



**Texas Reliability Entity, Inc.
Board of Directors
Meeting Agenda**

May 13, 2026, at 2:00 p.m. Central Time**
8000 Metropolis Drive, Building A, Suite 300, Austin, Texas 78744

WebEx Link:

<https://texasre.webex.com/texasre/j.php?MTID=mce776d62a32ecee5bc4c0914d6e3e486>

Call-In: +1-855-797-9485

Item	Board of Directors Meeting
1.	Call to Order <i>Crystal Ashby, Board Chair</i>
2.	<u>Antitrust Admonition*</u> <i>Thad Crow, Communications and Training Coordinator</i>
3.	Consent Agenda* (Vote) <i>Crystal Ashby, Board Chair</i> a. Approval of February 25, 2026, Meeting Minutes b. Ratification of Texas RE Vice President
4.	Remarks and Reports <i>Crystal Ashby, Board Chair</i> a. Keynote Remarks <i>Rob Manning, NERC Board of Trustees</i> b. Chief Executive Officer's Report <i>Jim Albright, President and Chief Executive Officer</i>
5.	Audit, Governance, Risk, and Finance Committee Meeting Report <i>Suzanne Spaulding, AGR&F Committee Chair</i>
6.	<u>Acceptance of 2025 Financial Statement Audit* (Vote)</u> <i>Donna Bjornson, Vice President and Chief Financial Officer</i>
7.	<u>Approval of 2027 Business Plan and Budget* (Vote)</u> <i>Donna Bjornson, Vice President and Chief Financial Officer</i>
8.	<u>2025 Assessment of Reliability Performance*</u> <i>David Penney, Director, Reliability Services</i>
9.	<u>Texas RE Chief Engineer's Report*</u> <i>Mark Henry, Chief Engineer and Director, Reliability Outreach</i>

10.	<p>Program Area Reports: <i>(Staff may not present on these reports, but will be available to answer questions)</i></p> <ul style="list-style-type: none"> a. NERC Program Area Overview <i>Joseph Younger, Senior Vice President and Chief Operating Officer</i> b. Compliance Assessments Report and Risk Assessment Report* <i>Kenath Carver, Director, Compliance Assessments</i> c. Enforcement Report and Registration Report* <i>Katie Van Zee, Director, Enforcement and Registration</i> d. Reliability Services Report* <i>David Penney, Director, Reliability Services</i> e. Standards Report: SAR-013 Revision to BAL-001-TRE-2 Update* <i>Rachel Coyne, Executive Chief of Staff</i>
11.	<p>Other Business & Future Agenda Items <i>Crystal Ashby, Board Chair</i></p>
Executive Session Agenda Items	
12.	<p>Approval of February 25, 2026, and April 15, 2026, Executive Session Meeting Minutes* (Vote) <i>Crystal Ashby, Board Chair</i></p>
13.	<p>Discussion of other confidential matters:* including compliance and enforcement matters, personnel matters, litigation, contracts, and leases, or commercially sensitive or critical infrastructure information <i>Crystal Ashby, Board Chair</i></p>
Adjourn Meeting	

* Background material may be distributed electronically prior to or at meeting.

** Start and end times may be adjusted should meetings conclude early or extend past their scheduled end time.



Antitrust Compliance Reminder

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

Attendees should exercise independent judgment and avoid even the appearance of discussions of agreements or concerted actions that may be viewed as restraining competition. For example, avoid discussions regarding current or potential vendors or suppliers that involve sensitive information like pricing or terms, or discussions involving employee wages or hiring decisions. Any company decisions that are informed by your discussions today must be made independently.

This guidance is not intended as legal advice, and each attendee is responsible for seeking their own legal advice with respect to compliance with applicable antitrust and competition laws. However, any questions on Texas RE's Antitrust Compliance Corporate Policy may be directed to Texas RE's General Counsel.



**DRAFT MINUTES OF THE BOARD OF DIRECTORS
OF TEXAS RELIABILITY ENTITY, INC.**

February 25, 2026

Board Members

Crystal Ashby	Board Chair, Independent Director
Jeff Corbett	Board Vice Chair, Independent Director
Milton Lee	Independent Director
Suzanne Spaulding	Independent Director (remote)
Jim Albright	President and CEO
Curt Brockmann	Member Representatives Committee Chair
Daniela Hammons	Member Representatives Committee Vice Chair
Benjamin Barkley	Chief Executive and Public Counsel, Office of Public Utility Counsel

Texas RE Attendees

Joseph Younger, Senior Vice President and Chief Operating Officer
 Derrick Davis, Senior Vice President and Chief Administrative Officer
 Donna Bjornson, Vice President and Chief Financial Officer
 Kara Murray, Director, Human Resources
 Mark Henry, Chief Engineer and Director, Reliability Outreach
 Paul Curtis, Deputy General Counsel and Assistant Corporate Secretary
 Matt Barbour, Manager, Communications and Training

Other Attendees

Michael Webber, University of Texas at Austin
 Joseph McClelland, Director, Office of Energy Infrastructure Security, FERC

Additional Texas RE staff and other individuals attended in person or via public teleconference.

Call to Order

Pursuant to notice duly given, the meeting of the Texas Reliability Entity, Inc. (Texas RE) Board of Directors (Board) convened on February 25, 2026. Chair Ashby determined that a quorum was present and called the meeting to order at 2:00 p.m. Central Time.

Antitrust Admonition

At Chair Ashby's request, Thad Crow reviewed the antitrust admonition and reminded attendees to abide by Texas RE's antitrust guidelines.

Consent Agenda: Approval of December 10, 2025, Board of Directors Meeting Minutes and Approval of Resolution Ratifying Texas RE Senior Vice Presidents



Jeff Corbett made a motion to approve the consent agenda item: the December 10, 2025, Board of Directors meeting minutes and the Ratification of Texas RE Senior Vice Presidents. Milton Lee seconded the motion. The motion passed by unanimous voice vote.

Remarks and Reports

Michael Webber, University of Texas at Austin, gave keynote remarks. He discussed the growth in electric demand in Texas and possible technological solutions.

Joseph McClelland, Director, Office of Energy Infrastructure Security FERC, gave remarks on the need to prepare to respond to threats to the electric grid.

Mr. Albright gave the CEO report. He discussed the 2025 Annual Report, proposed 2027 Business Plan and Budget, and leadership changes at Texas RE.

Chair Ashby recognized Jeff Corbett for his service as the immediate past Chair of the Board and presented him a gavel.

Audit, Governance, Risk, and Finance Committee Meeting Report

Suzanne Spaulding, AGR&F Chair, reported that the AGR&F Committee met earlier today and approved meeting minutes and received a financial report and a human resources report.

Appointment of 2026 Director Compensation Committee and Chair

Derrick Davis, Senior Vice President and Chief Administrative Officer, presented the proposed committee members and Chair for the 2026 Director Compensation Committee: Suzanne Spaulding (Chair), Milton Lee, Jim Albright, Curt Brockmann, and Daniela Hammons.

Jeff Corbett made a motion to approve the 2026 Director Compensation Committee members and Chair as described above. Suzanne Spaulding seconded the motion. The motion passed by unanimous voice vote.

Appointment of 2026 Nominating Committee and Chair

Derrick Davis, Senior Vice President and Chief Administrative Officer, presented the proposed committee members and Chair for the 2026 Nominating Committee: Jeff Corbett (Chair), Milton Lee, and Curt Brockmann.

Jeff Corbett made a motion to approve the 2026 Nominating Committee members and Chair as described above. Milton Lee seconded the motion. The motion passed by unanimous voice vote.

Texas RE's Chief Engineer's Report

Mark Henry, Chief Engineer and Director, Reliability Outreach, presented the Chief Engineer's report.



Program Area Reports

Joseph Younger, Vice President and Chief Operating Officer, gave a NERC Program Area Overview. He said Texas RE had its most impactful year since he began working here and accomplished all of its corporate goals in 2025.

Kenath Caver, Director, Compliance Assessments, gave the Compliance Monitoring and Risk Assessment reports.

Katie Van Zee, Director, Enforcement and Registration, gave the Enforcement and Registration reports.

David Penney, Director, Reliability Services, gave the Reliability Services report.

Matthew Barbour, Manager, Communications and Training, gave the Communications and Training Report.

Other Business & Future Agenda Items

None.

Adjournment

At 4:25 p.m., Chair Ashby adjourned the open portion of the meeting and convened in executive session.

Derrick Davis,
Corporate Secretary

MEMORANDUM

To: Board of Directors
From: Derrick Davis, Senior Vice President and Chief Administrative Officer
Date: May 13, 2026
Re: Agenda Item 03.b - Ratification of Texas RE Vice President

Texas Business Organization Code § 22.232 provides that Officers of a non-profit corporation are to be elected or appointed for terms prescribed in the bylaws, and that the term of an Officer may not exceed three years. Article VII, Section 5 of the Texas RE Bylaws provides that the CEO may select other Officers of the Corporation, subject to ratification of the Board.

Jim Albright, Texas RE President and CEO, selected Davida Dwyer to serve as Vice President, General Counsel and Corporate Secretary beginning in May 2026.

Consistent with the Code and the Bylaws, we request that you approve the attached resolution ratifying the service of Davida Dwyer as Vice President, General Counsel and Corporate Secretary.



DRAFT RESOLUTION OF THE BOARD OF DIRECTORS OF TEXAS RELIABILITY ENTITY, INC.

May 13, 2026

WHEREAS, consistent with Texas law and the bylaws of Texas Reliability Entity, Inc. (Texas RE), a Texas non-profit corporation, the Board of Directors finds it necessary, desirable, and in the best interest to ratify the service of the following Officers of the Corporation:

- Davida Dwyer —Vice President, General Counsel and Corporate Secretary;

THEREFORE be it RESOLVED, that the board hereby ratifies the continued service of the Officers of the Corporation:

- Davida Dwyer —Vice President, General Counsel and Corporate Secretary;

CORPORATE SECRETARY’S CERTIFICATE

I, Davida Dwyer, Corporate Secretary of Texas Reliability Entity, Inc. certify that, at the May 13, 2026, Texas RE board meeting, the Board of Directors approved the above referenced Resolution. The motion passed by _____ vote.

Signed _____.

Davida Dwyer,
Corporate Secretary



MEMORANDUM

To: Board of Directors
From: Donna Bjornson, Vice President and Chief Financial Officer
Date: May 13, 2026
Re: Item 06 – Review and Recommendation of Financial Audit Statement

Attached for your review is the FORVIS Report on Audit of Financial Statements for the Year Ending December 31, 2025. This is an “un-modified audit” with no reported findings. Also attached is a draft resolution accepting the audited financial statements and the report.

I look forward to discussing this with you at the meeting.

Texas Reliability Entity, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024

DRAFT FOR REVIEW

Texas Reliability Entity, Inc.
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December 31, 2025 and 2024

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DRAFT FOR REVIEW

Independent Auditor's Report

Board of Directors
Texas Reliability Entity, Inc.
Austin, Texas

Opinion

We have audited the financial statements of Texas Reliability Entity, Inc. (Texas RE), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Texas RE as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Texas RE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas RE's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Texas RE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas RE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Dallas, Texas
May __, 2026

Texas Reliability Entity, Inc.
Statements of Financial Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,754,080	\$ 8,711,978
Assets limited to use – cash	445,313	338,537
Accounts receivable	2,797	-
Prepaid expenses	492,346	464,671
Total Current Assets	<u>11,694,536</u>	<u>9,515,186</u>
Noncurrent Assets		
Property and equipment, net	3,068,732	3,536,489
Right-of-use assets – operating leases	4,138,273	4,754,769
Total Assets	<u>\$ 18,901,541</u>	<u>\$ 17,806,444</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 158,372	\$ 169,877
Accrued liabilities	1,442,803	1,301,945
Operating lease liabilities, due within one year	818,843	807,464
Total Current Liabilities	<u>2,420,018</u>	<u>2,279,286</u>
Noncurrent Liabilities		
Operating lease liabilities, less current portion	5,053,728	5,874,062
Total Noncurrent Liabilities	<u>5,053,728</u>	<u>5,874,062</u>
Total Liabilities	<u>7,473,746</u>	<u>8,153,348</u>
Net Assets Without Donor Restrictions		
Undesignated	10,982,482	9,314,559
Designated	445,313	338,537
Total Net Assets Without Donor Restrictions	<u>11,427,795</u>	<u>9,653,096</u>
Total Liabilities and Net Assets	<u>\$ 18,901,541</u>	<u>\$ 17,806,444</u>

Texas Reliability Entity, Inc.
Statements of Activities
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues, Gains, and Other Support		
Statutory revenue		
Assessments	\$ 19,261,419	\$ 18,681,013
Penalty sanctions	445,217	4,600
Interest income	435,885	411,086
	<u>20,142,521</u>	<u>19,096,699</u>
Total Revenues, Gains, and Other Support		
Expenses		
Salaries and related benefits	14,396,271	12,882,989
Facility and equipment costs	1,159,692	1,273,538
Outside services	1,100,862	906,586
Meetings and travel	421,050	328,805
Administrative and other	759,120	749,374
Depreciation and amortization	530,827	529,724
	<u>18,367,822</u>	<u>16,671,016</u>
Total Expenses		
Change in Net Assets Without Donor Restrictions	1,774,699	2,425,683
Net Assets Without Donor Restrictions, Beginning of Year	<u>9,653,096</u>	<u>7,227,413</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ 11,427,795</u></u>	<u><u>\$ 9,653,096</u></u>

Texas Reliability Entity, Inc.
Statement of Functional Expenses
Year Ended December 31, 2025

	Statutory Program				Total Program	Supporting Services							Total Supporting Services	Total Expenses
	Reliability Standards	CMEP	Reliability Assessment and Performance Analysis/SAIS	Training and Education & Member Services		General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Board Related Work	Accounting and Finance			
EXPENSES														
Salaries and Related Benefits														
Salaries	\$ 161,678	\$ 5,338,733	\$ 1,427,422	\$ 298,270	\$ 7,226,103	\$ 1,623,270	\$ 679,612	\$ 895,102	\$ 196,449	\$ -	\$ 436,620	\$ 3,831,053	\$ 11,057,156	
Payroll taxes	12,080	389,221	97,078	19,930	518,309	36,892	41,715	66,333	13,983	-	29,846	188,769	707,078	
Employee benefits	32,270	691,938	185,944	32,098	942,250	77,068	93,882	140,379	35,798	-	35,590	382,717	1,324,967	
Savings and retirement	20,583	666,092	173,014	30,599	890,288	111,599	75,815	104,592	72,890	-	51,886	416,782	1,307,070	
Total Personnel Expenses	226,611	7,085,984	1,883,458	380,897	9,576,950	1,848,829	891,024	1,206,406	319,120	-	553,942	4,819,321	14,396,271	
Meeting and Travel Expenses														
Meetings and conference calls	-	414	3,189	45,722	49,325	24,977	27	12,846	34,728	162	-	72,740	122,065	
Travel	2,920	135,628	36,705	5,914	181,167	52,222	13,439	8,866	5,278	31,182	6,831	117,818	298,985	
Total Meeting and Travel Expenses	2,920	136,042	39,894	51,636	230,492	77,199	13,466	21,712	40,006	31,344	6,831	190,558	421,050	
Operating Expenses														
Consultants and contracts	-	-	27,305	-	27,305	20,525	2,454	181,318	158,610	14,694	-	377,601	404,906	
Rent and improvements	-	-	-	-	-	978,795	-	-	-	-	-	978,795	978,795	
Office costs	-	4,318	556	956	5,830	124,328	5,146	774,780	7,922	20,223	1,788	934,187	940,017	
Professional services	-	-	-	2,378	2,378	125,580	10,828	35,739	303	461,000	60,128	693,578	695,956	
Depreciation and amortization	-	2,419	-	-	2,419	528,408	-	-	-	-	-	528,408	530,827	
Total Operating Expenses	-	6,737	27,861	3,334	37,932	1,777,636	18,428	991,837	166,835	495,917	61,916	3,512,569	3,550,501	
Total Expenses	\$ 229,531	\$ 7,228,763	\$ 1,951,213	\$ 435,867	\$ 9,845,374	\$ 3,703,664	\$ 922,918	\$ 2,219,955	\$ 525,961	\$ 527,261	\$ 622,689	\$ 8,522,448	\$ 18,367,822	

