\$ (17,132)</b> | <b>\$ (17,132)</b> | <b>\$ -</b>                                     | <b>\$ 23,322</b>  | <b>\$ 40,454</b>                            |
| <b>Fixed Assets, excluding Right of Use Assets</b>  | <b>\$ 22,478</b>   | <b>\$ 22,478</b>   | <b>\$ -</b>                                     | <b>\$ 4,390</b>   | <b>\$ (18,088)</b>                          |
| <b>TOTAL BUDGET</b>   | <b>\$ 723,482</b>  | <b>\$ 723,482</b>  | <b>\$ -</b>                                     | <b>\$ 759,610</b> | <b>\$ 36,128</b>                            |
| <b>TOTAL CHANGE IN WORKING CAPITAL</b>  | <b>\$ (39,609)</b> | <b>\$ (39,609)</b> | <b>\$ -</b>                                     | <b>\$ 18,932</b>  | <b>\$ 58,541</b>                            |
| FTEs  | 2.25               | 2.25               | -   | 2.25              | -   |

## Administrative Services

| Administrative Services       |                                |             |           |             |             |           |
|-------------------------------|--------------------------------|-------------|-----------|-------------|-------------|-----------|
|                               | Direct Expenses & Fixed Assets |             |           | FTEs        |             |           |
|                               | 2022 Budget                    | 2023 Budget | Inc (Dec) | 2022 Budget | 2023 Budget | Inc (Dec) |
| General and Administrative    | 4,690,214                      | 4,942,436   | 252,222   | 4.00        | 4.00        | -         |
| Legal and Regulatory          | 638,226                        | 681,516     | 43,290    | 2.75        | 2.75        | -         |
| Information Technology        | 1,699,319                      | 1,903,482   | 204,163   | 5.00        | 6.00        | 1.00      |
| Human Resources               | 73,595                         | 119,545     | 45,950    | -           | -           | -         |
| Finance and Accounting        | 601,583                        | 619,463     | 17,880    | 3.00        | 3.00        | -         |
| Total Administrative Services | 7,702,937                      | 8,266,443   | 563,506   | 14.75       | 15.75       | 1.00      |

### Program Scope and Functional Description

The Administrative Services Program is comprised of the following programs: General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The resource requirements and comparative budget information for each of these functions is described below.

Texas RE allocates its Administrative Services expenses to the functional/direct areas proportionately based on FTE count. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total direct program FTEs.

Fixed asset additions that benefit the entire corporation that are not specific to any one activity/function will be allocated based on FTEs to all of the direct activities.

### General and Administrative

This Program includes the President and CEO, the Vice President and Chief Operating Officer (VP), the personnel costs for the HR Department, and the compensation and expenses of the Texas RE Board. The President and CEO carries out the general affairs of Texas RE including administrative and corporate facilities support. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The VP performs a leadership role in coordinating and facilitating the activities of all Texas RE programs. The VP reports to the CEO and acts on behalf of the CEO in his absence.

Personnel expenses for Human Resources (HR) are included in General and Administrative (G&A). The benefits expenses in G&A include tuition reimbursement, training and classes, and relocation costs.

The number of FTEs assigned to this Program is consistent with 2022. Administrative Services costs are allocated among Programs based on Program FTE count during the year.

Consulting support and contracts costs are increasing 12.9% in 2023 to include possible executive coaching.

## **Legal and Regulatory**

The Legal and Regulatory group provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings, and voting; (2) Board and committee meetings, minutes, support, training, and other activities; (3) corporate documents and transactions; (4) governmental, regulatory relations, and communications; (5) the work of any outside legal counsel; and (6) the prosecution of any contested enforcement matters.

### **2023 Key Assumptions**

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels, but may increase due to external litigation activities.

### **2023 Key Deliverables and Goals**

- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.
- Effectively communicate information to the Board, Texas RE members, and registered entities.
- Oversee membership registration, membership voting and meetings, and maintain an accurate roster of members.
- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.
- Negotiate contracts and review corporate documents.
- Update and maintain corporate policies and procedures.
- Oversee the prosecution and any appeal of contested enforcement or disputed registration matters.
- Negotiate and author necessary changes to Texas RE's governing documents, including the Texas RE Bylaws and Regional Delegation Agreement with NERC.
- Provide input and obtain regulatory approvals, as needed, on governance changes and for new and revised Regional Reliability Standards.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Provide legal review of communication and outreach to Texas RE's stakeholders, the general public, and media.
- Support the internal and external audits of the corporation and overseeing all regulatory filings and interactions.

- Manage relationships with Texas RE's outside counsel.
- Provide legal support and perform the Corporate Secretary function (the General Counsel serves as the corporation's Corporate Secretary), such as preparing Board materials and minutes, facilitating and conducting Board training, and ensuring that Director elections, Board of Directors and Committee meetings, and Meetings of Members adhere to the Texas RE Bylaws and other relevant governing documents.
- Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.

The budgeted number of FTEs for Legal and Regulatory is remaining constant in 2023.

Consulting support and contracts are remaining consistent with 2022.

Legal Fees are increasing 66.7% in 2023 for possible outside legal services.

### **Information Technology**

Texas RE's Information Technology (IT) and physical and cyber security program provides IT and security support to Texas RE, including the following: hardware, systems, software, and applications support; physical and electronic and security, data center operations, IT and security-related vendor management; strategy, planning, development, and deployment of enterprise systems and applications, including training and planning for improvement and efficiency of business processes and operations.

Texas RE's approach is to keep its in-house IT staff small and efficiently outsource maintenance, services, and major development to ensure that applications and hardware are well maintained, service levels remain high, costs are controlled, and systems are consistent with business, regional, and federal requirements.

Texas RE supports the ERO efforts to implement, operate, and maintain software tools supporting common enterprise-wide operations that have been approved by the ERO Executive Committee (ERO-EC), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE's budget assumes the availability of enterprise software tools as described in NERC's Business Plan and Budget. If implementation of these software applications is delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region-specific IT support needs. Texas RE's 2023 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes Texas RE costs for internal region-specific support needs.

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### 2023 Key Assumptions

- Focus on better leverage of current technology to support business functions and workflow.
- Increase knowledge of industry best practices for security, data management, and system administration.

