



Date: June 13, 2023
To: Board of Directors
From: Peggy Heeg, Human Resources and Governance (HR&G) Committee Chair
Subject: 2024-2028 Strategic Plan

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: June 20, 2023

Item No.: 12.1

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve the objectives and high-level priorities that will guide upcoming ERCOT work via the 2024-2028 ERCOT Strategic Plan.

Background/History:

Section IV(C)(1)(a)(i) of the HR&G Committee Charter provides, in pertinent part, that the HR&G Committee “is responsible for annual review to assess and mitigate external risks pertaining to [ERCOT’s] strategic plan.”

ERCOT develops its strategy by looking ahead in five-year increments. The current ERCOT Strategic Plan is set to expire at the end of 2023. ERCOT staff utilized a traditional planning process involving the Board, stakeholders and employees to establish the next strategic plan. Key drivers and influences of ERCOT, Inc. and the environment in which it operates were considered to develop three overarching objectives and supporting high-level priorities. Established priorities will be used to guide ERCOT, Inc. work in the coming years to deliver the most value to the consumers of Texas. **Attachment A**, ERCOT Strategic Plan 2024-2028, includes recommended objectives and priorities of the next plan.

The HR&G Committee is scheduled consider the proposed objectives and priorities for the 2024-2028 ERCOT Strategic Plan at its June 20, 2023 meeting and is expected to make a recommendation to the Board thereon.

Key Factors Influencing Issue:

- ERCOT develops its strategic plan in five-year increments, and the current ERCOT Strategic Plan is set to expire at the end of 2023.
- In preparing the proposed 2024-2028 ERCOT Strategic Plan, ERCOT staff completed a traditional strategic planning process involving the Board, stakeholders and employees.
- The HR&G Committee Charter designates the HR&G Committee as responsible for reviewing and assessing ERCOT’s strategic plan.



Conclusion/Recommendation:

ERCOT staff recommends, and the HR&G Committee is expected to recommend, that the Board approve the objectives and high-level priorities for ERCOT's 2024-2028 Strategic Plan as detailed in **Attachment A**.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, Electric Reliability Council of Texas, Inc. (ERCOT) develops its strategic plan in five-year increments, and the current ERCOT Strategic Plan is set to expire at the end of 2023;

WHEREAS, the Human Resources and Governance Committee (HR&G) Committee Charter designates the HR&G Committee as responsible for reviewing and assessing ERCOT's strategic plan;

WHEREAS, at its June 20, 2023 meeting, the HR&G Committee reviewed the objectives and high-level priorities for ERCOT's 2024-2028 Strategic Plan as documented in **Attachment A**, ERCOT Strategic Plan 2024-2028, and recommended that the Board approve the objectives and high-level priorities;

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of ERCOT deems it desirable and in the best interest of ERCOT to approve the objectives and high-level priorities for ERCOT's 2024-2028 Strategic Plan as recommended by the HR&G Committee;

THEREFORE, BE IT RESOLVED, that the Board hereby approves the objectives and high-level priorities of the 2024-2028 Strategic Plan as recommended by the HR&G Committee, as documented in **Attachment A**.

CORPORATE SECRETARY'S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its June 20, 2023 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of June, 2023.

Jonathan M. Levine
Assistant Corporate Secretary

Attachment A: ERCOT Strategic Plan 2024 – 2028

Strategic Objectives

Objective 1: *Be an industry leader for grid reliability and resilience.*

- 1.1 Anticipate and rapidly respond to changes in market, operational, and planning needs
- 1.2 Facilitate the reliable market operation of new and existing generation and load resources ~~types~~ at both the transmission and distribution level
- 1.3 Develop and implement a long-term transmission strategy meeting Texas' policy objectives
- 1.4 Lead the development of cost-effective changes to regulations or standards impacting the ERCOT grid
- 1.5 Advance ERCOT, Inc.'s resiliency, security, business continuity, and disaster management capabilities

Objective 2: *Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices.*

- 2.1 ~~Identify and implement~~ Advocate and support market efficiency ~~efficient markets without compromising~~ while delivering on reliability ~~and~~ resiliency ~~expectations~~
- 2.2 Evolve toward more organizational agility and improved quality assurance so ERCOT, Inc. can implement changes efficiently and effectively to manage a rapidly changing energy environment
- 2.3 Promote innovation, continuous improvement, and transparent data-driven decision making ~~to achieve ERCOT, Inc.'s goals~~

Objective 3: *Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, ~~promoting independence~~, investing in our people, and emphasizing the importance of our mission.*

- 3.1 Cultivate a highly skilled workforce creating a rewarding work environment and driving success for the organization
- 3.2 Implement a workforce and learning strategy creating greater capacity for developing internal expertise and thought leadership
- 3.3 Strengthen ERCOT, Inc.'s culture by improving internal communications and enhancing employee experience
- 3.4 Continue building credibility and trust with ~~external~~ all stakeholders through proactive and transparent communications of policy objectives, grid and market conditions, and organizational achievements.
- 3.5 Expand ERCOT, Inc.'s position as a leading industry expert by increasing external collaboration and knowledge transfer