See Notes to Financial Statements

Texas Reliability Entity, Inc.
Statement of Functional Expenses
Year Ended December 31, 2024

	Statutory Program				Total Program	Supporting Services						Total Supporting Services	Total Expenses
	Reliability Standards	CMEP	Reliability Assessment and Performance Analysis/SAIS	Training and Education & Member Services		General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Board Related Work	Accounting and Finance		
EXPENSES													
Salaries and Related Benefits													
Salaries	\$ 154,905	\$ 4,821,870	\$ 1,231,619	\$ 286,507	\$ 6,494,901	\$ 1,405,668	\$ 657,424	\$ 704,648	\$ 162,096	\$ -	\$ 393,676	\$ 3,323,512	\$ 9,818,413
Payroll taxes	11,201	350,910	85,502	19,008	466,621	33,521	40,090	51,995	11,651	-	26,863	164,120	630,741
Employee benefits	26,648	664,890	139,988	30,688	862,214	70,848	90,681	145,943	57,982	-	47,131	412,585	1,274,799
Savings and retirement	19,937	610,150	153,741	29,483	813,311	79,307	73,772	83,813	50,990	-	57,843	345,725	1,159,036
Total Personnel Expenses	212,691	6,447,820	1,610,850	365,686	8,637,047	1,589,344	861,967	986,399	282,719	-	525,513	4,245,942	12,882,989
Meeting and Travel Expenses													
Meetings and conference calls	-	-	1,794	42,830	44,624	13,630	-	11,355	27,247	112	-	52,344	96,968
Travel	852	107,099	29,762	2,936	140,649	44,798	4,409	5,286	-	35,003	1,692	91,188	231,837
Total Meeting and Travel Expenses	852	107,099	31,556	45,766	185,273	58,428	4,409	16,641	27,247	35,115	1,692	143,532	328,805
Operating Expenses													
Consultants and contracts	-	-	-	-	-	54,025	2,337	84,547	167,262	16,973	-	325,144	325,144
Rent and improvements	-	-	-	-	-	1,070,291	-	-	-	-	-	1,070,291	1,070,291
Office costs	-	6,879	2,739	3,247	12,865	116,674	3,640	791,223	7,165	19,652	1,402	939,756	952,621
Professional services	-	-	-	-	-	122,752	5,500	20,800	-	370,000	62,390	581,442	581,442
Depreciation and amortization	-	-	-	-	-	529,724	-	-	-	-	-	529,724	529,724
Total Operating Expenses	-	6,879	2,739	3,247	12,865	1,893,466	11,477	896,570	174,427	406,625	63,792	3,446,357	3,459,222
Total Expenses	\$ 213,543	\$ 6,561,798	\$ 1,645,145	\$ 414,699	\$ 8,835,185	\$ 3,541,238	\$ 877,853	\$ 1,899,610	\$ 484,393	\$ 441,740	\$ 590,997	\$ 7,835,831	\$ 16,671,016

See Notes to Financial Statements

Texas Reliability Entity, Inc.
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Change in net assets	\$ 1,774,699	\$ 2,425,683
Item not requiring cash		
Loss on disposal of fixed assets	3,751	-
Depreciation and amortization	530,827	529,724
Noncash operating lease expense	616,496	589,223
Changes in		
Accounts receivable	(2,797)	2,303
Prepaid expenses	(27,675)	25,916
Accounts payable	(11,505)	140,896
Accrued liabilities	140,858	122,227
Operating lease liabilities	(808,955)	(759,790)
Net Cash Provided by Operating Activities	<u>2,215,699</u>	<u>3,076,182</u>
Investing Activities		
Capital expenditures for property and equipment	(66,821)	(70,496)
Net Cash Used in Investing Activities	<u>(66,821)</u>	<u>(70,496)</u>
Net Increase in Cash and Cash Equivalents	2,148,878	3,005,686
Cash and Cash Equivalents, Beginning of Year	<u>9,050,515</u>	<u>6,044,829</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,199,393</u>	<u>\$ 9,050,515</u>
Cash and cash equivalents	\$ 10,754,080	\$ 8,711,978
Assets limited to use – cash	445,313	338,537
Total Cash, Cash Equivalents, and Assets Limited as to Use		
– Cash Shown in the Statement of Cash Flows	<u>\$ 11,199,393</u>	<u>\$ 9,050,515</u>

Note 1. Organization and Operations

Texas Reliability Entity, Inc. (Texas RE) is a Texas nonprofit corporation that is tax exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). Texas RE was formed January 1, 2010, to be the Regional Entity for the Electric Reliability Council of Texas, Inc. (ERCOT) region and to preserve and enhance reliability across the ERCOT region among all users, owners and operators of the bulk-power system (BPS). Texas RE became the Regional Entity for the ERCOT region on July 1, 2010, pursuant to its *Amended and Restated Delegation Agreement* with North American Electric Reliability Corporation (NERC), which was renewed and approved by the Federal Energy Regulatory Commission (FERC) for a five-year term effective January 1, 2016, which was extended for another five-year term effective January 1, 2021. During 2025, the agreement was extended for another five-year term effective January 1, 2026.

As the Regional Entity, Texas RE proposes and facilitates development of new and modified NERC Reliability Standards and Regional Standards (Standards); monitors, assesses, investigates and enforces compliance by registered entities with Standards in the ERCOT region and oversees the mitigation of any violations. Texas RE is authorized to impose penalties and sanctions for violations, but NERC and FERC must approve determination of all violations and the imposition of all penalties and sanctions. These Regional Entity activities are referred to herein as “statutory” activities.

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 75% of the Texas land area and 90% of Texas load.

Membership and Governance

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

- **System Coordination and Planning:** An entity that is registered with NERC as a Reliability Coordinator (RC), Balancing Authority (BA), Planning Authority (PA) or Resource Planner (RP).
- **Transmission and Distribution:** An entity that is registered with NERC as a Transmission Owner (TO), Transmission Planner (TP), Transmission Service Provider (TSP), Distribution Provider (DP) and/or Transmission Operator (TOP) and is not a Cooperative or Municipal Utility.
- **Cooperative Utility:** An entity that is (a) a corporation organized under Chapter 161 of the Texas Utilities Code or a predecessor statute to Chapter 161 and operating under that chapter; (b) a corporation organized as an electric cooperative in a state other than Texas that has obtained a certificate of authority to conduct affairs in the state of Texas or (c) a cooperative association organized under Tex. Rev. Civ. Stat. 1396-50.01 or a predecessor to that statute and operating under that statute that is registered with NERC for at least one reliability function.
- **Municipal Utility:** An entity that owns or controls transmission or distribution facilities, owns or controls dispatchable generating facilities or provides retail electric service and is a municipally owned utility as defined in PURA §11.003 and is registered with NERC for at least one reliability function.
- **Generation:** An entity that is registered with NERC as a Generator Owner (GO) or Generator Operator (GOP).
- **Load-Serving and Marketing:** An entity that secures wholesale transmission service or is engaged in the activity of buying and selling of wholesale electric power in the ERCOT region on a physical or financial basis, or qualifies under any newly defined NERC reliability function for demand response.

Membership in Texas RE is voluntary and open to any entity that is a user, owner or operator of the ERCOT region BPS that qualifies to join one of the six membership sectors listed in the Texas bylaws. Eligible entities must complete and submit a membership application and comply with the bylaws. 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 Reliability Entity, Inc.
Notes to Financial Statements
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Texas RE is governed by a hybrid board of directors (Board), comprised of the following nine directors:

- Texas RE President and Chief Executive Officer
- Four Independent Directors
- Two Member Directors (the Chair and Vice-Chair of the Member Representatives Committee)
- Chair of the PUCT, or another PUCT Commissioner designated by the Chairman, as an ex officio nonvoting member
- Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an ex officio nonvoting member

The Board's primary role is to oversee management of Texas RE, including assuring that Texas RE meets its requirements under the *Bylaws and Delegation Agreement*, and to elect a Chief Executive Officer to manage and be responsible for the day-to-day ongoing activities of Texas RE. The Board has one subcommittee, the Audit, Governance, and Finance Committee, which is comprised of the Independent Directors.

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 Board on administrative, financial, reliability-related or any other matters through its elected Chair and Vice-Chair, who serve as directors.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Texas RE considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, cash equivalents consisted of a sweep account with a financial institution.

At December 31, 2025, Texas RE's cash accounts, excluding its sweep account that had a balance of approximately \$10,764,000, exceeded federally insured limits by approximately \$255,300. Texas RE places its cash with a high-quality financial institution and management believes no significant risks exist with respect to uninsured balances.

Assets Limited to Use

As stipulated by NERC policies, Texas RE records fines and penalties that are required to be used in future operations to reduce statutory assessments for the subsequent year. Assets limited to use (maintained in a financial institution) was \$445,313 and \$338,537 at December 31, 2025 and 2024, respectively.

The Board of Texas RE considers the assets limited to use as designated net assets for future use.

Revenue Recognition

Revenue is recognized when control of the promised services is transferred under Texas RE's *Delegation Agreement* for statutory operations in an amount that reflects the consideration that it expects to be entitled to in exchange for those services. The amount and timing of revenue recognition varies based on the nature of the

Texas Reliability Entity, Inc.
Notes to Financial Statements
December 31, 2025 and 2024

services provided and the terms and conditions of the *Delegation Agreement*. See Note 5 for additional information about Texas RE's revenue.

Related Party Transactions

Texas RE compensates its independent board directors, which is a common practice in the industry in which Texas RE operates. The authority to compensate its independent board directors is specified in the Bylaws, which were approved by the Texas RE membership. Texas RE independent board director compensation (totaling approximately \$461,000 and \$370,000 during 2025 and 2024, respectively) is paid monthly. In addition to their compensation, Texas RE independent board members are reimbursed for their reasonable out-of-pocket expenses incurred related to their duties as a Texas RE independent board member.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost less accumulated depreciation and amortization. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under operating lease obligations are amortized over the shorter of the lease term or their respective estimated useful lives. Repairs and maintenance costs are expensed when incurred.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Equipment	5 years
Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	7 years
Leasehold improvements	10 years

Long-lived Asset Impairment

Texas RE evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Functional Allocation of Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on actual use and management estimates.

Income Taxes

Texas RE is exempt from income taxes under Section 501 of the IRC and a similar provision of state law. However, Texas RE is subject to federal income tax on any unrelated business taxable income.

Texas RE files tax returns in the U.S. federal jurisdiction.

Note 3. Property and Equipment

Property and equipment at December 31, 2025 and 2024, consists of:

	<u>2025</u>	<u>2024</u>
Equipment	\$ 88,655	\$ 88,655
Computer hardware	-	56,656
Furniture	784,900	763,764
Leasehold improvement	3,832,867	3,832,867
Work in process	<u>56,408</u>	<u>10,724</u>
Total property and equipment	4,762,830	4,752,666
Less accumulated depreciation and amortization	<u>1,694,098</u>	<u>1,216,177</u>
Total property and equipment, net	<u><u>\$ 3,068,732</u></u>	<u><u>\$ 3,536,489</u></u>

Note 4. Leases

Accounting Policies

Texas RE determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Texas RE determines lease classification as operating or finance at the lease commencement date.

Texas RE combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office building.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Texas RE has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that Texas RE is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Texas RE has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

**Texas Reliability Entity, Inc.
Notes to Financial Statements
December 31, 2025 and 2024**

Nature of Leases

Texas RE has entered into the following lease arrangements:

Operating Leases

On September 17, 2020, Texas RE entered into a 10-year office building lease agreement beginning April 1, 2022 and expiring June 30, 2032. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

In 2023, Texas RE entered into a new computer equipment lease expiring June 2026, with no renewal option. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

All Leases

Texas RE has no material related-party leases.

Texas RE's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended December 31, 2025 and 2024, are:

	<u>2025</u>	<u>2024</u>
Lease cost		
Operating lease cost	<u>\$ 763,922</u>	<u>\$ 763,922</u>
Total lease cost	<u>\$ 763,922</u>	<u>\$ 763,922</u>
	<u>2025</u>	<u>2024</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	\$ 956,381	\$ 934,488
Weight average remaining term		
Operating leases	6.4	7.4
Weight average discount rate		
Operating leases	2.38%	2.36%

Texas Reliability Entity, Inc.
Notes to Financial Statements
December 31, 2025 and 2024

Future minimum lease payments and reconciliation to the statement of financial position at December 31, 2025, are as follows:

2026	\$ 959,447
2027	941,371
2028	964,859
2029	988,934
2030	1,013,609
2031-2032	<u>1,457,756</u>
Total future undiscounted lease payments	6,325,976
Less imputed interest	<u>(453,405)</u>
Lease liabilities	5,872,571
Less amounts due within one year	<u>(818,843)</u>
Noncurrent lease liabilities	<u>\$ 5,053,728</u>

Note 5. Revenue Recognition

Performance Obligations

Revenue is measured as the amount of consideration Texas RE expects to receive in exchange for providing services pursuant to the *Delegation Agreement* for statutory operations. Texas RE recognizes revenue when performance obligations under the terms of the agreements are satisfied.

Texas RE funds its statutory operations primarily from assessments NERC collects from load serving entities and pays to Texas RE in four quarterly payments, pursuant to the *Delegation Agreement*. The performance obligations under the *Delegation Agreement* consists of providing compliance monitoring and enforcement and are recognized ratably over time, as the obligation is satisfied. The transaction price is determined by the statutory budgeted expenditures as approved by the Texas RE Board, when it approves Texas RE's annual business plan and budget.

Penalty sanctions are considered a form of variable consideration, which are derived from Texas RE's compliance and enforcement activities pursuant to the *Delegation Agreement*. Texas RE recognizes revenue related to fines and penalties in the period in which the performance obligation is met, after all appeals have been exhausted.

Texas RE has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Different payment methodologies under the respective agreements
- Texas RE's line of business that provides the service

Note 6. Employee Benefit Plan

Texas RE employees are sponsored under the Texas Reliability Entity, Inc. 401(k) Savings Plan (Plan) which is subject to the provisions of the *Employee Retirement Income Security Act of 1974*. The Plan utilizes a third-party administrator to assist in the administration. Employees must be 21 years of age to be eligible to participate. Texas RE matches 75% of the employee’s contribution up to 6% of eligible compensation as defined in the plan document. Employees are fully vested for the Texas RE match of 75% after five years. In addition, Texas RE contributes 10% of a participant’s eligible compensation as defined in the plan document. Employees are fully vested for the Texas RE contributions of 10% after three years. Employer contributions to the 401(k) plan was approximately \$1,260,500 and \$1,118,800 in 2025 and 2024, respectively.

Note 7. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2025 and 2024, comprise the following:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 10,754,080	\$ 8,711,978
Accounts receivable	<u>2,797</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,756,877</u>	<u>\$ 8,711,978</u>

Texas RE manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Texas RE has a Working Capital and Operating Reserve Policy to retain a \$2,000,000 cash reserve, or an amount as adjusted by the Board of Directors, or as required by regulators.

This operating reserve is a contingency reserve to ensure the stability of the ongoing operations of Texas RE. As part of Texas RE’s liquidity management, its financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. In addition, Texas RE invests cash in excess of daily requirements in short-term investments. To achieve these targets, Texas RE monitors its liquidity quarterly, and monitors its reserves annually.

During the years ended December 31, 2025 and 2024, the level of liquidity and reserves was managed within the policy requirements.

Note 8. Subsequent Events

Subsequent events have been evaluated through May __, 2026, which is the date the financial statements were available to be issued.



