



TEXAS RE

How the Internal Controls Task Force Looks at Internal Controls

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Upcoming Texas RE Events



talk^{with}
TEXAS RE

October 20, 2025

PUCT
Cybersecurity
Program



talk^{with}
TEXAS RE

October 21, 2025

IBR Registration
and Applicable
Standards



talk^{with}
TEXAS RE

November 13, 2025

TPL-008



Upcoming Texas RE Events



September 17, 2025

Q3 MRC and Board
Meetings



October 1, 2025

Winter
Weatherization
Workshop



November 5, 2025

Fall Standards,
Security, &
Reliability
Workshop



Upcoming ERO Enterprise Events

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION



NPCC, Inc.



Date	Event
October 7-10, 2025	GridSecCon 2025
October 14, 2025	Reliability and Security Workshop (WECC)
October 29-30, 2025	Fall Reliability & Security Seminar (SERC)

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Agenda

**Importance
of Internal
Controls**

**Current
Model**

About ICTF

**Looking
Forward**

**Why You
Should Care**



Importance of Internal Controls

□ Why are internal controls important to the Electric Reliability Organization (ERO) Enterprise?

- Internal controls inform what we know about an entity's risk
- A risk-based approach to compliance monitoring and enforcement enables the ERO to prioritize resources efficiently and effectively

The vision for the Electric Reliability Organization Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system. Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.



Purpose of Internal Controls

Current Compliance

- Help create a compliant environment
- Noncompliance can result from the lack of (or break down of) internal controls

Future Compliance

- Anticipate future compliance risks
- Help maintain compliance

Reliability

- Anticipate reliability risks
- Establish controls for risks not necessarily tied to compliance



Purpose of Internal Controls

Casual Compliance

- Completing an audit without findings and no internal controls
- Logical fallacies tell us we are doing everything right because we didn't have Potential Noncompliance (PNC)

Measured Compliance

- We have internal controls and no findings
- Controls are directly related to mitigating the risk objective of the Standards and keep us operating smoothly and in compliance

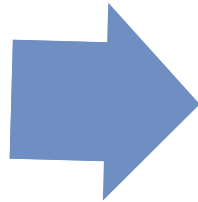


Types of Internal Controls



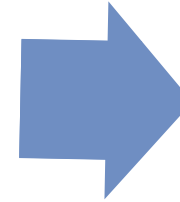
Preventative Controls

Prevent issues from occurring as a result of an identified risk



Detective Controls

Discover when an entity is not achieving an objective or addressing a risk before the entity's operation has concluded and corrects the actions to achieve the objective or address the risk



Corrective Controls/Actions

Actions taken to bring the entity back into compliance and remediate internal controls deficiencies



Who is the Internal Controls Task Force?



Six Regional Entities and NERC



Chaired by NERC and a Regional Entity member



Monthly Meeting



Members include auditors, risk practitioners, and managers



Internal Controls Task Force Activities

Shares internal controls best practices and lessons learned between Regional Entities

- ERO internal controls common approach
- Methods to understand entity maturity with respect to internal controls

Update public Guide for Internal Controls

Update auditor handbook and auditor training



ERO Enterprise Internal Controls Path Forward

The assessment of internal controls is a seamless and integral aspect of Compliance Monitoring and Enforcement Program (CMEP) engagements

Internal controls information is collected by Regional Entities for current and future reference during CMEP engagements

Internal controls may impact the nature and extent of field work during engagements

Internal controls strengths and weaknesses will be communicated back to the entity at the conclusion of engagements

