SERC Reliability Corporation
2026 Business Plan and Budget

Draft

March 26, 2025

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Section A   Introduction

2026 Business Plan and Budget

Introduction

Organizational Overview

SERC is a non-profit corporation dedicated to ensuring the effective and efficient reduction of risks to the reliability and security of the bulk power system (BPS) across 16 central and southeastern states. Covering an expansive area of approximately 650,000 square miles, the SERC Region serves a growing population exceeding 95 million. Currently, electric systems within the SERC Region provide approximately 29% of the net energy for load (NEL) in North America, approximately 33% of the NEL in the United States, and 40% of the NEL in the Eastern Interconnection.

At the core of SERC's mission is a risk-based approach that harmonizes with and bolsters the mission of the North American Electric Reliability Corporation (NERC) and the broader Electric Reliability Organization (ERO) Enterprise. To realize this mission, SERC maintains a diverse team of experts spanning various disciplines, uniquely equipped to navigate the intricate, evolving, and dynamic challenges inherent in managing the grid. Collaborating with distinguished individuals from both the power industry and the federal government, the SERC team cultivates essential partnerships, enriching our work with informed insights, pragmatism, responsiveness, and significant impact.

SERC has developed four cultural attributes that help guide its conduct and help ensure it is best positioned to achieve its mission and further support the ERO Enterprise Long-Term Strategy.

❖ At SERC, every individual is a **LEADER** across every level of our organization. We are trustworthy, principled, inclusive, and respectful. We strive to create value that reduces risk to reliability and security. Leading means having a positive vision and actively building support for executing it.

❖ At SERC, we are **COLLABORATIVE** both internally and externally. We partner and engage in focused communication within and across our organization, with our stakeholders, the ERO Enterprise, and the Federal Energy Regulatory Commission (FERC) to drive meaningful action. We leverage our diverse experiences, skills, knowledge, and tools to ensure the effective reductions of risk to reliability and security.

❖ At SERC, we strive to be **EXPERTS** that are sought after for our credibility, objectivity, and discipline. We understand our strengths and opportunities and pursue continuous learning and improvement. We value intellectual curiosity, innovation, and creativity.

❖ At SERC, we take action to execute our risk-based mission by demonstrating **PURPOSEFUL** proactive initiative, intentionality, and resourcefulness in anticipation of current and future challenges and opportunities. We strategically plan and pursue activities that deliver value with intended results.

VISION

A highly reliable and secure bulk power system

MISSION

To assure effective and efficient reduction of risks to the reliability and security of the bulk power system

CULTURAL ATTRIBUTES
- ❖ Leader
- ❖ Collaborative
- ❖ Expert
- ❖ Purposeful

Membership and Governance

Membership in SERC is voluntary and free of charge. SERC member companies (Members) meet at least annually to elect Independent Directors and Sector Directors and conduct other such business as may come before the meeting. Additionally, Members approve amendments to Bylaws as recommended by the SERC Board of Directors (Board) and advise the Board with respect to the development of annual budgets, business plans, and other matters pertinent to the purpose and operations of the organization.

SERC's governance structure allows for participation from a diverse mix of stakeholders while also ensuring independent decision-making. SERC is governed by a balanced, hybrid Board consisting of 18 Directors comprised of a combination of stakeholder representatives from SERC member companies (i.e., Sector Directors) and independent representatives (i.e., Independent Directors) that add independent balance, perspective, and expertise. This combination of stakeholder and Independent Directors allows the Board to focus on the most important and significant risks to reliability in the SERC footprint.

The Board currently has the following committees, which report directly to the Board:

- **Risk Committee:** Provides oversight on behalf of the Board over several risk-based activities undertaken by SERC, including the identification and management of Regional risks, especially by SERC's Technical Committees; the organization's Enterprise Risk Management framework; and other critical organization and Regional risk-based activities. The committee also periodically reports these risk oversight findings to the Board.

- **Human Resources and Compensation Committee (HRCC):** Provides oversight on behalf of the Board over SERC's organization and staffing needs, employee compensation, and other matters related to human resources.

- **Finance and Audit Committee (FAC):** Provides oversight on behalf of the Board to SERC on the organization's finances and internal controls.

- **Nominating and Governance Committee:** Identifies, reviews, and recommends candidates for Board Officer and committee positions for approval by the Board. This committee is also responsible for providing oversight to SERC on the organization's Bylaws and other governing policies and procedures.

Statutory Functional Scope

SERC performs the following statutory functions in furtherance of its mission and in accordance with its FERC approved Delegation Agreement with NERC:

- Analyzes events to identify lessons learned and propose mitigation practices that will improve reliability;

- Proposes and helps develop NERC Reliability Standards and Regional Reliability Standards;

- Monitors compliance with, and enforces, mandatory Reliability Standards, prioritizing greater risks to reliability to ensure those risks are timely addressed and mitigated;

- Registers and certifies responsible entities under the reliability compliance program;

- Independently assesses the past, present, and future risk profile of the BPS to ensure grid reliability, adequacy, and security; and

- Provides training, education, and outreach to stakeholders to educate and share timely reliability and security information related to risks, mitigation, and best practices, in

support of SERC's mission to assure the effective and efficient reduction of risks to the reliability and security of the bulk power system.

The ERO Enterprise Model and Transformation

Electricity is a vital component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric for the benefit of nearly 400 million North Americans. The ERO Enterprise, which consists of the North American Electric Reliability Corporation (NERC) and the six Regional Entities, works with users, owners, and operators of the bulk power system (BPS), government partners, and other stakeholders and industry participants, to pursue its mission of assuring the effective and efficient reduction of risks to the reliability and security of the BPS.

NERC and the Regional Entities play different, but important and complementary, roles in delivering ERO Enterprise programs. NERC provides industry-wide perspective and oversight, and the Regional Entities have unique features and activities that serve the needs of their regional constituents, while ensuring that registered entities follow NERC and Regional Reliability Standards. The ERO Enterprise is explicitly committed to its collective success in achieving its vision of a highly reliable and secure North American BPS.

Section B   Strategic and Business Planning

2026 Business Plan and Budget
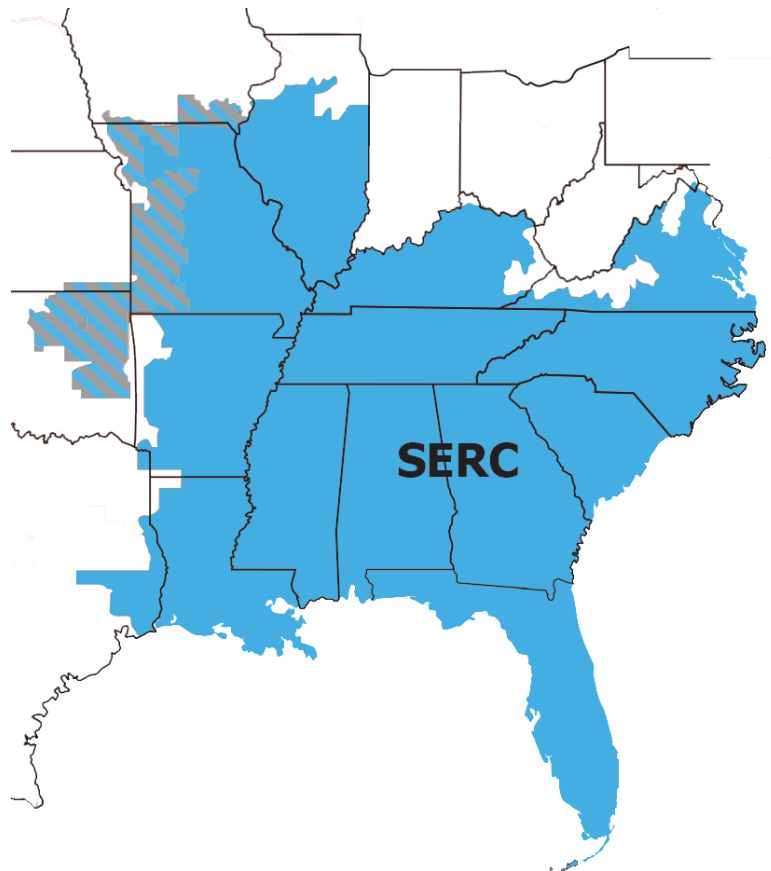
Strategic and Business Planning

ERO Enterprise Strategic and Operational Planning

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 Regional Entities, and the different corporate and governance responsibilities of each entity.

In 2024, the ERO Enterprise revised the *ERO Enterprise Long-Term Strategy*. This strategy includes the following focus areas for achieving success in its vision and mission:

- **Energy** – Effectively leverage a broad range of data, tools, and approaches to assist stakeholders and policymakers in addressing existing BPS risks and proactively identifying and preparing for emerging and unknown risks to the grid.

- **Security** – Maintain cyber and physical security programs (E-ISAC, Standards, Compliance Monitoring and Enforcement Program (CMEP), technical committee work,[1] outreach and engagement) that are risk-based, efficient, coordinated, and effectively advance the security posture of industry.

- **Engagement** – Ensure that the increasingly diverse spectrum of stakeholders and policymakers find value in engagements with the ERO Enterprise, seek ERO Enterprise expertise to inform their decision-making, and have confidence in the integrity and independence of ERO Enterprise programs.

- **Agility and Sustainability** – Perform as an effective and efficient team acting in coordination, ensuring its programs and efforts deliver value for stakeholders and policymakers as they manage changing reliability and security risk within the evolving industry landscape, and capturing cost efficiencies when practical.

As part of the business planning and budgeting process, NERC and the Regional Entities each have their own priorities and strategic focus areas, but continually come together to ensure alignment with the long-term strategy and that business processes and operations harmonize across the ERO Enterprise where appropriate.

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.

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[1] Technical committees include the NERC Standing Committees (Compliance and Certification Committee, Personnel Certification and Governance Committee, Reliability Issues Steering Committee, Reliability and Security Technical Committee, and Standards Committee) and Regional Entity committees.

2026 Strategic Focus Areas

SERC's Strategic Planning Process considers common themes throughout the industry, evaluates SERC's strengths and areas for improvement, and identifies risk priorities to develop SERC's Strategic Focus Areas.

SERC's strategic focus centers on three principles:

- SERC must be a **Credible and Trusted Expert** organization for its stakeholders, one that is truly risk-based. SERC strives for excellence in risk awareness and reduction and providing policymakers and regulators with unbiased expert information to inform their decision making.

- SERC must be a respected **Leader in Reliability and Security** across the industry. This is accomplished through innovation, collaboration, and meaningful relationships.

- SERC must be a **Highly Desirable Place to Work** through our Culture and Purpose. SERC fosters a culture of trust, teamwork, inclusion, and continuous improvement; and our work at every level is deeply tied to furthering our essential mission.

SERC's Operating Plan articulates key deliverables that ensure the day-to-day operations match the objectives laid out in the Strategic Plan:

Credible and Trusted Expert

- Establish a content curation program to support new partnerships established with inner ring. Acquire IACET accreditation for SERC training program.
- Effective analysis, communication, education, and registration of current and prospective inverter-based resources
- Implement the data science roadmap and develop proof of concept models and systems to demonstrate the safe and effective use of AI at SERC and the Region.

Leader in Reliability and Security

- Identify innovative opportunities to enhance efficiencies and effectiveness within SERC and within ERO Enterprise
- Position SERC as a leader in the study of energy resources

Highly Desirable Place to Work

- Attract and retain top talent by piloting an internship or co-op program to increase awareness of SERC and ERO Enterprise as a career option and to continue to build relationships with local universities
- Foster engagement among employees by partnering with Training and Outreach to research staff training reporting capabilities that support celebrating professional development achievements
- Operationalize Corporate Responsibility Program measures implemented in 2025 and evaluate sustainability

Section C   2026 Business Plan and Budget Overview

2026 Business Plan and Budget
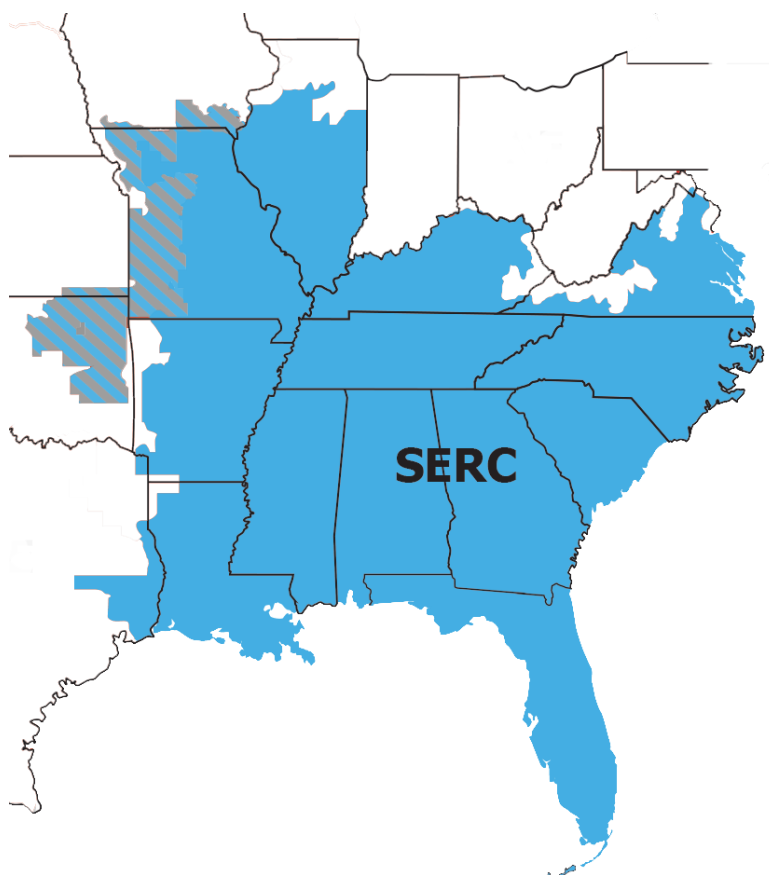
2026 Business Plan and Budget Overview

Funding and Budget Summary

SERC proposes to increase its operating budget in 2026 from $35,351,088 to $37,516,100 an increase of $2,165,012 or 6.1%.

