



**TEXAS RE**

# **Facility Ratings Internal Controls**

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**April 22, 2026**

**Because this event brings together market participants who may be viewed as actual or potential competitors, we must be mindful to conduct it in a manner that is consistent with the antitrust and competition laws. Participants should not disclose non-public, proprietary, or competitively sensitive information.**

**Attendees should exercise independent judgment and avoid even the appearance of discussions of agreements or concerted actions that may be viewed as restraining competition. Any questions on Texas RE's Antitrust Compliance Corporate Policy may be directed to Texas RE's General Counsel.**



May 5, 2026

Grid Forming vs Grid  
Following Batteries



May 26, 2026

NERC Summer  
Assessment



June 3, 2026

2025 Texas  
Interconnection  
Reliability  
Performance



May 13, 2026

Q2 MRC, AGR&F, and  
Board Meetings



August 19, 2026

Winter  
Weatherization  
Workshop



November 4, 2026

Fall Standards,  
Security, &  
Reliability  
Workshop

# Upcoming ERO Enterprise Events



Date	Event
May 12-13, 2026	<u>2026 MRO Reliability, Security, and CMEP Summit</u>
May 12-14, 2026	<u>SERC System Operator Technical Conference #2</u>
May 18, 2026	<u>Technical Talk with RF</u>

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#TXRE

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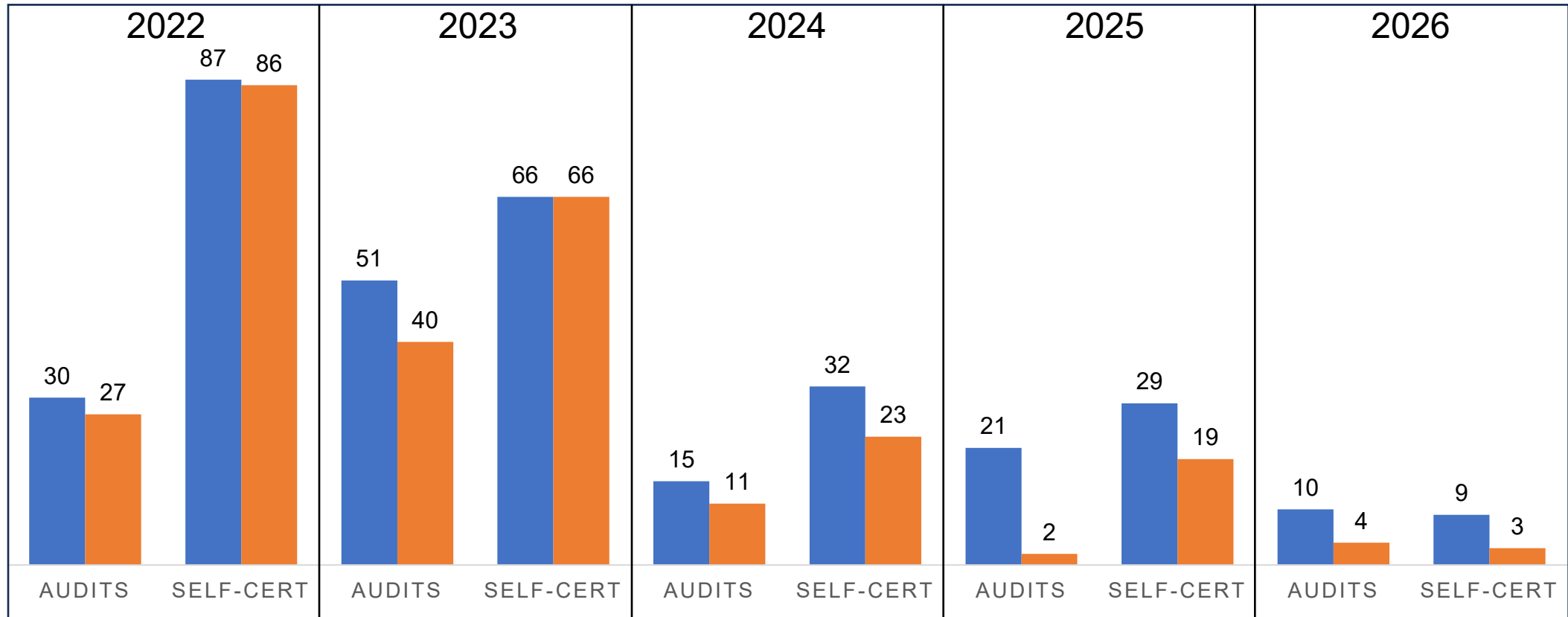
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- ❑ **Facility Ratings Risk Element**
- ❑ **Internal Controls Concepts**
- ❑ **Facility Ratings Expectations and Facility Ratings Methodology (FRM)**
- ❑ **Common Issues & Internal Controls**
  - Missing Equipment
  - Missing Documentation
  - Incorrect Ratings
  - Change Management
  - Configuration Changes

## ENGAGEMENTS INCLUDING FAC-008

■ Engagement ■ FAC-008



# Facility Ratings Risk Element

- ❑ The North American Electric Reliability Corporation (NERC) Compliance Monitoring and Enforcement Implementation Plan (CMEP IP) lays out the major risks facing the grid.
- ❑ Why Facility Ratings are important?
  - Important for the development of System Operating Limits (SOLs) and Interconnection Reliability Operating Limits (IROLs).
  - “The ERO Enterprise has observed some registered entities with Facility Ratings based on inaccurate equipment inventories, or ratings not being updated during projects or following severe weather. NERC expects that implementation of FERC Order 881 will result in changes to registered entity’s Facility Rating programs, requiring the use of Ambient-Adjusted Ratings (AAR) to enhance the accuracy and transparency of transmission line ratings. The transition will require System Operators to closely monitor system changes as AARs can change SOLs more frequently.”