### 2023 Goals and Key Deliverables

- Provide IT and security support to all Texas RE's operations, including: IT and security; infrastructure; service support; service design and delivery; service transition; and hardware and network security in a secure and efficient manner, with the following strategy:
  - Continue to develop knowledge of systems through training and experience to reduce the reliance on external vendors.
  - Continue to use third-party security services to evaluate and test Texas RE's security posture, while fostering maturity in Texas RE's IT and Security internal controls program and security posture.
  - Continue to maintain the appropriate number of employees to oversee the strategy, policies and procedures, service, and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.
  - Continue to outsource IT and security services that are not within the core competencies or IT's cost-containment plan, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
- Develop internal applications to increase consistency, efficiency, and assist users in business processes.
- Assist business staff with enhancement requests and other IT-related project requirements, and prioritize and oversee all IT or security-related projects.
- Coordinate and share best practices with other Regional Entities and NERC.
- Participate in the design, planning and implementation of ERO Centralized Applications.
- Continue the Security Awareness Program that addresses, through education and training, social media vulnerabilities that pose threats to Texas RE systems.
- Train and support Texas RE staff on software and applications.
- Continue to develop and test failover and disaster recovery methods for all Texas RE systems.

The budgeted number of FTEs is increasing by one in 2023.

IT-Managed Services, which is included in the consulting support and contracts category, is remaining consistent with 2022.

## **Human Resources**

The Texas RE Human Resources (HR) program area is responsible for the delivery of all HR functions including: recruitment, staffing, compensation, benefits, health and safety, employee relations, performance management, and employee training and development. HR maintains Human Resources Information System products and ensures compliance with all federal and state requirements.

### **2023 Key Assumptions**

- Provide competitive compensation and benefits.
- Ensure that Texas RE maintains a skilled, qualified workforce.
- Maintain appropriate salaries and benefits based on industry data.

### **2023 Goals and Key Deliverables**

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.
- Review and manage employee benefit plans.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.

Personnel expenses are reported under G&A.

Consulting services and contracts are increasing in 2023. The 2022 budget planned for two compensation studies and the 2023 budget plans for three studies, and custom Salary Survey.

## **Finance and Accounting**

The Finance and Accounting function provides all accounting services and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and reporting, budget preparation and reporting, cash management, and tax filing.

### **2023 Key Assumptions**

- Current accounting systems and controls are adequate.
- Identify and implement efficiencies in financial processes.
- Provide improved reporting and financial analysis to Directors, the Audit, Governance, and Finance Committee, and the Board of Directors.

### **2023 Goals and Key Deliverables**

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- Provide improved reporting and financial analysis to the Texas RE CEO, Senior Management, and the Texas RE Board.

- Ensure strong internal controls designed to protect the assets of Texas RE and ensure accurate financial reporting.
- Identify and implement efficiencies in the financial processes.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

The budgeted number of FTEs for Finance and Accounting are remaining constant in 2023.

No consulting support and contracts are budgeted for 2023, which is consistent with the 2022 budget.

Section A — 2021 Business Plan and Budget – Statutory Programs

**Administrative Services**

The following table shows funding sources and related expenses for the Administrative Services section of the 2023 Business Plan and Budget. Explanations of variances by expense category are included with the Department Section and with the Supplemental Tables found in Section B.

| <b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b> |                       |                       |   |                       |   |
|---|-----------------------|-----------------------|---|-----------------------|---|
| <b>2022 Budget &amp; Projection, and 2023 Budget</b>                                    |                       |                       |   |                       |   |
| <b>ADMINISTRATIVE SERVICES</b>  |                       |                       |   |                       |   |
|   | 2022<br>Budget        | 2022<br>Projection    | Variance<br>2022 Projection<br>v 2022 Budget<br>Over(Under) | 2023<br>Budget        | Variance<br>2022 Budget<br>v 2023 Budget<br>Over(Under) |
| <b>Funding</b>  |                       |                       |   |                       |   |
| <b>ERO Funding</b>  |                       |                       |   |                       |   |
| NERC Assessments  | \$ -                  | \$ -                  | \$ -  | \$ -                  | \$ -  |
| Penalties Released  | -                     | -                     | -   | -                     | -   |
| <b>Total NERC Funding</b>   | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>   | <b>\$ -</b>           | <b>\$ -</b>   |
| Interest  | -                     | -                     | -   | -                     | -   |
| <b>Total Funding</b>  | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>   | <b>\$ -</b>           | <b>\$ -</b>   |
| <b>Expenses</b>   |                       |                       |   |                       |   |
| <b>Personnel Expenses</b>   |                       |                       |   |                       |   |
| Salaries  | \$ 2,703,899          | \$ 2,703,899          | \$ -  | \$ 3,031,951          | \$ 328,052  |
| Payroll Taxes   | 146,847               | 146,847               | -   | 179,247               | 32,401  |
| Benefits  | 402,940               | 402,940               | -   | 457,116               | 54,176  |
| Retirement Costs  | 371,141               | 371,141               | -   | 438,287               | 67,146  |
| <b>Total Personnel Expenses</b>   | <b>\$ 3,624,827</b>   | <b>\$ 3,624,827</b>   | <b>\$ -</b>   | <b>\$ 4,106,602</b>   | <b>\$ 481,775</b>                                       |
| <b>Meeting and Travel Expenses</b>  |                       |                       |   |                       |   |
| Meetings & Conference Call:   | \$ 37,400             | \$ 37,400             | \$ -  | \$ 37,400             | \$ -  |
| Travel  | 131,080               | 131,080               | -   | 132,780               | 1,700   |
| <b>Total Meeting &amp; Travel Expenses</b>  | <b>\$ 168,480</b>     | <b>\$ 168,480</b>     | <b>\$ -</b>   | <b>\$ 170,180</b>     | <b>\$ 1,700</b>   |
| <b>Operating Expenses, excluding Depreciation</b>                                       |                       |                       |   |                       |   |
| Consultants & Contracts   | \$ 351,700            | \$ 351,700            | \$ -  | \$ 407,700            | \$ 56,000   |
| Office Rent   | 1,473,545             | 1,473,545             | -   | 2,211,708             | 738,163   |
| Office Costs  | 647,760               | 647,760               | -   | 692,728               | 44,968  |
| Professional Services   | 604,625               | 604,625               | -   | 677,525               | 72,900  |
| Miscellaneous   | -                     | -                     | -   | -                     | -   |
| Depreciation  | -                     | -                     | -   | -                     | -   |
| <b>Total Operating Expenses</b>   | <b>\$ 3,077,630</b>   | <b>\$ 3,077,630</b>   | <b>\$ -</b>   | <b>\$ 3,989,661</b>   | <b>\$ 912,031</b>                                       |
| <b>Total Direct Expenses</b>  | <b>\$ 6,870,937</b>   | <b>\$ 6,870,937</b>   | <b>\$ -</b>   | <b>\$ 8,266,443</b>   | <b>\$ 1,395,506</b>                                     |
| <b>Indirect Expenses</b>  | <b>\$ (7,190,937)</b> | <b>\$ (7,190,937)</b> | <b>\$ -</b>   | <b>\$ (8,266,443)</b> | <b>\$ (1,075,506)</b>                                   |
| <b>Other Non-Operating Expenses</b>   | <b>\$ 320,000</b>     | <b>\$ 320,000</b>     | <b>\$ -</b>   | <b>\$ -</b>           | <b>\$ (320,000)</b>                                     |
| <b>Total Expenses</b>   |                       |                       |   |                       |   |
| <b>Change in Assets</b>   |                       |                       |   |                       |   |
| <b>Fixed Assets, excluding Right of Use Assets</b>                                      | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>   | <b>\$ -</b>           | <b>\$ -</b>   |
| <b>TOTAL BUDGET</b>   |                       |                       |   |                       |   |
| <b>TOTAL CHANGE IN WORKING CAPITAL</b>  |                       |                       |   |                       |   |
| <b>FTEs</b>   | <b>14.75</b>          | <b>14.75</b>          | <b>-</b>  | <b>\$ 15.75</b>       | <b>1.00</b>   |