SERC's proposed 2026 assessment was reduced by the release of $325,290 from its Working Capital Reserve, and $2,529,000 from its Assessment Stabilization Reserve (refer to Working Capital and Assessment Stabilization Reserve Analysis for more information). The total assessment of $34,255,910 represents an increase of 8.6%, or $2,708,295 from the 2025 assessment.

SERC's NEL for 2023 was 1,323,812,102. The 2024 NEL number is not currently available and will be provided in the final draft of the 2026 BP&B.

SERC believes that in 2026, it will continue to realize material efficiencies that will allow the organization to effectively perform its mission and deliver value by reducing risks to the reliability and security of the grid. SERC will also continue to perform its essential mission at a cost that balances the longstanding traditions of affordable and reliable electricity across SERC's footprint.

The following targeted budget changes allow SERC to accomplish the specific objectives outlined in the *2026 Business Plan and Budget* (BP&B) (dollars are stated as an increase in the 2026 budget compared to the 2025 budget).

Major Budget Drivers

- **Staffing changes proposed for 2026** – In alignment with SERC's strategic objectives, the targeted staffing level for 2026 is set at 115 Full-Time Equivalents (FTEs), representing no increase compared to the 2025 budget.

- **Cost increase for maintaining staff budgeted in 2026** – The net increase in Personnel Expenses of $2,070,789 compared to 2025 is driven by a reduction in the budgeted staff vacancy rate, Board approved merit increases, and increasing employee benefit costs. A 0% vacancy rate has been applied to all Personnel Expenses which is a decrease from the 2% vacancy rate in the 2025 budget, reflecting sustained success in hiring and retaining talent.

- **Meetings and Travel** – An increase of $118,332 in meetings and travel expenses is driven by expanded engagement with state policymakers and regulators, reflecting our commitment to strengthening outreach efforts. Additionally, costs for the Spring and Fall Technical Meetings are expected to rise due to venue and support staff expenses. Training and outreach costs are increasing to accommodate new workshops and the continued expansion of existing programs, specifically in support of Inverter-Based Resources (IBR) training and outreach. Travel funding has also been allocated for GridSecCon in the event it is hosted outside Charlotte, with Atlanta as a potential location. Lastly, audit-related travel expenses have increased to support targeted IBR spot checks and expanded Certification activities related to GO/GOP Control Centers.

- **Consultants and Contracts** – SERC anticipates an increase in consultants and contracts of $146,900. The increase is driven by the growing need for specialized expertise and security enhancements. As the organization transitions to cloud-based solutions, investments in managed service providers, cybersecurity support, and penetration testing are essential to maintaining a secure and resilient infrastructure. Additional resources have been allocated for leadership coaching and employee training

to support professional development. Additionally, the simulator contract for the System Operator Certification (SOC) program will be renegotiated later in 2025, with anticipated cost adjustments in 2026

- **Office Rent** – SERC will realize a $54,800 decrease in rent expense associated with expenses at two locations in early 2025 as a new office lease took effect and operations moved to a new corporate location.

- **Office Costs** – An increase of $58,791 is due primarily to anticipated inflation for software purchases in 2026.

- **Fixed Assets** – The overall decrease of $220,000 is due to leasehold improvements and the purchase of high-performance servers budgeted in 2025.

SERC Reliability Corporation
2026 Business Plan and Budget

2025 Budget and 2026 Budget Comparisons

		Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2025 Budget and 2026 Budget				
		STATUTORY				
			2025 Budget		**2026 Budget**	**Variance 2026 Budget v 2025 Budget Inc(Dec)**
Funding						
Statutory Funding						
SERC Assessments		$	31,547,615	$ 34,255,910	$	2,708,295
Penalties Released*			2,972,040	2,529,000		(443,040)
Total Statutory Funding		**$**	**34,519,655**	**$ 36,784,910**	**$**	**2,265,255**
Membership Fees		$	-	$ -	$	-
Services & Software			-	-		-
Workshops & Miscellaneous			199,999	235,900		35,901
Interest			170,001	170,000		(1)
Total Funding (A)		**$**	**34,889,655**	**$ 37,190,810**	**$**	**2,301,155**
Expenses						
Personnel Expenses						
Salaries		$	22,041,566	$ 23,530,917	$	1,489,351
Payroll Taxes			1,319,535	1,410,035		90,500
Benefits			2,420,585	2,603,224		182,639
Retirement Costs			2,829,902	3,138,201		308,299
Total Personnel Expenses		**$**	**28,611,588**	**$ 30,682,377**	**$**	**2,070,789**
Meeting Expenses						
Meetings & Conference Calls		$	449,700	$ 556,045	$	106,345
Travel			1,114,895	1,126,882		11,987
Total Meeting Expenses		**$**	**1,564,595**	**$ 1,682,927**	**$**	**118,332**
Operating Expenses, excluding Depreciation						
Consultants & Contracts		$	1,170,100	$ 1,317,000	$	146,900
Office Rent			1,344,800	1,290,000		(54,800)
Office Costs			1,718,480	1,777,271		58,791
Professional Services			581,525	626,525		45,000
Miscellaneous			-	-		-
Total Operating Expenses		**$**	**4,814,905**	**$ 5,010,796**	**$**	**195,891**
Total Direct Expenses		**$**	**34,991,088**	**$ 37,376,100**	**$**	**2,385,012**
Indirect Expenses		**$**	**-**	**$ -**	**$**	**-**
Other Non-Operating Expenses		**$**	**-**	**$ -**	**$**	**-**
Total Expenses (B)		**$**	**34,991,088**	**$ 37,376,100**	**$**	**2,385,012**
Change in Assets		**$**	**(101,433)**	**$ (185,290)**	**$**	**(83,857)**
Fixed Asset Additions, excluding Right of Use Assets (C		$	360,000	$ 140,000	$	(220,000)
TOTAL BUDGET (B+C)		**$**	**35,351,088**	**$ 37,516,100**	**$**	**2,165,012**
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)		**$**	**(461,433)**	**$ (325,290)**	**$**	**136,143**
FTEs			115.0	115.0		-

* Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Table 1: Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital (2025 Budget and 2026 Budget

Major Budget Drivers – Program Areas

Program	Budget 2025	Budget 2026	Variance 2025 Budget v 2026 Budget	Variance %
Reliability Standards	$ 256,685	$ 275,197	$ 18,512	7.2%
Compliance Monitoring and Enforcement; Organization Registration and Certification	22,689,156	24,527,015	1,837,859	8.1%
Reliability Assessment and Performance Analysis	4,630,500	4,883,968	253,468	5.5%
Training, Education and Stakeholder Outreach	6,427,623	6,374,540	(53,083)	(0.8%)
Situation Awareness and Infrastructure Security	1,347,124	1,455,380	108,256	8.0%
Total	**$ 35,351,088**	**$ 37,516,100**	**$ 2,165,012**	**6.1%**
Working Capital Reserve	(461,433)	(325,290)	136,143	
Total Funding	**34,889,655**	**37,190,810**	**2,301,155**	**6.6%**

This chart does not include an allocation of working capital requirements among the program areas.
Table 2: Major Budget Drivers - Program Areas

As noted in the Business Plan and Overview section, personnel costs remain the primary driver of increases impacting Program Areas. Additional budget drivers are outlined below:

Compliance Monitoring and Enforcement; Organization Registration and Certification

- Audit-related travel expenses have increased to support targeted Inverter-Based Resource (IBR) spot checks and expanded Certification activities related to GO/GOP Control Centers.

Reliability Assessment and Performance Analysis

- Consultants and contractor expenses have significantly decreased due to fewer modeling projects and studies in 2026 and the reallocation of System Operator Certification program costs to Training, Education and Stakeholder Outreach.

Training, Education and Stakeholder Outreach

- **Meetings & Travel** – Meeting costs have been increased to reflect inflation and the addition of Physical Security and Inverter Based Resources (IBR) training workshops. Travel expenses also reflect inflationary impacts, and additional travel needs related to the integration of non-Bulk Electric System (BES) IBRs, including registration, training, new workshops, and expanded engagement with state policymakers and regulators.

- **Consultants & Contractors** - The simulator contract for the System Operator Certification (SOC) program will be renegotiated in late 2025, with anticipated cost adjustments in 2026.

- **Fixed Assets** - One-time capitalized purchases in 2025.

Corporate Services

Corporate Services (in whole dollars) Direct Expenses and Fixed Assets						
	2025 Budget	2026 Budget	Increase (Decrease)	FTEs 2025 Budget	FTEs 2026 Budget	Increase (Decrease)
Technical Committees and Member Forums	$ 1,311,359	$ 1,382,919	$ 71,560	3.90	3.90	-
General and Administrative	$ 5,200,975	$ 5,313,649	$ 112,674	6.90	6.90	-
Legal and Regulatory	$ 1,667,784	$ 1,828,505	$ 160,721	2.30	2.30	-
Analytics & Information Technology	$ 5,233,853	$ 5,851,382	$ 617,529	18.30	18.30	-
Human Resources	$ 1,279,119	$ 1,320,236	$ 41,117	3.00	3.00	-
Accounting and Finance	$ 589,177	$ 638,947	$ 49,770	3.00	3.00	-
Total Corporate Services	$ 15,282,266	$ 16,335,638	$ 1,053,372	37.40	37.40	-

Table 3: Corporate Services Direct Expenses and Fixed Assets

Personnel – No changes were made to FTEs in the Corporate Services departments.

Personnel Analysis and Expenses

Total FTEs by Program Area	Budget 2025	Budget 2026	Increase (Decrease)
STATUTORY			
Operational Programs			
Reliability Standards	0.50	0.50	0.00
Compliance Monitoring and Enforcement; Organization Registration and Certification	51.00	52.00	1.00
Reliability Assessment and Performance Analysis	9.30	9.30	0.00
Training, Education and Stakeholder Outreach	13.80	12.80	(1.00)
Situation Awareness and Infrastructure Security	3.00	3.00	0.00
Total FTEs Operational Programs	**77.60**	**77.60**	**0.00**
Corporate Services			
Technical Committees and Member Forums	3.90	3.90	0.00
General & Administrative	6.90	6.90	0.00
Legal and Regulatory	2.30	2.30	0.00
Analytics & Information Technology	18.30	18.30	0.00
Human Resources	3.00	3.00	0.00
Finance and Accounting	3.00	3.00	0.00
Total FTEs Corporate Services	**37.40**	**37.40**	**0.00**
Total FTEs	**115.00**	**115.00**	**0.00**

Table 4: Personnel Analysis and Expenses - Total FTEs by Program Area

Personnel Expenses	Budget 2025	Budget 2026	Variance 2025 Budget v 2026 Budget	Variance %
Total Salaries	$ 22,041,566	$ 23,530,918	$ 1,489,352	6.8%
Total Payroll Taxes	$ 1,319,535	$ 1,410,034	$ 90,499	6.9%
Total Benefits	$ 2,420,586	$ 2,603,224	$ 182,638	7.5%
Total Retirement	$ 2,829,902	$ 3,138,201	$ 308,299	10.9%
Total Personnel Costs	$ 28,611,589	$ 30,682,377	$ 2,070,788	7.2%
FTEs	115.0	115.0	0.0	0.0%
Cost per FTE				
Salaries	$ 191,666	$ 204,617	$ 12,951	6.8%
Payroll Taxes	11,474	12,261	787	6.9%
Benefits	21,049	22,637	1,588	7.5%
Retirement	24,608	27,289	2,681	10.9%
Total Cost per FTE	$ 248,796	$ 266,803	$ 18,007	**7.2%**

Table 5: Personnel Analysis and Expenses - Personnel Expenses

Explanation of Significant Personnel Variances – 2026 Budget versus 2025 Budget

- The budgeted vacancy rate has been reduced from 2% to 0%, reflecting sustained success with staff hiring and retention.
- The budget includes a Board-approved merit increase, and an estimated 15% increase in medical premiums.
- More information can be found in the Major Budget Drivers—Budget Overview.