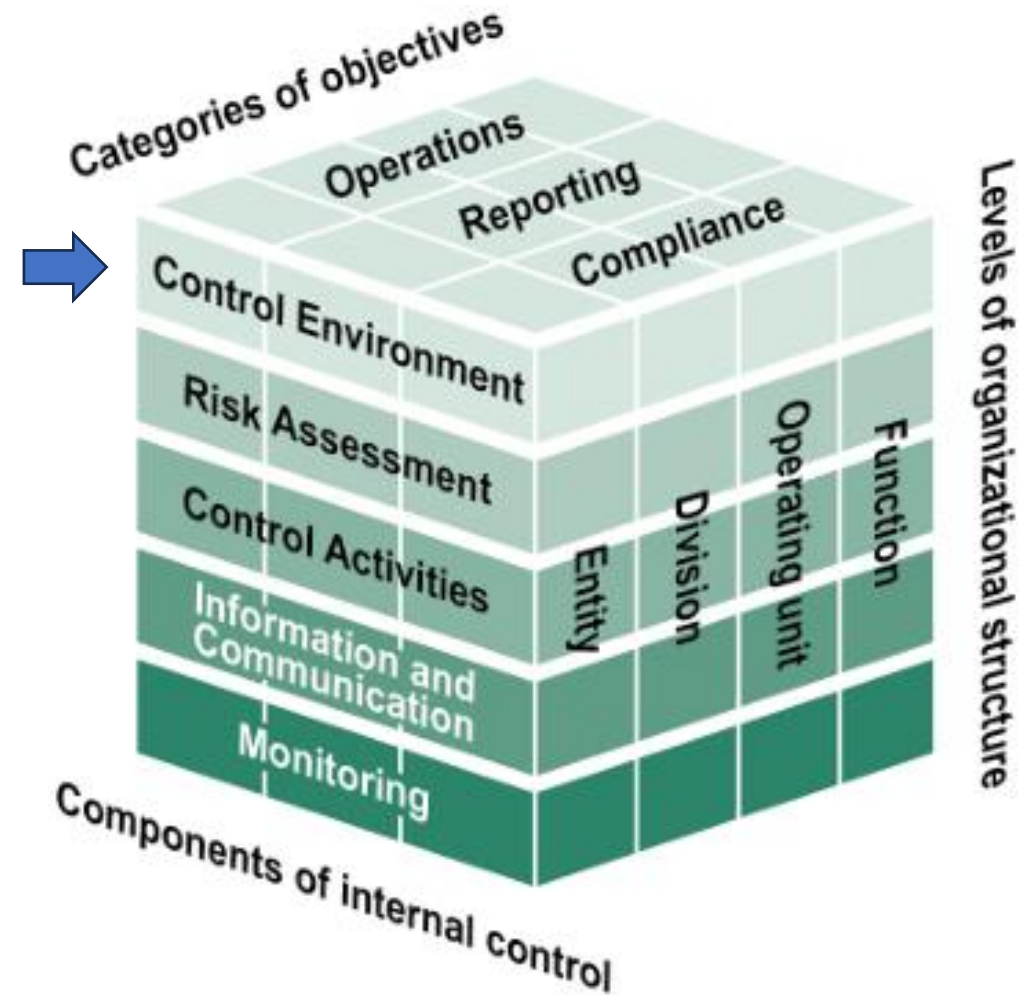
Included FAC-008-5 R6 if:	Excluded if:
Applicable functions: Generator Owner (GO) or Transmission Owner (TO)	No significant system changes
First engagement or never had Facility Ratings in a previous scope	Recently included in engagements (audit or self-certification)
Significant changes since last engagement that included Facility Ratings	
Has not been audited in the most recent engagement	
Area of Concern (AOC)	

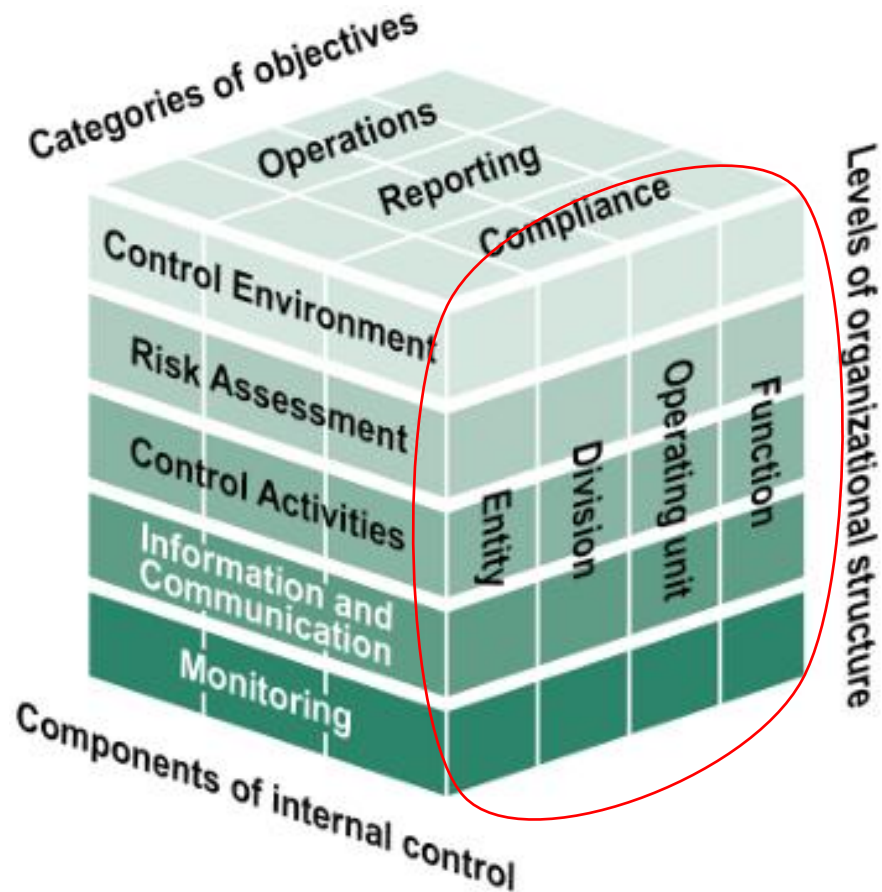
**An internal control is a process effected by an entity's oversight body, management, and other personnel, designed to provide reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories:**