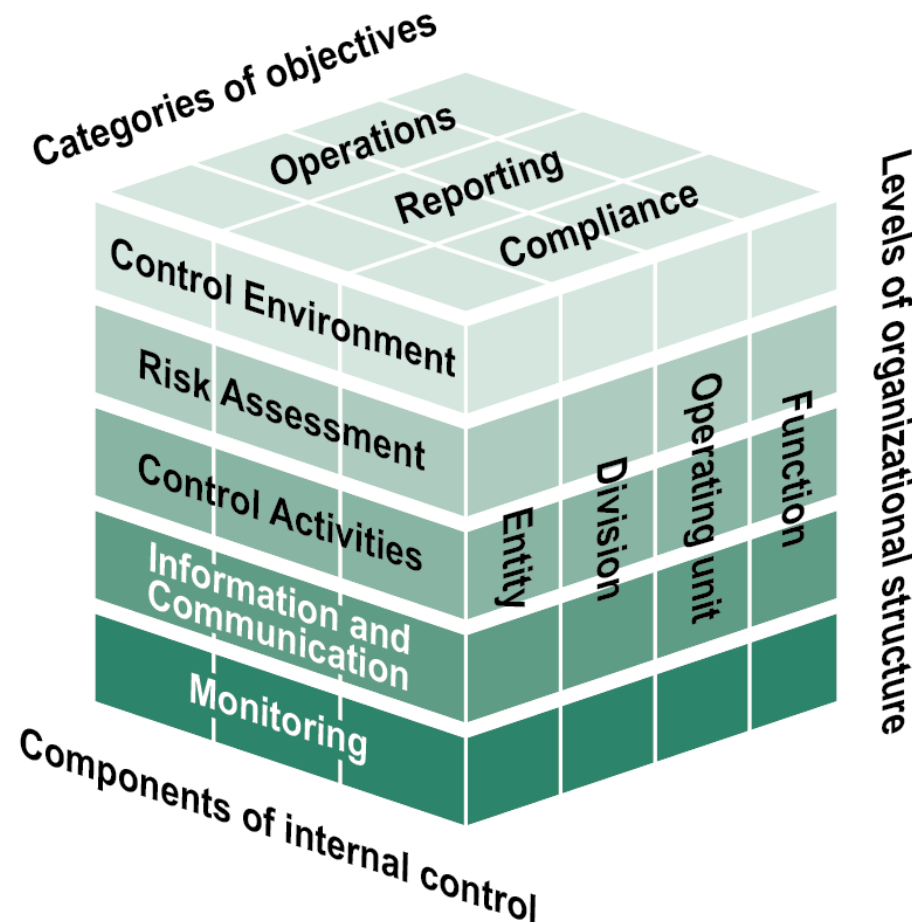
A lack of established internal controls by itself does not indicate potential non-compliance



Direction of Internal Controls Discussions

GAO (Government Accountability Office) Green Book “Standards for Internal Control in the Federal Government”

- Based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model
- You can't improve what you can't measure/identify
- This is the direction ICTF is going
- Training auditors in the approach



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Control Activity Example – Change Management