Consultants and Contractors

Consultants and Contracts	Budget 2025	Budget 2026	Variance 2025 Budget v 2026 Budget	Variance %
Reliability Standards	$ -	$ -	$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	-	-	-	
Reliability Assessment and Performance Analysis	263,850	125,000	(138,850)	(52.6%)
Training and Outreach	-	100,000	100,000	
Situation Awareness and Infrastructure Security	-	-	-	
Corporate Services	906,250	1,092,000	185,750	20.5%
Contracts Total	$ -	$ -	$ -	
Total Consultants and Contracts	$ 1,170,100	$ 1,317,000	$ 146,900	12.6%

Table 6: Consultants and Contracts

Explanation of Significant Variances – 2026 Budget versus 2025 Budget

- The simulator contract for the System Operator Certification (SOC) program has been reallocated from RAPA to Training to better align with relevant work areas. The contract will be renegotiated in late 2025, with anticipated cost adjustments in 2026.

- Corporate Services is driven largely by an increase in IT and Security project support.

Fixed Assets

Fixed Assets	Budget 2025	Budget 2026	Variance 2025 Budget v 2026 Budget	Variance %
Computer & Software CapEx	$ 200,000	$ 140,000	$ (60,000)	(30.0%)
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	160,000	-	(160,000)	(100.0%)
Leasehold Improvements	-	-	-	
	$ 360,000	$ 140,000	$ (220,000)	(61.1%)

Table 7: Fixed Assets

Explanation of Significant Variances – 2026 Budget versus 2025 Budget

- An overall decrease is attributed to one-time capitalized purchases in 2025, including leasehold improvements and high-performance servers required to support RAPA modeling and studies.

Working Capital and Assessment Stabilization Reserve Analysis

	Reserve Analysis		
	STATUTORY		

	Total Reserves	Working Capital Reserve	Assessment Stabilization Reserve[1]
Beginning Reserves, January 1, 2025	$ 12,575,729	$ 3,037,689	$ 9,538,040
Plus: 2025 Funding (from Load-Serving Entities (LSE) or desgnees)	$ 31,547,615	$ 31,547,615	$ -
Plus: 2025 Other funding sources	620,000	620,000	-
Penalties released from Assessment Stabilization Reserve in 2025	-	2,972,040	(2,972,040)
Penalty Sanctions January 1 - June 30, 2025	63,000	-	63,000
Less: 2025 Projected expenses & capital expenditures	(35,601,088)	(35,601,088)	-
Projected Reserves, December 31, 2025	$ 9,205,256	$ 2,576,256	$ 6,629,000
Targeted Reserve, December 31, 2026	$ 6,350,966	$ 2,250,966	$ 4,100,000
Less: Projected Reserves, December 31, 2025	(9,205,256)	(2,576,256)	(6,629,000)
Increase/(decrease) to 2026 Assessments	$ (2,854,290)	$ (325,290)	$ (2,529,000)
2026 Expenses and Capital Expenditures	$ 37,516,100		
Less: Penalties released from Assessment Stabilization Reserve	(2,529,000)		
Adjustment to achieve targeted Working Capital Reserve	(325,290)		
Less: Other funding sources	(405,900)		
2026 SERC Assessment	$ 34,255,910		

[1] Penalty sanctions are added to the Assessment Stabilization Reserve upon approval of the enforcement action by FERC, and released to offset future assessments, as approved by SERC's Board of Directors.

Table 8: Reserve Analysis - Statutory

Explanation of the Working Capital Reserve

In accordance with SERC's Cash Reserves Policy approved by the Board on June 26, 2019, the organization maintains a Working Capital Reserve. This reserve is designed to address both daily operational cash flow needs and unexpected contingencies that were not foreseen at the time the BP&B (Business Plan and Budget) was prepared. The policy stipulates a working capital target of up to 10% of the annual budget.

For the 2026 BP&B, SERC has targeted a Working Capital Reserve of $2,250,966. To align with this target, SERC has reduced its 2026 ERO Assessments by $325,290. This adjustment ensures that the Working Capital Reserve is maintained at the targeted level, facilitating financial stability and readiness to address unforeseen circumstances while fulfilling operational requirements effectively.

Explanation of the Assessment Stabilization Reserve

Pursuant to SERC's Cash Reserves Policy, SERC maintains an Assessment Stabilization Reserve to mitigate annual assessment volatility. With NERC and FERC approval, Penalty sanctions are added to the reserve, and released to offset assessments in future years. SERC

is requesting to place $1,329,000 of Penalty sanctions received between July 1, 2024 and June 30, 2025, into the Assessment Stabilization Reserve, and to release $2,529,000 from the Assessment Stabilization Reserve to offset 2026 SERC Assessments.

Penalty Sanctions

Pursuant to the NERC ROP Section 1107.4, SERC is requesting an exception to NERC ROP 1107.2. *All funds from financial Penalties assessed in the United States received by the entity initiating the compliance monitoring and enforcement process shall be applied as a general offset to the entity's budget requirements for the subsequent fiscal year, if received by July 1, or for the second subsequent fiscal year, if received on or after July 1.* Specifically, SERC is requesting an exception in order to place $1,329,000 of Penalty sanctions received between July 1, 2024 and June 30, 2025, into the Assessment Stabilization Reserve, and to release $2,529,000 from the Assessment Stabilization Reserve to offset 2026 SERC Assessments.

Allocation Method: Penalty sanctions released to offset 2026 assessments have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring and Enforcement; RAPA; Training, Education and Stakeholder Outreach; and Situation Awareness and Infrastructure Security (SAIS). Penalty sanctions are allocated based upon the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Three-Year Budget Projections

2027-2028 Budget Projections

Projected Funding and Budget Summary

SERC projects to increase its operating budget in 2027 from $37,516,100 to $39,858,258, an increase of $2,342,158 or 6.2%. The projected 2028 budget of $42,239,404 reflects an increase of $2,381,146 or 6.0% over the 2027 projection.

SERC evaluates releases from its Assessment Stabilization Reserve annually based on several factors, including the current reserve balance, and current and projected future year budgets to mitigate significant fluctuations in annual assessments. The 2027 and 2028 projected assessments reflect planned decreases in these strategic reserves and are subject to change based on future penalty activity. SERC's projected 2027 assessment of $37,247,808 represents an increase of 8.7%, or $2,991,898 from the 2026 assessment. The projected assessment for 2028 of $40,407,354 represents an increase of 8.5%, or $3,159,546 from the 2027 projected assessment.

Major Drivers in 2027 and 2028 Budget Projections

- **Two key priorities will drive SERC's budgets in 2027 and 2028:**
  - **Managing Inverter-Based Resources (IBR)**: The high volume of IBR registrants requires increased efforts to effectively manage registration, training, outreach, and reliability monitoring and enforcement. This influx will continue to impact several SERC programs and oversight activities.
  - **Reliability Studies**: The evolving grid requires new and increasingly complex reliability studies, modeling and assessments. Data driven analytics are needed to support SERC's ability to conduct these essential functions, ensuring the continued security of the bulk power system.

- **Staffing changes proposed for 2027-2028** – In line with SERC's strategic objectives, 1 additional full-time employee (FTE) is planned for 2027 and 2 in 2028, with a total increase of 1 to 3 FTEs over the two years in the areas of analytics, monitoring and enforcement.

- **Personnel Expenses**: The projected increase in personnel expenses is due to the addition of 1 to 3 FTEs, board-approved merit increases, and rising employee benefits costs, including higher insurance premiums.

- **Meetings and Travel**: Travel costs are expected to increase due to inflation.

- **Consultants and Contracts**: A temporary increase reflects periodic RAPA studies planned in 2027.

- **Office Rent**: A modest increase is projected for 2028, reflecting anticipated rises in common area maintenance expenses.

- **Office Costs**: Rising expenses account for necessary Office 360 and SAEA software upgrades, along with an inflationary adjustment for existing software licenses.

- **Professional Services**: The 2027 increase is driven by a planned Independent Director search, with costs expected to decrease in 2028.

- **Fixed Assets**: A decrease is projected in 2027 due to the absence of one-time software license purchases from 2026, partially offset by hardware replacements supporting the CRISP program. The 2028 budget includes anticipated server and software upgrades.

SERC Reliability Corporation
2026 Business Plan and Budget

Three-Year Budget Projections

Statement of Activities and Capital Expenditures									
2026 Budget & Projected 2027 and 2028 Budgets									
Statutory									
		2026 Budget		2027 Projection		$ Change 26 v 27	% Change 26 v 27	2028 Projection	$ Change 27 v 28	% Change 27 v 28
Funding										
Statutory Funding									
SERC Assessments	$	34,255,910	$	37,247,808	$	2,991,898	8.7%	$ 40,407,354	$ 3,159,546	8.5%
Penalties Released*		2,529,000		2,200,000		(329,000)	(13.0%)	1,400,000	(800,000)	(36.4%)
Total Statutory Funding	$	36,784,910	$	39,447,808	$	2,662,898	7.2%	$ 41,807,354	$ 2,359,546	6.0%
Membership Fees	$	-	$	-	$	-		$ -	$ -	
Workshops & Miscellaneous		235,900		240,450		4,550	1.9%	262,050	21,600	9.0%
Interest		170,000		170,000		-	0.0%	170,000	-	0.0%
Total Funding (A)	$	37,190,810	$	39,858,258	$	2,667,448	7.2%	$ 42,239,404	$ 2,381,146	6.0%
Expenses									
Personnel Expenses									
Salaries	$	23,530,917	$	24,772,683	$	1,241,766	5.3%	$ 26,292,914	$ 1,520,231	6.1%
Payroll Taxes		1,410,035		1,484,982		74,947	5.3%	1,575,841	90,859	6.1%
Benefits		2,603,224		2,803,224		200,000	7.7%	3,041,224	238,000	8.5%
Retirement Costs		3,138,201		3,304,500		166,299	5.3%	3,507,543	203,043	6.1%
Total Personnel Expenses	$	30,682,377	$	32,365,389	$	1,683,012	5.5%	$ 34,417,522	$ 2,052,133	6.3%
Meeting Expenses									
Meetings & Conference Calls	$	556,045	$	583,847	$	27,802	5.0%	$ 601,363	$ 17,516	3.0%
Travel		1,126,882		1,183,226		56,344	5.0%	1,218,723	35,497	3.0%
Total Meeting Expenses	$	1,682,927	$	1,767,073	$	84,146	5.0%	$ 1,820,086	$ 53,013	3.0%
Operating Expenses, excluding Depreciation									
Consultants & Contracts	$	1,317,000	$	1,522,000	$	205,000	15.6%	1,412,000	$ (110,000)	(7.2%)
Office Rent		1,290,000		1,290,000		-	0.0%	1,300,000	10,000	0.8%
Office Costs		1,777,271		1,972,771		195,500	11.0%	2,082,771	110,000	5.6%
Professional Services		626,525		771,025		144,500	23.1%	677,025	(94,000)	(12.2%)
Miscellaneous		-		-		-		-	-	
Total Operating Expenses	$	5,010,796	$	5,555,796	$	545,000	10.9%	$ 5,471,796	$ (84,000)	(1.5%)
Total Direct Expenses	$	37,376,100	$	39,688,258	$	2,312,158	6.2%	$ 41,709,404	$ 2,021,146	5.1%
Indirect Expenses	$	-	$	-	$	-		$ -	$ -	
Other Non-Operating Expenses	$	-	$	-	$	-		$ -	$ -	
Total Expenses (B)	$	37,376,100	$	39,688,258	$	2,312,158	6.2%	$ 41,709,404	$ 2,021,146	5.1%
Change in Assets	$	(185,290)	$	170,000	$	355,290	(191.7%)	$ 530,000	$ 360,000	211.8%
Fixed Assets									
Computer & Software CapEx		140,000		170,000		30,000	21.4%	140,000	(30,000)	(17.6%)
Furniture & Fixtures CapEx		-		-		-		-	-	
Equipment CapEx		-		-		-		390,000	390,000	
Leasehold Improvements		-		-		-		-	-	
Allocation of Fixed Assets		-		-		-		-	-	
Incr(Dec) in Fixed Assets (C)	$	140,000	$	170,000	$	30,000	21.4%	$ 530,000	$ 360,000	211.8%
TOTAL BUDGET (B+C)	$	37,516,100	$	39,858,258	$	2,342,158	6.2%	$ 42,239,404	$ 2,381,146	6.0%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$	(325,290)	$	-	$	325,290	(100.0%)	$ -	$ -	
FTEs		115.0		116.0		1.0		118.0	2	1.7%

* Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as
approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table
and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Table 9: Three-Year Budget Projections

Section D   Regional Entity Goals and Statements of Activities

2026 Business Plan and Budget

Public
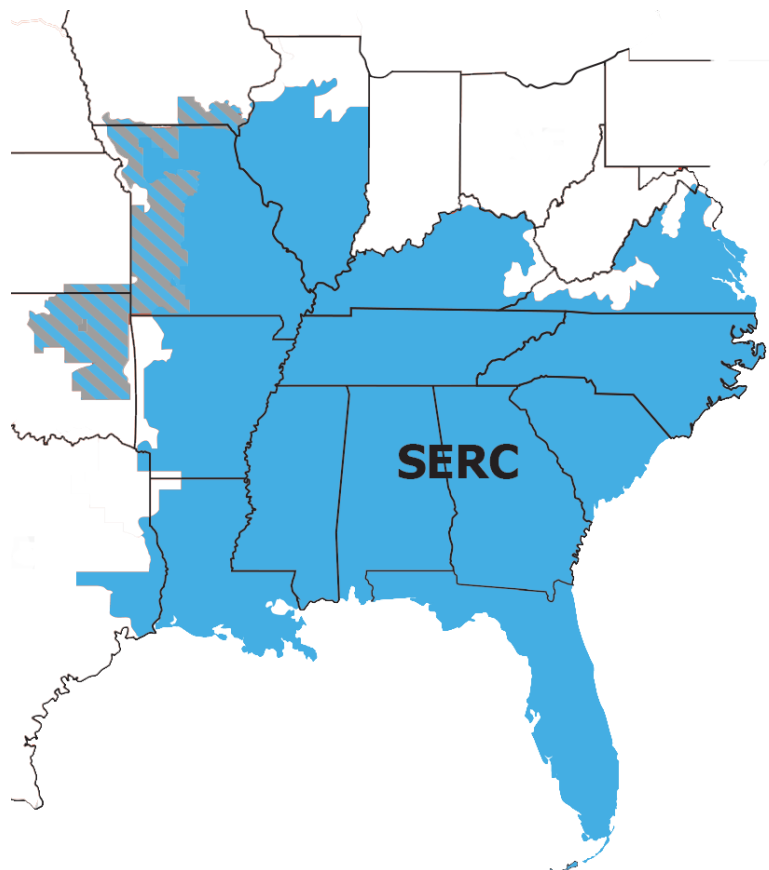
Regional Entity Statutory Program Goals and Statements of Activities

Reliability Standards Program

Program Scope and Functional Description

SERC may develop Regional Reliability Standards to establish threshold requirements for assuring the planning and operation of the Bulk Electric System (BES). Per the SERC Reliability Standards Development Procedure, SERC develops and maintains its Regional Reliability Standards to minimize the risks of cascading failures and avoid damage to major equipment. These Standards must be more stringent than a NERC Reliability Standard or address a Regional difference or a physical difference in the BES.

SERC may also develop Regional criteria and guidelines. Regional criteria and guidelines are clear, timely, and effective in mitigating risks to the reliability and security of the Bulk Power System in the SERC footprint and support the use of good utility practices to enhance reliability, consider cost-effectiveness/impact, and may augment Reliability Standards. Regional criteria and guidelines are not Reliability Standards, and therefore are not enforceable. SERC develops its Regional criteria and guidelines following the Organization and Procedures Manual for SERC Technical Committees.

2026 Key Assumptions

The 2026 key assumptions for the Reliability Standards program are as follows:

- SERC expects the overall volume of NERC Reliability Standard changes to increase with the anticipated changes in the area of inverter-based resources, and extreme cold weather as several new standards are in the process of being developed and existing standards are being modified.

- SERC resources will support any SERC Regional Standards development and will maintain visibility into the activities of the NERC Reliability Standards.

- SERC anticipates that Regional criteria and guideline development will continue as needed to support reliability and security.

2026 Goals and Key Deliverables

The 2026 goals and key deliverables for the SERC Reliability Standards program are as follows:

- Manage the SERC Technical Committee documents per the approved 2026 Review Work Plan;

- Support the ERO Enterprise as needed to develop, modify, and conduct periodic reviews of Reliability Standards to ensure Standards are written clearly and structured properly for existing and emerging risks; and

- Provide information to SERC staff and stakeholders on upcoming Standards changes or implementation dates to ensure awareness and preparedness.

The Statement of Activities for this program area is shown below.

Reliability Standards Statement of Activity

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2025 Budget and 2026 Budget					
RELIABILITY STANDARDS					
		2025 Budget		2026 Budget	Variance 2026 Budget v 2025 Budget Inc(Dec)
Funding					
Statutory Funding					
SERC Assessments	$	232,877	$ 255,050	$	22,173
Penalties Released		19,150	16,295		(2,855)
Total Statutory Funding	$	252,027	$ 271,345	$	19,318
Membership Fees	$	-	$ -	$	-
Services & Software		-	-		-
Workshops & Miscellaneous		213	219		6
Interest		1,095	-		(1,095)
Total Funding (A)	$	253,335	$ 271,564	$	18,229
Expenses					
Personnel Expenses					
Salaries	$	120,454	$ 129,535	$	9,081
Payroll Taxes		7,227	7,772		545
Benefits		9,406	9,834		428
Retirement Costs		15,299	17,099		1,800
Total Personnel Expenses	$	152,386	$ 164,240	$	11,854
Meeting Expenses					
Meetings & Conference Calls	$	-	$ -	$	-
Travel		4,800	4,800		-
Total Meeting Expenses	$	4,800	$ 4,800	$	-
Operating Expenses, excluding Depreciation					
Consultants & Contracts	$	-	$ -	$	-
Office Rent		-	-		-
Office Costs		-	-		-
Professional Services		-	-		-
Miscellaneous		-	-		-
Total Operating Expenses	$	-	$ -	$	-
Total Direct Expenses	$	157,186	$ 169,040	$	11,854
Indirect Expenses	$	98,468	$ 105,255	$	6,787
Other Non-Operating Expenses	$	-	$ -	$	-
Total Expenses (B)	$	255,654	$ 274,295	$	18,641
Change in Assets	$	(2,319)	$ (2,731)	$	(412)
Fixed Assets, excluding Right of Use Assets (C)	$	1,031	$ 902	$	(129)
TOTAL BUDGET (B+C)	$	256,685	$ 275,197	$	18,512
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$	(3,350)	$ (3,633)	$	(283)
FTEs		0.50	0.50		-

Table 10: Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital for Reliability Standards

Compliance Monitoring and Enforcement; Organization Registration and Certification Program

Program Scope and Functional Description

The purpose of the Compliance Monitoring and Enforcement program is to ensure that all compliance monitoring, risk assessment, mitigation, and enforcement activities are risk-based, reliability-focused, and adhere to the requirements of the NERC Rules of Procedure and the Amended and Restated Delegation Agreement between NERC and SERC. To accomplish this objective, SERC has divided its Compliance Monitoring and Enforcement program into five areas: Organization Registration and Certification, Compliance Monitoring, Risk Assessment and Mitigation, Risk Awareness and Oversight, and Enforcement.

Organization Registration and Certification

- Registers applicable owners, operators, and users of the Bulk Power System (BPS) for compliance with Reliability Standards; and

- Certifies applicable entities.

Compliance Monitoring

- Uses a risk-based monitoring approach to conduct SERC compliance monitoring activities (e.g., compliance audits, spot checks, self-certifications, etc.);

- Reviews entity internal controls during monitoring engagements;

- Implements the process for Periodic Data Submittals (PDS); and

- Implements the Critical Infrastructure Protection (CIP) Standards Technical Feasibility Exceptions (TFEs) process.

Risk Assessment and Mitigation (RAM)

- Serves as the technical point of contact for all noncompliance issues identified through one of the discovery methods (e.g., self-report, self-log, compliance audit, self-certification, spot check);

- Performs risk-harm assessments on noncompliance issues, which include determining the scope and root cause of the noncompliance, and the potential and actual risk or harm to BPS reliability;

- Reviews and approves the registered entity's mitigating activities to ensure the registered entity performs the actions necessary to correct the noncompliance and prevent recurrence to protect BPS reliability;

- Administers the SERC Regional self-logging program; and

- Performs Compliance Evaluations, when required, on events reported by registered entities.

Risk Awareness and Oversight (RAO)

- Conducts registered entity Inherent Risk Assessments;

- Develops and implements registered entity Compliance Oversight Plans (COPs);

- Provides registered entities an outreach opportunity to better understand the risk information in their COP Report;

- Performs internal control program maturity assessments on registered entities' compliance programs as requested by the registered entities; and

- Maintains an awareness of emerging and escalating risks, which may affect entities or groups of entities in the aggregate and incorporates mitigation strategies into various other SERC programs such as training, outreach, communication, and Technical Committee engagements.

Enforcement

The SERC Enforcement team resolves all noncompliance issues associated with NERC Reliability Standards and/or SERC Regional Reliability Standards and imposes monetary and/or non-monetary penalties and sanctions, as appropriate. Utilizing themes, trends, and patterns identified through Enforcement processes, the Enforcement team reduces risks and enhances security of the bulk power system through:

- Transparent, consistent, and efficient disposition of noncompliance matters;
- Collaborative engagement with the ERO, registered entities, and government bodies, and;
- Agile use of regulatory tools to encourage risk reduction and deter future violations.

2026 Key Assumptions

Compliance Monitoring, RAM, and RAO

The 2026 key assumptions for Compliance Monitoring, RAM, and RAO are as follows:

- The Compliance Monitoring team incorporates a purposeful risk-based approach into monitoring activities. This risk-based approach generally results in more frequent engagements with entities that pose a higher risk to the grid.

- The Compliance Monitoring team uses a hybrid approach for spot check and audits (i.e., combination of virtual and onsite).

- Compliance Monitoring uses self-certifications primarily for monitoring engagements for lower-risk entities as well as monitoring specific risks that impact the SERC Region as a whole.

- The number of incoming issues, whether through audit findings or self-reports, will remain relatively consistent with trends over the past 12 to 24 months.

- RAM will prioritize and process Potential non-Compliances based on risk posed to the BPS.

- RAM will experience no significant increase in travel for processing Potential non-Compliances.

- As subject matter experts, the Compliance Monitoring, RAM, and RAO staff will continue to receive training on Reliability Standards, current and emerging risks, internal controls,

and enhanced audit practices. Additionally, staff will pursue and maintain professional credentials to further enhance their knowledge and expertise in their respective fields.

Organization Registration and Certification

The 2026 key assumptions for the Organization Registration and Certification program area are as follows:

- The volume of registration additions is expected to increase as a result of the changing resource mix and the modification to the registry criteria to include non-BES Inverter Based Resources.

- SERC Certification staff will continue to collaborate with NERC and implement the NERC Rules of Procedure (ROP) certification process to assess a registered entity's capability for performing its registered function(s). SERC expects the volume of certification engagements to increase.

- The number of Joint Registration Organization (JRO), Coordinated Functional Registration (CFR), and the Multi-Regional Registered Entity (MRRE) may increase as registered entities better delineate shared responsibilities and promote efficiency and effectiveness in compliance.

Enforcement

The 2026 key assumptions for the SERC Enforcement program area are as follows:

- The number of incoming noncompliances, whether through audit findings or self-reports, will remain relatively consistent with trends over the past 12 to 24 months.

- Enforcement processes noncompliances in a timely and fair manner;

- Enforcement resolves noncompliances with appropriate dispositions based on risk, compliance history, and other factors;

- Enforcement shares general trends, themes, and takeaways from its noncompliance processes to help prevent future noncompliance issues and reduce the likelihood of future violations;

- Enforcement ensures consistent application of its processes and procedures and conducts periodic training to Enforcement staff; and

- Enhanced Enforcement engagement with FERC, NERC, Regions and entities will proactively identify reliability risks and solutions that reduce the likelihood of potential noncompliance issues becoming a violation pattern.

2026 Goals and Key Deliverables

Compliance Monitoring, Risk Awareness & Oversight, and Risk Assessment and Mitigation

The 2026 goals and key deliverables for Compliance Monitoring, RAO, and RAM are as follows:

- Plan, prepare, and conduct risk-based Compliance Monitoring engagements pursuant to the NERC Rules of Procedure. Compliance Monitoring engagements for 2026 will consist of audits, spot checks, and self-certifications. As the RAO team completes or refreshes registered entities' Inherent Risk Assessments (IRAs) and Compliance Oversight Plans (COPs), the 2026 Compliance Monitoring schedule may change, with additional engagements added;

- Continue to process and reduce backlog inventory, achieving an average age of open inventory that does not exceed 12 months;

- Develop a strategy to follow up on and utilize Audit identified Areas-of-Concern, Recommendations, and Recommendations for opportunities to reduce risk;

- Facilitate efficient and collaborative transitions to new and revised Standards through continued ERO Enterprise-wide collaboration;

- Conduct thorough and objective assessments of entity's internal controls to understand their risks in meeting regulatory requirements and commitment to sound governance practices.