Strategic Objectives and Priority Issues

Objective 1: *Be an industry leader for grid reliability and resilience.*

1.1 Anticipate and rapidly respond to changes in market, operational, and planning needs

The ERCOT system and power market are continuously changing as new technologies are adopted, economic growth drives new demand, extreme conditions become more normal, and the behaviors and expectations of market participants and end-use consumers evolve. As the independent organization whose charges include ensuring reliability and adequacy of the regional grid and non-discriminatory access to the market for all buyers and sellers, ERCOT, Inc. must proactively identify and prepare for these changes to serve customers.

To achieve this goal, ERCOT, Inc. will develop processes, tools, and resources to anticipate and evaluate the impacts of these changes on its market, operational and planning functions. ERCOT will undertake initiatives like gathering newly-important types of information and incorporating new critical conditions within operational and planning studies. It will improve market simulations and market driven forecasting as well as modeling and analysis of system disturbances exacerbated by inverter-based resources. It will develop a roadmap for addressing increasing stability challenges. By undertaking these types of initiatives, ERCOT, Inc. will continue to position itself to anticipate and rapidly respond to changes in market, operational, and planning needs.

1.2 Facilitate the reliable market operation of new and existing generation and load resources ~~types~~ at both the transmission and distribution level

The variety of new resource types that are entering the ERCOT System continues to increase. Some end-use consumers of electricity are varying their demand in response to electricity prices more frequently and more quickly than in the past, and these large variances in demand pose challenges for maintaining the voltage and stability of the grid. Additionally, ERCOT, Inc. has observed increasing interest in the development of utility-scale solar resources, energy storage resources, and distributed energy resources, including the aggregation of small, distributed energy resources. ERCOT, Inc. must work towards implementing appropriate technical requirements and market-driven incentives to maintain reliable operations while incorporating these new resource types into its system and markets. ERCOT, Inc. will need to evolve its processes and tools to adequately study and monitor the impacts to the ERCOT system of these new resources. To the extent legal or regulatory changes are needed, ERCOT, Inc. should serve as a source of facts and expertise for lawmakers and regulators regarding these challenges and the options for resolving them.

1.3 Develop and implement a long-term transmission strategy that meets Texas' policy objectives

ERCOT, Inc. should collaborate with the PUC on a proactive and holistic strategy to ensure robust transmission infrastructure is ready and available to promptly deliver power from utility-scale generation to loads and load centers in a reliable, economic, and resilient manner. There

needs to be a comprehensive and longer-term strategy with the PUC and utilities to speed up the transmission planning and development process. This will entail proposing policy options to the PUC and then implementing their recommendations.

1.4 Lead the development of cost-effective changes to regulations or standards impacting the ERCOT grid

ERCOT, Inc. has a wealth of expertise on operational and market matters who are independent of the competing financial interests of the various stakeholder entities and groups. The organization should strive to be considered a trusted advisor, providing facts, context, and considerations for policy makers. To the extent ERCOT, Inc. identifies operational or market benefits or concerns with proposed laws, rules, or regulations, ERCOT, Inc. should inform the decision makers, so that they benefit from ERCOT's expert opinions.

1.5 Advance ERCOT, Inc.'s resiliency, security, business continuity, and disaster management capabilities

Improving organizational resiliency, security, business continuity and disaster management capability is crucial in today's dynamic and unpredictable environment. ERCOT, Inc.'s core functions are vital to the public interest. Because ERCOT, Inc. must ensure it always does its work well, including in times of crisis, it must have robust business continuity and disaster management programs. These include being prepared for increased occurrences of extreme weather, cyber or physical attacks, and failures by other entities that could impact ERCOT, Inc.'s ability to carry out its duties. This has implications not only for its facilities and its own crisis operations, but also for managing the bulk power system in times of extreme weather, attack, or other external threat. By improving organizational resiliency, business continuity and disaster management capability, ERCOT, Inc. is better equipping itself to be able to thrive in today's rapidly changing landscape.

Objective 2: Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices.

2.1 Identify and implement Advocate and support market efficiency efficient markets while delivering on without compromising reliability and/or resiliency expectations

While reliability is the organization's primary objective, costs should always be considered. ERCOT, Inc. will strive to identify and champion market outcomes and solutions that result in the most competitive wholesale power rates and retail electric prices without compromising reliability or resilience. When deciding among multiple market outcomes and solutions options that equally impact reliability and resilience, ERCOT, Inc. will choose the most cost-competitive option. In support of continuous improvement, ERCOT will evaluate reliability and market efficiency outcomes post implementation to determine if goals were achieved.

