



TEXAS RE

Ensuring electric reliability for Texans



2026 Business Plan and Budget

Approved by Texas RE Board of Directors: Month XX, 20XX

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Introduction

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC) effective January 1, 2021. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the Public Utility Commission of Texas (PUCT) and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 90 percent of Texas load and 75 percent of the Texas land area.

Membership and Governance

Texas RE has the following six membership sectors under its Bylaws:

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS that registers with Texas RE as a member and complies with the Texas RE Bylaws (Bylaws) requirements. There is no charge for membership with Texas RE. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has one stakeholder committee, the Member Representatives Committee (MRC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Texas RE Board (Board) on administrative, financial, reliability-related, or any other matters, through its elected Chair and Vice Chair, who also serve as Affiliated Directors on Texas RE's Board. In addition, the MRC facilitates the Regional Standards development process and coordinates the development of Regional Standards and variances with the development of continent-wide standards. A subcommittee of the MRC—the NERC Standards Review Forum (NSRF)—monitors, reviews, and discusses NERC (continent-wide) Reliability Standards under development and Reliability Standards interpretation requests.

Board of Directors

Texas RE is governed by a hybrid Board of Directors (Board), comprised of the following nine individuals:

- The Texas RE President and Chief Executive Officer (CEO)

- Four Independent Directors (elected by membership)
- Two Affiliated Directors (the Chair and Vice Chair of the MRC)
- Chairman of the PUCT (or another PUCT Commissioner designated by the Chairman) as an *ex officio* non-voting member
- Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an *ex officio* non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and appointing a CEO to manage and be responsible for the day-to-day on-going activities of Texas RE.

Statutory Functional Scope

In accordance with its Delegation Agreement with NERC and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory (or delegated) functions:

- Participation in the development of NERC Reliability Standards, or modifications thereof, and facilitation of developing needed Regional Standards or variances through Texas RE's Standards Development Process.
- Identification and registration of Responsible Entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcement of compliance with approved NERC Reliability Standards and Regional Standards, in accordance with the NERC ROP, in the ERCOT region.
- Analysis and assessment of system events and disturbances.
- Assessment of the present and future reliability, adequacy, and security of the BPS.
- Promote effective training and educate personnel.
- Promote situation awareness and the protection of critical infrastructure.

Funding

Texas RE's annual Business Plan and Budget (BP&B) is subject to review and approval by NERC and FERC. Once approved, Texas RE's annual funding is provided primarily through NERC by assessments to load-serving entities within the ERCOT region. These assessments are allocated on a net energy-for-load (NEL) basis. Total NEL for 2024 is 461,549,959 megawatt hours.

The ERO Enterprise

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.



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.

ERO Enterprise Long-Term Strategy

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 and continually come together to ensure alignment with the long-term strategy and harmonization 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 measurements.

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.



Overview of Funding and Budget Requirements

In developing the Texas RE 2026 Business Plan and Budget, Texas RE reflects the collaborative development of the ERO Enterprise Long-Term Strategy. Texas RE also seeks input from its MRC and posts the budget online for comment. Prior to obtaining final approval from its Board, Texas RE seeks NERC input and a review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

Texas RE proposes to increase total expenses in 2026 from \$20,244,882 to \$21,523,423, an increase of \$1,278,542 or 6.3%.

Texas RE's proposed 2026 assessment of \$19,818,823 represents an increase of 2.9 percent, or \$557,404 from the 2025 assessment. Texas RE is releasing \$429,600 of penalty reserves and \$1,125,000 of assessment stabilization reserves to offset assessments. More information is included in the [Reserve Analysis](#) table.

Major Drivers/Key Assumptions

- **Personnel** – Expense increase in the amount of \$1,114,546 (7.0 percent).
 - Addition of three full-time employees (FTEs) and a budgeted 4 percent merit and market adjustment pool. One additional FTE for a CIP Auditor in Compliance is required to address growth in the number and type of registered entities, new standards and requirements, and increasing expectations for new entity outreach and engagements. Two FTEs, one General Attorney and one Human Resources Administrative Support position, are needed in Corporate Services to implement the ERO Long Term Strategic Plan's Focus on Agility and Sustainability. Staffing changes are discussed in more detail in "Major Budget Drivers – Program Area Budgets" below and in subsequent program area sections.
 - Projected 10 percent increase over current actual rates for medical insurance premiums.
- **Operating Expenses** – Expense increase in the amount of \$215,802 (5.8 percent).
 - Contracts and Consultants – Increase is related to software consulting expenses needed to meet ERO needs for an enhanced reliability assessment process that provides a systematic evaluation of resources' ability to deliver energy and meet demand across a range of assessment periods and scenarios.
 - Professional Services – Increase is related to higher cost of insurance and market adjustments for other existing professional services such as Board of Director fees.

**Statement of Activities and Fixed Asset Additions
2025 and 2026 Budgets**

STATUTORY

	2025	2026	Variance	
	Budget	Budget	25 v 26 Budget	Variance
			Budget	Percent
Funding				
ERO Funding				
NERC Assessments	\$ 19,261,419	\$ 19,818,823	\$ 557,404	2.9%
Penalties Released*	338,463	429,600	91,137	26.9%
Total NERC Funding	\$ 19,599,882	\$ 20,248,423	\$ 648,541	3.3%
Interest	125,000	225,000	100,000	80.0%
Total Funding (A)	\$ 19,724,882	\$ 20,473,423	\$ 748,541	3.8%
Personnel Expenses				
Personnel Expenses				
Salaries	\$ 11,591,928	\$ 12,351,262	\$ 759,334	6.6%
Payroll Taxes	777,855	837,104	59,249	7.6%
Benefits	1,969,451	2,163,395	193,944	9.8%
Retirement Costs	1,643,152	1,745,171	102,019	6.2%
Total Personnel Expenses	\$ 15,982,386	\$ 17,096,932	\$ 1,114,546	7.0%
Meeting & Travel Expenses				
Meetings	\$ 120,900	\$ 142,400	\$ 21,500	17.8%
Travel	403,579	330,273	(73,306)	-18.2%
Total Meeting & Travel Expenses	\$ 524,479	\$ 472,673	\$ (51,806)	-9.9%
Operating Expenses, Excl. Depreciation				
Consultants & Contracts	\$ 437,500	\$ 497,500	\$ 60,000	13.7%
Office Rent	1,751,692	1,803,978	52,287	3.0%
Office Costs	811,325	842,400	31,075	3.8%
Professional Services	737,500	809,940	72,440	9.8%
Total Operating Expenses	\$ 3,738,017	\$ 3,953,818	\$ 215,802	5.8%
Total Direct Expenses	\$ 20,244,882	\$ 21,523,423	\$ 1,278,542	6.3%
Indirect Expenses	\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 20,244,882	\$ 21,523,423	\$ 1,278,542	6.3%
Change in Net Assets (A - B)	\$ (520,000)	\$ (1,050,000)	\$ (530,000)	101.9%
Fixed Assets, Excl. Right of Use Assets (C)	\$ 50,000	\$ 75,000	25,000	50.0%
TOTAL BUDGET (B + C)	\$ 20,294,882	\$ 21,598,423	\$ 1,303,542	6.4%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (570,000)	\$ (1,125,000)	\$ -	
FTEs	72.0	75.0	3.0	

*Penalties released in the current year reflect the designated amount of funds released to offset assessments. Actual penalties invoiced in the current year are reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Major Budget Drivers - Program Area Budgets

Base Operating Budget	2025 Budget	2026 Budget	Variance 2025 v 2026 Budget	Variance Percent
Reliability Standards	\$ 455,755	\$ 479,350	\$ 23,595	5.2%
Compliance Enforcement and Organization Registration	15,390,893	16,419,177	1,028,284	6.7%
Reliability Assessments and Performance Analysis	3,601,485	3,352,399	(249,086)	-6.9%
Training and Education	846,749	1,347,497	500,748	59.1%
Total by Program	\$ 20,294,882	\$ 21,598,423	\$ 1,303,541	6.4%

Reliability Standards

- The number of FTEs and operating costs are consistent with the 2025 Budget.