DRAFT

**RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS RELIABILITY ENTITY, INC.**

May 13, 2026

WHEREAS, the Board of Directors (Board) of Texas Reliability Entity, Inc. (Texas RE), a Texas non-profit corporation, deems it desirable and in the best interest of Texas RE to accept the Texas Reliability Entity, Inc. audited financial statements and the FORVIS Report on Audit of Financial Statements for the Year Ending December 31, 2025;

THEREFORE be it RESOLVED, that the Board hereby accepts the Texas Reliability Entity, Inc. 2025 financial statements and the FORVIS Report on Audit of Financial Statements for the Year Ending December 31, 2025.

CORPORATE SECRETARY'S CERTIFICATE

I, Davida Dwyer, Corporate Secretary of Texas Reliability Entity, Inc. certify that, at the May 13, 2026, Texas RE Board Meeting, the Board of Directors approved the above referenced Resolution. The Motion _____ by _____ vote.

Signed on _____.

Davida Dwyer,
Corporate Secretary



MEMORANDUM

To: Board of Directors
From: Donna Bjornson, Vice President and Chief Financial Officer
Date: May 13, 2026
Re: Item 07 – Review and Recommendation of 2027 Business Plan and Budget

Attached is the 2027 Business Plan and Budget, as well as a resolution for your approval. The budget document incorporates the information previously provided to you, the Member Representatives Committee and the Audit, Governance, Risk, and Finance Committee.

The MRC met by conference call on April 23, 2026, and voted to recommend approval of the budget. The full 2027 Business Plan and Budget was posted on May 5, 2026, for member comments.

We consider this to be the final draft; however, there may be a few minor revisions after further review from NERC. Therefore, the draft resolution reflects your approval subject to “no material changes” recognizing that there may be certain minor changes prior to final submission at FERC.

I look forward to discussing this with you at the meeting.



TEXAS RE

Ensuring electric reliability for Texans



2027 Business Plan and Budget

Approved by Texas RE Board of Directors: XXXXXXXXX



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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, 2026. 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:

- Participate in the development of NERC Reliability Standards, or modifications thereof, and facilitate the development of needed Regional Standards or variances through Texas RE's Standards Development Process.
- Identify and register Responsible Entities with NERC and, as needed, certify such entities within the ERCOT region.
- Monitor and enforce compliance with approved NERC Reliability Standards and Regional Standards, in accordance with the NERC ROP, in the ERCOT region.
- Analyze and assess system events and disturbances.
- Assess present and future reliability, adequacy, and security of the BPS.
- Promote effective training and education of 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 2025 is 488,406,479 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 complimentary, 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

The Texas RE 2027 Business Plan and Budget 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 the total budget in 2027 from \$21,598,423 to \$23,419,495, an increase of \$1,821,074 or 8.4%.

Texas RE's proposed 2027 assessment of \$21,059,496 represents an increase of 6.3 percent, or \$1,240,673 from the 2026 assessment. Texas RE is releasing \$385,000 of penalty reserves and \$1,750,000 of assessment stabilization reserves to offset assessments. More information is provided in the [Reserve Analysis](#) table.

Major Drivers/Key Assumptions

- **Personnel** – Expense increase in the amount of \$1,262,354 (7.4 percent).
 - Addition of three full-time employees (FTEs) and a budgeted 4 percent merit, promotion, and market adjustment pool.
 - One additional FTE in Registration and Certification supports a range of current and future resource needs, reflecting long-term growth in registration activities, including the need to identify, analyze, and register inverter-based resources, new Computational Load Entities (CLEs), as well as enhance outreach to a growing number of new, non-traditional registered entities in Texas RE’s region.
 - One additional FTE in RAPA to support increased emphasis on and complexity of reliability assessments, including a focus on energy availability and expanded probabilistic methods, the implementation of interconnection-wide transmission studies, data collection and validation for all reliability assessment work, and overall departmental sustainability.
 - One additional FTE in Finance and Accounting to ensure appropriate support and resources in the department to execute strategy as Texas RE grows, avoid disruptions in key services, integrate improved technology and processes, and support overall program sustainability consistent with the ERO’s Long-Term Strategic Plan.

Staffing changes are discussed in more detail in “Major Budget Drivers – Program Area Budgets”, “Major Budget Drivers – Administrative Services Budget” below, and in subsequent program area sections.

- **Operating Expenses** – Expense increase in the amount of \$362,043 (9.2 percent).
 - Contracts and Consultants – Increase is related to the cost of Secure Evidence Locker enhancements shared by NERC and the ERO Regional Entities and Board of Director search fees to fill an expiring Board seat.
 - Technology Investments – Increases are related to transmission assessment software required to meet ERO expectations to conduct interconnection-level transmission assessments.
 - Building Maintenance—Decrease in building maintenance costs are a result of adjusting estimates to line up with actual costs experienced over the last three years.

**Statement of Activities and Fixed Asset Additions
 2026 and 2027 Budgets**
STATUTORY

			Variance	
	2026 Budget	2027 Budget	26 v 27 Budget Budget	Variance Percent
Funding				
ERO Funding				
NERC Assessments	\$ 19,818,823	\$ 21,059,495	\$ 1,240,673	6.3%
Penalties Released*	429,600	385,000	(44,600)	-10.4%
Total NERC Funding	\$ 20,248,423	\$ 21,444,495	\$ 1,196,073	5.9%
Interest	225,000	225,000	-	0.0%
Total Funding (A)	\$ 20,473,423	\$ 21,669,495	\$ 1,196,073	5.8%
Personnel Expenses				
Personnel Expenses				
Salaries	\$ 12,351,262	\$ 13,475,492	\$ 1,124,230	9.1%
Payroll Taxes	837,104	894,077	56,973	6.8%
Benefits	2,163,395	2,105,145	(58,249)	-2.7%
Retirement Costs	1,745,171	1,884,571	139,400	8.0%
Total Personnel Expenses	\$ 17,096,932	\$ 18,359,285	\$ 1,262,354	7.4%
Meeting & Travel Expenses				
Meetings	\$ 142,400	\$ 174,400	\$ 32,000	22.5%
Travel	330,273	394,950	64,677	19.6%
Total Meeting & Travel Expenses	\$ 472,673	\$ 569,350	\$ 96,677	20.5%
Operating Expenses, Excl. Depreciation				
Consultants & Contracts	\$ 497,500	\$ 698,520	\$ 201,020	40.4%
Office Rent	1,803,978	1,555,240	(248,737)	-13.8%
Office Costs	842,400	1,163,100	320,700	38.1%
Professional Services	809,940	899,000	89,060	11.0%
Total Operating Expenses	\$ 3,953,818	\$ 4,315,860	\$ 362,043	9.2%
Total Direct Expenses	\$ 21,523,423	\$ 23,244,495	\$ 1,721,074	8.0%
Indirect Expenses	\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 21,523,423	\$ 23,244,495	\$ 1,721,074	8.0%
Change in Net Assets (A - B)	\$ (1,050,000)	\$ (1,575,000)	\$ (525,000)	50.0%
Fixed Assets, Excl. Right of Use Assets (C)	\$ 75,000	\$ 175,000	\$ 100,000	133.3%
TOTAL BUDGET (B + C)	\$ 21,598,423	\$ 23,419,495	\$ 1,821,074	8.4%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ (1,125,000)	\$ (1,750,000)	\$ (625,000)	55.6%
FTEs	75.0	78.0	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	2026 Budget	2027 Budget	Variance 2027 v 2026 Budget	Variance Percent
Reliability Standards	\$ 479,350	\$ 509,057	\$ 29,707	6.2%
Compliance Enforcement and Organization Registration	16,419,177	17,464,795	1,045,618	6.4%
Reliability Assessments and Performance Analysis	3,352,399	3,933,189	580,790	17.3%
Training and Education	1,347,497	1,512,454	164,957	12.2%
Total by Program	\$ 21,598,423	\$ 23,419,495	\$ 1,821,073	8.4%

Reliability Standards

- The number of FTEs and operating costs are consistent with the 2026 Budget.

Compliance Monitoring and Enforcement (CMEP)

- Personnel** – The number of FTEs will increase by one new subject matter expert in Registration and Certification to address a range of current and future resource needs.
 - Reflects long-term growth in registration activities, including a continued need to identify, analyze, and register inverter-based resources.
 - Supports additional registration activities to identify, analyze, and register large load resources reflecting NERC’s accelerated timeline to register such resources in 2027.
 - Adds capacity to provide enhanced outreach to growing number of new, non-traditional registered entities in Texas RE’s region.
 - Provides additional flexibility to support increasing certification activities, including potential new generator control center certification requirements.

Reliability Assessment and Performance Analysis (RAPA)

- Personnel** – The number of FTEs will increase by one Reliability Assessments Manager to address an increased emphasis on and complexity of reliability assessments.
 - Supports the focus on energy availability and expanded probabilistic methods in support of long-term and seasonal assessments.
 - Adds capacity to implement interconnection-wide transmission studies.
 - Supports heightened focus on data collection and validation for all reliability assessment work.
 - Supports department sustainability and succession planning needs.

- **Consultants and Contracts** – Continued implementation of software tools and associated consulting support is needed as part of a multi-year plan 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 consistent with the 2026 Budget.
- **Meeting Expenses** – An increase in meeting expenses is related to co-hosting the Grid Security Conference in 2027.

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		
	2026 Budget	2027 Budget	Inc (Dec)	2026 Budget	2027 Budget	Inc (Dec)
General and Administrative	5,397,744	6,170,237	772,492	5.00	6.00	1.00
Legal and Regulatory	1,322,225	1,045,092	(277,133)	4.75	3.75	(1.00)
Information Technology	2,539,516	2,896,026	356,510	8.00	8.00	-
Human Resources	219,735	224,535	4,800	-	-	-
Finance and Accounting	701,425	926,510	225,085	3.00	4.00	1.00
Total Administrative Services	10,180,645	11,262,400	1,081,754	20.75	21.75	1.00

General and Administrative

- **Personnel** – Increase relates to merit, promotion, and market adjustments.
 - A corporate reorganization in 2026 resulted in the promotion of the Vice President and General Council to a newly created position of Senior Vice President and Chief Administrative Officer. Although this new position will not increase total FTEs, it will shift one FTE and associated expenses from Legal and Regulatory to General and Administrative. This reorganization is part of a long-term sustainability plan for senior leadership in the organization and consistent with the EROs Long Term Strategic Plan's Focus on Agility and Sustainability.

- **Office Rent and Maintenance** – Building maintenance expenses are decreasing by \$248,737 (-13.8 percent) to bring maintenance costs in line with actual costs experienced in the last three years.
- **Consultants and Contracts** – Increase is primarily related to \$100K in Board Member search fees to fill an expiring Board seat.
- **Fixed Assets** – Increase of \$100K for furniture and cable work to furnish expanded office space for a lease beginning in January 2028.

Legal and Regulatory

- **Personnel** – One FTE was transferred from Legal and Regulatory to General and Administrative as part of a corporate reorganization, as described in the General and Administrative section above. This reorganization caused personnel costs in Legal and Regulatory to be less than the 2026 budget.

Information Technology

- **Personnel** - The number of FTEs are consistent with the 2026 Budget, while health insurance costs are less than the 2026 budget because health insurance costs are estimated based on 10 percent over current rates, which are lower than rates in the 2026 budget.
- **Consultants and Contracts** – Increasing by \$101,020 (88 percent) because of Secure Evidence Locker enhancement costs shared by NERC and ERO regional entities.
- **Office Costs** – Increasing by \$312,000 (44 percent) primarily because of an investment in transmission assessment software in RAPA and contract management software to ensure best practices in contract management.

Human Resources

- **Personnel** – These costs are included in General and Administrative and are consistent with the 2026 Budget.
- **Operating Expenses** – These costs are consistent with the 2026 Budget.

Finance and Accounting

- **Personnel** - The addition of one Senior Accountant FTE.
 - Ensures that Texas RE has the appropriate support and resources needed to execute strategy and accomplish our reliability mission.
 - Creates sustainability for the Finance team consistent with the EROs Long Term Strategic Plan's Focus on Agility and Sustainability.
 - Enhances the ability to respond to new challenges as the company grows.
 - Enhances the ability to evolve and to integrate improved technological tools and processes while strengthening internal controls and segregation of duties.
- **Operating Expenses**—These costs are consistent with the 2026 Budget.

Personnel Analysis and Expenses

Personnel Expenses	2026 Budget	2027 Budget	Variance	
			2027 v 2026 Budget	Variance %
Salaries	\$12,351,262	\$13,475,492	\$1,124,230	9.1%
Payroll Taxes	837,104	894,077	56,973	6.8%
Benefits	2,163,395	2,105,145	(58,249)	-2.7%
Retirement	1,745,171	1,884,571	139,400	8.0%
Total Personnel Costs	\$17,096,932	\$18,359,285	\$1,262,354	7.4%
FTEs	75.0	78.0	3.0	4.0%
Cost per FTE				
Salaries	\$ 164,683	\$ 172,763	\$ 8,079	4.9%
Payroll Taxes	11,161	11,463	301	2.7%
Benefits	28,845	26,989	(1,856)	-6.4%
Retirement	23,269	24,161	892	3.8%
Total Cost per FTE	\$ 227,959	\$ 235,375	\$ 7,416	3.3%

Personnel: Significant Variances – 2026 Budget vs 2027 Budget

- Addition of three FTEs – More details can be found in the [Major Budget Drivers – Program Area Budgets](#) and [Major Budget Drivers – Administrative Services Budget](#)
 - One FTE in RAPA – Manager, Reliability Assessments
 - One FTE in Registration and Certification – Registration and Certification subject matter expert
 - One FTE in Finance – Senior Staff Accountant
- Budgeted 4 percent merit, promotion, and market adjustment pool
- Health insurance costs are ten percent over *current actual* rates, which resulted in an overall decrease in health insurance costs over the 2026 budget.

	2026 Budget	2027 Budget	Change from 2026 Budget
Total FTEs by Program Area			
Operational Programs			
Reliability Standards	1.25	1.25	-
Compliance and Organization Registration and Certification	42.75	43.75	1.00
Training and Education	3.00	3.00	-
Reliability Assessment and Performance Analysis	7.25	8.25	1.00
Total FTEs Operational Programs	54.25	56.25	2.00
Administrative Programs			
General & Administrative	5.00	6.00	1.00
Legal and Regulatory	4.75	3.75	(1.00)
Information Technology	8.00	8.00	-
Human Resources	-	-	-
Finance and Accounting	3.00	4.00	1.00
Total FTEs Administrative Programs	20.75	21.75	1.00
Total FTEs	75.00	78.00	3.00

Contractors and Consulting Expenses

Contractors and Consulting Expenses: Significant Variances – 2026 Budget vs 2027 Budget

- **RAPA** – Reliability assessment software included in Consultants and Contracts in the 2026 budget was moved to software expense in Information Technology to better reflect the nature of this expense, while the corresponding software support remained in Contractors and Consulting. Transmission assessment software support was added in 2027 to implement ERO Enterprise enhancements to reliability assessments and new interconnection-wide transmission projects. The net of these two items resulted in a net decrease in 2027.
- **General and Administrative** – Increase is for search fees to fill a Board of Director position, whose seat is expiring in 2027.
- **Information Technology** – Increase is for enhancements to the Secure Evidence Locker as part of a five-year plan to share costs between NERC and the Regional Entities.

