

2011 Texas RE Preliminary Budget Assumptions

Board of Directors and
Advisory Committee
April 19, 2009

Index

- **Purpose of Today's Meeting** **Page 3**
- **2011 Texas RE Budget Development Schedule** **Page 4**
- **Texas RE Overview & 2011 Base Budget Assumptions** **Page 5 - 10**

Purpose of Today's Meeting

- **Review budget development schedule and timeline**
- **Present & discuss budget assumptions**
- **Obtain feedback from Texas RE Advisory Committee and Board**
- **No budget decision needed today**
 - Full Business Plan and Budget (BP&B) details not yet available
 - NERC and regions completed business plan and budget assumptions on April 8, 2010
 - 1st Draft BP&B will be sent to all Directors for May 17th Advisory Committee
 - Texas Regional Entity Board will vote to approve on June 14, and
 - Texas Reliability Entity, Inc. Board will vote to approve between July 1 and 7
 - Texas Reliability Entity, Inc. will approve if the new delegation agreement has been approved by FERC
 - ◆ By July 8th NERC needs the 2011 business plan and budget approved by the Texas RE entity with an approved delegation agreement on July 1, 2010

2011 Texas RE Budget Development Schedule

Texas Regional Entity

- April 19 – Advisory Committee and Regional Entity Board review 2011 Budget assumptions
- May 17 – Advisory Committee reviews draft Business Plan & Budget (BP&B)
 - May 28 – Draft BP&B due to NERC
- June 14 – Advisory Committee and Regional Board review and approve (with any modifications) updated draft BP&B
 - July 8 – Board-approved 2011 BP&B due to NERC
 - Final BP&B approval required by the Texas RE Board with Delegated Responsibility

Texas Reliability Entity, Inc.

- Mid-June – Reliability Entity Board reviews draft BP&B
- July 1 or 7 – Reliability Entity Board review and approve (with any modifications) draft BP&B
 - July 8 – Board-approved 2011 BP&B due to NERC
 - Final BP&B approval required by the Texas RE Board with Delegated Responsibility

2011 Texas RE Function Overview

- **Compliance – NERC Standards**

- Organization registration and certification
- Compliance audits
- Mitigation plan review and acceptance
- Compliance analyses and Compliance Violation Investigations
- Situation awareness
- Event logging and review
- Compliance issue tracking and reporting
- Critical Infrastructure Protection (CIP)
- Registered Entity / Market Participant training
- Settlement negotiations
- Compliance enforcement
- Violation and penalty determinations
- Data and records management
- Reliability Assessments
- Employee Training

- **Reliability Standards**

- Coordinate and facilitate Regional Reliability Standards development
 - Reliability Standards Committee
 - Standard Drafting Teams
 - Regional Ballot Body and Pools
- Review and communicate NERC Standards-related information

- **Corporate Operations**

- Executive
- Legal and Regulatory
- Finance
- Information Technology
- Human Resources

- **Texas RE Board/NERC/FERC meetings, communication, collaboration, and coordination**

- Members Representative Committee (MRC)

Texas RE Overarching Budget Goals - Summary

- **Texas RE will be separate from ERCOT ISO and operate as a stand-alone corporation**
 - This will be the first full year of operating as a separate corporation
- **Programs and processes continue to evolve**
 - Amended and Restated Delegation Agreement
 - Revised NERC Rules of Procedure
 - Responses to FERC Directives
- **The budget process will help ensure that all of the functions are appropriately budgeted to:**
 - Discharge all of the NERC Delegation Agreement requirements
 - Ensure Texas RE continues to improve its processes by utilizing technology to enhance its operations
 - Ensure Texas RE has appropriate cash on hand
 - Limited ERCOT Protocol activities will be budgeted, and will include only subject matter expert time necessary for responding to subpoenas and providing testimony for prior years' work

2011 Base Budget Assumptions for Texas RE

- **Texas RE will be separate from ERCOT ISO and will operate as a stand-alone corporation**
- **Maintain a 75-day or 60-day cash reserve for Statutory functions**
 - For 2010, a 75-day cash reserve was established
- **Use any surplus funds from prior year to offset 2011 assessments**
- **Use penalty money received prior to July 1, 2010 to offset 2011 assessments**
- **Continue to invest in technology improvements and process automation to improve efficiency and increase national consistency**
- **Labor expense to be allocated for Statutory (Federal) functions and Non-Statutory (Protocol) functions**
 - Expect very diminished Protocol-related costs, as Texas RE employees will only provide limited expertise and testimony relating to pre-2011 compliance activities

2011 Base Budget Assumptions (cont.)

- **Increase in the number of registered functions for entities**
 - JROs for LSE and TOP
- **Increased activities for registered entities with Critical Cyber Assets due to CIP Version 4 standards**
- **Increase in Compliance and Enforcement-related activities**
 - More timely address all areas – less time to identify and process compliance violations
 - Develop and implement an enforcement process that encourages “good” self-reporting
- **Cyber and critical asset security to be a priority**
 - Site visits of critical assets during audits
 - 43 requirements in 2011 vs. 13 requirements in 2010
 - Compliance monitoring of GO/GOPs with nuclear holdings

2011 Base Budget Assumptions (cont.)

- **Reliability assessments expected to increase in technical rigor**
 - Two special reliability assessments
 - Increased data gathering and collection to perform analyses
- **Implement situation awareness tool utilizing data provided by RCs**
- **Events analysis processing and reporting**
 - Improved timeliness for triage, analysis, and reporting of system events
 - Timely publication of lessons learned and recommendations and tracking of responses to recommendations
- **Significant Regional Entity support to develop common infrastructure technology tools**
- **Expanded training for Regional Entity staffs**

2011 Base Budget Assumptions (cont.)

- **Increase in base compensation for 2011:**
 - Merit increase of 3% and promotion increase of 1% assumed
 - Additional 2% increase for market adjustment to bring salaries in-line with industry standard
 - Employee benefits estimated at 36% of salary
- **Possible additional staffing to:**
 - Improve efficiency, consistency, transparency, and overall performance
 - Meet all new Delegation Agreement and Rules of Procedure requirements and FERC directives