Compliance Monitoring and Enforcement (CMEP)

- Personnel** – FTEs in CMEP will be increased by one CIP Auditor to address the need for increased compliance oversight engagements fueled by growth in the number and type of registered entities. New standards or requirements in areas such as communication between control centers and vendor electronic remote access for assets containing low impact Bulk Electric System (BES) cyber systems also increase the workload, as will increasing expectations by NERC and FERC for new entity outreach.

Reliability Assessment and Performance Analysis (RAPA)

- Personnel** – The total number of FTEs in RAPA will decrease by .75 FTE. In 2024 a new position, Chief Engineer and Director, Reliability Outreach was created and remained in RAPA for 2024 and 2025. Although this position will continue to support the RAPA Department, 75 percent of this position consists of engagement and state outreach activities. In 2026, these activities are allocated to Communications and Training to better align these activities in a manner consistent with other ERO regional entities.
- Consultants and Contracts** – Continued implementation of software tools and associated consulting support is needed to address ERO needs for an enhanced reliability assessment process that provides a systemic evaluation of resources' ability to deliver energy and meet demand across a range of assessment periods and scenarios.

Training and Education

- Personnel** – The number of FTEs is increasing by .75 because engagement and outreach activities performed by the Chief Engineer and Director, Reliability Outreach are transferred from the RAPA department to better align these activities in a manner consistent with other ERO Regional entities.

- **Travel Expenses** – the increase in travel expenses represent a transfer of expenses of the Chief Engineer and Director, Reliability Outreach from the RAPA department.

Major Budget Drivers - Administrative Services Budget

Methodology for Allocation of Corporate Services Expenses to Programs

Texas RE allocates its Administrative Services expenses to the functional/direct areas proportionately based on FTE count. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total direct program FTEs.

	Administrative Services					
	Direct Expenses & Fixed Assets			FTEs		
	2025 Budget	2026 Budget	Inc (Dec)	2025 Budget	2026 Budget	Inc (Dec)
General and Administrative	4,889,544	5,397,744	508,200	4.00	5.00	1.00
Legal and Regulatory	1,018,648	1,322,225	303,577	3.75	4.75	1.00
Information Technology	2,566,398	2,539,516	(26,882)	8.00	8.00	-
Human Resources	219,710	219,735	25	-	-	-
Finance and Accounting	655,755	701,425	45,670	3.00	3.00	-
Total Administrative Services	9,350,055	10,180,645	830,590	18.75	20.75	2.00

General and Administrative

- **Personnel** – One FTE is added to support Human Resources. This position is in response to the overall growth in total FTEs and associated recruiting needs. The Human Resources Administrative Assistant will support workplace culture initiatives and will also address sustainability for the Human Resource Department, which is currently only one FTE.
- **Office rent and maintenance** – Office maintenance expenses are increasing by \$52,286 (3 percent) to allow for market increases.
- **Professional fees** – An increase of \$72,440 (9.9 percent) is because of an increase in general liability insurance and an adjustment for Board compensation in response to a benchmark compensation study performed at the end of 2024.

Legal and Regulatory

- **Personnel** – One FTE, a General Attorney, is added to address the notable increase in legal work to support growth and organizational maturation. The General Attorney will assist with implementation of Enterprise Risk Management, NERC oversight support, as well as IT risk management, security principles, and supply chain verification process.

Information Technology

- The number of FTEs and operating costs are consistent with the 2025 Budget.

Human Resources

- **Personnel** – These costs are included in General and Administrative.
- **Operating Expenses** – These costs are consistent with the 2025 Budget.

Finance and Accounting

- The number of FTEs and operating costs are consistent with the 2025 Budget.

Personnel Analysis and Expenses

Personnel Expenses	2025 Budget	2026 Budget	Variance	
			2025 v 2026 Budget	Variance %
Salaries	\$11,591,928	\$12,351,262	\$ 759,334	6.6%
Payroll Taxes	777,855	837,104	59,249	7.6%
Benefits	1,969,451	2,163,395	193,944	9.8%
Retirement	1,643,152	1,745,171	102,019	6.2%
Total Personnel Costs	\$15,982,386	\$17,096,932	\$1,114,546	7.0%
FTEs	72.0	75.0	3.0	4.2%
Cost per FTE				
Salaries	\$ 160,999	\$ 164,683	\$ 3,684	2.3%
Payroll Taxes	10,804	11,161	358	3.3%
Benefits	27,353	28,845	1,492	5.5%
Retirement	22,822	23,269	447	2.0%
Total Cost per FTE	\$ 221,978	\$ 227,959	\$ 5,982	2.7%

	2025 Budget	2026 Budget	Change from 2025 Budget
Total FTEs by Program Area			
Operational Programs			
Reliability Standards	1.25	1.25	-
Compliance and Organization Registration and Certification	41.75	42.75	1.00
Training and Education	2.25	3.00	0.75
Reliability Assessment and Performance Analysis	8.00	7.25	(0.75)
Total FTEs Operational Programs	53.25	54.25	1.00
Administrative Programs			
General & Administrative	4.00	5.00	1.00
Legal and Regulatory	3.75	4.75	1.00
Information Technology	8.00	8.00	-
Human Resources	-	-	-
Finance and Accounting	3.00	3.00	-
Total FTEs Administrative Programs	18.75	20.75	2.00
Total FTEs	72.00	75.00	3.00

Personnel: Significant Variances – 2025 Budget vs 2026 Budget

- Addition of three FTEs – More details can be found in the [Major Budget Drivers – Program Area Budgets](#).
 - One FTE in CMEP – CIP Auditor
 - One FTE in Legal – General Attorney
 - One FTE in HR – Administrative Assistant
- Budgeted 4 percent merit and market adjustment pool.
- Estimated medical insurance premium increase of 10 percent over 2025 actual cost.

Contractors and Consulting Expenses

Contractors and Consulting Expenses: Significant Variances – 2025 Budget vs 2026 Budget

- **RAPA** – Increase is to meet ERO needs for an enhanced reliability assessment process that provides a systematic evaluation of resources' ability to deliver energy and meet demand across a range of assessment periods and scenarios. The biennial probabilistic energy assessment will be performed every year and began in 2024. Software tools, support, and training will continue to be needed in 2026 to meet the new ERO energy assessment requirements for full implementation in 2026.

Consultants and Contracts	2025 Budget	2026 Budget	Variance 2025 v 2026 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	0.0%
Compliance and Organization Registration and Certification	-	-	-	0.0%
Reliability Assessment and Performance Analysis	75,000	135,000	60,000	80.0%
Training and Education	-	-	-	0.0%
General and Administrative	80,000	80,000	-	0.0%
Legal and Regulatory	2,500	2,500	-	0.0%
Information Technology	115,000	115,000	-	0.0%
Human Resources	165,000	165,000	-	0.0%
Accounting and Finance	-	-	-	0.0%
Total Consultants and Contracts	\$ 437,500	\$ 497,500	\$ 60,000	13.7%

Fixed Asset Additions

Significant Variances – 2025 Budget versus 2026 Budget

- Fixed asset additions are routine equipment replacements and is expected to increase in 2026 as equipment ages.