- Evaluate the compliance monitoring, violation/noncompliance processing, risk assessment, and registration and certification activities for sufficiency and effectiveness, and modify the activities, as needed;

- Collaborate with the ERO Enterprise to develop common and consistent CMEP processes, information systems, and methods among Regions;

- Refine and implement risk-based compliance monitoring and enforcement by focusing on serious risk violations to improve the effectiveness of SERC operations, and reducing unnecessary costs of compliance on registered entities while ensuring the achievement of reliability objectives;

- Ensure timely mitigation of all violations/noncompliance to restore compliance and prevent recurrence, thereby maintaining the reliability of the BPS;

- Continue collaboration among RAM, Compliance Monitoring, Enforcement, RAO, Advanced Analytics, and IT departments to develop effective tools to quickly identify and share with stakeholders themes, trends, and emerging risks associated with their noncompliance;

- Work strategically to enhance and improve tools and techniques to identify, understand, and quantify risk to the BPS earlier in the processing timeline, and use that information to craft more robust and comprehensive mitigation strategies;

- Develop mature violation/noncompliance processing management tools and training based on risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation/noncompliance processing;

- Apply a consistent ERO-wide approach in the process of completing registered entity Inherent Risk Assessments (IRA) and Compliance Oversight Plans (COP), while continuing to provide entities with an outreach opportunity to better understand their risk category from the COP Report;

- Mature RAO's role as a centralized risk hub for identifying, evaluating, and responding to emerging and escalating risks (largely leveraging SERC's cross-functional Risk Trend Review Team for this) to ensure SERC is effectively deploying its resources toward risk mitigation;

- Leverage NERC oversight activities to enhance CMEP processes and procedures.

- Begin Monitoring efforts for Category 2 (IBR) Generation Owners and Generation Operators.

- Continue an active role in maturing the ERO Enterprise-wide Align and Secure Evidence Locker (SEL); and

- Continue to support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook. SERC will ensure that:

- o compliance Monitoring staff and other personnel, as necessary, understand Compliance implementation guidance documents and risk-based principles;
- o a process exists to evaluate audit team performance; and
- o training exists that addresses initial and continuing training for capability and development.

Organization Registration and Certification

The 2026 goals and key deliverables for Organization Registration and Certification are as follows:

- Continue to identify and register Category 2 (IBR) Generation Owners and Generation Operators in the SERC Region.

- Ensure that SERC provides NERC timely and accurate information about changes in registrations;

- Conduct certification activities as required; and

- Leverage NERC oversight activities to enhance Registration and Certification processes and procedures.

Enforcement

The 2026 goals and key deliverables for the Enforcement program area are as follows:

- Continue managing Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all registered entities;

- Continue collaborating with the RAM team in achieving an average age of open inventory that does not exceed 12 months;

- Continue ensuring consistent application of enforcement processing and conduct periodic training to Enforcement staff;

- Continue utilizing process efficiencies to improve and enhance enforcement processing effectiveness;

- Mature Enforcement processes to proactively identify noncompliance risks and emerging violation trends to reduce the likelihood of higher risk violations before they occur, and, when appropriate, hold registered entities accountable for higher risk violations with monetary and/or non-monetary penalties commensurate with the risk posed to the security and reliability of the BPS;

- Expand internal focus on identifying themes, trends, emerging risks, and best practices associated with noncompliance issues, including identifying opportunities to share key takeaways with industry stakeholders, helping ensure the reduction of risk to BPS reliability.

- Continue external training, in collaboration with RAM, RAO, Outreach and Training and Reliability Assurance, to educate entities and industry stakeholders on new risk-based activities and provide guidance and transparency around self-reporting practices.

- Initiate new programming in collaboration with RAM, Advanced Analytics, RAO, Outreach and Training, and Reliability Assurance to share themes, trends, and takeaways from Enforcement processes with entities, the broader ERO Regions, and FERC;

- Utilize agile regulatory tools to help message desirable behavior and actions via monetary and/or non-monetary penalties, self-reporting, continued engagement and

cooperation during enforcement processing, maintaining a strong Internal Compliance Program, voluntary and prompt mitigation to reduce risk, taking ownership of undesired behavior by admitting to violations, and resolving violations through a settlement agreement;

- Continue collaborating with the RAM, Advanced Analytics, and IT departments to develop and enhance process efficiency tools, leveraging new technologies, to quickly identify themes, trends, emerging risks, and best practices associated with their noncompliance;

- Enhance cross-regional collaboration and engagement with the ERO Enterprise and FERC on enforcement policy initiatives and guidance that increases efficiency and consistency in processing noncompliances; and

- Continue an active role in the identification of enhancements to the ERO Enterprise-wide Align and SEL to increase the value and usability of Align and SEL.

The Statement of Activities for this program area is shown below. See Compliance Monitoring and Enforcement and Organization Registration and Certification Program Major Budget Drivers for an explanation of significant variances.

Compliance Monitoring, Enforcement, and Organization Registration and Certification Statement of Activities

		Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2025 Budget and 2026 Budget		
	COMPLIANCE MONITORING AND ENFORCEMENT; ORGANIZATION REGISTRATION AND CERTIFICATION			
		2025 Budget	2026 Budget	Variance 2026 Budget v 2025 Budget Inc(Dec)
Funding				
Statutory Funding				
SERC Assessments	$	20,306,308	$ 22,485,734	$ 2,179,426
Penalties Released		1,953,274	1,694,690	(258,584)
Total Statutory Funding	$	22,259,582	$ 24,180,424	$ 1,920,842
Membership Fees	$	-	$ -	$ -
Services & Software		-	-	-
Workshops & Miscellaneous		21,688	22,784	1,096
Interest		111,728	-	(111,728)
Total Funding (A)	$	22,392,998	$ 24,203,208	$ 1,810,210
Expenses				
Personnel Expenses				
Salaries	$	9,298,194	$ 9,973,483	$ 675,289
Payroll Taxes		557,894	586,436	28,542
Benefits		915,792	1,009,641	93,849
Retirement Costs		1,182,804	1,290,155	107,351
Total Personnel Expenses	$	11,954,684	$ 12,859,715	$ 905,031
Meeting Expenses				
Meetings & Conference Calls	$	14,860	$ 19,405	$ 4,545
Travel		533,100	569,917	36,817
Total Meeting Expenses	$	547,960	$ 589,322	$ 41,362
Operating Expenses, excluding Depreciation				
Consultants & Contracts	$	-	$ -	$ -
Office Rent		-	-	-
Office Costs		37,600	37,600	-
Professional Services		-	-	-
Miscellaneous		-	-	-
Total Operating Expenses	$	37,600	$ 37,600	$ -
Total Direct Expenses	$	12,540,244	$ 13,486,637	$ 946,393
Indirect Expenses	$	10,043,758	$ 10,946,563	$ 902,805
Other Non-Operating Expenses	$	-	$ -	$ -
Total Expenses (B)	$	22,584,002	$ 24,433,200	$ 1,849,198
Change in Assets	$	(191,004)	$ (229,992)	$ (38,988)
Fixed Assets, excluding Right of Use Assets (C)	$	105,154	$ 93,815	$ (11,339)
TOTAL BUDGET (B+C)	$	22,689,156	$ 24,527,015	$ 1,837,859
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$	(296,158)	$ (323,807)	$ (27,649)
FTEs		51.00	52.00	1.00

Table 11: Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital for Compliance Monitoring, Enforcement, and Organization Registration and Certification

Reliability Assessment and Performance Analysis Program

Program Scope and Functional Description

SERC's Reliability Assessments and Performance Analysis (RAPA) program provides the overall assessment of reliability and security of the BPS for the SERC Region for seasonal and long-term time periods. The RAPA function identifies reliability risks to the BPS in the SERC footprint for integrated risk analysis. The program supports SERC's mission by identifying and prioritizing risks to reliability and security, analyzing performance, and maintaining a focus on activities to mitigate risk. This is a delegated function that SERC performs.

SERC conducts independent reliability assessments of the BPS within the SERC Region supported by model building, engineering studies, and analysis of the results. The assessment program uses data collected from SERC registered entities along with other external data sources, such as the NERC Transmission Availability Data System (TADS), Generating Availability Data Systems (GADS), Mis-operations Information Data Analysis System (MIDAS), EIA 860, and EIA 930, among other sources to perform both future reliability assessments and historic performance analyses.

SERC evaluates the overall reliability, performance, and adequacy of the SERC Region and reports its results to NERC, and in some cases, to the public. SERC's work supports NERC's obligation to perform continent-wide analysis of the interconnected North American BPS.

2026 Key Assumptions

The 2026 key assumptions for the SERC RAPA program are as follows:

- SERC will continue to support NERC's RAPA program to collect and analyze reliability data, perform engineering studies, develop reliability assessments, and report on the reliability of the BPS.

- SERC will support the ERO Enterprise in the identification and mitigation of significant reliability risks that are known today, as well as the identification and assessment of emerging and accelerating risks.

- SERC will continue to support its role per the Eastern Interconnection Regional Entity Assessments and Model Building Agreement, developed within the Eastern Interconnection Reliability Assessment Group (ERAG).

- SERC will continue to support its integrated risk management initiatives to promote awareness and discuss strategies for risk mitigation.

- As a key part of assessing risk, SERC will evaluate generator winterization and freeze protection measures. This is an important element in determining overall reliability and preparedness for operating in extreme weather conditions.

2026 Goals and Key Deliverables

The 2026 goals and key deliverables for the RAPA program will support the following goals:

- Support NERC Reliability Assessments, Performance Analysis, and System Analysis programs;

- Support Regional analysis that contributes to NERC reliability analysis efforts, SERC reliability risk discussions, and performance analysis efforts;

- Submit timely and quality data, studies, and assessments to support SERC and NERC seasonal and long-term reliability assessments;

- Continue to support ongoing improvements to SERC and ERAG Eastern Interconnection planning model development, to produce assessments, and analyses that shine the light on significant risks to the BPS;

- Provide support to the SERC and NERC committees and initiatives related to reliability assessments, and performance analysis;

- Continue to support outreach efforts to promote reliability risk-related discussions;

- Utilize advanced probabilistic methods to perform resource adequacy studies and sensitivities to support the assessment of resource adequacy for the SERC Region.

- Continue Regional improvements of the probabilistic model, and focus on scenarios to study based on inputs from the Engineering Committee and subgroups, SERC's Board of Directors, and applicable government authorities;

- Perform energy assessments for the SERC Region and highlight the risk of energy deficiency by evaluating hourly resources and demand;

- Complete interregional transfer capability studies for the SERC Region, including recommendations that would strengthen the reliability of the rapidly evolving BPS;

- Complete annual FERC Form 715 submittals on behalf of SERC registered entities; and

- Continue NERC and Regional coordination to improve processes and information sharing.

The Statement of Activities for this program area is shown below. See Reliability Assessment and Performance Analysis Major Budget Drivers for an explanation of significant variances.

Reliability Assessment and Performance Analysis Statement of Activities

		2025 Budget	2026 Budget	Variance 2026 Budget v 2025 Budget Inc(Dec)
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital				
2025 Budget and 2026 Budget				
RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS				
Funding				
Statutory Funding				
SERC Assessments		$ 4,189,545	$ 4,505,576	$ 316,031
Penalties Released		356,185	303,089	(53,096)
Total Statutory Funding		$ 4,545,730	$ 4,808,665	$ 262,935
Membership Fees		$ -	$ -	$ -
Services & Software		-	-	-
Workshops & Miscellaneous		3,955	10,825	6,870
Interest		20,374	-	(20,374)
Total Funding (A)		$ 4,570,059	$ 4,819,490	$ 249,431
Expenses				
Personnel Expenses				
Salaries		$ 1,758,668	$ 1,988,696	$ 230,028
Payroll Taxes		105,524	119,326	13,802
Benefits		156,354	175,809	19,455
Retirement Costs		223,720	262,508	38,788
Total Personnel Expenses		$ 2,244,266	$ 2,546,339	$ 302,073
Meeting Expenses				
Meetings & Conference Calls		$ 25,000	$ 25,000	$ -
Travel		119,700	79,100	(40,600)
Total Meeting Expenses		$ 144,700	$ 104,100	$ (40,600)
Operating Expenses, excluding Depreciation				
Consultants & Contracts		$ 263,850	$ 125,000	$ (138,850)
Office Rent		-	-	-
Office Costs		127,000	134,000	7,000
Professional Services		-	-	-
Miscellaneous		-	-	-
Total Operating Expenses		$ 390,850	$ 259,000	$ (131,850)
Total Direct Expenses		$ 2,779,816	$ 2,909,439	$ 129,623
Indirect Expenses		$ 1,831,509	$ 1,957,751	$ 126,242
Other Non-Operating Expenses		$ -	$ -	$ -
Total Expenses (B)		$ 4,611,325	$ 4,867,190	$ 255,865
Change in Assets		$ (41,266)	$ (47,700)	$ (6,434)
Fixed Assets, excluding Right of Use Assets (C)		$ 19,175	$ 16,778	$ (2,397)
TOTAL BUDGET (B+C)		$ 4,630,500	$ 4,883,968	$ 253,468
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)		$ (60,441)	$ (64,478)	$ (4,037)
FTEs		9.30	9.30	-

Table 12: Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital for Reliability Assessment and Performance Analysis

Training, Education, and Stakeholder Outreach

Program Scope and Functional Description

The SERC Training, Education, and Stakeholder Outreach programs provide communication, education, and training necessary to obtain essential knowledge of BPS operations, reliability, and security. These programs collectively provide risk-based outreach options to stakeholders in the SERC Region and beyond. These options offer easy access to information, coaching, training, and educational opportunities through several formats, tools, and venues.