Approved by the Texas RE Board of Directors May 18, 2022

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# Section B – Supplemental Financial Information

## 2023 Business Plan and Budget

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## Section B — Supplemental Financial Information

Table B-1 – Reserve Balance

| Working Capital Reserve Analysis 2022-2023                          |                               |                     |                          |                      |
|---|-------------------------------|---------------------|--------------------------|----------------------|
| STATUTORY   |                               |                     |                          |                      |
|   | Total Reserve & Stabilization | Operating Reserve   | Assessment Stabilization | Unreleased Penalties |
| <b>Beginning Reserves, January 1, 2022</b>                          | 3,954,777                     | \$ 2,000,000        | \$ 1,378,589             | \$ 576,188           |
| Plus: 2022 Funding (from LSEs or designees)                         | 15,003,365                    | \$ 15,003,365       | \$ -                     | \$ -                 |
| Plus: 2022 Other funding sources                                    | 15,000                        | 15,000              | -                        | -                    |
| Released from Assessment Stabilization & Contingency                | (465,091)                     | 913,498             | (1,378,589)              | -                    |
| Penalties Released in 2022  | -                             | 558,750             | -                        | (558,750)            |
| Penalty Sanctions Received July 1, 2021 - June 30, 2022             | -                             | -                   | -                        | -                    |
| Less: 2022 Projected expenses & capital expenditures                | (17,160,613)                  | (17,160,613)        | -                        | -                    |
| <b>Projected Reserves, December 31, 2022</b>                        | <b>\$ 1,347,438</b>           | <b>\$ 1,330,000</b> | <b>\$ -</b>              | <b>\$ 17,438</b>     |
| <b>Desired Reserves, December 31, 2023</b>                          |                               |                     |                          |                      |
| Target Reserve December 31, 2023                                    | \$ 1,330,000                  | \$ 1,330,000        | \$ -                     | \$ -                 |
| Minus: Projected Reserves, December 31, 2022                        | (1,347,438)                   | (1,330,000)         | -                        | (17,438)             |
| <b>Increase(decrease) in funding requirement to achieve Reserve</b> | <b>\$ (17,438)</b>            | <b>\$ -</b>         | <b>\$ -</b>              | <b>\$ (17,438)</b>   |
| 2023 Expenses and Capital Expenditures                              | \$ 17,733,467                 |                     |                          |                      |
| Less: Other Funding Sources   | (2,000)                       |                     |                          |                      |
| Adjustment to achieve targeted working capital                      | 0                             |                     |                          |                      |
| Reserves released from Assessment Stabilization                     | 0                             |                     |                          |                      |
| Penalty Sanctions Released  | (576,188)                     |                     |                          |                      |
| <b>2023 NERC Assessment to Texas RE</b>                             | <b>\$ 17,155,278</b>          |                     |                          |                      |

## Explanation of Changes in Reserve Policy from Prior Years

The Board approved Working Capital and Operating Reserve Policy calls for Texas RE to retain a \$2,000,000 cash reserve, or an amount as adjusted by the Board, or as required by regulators. The projected Operating Reserve for the 2023 budget period is \$1,330,000. \$670,000 of the Operating Reserve was used to reduce assessments for the 2022 Budget. The stabilization fund was exhausted with the 2022 Budget leaving a zero balance for 2023.

## Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 11 of the 2023 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2022. The 2023 budget was based on this information.

## Penalty Sanctions

Penalty monies received by June 30, 2022 are to be used to offset assessments in the 2023 Budget, as documented in the NERC Policy – *ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD*. Penalty monies received from July 1, 2022 through June 30, 2023 will be used to offset assessments in the 2024 Budget.

All penalties received by June 30, 2022 are detailed in Exhibit B-2.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; and Training and Education. Penalty sanctions are allocated based on the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

**Table B-2 – Penalty Sanctions**

| <b>Penalty Sanctions Received On or Prior to June 30, 2022</b> | <b>Date Received</b> | <b>Amount Received</b> |
|--|----------------------|------------------------|
|  | 9/1/2021             | \$ 51,188              |
|  | 2/6/2022             | \$ 525,000             |
| <b>Total Penalties Released</b>                                |                      | <b>\$ 576,188</b>      |



**Table B-3 – Supplemental Funding**

|   | Budget<br>2022 | Projection<br>2022 | Budget<br>2023 | Variance<br>2023 Budget v 2022<br>Budget |
|---|----------------|--------------------|----------------|--|
| <b>Reliability Standards</b>                                      |                |                    |                |  |
| Total   | \$ -           | \$ -               | \$ -           | \$ -                                     |
| <b>Compliance Monitoring, Enforcement &amp; Org. Registration</b> |                |                    |                |  |
| Total   | \$ -           | \$ -               | \$ -           | \$ -                                     |
| <b>Reliability Assessment and Performance Analysis</b>            |                |                    |                |  |
| Total   | \$ -           | \$ -               | \$ -           | \$ -                                     |
| <b>Training and Education</b>                                     |                |                    |                |  |
| Total   | \$ -           | \$ -               | \$ -           | \$ -                                     |
| <b>Situation Awareness and Infrastructure Security</b>            |                |                    |                |  |
| Total   | \$ -           | \$ -               | \$ -           | \$ -                                     |
| <b>General and Administrative</b>                                 |                |                    |                |  |
| Interest Income   | \$ 80,000      | \$ 80,000          | \$ 2,000       | \$ (78,000)                              |
| Total   | \$ 80,000      | \$ 80,000          | \$ 2,000       | \$ (78,000)                              |
| <b>Total Outside Funding</b>                                      | \$ 80,000      | \$ 80,000          | \$ 2,000       | \$ (78,000)                              |

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

- Texas RE anticipates its investments will earn interest of approximately \$2,000 in 2023. Texas RE’s banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. This is based on interest rates being lower than prior year.