Fixed Assets	2025 Budget	2026 Budget	Variance 2025 v 2026 Budget	Variance %
Compute Software CapEx	-	-	-	0.0%
Furniture & Fixtures CapEx	-	-	-	0.0%
Equipment CapEx	50,000	75,000	25,000	50.0%
Leasehold Improvements	-	-	-	0.0%
Total Fixed Assets	\$ 50,000	\$ 75,000	\$ 25,000	50.0%

Reserve Analysis

Working Capital Reserve Analysis 2025-2026					
STATUTORY					
	Total Reserves	Contingency Reserve	Working Capital and Assessment Stabilization	Reserve for Future Lease Obligations	Unreleased Penalties
Beginning Reserves, January 1, 2025	\$ 9,039,264	\$ 2,000,000	\$ 6,368,083	\$ 332,718	\$ 338,463
Plus: 2025 Funding (from LSEs or designees)	19,261,419	-	19,231,029	30,390	-
Plus: 2025 Other funding sources	125,000	-	125,000	-	-
Released from Assessment Stabilization & Contingency	-	-	-	-	-
Penalties Released in 2025	-	-	338,463	-	(338,463)
Penalty Sanctions Received July 1, 2024 - June 30, 2025	429,600	-	-	-	429,600
Less: 2025 Projected expenses & capital expenditures	(20,294,882)	-	(20,294,882)	-	-
Projected Reserves, December 31, 2025	\$ 8,560,401	\$ 2,000,000	\$ 5,767,693	\$ 363,108	\$ 429,600
Desired Reserves, December 31, 2026					
Target Reserve December 31, 2026	\$ 7,013,752	\$ 2,000,000	\$ 4,642,693	\$ 371,059	\$ -
Minus: Projected Reserves, December 31, 2025	(8,560,401)	(2,000,000)	(5,767,693)	(363,108)	(429,600)
Incr(decr) in funding requirement to achieve Reserve	\$ (1,546,649)	\$ -	\$ (1,125,000)	\$ 7,951	\$ (429,600)
2026 Expenses and Capital Expenditures	\$ 21,598,423				
Less: Other Funding Sources	(225,000)				
Adjustment to achieve targeted working capital	-				
Reserves released from Assessment Stabilization	(1,125,000)				
Penalty Sanctions Released	(429,600)				
2025 NERC Assessment to Texas RE	19,818,823				

Explanation of Reserves

Texas RE has a Board approved Working Capital and Operating Reserve Policy, which requires Texas RE to retain a \$2,000,000 cash reserve (or an amount as adjusted by the Board, or as required by regulators). This reserve is a contingency reserve which can only be used with Board approval.

Penalty monies received between July 1, 2023 and June 30, 2024, in the amount of \$338,464 are to be used to offset assessments in the 2025 Budget, as documented in the NERC Policy – *ACCOUNTING FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD*. Penalty monies received from July 1, 2024 to June 30, 2025, in the amount of \$429,600 will be used to offset assessments in the 2026 Budget.

Assessment Stabilization Reserves in the amount of \$1,125,000 will be used to offset assessments in the 2026 Budget.



Three-Year Budget Projections

Major budget drivers in 2027 and 2028

- The addition of three FTEs in 2027 and two FTEs in 2028.
- Merit and market adjustment pool increases of 4 percent and health insurance benefit increases of 10 percent.
- Increased Consulting and Contract expenses in 2027 to allow for Board of Director Search Fees.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital
2026 Budget & Projected 2027 and 2028 Budgets

	2026 Budget	2027 Projection	% Change 27 v 26	2028 Projection	% Change 28 v 27
Funding					
ERO Funding	\$ 19,818,823	\$ 23,111,195	16.6%	\$ 24,442,575	5.8%
Fines & Penalties	429,600	-	-100.0%	-	0.0%
Interest	225,000	170,000	-24.4%	115,000	-32.4%
Total Revenue	\$ 20,473,423	\$ 23,281,195	13.7%	\$ 24,557,575	5.5%
Personnel Expenses					
Salaries	\$ 12,351,262	\$ 13,195,313	6.8%	\$ 13,973,125	5.9%
Payroll Taxes	837,104	894,309	6.8%	947,025	5.9%
Benefits	2,163,395	2,485,334	14.9%	2,804,267	12.8%
Retirement Cost	1,745,171	1,865,728	6.9%	1,976,607	5.9%
Total Personnel	\$ 17,096,932	\$ 18,440,684	7.9%	\$ 19,701,025	6.8%
Meeting & Travel Expenses					
Meeting Expense	\$ 142,400	\$ 148,096	4.0%	\$ 154,020	4.0%
Travel	330,273	373,484	13.1%	388,423	4.0%
Total Meetings & Travel	\$ 472,673	\$ 521,580	10.3%	\$ 542,443	4.0%
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 497,500	\$ 667,400	34.2%	\$ 538,096	-19.4%
Office Rent & Maintenance	1,803,978	1,858,097	3.0%	1,913,840	3.0%
Office Costs	842,400	876,096	4.0%	911,140	4.0%
Professional Services	809,940	842,338	4.0%	876,031	4.0%
Total Operating Expenses	\$ 3,953,818	\$ 4,243,931	7.3%	\$ 4,239,107	-0.1%
Fixed Assets	\$ 75,000	\$ 75,000	0.0%	\$ 75,000	0.0%
TOTAL BUDGET	\$ 21,598,423	\$ 23,281,195	7.8%	\$ 24,557,575	5.5%
TOTAL CHANGE IN WORKING CAPITAL	\$ (1,125,000)	\$ -	0.0%	\$ -	0.0%

Proposing 3 & 2 add'l FTEs with 4% Salary Adj, 10% Benefit Incr, 3% Building Maint, BOD Search Fees in 2027



2026 Statutory Program Detail

Reliability Standards

Texas RE's Reliability Standards Program supports the NERC Reliability Standards Program as well as facilitates the development of regional standards and variances, in accordance with the Texas RE Regional Standards Development Process (RSDP). Texas RE standards staff coordinates and publicly posts information regarding the activities of the Texas RE MRC's standards development activities, the NERC Standards Review Forum (NSRF), and all regional standard drafting teams (SDTs).

The RSDP, Texas RE's FERC-approved process for developing Regional Standards, is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE's RSDP provides for fair and due process by providing sufficient public notice of the intent to develop a Regional Standard. The RSDP includes an appeal process and an interpretation process. Texas RE standards staff assists NERC, as needed, with obtaining NERC Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the records necessary to support approval.

The Texas RE standards staff supports and participates in the NERC Standards Committee and other NERC activities relating to standards development. Texas RE regularly comments and votes on proposed NERC Reliability Standards and revisions based on recommendations and input from subject matter experts employed by Texas RE and from its perspective as the Compliance Enforcement Authority.

Additionally, this program area supports and facilitates standards activities of the Texas RE MRC and the NSRF. The MRC is a stakeholder committee that oversees the execution of the Texas RE Standards Development Process. The NSRF provides a regional stakeholder forum for education and discussion of NERC Reliability Standards activities, both regional and continent-wide.

Texas RE Standards staff provides education and advice to other Texas RE departments regarding issues relating to standards, including applicability and interpretation of requirements in accordance with NERC processes.

2026 Key Assumptions

- Continent-wide NERC Reliability Standards projects will consist primarily of new Standards Authorization Requests and existing projects in the NERC Standards Development Work Plan, covering both Critical Infrastructure Protection (CIP) and Operations and Planning standards. These activities will require the allocation of technical resources from several internal departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from the ERO Enterprise.
- The NERC Standards Modernization Project will report its findings and potentially recommend changes to the NERC Rules of Procedure that may impact Reliability Standards development activities.
- Regional Standards development activity will be driven by requests the Regional Entity may receive or reliability issues the Regional Entity may identify. Although Regional Standards development activity is expected to remain low, Texas RE Regional Standard BAL-001-TRE-2 is subject to periodic review and revision under the Texas RE Regional Standard development process, and additional technical resources may be required in support of region-specific activities in connection with this standard.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standards development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement, supporting industry and auditor training, or providing information about the standard's intent.
- The number of interpretations is expected to remain low. However, guidance requests associated with the implementation of standards may increase.