SERC Training, Education, and Stakeholder Outreach programs have annual scheduled events and targeted efforts focused on current and emerging risks to the reliability and security of the Region. Additionally, Training and Education programs support continuing education of NERC Certified System Operators, security and compliance professionals, trainers, and other critical subject matter experts, including accreditation and credentials support. These efforts are centralized and efficient through a "gold standard" learning portal that delivers easy access and reporting for users.

Stakeholder Outreach is a voluntary program that offers targeted information, coaching, assistance, and training to requesting registered entities, and is focused on internal controls, best practices, and risk mitigation.

The State and Regulatory Outreach program works with external stakeholders, including Federal, state, and local regulatory agencies, administrative bodies, and legislative policymakers, to effectuate and enhance the work of RAPA by ensuring effective communications, education opportunities, and timely dialogue on critical reliability and security matters. Outreach efforts focus on the timely production and distribution of high-quality analyses addressing reliability and security topics of interest and importance to decision-makers and policymakers throughout the SERC footprint.

2026 Key Assumptions

The 2026 key assumptions for the SERC Training, Education, and Stakeholder Outreach programs are as follows:

- SERC will support the ERO Enterprise 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.

- SERC will continue to partner with other industry experts to solve emerging challenges and support ERO Enterprise initiatives that expand risk-based, focused programs and committees. Achieving this goal will require structured training and outreach.

- SERC will expand training, education, and Stakeholder Outreach efforts to Inverter Based Resources being added to the SERC Region.

- SERC will expand accreditation and support for credential training for operating, security, and compliance personnel at SERC and in the Region, with a focus on enhancing skills that promote effective operation, reliability, and security of the BPS.

- SERC will educate utility personnel regarding changes to NERC Reliability Standards, ERO Enterprise procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with risk, reliability, security, and compliance.

- SERC will increase in-person workshops and remote (e-learning) training efforts that promote BPS reliability, security, and risk mitigation across its footprint.

- SERC will expand its centralized training and education capabilities and implement efficiencies through SERC University, our learning management system.

- SERC will upgrade its website to offer streamlined functionality and access to all of SERC Outreach and training products and services with adequate security controls.

- SERC will expand its outreach efforts to educate state regulators and policymakers on risks to the reliability and security of the bulk power system within SERC's footprint.

- Targeted and intentional outreach to state regulators will include in-person (and virtual) interactions with SERC-state regulatory agencies, including dedicated focus on the role of the ERO Enterprise and the value it brings to the bulk power system, as well as ways SERC and other Regions proactively assess and mitigate risks to the bulk power system. Information sharing and increased coordination with states is essential to better understanding opportunities and risks from state policy decisions, including resource adequacy, intermittent resources, and distribution-interconnected resources that may impact the bulk power system.

2026 Goals and Key Deliverables

The 2026 goals and key deliverables for the SERC Training, Education, and Stakeholder Outreach programs are as follows:

- Develop and deliver to internal and external stakeholders, timely and effective technical training and credential support that promotes the mission of SERC and the ERO Enterprise;

- Develop and deliver four accredited System Operator Conferences that promote BPS reliability by assuring the competence of real-time operating personnel through continuing education on power system operating topics.

- Develop and deliver 6 - 10 accredited Security Workshops that promote BPS security by assuring the competence of stakeholder security personnel and support industry credentials.

- Develop and deliver 2 – 4 accredited Reliability Workshops that promote BPS reliability and resilience by assuring the competence of stakeholder operational personnel and support industry credentials.

- Develop and deliver risk-based security and reliability seminars or webinars to BPS system operators, operating support personnel, compliance personnel, security personnel, and training personnel to raise awareness and provide training on identified and emerging reliability, security, and compliance threats.

- Develop and Deliver security, reliability, and standards focused training courses to support the integration of new Inverter Based Resources into the SERC Region.

- Provide guidance and expectations of new or revised Reliability Standards and related procedures and programs, as well as changes in observed performance. Provide targeted outreach that communicates, trains, and supports mitigation of current and emerging threats to the BPS.

- Enhance the efficiency and effectiveness of SERC learning management systems and credential support programs to expand accreditation and credentials support capabilities and expand outreach and training capabilities to support the influx of inverter-based resources and other Registered entities training needs.

- Maintain and continue to cultivate effective relationships and lead interactions with the ERO Enterprise; federal and state regulators; policy and decision makers; federal, state,

Public

and local government agencies and administrative bodies; national labs and educational institutions; and the broader reliability and security community; and

- Enhance strategic engagement with states by building relationships with policymakers and regulators in each of the 16 states in the SERC footprint to educate on what SERC does in the areas of reliability and security, NERC and Regional assessments, and reports.

The Statement of Activities for this program area is shown below. See Training, Education, and Stakeholder Outreach Program Major Budget Drivers for explanation of significant variances.

Training, Education, and Stakeholder Outreach Statement of Activities

	2025 Budget	2026 Budget	Variance 2026 Budget v 2025 Budget Inc(Dec)
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2025 Budget and 2026 Budget			
TRAINING AND OUTREACH			
Funding			
Statutory Funding			
SERC Assessments	$ 5,612,091	$ 5,672,469	$ 60,378
Penalties Released	528,533	417,155	(111,378)
Total Statutory Funding	$ 6,140,624	$ 6,089,624	$ (51,000)
Membership Fees	$ -	$ -	$ -
Services & Software	-	-	-
Workshops & Miscellaneous	172,868	200,758	27,890
Interest	30,232	-	(30,232)
Total Funding (A)	$ 6,343,724	$ 6,290,382	$ (53,342)
Expenses			
Personnel Expenses			
Salaries	$ 2,437,003	$ 2,358,239	$ (78,764)
Payroll Taxes	146,224	153,473	7,249
Benefits	258,210	293,813	35,603
Retirement Costs	310,034	337,632	27,598
Total Personnel Expenses	$ 3,151,471	$ 3,143,157	$ (8,314)
Meeting Expenses			
Meetings & Conference Calls	$ 138,400	$ 192,000	$ 53,600
Travel	157,995	185,015	27,020
Total Meeting Expenses	$ 296,395	$ 377,015	$ 80,620
Operating Expenses, excluding Depreciation			
Consultants & Contracts	$ -	$ 100,000	$ 100,000
Office Rent	-	-	-
Office Costs	33,580	36,736	3,156
Professional Services	-	-	-
Miscellaneous	-	-	-
Total Operating Expenses	$ 33,580	$ 136,736	$ 103,156
Total Direct Expenses	$ 3,481,446	$ 3,656,908	$ 175,462
Indirect Expenses	$ 2,717,723	$ 2,694,539	$ (23,184)
Other Non-Operating Expenses	$ -	$ -	$ -
Total Expenses (B)	$ 6,199,169	$ 6,351,447	$ 152,278
Change in Assets	$ 144,555	$ (61,065)	$ (205,620)
Fixed Assets, excluding Right of Use Assets (C)	$ 228,454	$ 23,093	$ (205,361)
TOTAL BUDGET (B+C)	$ 6,427,623	$ 6,374,540	$ (53,083)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$ (83,899)	$ (84,158)	$ (259)
FTEs	13.80	12.80	(1.00)

Table 13: Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital for Training, Education, and Stakeholder Outreach

Situational Awareness and Infrastructure Security Program

Program Scope and Functional Description

The SERC Situational Awareness and Infrastructure Security (SAIS) program identifies and analyzes events and conditions that present risk to the BPS. This is accomplished by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. SERC analyzes significant BPS events and develops lessons learned to educate stakeholders on risks and vulnerabilities that could recur elsewhere within the BPS.

2026 Key Assumptions

The 2026 key assumptions for the SERC SAIS program are as follows:

- SERC will support the ERO Enterprise in the identification and mitigation of significant reliability risks, as well as the identification and assessment of conditions that indicate emerging risks.

- SERC will continue to work with NERC's Electricity Information Sharing and Analysis Center (E-ISAC) and SERC registered entities to identify opportunities for improving information sharing on cyber and physical security related events, threats, and vulnerabilities to improve reliability within the BPS.

- SERC will continue to support and enhance outreach efforts that communicate risk-based insights, lessons learned, best practices, and recommendations from events that occur on the BPS.

- SERC will continue to review, track, and trend reliability events to support the ERO Enterprise's goal of fewer, less severe events in the SERC Region.

- SERC will share risk-based mitigating measures and other BPS improvements with SERC entities and the ERO Enterprise to improve reliability on the BPS.

- SERC will continue to work with other Regional SAIS groups to identify conditions or best practices that improve reliability within the BPS.

2026 Goals and Key Deliverables

The 2026 goals and key deliverables for the SERC SAIS program are as follows:

- Continue to increase the utilization of data collection tools and data analysis to provide oversight of the BPS to gain knowledge and improve situation awareness and events analysis of the BPS in the SERC Region;

- Evaluate events information to identify risk trends and benchmarking efforts;

- Increase outreach efforts to communicate ongoing situation awareness of risk to the BPS in the SERC Region, with emphasis on events that have historically impacted the SERC footprint (extreme weather, security threats, emergency incident response triggers, historical trends);

- Collaborate with stakeholders and NERC to develop NERC Lessons Learned publications that support outreach efforts and encourage stakeholder participation in the Events Analysis Program;

- Facilitate and support post-event analysis in collaboration and coordination with NERC and applicable governmental agencies;

- Identify and prioritize risks based on reliability impacts, assessments, projected resources, and emerging issues; and

- Monitor and evaluate cyber and physical related threats, events, and vulnerabilities for information sharing with internal and external stakeholders.

The Statement of Activities for this program area is shown below.

Situational Awareness and Infrastructure Security Statement of Activities

		Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2025 Budget and 2026 Budget			
		SITUATION AWARENESS AND INFRASTRUCTURE SECURITY			
		2025 Budget	2026 Budget	Variance 2026 Budget v 2025 Budget Inc(Dec)	
Funding					
Statutory Funding					
SERC Assessments	$	1,206,794	$ 1,337,081	$	130,287
Penalties Released		114,898	97,771		(17,127)
Total Statutory Funding	$	1,321,692	$ 1,434,852	$	113,160
Membership Fees	$	-	$ -	$	-
Services & Software		-	-		-
Workshops & Miscellaneous		1,276	1,314		38
Interest		6,572	-		(6,572)
Total Funding (A)	$	1,329,540	$ 1,436,166	$	106,626
Expenses					
Personnel Expenses					
Salaries	$	569,350	$ 625,549	$	56,199
Payroll Taxes		34,161	37,533		3,372
Benefits		52,437	58,003		5,566
Retirement Costs		72,402	82,572		10,170
Total Personnel Expenses	$	728,350	$ 803,657	$	75,307
Meeting Expenses					
Meetings & Conference Calls	$	-	$ -	$	-
Travel		20,700	13,700		(7,000)
Total Meeting Expenses	$	20,700	$ 13,700	$	(7,000)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	$	-	$ -	$	-
Office Rent		-	-		-
Office Costs		1,079	1,079		-
Professional Services		-	-		-
Miscellaneous		-	-		-
Total Operating Expenses	$	1,079	$ 1,079	$	-
Total Direct Expenses	$	750,129	$ 818,436	$	68,307
Indirect Expenses	$	590,809	$ 631,532	$	40,723
Other Non-Operating Expenses	$	-	$ -	$	-
Total Expenses (B)	$	1,340,938	$ 1,449,968	$	109,030
Change in Assets	$	(11,398)	$ (13,802)	$	(2,404)
Fixed Assets, excluding Right of Use Assets (C)	$	6,186	$ 5,412	$	(774)
TOTAL BUDGET (B+C)	$	1,347,124	$ 1,455,380	$	108,256
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$	(17,584)	$ (19,214)	$	(1,630)
FTEs		3.00	3.00		-

Table 14: Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital for Situational Awareness and Infrastructure Security

Corporate Services

Program Scope and Functional Description

SERC's Corporate Services program includes the budget for all business and administrative functions of the organization:

- Technical Committees and Member Forums

- General and Administrative

- Legal and Regulatory

- Information Technology (IT), Security and Analytics

- Human Resources

- Finance and Accounting

Methodology for Allocation of Corporate Services Expenses to Programs

Expenses related to indirect programs are allocated proportionally to the direct programs for 2026 based on the number of FTEs in those programs.