**Table B-4 – Personnel Expenses**

| Personnel Expenses           | Budget<br>2022       | Projection 2022      | Budget<br>2023       | Variance<br>2023 Budget v<br>2022 Budget | Variance %  |
|------------------------------|----------------------|----------------------|----------------------|--|-------------|
| Total Salaries               | \$ 9,199,332         | \$ 9,199,332         | \$ 9,528,203         | \$ 328,871                               | 3.6%        |
| Total Payroll Taxes          | 635,827              | 635,827              | 658,636              | 22,809                                   | 3.6%        |
| Total Benefits               | 1,641,720            | 1,641,720            | 1,606,373            | (35,346)                                 | -2.2%       |
| Total Retirement             | 1,290,440            | 1,290,440            | 1,375,439            | 84,999                                   | 6.6%        |
| <b>Total Personnel Costs</b> | <b>\$ 12,767,318</b> | <b>\$ 12,767,318</b> | <b>\$ 13,168,651</b> | <b>\$ 401,333</b>                        | <b>3.1%</b> |
| FTEs                         | 66.00                | 66.00                | 67.00                | 1.00                                     | 1.5%        |
| Cost per FTE                 |                      |                      |                      |  |             |
| Salaries                     | \$ 139,384           | \$ 139,384           | \$ 142,212           | 2,828                                    | 2.0%        |
| Payroll Taxes                | 9,634                | 9,634                | 9,830                | 197                                      | 2.0%        |
| Benefits                     | 24,875               | 24,875               | 23,976               | (899)                                    | -3.6%       |
| Retirement                   | 19,552               | 19,552               | 20,529               | 977                                      | 5.0%        |
| <b>Total Cost per FTE</b>    | <b>\$ 193,444</b>    | <b>\$ 193,444</b>    | <b>\$ 196,547</b>    | <b>\$ 3,103</b>                          | <b>1.6%</b> |

**Explanation of Significant Variances – 2023 Budget versus 2021 Budget**

- Total costs for Texas RE personnel expenses are increasing by 3.1%. Salaries expense is increasing 3.6%, which includes one additional FTE for the IT department. Salaries expense also includes an allowance for salary increases, promotions, and market adjustments.
- Payroll taxes are increasing 3.6%, which includes State Unemployment Insurance Tax.
- Total Benefits expense is decreasing 2.2%. Health plan expense did not increase as projected in 2022; however, health plan expense is projected to increase 8% for 2023 over actual 2022 cost, which is lower than the 2022 budgeted cost. Employee Benefits include education reimbursement, relocation expenses, and training and professional development.
- Retirement costs are increasing 6.6%. Forfeiture funds are used when available to fund the employer portion of retirement plan cost. The overall cost for the plan has increased due to increases in fund costs and higher participation among FTEs.
- All personnel related expenses are increasing based on the additional salary expense for an added FTE.

**Table B-5 – Meeting & Travel Expense**

| Meeting and Travel Expenses | Budget<br>2022    | Projection<br>2022 | Budget<br>2023    | Variance<br>2023 Budget<br>v 2022<br>Budget | Variance %   |
|-----------------------------|-------------------|--------------------|-------------------|---|--------------|
| Meetings                    | \$ 71,900         | \$ 71,900          | \$ 56,900         | \$ (15,000)                                 | -20.9%       |
| Travel                      | 371,685           | 371,685            | 376,735           | 3,350                                       | 1.4%         |
| Conference Calls            | -                 | -                  | -                 | -   |              |
|                             | <b>\$ 443,585</b> | <b>\$ 443,585</b>  | <b>\$ 433,635</b> | <b>\$ (11,650)</b>                          | <b>-2.2%</b> |

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

- Meetings expense is decreasing 20.9%. The 2023 budget includes Workshop Expense for an offsite workshop in the Training and Education Program. The 2022 budget included two proposed offsite workshops. An annual meeting with the Texas RE Board of Directors and stakeholders is included in Meetings expense.
- The budget for Travel is increasing 1.4% in 2023.

**Table B-6 – Consultants and Contracts**

| Consultants and Contracts                                  | Budget<br>2022    | Projection<br>2022 | Budget<br>2023    | Variance<br>2023 Budget v<br>2022 Budget | Variance %   |
|--|-------------------|--------------------|-------------------|--|--------------|
| Reliability Standards                                      | \$ -              | \$ -               | \$ -              | \$ -                                     |              |
| Compliance and Organization Registration and Certification | -                 | -                  | -                 | -  |              |
| Reliability Assessment and Performance Analysis            | -                 | -                  | -                 | -  |              |
| Training and Education                                     | -                 | -                  | -                 | -  |              |
| General and Administrative                                 | 85,000            | 85,000             | 96,000            | 11,000                                   | 12.9%        |
| Legal and Regulatory                                       | 1,700             | 1,700              | 1,700             | -  | 0.0%         |
| Information Technology                                     | 225,000           | 225,000            | 225,000           | -  | 0.0%         |
| Human Resources  | 40,000            | 40,000             | 85,000            | 45,000                                   | 112.5%       |
| Accounting and Finance                                     | -                 | -                  | -                 | -  |              |
| <b>Consultants Total</b>                                   | <b>\$ 351,700</b> | <b>\$ 351,700</b>  | <b>\$ 407,700</b> | <b>\$ 56,000</b>                         | <b>15.9%</b> |

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

- For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

**Table B-7 – Office Rent**

| <b>Rent</b>                               | <b>Budget<br/>2022</b> | <b>Projection<br/>2022</b> | <b>Budget<br/>2023</b> | <b>Variance<br/>2023 Budget v<br/>2022 Budget</b> | <b>Variance %</b> |
|---|------------------------|----------------------------|------------------------|---|-------------------|
| Office Rent                               | \$ 742,000             | \$ 742,000                 | \$ 951,708             | \$ 209,708  | 28.3%             |
| Utilities                                 | 324,000                | 324,000                    | \$ 1,200,000           | 876,000   | 270.4%            |
| Maintenance                               | 14,000                 | 14,000                     | \$ 60,000              | 46,000  | 328.6%            |
| <b>Total Office Rent &amp; Utilitites</b> | <b>\$ 1,080,000</b>    | <b>\$ 1,080,000</b>        | <b>\$ 2,211,708</b>    | <b>\$ 1,131,708</b>                               | <b>104.8%</b>     |

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

- An escalation in Office Rent, Utilities and Maintenance is due to a full year of expense in the larger office space and increasing cost for utilities and maintenance.