2026 Goals and Deliverables

- Provide input on and facilitate industry review of new and existing NERC Reliability Standards.
- Provide input and feedback for new and existing NERC Reliability Standards using compliance monitoring experience as a basis.
- Support stakeholder awareness of standards development through engagement and support of the NSRF.
- Support NERC's standards development process review and provide information to stakeholders to promote awareness.
- Provide guidance and outreach on approved NERC Reliability Standards and Regional Standards.
- Develop, as needed, regional variances or Regional Standards to address specific reliability risks and evaluate the need for existing Regional Standards.
- Review existing Regional Standards to determine if any could be incorporated as a regional variance to a continent-wide NERC Reliability Standard.

Major Budget Drivers

See pages 6-11 of the 2026 Business Plan and Budget Overview for discussion.

Statement of Activities and Fixed Asset Additions
2025 and 2026 Budgets

RELIABILITY STANDARDS

			Variance 2025 v 2026 Budget Over(Under)
	2025 Budget	2026 Budget	
Funding			
ERO Funding			
NERC Assessments	\$ 452,146	\$ 456,655	\$ 4,509
Penalties Released	7,945	9,899	1,954
Total NERC Funding	\$ 460,091	\$ 466,554	\$ 6,463
Interest	2,934	5,184	2,250
Total Funding	\$ 463,025	\$ 471,738	\$ 8,713
Expenses			
Personnel Expenses			
Salaries	\$ 161,280	\$ 168,490	\$ 7,210
Payroll Taxes	12,418	12,973	555
Benefits	35,002	37,187	2,185
Retirement Costs	23,295	24,348	1,053
Total Personnel Expenses	\$ 231,995	\$ 242,998	\$ 11,003
Meeting & Travel Expenses			
Meetings & Conference Calls	\$ -	\$ -	\$ -
Travel	4,275	1,775	(2,500)
Total Meeting & Travel Expenses	\$ 4,275	\$ 1,775	\$ (2,500)
Operating Expenses, excluding Depreciation			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	-	-	-
Professional Services	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 236,270	\$ 244,773	\$ 8,503
Indirect Expenses	\$ 218,311	\$ 232,849	\$ 14,538
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses	\$ 454,581	\$ 477,622	\$ 23,041
Change in Assets	\$ 8,444	\$ (5,884)	\$ (14,328)
Fixed Assets, excluding Right of Use Assets (C)	\$ 1,174	\$ 1,728	554
TOTAL BUDGET	\$ 455,755	\$ 479,350	\$ 23,595
TOTAL CHANGE IN WORKING CAPITAL	\$ 7,270	\$ (7,612)	\$ (14,882)
FTEs	1.25	1.25	-

Compliance Monitoring, Enforcement and Organization Registration and Certification Program

Texas RE's Compliance Monitoring and Enforcement and Organization Registration and Certification Program includes the key activities of registering (and where required, certifying) Responsible Entities, monitoring and assessing compliance with the NERC Reliability Standards and Regional Standards, and enforcing and ensuring mitigation of violations of standards in accordance with the NERC Rules of Procedure (ROP). The 2026 Business Plan & Budget anticipates that Texas RE will perform CMEP activities for approximately 460 registered entities, an increase of approximately 71 registered entities from 2025. This increase reflects both long-term trends in the number of new registered entities, as well as the estimated increases from the registration of new "Type II" generation resources in 2026.

CMEP

Regarding the CMEP, there are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and registered entities. The risk-based CMEP is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO's compliance and enforcement functions. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, and data submittals. Texas RE's risk-based CMEP work is performed by four departments or groups. First, Texas RE's Risk Assessment group develops Inherent Risk Assessments (IRAs) for registered entities. These IRAs are combined with historic entity performance, data, information regarding internal controls, and other quantitative and qualitative assessments to develop Compliance Oversight Plans (COPs) specific to the risk that each registered entity poses and refresh those COPs based on risk triggers. Specific, risk-based compliance monitoring activities (including Compliance Audits, Self-Certifications, Spot Checks, and Compliance Investigations) are then performed by Texas RE's O&P and CIP Compliance departments, respectively. Finally, Texas RE's Enforcement Department independently reviews and processes noncompliance using risk-based disposition methods, including assessing penalties where appropriate.

The increase in the number and type of registered entities will require Texas RE to appropriately allocate current resources and judiciously augment overall staffing levels to address critical emerging risks associated with resource mix changes. These include proactively focusing on key risk elements such as generator winterization, inverter-based resource performance, and low-impact cybersecurity protections. Texas RE will also continue on-site visits to select generation resources to review these risk elements among other activities, as well as elevate targeted outreach efforts, particularly for new generation resources.

Registration and Certification

Texas RE's Registration and Certification department focuses on identifying and registering Bulk Electric System (BES) owners, operators, and users. Core activities include maintaining accurate, up-to-date registration information through the Centralized Organization Registration ERO System (CORES), registering entities responsible for compliance, and aiding entity personnel's access to and training on ERO systems and processes. In addition, Texas RE periodically certifies that entities performing the functions of Reliability Coordinator, Balancing

Authority, and Transmission Operator have and maintain the tools, processes, and training to meet applicable Reliability Standards requirements.

Given current growth in new generation and energy storage, Texas RE anticipates a significant number of entities may be added or removed in the Region's portion of the NERC registry or significantly changed through mergers and acquisitions in the coming year. Additionally, Registration work will focus on identifying non-registered IBR and preparing those IBR to register by 2026 in accordance with FERC directives. This work will include gathering data to determine registration eligibility, outreach about the registration process, maintaining compliance, and processing the changes. Texas RE anticipates one full certification review and three to four "lesser activities" in 2026, which is consistent with 2025 activity levels.

2026 Key Assumptions

- Continued need to address growth of registered entities and ensure appropriate, risk-based monitoring and engagement activities.
- Increased activity in the development of IRAs and COPs for current and new registered entities, including the need to review and refresh IRAs and COPs in response to risk triggers.
- Continued need to implement a risk-based focus in all standards, compliance monitoring, and enforcement programs.
- Ongoing need to strengthen engagement across the reliability and security ecosystem in North America, with a particular focus on outreach to newly registered entities and on key risk focus areas, including low-impact generation resources.
- Ongoing generator site visits to monitor compliance with key winterization, facility rating reliability standards, and low-impact cybersecurity controls.
- Significant changes to the generation fuel mix in the ERCOT Interconnection, as well as the registration of new "Type II" generation resources, will continue to increase the volume of registration changes.

2026 Goals and Key Deliverables

The 2026 goals and deliverables for the CMEP and Registration and Certification program areas are as follows:

Compliance Monitoring and Risk Assessment

- Continue stakeholder outreach for new and enhanced NERC Reliability Standards to minimize reliability and security risks and encourage consideration of ERCOT regional differences.
- Continue to enhance cyber and physical security outreach beyond CMEP activities to share security information, best practices, mitigation strategies, and lessons learned, with a focus on cyber and physical security risks and mitigation of the risks.
- Continue outreach efforts to new registered entities and new Primary Compliance Contacts by conducting one-on-one touchpoints to discuss reliability and security issues and share best practices.
- Continue targeted outreach for key risk elements.

- Continue to enhance IRA and COP processes and continue targeted outreach to stakeholders for awareness.
- Continue to enhance the risk-based approach and internal control assessment to compliance monitoring processes.
- Continue to actively engage in the enhancement and full utilization of Align and Secure Evidence Locker (SEL) to ensure CMEP processes are efficient, effective, secure, and consistent for staff and stakeholders.
- Continue to identify current and emerging risks to security and reliability affecting the ERCOT Interconnection.
- Continue to support the ERO's Inverter-Based Resource Strategy and provide outreach to industry on developments to ensure awareness.
- Identify and develop monitoring approaches focusing on emerging risks such as Inverter-Based Resources, Distributed Energy Resources (DER), storage, and demand side resources.
- Continue collaboration with government and state authorities on cyber and physical security issues.
- Promote and encourage effective collaboration and engagement with the Board, industry, regulators, and stakeholders.
- Expand ERO Enterprise stakeholder engagement to ensure the right subject matter experts participate to resolve issues in a timely and cost-effective manner.
- Proactively participate and collaborate in ERO working groups to efficiently and effectively work with the ERO Enterprise.
- Continue to enhance and further coordinate CIP and O&P physical walkthroughs during Compliance Audits for physical security, facility ratings, cold weather preparedness, and low-impact cyber assets.
- Ensure Texas RE is appropriately staffed and managed to maximize stakeholder value, maintain independence, and perform all delegated responsibilities.
- Promote communication, motivation, team building, leadership and workforce development within Texas RE.