Consultants and Contracts	2026 Budget	2027 Budget	Variance 2027 v 2026 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	0.0%
Compliance and Organization Registration and Certification	-	-	-	0.0%
Reliability Assessment and Performance Analysis	135,000	100,000	(35,000)	-25.9%
Training and Education	-	-	-	0.0%
General and Administrative	80,000	215,000	135,000	168.8%
Legal and Regulatory	2,500	2,500	-	0.0%
Information Technology	115,000	216,020	101,020	87.8%
Human Resources	165,000	165,000	-	0.0%
Accounting and Finance	-	-	-	0.0%
Total Consultants and Contracts	\$ 497,500	\$ 698,520	\$ 201,020	40.4%

Fixed Asset Additions

Significant Variances – 2026 Budget versus 2027 Budget

- Furniture and Fixtures – Increase is for furniture and cablework for a 7,200 RSF office expansion, which will be part of a new lease agreement and renewal of an existing lease agreement effective January 1, 2028. The office expansion will ensure adequate space to accommodate growth in FTEs over the next ten years and capitalizes on favorable terms offered by Texas RE's existing landlord.
- Equipment-- Routine equipment replacements.

Fixed Assets	2026 Budget	2027 Budget	Variance	
			2027 v 2026 Budget	Variance %
Furniture & Fixtures CapEx	\$ -	\$ 100,000	\$ 100,000	
Equipment CapEx	75,000	75,000	-	
Total Fixed Assets	\$ 75,000	\$ 175,000	\$ 100,000	133.3%



Reserve Analysis

Working Capital Reserve Analysis 2026-2027						
STATUTORY						
	Total Reserves	Contingency Reserves	Assessment Stabilization	Unreleased Penalties	Reserve for Future Lease Obligations	Working Capital
Beginning Reserves, January 1, 2026	\$ 11,199,392	\$ 3,382,480	\$ 5,908,835	\$ 445,217	\$ 363,108	\$ 1,099,752
Plus: 2026 Funding (from LSEs or designees)	19,818,823	217,257	(217,257)	-	7,951	19,810,871
Plus: 2026 Other funding sources	225,000	-	-	-	-	225,000
Released from Assessment Stabilization & Contingency Penalties Released in 2026	-	-	(1,125,000)	-	-	1,125,000
Penalty Sanctions Received July 1, 2025 - June 30, 2026	385,000	-	-	(445,217)	-	445,217
Less: 2026 Projected expenses & capital expenditures	(21,598,423)	-	-	385,000	-	(21,598,423)
Projected Reserves, December 31, 2026	\$ 10,029,792	\$ 3,599,737	\$ 4,566,578	\$ 385,000	\$ 371,059	\$ 1,107,418
Desired Reserves, December 31, 2027						
Target Reserve December 31, 2027	\$ 7,894,792	\$ 3,874,083	\$ 2,816,578	\$ -	\$ 356,100	\$ 848,032
Minus: Projected Reserves, December 31, 2026	(10,029,792)	(3,599,737)	(4,566,578)	(385,000)	(371,059)	(1,107,418)
Incr(decr) in funding requirement to achieve Reserve	\$ (2,135,000)	\$ 274,346	\$ (1,750,000)	\$ (385,000)	\$ (14,959)	\$ (259,386)
2027 Expenses and Capital Expenditures	\$ 23,419,495					
Less: Other Funding Sources	(225,000)					
Adjustment to achieve targeted working capital	-					
Reserves released from Assessment Stabilization	(1,750,000)					
Penalty Sanctions Released	(385,000)					
2027 NERC Assessment to Texas RE	\$ 21,059,495					

Explanation of Reserves

- Texas RE has a Board approved Cash Reserves Policy, which requires Texas RE to retain a targeted minimum reserve balance equal to two months of statutory budget expenses. The total reserve is to be allocated as follows:
 - Restricted Contingency Reserve = \$2M, or as adjusted by the Board of Directors, or as required by regulations.
 - Unrestricted Operating Reserve = Total targeted minimum less the Restricted Contingency Reserve.
- Assessment Stabilization Reserves are created from prior year budget underruns and are used to mitigate annual assessment volatility. Assessment Stabilization Reserves in the amount of \$1,750,000 will be used to offset assessments in the 2027 Budget.
- Penalty money collected is used to offset assessments as documented in NERC Policy--*ACCOUNTING FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD.*
 - Penalty monies received between July 1, 2024 and June 30, 2025, in the amount of \$445,217 are to be used to offset assessments in the 2026 Budget.
 - Penalty monies received from July 1, 2025 to June 30, 2026, in the amount of \$385,000 will be used to offset assessments in the 2027 Budget.



Three-Year Budget Projections

Major budget drivers in 2028 and 2029

- The addition of two FTEs in 2028 and three FTEs in 2029.
- Four percent increase for merit, promotion, and market adjustments and ten percent increase in health insurance costs.
- Increase in lease expense in 2028 for a 7,500 square foot expansion into an adjacent, currently unfinished space. Texas RE seized a unique opportunity to add office space immediately adjacent to the current office space, which included attractive incentives offered by Texas RE's existing Landlord. Additional office space is needed to accommodate the growth in FTEs over the next ten years.
- Use of Assessment Stabilization Reserves to decrease assessments in 2028 and 2029.



**Statement of Activities, Fixed Assets Expenditures and Change in Working Capital
2027 Budget & Projected 2028 and 2029 Budgets**

	2027 Budget	2028 Projection	\$ Change 28 v 27	% Change 28 v 27	2029 Projection	\$ Change 29 v 28	% Change 29 v 28
Funding							
ERO Funding	\$ 21,059,495	\$ 23,131,375	\$ 2,071,879	9.8%	\$ 25,492,436	\$ 2,361,062	10.2%
Fines & Penalties	385,000	-	(385,000)	-100.0%	-	-	0.0%
Interest	225,000	160,000	(65,000)	-28.9%	140,000	(20,000)	-12.5%
Total Revenue	\$ 21,669,495	\$ 23,291,375	\$ 1,621,879	7.5%	\$ 25,632,436	\$ 2,341,062	10.1%
Personnel Expenses							
Salaries	\$ 13,475,492	\$ 14,239,512	\$ 764,020	5.7%	\$ 15,144,093	\$ 904,580	6.4%
Payroll Taxes	894,077	944,768	50,691	5.7%	1,004,786	60,017	6.4%
Benefits	2,105,145	2,259,751	154,606	7.3%	2,455,741	195,990	8.7%
Retirement Cost	1,884,571	1,992,578	108,008	5.7%	2,120,857	128,278	6.4%
Total Personnel	\$ 18,359,285	\$ 19,436,610	\$ 1,077,325	5.9%	\$ 20,725,476	\$ 1,288,866	6.6%
Meeting & Travel Expenses							
Meeting Expense	\$ 174,400	\$ 177,888	\$ 3,488	2.0%	\$ 181,446	3,558	2.0%
Travel	394,950	410,748	15,798	4.0%	427,178	16,430	4.0%
Total Meetings & Travel	\$ 569,350	\$ 588,636	\$ 19,286	3.4%	\$ 608,624	\$ 19,988	3.4%
Operating Expenses, excluding Depreciation							
Consultants & Contracts	\$ 698,520	\$ 726,461	\$ 27,941	4.0%	\$ 838,033	\$ 111,572	15.4%
Office Rent & Maintenance	1,555,240	1,995,084	439,844	28.3%	2,054,936	59,853	3.0%
Office Costs	1,163,100	1,209,624	46,524	4.0%	1,258,009	48,385	4.0%
Professional Services	899,000	934,960	35,960	4.0%	972,358	37,398	4.0%
Total Operating Expenses	\$ 4,315,860	\$ 4,866,129	\$ 550,269	12.7%	\$ 5,123,337	\$ 257,208	5.3%
Total Expenses	\$ 23,244,495	\$ 24,891,375	\$ 1,646,879	7.1%	\$ 26,457,436	\$ 1,566,062	6.3%
Change in Net Assets	\$ (1,575,000)	\$ (1,600,000)	\$ (25,000.00)	1.6%	\$ (825,000)	\$ 775,000	-48.4%
Fixed Assets	\$ 175,000	\$ 100,000	\$ (75,000)	-42.9%	\$ 50,000	\$ (50,000)	-50.0%
TOTAL BUDGET	\$ 23,419,495	\$ 24,991,375	\$ 1,571,879	6.7%	\$ 26,507,436	\$ 1,566,062	6.3%
TOTAL CHANGE IN WORKING CAPITAL	\$ (1,750,000)	\$ (1,700,000)	\$ 50,000	-2.9%	\$ (875,000)	825,000	-48.5%
FTEs	78	80	2		83	3	

Proposing 2 & 3 add'l FTEs and the addition of 7,200 RSF lease in 2028



2027 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.

2027 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.

2027 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 7-11 of the 2027 Business Plan and Budget Overview for discussion.

**Statement of Activities and Fixed Asset Additions
 2026 and 2027 Budgets**
RELIABILITY STANDARDS

	2026 Budget	2027 Budget	Variance 2027 v 2026 Budget Over(Under)
Funding			
ERO Funding			
NERC Assessments	\$ 456,655	\$ 467,989	\$ 11,334
Penalties Released	9,899	8,556	(1,343)
Total NERC Funding	\$ 466,554	\$ 476,544	\$ 9,991
Interest	5,184	5,000	(184)
Total Funding	\$ 471,738	\$ 481,544	\$ 9,806
Expenses			
Personnel Expenses			
Salaries	\$ 168,490	\$ 176,375	\$ 7,885
Payroll Taxes	12,973	13,628	655
Benefits	37,187	40,163	2,976
Retirement Costs	24,348	25,566	1,218
Total Personnel Expenses	\$ 242,998	\$ 255,731	\$ 12,734
Meeting & Travel Expenses			
Meetings & Conference Calls	\$ -	\$ -	\$ -
Travel	1,775	3,050	1,275
Total Meeting & Travel Expenses	\$ 1,775	\$ 3,050	\$ 1,275
Operating Expenses, excluding Depreciation			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	-	-	-
Professional Services	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 244,773	\$ 258,781	\$ 14,009
Indirect Expenses	\$ 232,849	\$ 246,387	\$ 13,538
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses	\$ 477,622	\$ 505,168	\$ 27,546
Change in Assets	\$ (5,884)	\$ (23,624)	\$ (17,740)
Fixed Assets, excluding Right of Use Assets (C)	\$ 1,728	\$ 3,889	2,161
TOTAL BUDGET	\$ 479,350	\$ 509,057	\$ 29,707
TOTAL CHANGE IN WORKING CAPITAL	\$ (7,612)	\$ (27,513)	\$ (19,901)
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 2027 Business Plan & Budget anticipates that Texas RE will perform CMEP activities for approximately 484 registered entities. This represents an increase of 49 registered entities from the current amounts as of May 1, 2026. The forecast increase in registrations does not include any potential registrations for Computational Load Entities (CLEs). NERC is currently developing potential registration criteria for the registration of CLEs. Depending on the criteria selected, this could significantly increase the overall number of registered entities in Texas RE's footprint.

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 compliance 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 continued 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. The potential addition of CLEs in Texas RE's footprint will likely require further resources to perform risk assessment, compliance, and ultimately enforcement activities. Continued registration growth will also require a proactive focus on key risk elements such as generator winterization, inverter-based resource performance, new CLE-focused standards, and low-impact cybersecurity protections. Texas RE will also continue on-site visits to facilities (e.g. generation resources, transmission substations, control centers, etc.) to review these risk elements among other activities, as well as continued elevation of targeted outreach efforts, particularly for new generation resources. Texas RE anticipates that the expectations for on-site engagements may increase in the coming years, particularly if CLEs become subject to the compliance oversight process.

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. Addition to the long-term increases in registration, Texas RE anticipates significant additional registration work in 2027 to register new CLEs. The addition of new CLEs, along with anticipated growth in Type II generation resources will also require additional engagement efforts.

Texas RE anticipates consistent levels of certification activities in 2027 from prior years.

2027 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 include Type II generators and CLEs, 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.

2027 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 implement appropriate risk-based compliance oversight programs for the growing number of registered entities in Texas RE's footprint, including new Type II generators and CLEs.
- 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, including new CLEs, 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, including outreach efforts to Type II generators and CLEs.
- Continue to enhance the risk-based approach and internal control assessment to compliance monitoring processes leveraging lessons learned from the Joint Monitoring Activities with registered entities.
- 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, assets that contain low-impact BES Cyber Systems, and potentially new CLEs.
- 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, including potentially increased enforcement activities for new Type II generators and CLEs.
- 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 CLEs.
- 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 7-11 of the 2027 Business Plan and Budget Overview for discussion.

**Statement of Activities and Fixed Asset Additions
 2026 and 2027 Budgets**
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION

	2026 Budget	2027 Budget	Variance 2027 v 2026 Budget Over(Under)
Funding			
ERO Funding			
NERC Assessments	\$ 15,617,597	\$ 16,379,607	\$ 762,010
Penalties Released	338,533	299,444	(39,088)
Total NERC Funding	\$ 15,956,130	\$ 16,679,052	\$ 722,922
Interest	177,304	175,000	(2,304)
Total Funding	\$ 16,133,434	\$ 16,854,052	\$ 720,617
Expenses			
Personnel Expenses			
Salaries	\$ 5,921,952	\$ 6,155,299	\$ 233,347
Payroll Taxes	445,475	459,978	14,503
Benefits	1,056,493	1,044,590	(11,902)
Retirement Costs	852,303	885,444	33,141
Total Personnel Expenses	\$ 8,276,223	\$ 8,545,311	\$ 269,088
Meeting & Travel Expenses			
Meetings & Conference Calls	\$ -	\$ -	\$ -
Travel	113,268	152,690	39,422
Total Meeting & Travel Expenses	\$ 113,268	\$ 152,690	\$ 39,422
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	\$ 8,396,641	\$ 8,705,151	\$ 308,510
Indirect Expenses	\$ 7,963,435	\$ 8,623,533	\$ 660,098
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses	\$ 16,360,076	\$ 17,328,684	\$ 968,609
Change in Net Assets	\$ (226,641)	\$ (474,632)	\$ (247,991)
Fixed Assets, excluding Right of Use Assets	\$ 59,101	\$ 136,111	\$ 77,010
TOTAL BUDGET	\$ 16,419,177	\$ 17,464,795	\$ 1,045,618
TOTAL CHANGE IN WORKING CAPITAL	\$ (285,743)	\$ (610,744)	\$ (325,001)
FTEs	42.75	43.75	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.

2027 Assumptions

- Increased resource needs stemming from the growth in new registrants and the changing resource mix, including increasing penetration of large load entities and CLEs.
- 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.
- Increased focus on implementation of interconnection-wide transmission assessments focusing on key risk areas.
- 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 forecasted to remain relatively stable in 2027.

2027 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.
- Implement the new energy assessment process, including support for enhanced use of probabilistic analysis and consideration of extreme condition scenarios in the NERC Long-Term Reliability Assessment, Seasonal Assessments, and other studies.
- Support NERC-wide modeling improvement efforts, particularly those related to dynamic loads, inverter-based resources, DER, and generator model validation.
- Continue to mature Texas RE's data collection and data verification practices in support of existing and new reliability assessments.
- 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.
- Continue efforts to ensure overall department sustainability, appropriate staffing levels, and program area continuity.

Major Budget Drivers

See pages 7-11 of the 2027 Business Plan and Budget Overview for discussion.