Table B-8 – Office Costs

| Office Costs                     | Budget<br>2022    | Projection<br>2022 | Budget<br>2023    | Variance                     |             |
|----------------------------------|-------------------|--------------------|-------------------|------------------------------|-------------|
|                                  |                   |                    |                   | 2023 Budget v 2022<br>Budget | Variance %  |
| Telephone/Cell Phone             | \$ 41,760         | \$ 41,760          | \$ 44,640         | \$ 2,880                     | 6.9%        |
| Internet Expense                 | 125,000           | 125,000            | \$ 125,000        | -                            | 0.0%        |
| Office Supplies                  | 42,350            | 42,350             | \$ 43,950         | 1,600                        | 3.8%        |
| Computer Supplies & Maintenance  | 31,400            | 31,400             | \$ 32,250         | 850                          | 2.7%        |
| IT Remote Support                | 1,350             | 1,350              | \$ 1,350          | -                            | 0.0%        |
| Software & Software Maintenance  | 170,100           | 170,100            | \$ 235,250        | 65,150                       | 38.3%       |
| Subscriptions & Publications     | 25,020            | 25,020             | \$ 27,088         | 2,068                        | 8.3%        |
| Dues                             | 8,200             | 8,200              | \$ 8,920          | 720                          | 8.8%        |
| Postage                          | 360               | 360                | \$ 250            | (110)                        | -30.6%      |
| Express Shipping                 | 300               | 300                | \$ 300            | -                            | 0.0%        |
| Stationary & Office Forms        | 1,950             | 1,950              | \$ 1,950          | -                            | 0.0%        |
| Equipment Repair/Srv. Contracts  | 10,000            | 10,000             | \$ 9,500          | (500)                        | -5.0%       |
| Bank Charges                     | 1,800             | 1,800              | \$ 1,800          | -                            | 0.0%        |
| Property Taxes                   | 12,000            | 12,000             | \$ 12,000         | -                            | 0.0%        |
| Merchant Credit Card Fee         | 1,400             | 1,400              | \$ 2,000          | 600                          | 42.9%       |
| IT-Leased Equipment              | 196,000           | 196,000            | \$ 165,000        | (31,000)                     | -15.8%      |
| Office Furniture & Equipment Exp | 2,500             | 2,500              | \$ 17,500         | 15,000                       | 600.0%      |
| IT Maintenance                   | -                 | -                  | \$ -              | -                            | -           |
| Employment Related Fees          | 1,250             | 1,250              | \$ 2,500          | 1,250                        | 100.0%      |
| <b>Total Office Costs</b>        | <b>\$ 672,740</b> | <b>\$ 672,740</b>  | <b>\$ 731,248</b> | <b>\$ 58,508</b>             | <b>8.7%</b> |

#### Explanation of Significant Variances – 2023 Budget versus 2022 Budget

- All categories in the Office Costs have been adjusted in the 2023 budget to more accurately reflect actual experience.
- Software and Software Maintenance is increasing to reflect the costs of the PI Software and the new accounting software.
- IT-Leased Equipment is decreasing to reflect new contracts at lower prices.
- Office Furniture & Equipment is increasing to include non-capitalized furniture and equipment that may be needed for the office space.
- Employment related fees have been adjusted to reflect actual cost.

**Table B-9 – Professional Services**

| Professional Services              | Budget<br>2022    | Projection<br>2022 | Budget<br>2023    | Variance                     |              |
|------------------------------------|-------------------|--------------------|-------------------|------------------------------|--------------|
|                                    |                   |                    |                   | 2023 Budget v<br>2022 Budget | Variance %   |
| Board of Director Fees             | \$ 359,835        | \$ 359,835         | \$ 382,675        | \$ 22,840                    | 6.3%         |
| Accounting & Auditing Fees         | 58,000            | 58,000             | 62,100            | 4,100                        | 7.1%         |
| Legal Fees                         | 30,000            | 30,000             | 50,000            | 20,000                       | 66.7%        |
| Insurance - Commercial             | 73,000            | 73,000             | 112,000           | 39,000                       | 53.4%        |
| Professional Services-Other        | 94,000            | 94,000             | 73,750            | (20,250)                     | -21.5%       |
| <b>Total Professional Services</b> | <b>\$ 614,835</b> | <b>\$ 614,835</b>  | <b>\$ 680,525</b> | <b>\$ 65,690</b>             | <b>10.7%</b> |

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

- Board of Director Fees have been adjusted to reflect the potential increases that have been recommended by a third-party compensation study and approved by the Director Compensation Committee.
- Accounting and Auditing Fees are increasing slightly due to annual price adjustment.
- Commercial Insurance is projected to increase slightly based on an estimate from the broker.
- Legal Fees are increasing to provide for potential outside legal services and professional services are decreasing due to not including an external IT audit. Two penetration tests and an external IT audit were budgeted for 2022. One penetration test is in the 2023 budget and the external IT audit has been removed.

**Table B-10 – Miscellaneous Expense**

| Miscellaneous                       | Budget    |          | Projection 2022 |          | Budget    |          | Variance                  |            |
|-------------------------------------|-----------|----------|-----------------|----------|-----------|----------|---------------------------|------------|
|                                     | 2022      |          | 2022            |          | 2023      |          | 2023 Budget v 2022 Budget | Variance % |
| Miscellaneous Expense               | \$        | -        | \$              | -        | \$        | -        | \$                        | -          |
| <b>Total Miscellaneous Expenses</b> | <b>\$</b> | <b>-</b> | <b>\$</b>       | <b>-</b> | <b>\$</b> | <b>-</b> | <b>\$</b>                 | <b>-</b>   |

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

- N/A



**Table B-11 – Other Non-Operating Expenses**

| Other Non-Operating Expenses        | Budget            |                 | Budget      |                              | Variance    |  |
|-------------------------------------|-------------------|-----------------|-------------|------------------------------|-------------|--|
|                                     | 2022              | Projection 2022 | 2023        | 2023 Budget v<br>2022 Budget | Variance %  |  |
| Interest Expense                    | \$ -              | \$ -            | \$ -        | \$ -                         | -           |  |
| Line of Credit Payment              |                   |                 | \$ -        | \$ -                         | -           |  |
| Office Relocation                   | \$ 320,000        | \$ -            | \$ -        | \$ (320,000)                 | 100.00%     |  |
| <b>Total Non-Operating Expenses</b> | <b>\$ 320,000</b> | <b>\$ -</b>     | <b>\$ -</b> | <b>\$ (320,000)</b>          | <b>\$ -</b> |  |

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

- The 2022 budget included one-time office relocation cost. There is no relocation cost for 2023.