Enforcement

- Review, validate, and process or dismiss all possible violations in a timely fashion using the Align and SEL systems.
- Undertake enforcement activities in accordance with established risk-based approaches.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Conduct technical assessments of registered entities' plans and activities to mitigate noncompliance.
- Support streamlined mechanisms implemented to expedite possible violations that pose a lesser reliability risk to the BPS.

- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Board, NERC, and stakeholders.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- Assure timely mitigation of all violations, assess all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.
- Collaborate within the ERO to ensure consistency and efficiency in processing possible violations.

Registration and Certification

- Track equipment and facilities development in the Region, evaluate elements for BES status and materiality when needed and coordinate with other Regions and NERC on cross-Regional facilities and impacts as pertains to the registration program.
- Effectively implement the registration process for new “Type II” generator owners and operators.
- Promote coordinated improvement and consistency in the ERO registration-related program through participation in registration-related groups and outreach.
- Provide targeted outreach to stakeholders on common issues encountered in the inverter-based resource interconnection process, including resource commissioning.
- Collaborate within the ERO to identify and register non-registered IBR in accordance with FERC directives.

Major Budget Drivers

See pages 6-11 of the 2026 Business Plan and Budget Overview for discussion.

Statement of Activities and Fixed Asset Additions			
2025 and 2026 Budgets			
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION			
	2025	2026	Variance
	Budget	Budget	2025 v 2026
			Budget
			Over(Under)
Funding			
ERO Funding			
NERC Assessments	\$ 15,101,676	\$ 15,617,597	\$ 515,921
Penalties Released	265,368	338,533	73,165
Total NERC Funding	\$ 15,367,043	\$ 15,956,130	\$ 589,086
Interest	98,005	177,304	79,299
Total Funding	\$ 15,465,048	\$ 16,133,434	\$ 668,385
Expenses			
Personnel Expenses			
Salaries	\$ 5,652,280	\$ 5,921,952	\$ 269,672
Payroll Taxes	421,430	445,475	24,045
Benefits	1,009,557	1,056,493	46,936
Retirement Costs	813,243	852,303	39,060
Total Personnel Expenses	\$ 7,896,510	\$ 8,276,223	\$ 379,713
Meeting & Travel Expenses			
Meetings & Conference Calls	\$ -	\$ -	\$ -
Travel	156,439	113,268	(43,171)
Total Meeting & Travel Expenses	\$ 156,439	\$ 113,268	\$ (43,171)
Operating Expenses, excluding Depreciation			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	7,150	7,150	-
Professional Services	-	-	-
Miscellaneous	-	-	-
Total Operating Expenses	\$ 7,150	\$ 7,150	\$ -
Total Direct Expenses	\$ 8,060,099	\$ 8,396,641	\$ 336,541
Indirect Expenses	\$ 7,291,592	\$ 7,963,435	\$ 671,843
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses	\$ 15,351,691	\$ 16,360,076	\$ 1,008,384
Change in Net Assets	\$ 113,357	\$ (226,641)	\$ (339,998)
Fixed Assets, excluding Right of Use Assets	\$ 39,202	\$ 59,101	\$ 19,899
TOTAL BUDGET	\$ 15,390,893	\$ 16,419,177	\$ 1,028,283
TOTAL CHANGE IN WORKING CAPITAL	\$ 74,155	\$ (285,743)	\$ (359,898)
FTEs	41.75	42.75	1.00

Reliability Assessment and Performance Analysis Program

Texas RE's RAPA Program supports assessment of system adequacy and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system disturbances in the ERCOT region. In addition to these assessments and analyses, Texas RE collaborates with NERC, the Regions and stakeholders in ongoing work to evaluate system performance, measure progress in improving current reliability and track leading indicators of future reliability. This program requires validation and analysis of data collected from registered entities, which is used in the measurement of ongoing reliability performance of generation, transmission, and overall system response. RAPA also identifies risks and analyzes key grid transformation issues that may affect reliability, such as market practices, government actions, technology developments, high-impact low frequency (HILF) events, and grid transformation. Event analyses will determine causative factors for system disturbances and lessons learned upon recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes Situation Awareness (SA) and Infrastructure Security. Situation Awareness is closely tied to initial event notifications and review, performed as part of the Event Analysis Process in the RAPA Program, while Texas RE's Infrastructure Security effort is handled primarily by Information Technology (IT) staff and CIP resources within CMEP.

Texas RE anticipates that the scope of the RAPA program will continue to increase to address continuing changes to the resource mix and changes in load growth. Texas RE anticipates increasing probabilistic assessments and inter-regional transfer studies will be included in the long-term reliability assessment and seasonal assessment. Particularly, Texas RE is continuing to implement the ERO energy assessment program as part of its requirement to conduct an annual independent study of energy adequacy.

2026 Assumptions

- Increased resource needs stemming from the growth in new registrants and the changing resource mix.
- Increased focus on enhancing reliability assessments to include assessments of energy availability and expanded use of probabilistic methods to identify potential energy shortfalls, including the acquisition and training on new software tools and consulting support for these enhancements.
- Continued ERCOT and regional stakeholder support is expected in regional activities that meet ERO schedules for the proposed energy and other reliability assessments, including Interconnection study case model building activities and ERO technical groups.
- Access to ERCOT data and applications continues as in the past, along with cooperation and coordination with ERCOT and registered entity technical experts for analysis of operations and trends.
- Travel and meeting expenses are targeted to decrease modestly over 2025 levels given increased virtual gatherings and projects.

2026 Goals and Key Deliverables

- Provide independent review of regional data and assist NERC in overall development of the annual long-term, summer and winter seasonal reliability assessments, and the probabilistic assessment.
- Draw upon the lessons learned from the 2025 pilot test year to fully implement Texas RE's energy assessment program in 2026, including support for enhanced use of probabilistic analysis and consideration of extreme condition scenarios for the development of ERO energy assessments.
- Support NERC-wide modeling improvement efforts, particularly those related to dynamic loads, inverter-based resources, DER, and generator model validation.
- Serve as the Interconnection model designee associated with MOD-032 and MOD-033 Reliability Standards and provide outreach with stakeholders to integrate annual fidelity and quality tests into Interconnection study-case development processes.
- Participate in ERO technical working groups under the NERC Reliability and Security Technical Committee (RSTC) and contribute to development of Reliability Guidelines and Technical Reference documents. Provide follow-up on guideline effectiveness with stakeholder outreach, especially for related ERCOT technical groups. Encourage stakeholder participation in NERC RSTC subgroups.
- Provide Section 1600 data collection support and analysis to meet NERC Performance Analysis initiatives or FERC requests, as well as initiatives related to data collection activities from wind, solar, and battery systems.
- Perform analysis and support NERC's annual State of Reliability report along with Region-specific annual reports and quarterly reviews. Support NERC Reliability Standards development and provide related outreach. Evaluate existing and proposed regional criteria and processes for reliability concerns and possible gaps.
- Continue efforts to enhance mutual support between CMEP, RAPA, and Registration to further overall ERO workplan priorities, especially those aiming to mitigate risks associated with inverter-based resources, extreme weather, and physical/cyber security.
- Promote data analytics leveraging PowerBI, PIVision, and Geographic Information System (GIS) tools with the Risk Assessment team and the ERO's analytics collaboration group.
- Implement the NERC event analysis and cause-coding process, expecting a similar volume of events as prior years, estimated at 6 to 8 Category 1 (minor). Review and trend approximately 90 lesser system events, such as protection system mis-operations, loss of control or monitoring ability by BES control centers, and frequency disturbances.
- Support application of the revisions to the BES Definition, Registration criteria and associated processes through technical review of Registration requests.
- Promote NERC RISC identification and prioritization of BPS reliability risks and incorporate into RAPA activities and projects, focusing on likely impacts within the Region and means to mitigate them.
- Provide content for workshops, webinars, and other outreach to disseminate recommendations, lessons learned, best practices, trends, and observations from RAPA activities. Conduct focused reviews with registered entities or ERCOT stakeholder groups on topics such as protection system mis-operations, model usage and validation, generator winter preparation or equipment performance.