- Operations - Effectiveness and efficiency of operations
- Reporting - Reliability of reporting for internal and external use
- Compliance - Compliance with applicable laws and regulations

*Green Book: Standards for Internal Control in the Federal Government  
p6*

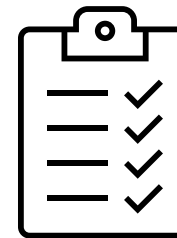
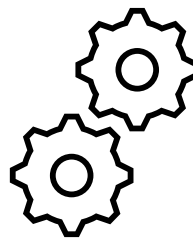
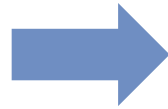
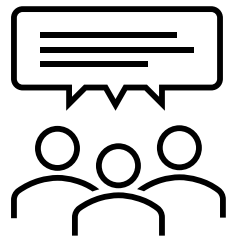
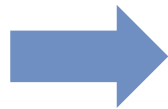
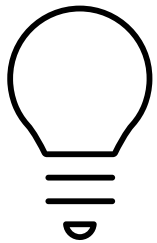
- ❑ **Control Environment:** The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.
- ❑ **Risk Assessment:** The identification and analysis of risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.
- ❑ **Control Activities:** The actions management establishes through policies and procedures to mitigate risks to achieving the entity's objectives to acceptable levels.
- ❑ **Information and Communication:** The quality information management and other personnel communicate and use to support the internal control system.
- ❑ **Monitoring:** Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.





## Global/Entity-Wide and Activity Level

- Organizational structure: the overall entity, divisions, operating units, functions, and other structures management uses to achieve the objectives.
- Global controls: overall program, compliance monitoring
- Activity level controls: controls designed to reduce the risk on noncompliance with a specific Standard or Requirement.
- The key idea is that different levels of the organization will have different controls based on their role in meeting the objectives.



Identify  
objectives

Design  
controls

Implement  
controls

Verify the  
objectives are  
achieved

**Purpose:** To ensure that Facility Ratings are determined based on technically sound principles to ensure the reliable planning and operation of the Bulk Electric System (BES)

## Requirements

- Documented methodology
- Facility Ratings
- Provide those Ratings to appropriate parties

## Documenting Assumptions

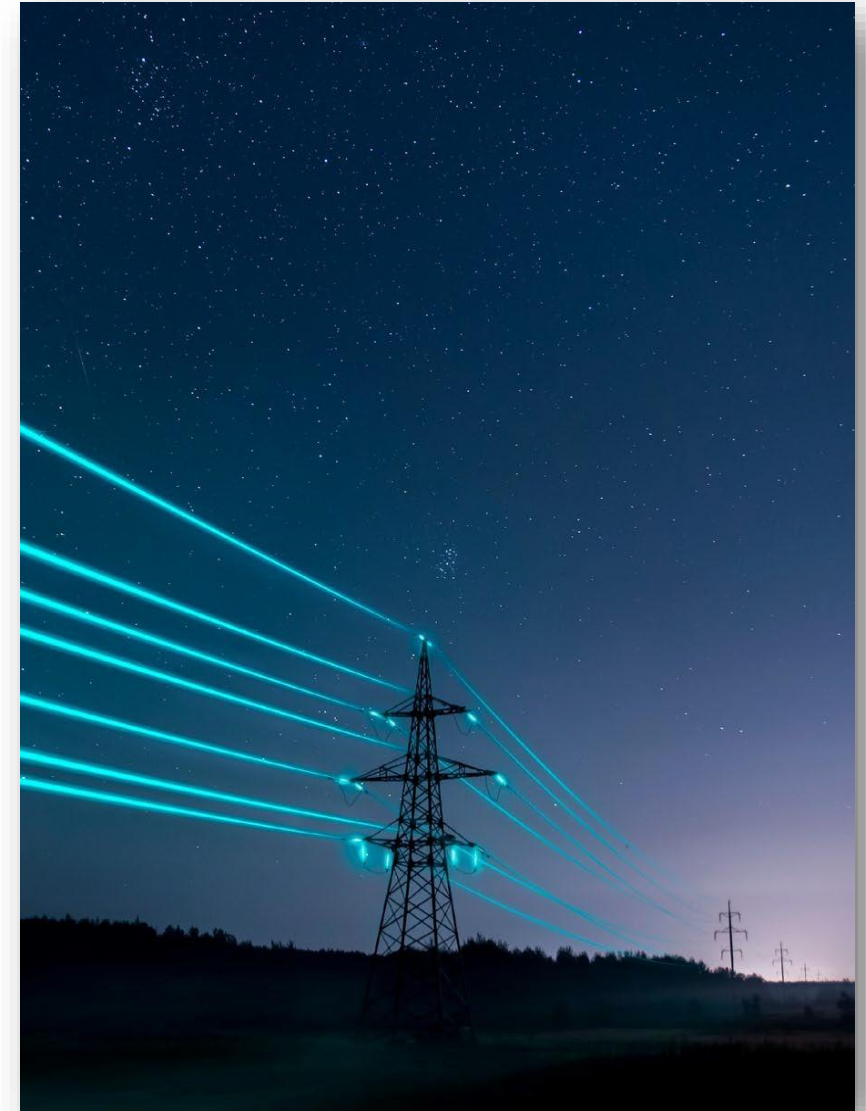
- Equipment Rating standards
- Ratings from manufacturers
- Ambient conditions
- Operating limitations