**Table B-12 – Fixed Assets**

| Fixed Assets               | Budget            |                   | Budget            |                              | Variance      |  |
|----------------------------|-------------------|-------------------|-------------------|------------------------------|---------------|--|
|                            | 2022              | Projection 2022   | 2023              | 2023 Budget v<br>2022 Budget | Variance %    |  |
| Computer & Software CapEx  | \$ -              | \$ -              | \$ -              | \$ -                         | -             |  |
| Furniture & Fixtures CapEx | -                 | -                 | -                 | -                            | -             |  |
| Equipment CapEx            | 512,000           | 512,000           | 100,000           | (412,000)                    | -80.47%       |  |
| Leasehold Improvements     | -                 | -                 | -                 | -                            | -             |  |
| <b>Total Fix Assets</b>    | <b>\$ 512,000</b> | <b>\$ 512,000</b> | <b>\$ 100,000</b> | <b>\$ (412,000)</b>          | <b>-80.5%</b> |  |

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

- Fixed Assets are decreasing because the 2022 office move required furniture and equipment that is not needed in 2023.

**Table B-13 – 2024 and 2025 Projection**

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital<br>2023 Budget & Projected 2024 and 2025 Budgets |                      |                      |                      |                     |                      |                      |                     |  |
|---|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|---------------------|--|
|   | 2023<br>Budget       | 2024<br>Projection   | \$ Change<br>24 v 23 | % Change<br>24 v 23 | 2025<br>Projection   | \$ Change<br>25 v 24 | % Change<br>25 v 24 |  |
| <b>Funding</b>  |                      |                      |                      |                     |                      |                      |                     |  |
| <b>ERO Funding</b>  |                      |                      |                      |                     |                      |                      |                     |  |
| NERC Assessments  | \$ 17,155,279        | \$ 18,483,040        | \$ 1,327,761         | 7.7%                | \$ 19,265,250        | \$ 782,210           | 4.1%                |  |
| Penalties Released  | 576,188              | -                    | (576,188)            | -100.00%            | -                    | -                    |                     |  |
| <b>Total NERC Funding</b>   | <b>\$ 17,731,467</b> | <b>\$ 18,483,040</b> | <b>\$ 751,573</b>    | <b>4.2%</b>         | <b>\$ 19,265,250</b> | <b>\$ 782,210</b>    | <b>4.1%</b>         |  |
| Interest  | 2,000                | -                    | (2,000)              | -100.00%            | -                    | -                    |                     |  |
| <b>Total Funding</b>  | <b>\$ 17,733,467</b> | <b>\$ 18,483,040</b> | <b>\$ 749,573</b>    | <b>4.2%</b>         | <b>\$ 19,265,250</b> | <b>\$ 782,210</b>    | <b>4.2%</b>         |  |
| <b>Expenses</b>   |                      |                      |                      |                     |                      |                      |                     |  |
| <b>Personnel Expenses</b>   |                      |                      |                      |                     |                      |                      |                     |  |
| Salaries  | \$ 9,528,203         | \$ 9,909,331         | \$ 381,128           | 4.0%                | \$ 10,305,704        | \$ 396,373           | 4.0%                |  |
| Payroll Taxes   | 658,636              | 684,982              | 26,345               | 4.0%                | 712,381              | 27,399               | 4.0%                |  |
| Benefits  | 1,606,373            | 1,670,628            | 64,255               | 4.0%                | 1,737,453            | 66,825               | 4.0%                |  |
| Retirement Costs  | 1,375,439            | 1,430,457            | 55,018               | 4.0%                | 1,487,675            | 57,218               | 4.0%                |  |
| <b>Total Personnel Expenses</b>   | <b>\$ 13,168,651</b> | <b>\$ 13,695,397</b> | <b>\$ 526,746</b>    | <b>4.0%</b>         | <b>\$ 14,243,213</b> | <b>\$ 547,816</b>    | <b>4.0%</b>         |  |
| <b>Meeting &amp; Travel Expenses</b>  |                      |                      |                      |                     |                      |                      |                     |  |
| Meetings & Conference Calls   | \$ 56,900            | \$ 59,176            | \$ 2,276             | 4.0%                | \$ 61,543.04         | 2,367                | 4.0%                |  |
| Travel  | 376,735              | 391,804              | 15,069               | 4.0%                | 407,476              | 15,672               | 4.0%                |  |
| <b>Total Meeting &amp; Travel Expenses</b>  | <b>\$ 433,635</b>    | <b>\$ 450,980</b>    | <b>\$ 17,345</b>     | <b>4.0%</b>         | <b>\$ 469,019</b>    | <b>\$ 18,039</b>     | <b>4.0%</b>         |  |
| <b>Operating Expenses, excluding Depreciation</b>   |                      |                      |                      |                     |                      |                      |                     |  |
| Consultants & Contracts   | \$ 407,700           | \$ 424,008           | 16,308               | 4.0%                | \$ 440,968           | 16,960               | 4.0%                |  |
| Office Rent   | 2,211,708            | 2,344,411            | 132,703              | 6.0%                | 2,485,075            | 140,665              | 6.0%                |  |
| Office Costs  | 731,248              | 760,498              | 29,250               | 4.0%                | 790,918              | 30,420               | 4.0%                |  |
| Professional Services   | 680,525              | 707,746              | 27,221               | 4.0%                | 736,056              | 28,310               | 4.0%                |  |
| <b>Total Operating Expenses</b>   | <b>\$ 4,031,181</b>  | <b>\$ 4,236,663</b>  | <b>\$ 205,481</b>    | <b>5.1%</b>         | <b>\$ 4,453,017</b>  | <b>\$ 216,355</b>    | <b>5.1%</b>         |  |
| <b>Total Direct Expenses</b>  | <b>\$ 17,633,467</b> | <b>\$ 18,383,040</b> | <b>\$ 749,573</b>    | <b>4.3%</b>         | <b>\$ 19,165,250</b> | <b>\$ 782,210</b>    | <b>4.3%</b>         |  |
| <b>Indirect Expenses</b>  | \$ -                 | \$ -                 | \$ -                 | 0.0%                | \$ -                 | \$ -                 | 0.0%                |  |
| <b>Other Non-Operating Expenses</b>   | \$ -                 | \$ -                 | \$ -                 |                     | \$ -                 | \$ -                 |                     |  |
| <b>Total Expenses</b>   | <b>\$ 17,633,467</b> | <b>\$ 18,383,040</b> | <b>\$ 749,573</b>    | <b>4.3%</b>         | <b>\$ 19,165,250</b> | <b>\$ 782,210</b>    | <b>4.3%</b>         |  |
| <b>Change in Net Assets</b>   | <b>\$ 100,000</b>    | <b>\$ 100,000</b>    | <b>\$ 0</b>          | <b>0.0%</b>         | <b>\$ 100,000</b>    | <b>\$ (0)</b>        | <b>0.0%</b>         |  |
| <b>Fixed Assets, excluding Right of Use Assets</b>  | <b>\$ 100,000</b>    | <b>\$ 100,000</b>    | <b>\$ -</b>          | <b>0.0%</b>         | <b>\$ 100,000</b>    | <b>\$ (0)</b>        | <b>0.0%</b>         |  |
| <b>TOTAL BUDGET</b>   | <b>\$ 17,733,467</b> | <b>\$ 18,483,040</b> | <b>\$ 749,573</b>    | <b>4.2%</b>         | <b>\$ 19,265,250</b> | <b>\$ 782,210</b>    | <b>4.2%</b>         |  |
| <b>TOTAL CHANGE IN WORKING CAPITAL</b>  | <b>\$ -</b>          | <b>\$ 0</b>          | <b>\$ 0</b>          | <b>0.0%</b>         | <b>\$ 0</b>          | <b>(0)</b>           | <b>-76.7%</b>       |  |
| FTEs  | 66                   | 67                   | -                    | 0.0%                | 67                   | -                    | 0.0%                |  |