- Support Texas RE cross-departmental use of software applications and data from ERCOT ISO, NERC, and other sources for analysis needs. Provide regional coordination to maintain the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, along with internal real-time visualization tools.
- Provide Situational Awareness during extreme conditions, major system events and ERO Crisis Action Plan drills. Manage NERC Alerts within the Region, anticipating four alerts, with two alerts expected to require extensive response coordination.
- Continue to enhance engagement and coordination with the Public Utility Commission of Texas on reliability program priorities in support of Texas RE's state outreach initiatives.

Major Budget Drivers

See pages 6-11 of the 2026 Business Plan and Budget Overview for discussion.

**Statement of Activities and Fixed Asset Additions
2025 and 2026 Budgets**

RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS

			Variance 2025 v 2026 Budget Over(Under)
	2025 Budget	2026 Budget	
Funding			
ERO Funding			
NERC Assessments	\$ 2,893,734	\$ 2,648,598	\$ (245,136)
Penalties Released	50,849	57,412	6,563
Total NERC Funding	\$ 2,944,583	\$ 2,706,010	\$ (238,573)
Interest	18,779	30,069	11,290
Total Funding	\$ 2,963,362	\$ 2,736,080	\$ (227,282)
Expenses			
Personnel Expenses			
Salaries	\$ 1,489,063	\$ 1,292,133	\$ (196,930)
Payroll Taxes	102,021	93,104	(8,917)
Benefits	217,027	218,215	1,188
Retirement Costs	214,461	185,901	(28,560)
Total Personnel Expenses	\$ 2,022,572	\$ 1,789,352	\$ (233,220)
Meeting & Travel Expenses			
Meetings & Conference Calls	\$ -	\$ -	\$ -
Travel	97,960	61,500	(36,460)
Total Meeting & Travel Expenses	\$ 97,960	\$ 61,500	\$ (36,460)
Operating Expenses, excluding Depreciation			
Consultants & Contracts	\$ 75,000	\$ 135,000	\$ 60,000
Office Rent	-	-	-
Office Costs	1,250	6,000	4,750
Professional Services	-	-	-
Miscellaneous	-	-	-
Total Operating Expenses	\$ 76,250	\$ 141,000	\$ 64,750
Total Direct Expenses	\$ 2,196,782	\$ 1,991,852	\$ (204,930)
Indirect Expenses	\$ 1,397,191	\$ 1,350,524	\$ (46,667)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses	\$ 3,593,973	\$ 3,342,376	\$ (251,597)
Change in Net Assets	\$ (630,611)	\$ (606,297)	\$ 24,314
Fixed Assets, excluding Right of Use Assets	\$ 7,512	\$ 10,023	\$ 2,511
TOTAL BUDGET	\$ 3,601,485	\$ 3,352,399	\$ (249,086)
TOTAL CHANGE IN WORKING CAPITAL	\$ (638,123)	\$ (616,320)	\$ 21,803
FTEs	8.00	7.25	(0.75)

Training and Education

Texas RE's Training and Education Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of NERC and Regional Reliability Standards, lessons learned from event analyses, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other programs provide expertise for educational materials, meetings, and workshops. Texas RE also supports ERO-wide initiatives such as GridSecCon (including co-hosting on a rotational basis among the Regions) and other events. In addition, Texas RE hosts the Winter Weatherization Workshop.

Texas RE will continue to coordinate Spring and Fall Standards, Security, and Reliability workshops, Reliability 101 and 201, security-based CIP workshops, and other education and sharing meetings and webinars, including Talk with Texas RE, in 2026. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost-effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other ERO Enterprise and external industry meetings.

2026 Key Assumptions

- Host a similar number of training and outreach events as in prior years.
- Share best practices concerning generator plant winter readiness.
- Provide continued guidance on the implementation of the Risk-Based CMEP, including Inherent Risk Assessments, Compliance Oversight Plans, and Internal Control Reviews.
- Identify and communicate common themes and root causes of Reliability Standard violations.
- Deliver internal and stakeholder training related to the implementation of the new releases of Align and the Secure Evidence Locker platforms.
- Support the ERO 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.
- Educate registered entities regarding changes to NERC Reliability Standards, ERO procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with risk, reliability, security, and compliance.
- Increase targeted outreach efforts that promote BPS reliability, security, and risk mitigation across its footprint, particularly focusing on augmenting its existing new entity outreach efforts.

2026 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.
- Develop technical materials and present Standards, Security, and Reliability workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including Talk with Texas RE meetings to support CMEP implementation and any new or modified NERC Reliability Standards, procedures or programs.
- Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding Reliability Standards revisions and interpretations, other reliability or compliance-related information, as well as Texas RE and NERC activities.
- Maintain and continually enhance the Texas RE website.
- Develop an Annual Report summarizing Texas RE's accomplishments during the prior year.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance and reliability working groups.
- Provide a mechanism for workshops, webinars, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.
- Explore opportunities to improve training for stakeholders and keep Texas RE's content and delivery mediums relevant.

Major Budget Drivers

See page 6-11 of the 2026 Business Plan and Budget Overview for discussion.

**Statement of Activities and Fixed Asset Additions
2025 and 2026 Budgets**

TRAINING AND EDUCATION

			Variance 2025 v 2026 Budget Over(Under)
	2025 Budget	2026 Budget	
Funding			
ERO Funding			
NERC Assessments	\$ 813,863	\$ 1,095,972	\$ 282,109
Penalties Released	14,301	23,757	9,456
Total NERC Funding	\$ 828,164	\$ 1,119,728	\$ 291,564
Interest	5,282	12,442	7,160
Total Funding	\$ 833,446	\$ 1,132,171	\$ 298,725
Expenses			
Personnel Expenses			
Salaries	\$ 296,953	\$ 499,175	\$ 202,222
Payroll Taxes	20,044	31,819	11,775
Benefits	36,791	84,534	47,743
Retirement Costs	41,613	70,209	28,596
Total Personnel Expenses	\$ 395,401	\$ 685,737	\$ 290,336
Meeting & Travel Expenses			
Meetings & Conference Calls	\$ 44,500	\$ 66,000	\$ 21,500
Travel	4,575	23,075	18,500
Total Meeting & Travel Expenses	\$ 49,075	\$ 89,075	\$ 40,000
Operating Expenses, excluding Depreciation			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	2,700	5,200	2,500
Professional Services	4,500	4,500	-
Miscellaneous	-	-	-
Total Operating Expenses	\$ 7,200	\$ 9,700	\$ 2,500
Total Direct Expenses	\$ 451,676	\$ 784,512	\$ 332,836
Indirect Expenses	\$ 392,960	\$ 558,838	\$ 165,878
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses	\$ 844,636	\$ 1,343,349	\$ 498,713
Change in Net Assets	\$ (11,191)	\$ (211,179)	\$ (199,988)
Fixed Assets, excluding Right of Use Assets	\$ 2,113	\$ 4,147	\$ 2,034
TOTAL BUDGET	\$ 846,749	\$ 1,347,497	\$ 500,748
TOTAL CHANGE IN WORKING CAPITAL	\$ (13,303)	\$ (215,326)	\$ (202,023)
FTEs	2.25	3.00	0.75

Administrative Services

Texas RE's Administrative Services departments includes the budget for administrative functions of the organization:

- General and Administrative
- Legal and Regulatory
- Information Technology
- Human Resources
- Finance and Accounting

General and Administrative

This Program includes the President and CEO, the Vice President and Chief Operating Officer (COO), the personnel costs for the HR Department, and the compensation and expenses of the Texas RE Board. The President and CEO carries out the general affairs of Texas RE, including administrative and corporate facilities support. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The President performs a leadership role in coordinating and facilitating the activities of all Texas RE programs. The Vice President and COO reports to the CEO and acts on behalf of the CEO in his absence. Personnel expenses for Human Resources (HR) are included in General and Administrative (G&A). The benefits expenses in G&A include tuition reimbursement, training and classes, and relocation costs.