## Normal/Emergency Ratings

- Separate Ratings for normal vs emergency

## Relay Loadability

- Specify in methodology & include in worksheet



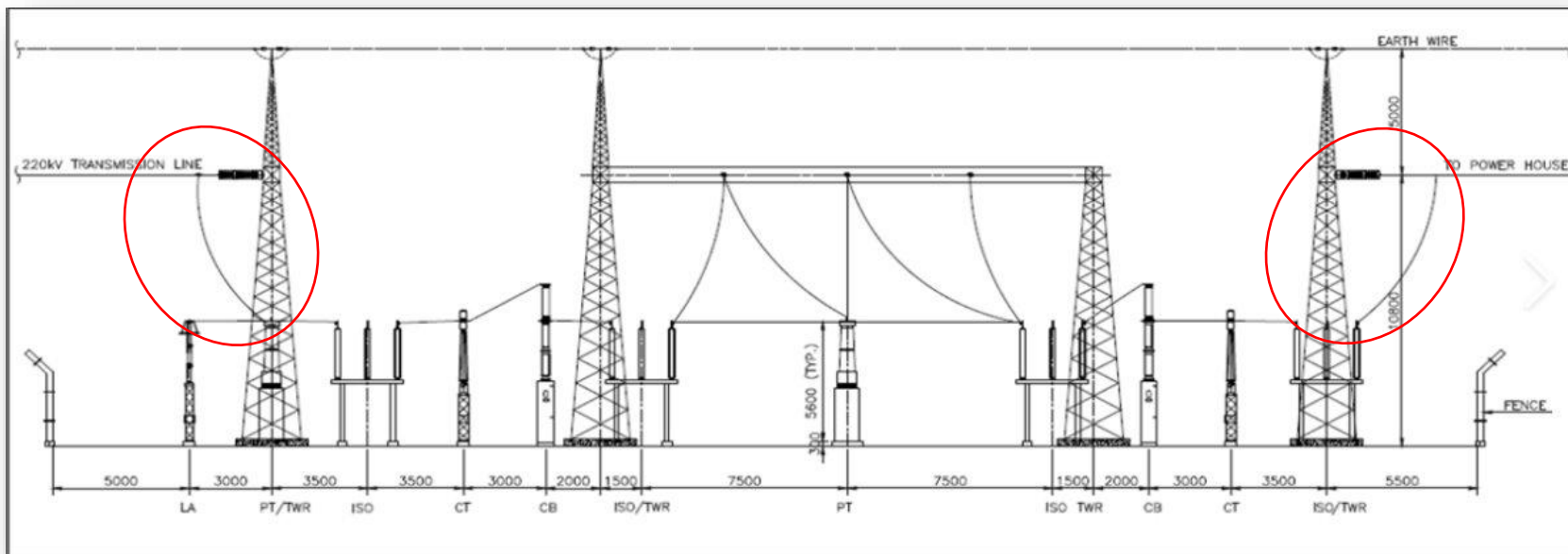
Missing  
equipment or  
incomplete  
inventory

Difficulty  
acquiring or  
missing  
documentation

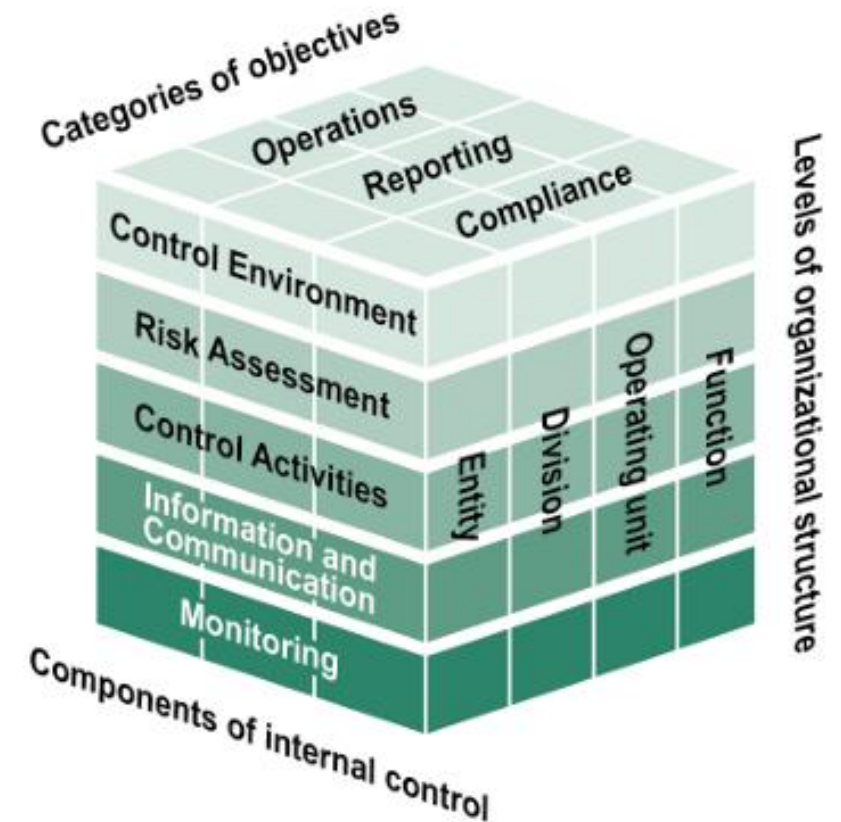
Incorrect  
Ratings

Change  
management

Configuration  
changes



- ❑ Review as-built one-line drawings *and* elevation drawings (*Control Activities*)
- ❑ Walkdown the substation to verify one-line drawings match installed equipment
  - Walkdown with someone that's not familiar with the Facility (it's all about perspective)
- ❑ Equipment checklist (*Information and Communication*)
  - Refer to the FRM when reviewing missing components
- ❑ Secondary review to evaluate completeness (*Monitoring*)
  - Perform review at the compliance level