**2024 and 2025 Projection Analysis**

Reflects no additional FTEs and an overall expense increase of approximately 4% per year for all categories, except rent. Office Rent, which includes utilities and maintenance, is projected to increase 6.0% in years 2023 and 2024.

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## Section C – Non-Statutory Activities

### 2023 Business Plan and Budget

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**Texas RE has no Non-Statutory activities**



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## Section D – Supplemental Information 2023 Business Plan and Budget

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## Section D – Supplemental Information

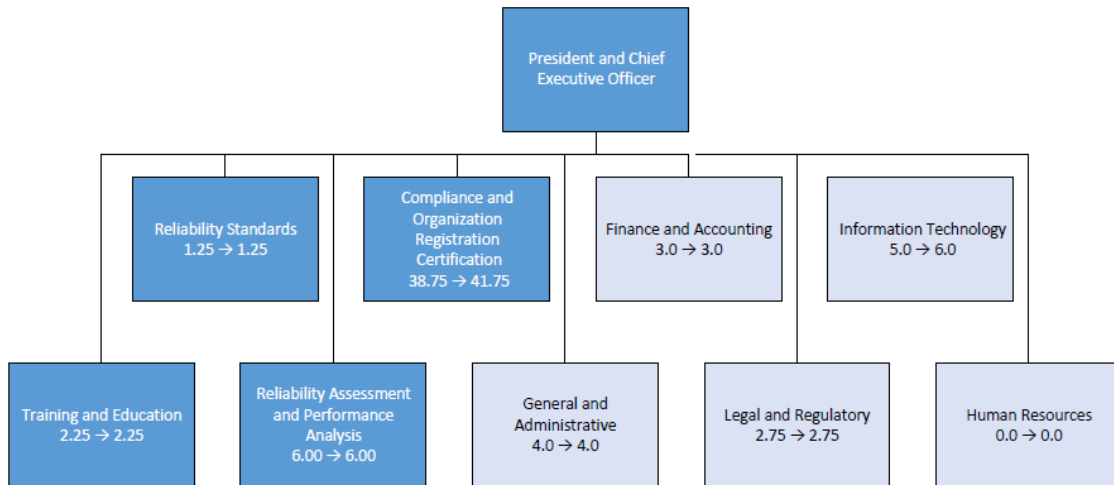
### 2023 Statement of Activities by Program.