Major Budget Drivers

See pages 6-11 of the 2026 Business Plan and Budget Overview for discussion.

Legal and Regulatory

The Legal and Regulatory group provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings, and voting; (2) Board and committee meetings, minutes, support, training, and other activities; (3) corporate documents, contracts, and transactions; (4) governmental, regulatory relations, and communications; (5) the work of any outside legal counsel; and (6) the prosecution of any contested enforcement matters.

2026 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Texas RE will continue the implementation of the enterprise risk management program.
- The volume of activities required to support growth and organizational maturation have increased the workload of the Legal and Regulatory program, requiring the addition of an attorney.

2025 Key Deliverables and Goals

- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.

- Communicate effectively to the Board, Texas RE members, and registered entities.
- Oversee membership registration, membership voting and meetings, and maintain an accurate roster of members.
- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.
- Negotiate contracts and review corporate documents.
- Update and maintain corporate policies and procedures.
- Oversee the prosecution and any appeal of contested enforcement or disputed registration matters.
- Negotiate and author necessary changes to Texas RE's governing documents, including the Texas RE 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.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Provide legal review of communication and outreach to Texas RE's stakeholders, the public, and media.
- Support the internal and external audits of the corporation and oversee all regulatory filings and interactions.
- Manage relationships with Texas RE's outside counsel, including breach counsel.
- Provide legal support and perform the Corporate Secretary function (the Vice President and General Counsel serves as the corporation's Corporate Secretary), such as preparing Board materials and minutes, facilitating, and conducting Board training, and ensuring that Director elections, Board of Directors and Committee meetings, and Meetings of Members adhere to the Texas RE Bylaws and other relevant governing documents.
- Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.
- Support the enterprise risk management function.

Major Budget Drivers

See pages 6-11 of the 2025 Business Plan and Budget Overview for discussion.

Information Technology

Texas RE's Information Technology (IT) and physical and cyber security program provides IT and security support to Texas RE, including the following: hardware, systems, software, and applications support; physical and electronic and security, data center operations, IT and security-related vendor management; strategy, planning, development, and deployment of enterprise systems and applications, including training and planning for improvement and efficiency of business processes and operations.

Texas RE supports the ERO efforts to implement, operate, and maintain software tools supporting common enterprise-wide operations that have been approved by the ERO Executive

Committee (ERO EC), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE's budget assumes the availability of enterprise software tools as described in NERC's Business Plan and Budget. If implementation of these software applications is delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending these applications' availability. The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region-specific IT support needs. Texas RE's 2026 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes Texas RE costs for internal region-specific support needs.

NERC and the Regional Entities are committed to working collaboratively 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.

As the complexity of the security risks and tools utilized to address them continues to evolve, Texas RE continues to identify the need for additional resources to increase its security capabilities, including the implementation of enhanced data loss protection tools and governance activities.

2026 Key Assumptions

- Texas RE will continue to purchase and maintain hardware and software lifecycles necessary to conduct business.
- Texas RE will continue to support the ERO Enterprise's Cybersecurity Strategy objectives and initiatives, including the effective implementation of National Institute of Standards and Technology (NIST) principles across the ERO Enterprise.
- Texas RE will continue to mature its cybersecurity governance model.
- Texas RE will continue to address risks to sensitive data by supporting the development and implementation of appropriate data classification and handling protocols.

2026 Goals and Key Deliverables

- Implement new capabilities within the data and analytics space that will support the Texas RE mission.
- Continue to mature Texas RE's cybersecurity governance model and implement appropriate enhancements.
- Provide IT and security support to all Texas RE's operations, including IT and security; infrastructure; service support; service design and delivery; service transition; and hardware and network security in a secure and efficient manner, with the following strategy:
 - Continue to develop knowledge of systems through training and experience to reduce the reliance on external vendors and enhance expertise in core areas.
 - Leverage outside services for needs that are outside core competencies or to initiate new capabilities.

- Continue to use third-party security services to evaluate and test Texas RE's security posture, while fostering maturity in Texas RE's IT and Security internal controls program and security posture.
- Continue to maintain the appropriate number of employees to oversee the strategy, policies and procedures, service, and performance, budget, and vendor management. Cross-train employees as backups and mentors to each other.
- Develop automated processes and workflows using third-party platforms to increase consistency, efficiency, and assist users in business processes. Assist business staff with enhancement requests and other IT-related project requirements and prioritize and oversee all IT or security-related projects.
- Coordinate and share best practices with other Regional Entities and NERC to drive towards implementation of Data Analytics and Security Principles for the ERO Enterprise adopted by the ERO EC.
- Participate in the design, planning and implementation of ERO Centralized Applications.
- Enhance the Security Awareness Program that addresses, through education and training, threats to Texas RE systems and employees.
- Train and support Texas RE staff on software and applications.
- Build and test resilience in the Texas RE systems in alignment with organization risk appetite.

Major Budget Drivers

See pages 6-11 of the 2026 Business Plan and Budget Overview for discussion.

Human Resources

The Texas RE Human Resources (HR) program area is responsible for the delivery of all HR functions, including recruitment, staffing, compensation, benefits, health and safety, employee relations, performance management, and employee training and development. HR maintains Human Resources Information System products and ensures compliance with all federal and state requirements.

2026 Key Assumptions

- Provide competitive compensation and benefits.
- Ensure that Texas RE maintains a skilled, qualified workforce.
- Maintain appropriate salaries and benefits based on industry data.

2026 Goals and Key Deliverables

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.
- Review and manage employee benefit plans.
- Review Texas RE compensation strategy in concert with the management team to ensure Texas RE remains a competitive employer in its industry.

Personnel expenses are reported under G&A.

Major Budget Drivers

See pages 6-11 of the 2026 Business Plan and Budget Overview for discussion.

Finance and Accounting

The Finance and Accounting function provides all accounting services and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and reporting, budget preparation and reporting, cash management, and tax filing.

2026 Key Assumptions

- Current accounting systems and controls are adequate.
- Identify and implement efficiencies in financial processes.
- Provide reporting and financial analysis to Directors; the Audit, Governance, Risk, and Finance Committee; and the Board of Directors.

2026 Goals and Key Deliverables

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- Provide enhanced reporting and financial analysis to the Texas RE CEO, Senior Management, and the Texas RE Board.
- Ensure strong internal controls designed to protect the assets of Texas RE and ensure accurate financial reporting.
- Identify opportunities for improvement and implement efficiencies in financial processes.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

- The budgeted number of FTEs for Finance and Accounting will remain consistent with 2025.

Non-Statutory Activities

Texas RE has no Non-Statutory activities.