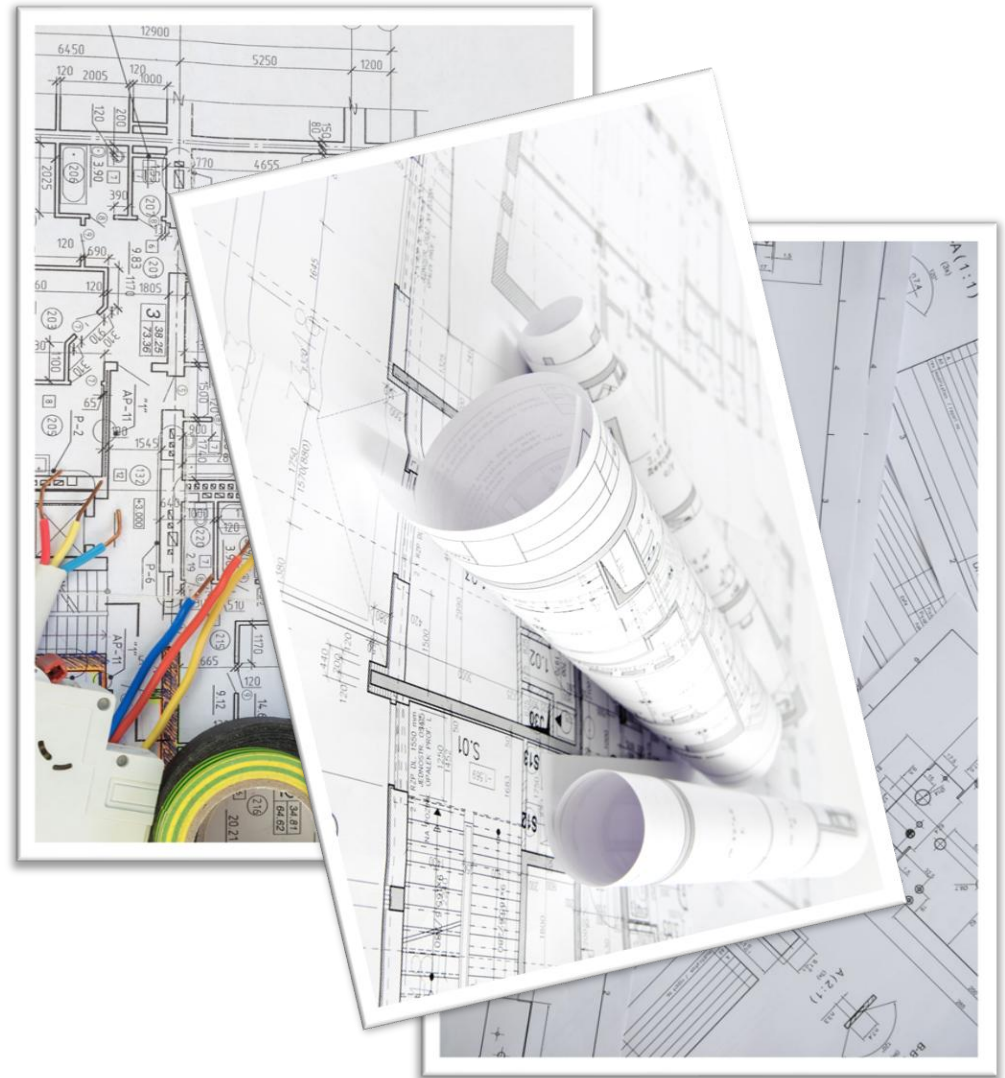


## Missing or Unclear Documentation

Manufacturer drawings

Equipment drawings

One-line drawings



# Internal Controls for Missing Documentation

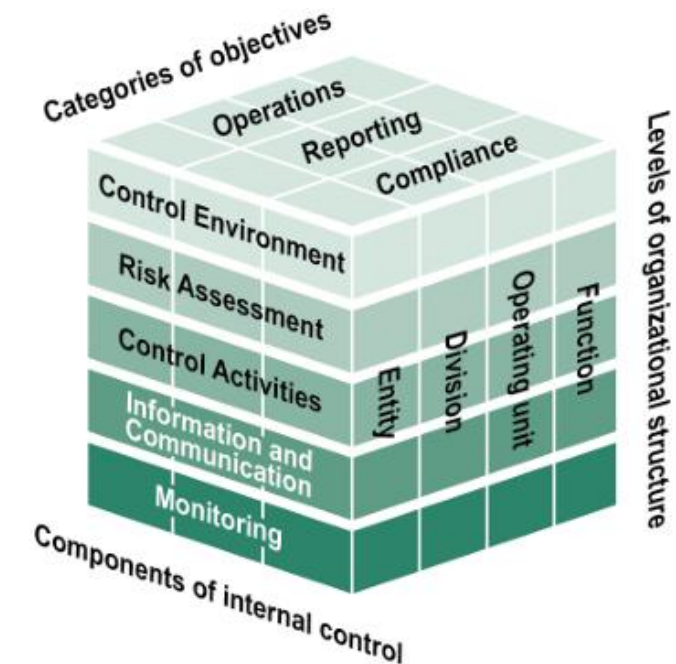
## Maintain a record-keeping system (*Information and Communication*)

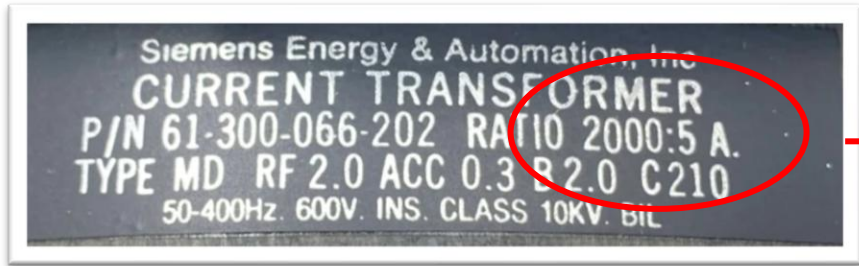
- Gather required evidence soon after installation