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Statement of Activities and Fixed Asset Additions			
2026 and 2027 Budgets			
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS			
	2026	2027	Variance
	Budget	Budget	2027 v 2026
			Budget
			Over(Under)
Funding			
ERO Funding			
NERC Assessments	\$ 2,648,598	\$ 3,088,726	\$ 440,128
Penalties Released	57,412	56,467	(945)
Total NERC Funding	\$ 2,706,010	\$ 3,145,193	\$ 439,182
Interest	30,069	33,000	2,931
Total Funding	\$ 2,736,080	\$ 3,178,193	\$ 442,113
Expenses			
Personnel Expenses			
Salaries	\$ 1,292,133	\$ 1,522,062	\$ 229,929
Payroll Taxes	93,104	110,410	17,306
Benefits	218,215	260,812	42,597
Retirement Costs	185,901	219,237	33,336
Total Personnel Expenses	\$ 1,789,352	\$ 2,112,521	\$ 323,168
Meeting & Travel Expenses			
Meetings & Conference Calls	\$ -	\$ -	\$ -
Travel	61,500	67,650	6,150
Total Meeting & Travel Expenses	\$ 61,500	\$ 67,650	\$ 6,150
Operating Expenses, excluding Depreciation			
Consultants & Contracts	\$ 135,000	\$ 100,000	\$ (35,000)
Office Rent	-	-	-
Office Costs	6,000	1,200	(4,800)
Professional Services	-	-	-
Miscellaneous	-	-	-
Total Operating Expenses	\$ 141,000	\$ 101,200	\$ (39,800)
Total Direct Expenses	\$ 1,991,852	\$ 2,281,371	\$ 289,518
Indirect Expenses	\$ 1,350,524	\$ 1,626,152	\$ 275,628
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses	\$ 3,342,376	\$ 3,907,523	\$ 565,146
Change in Net Assets	\$ (606,297)	\$ (729,330)	\$ (123,033)
Fixed Assets, excluding Right of Use Assets	\$ 10,023	\$ 25,667	\$ 15,644
TOTAL BUDGET	\$ 3,352,399	\$ 3,933,189	\$ 580,790
TOTAL CHANGE IN WORKING CAPITAL	\$ (616,320)	\$ (754,997)	\$ (138,677)
FTEs	7.25	8.25	1.00

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.

Texas RE will continue to coordinate Spring and Fall Standards, Security, and Reliability workshops, Reliability 101 and 201, the Winter Weatherization Workshop, and other education and sharing meetings and webinars, including Talk with Texas RE in 2027. 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.

2027 Key Assumptions

- Texas RE continues to broaden its reach through State Outreach efforts. As this program continues to grow, we anticipate more interactions with our key state stakeholders.
- Texas RE will expand training, education, and outreach efforts to Inverter Based Resources being added to the Texas RE Region.
- Host a similar number of training and outreach events as in prior years.
- Publish a similar number of newsletters and reports as in prior years.
- Texas RE will be the host Region for 2027 GridSecCon.
- Texas RE will upgrade its website to offer streamlined functionality and access to all of Texas RE Outreach and training products and services with adequate security controls.
- 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.

2027 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, state policymakers, and other stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.
- Develop technical materials and conduct Standards, Security, and Reliability workshops for registered entities.
- Conduct 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.
- Support NERC and E-ISAC personnel in the planning and execution of GridSecCon
- 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.
- Update 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 7-11 of the 2027 Business Plan and Budget Overview for discussion.

**Statement of Activities and Fixed Asset Additions
 2026 and 2027 Budgets**
TRAINING AND EDUCATION

	2026 Budget	2027 Budget	Variance 2027 v 2026 Budget Over(Under)
Funding			
ERO Funding			
NERC Assessments	\$ 1,095,972	\$ 1,123,173	\$ 27,201
Penalties Released	23,757	20,533	(3,223)
Total NERC Funding	\$ 1,119,728	\$ 1,143,706	\$ 23,978
Interest	12,442	12,000	(442)
Total Funding	\$ 1,132,171	\$ 1,155,706	\$ 23,536
Expenses			
Personnel Expenses			
Salaries	\$ 499,175	\$ 501,043	\$ 1,868
Payroll Taxes	31,819	32,857	1,038
Benefits	84,534	77,851	(6,684)
Retirement Costs	70,209	70,467	258
Total Personnel Expenses	\$ 685,737	\$ 682,217	\$ (3,519)
Meeting & Travel Expenses			
Meetings & Conference Calls	\$ 66,000	\$ 106,000	\$ 40,000
Travel	23,075	18,375	(4,700)
Total Meeting & Travel Expenses	\$ 89,075	\$ 124,375	\$ 35,300
Operating Expenses, excluding Depreciation			
Consultants & Contracts	\$ -	\$ -	\$ -
Office Rent	-	-	-
Office Costs	5,200	5,200	-
Professional Services	4,500	100,000	95,500
Miscellaneous	-	-	-
Total Operating Expenses	\$ 9,700	\$ 105,200	\$ 95,500
Total Direct Expenses	\$ 784,512	\$ 911,792	\$ 127,281
Indirect Expenses	\$ 558,838	\$ 591,328	\$ 32,490
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses	\$ 1,343,349	\$ 1,503,120	\$ 159,771
Change in Net Assets	\$ (211,179)	\$ (347,415)	\$ (136,236)
Fixed Assets, excluding Right of Use Assets	\$ 4,147	\$ 9,333	\$ 5,186
TOTAL BUDGET	\$ 1,347,497	\$ 1,512,454	\$ 164,957
TOTAL CHANGE IN WORKING CAPITAL	\$ (215,326)	\$ (356,747)	\$ (141,421)
FTEs	3.00	3.00	-

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 Senior Vice President and Chief Operating Officer (COO), the Senior Vice President and Chief Administrative Officer (CAO), the personnel costs for the HR Department, and 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 Senior Vice President and COO and the Senior Vice President and CAO both report to the CEO and the COO 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 7-11 of the 2027 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; corporate insurance programs and renewals; and (6) the prosecution of any contested enforcement matters.

Enterprise Risk Management (ERM)

ERM is a function of the Legal and Regulatory department and provides an integrated approach to risk management that can be applied consistently to all areas of Texas RE's operations. It enables Texas RE to achieve its strategic and operational objectives and creates an environment where all staff members assume responsibility for risk management.

2027 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Texas RE will continue the implementation of the enterprise risk management program.

2027 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 laws.
- Support the enterprise risk management function.

Major Budget Drivers

See pages 7-11 of the 2027 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. Additionally, IT provides data analytics services to all Texas RE departments including automation of recurring reports, ad hoc analysis and training and enablement using data analysis tools.

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 2027 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.

2027 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.

2027 Goals and Key Deliverables

- Implement new capabilities within the data and analytics space that will support the Texas RE mission.
- Implement the Texas RE AI Roadmap by integrating AI capabilities into key business processes for improved performance and innovation.
- 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 designing, 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 7-11 of the 2027 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.

2027 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.

2027 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 7-11 of the 2027 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, including payroll, disbursements, receivables, cash management, tax filings, reporting, budget preparation and participation in an annual audit of the financial statements.

2027 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.

2027 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, Management, and the Texas RE Board.
- Ensure strong internal controls designed to protect the assets of Texas RE and ensure complete, accurate, and timely 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.
- Ensure sustainability consistent with the ERO's Long Term Strategy of Agility and Sustainability.

Non-Statutory Activities

Texas RE has no Non-Statutory activities.

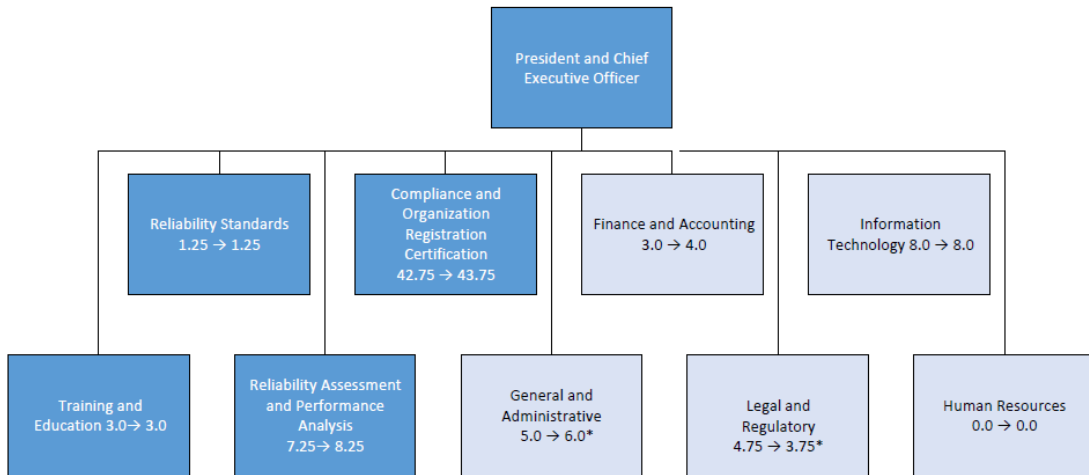
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**Statement of Activities and Fixed Asset Additions
 2026 and 2027 Budgets**
ADMINISTRATIVE SERVICES

	2026 Budget	2027 Budget	Variance 2027 v 2026 Budget Over(Under)
Funding			
ERO Funding			
NERC Assessments	\$ -	\$ -	\$ -
Penalties Released	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -
Interest	-	-	-
Total Funding	\$ -	\$ -	\$ -
Expenses			
Personnel Expenses			
Salaries	\$ 4,469,513	\$ 5,120,714	\$ 651,201
Payroll Taxes	253,733	277,205	23,471
Benefits	766,966	681,730	(85,237)
Retirement Costs	612,410	683,857	71,447
Total Personnel Expenses	\$ 6,102,622	\$ 6,763,505	\$ 660,882
Meeting and Travel Expenses			
Meetings & Conference Calls	\$ 76,400	\$ 68,400	\$ (8,000)
Travel	130,655	153,185	22,530
Total Meeting & Travel Expenses	\$ 207,055	\$ 221,585	\$ 14,530
Operating Expenses, excluding Depreciation			
Consultants & Contracts	\$ 362,500	\$ 598,520	\$ 236,020
Office Rent	1,803,978	1,555,240	(248,738)
Office Costs	824,050	1,149,550	325,500
Professional Services	805,440	799,000	(6,440)
Total Operating Expenses	\$ 3,795,968	\$ 4,102,310	\$ 306,342
Total Direct Expenses	\$ 10,105,645	\$ 11,087,400	\$ 981,754
Indirect Expenses	\$ (10,105,645)	\$ (11,087,400)	\$ (981,754)
Total Expenses	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -
Fixed Assets			
Furniture & Fixtures CapEx	\$ -	\$ 100,000	\$ 100,000
Equipment CapEx	75,000	75,000	-
Allocation of Fixed Assets	(75,000)	(175,000)	(100,000)
Fixed Assets, excluding Right of Use Assets	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ -	\$ -
FTEs	20.75	\$ 21.75	1.00

Additional Information

Organizational Chart by Department



-  Statutory Program Area
-  Administrative Services Program Area

Arrow indicates number of FTEs from 2026 to 2027.

*Transfer of 1.0 FTE from Legal to G&A to create new position for Chief Administrative Officer





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	\$ 21,059,495	\$ 467,989	\$ 16,379,607	\$ 3,088,726	\$ 1,123,173	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	385,000	8,556	299,444	56,467	20,533	-	-	-	-	-
Total NERC Funding	\$ 21,444,495	\$ 476,544	\$ 16,679,052	\$ 3,145,193	\$ 1,143,706	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	225,000	5,000	175,000	33,000	12,000	-	-	-	-	-
Total Funding	\$ 21,669,495	\$ 481,544	\$ 16,854,052	\$ 3,178,193	\$ 1,155,706	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses										
Personnel Expenses										
Salaries	\$ 13,475,492	\$ 176,375	\$ 6,155,299	\$ 1,522,062	\$ 501,043	\$ 2,663,083	\$ 704,173	\$ 1,115,911	\$ -	\$ 637,547
Payroll Taxes	894,077	13,628	459,978	110,410	32,857	99,094	48,087	84,354	-	45,670
Benefits	2,105,145	40,163	1,044,590	260,812	77,851	273,647	122,868	212,636	-	72,578
Retirement Costs	1,884,571	25,566	885,444	219,237	70,467	332,773	99,213	160,506	-	91,365
Total Personnel Expenses	\$ 18,359,285	\$ 255,731	\$ 8,545,311	\$ 2,112,521	\$ 682,217	\$ 3,368,597	\$ 974,342	\$ 1,573,406	\$ -	\$ 847,160
Meeting Expenses										
Meetings & Conference Calls	\$ 174,400	\$ -	\$ -	\$ -	\$ 106,000	\$ 22,000	\$ -	\$ 11,400	\$ 35,000	\$ -
Travel	394,950	3,050	152,690	67,650	18,375	105,350	11,100	11,950	7,585	17,200
Total Meeting Expenses	\$ 569,350	\$ 3,050	\$ 152,690	\$ 67,650	\$ 124,375	\$ 127,350	\$ 11,100	\$ 23,350	\$ 42,585	\$ 17,200
Operating Expenses, excluding Depreciation										
Consultants & Contracts	\$ 698,520	\$ -	\$ -	\$ 100,000	\$ -	\$ 215,000	\$ 2,500	\$ 216,020	\$ 165,000	\$ -
Office Rent	1,555,240	-	-	-	-	1,555,240	-	-	-	-
Office Costs	1,163,100	-	7,150	1,200	5,200	111,050	7,150	1,013,250	15,950	2,150
Professional Services	899,000	-	-	-	100,000	618,000	50,000	70,000	1,000	60,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 4,315,860	\$ -	\$ 7,150	\$ 101,200	\$ 105,200	\$ 2,499,290	\$ 59,650	\$ 1,299,270	\$ 181,950	\$ 62,150
Total Direct Expenses	\$ 23,244,493	\$ 258,781	\$ 8,705,151	\$ 2,281,371	\$ 911,792	\$ 5,995,237	\$ 1,045,092	\$ 2,896,026	\$ 224,535	\$ 926,510
Indirect Expenses	\$ -	\$ 246,387	\$ 8,623,533	\$ 1,626,152	\$ 591,328	\$ (5,995,237)	\$ (1,045,092)	\$ (2,896,026)	\$ (224,535)	\$ (926,510)
Total Expenses	\$ 23,244,493	\$ 505,168	\$ 17,328,684	\$ 3,907,523	\$ 1,503,120	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets	\$ (1,574,998)	\$ (23,624)	\$ (474,632)	\$ (729,330)	\$ (347,414)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets										
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	100,000	-	-	-	-	100,000	-	-	-	-
Equipment CapEx	75,000	-	-	-	-	75,000	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	3,889	136,111	25,667	9,333	(175,000)	-	-	-	-
Fixed Assets, excluding Right of Use Assets	\$ 175,000	\$ 3,889	\$ 136,111	\$ 25,667	\$ 9,333	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ 23,419,495	\$ 509,057	\$ 17,464,795	\$ 3,933,189	\$ 1,512,454	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL	\$ (1,750,000)	\$ (27,513)	\$ (610,744)	\$ (754,997)	\$ (356,747)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	78.00	1.25	43.75	8.25	3.00	6.00	3.75	8.00	-	4.00



DRAFT

**RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS RELIABILITY ENTITY, INC.**

May 13, 2026

WHEREAS, the Board of Directors (Board) of Texas Reliability Entity, Inc. (Texas RE), a Texas non-profit corporation, deems it desirable and in the best interest of Texas RE to approve the 2027 Business Plan and Budget, which is attached hereto, with no material changes;

THEREFORE be it RESOLVED, that the Board approves the 2027 Business Plan and Budget, as attached hereto and incorporated herein for all purposes, with no material changes.

THEREFORE be it FURTHER RESOLVED, that the Board finds the attached 2027 Business Plan and Budget is adequate and sufficient for Texas RE to perform its Statutory delegated obligations and requirements.

CORPORATE SECRETARY'S CERTIFICATE

I, Davida Dwyer, Corporate Secretary of Texas Reliability Entity, Inc. certify that, at the May 13, 2026, Texas RE Board Meeting, the Board of Directors approved the above referenced Resolution. The Motion _____ by _____ vote.

Signed on _____.