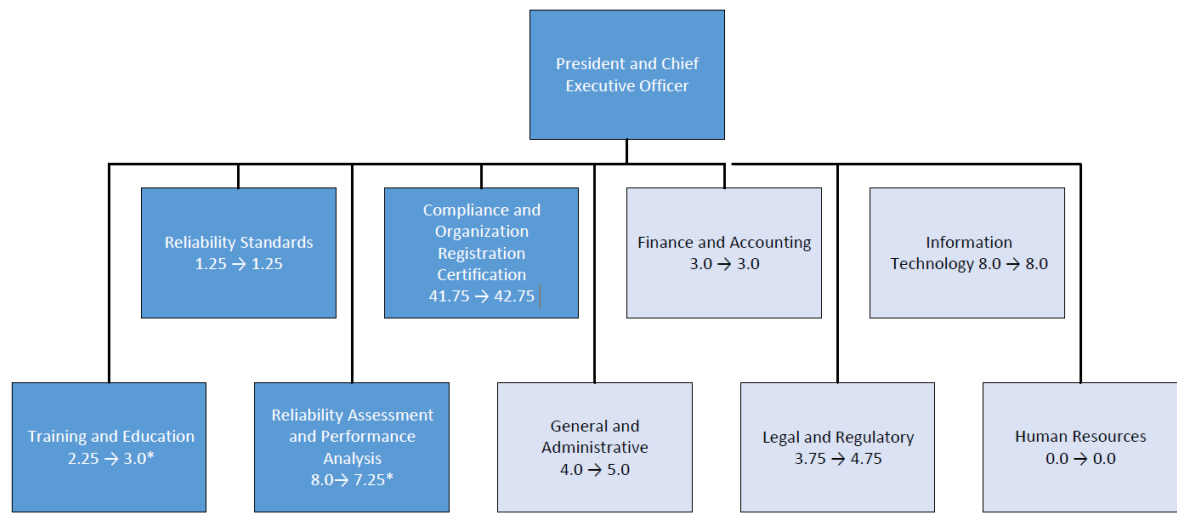
**Statement of Activities and Fixed Asset Additions
2025 and 2026 Budgets**



ADMINISTRATIVE SERVICES

	2025 Budget	2026 Budget	Variance 2025 v 2026 Budget Over(Under)
Funding			
ERO Funding			
NERC Assessments	\$ -	\$ -	\$ -
Penalties Released	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest	-	-	-
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses			
Personnel Expenses			
Salaries	\$ 3,992,352	\$ 4,469,513	\$ 477,161
Payroll Taxes	221,939	253,733	31,794
Benefits	671,077	766,966	95,889
Retirement Costs	550,540	612,410	61,870
Total Personnel Expenses	<u>\$ 5,435,908</u>	<u>\$ 6,102,622</u>	<u>\$ 666,714</u>
Meeting and Travel Expenses			
Meetings & Conference Calls	\$ 76,400	\$ 76,400	\$ -
Travel	140,330	130,655	(9,675)
Total Meeting & Travel Expenses	<u>\$ 216,730</u>	<u>\$ 207,055</u>	<u>\$ (9,675)</u>
Operating Expenses, excluding Depreciation			
Consultants & Contracts	\$ 362,500	\$ 362,500	\$ -
Office Rent	1,751,692	1,803,978	52,286
Office Costs	800,225	824,050	23,825
Professional Services	733,000	805,440	72,440
Total Operating Expenses	<u>\$ 3,647,417</u>	<u>\$ 3,795,968</u>	<u>\$ 148,551</u>
Total Direct Expenses	<u>\$ 9,300,055</u>	<u>\$ 10,105,645</u>	<u>\$ 805,590</u>
Indirect Expenses	<u>\$ (9,300,055)</u>	<u>\$ (10,105,645)</u>	<u>\$ (805,590)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets			
Equipment CapEx	50,000	75,000	25,000
Allocation of Fixed Assets	(50,000)	(75,000)	(25,000)
Fixed Assets, excluding Right of Use Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	18.75	\$ 20.75	2.00

Additional Information

Organizational Chart



-  Statutory Program Area
-  Administrative Services Program Area

Arrow indicates number of FTEs from 2025 to 2026.

*Transfer of .75 FTE from RAPA to Training and Education, representing engagement and outreach activities

Consolidated Statement of Activities

Funding	Statutory Total	Reliability Standards	CMEP	RAPA	Training and Education	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
ERO Funding										
NERC Assessments	\$ 19,818,823	\$ 456,655	\$ 15,617,597	\$ 2,648,598	\$ 1,095,972	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	429,600	9,899	338,533	57,412	23,757	-	-	-	-	-
Total NERC Funding	\$ 20,248,423	\$ 466,554	\$ 15,956,130	\$ 2,706,010	\$ 1,119,728	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	225,000	5,184	177,304	30,069	12,442	-	-	-	-	-
Total Funding	\$ 20,473,423	\$ 471,738	\$ 16,133,434	\$ 2,736,080	\$ 1,132,171	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses										
Personnel Expenses										
Salaries	\$ 12,351,262	\$ 168,490	\$ 5,921,952	\$ 1,292,133	\$ 499,175	\$ 1,979,137	\$ 909,808	\$ 1,125,885	\$ -	\$ 454,683
Payroll Taxes	837,104	12,973	445,475	93,104	31,819	76,276	60,499	85,184	-	31,774
Benefits	2,163,395	37,187	1,056,493	218,215	84,534	269,693	152,512	279,826	-	64,935
Retirement Costs	1,745,171	24,348	852,303	185,901	70,209	255,776	129,756	162,021	-	64,857
Total Personnel Expenses	\$ 17,096,932	\$ 242,998	\$ 8,276,223	\$ 1,789,352	\$ 685,737	\$ 2,580,881	\$ 1,252,575	\$ 1,652,916	\$ -	\$ 616,250
Meeting Expenses										
Meetings & Conference Calls	\$ 142,400	\$ -	\$ -	\$ -	\$ 66,000	\$ 30,000	\$ -	\$ 11,400	\$ 35,000	\$ -
Travel	330,273	1,775	113,268	61,500	23,075	93,395	10,500	8,950	7,585	10,225
Total Meeting Expenses	\$ 472,673	\$ 1,775	\$ 113,268	\$ 61,500	\$ 89,075	\$ 123,395	\$ 10,500	\$ 20,350	\$ 42,585	\$ 10,225
Operating Expenses, excluding Depreciation										
Consultants & Contracts	\$ 497,500	\$ -	\$ -	\$ 135,000	\$ -	\$ 80,000	\$ 2,500	\$ 115,000	\$ 165,000	\$ -
Office Rent	1,803,978	-	-	-	-	1,803,978	-	-	-	-
Office Costs	842,400	-	7,150	6,000	5,200	103,550	6,650	701,250	11,150	1,450
Professional Services	809,940	-	-	-	4,500	630,940	50,000	50,000	1,000	73,500
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 3,953,818	\$ -	\$ 7,150	\$ 141,000	\$ 9,700	\$ 2,618,468	\$ 59,150	\$ 866,250	\$ 177,150	\$ 74,950
Total Direct Expenses	\$ 21,523,421	\$ 244,773	\$ 8,396,641	\$ 1,991,852	\$ 784,512	\$ 5,322,744	\$ 1,322,225	\$ 2,539,516	\$ 219,735	\$ 701,425
Indirect Expenses	\$ 0	\$ 232,849	\$ 7,963,435	\$ 1,350,524	\$ 558,838	\$ (5,322,744)	\$ (1,322,225)	\$ (2,539,516)	\$ (219,735)	\$ (701,425)
Total Expenses	\$ 21,523,421	\$ 477,622	\$ 16,360,076	\$ 3,342,376	\$ 1,343,349	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets	\$ (1,049,998)	\$ (5,884)	\$ (226,641)	\$ (606,297)	\$ (211,178)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets										
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	75,000	-	-	-	-	75,000	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	1,728	59,101	10,023	4,147	(75,000)	-	-	-	-
Fixed Assets, excluding Right of Use Assets	\$ 75,000	\$ 1,728	\$ 59,101	\$ 10,023	\$ 4,147	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ 21,598,423	\$ 479,350	\$ 16,419,177	\$ 3,352,399	\$ 1,347,497	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL	\$ (1,125,000)	\$ (7,612)	\$ (285,743)	\$ (616,320)	\$ (215,326)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	75.00	1.25	42.75	7.25	3.00	5.00	4.75	8.00	-	3.00