Entity

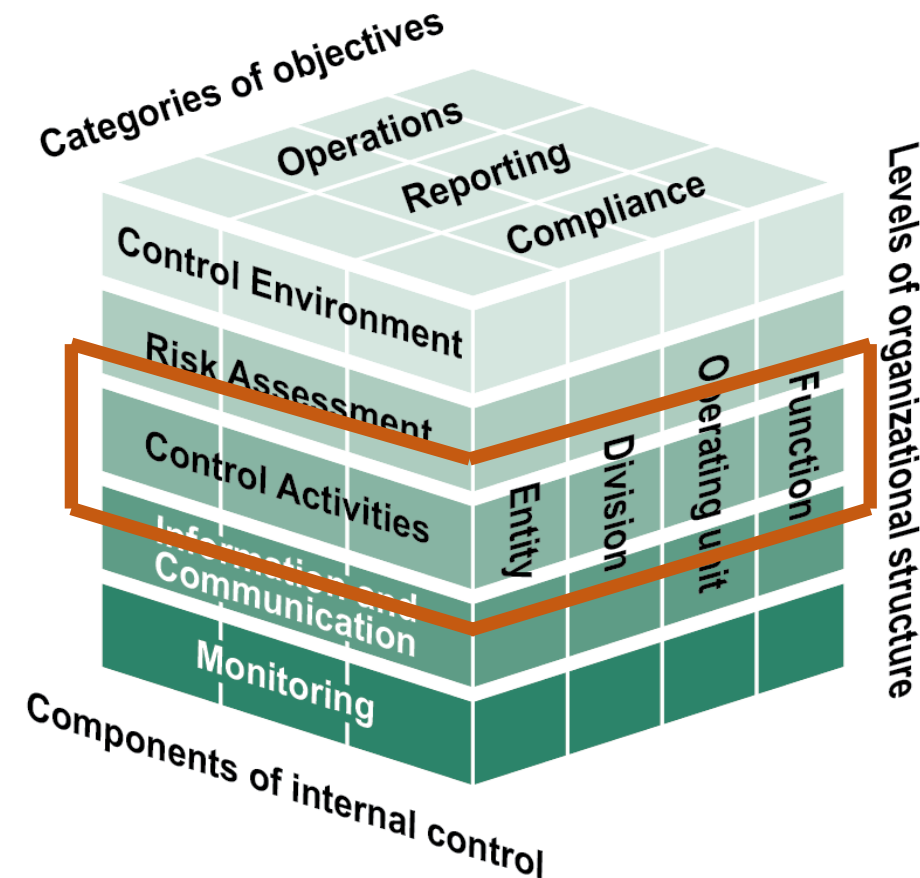
- Changes to policies

Division

- Changes to software

Operating Unit

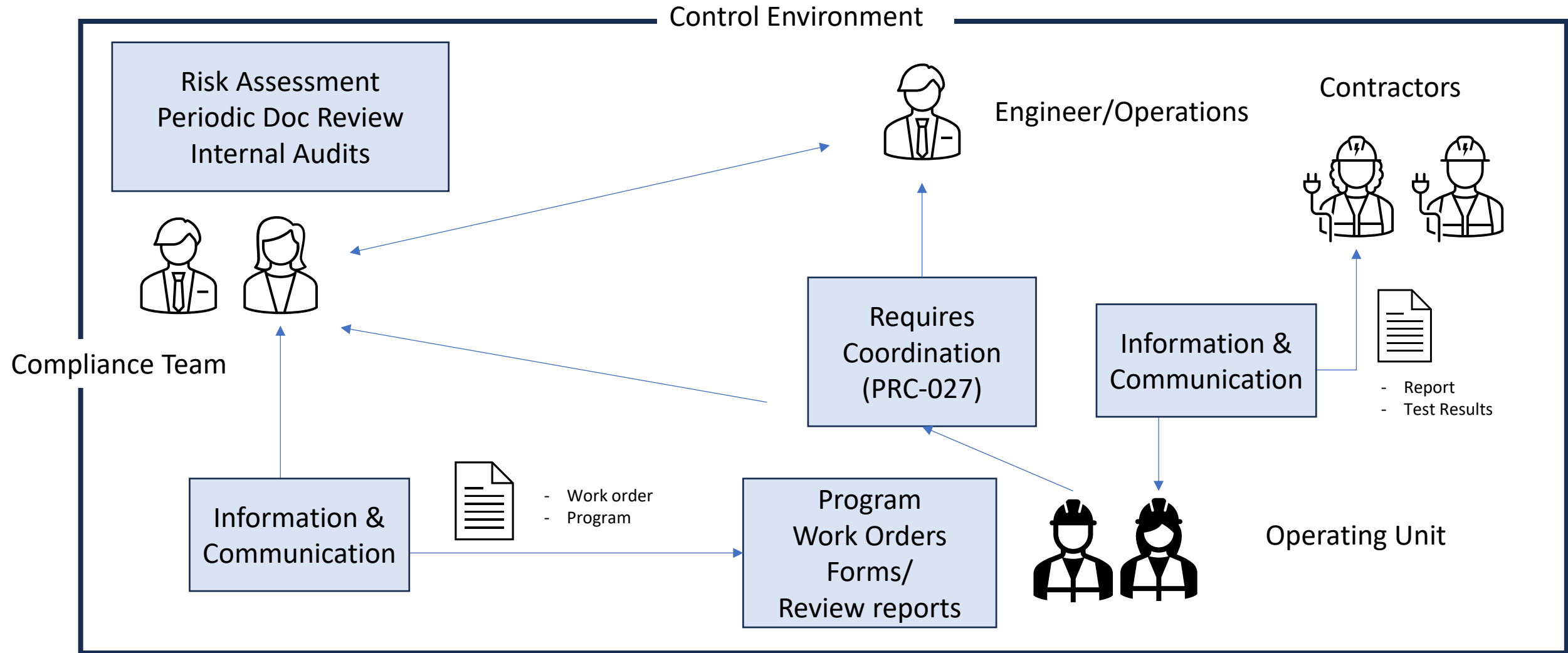
- Changes to equipment (FAC-008, PRC-027)
 - Operations: Do I need to train on new equipment?
 - Reporting: Did I communicate the change to my neighboring entities?
 - Compliance: Did these changes have a compliance impact?



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PRC-005 Example



Internal Controls Questions

☐ Control Environment

- Does the entity have a documented program that establishes a control structure?

☐ Control Activities

- How have you chosen to mitigate the risks you identified?
 - Technology, tools, testing procedures, training?

☐ Information and Communication

- How does the entity coordinate among all the different groups?

☐ Monitoring Activities

- How does the entity monitor control effectiveness?
 - Built into operations (periodic reviews, spot checks, internal controls audits)?



Importance of Internal Controls to Registered Entities



Internal controls support business objectives through reducing the probability that a risk will materialize in the future



Internal controls programs encourage the breaking down of organizational silos

Integration of compliance and operations that lead to more consistent outcomes

Business units are more aware of dependencies and cross business impacts of activities



Importance of Internal Controls to Registered Entities



Measuring and monitoring internal controls

Allows for identification of emerging risks and potential issues before they escalate

Reduces the burden of audit preparation



Improved interactions with regulators

Compliance oversight plan based on reduced risk

Ability to self-log and correct lower risk issues as compliance exceptions rather than navigating through the full enforcement process

Summary

Entities often have more internal controls than they discuss with the engagement team

ICTF is going in the direction of more detailed examination of internal controls across different groups (e.g., field personnel, compliance teams, IT/OT, etc.) in organizations

Additionally, ICTF wants to provide the language for internal controls so entities will be better able identify, develop, test, and explain their internal controls



The background of the slide features a blurred image of the Texas state flag on the left and a close-up of a wind turbine's hub and blades on the right. The blades are white with red tips. A dark blue rounded rectangle is centered over the image.

Questions?



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Ensuring electric reliability for Texans