## Ensure personnel are familiar with the Facility Ratings program (*Control Environment*)

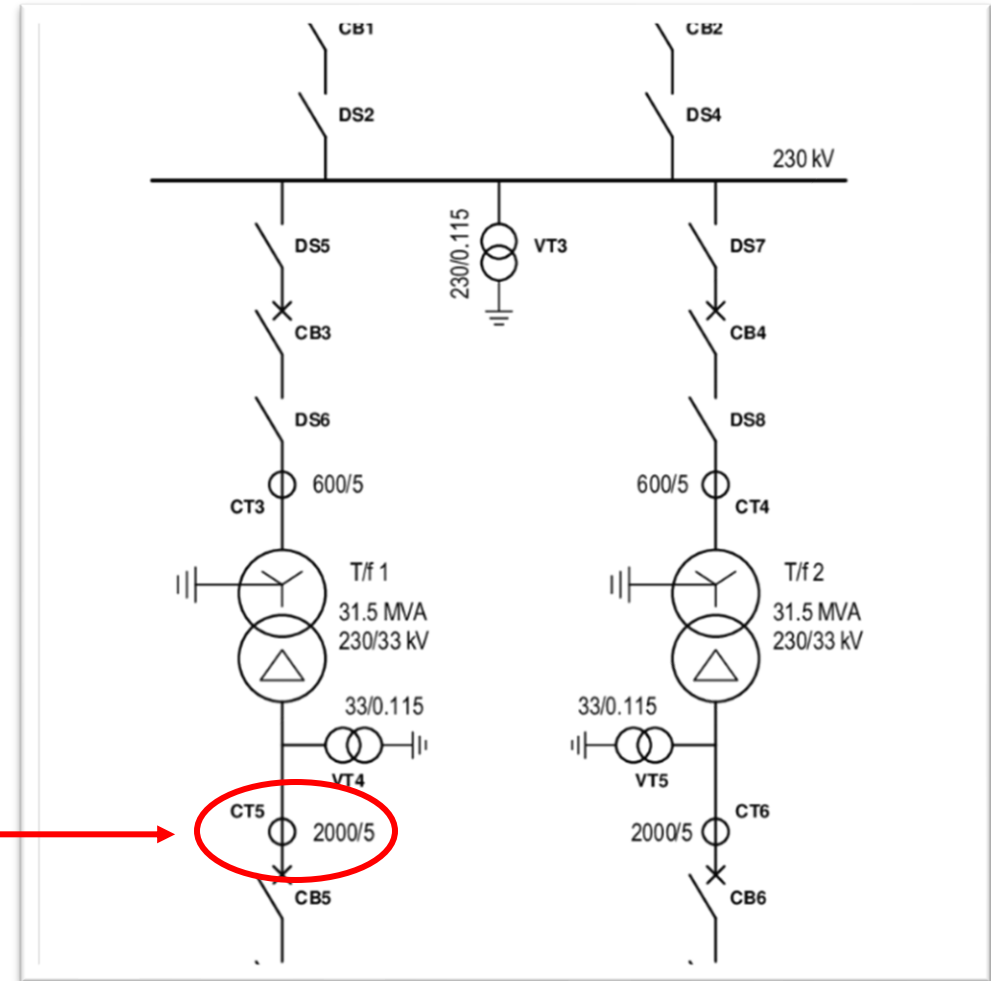
## Periodically review FRM (*Control Activities*)

- Consider any equipment upgrades, replacements, repairs
- Reference the current version of the Standard
  - Ensure the FRM captures the Requirements listed in the Standard
- Maintain a revision history
  - Who, when, what
- Ensure all applicable equipment is included





Nameplate Example



## Equipment Consolidation Example

Equipment Name	Equipment Type	Unit	Ratings (AMPS)
Disconnect Switch 1	Switch	GT-1	1200
Disconnect Switch 2	Switch	GT-2	1200
Disconnect Switch 3	Switch	GT-3	2000

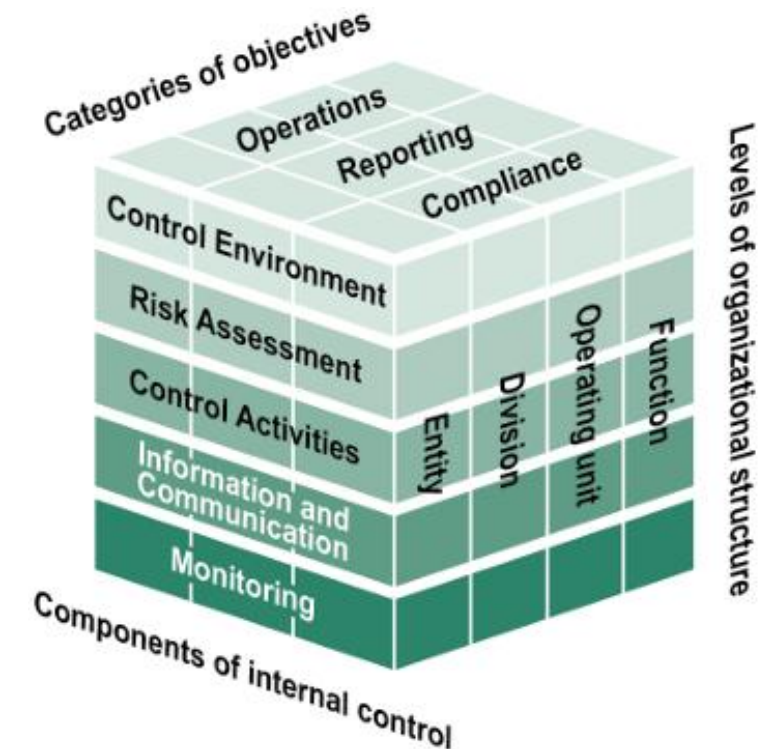
Equipment Name	Equipment Type	Ratings (AMPS)
Disconnect Switches	Switch	1200