Davida Dwyer,
Corporate Secretary



TEXAS RE

2025 Assessment of Reliability Performance

**Board of Directors Meeting
May 13, 2026**



Assessment of Reliability Performance

Public



2025 RELIABILITY PERFORMANCE ASSESSMENT

June 2026

Performance Analysis and Key Risk Areas

- **Grid Transformation**
 - Resource Adequacy and Performance
 - Bulk Power System Planning
 - Protection and Control Systems
 - Situational Awareness Challenges
 - Human Performance
 - Changing Resource Mix
- Resilience to Extreme Events
- Cyber and Physical Security
- Critical Infrastructure Interdependencies



2025 Year in Review

Operational Successes and Challenges

- WS Enzo and Kingston, new winter peak demand record set in Feb 2025
- Moderate summer, no major events or disturbances
- New West Texas IROLs implemented
- Generation/Transmission metrics affected by extended forced outages
- Continued improvement in PFR, however increase in IBR oscillation events noted

Risk Mitigation Efforts

- Significant efforts in large load integration drove many activities
- Successful implementation of real-time co-optimization
- Initial NOGRR/PGRR approved for BESS Advanced Grid Support
- Implementation of NERC energy assessment process
- Ongoing efforts to reduce risks from IBRs



Reliability Performance Metrics

Improving Improving trend compared to previous four years or improved event performance of observed conditions	Stable or No Change Minimal or no change compared to previous four years	Monitoring (Declining trend compared to previous four years or specific negative event performance issues)	Actionable Declining trend for two or more consecutive years or significant negative event performance
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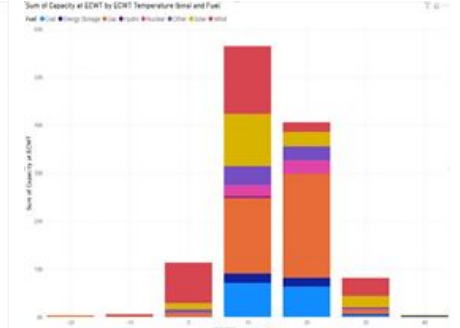
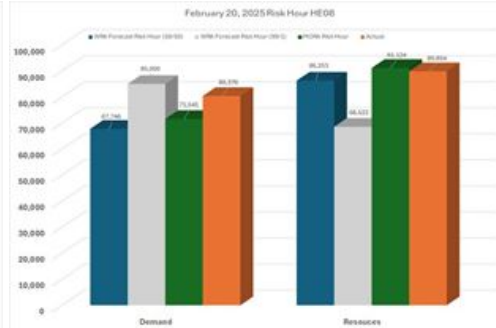
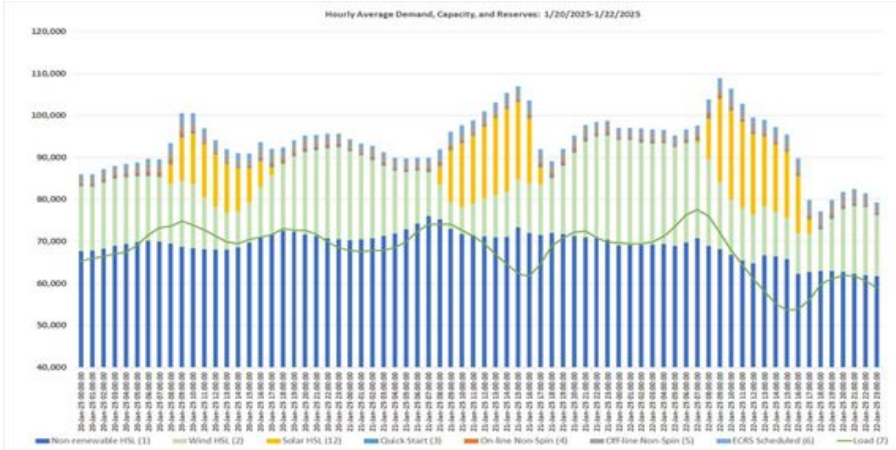
Key Performance Indicator with Description	2025 Performance & Trend Results
Resource Adequacy Measures potential resource adequacy issues by analysis of planning reserve margin and energy emergency alerts	Future reserve margins impacted by growth in large computational loads Resource weatherization resulted in sustained performance during cold weather events
Transmission Performance Measures transmission performance by analysis of transmission outage rates and Interconnection Reliability Operating Limits (IROL) exceedances	345 kV & 138 kV transmission outage rates improved in 2025 IROL Exceedances
Resource Performance Measures generation performance by analysis of generator outage rates, primary frequency response, and balancing contingency events	Resource outages/gas restrictions during cold weather EFOR increased in 2025, long term rate increase Primary frequency response continues to improve No balancing contingency event failures
Grid Transformation Measures potential issues related to grid transformation by analysis of system inertia and ramping	Solar ramp magnitudes continue to increase Voltage ride through for IBRs and large loads Potential reliability impacts from operational characteristics of large computational loads
Protection System Performance Measures Protection System performance by analysis of Protection System Misoperations	Overall misoperation rate increased in 2025 Misoperation count from incorrect settings stable Misoperation rate increased in 2025, remains less than overall NERC Misoperation rate
Human Performance Measures transmission outages, generation outages, and Protection System Misoperations caused by human error	Reduction in transmission and generation outage rates from human error Human error primary causal factor in Misoperations and events
Situational Awareness Measures situational awareness by analysis of state estimator convergence rates, event analysis, and telemetry performance	Five loss of situational awareness events (down from eight in 2024) State estimator convergence rate remained stable

Performance Metrics

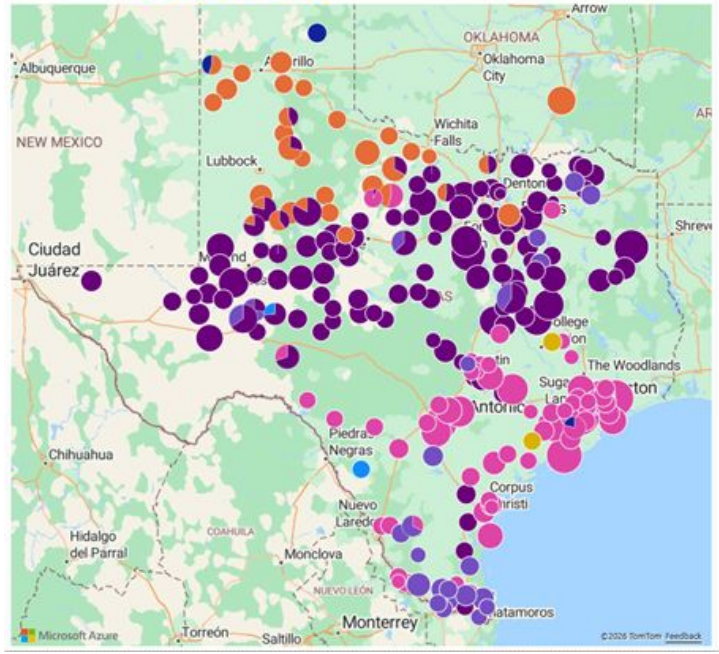
- Ongoing projected resource deficiencies and negative reserve margins noted in future years due to integration of large loads
- Minimal impacts on generator availability during cold weather events
- Continued improvement in frequency response due to integration of battery energy storage
- Solar down-ramp magnitude continues to increase
- Inverter-based resource and large load voltage ride-through continues to be a point of emphasis
- Misoperation rates improving but human performance continues to be primary causal factor in both misoperations and system events
- Improved transmission outage metrics in 2025 due to fewer/less severe weather
- Coal fleet forced outage metrics decline



2025 Winter Storms and Generator Weatherization



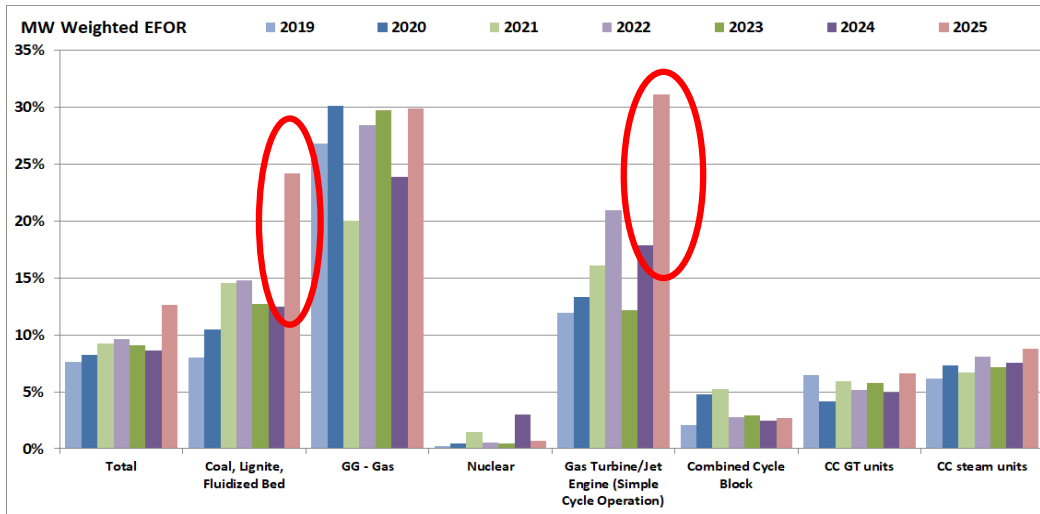
Sum of Capacity at ECWT by Latitude, Longitude and ECWT Temperature (bins)



- New all-time winter peak record of 80,376 MW set during WS Kingston
- Approximately 15,000 MW of incremental outages combined between both storms, primarily wind icing, gas restrictions, and emissions
- NERC ECWT data collection
- EOP-012 constraint declarations
 - Wind blade/solar panel icing
 - Wind cold weather packages
 - CT inlet air icing

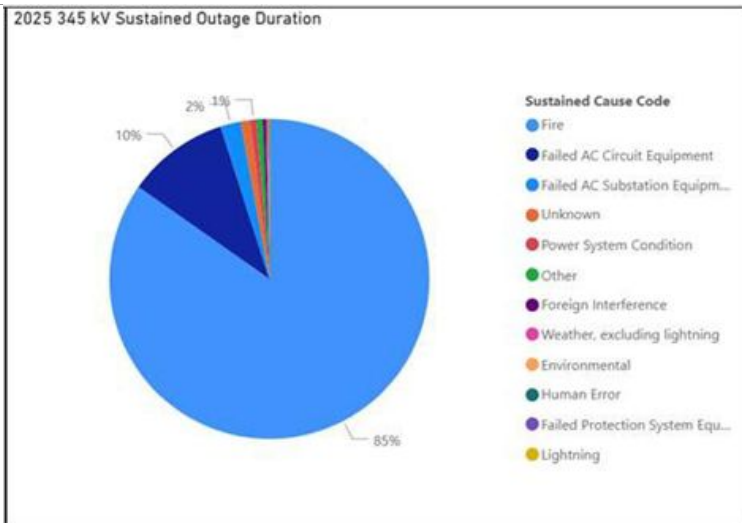


Forced Outage Rates



Significant increases in EFOR for coal and gas turbine/jet engine units in 2025

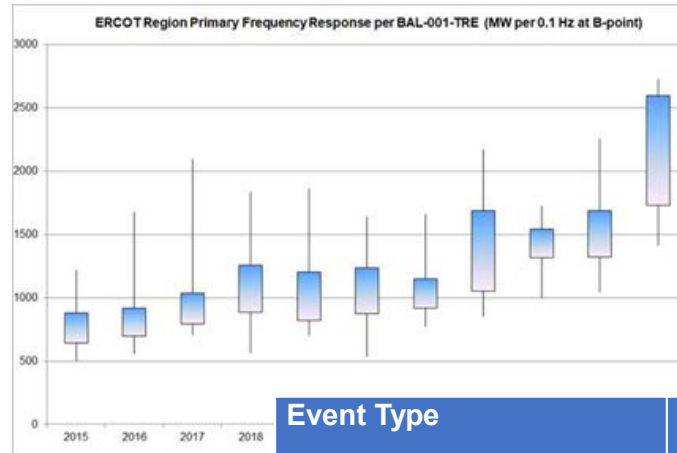
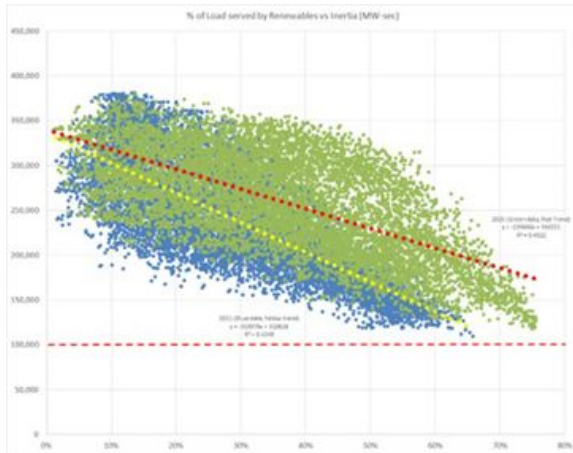
- Coal rate driven by extended outages on two units, one for 14 consecutive months and another for 12 months (ongoing)
- Gas turbine/jet engine rate driven by extended outages (three months or longer) on nine units



A single fire-related substation equipment failure accounted for 85 percent of the 345 kV circuit outage duration in 2025 (Circuit and associated 345 kV auto remain out ~ 18 months)



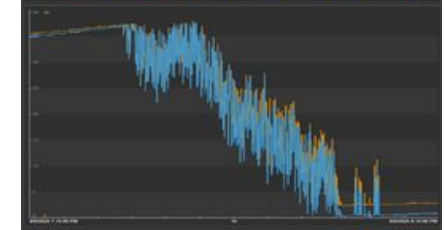
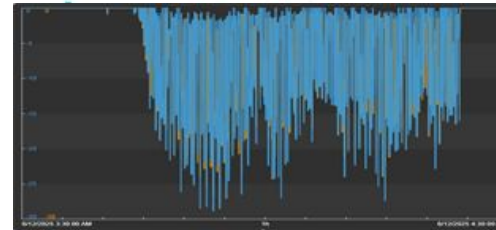
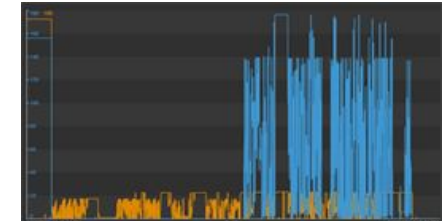
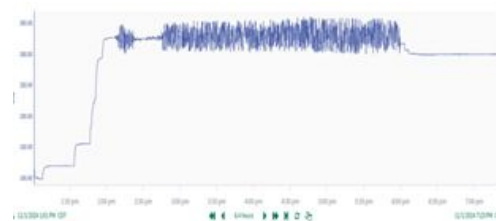
2025 Inertia, Frequency Response, and Oscillation Events



Year	Count of Hours Renewable % > 70%
2023	1
2024	39
2025	163
2026 YTD	253

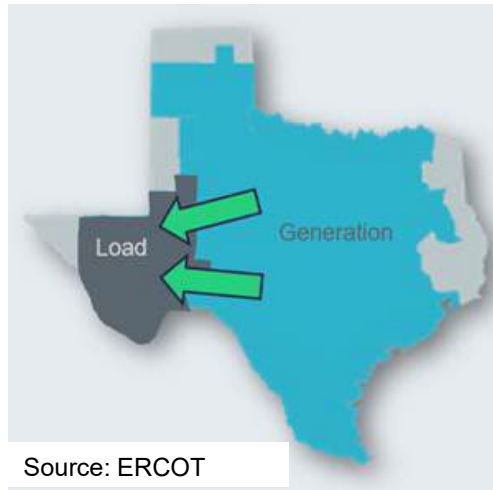
Event Type	# of events in 2024	# of events in 2025
Large load Oscillation	1	1
IBR Oscillation Events	35	24

- Lowest hourly inertia level of 118.3 GW-sec in 2025
- Low inertia hours have shifted to mid-day due to solar generation
- Frequency response continues to improve due to higher levels of PFR capacity from integration of batteries
- Increasing number of oscillation events noted in 2025 due to IBRs and Large Loads