Where applicable, Operating Expenses are accounted for within the related department's budget. If an expense cannot be attributed to a specific department, it is included in one of the Corporate Services programs. All expenses for the Corporate Services program, referred to as indirect expenses, are allocated proportionately based on FTE count to the direct programs. This allocation provides an improved financial perspective for the direct program areas.

Technical Committees and Member Forums

Program Scope and Functional Description

The Technical Committees and Member Forums programs provide a vehicle by which SERC engages reliability expertise within the Region through the active participation of industry volunteers. The forum structure provides a platform for stakeholders to collectively reduce risks associated with planning, operations, and critical infrastructure protection.

The success of SERC's Technical Committees and Member Forums depends on the active and direct participation of its members to collectively solve technical challenges facing the grid. The forums are also a source of expertise in the industry to identify, prioritize and mitigate current and emerging risk to the BPS.

2026 Key Assumptions

The 2026 key assumptions for the SERC Technical Committees and Member Forums programs are as follows:

- SERC will continue its Technical Committee and subgroup structure for effective stakeholder involvement in 2026.

- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.

- SERC's Reliability Risk Working Group (RRWG) will continue to identify and educate SERC staff and Regional members about the reliability risks to the BPS in the SERC Region from engineering, operations, and physical and cyber security perspectives.

- SERC will continue to partner with its members as volunteer technical resources to support the Region's mission and initiatives. As needs change, SERC will assess committee structure to continue to meet the needs of our members.

- SERC Technical Committees and Member Forums programs will manage committee work according to the *Organization and Procedures Manual for SERC Technical Committees.*

2026 Goals and Key Deliverables

The 2026 goals and key deliverables for the SERC Technical Committees and Member Forums programs are as follows:

- Convene regular meetings of the standing committees and their subordinate groups, as necessary;

- Communicate to the Board and SERC staff on issues pertaining to operation, planning, and engineering of the BPS, and the advancement of the physical and cyber security of the BPS;

- Provide a forum for representatives to share experience and discuss issues of operations, planning and engineering, and physical and cyber security;

- Perform special projects at the request of the Board;

- Review the measurement of performance relative to Reliability Standards and performance measures (e.g., GADS, TADS, Mis-operations, etc.) to determine the risk level within the SERC Region;

- Review activities within the SERC Region that affect reliability and adequacy, as necessary, to meet Reliability Standards and other reliability initiatives;

- Perform technical functions through the assignment of specific tasks to subordinate groups to address current and emerging risks;

- Coordinate the content for System Operator Conferences for SERC members through the SERC System Operator Working Group (SOWG);

- Provide key inputs from the SERC RRWG for the CMEP Implementation Plan;

- Coordinate the Generator Working Group (GWG) and engage SERC members to develop best practices for issues related to generation; and

- Support development of SERC and NERC seasonal and long-term reliability assessments.

General and Administrative

Program Scope and Functional Description

The SERC General and Administrative function provides executive management and oversight of the corporation. Responsibilities include interacting with the Board and performing the Corporate Treasurer function. Responsibilities also include strategic planning, project management, enterprise risk management, continuous improvement, and program readiness (an internal audit function).

The department ensures execution of the SERC strategic priorities and the day-to-day management of the corporation.

2026 Key Assumptions

The 2026 key assumptions for the SERC General and Administrative function are as follows:

- SERC will emphasize effective execution, efficiency, and transparency with a strong culture of continuous improvement and program readiness.

- SERC will facilitate reliability-enhancing activities.

- SERC will engage with its Board of Directors to solicit input for the strategic direction of the organization.

- SERC will hold itself accountable for the execution of deliverables captured through a multi-year Operating Plan and a portfolio of high-level projects managed through a Project Management Organization.

The General and Administrative Program incorporates the Regional-specific strategic and operating objectives set forth in the ERO Enterprise Long Term Strategy and the ERO Enterprise Operating Plan. ERO Enterprise strategic and operational objectives are considered in the development and maintenance of the SERC Strategic Plan on an annual basis.

2026 Goals and Key Deliverables

The SERC General and Administrative function will support the following goals:

- Continue high-quality performance of delegated functions while maintaining an appropriate resource requirement;

- Maintain a robust set of Key Performance Indicators and department-specific operational metrics to manage the health of SERC programs and promote continuous improvement;

- Identify Corporate Strategic Initiatives that advance the strategic focus of the SERC Organization and position the company for success through multi-dimensional and impactful projects;

- Identify value propositions for strategic activities, and communicate these to SERC Stakeholders and SERC Staff; and

- Manage interface with NERC enterprise-wide internal audit initiatives.

Legal and Regulatory

Program Scope and Functional Description

SERC maintains in-house legal staff and hires outside legal consultants, as needed. These legal resources provide the following services:

- Provide legal advice to the Chief Executive Office, Board, and staff on legal and regulatory matters that affect SERC and the Electric Reliability Organization;

- Reconcile and determine SERC's legal position on all legal matters;

- Draft and review items filed with governmental agencies for legal sufficiency;

- Support SERC's corporate governance function, including facilitating implementation of governance changes to transition the Board into a more strategic oversight body and providing input on matters for the Board's consideration;

- Review contracts and corporate documents;

- Ensure continuing recognition of SERC as a Regional Entity;

- Negotiate and author necessary changes to SERC's governing documents, including the SERC 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;

- Review legal documents, including Notices of Penalty and settlement agreements, required to be filed with FERC. Provide legal support for contested enforcement actions and other assistance;

- Provide legal counsel during compliance and enforcement proceedings and support the approval process of enforcement filings before FERC;

- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders;

- Assist in the development of and ensure proper administration of SERC corporate policies and procedures; and

- Manage relationships with SERC's outside counsel.

2026 Key Assumptions

The 2026 key assumptions for the SERC Legal and Regulatory function are as follows:

- SERC will continue to support SERC's governance structure by supporting the Board and Board committees, facilitating the selection of stakeholder and independent directors, and drafting and obtaining approval of any necessary modifications to Bylaws and other corresponding governance changes.

- SERC will continue to support the processing of enforcement actions through the development of settlement agreements and Notices of Penalty, leading settlement negotiations with the registered entities, discussing resolutions with NERC, and obtaining approvals from FERC.

- SERC will proactively engage with NERC and FERC to help ensure SERC's continued recognition as a Regional Entity.

2026 Goals and Key Deliverables

The 2026 goals and key deliverables for the SERC Legal and Regulatory function are as follows:

- Work with Enforcement to support processing enforcement actions, including the documentation of settlement agreements and Notices of Penalty, through the filing process at FERC;

- Support SERC's corporate governance needs;

- Support SERC's corporate legal needs; and

- Work with NERC and other Regions on obtaining renewal of SERC's Regional Delegation Agreement with NERC.

Information Technology, Security, and Analytics and Data Management

Program Scope and Functional Description

SERC's Information Technology (IT), Security, and Analytics and Data Management departments are implementing and monitoring maturity model frameworks to increase the effectiveness and efficiency of SERC's security, technology, and data management. Increased maturity in these areas will provide security and risk mitigation, increase technology innovation, support data collection and accuracy, and improve data-driven decisions and insights across SERC. The IT, Security, and Analytics and Data Management programs include the following functions:

- IT Operations

- Analytics and Data Management

- Security Operations

The Information Technology (IT) strategy includes providing users with cost-effective information technology tools and proactively delivers technologies that assist SERC departments in meeting their goals, objectives, and deliverables. The IT department minimizes the outsourcing of critical services including designing and maintaining SERC's network infrastructure as well as identifying risks in technical contracts by collaborating with Legal and Security. The department provides the necessary technical services in the following categories to ensure efficient and effective performance of all corporate functions:

- Infrastructure Maintenance (Data Center Management - Local/Remote)

- Hosting of Public and Multiple Secure Portal Websites

- Voice, Web, and Video Conferencing

- Vulnerability Management

- Mobile Device Management

- Wireless Network Management

- Audio/Video Management

- Document Management

- Email Management

- Help Desk Support

- Telecommuter Support

- Application Support and Development

- Data Warehousing Management

- Database Administration

- Cloud Tenant Management

The IT function offers computer and network services, including design and maintenance for the SERC computer and network infrastructure, as well as project and vendor management for all current and future technology-related contracts. The IT program executes and maintains the following functions:

- Improve Technology Service Delivery through implementing Information Technology Infrastructure Library's (ITIL) Information Technology Service Management (ITSM) Framework;

- Ensure protection, integrity, and availability of SERC systems, services, and data owned by SERC or provided by registered entities;

- Provide onsite and remote end user support and services to conduct SERC business;

- Provide SERC users with Align and the Secure Evidence Locker support;

- Provide project management and deployment of technical solutions;

- Provide Meeting and Audio-Visual Support; and

- Partner with SERC to build community, trust, and add value in support of the mission and vision.

The Analytics and Data Management department leverages data and information as a strategic asset critical to SERC's continued success, providing internal and external stakeholders access to high quality data that supports meaningful analysis of risk within the SERC Region and the ERO Enterprise. Analytics executes the following functions:

- Management of quality data that is usable, accurate, complete, and maintained throughout its lifecycle;

- Evaluation of data to determine risks;

- Analysis, visualization and reporting of data and results;

- Integration of machine learning techniques and AI to enhance data analysis capabilities;

- Provide expertise in AI risk and risk mitigation strategies to support SERC, the ERO Enterprise, and SERC Stakeholders;

- Promote strong data governance and data management activities across the ERO Enterprise;

- Development, maintenance, and provision to SERC Staff data literacy, classification, and handling training; and

- Calculation of key performance indicators and operations metrics for SERC.

SERC's Security Operations will continue to implement and manage cost effective controls that enhance the company's security posture and minimize risk. The department provides the necessary services that ensure efficient and effective controls are in place to protect the confidentiality, integrity, and availability of SERC's IT infrastructure, business critical assets, and data. This is done by collaborating with IT and executing the following functions:

- Access Control and Identity Management;

- Business Impact Analysis;

- Business Continuity and Disaster Recovery;

- Incident Response Planning;

- Information Security Protection and Monitoring;

- Risk Management Analysis;

- Security Assessments;

- Security Awareness and Training;

- Supply Chain Management;

- Monitoring, evaluating, and reporting control deficiencies and recommendations on a periodic basis; and

- Partnering with ERO Information Technology Security Group (ITSG) on implementing common security solutions and governance frameworks.

SERC supports the ERO Enterprise's efforts to implement, operate, and maintain software tools supporting common enterprise-wide IT operations. SERC is committed to working collaboratively with NERC and the other Regions 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.

SERC supports the NERC Project Management Office (PMO) in its efforts to provide technology tools across the ERO Enterprise. SERC's budget assumes the availability of new and existing technology tools from the PMO and other sources. If the required technology tools are not available as planned, SERC could incur additional costs to ensure fulfillment of its core responsibilities.

NERC's BP&B will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity-approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved BP&B.

2026 Key Assumptions

The 2026 key assumptions for the Information Technology, Security, and Analytics, programs are as follows:

- SERC will continue to evaluate and consider shared ERO services and partnerships.

- SERC will continue to purchase and maintain a hardware and software lifecycle necessary to conduct business.

- SERC will continue utilizing secure third-party hosting centers.

- SERC will continue to support the ERO's Cybersecurity Strategy objectives and initiatives.

- SERC will continue to assess, enhance, and strengthen SERC's security posture.

2026 Goals and Key Deliverables

The 2026 goals and deliverables for the Information Technology, Security, and Analytics, programs are as follows:

- Improve the capabilities of SERC's Business Intelligence Center (BIC) to incorporate machine learning and AI capabilities;

- Maintain and improve the capabilities of SERC's member portal for contact/entity administration, data collection, and technical committee management.

- Support the improvement of the Align application tool and Secure Evidence Locker (SEL);

- Maintain modern Information Technology infrastructure per lifecycle management;

- Maintain and mature Information Technology and Security National Institute of Standards and Technology (NIST) Cybersecurity framework and strategy;

- Maintain maturity of the SERC Data Management framework;

- Improve cyber and physical security controls to defend against emerging threats;

- Guide and implement new ERO-sponsored Security and Information Technology collaboration efforts; and

- Create secure capabilities to share data, analytical tools, and products with external audiences.