Equipment Name	Equipment Type	Ratings (AMPS)
Disconnect Switches	Switch	2000

Equipment Name	Equipment Type	Ratings (AMPS)
Disconnect Switches 1, 2	Switch	1200
Disconnect Switch 3	Switch	2000

## Internal Controls for Incorrect Ratings

- ❑ Gather quality evidence promptly
- ❑ Compare the evidence (nameplates, manufacturer drawings, etc.) to the one-lines (*Control Activities*)
- ❑ Document the method of rating equipment within the FRM
  - Conductors and jumper
  - Current transformers (CTs)
- ❑ Maintain a Facility Ratings worksheet
  - Utilize formulas within the Worksheet to calculate Ratings
  - If larger entity, maintain a Facility Ratings database
- ❑ Conduct a self-audit (*Monitoring*)
  - Review evidence prior to an engagement





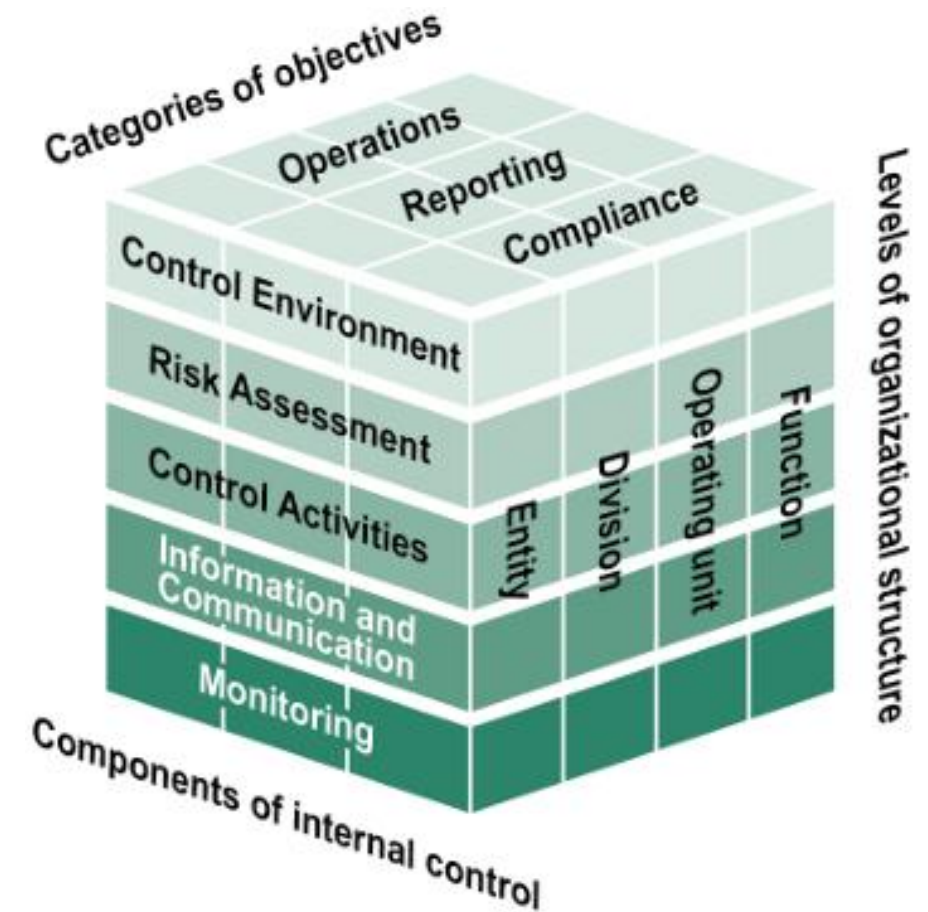
# Internal Controls for Change Management

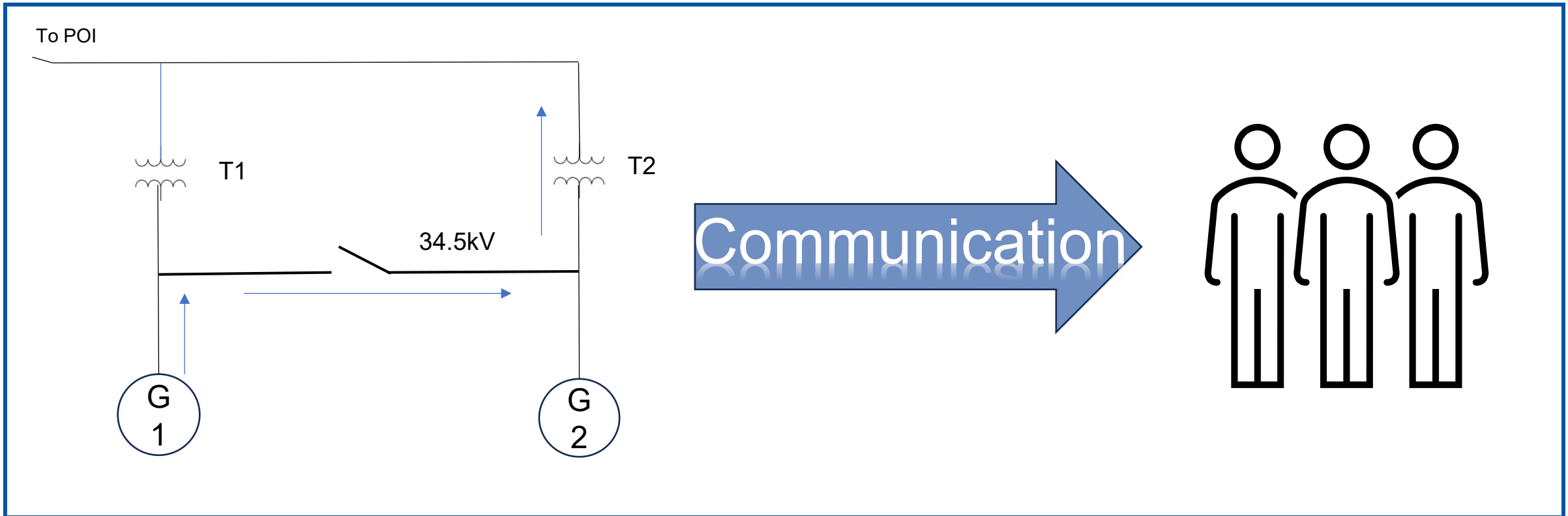
Develop and document change management process within FRM  
*(Control Activities)*