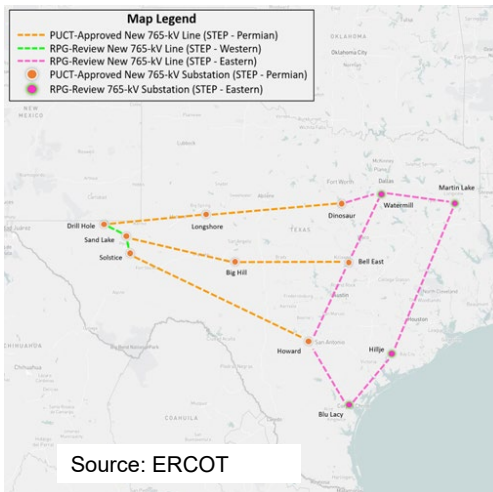




West Texas IROLs, 765 kV Activities, Transmission Growth



Source: ERCOT

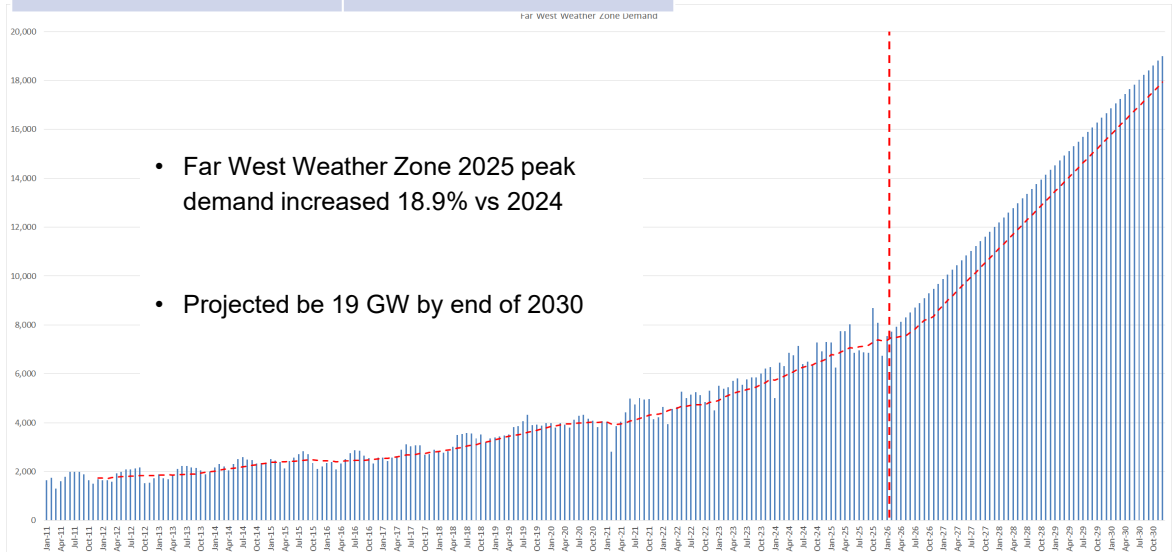


Source: ERCOT

TPIT Projects Completed in 2025	
Tier 1	6
Tier 2	13
Tier 3	31
Tier 4	133

TADS Circuit Miles Added in 2025	
138 kV	528.0
345 kV	300.2
345/138 kV Xfmrs	2

- Approval of 765 kV STEP plan Phase 1
- Additional 765 kV projects endorsed by ERCOT Board in December
- Two West Texas GTCs identified



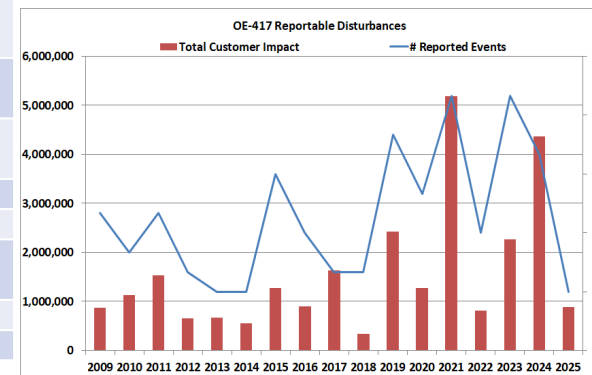
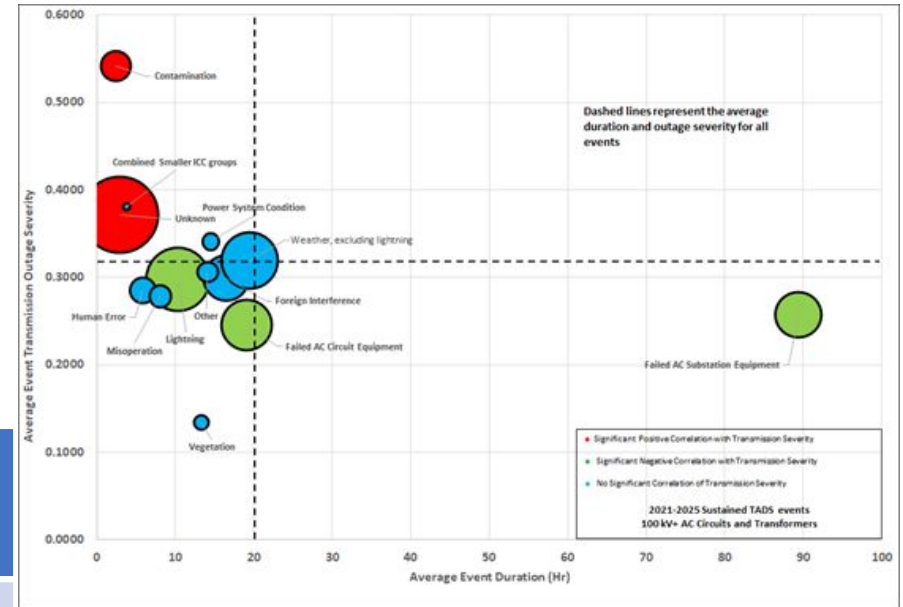
- Far West Weather Zone 2025 peak demand increased 18.9% vs 2024
- Projected to be 19 GW by end of 2030



Resilience and Extreme Day Analysis

- Generation and Transmission outage severity and duration continues to be driven by weather and failed equipment
- PUCT BlackStarTX exercise
- FERC Blackstart report for Eastern and Western Interconnections

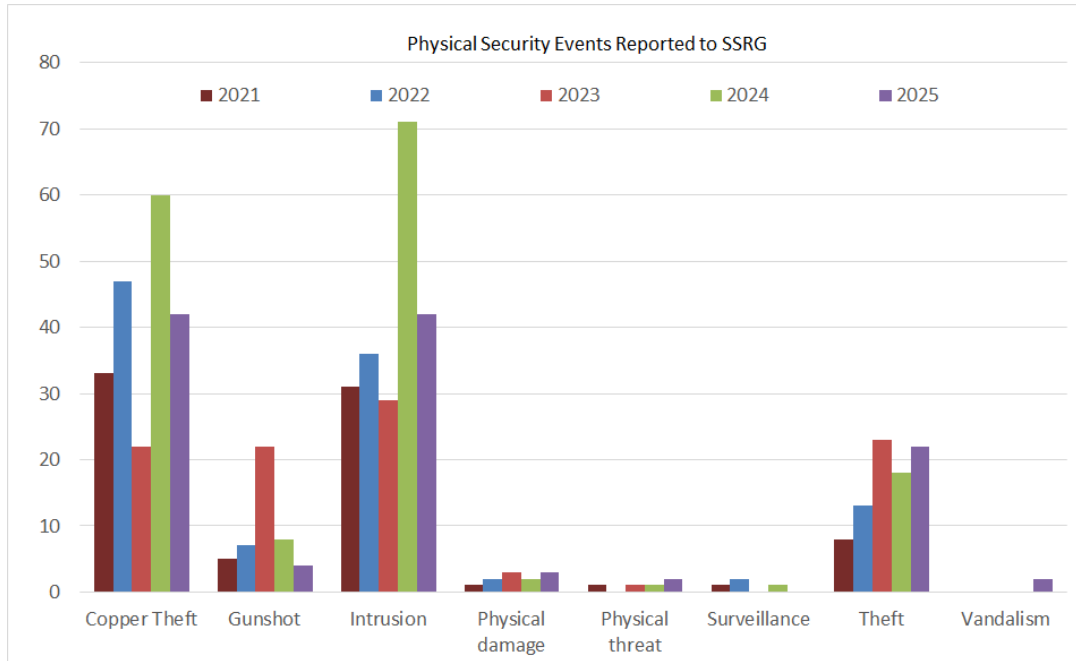
Generation Extreme Day Analysis	Number of Generation Outage Events on Extreme Day	Leading Causes for Extreme Day	Cumulative Outage Duration on Extreme Day	Cumulative MW Impact on Extreme Day	Cumulative GWh Impact on Extreme Day
8/27/2017	41	Weather	22,798 hours	10,107 MW	2,917.5 GWh
1/16/2018	84	Balance of Plant/Fuel	2,891 hours	11,893 MW	517.8 GWh
5/11/2019	36	Turbine Generator	1,626 hours	6,449 MW	282.5 GWh
7/1/2020	44	Auxiliary systems	3,352 hours	8,251 MW	247.9 GWh
2/15/2021	187	Weather	6,937 hours	35,241 MW	1,204.1 GWh
12/23/2022	164	Weather	2,180 hours	23,163 MW	321.8 GWh
1/30/2023	65	Turbine Generator/Fuel	2,745 hours	9,327 MW	332.4 GWh
1/15/2024	92	Fuel, Weather	916 hours	10,200 MW	89.6 GWh
1/6/2025	74	Fuel, Weather	4,687 hours	9,884 MW	283.2 GWh



Large drop in customer outages due to fewer severe weather events

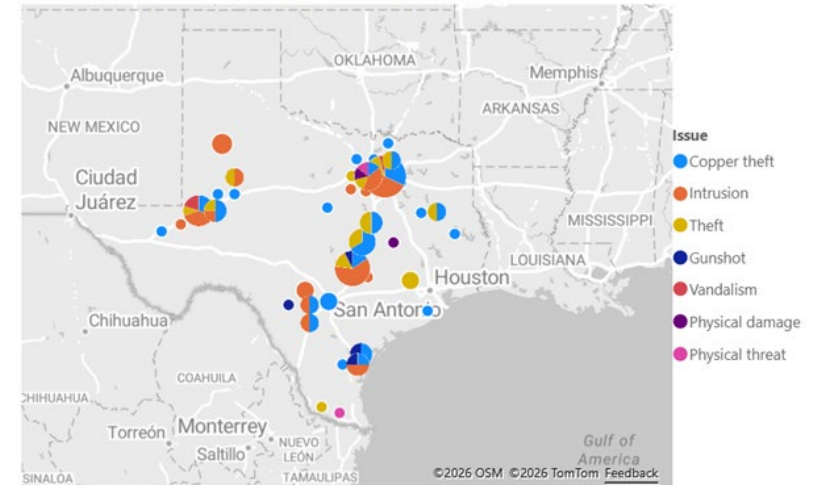


2025 Physical Security



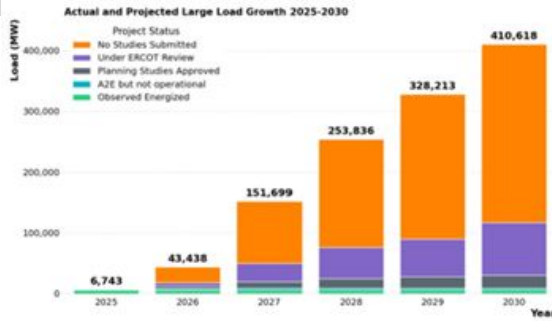
- ### Significant events
- Gunshot damage to wind plant pad-mount transformer
 - Multiple individuals showed up at a solar site for employment, apparent victims of an employment scam
 - Individuals attempted to enter a wind plant facility with instructions to work on a bitcoin mining unit, which the site did not possess

Count of Physical Security Events by Location





Large Load Integration Efforts



Project Status	2025	2026	2027	2028	2029	2030
No Studies Submitted	0	25,253	101,702	177,879	238,188	293,651
Under ERCOT Review	0	6,478	30,539	51,315	61,966	96,605
Planning Studies Approved	30	3,181	10,739	15,923	19,040	21,343
A/E but not operational	935	2,748	2,941	2,941	3,241	3,241
Observed Energized	5,778	5,778	5,778	5,778	5,778	5,778
Total (MW)	6,743	43,438	151,699	253,836	328,213	410,618

NERC
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Characteristics and Risks of Emerging Large Loads

Large Loads Task Force White Paper
July 2025

NERC
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Assessment of Gaps in Existing Practices, Requirements, and Reliability Standards for Emerging Large Loads

NERC Large Loads Working Group White Paper
March 2026

RELIABILITY | RESILIENCE | SECURITY

2353
5th
404-446-2344

RELIABILITY | RESILIENCE | SECURITY

- NERC whitepapers on Risks of Emerging Large Loads and Assessment of Gaps in Existing Requirements for Large Loads
- Incident Review on Voltage-Sensitive Crypto Loads
- NERC Level 2 Alert and future Level 3 Alert
- ERCOT market rule changes and batch study process
- Future NERC LL registration criteria

NERC Incident Review

Primary Takeaways

Recent Electric Reliability Council of Texas (ERCOT) load-loss events highlight the unique and sensitive ride-through characteristics of crypto-mining facilities. As these facilities rely heavily on constant power electronic supplies, cooling equipment, and single-phase devices that respond to normally cleared transmission faults, they experience load drops within milliseconds of a voltage sag. Restoration times vary widely depending on equipment configuration and the level of manual intervention required.

Understanding these behaviors is essential for assessing grid impacts, interpreting event data, and developing appropriate ride-through expectations and mitigation strategies for large electronic loads (LEL) operating in the bulk power system (BPS).

Overview of Crypto-Mining Facility

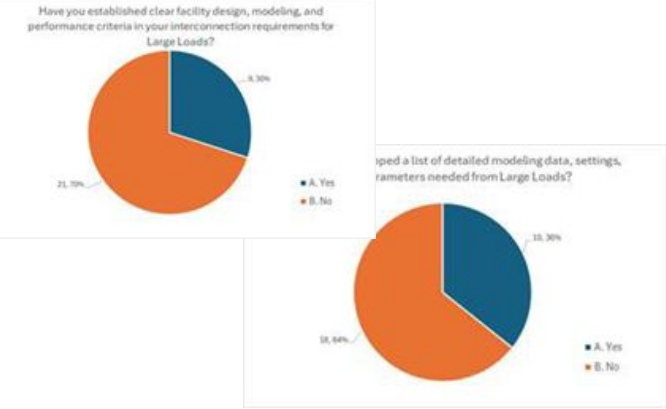
Crypto-mining facilities are specialized, industrial-scale data centers that house powerful computers (miners) for the purpose of solving complex problems. Solving these problems may then produce new digital tokens that are distributed per the protocols used by that currency.

The facilities differ from other data center facilities, such as cloud computing and AI data centers, in that they typically do not have uninterruptible power supply (UPS) systems or backup generators. As a result, crypto facilities have different ride-through characteristics than other types of data centers.

Crypto-mining facilities depend on a large number of constant-power electronic power supplies that are highly sensitive to voltage drops. When the voltage dips below a certain threshold, the miners shut down almost instantly, causing a rapid loss of load. During a voltage depression or sag, the nature of the constant power supply means that, during a voltage depression, the amount of current drawn will be inversely proportional to the reduction in voltage. For example, if the voltage dropped to 0.8 per unit (p.u.), the current would need to increase by 1.25 p.u. Depending on how heavily loaded the circuits are, the voltage depression could result in overloads and possible protective actions and potentially trigger local protection systems.