| Funding  | Statutory Total      | Reliability Standards | CMEP                 | RAPA                | Training and Education | General and Administrative | Legal and Regulatory | Information Technology | Human Resources     | Accounting and Finance |
|--|----------------------|-----------------------|----------------------|---------------------|------------------------|----------------------------|----------------------|------------------------|---------------------|------------------------|
| <b>ERO Funding</b>                                 |                      |                       |                      |                     |                        |                            |                      |                        |                     |                        |
| NERC Assessments                                   | \$ 17,155,278        | \$ 418,421            | \$ 13,975,276        | \$ 2,008,423        | \$ 753,159             | \$ -                       | \$ -                 |                        | \$ -                |                        |
| Penalties Released                                 | 576,188              | 14,053                | 469,382              | 67,456              | 25,296                 |                            |                      |                        |                     |                        |
| <b>Total NERC Funding</b>                          | <b>\$ 17,731,466</b> | <b>\$ 432,475</b>     | <b>\$ 14,444,658</b> | <b>\$ 2,075,879</b> | <b>\$ 778,455</b>      | <b>\$ -</b>                | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ -</b>            |
| Interest   | 2,000                | 49                    | 1,629                | 234                 | 88                     |                            |                      |                        |                     |                        |
| <b>Total Funding</b>                               | <b>\$ 17,733,466</b> | <b>\$ 432,524</b>     | <b>\$ 14,446,288</b> | <b>\$ 2,076,113</b> | <b>\$ 778,542</b>      | <b>\$ -</b>                | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ -</b>            |
| <b>Expenses</b>                                    |                      |                       |                      |                     |                        |                            |                      |                        |                     |                        |
| <b>Personnel Expenses</b>                          |                      |                       |                      |                     |                        |                            |                      |                        |                     |                        |
| Salaries   | \$ 9,528,203         | \$ 135,442            | \$ 5,150,734         | \$ 940,898          | \$ 269,177             | \$ 1,493,805               | \$ 448,082           | \$ 688,945             | \$ -                | \$ 401,119             |
| Payroll Taxes                                      | 658,636              | 10,444                | 384,920              | 64,970              | 19,055                 | 74,537                     | 26,974               | 51,102                 | -                   | 26,634                 |
| Benefits   | 1,606,373            | 31,537                | 933,315              | 152,305             | 32,100                 | 158,265                    | 72,200               | 166,571                | -                   | 60,080                 |
| Retirement Costs                                   | 1,375,439            | 19,548                | 743,520              | 135,633             | 38,451                 | 217,643                    | 64,380               | 98,964                 | -                   | 57,300                 |
| <b>Total Personnel Expenses</b>                    | <b>\$ 13,168,651</b> | <b>\$ 196,971</b>     | <b>\$ 7,212,490</b>  | <b>\$ 1,293,806</b> | <b>\$ 358,783</b>      | <b>\$ 1,944,250</b>        | <b>\$ 611,636</b>    | <b>\$ 1,005,582</b>    | <b>\$ -</b>         | <b>\$ 545,133</b>      |
| <b>Meeting Expenses</b>                            |                      |                       |                      |                     |                        |                            |                      |                        |                     |                        |
| Meetings & Conference Calls                        | \$ 56,900            | \$ -                  | \$ -                 | \$ -                | \$ 19,500              | \$ 10,000                  | \$ -                 | \$ 11,400              | \$ 16,000           | \$ -                   |
| Travel   | 376,735              | 6,900                 | 144,875              | 87,500              | 4,680                  | 94,395                     | 13,650               | 9,950                  | 7,285               | 7,500                  |
| <b>Total Meeting Expenses</b>                      | <b>\$ 433,635</b>    | <b>\$ 6,900</b>       | <b>\$ 144,875</b>    | <b>\$ 87,500</b>    | <b>\$ 24,180</b>       | <b>\$ 104,395</b>          | <b>\$ 13,650</b>     | <b>\$ 21,350</b>       | <b>\$ 23,285</b>    | <b>\$ 7,500</b>        |
| <b>Operating Expenses, excluding Depreciation</b>  |                      |                       |                      |                     |                        |                            |                      |                        |                     |                        |
| Consultants & Contracts                            | \$ 407,700           | \$ -                  | \$ -                 | \$ -                | \$ -                   | \$ 96,000                  | \$ 1,700             | \$ 225,000             | \$ 85,000           | \$ -                   |
| Office Rent  | 2,211,708            | -                     | -                    | -                   | -                      | 2,211,708                  | -                    | -                      | -                   | -                      |
| Office Costs                                       | 731,248              | -                     | 22,040               | 10,140              | 6,340                  | 91,408                     | 4,530                | 581,550                | 10,510              | 4,730                  |
| Professional Services                              | 680,525              | -                     | -                    | -                   | 3,000                  | 494,675                    | 50,000               | 70,000                 | 750                 | 62,100                 |
| Miscellaneous                                      | -                    | -                     | -                    | -                   | -                      | -                          | -                    | -                      | -                   | -                      |
| <b>Total Operating Expenses</b>                    | <b>\$ 4,031,181</b>  | <b>\$ -</b>           | <b>\$ 22,040</b>     | <b>\$ 10,140</b>    | <b>\$ 9,340</b>        | <b>\$ 2,893,791</b>        | <b>\$ 56,230</b>     | <b>\$ 876,550</b>      | <b>\$ 96,260</b>    | <b>\$ 66,830</b>       |
| <b>Total Direct Expenses</b>                       | <b>\$ 17,633,467</b> | <b>\$ 203,871</b>     | <b>\$ 7,379,404</b>  | <b>\$ 1,391,446</b> | <b>\$ 392,303</b>      | <b>\$ 4,942,436</b>        | <b>\$ 681,516</b>    | <b>\$ 1,903,482</b>    | <b>\$ 119,545</b>   | <b>\$ 619,463</b>      |
| <b>Indirect Expenses</b>                           | <b>\$ -</b>          | <b>\$ 201,621</b>     | <b>\$ 6,734,127</b>  | <b>\$ 967,779</b>   | <b>\$ 362,917</b>      | <b>\$ (4,942,436)</b>      | <b>\$ (681,516)</b>  | <b>\$ (1,903,482)</b>  | <b>\$ (119,545)</b> | <b>\$ (619,463)</b>    |
| <b>Other Non-Operating</b>                         | <b>-</b>             | <b>-</b>              | <b>-</b>             | <b>-</b>            | <b>-</b>               | <b>-</b>                   | <b>-</b>             | <b>-</b>               | <b>-</b>            | <b>-</b>               |
| <b>Total Expenses</b>                              | <b>\$ 17,633,467</b> | <b>\$ 405,492</b>     | <b>\$ 14,113,531</b> | <b>\$ 2,359,225</b> | <b>\$ 755,220</b>      | <b>\$ -</b>                | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ -</b>            |
| <b>Change in Net Assets</b>                        | <b>\$ 100,000</b>    | <b>\$ 27,032</b>      | <b>\$ 332,757</b>    | <b>\$ (283,112)</b> | <b>\$ 23,323</b>       | <b>\$ -</b>                | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ -</b>            |
| <b>Fixed Assets, excluding Right of Use Assets</b> | <b>\$ 100,000</b>    | <b>\$ 2,439</b>       | <b>\$ 81,463</b>     | <b>\$ 11,707</b>    | <b>\$ 4,390</b>        | <b>\$ -</b>                | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ -</b>            |
| <b>TOTAL BUDGET</b>                                | <b>\$ 17,733,467</b> | <b>\$ 407,931</b>     | <b>\$ 14,194,994</b> | <b>\$ 2,370,932</b> | <b>\$ 759,610</b>      | <b>\$ -</b>                | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ -</b>            |
| <b>TOTAL CHANGE IN WORKING CAPITAL</b>             | <b>\$ (0)</b>        | <b>\$ 24,593</b>      | <b>\$ 251,293</b>    | <b>\$ (294,819)</b> | <b>\$ 18,932</b>       | <b>\$ -</b>                | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ -</b>         | <b>\$ -</b>            |
| <b>FTEs</b>  | <b>67.00</b>         | <b>1.25</b>           | <b>41.75</b>         | <b>6.00</b>         | <b>2.25</b>            | <b>4.00</b>                | <b>2.75</b>          | <b>6.00</b>            | <b>-</b>            | <b>3.00</b>            |

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## 2023 Texas RE Organization Chart

2023 Texas RE Organization Chart



- Statutory Program Area
- Administrative Services Program Area

Arrow indicates number of FTEs from 2022 to 2023.