Task management system  
*(Information and Communication)*

Walkdown of the substation to verify any changes match installed equipment  
*(Monitoring)*

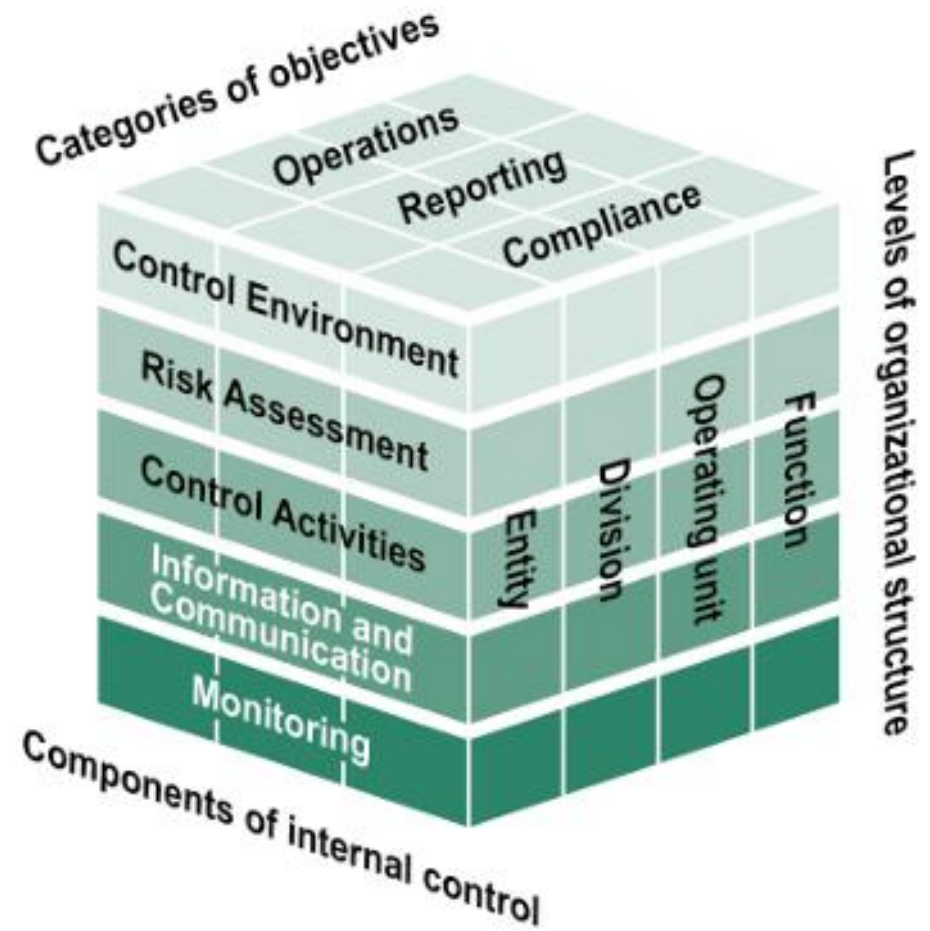
- Walkdown with someone that's not familiar with the Facility





## Method to communicate configuration changes to operating personnel (*Information and Communication*)

- Database notification
- Desk procedure with common scenarios that would require Ratings changes



# Internal Controls Components Sample

Components of Internal Controls	Sample Controls
Control Environment	<ul style="list-style-type: none"><li>• Facility Ratings methodology</li><li>• Establishes internal controls</li></ul>
Risk Assessment	<ul style="list-style-type: none"><li>• Facility modifications (additional generation, new lines)</li><li>• Communicating Facility Ratings to operating personnel</li></ul>
Control Activities	<ul style="list-style-type: none"><li>• Rating method</li><li>• Walk downs</li><li>• Document and evidence reviews</li><li>• Secondary reviews</li></ul>
Information and Communication	<ul style="list-style-type: none"><li>• Ratings evidence</li><li>• Facility Ratings worksheets</li><li>• Methods to track equipment changes</li></ul>
Monitoring	<ul style="list-style-type: none"><li>• Periodic reviews for accuracy/changes</li><li>• Method for correcting incorrect ratings</li><li>• Evaluation of existing controls</li></ul>

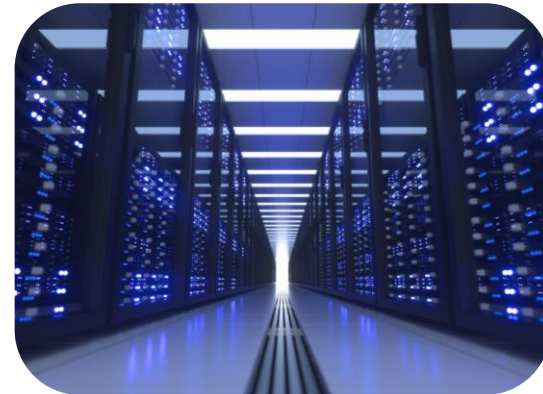
# Takeaway – Big Picture



Substation matches one-line



Equipment entered into Ratings Database



Facility Ratings correct in EMS and Planning Models

Operation safely/reliably operating all assets



Field verification

Questions?