Human Resources

Program Scope and Functional Description

The SERC Human Resources function provides the organization with structure and the ability to meet business needs through managing our most valuable resources—our employees. The Human Resources department is responsible for a variety of essential functions:

- Strategic resource and succession planning across all areas of the organization;

- Recruitment and retention of highly skilled talent, employee relations, performance management, training and professional development, and employee engagement;

- Compliance with state and federal employment laws to minimize organizational liability;

- Analysis and administration of competitive compensation and total rewards programs; and

- Administration of payroll, employee benefits, and Human Resource Information Systems.

2026 Key Assumptions

The 2026 key assumptions for the Human Resources function are as follows:

- SERC will continue to provide competitive compensation and benefits packages.

- SERC will ensure that subject matter experts attain and maintain elevated professional credentials to remain a leader in the industry.

- SERC will provide an annual merit salary increase. The salary expense budget for all program areas reflects this assumption.

2026 Goals and Key Deliverables

The 2026 goals and key deliverables for the Human Resources department are as follows:

- Lead efforts to minimize turnover and ensure SERC is a highly desirable place to work, due to our culture and the importance of our work;

- Promote employee engagement and empowerment;

- Attract, develop, and retain highly skilled and engaged staff;

- Refresh compensation and benefit studies to ensure organization and industry competitiveness;

- Create growth, training, and development, and recognition opportunities for staff; Partner with Training and Outreach and Analytics to research reporting capabilities around staff training and support celebrating professional development achievements.

- Ensure succession planning remains current and relevant; and

- Pilot an internship and/or co-op program to increase interest and awareness of SERC and the ERO Enterprise as a career option, create a pipeline for future talent, continue to build relationships with colleges and universities.

Finance and Accounting

Program Scope and Functional Description

The SERC Finance and Accounting department plays a pivotal role in providing essential financial services to SERC, encompassing accounting, analytical, and treasury functions. Key responsibilities include:

- Development of BP&B: The department leads the development of SERC's BP&B and conducts ongoing financial analysis to monitor expenditures and forecasts, ensuring alignment with organizational objectives and financial sustainability.

- Prepare monthly, quarterly, and annual financial statements;

- Review and refine accounting policies, regular review and refinement of accounting policies, procedures, and internal fiscal controls are conducted to adapt to the evolving business environment and maintain financial integrity;

- Coordinate with external auditors to ensure timely completion of the annual audit;

- Prepare and file required federal and state tax returns;

- Maintain banking relationships and manage cash flow and investments;

- Support the ERO's funding process by annually collecting NEL data as mandated by FERC;

- Work with the ERO Finance Working Group to provide consistent reporting throughout NERC and the Regions; and

- Manage accounts payable, accounts receivable, and fixed assets.

2026 Key Assumptions

The 2026 key assumptions for the Finance and Accounting function are as follows:

- Current accounting systems and controls are effective.

- There are no major changes in applicable accounting regulations.

2026 Goals and Key Deliverables

The 2026 goals and key deliverables for the SERC Finance and Accounting department are as follows:

- Allocate financial resources in a manner that best promotes the security and reduction of risk to the BPS;

- Identify and prioritize opportunities, and create efficiency through new processes, procedures, and technology;

- Provide timely, relevant, and accurate reporting and financial analysis to SERC management, the FAC, and the Board; and

- Ensure SERC has effective financial controls and exercises fiscal prudence.

The Statement of Activities for the Corporate Services program area is shown below.

Corporate Services Program Statement of Activities

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2025 Budget and 2026 Budget		
CORPORATE SERVICES		
	2025 Budget	2026 Budget	Variance 2026 Budget v 2025 Budget Inc(Dec)
Funding			
Statutory Funding			
SERC Assessments	$ -	$ -	$ -
Penalties Released	-	-	-
Total Statutory Funding	$ -	$ -	$ -
Membership Fees	$ -	$ -	$ -
Services & Software	-	-	-
Workshops & Miscellaneous	-	-	-
Interest	-	170,000	170,000
Total Funding (A)	$ -	$ 170,000	$ 170,000
Expenses			
Personnel Expenses			
Salaries	$ 7,857,897	$ 8,455,415	$ 597,518
Payroll Taxes	468,505	505,495	36,990
Benefits	1,028,386	1,056,124	27,738
Retirement Costs	1,025,643	1,148,235	122,592
Total Personnel Expenses	$ 10,380,431	$ 11,165,269	$ 784,838
Meeting Expenses			
Meetings & Conference Calls	$ 271,440	$ 319,640	$ 48,200
Travel	278,600	274,350	(4,250)
Total Meeting Expenses	$ 550,040	$ 593,990	$ 43,950
Operating Expenses, excluding Depreciation			
Consultants & Contracts	$ 906,250	$ 1,092,000	$ 185,750
Office Rent	1,344,800	1,290,000	(54,800)
Office Costs	1,519,221	1,567,856	48,635
Professional Services	581,525	626,525	45,000
Miscellaneous	-	-	-
Total Operating Expenses	$ 4,351,796	$ 4,576,381	$ 224,585
Total Direct Expenses	$ 15,282,267	$ 16,335,640	$ 1,053,373
Indirect Expenses	$ (15,282,267)	$ (16,335,640)	$ (1,053,373)
Other Non-Operating Expenses	$ -	$ -	$ -
Total Expenses (B)	$ -	$ -	$ -
Change in Assets	$ -	$ 170,000	$ 170,000
Fixed Assets, excluding Right of Use Assets (C)	$ -	$ -	$ -
TOTAL BUDGET (B+C)	$ -	$ -	$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	$ -	$ 170,000	$ 170,000
FTEs	37.40	37.40	-

Table 15: Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital for Corporate Services

Office Rent

Office Rent	Budget 2025	Budget 2026	Variance 2025 Budget v 2026 Budget	Variance %
Office Rent	$ 1,344,800	$ 1,290,000	$ (54,800)	(4.1%)
Utilities	-	-	-	0.0%
Maintenance	-	-	-	0.0%
Total Office Rent	**$ 1,344,800**	**$ 1,290,000**	**$ (54,800)**	**(4.1%)**

Table 16: Office Rent

Explanation of Significant Variances – 2026 Budget versus 2025 Budget

SERC will realize a decrease in rent expense associated with dual rent expense for a portion of 2025 as a new office lease took effect and operations move to a new corporate location.

Section E   Non-Statutory Activities

2026 Business Plan and Budget
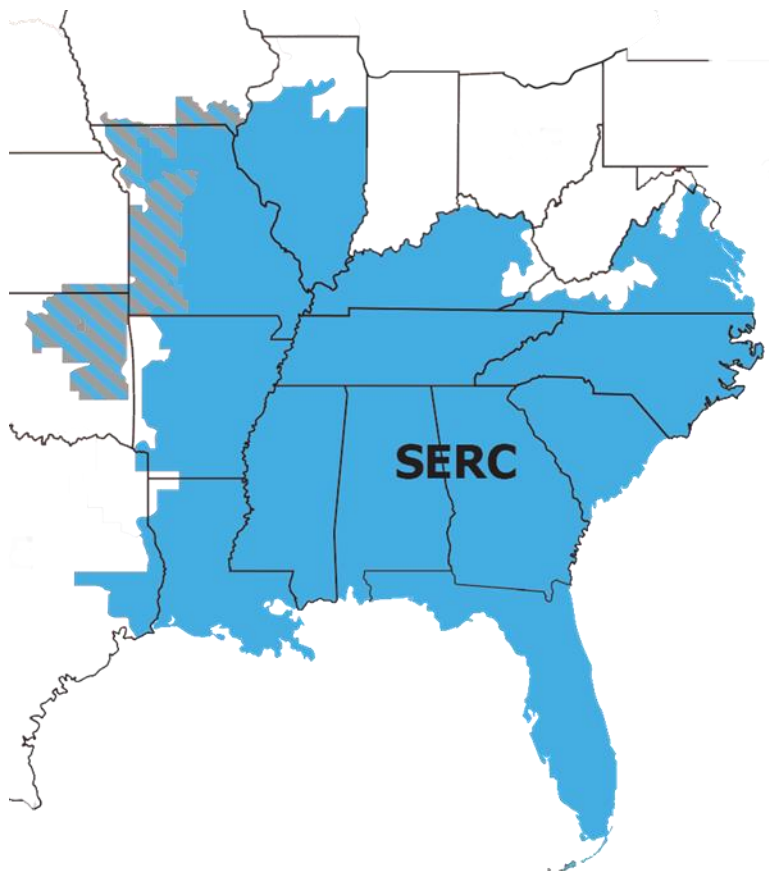
Non-Statutory Activities

2026 Non-Statutory Business Plan and Budget

At present, SERC does <u>not</u> provide any non-statutory functions; therefore, Section E is not applicable at this time. However, SERC may in the future consider providing non-statutory functions from time to time, as appropriate and as permitted by its Board and applicable statutes and regulations.

Appendix A: Organization Chart

The SERC Organization chart shown here compares 2025 and 2026 SERC personnel counts.

2025 FTE: 115.00
2026 FTE: 115.00

■ Statutory Program Area
■ Corporate Services Program Area
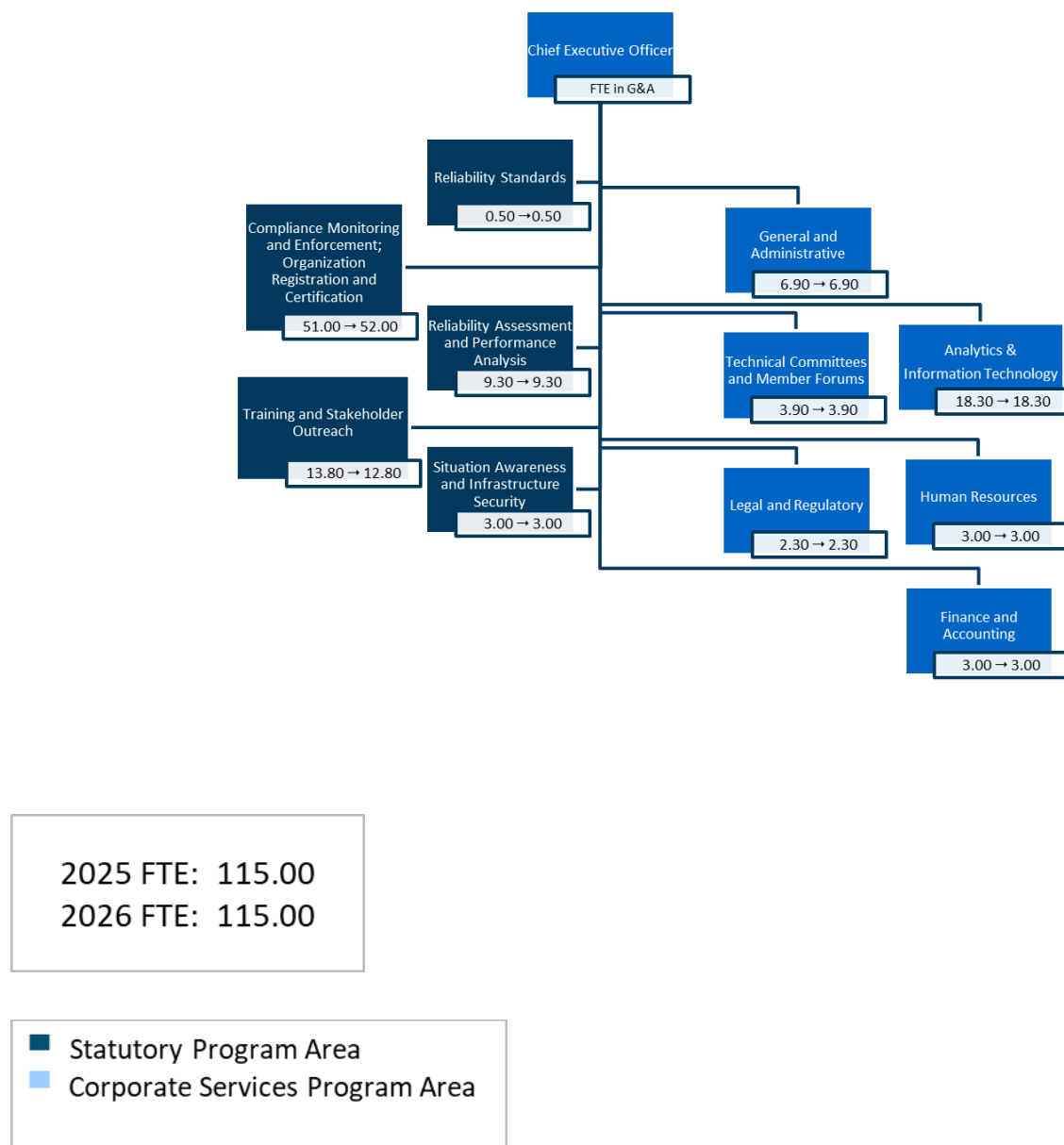
Figure 1: SERC Organization Chart

Appendix B: Index of Figures and Tables

List of Figures

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