2.2 Evolve toward more organizational agility and improved quality assurance so ERCOT, Inc. can implement changes efficiently and effectively to manage a rapidly changing energy environment

Organizational agility is critical in today’s fast changing environment. It is becoming increasingly important for ERCOT, Inc. to be more agile and quickly respond to, and benefit from, change. Agility refers to ERCOT, Inc.’s ability to adapt to external and internal needs, improve efficiency, and lead change. Agility requires a stable platform that does not change while many things are changing around it. This involves being both stable and dynamic on structure, process, systems, and people. ERCOT, Inc. will evaluate and improve internal processes and tools to be able to change more quickly. It will also invest in enterprise change management and quality assurance to help ensure any additional flexibility does not adversely impact reliability or resilience.

2.3 Promote innovation, continuous improvement, and transparent data-driven decision making ~~to achieve ERCOT, Inc.’s goals~~

Innovation is one of ERCOT, Inc.’s core values, and promoting it has never been more critical to organizational success than it is now. ERCOT, Inc. will leverage technology innovation to streamline systems and efficiently achieve goals by implementing the latest technologies, automating manual processes, reducing errors, and optimizing resources. Embracing modern technology allows ERCOT, Inc. to continue to deliver on its mission and meet evolving stakeholder needs.

Decisions driving ERCOT, Inc.’s success should be supported by sound underlying data, and the volume of that data is growing at a rate of 25% per year. To improve transparency and make decision-making information more easily accessible, ERCOT, Inc. will modernize its data architecture, data engineering, and data analytics practices. That will help the organization be able to establish single sources of truth for market, operational, and financial data. Advancing data accessibility and analytics is crucial to gain insights and make data-driven decisions.

Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, promoting independence, investing in our people, and emphasizing the importance of our mission

3.1 Cultivate a highly skilled workforce creating a rewarding work environment and driving success for the organization

ERCOT, Inc. will prioritize the development of internal skills and create more growth opportunities within the organization. By focusing on enhancing the abilities of its employees, it can cultivate a highly skilled workforce that will create a rewarding work environment and drive success for the organization. To achieve this goal, ERCOT, Inc. will evaluate skillset gaps and implement a plan to provide its employees with the necessary tools and resources to develop their skills and expertise. ERCOT, Inc. will also establish mentorship programs and cross-functional training initiatives to foster a culture of continuous learning and growth. Additionally,

it will create a system for identifying high-potential employees and provide them with targeted development opportunities to help them reach their full potential within the company.

3.2 Implement a workforce and learning strategy creating greater capacity for developing internal expertise and thought leadership

In a time of significant change, ERCOT, Inc. will develop a staffing strategy to continually align its workforce with its objectives. ERCOT, Inc., will continue to work to optimize its talent, which is its greatest asset, so that it can achieve its objectives, anticipate future needs, attract and retain top talent, increase employee engagement and job satisfaction, and improve overall business performance. These efforts will include but are not limited to improving its recruiting efforts, developing a resource plan for strategic initiatives, improving enterprise staffing forecasting and planning, and creating a greater capacity for thought leadership and innovation.

3.3 Strengthen ERCOT, Inc.'s culture by improving internal communications and enhancing employee experience

Strengthening company culture is crucial for ERCOT, Inc. to adapt to the changing environment, attract and retain top talent, and achieve its objectives. Additionally, the organization will showcase the cutting-edge work and thought leadership from people within the organization. From the day you start at ERCOT, Inc., it should be apparent that it is a great place to belong and work on important mission-driven work.

Internally, ERCOT, Inc. will implement a comprehensive communications program that will engage, inform, and unite employees. It is important that employees feel proud to work at ERCOT, Inc.

3.4 Continue building credibility and trust with ~~external~~ all stakeholders through proactive and transparent communications of policy objectives, grid and market conditions, and organizational achievements

Externally, ERCOT, Inc. continues to rebuild trust and improve its overall reputation by communicating clear and reliable information on grid conditions with all ~~Texans~~ stakeholders including state leaders, market participants, industry representatives, media, and general public. ERCOT, Inc. will work to establish its leaders as resources for the media, legislators, and other government officials. Effective two-way communication helps build trust and credibility and helps mitigate crisis situations. Investing in improving external communications is a strategic priority as ERCOT, Inc. continues to establish strong relationships with its external stakeholders.

3.5 Expand ERCOT, Inc.'s position as a leading industry expert by increasing external collaboration and knowledge transfer

Increasing collaboration and knowledge transfer is critical for ERCOT, Inc. to strengthen its position as a leading industry expert and broaden perspectives. By increasing collaboration and leveraging industry experts, ERCOT, Inc. can tap into a greater knowledge base and keep up to date with the latest trends and innovations. This can lead to more informed decision-making, increased innovation, and improved overall performance. Additionally, by fostering collaboration within the organization, ERCOT, Inc. can encourage enterprise teamwork and idea sharing. This can create a more inclusive and supportive workplace culture, leading to higher

employee engagement and job satisfaction. Therefore, increasing collaboration and leveraging outside expertise is an essential strategy for ERCOT, Inc. to achieve its mission.