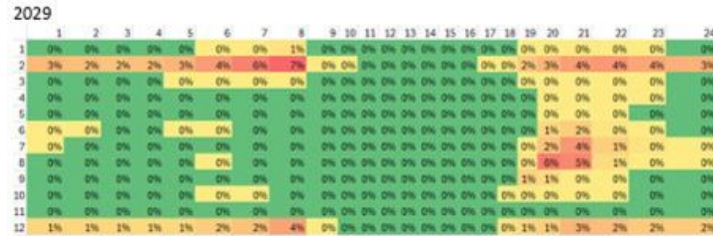
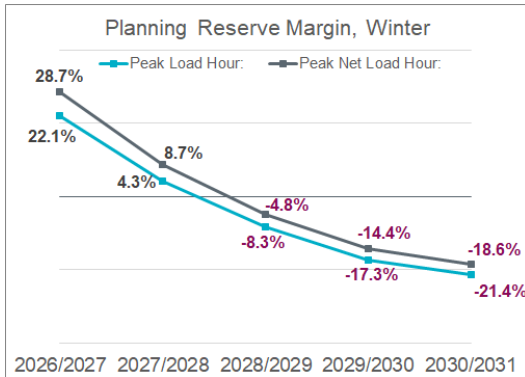
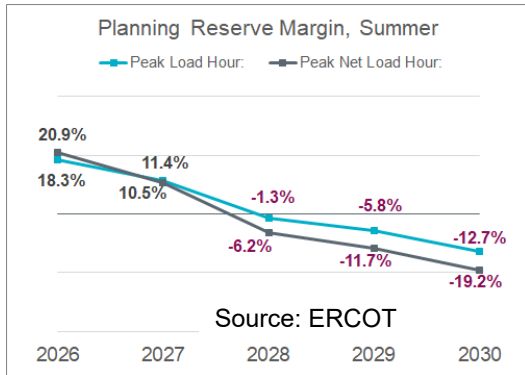
Once the voltage recovers, crypto-mining facilities go through a multistage restoration process, which includes stabilizing the power supply, booting the operating system, installing the mining software, recognizing hash boards, and normalizing the cooling system. Consequently, restoration times can vary greatly—from just a few minutes to significantly longer—depending on the type of equipment, the cooling system, and whether manual resets are required. Unlike traditional data centers, crypto-mining facilities do not return to full load almost immediately; instead, their ramp-up process is gradual and predictable, reducing the chances of rapid spikes in demand on the grid.

Regulatory Item	Description
PGRR122	Reliability Performance Criteria for Loss of Load
PGRR136	Large Load Interconnection Study Scope Documentation
PGRR138	Large Load Interconnection Study Review and Approval Process
PGRR141	Large Load Interconnection Study Reform for Substantiated Load
PGRR144	Dynamic Model Submission and Review Requirements for Large Loads including Large Electronic Loads
PGRR145	Batch Zero Process for Large Load Interconnections
NOGRR282	Large Electronic Load Ride-Through Requirements
NPRR1308	Large Electronic Load Ride-Through Requirements
NPRR1325	Batch Zero Process for Large Load Interconnections
NERC Rules of Procedure	Definition of Computational Load and Computational Load Entity
NERC Rules of Procedure	Registration Criteria for Computational Load Entity
NERC Project 2026-02	Standards Authorization Request to create requirements for Computational Load Entities





Energy Assessment and Resource Adequacy



Base-Case Summary of Results

	2026*	2027	2029
EUE (MWh)	11,090	5,864	17,053
NEUE (ppm)	18.95	8.70	18.84
LOLH (hours per Year)	1.57	0.94	3.64

* Provides the 2024 ProbA Results for Comparison

NERC Modeling and Studies Team (MAST) Strategy

Dec 2025

Purpose and Scope
This document describes the Reliability Assessments execution strategy for MAST.

Strategic Objectives
MAST's strategic objective is to analyze and highlight for the stakeholders, wide-area system risks beyond energy deficiency and resource adequacy in NERC's long-term Reliability Assessments. This includes transmission assessments, weak grid, undamped oscillations, voltage and dynamic stability risks etc. The MAST team will enhance Electric Reliability Organization's (ERO) capabilities to assess such risks in a timely manner and bring them to the forefront so that appropriate steps can be taken to address risks.

Resources and Capabilities
NERC and Regional Entities will ensure appropriate resources are available to perform MAST activities. This includes:

- Appropriate personnel and staffing
- Analysis software and tools
- Required datasets

MAST will form appropriate sub-teams to scope and perform workplan activities. MAST and/or sub-teams will identify the appropriate software, database and technology capabilities that will be needed to perform the reliability assessments and other activities.

Data Requirements
MAST will establish data requirements for each of its assessments. This includes:

- Concise data
- Model data
- Appropriate Base-Cases

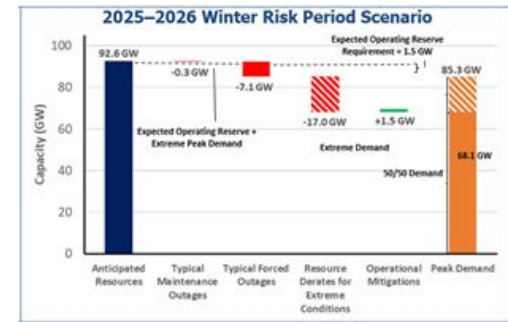
MAST with the participation of Regional Entities define data requirements for each of its reliability assessments. Such requirements will be appropriately communicated to the relevant entities that will have the responsibility to supply the required information.

NERC and Regional Entities will establish appropriate checks to ensure that data is accurate and reflects the most up-to-date information.

Workplan Development and Implementation Process
MAST will utilize NERC's Risk Management Process to assess, highlight and communicate key reliability risks. The strategy will involve periodic review of risk reports from NERC and each of the Regional Entities. Reliability risks that have been identified by each of the risk reports (or majority of the risk reports) will drive the prioritization for MAST activities.

RELIABILITY | RESILIENCE | SECURITY

- Energy assessment pilot study completed
- Probabilistic approach to energy adequacy
- Texas Energy Fund projects
- NERC transmission assessment strategy



TEF Projects

Projects Approved	3,564 MW
Projects Under Study/Due Diligence	5,420 MW

New Resources Approved for Commercial Operation in 2025

Fuel Type	Total MW	Average # Days to Connect (from FIS to COD)	Median # Days to Connect	Minimum # Days to Connect	Maximum # Days to Connect
Battery	6,291	625	479	200	1,535
Solar	5,998	845	714	330	1,829
Fuel Oil	439	75	75	34	115
Wind	1,463	1,119	844	692	2,858

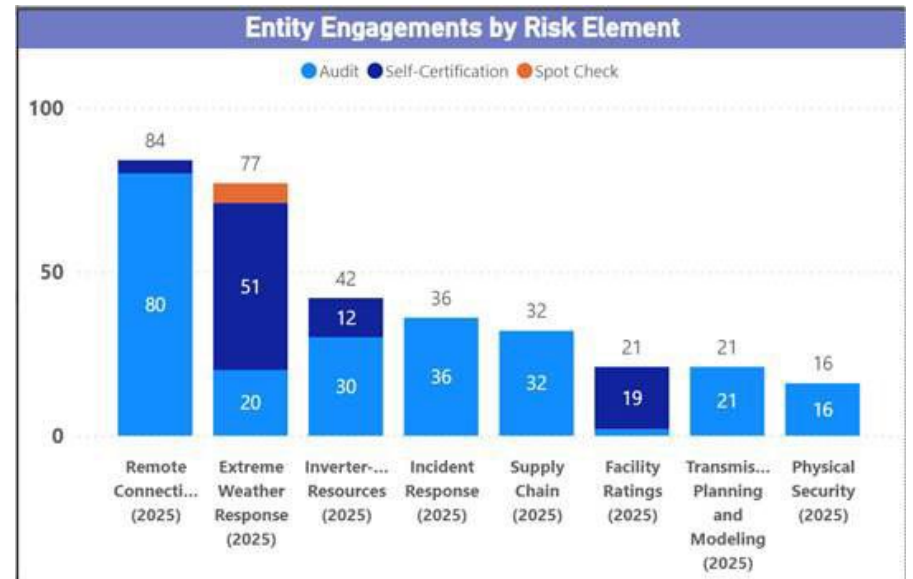


Risk Focus Area Follow-up and Outreach

2025 Risk and CMEP IP Focus Areas

- Inverter-Based Resource Ride Through
- Provision of Essential Reliability Services from a Changing Resource Mix
- Energy Availability
- Inaccurate Resource Modeling
- Remote Access
- Supply Chain
- Physical Security
- Extreme Weather & Resource Weatherization
- Facility Ratings
- Gas Supply Chain Restrictions During Cold Weather
- Integration of Large Loads
- Artificial Intelligence

- 28 Talk with Texas RE webinars and NSRF presentations on risk focus area topics
- Winter Weatherization Workshop
- Evolving Grid Workshop
- NERC Alert issued on large loads
- Multiple entity engagements (~ 330)





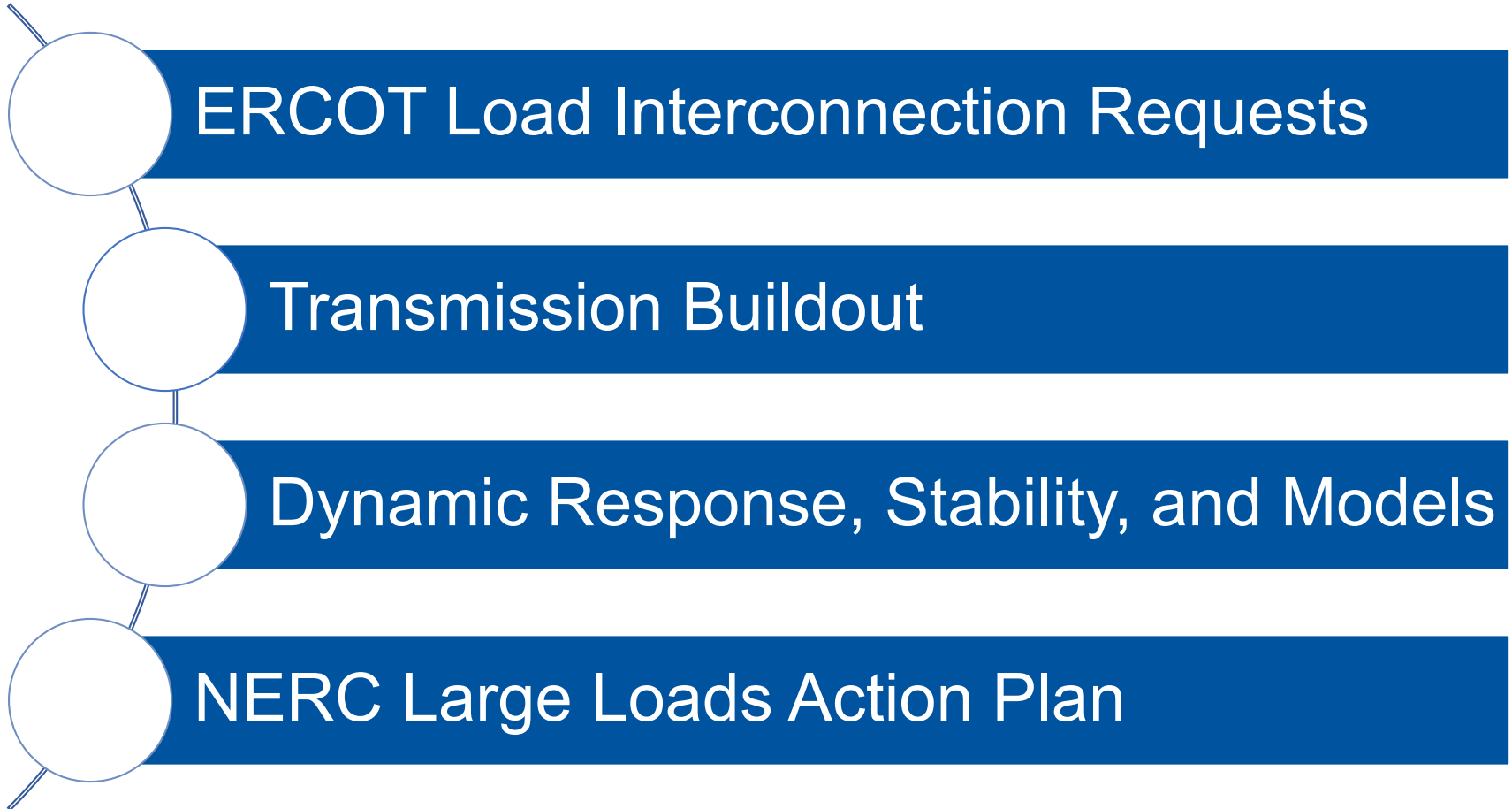
TEXAS RE

Chief Engineer's Report

**Board of Directors Meeting
May 13, 2026**

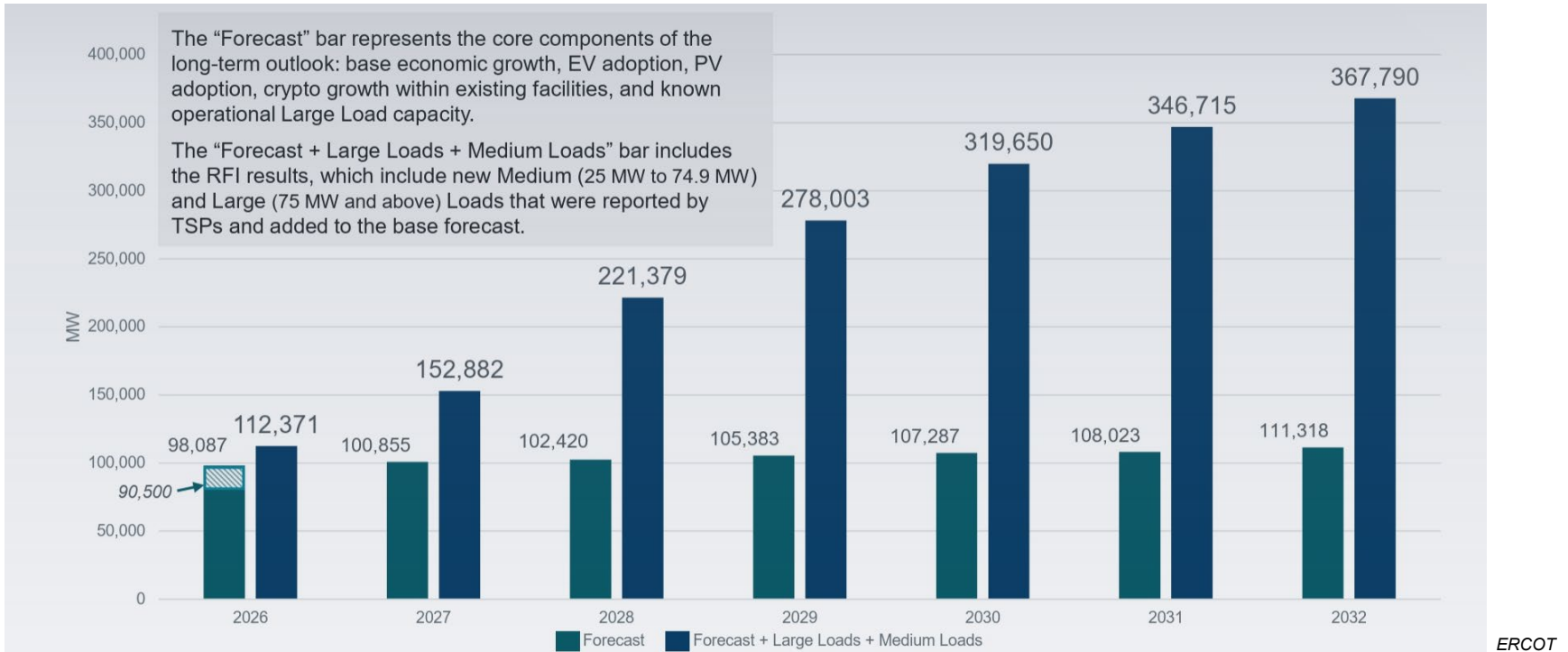


Topics





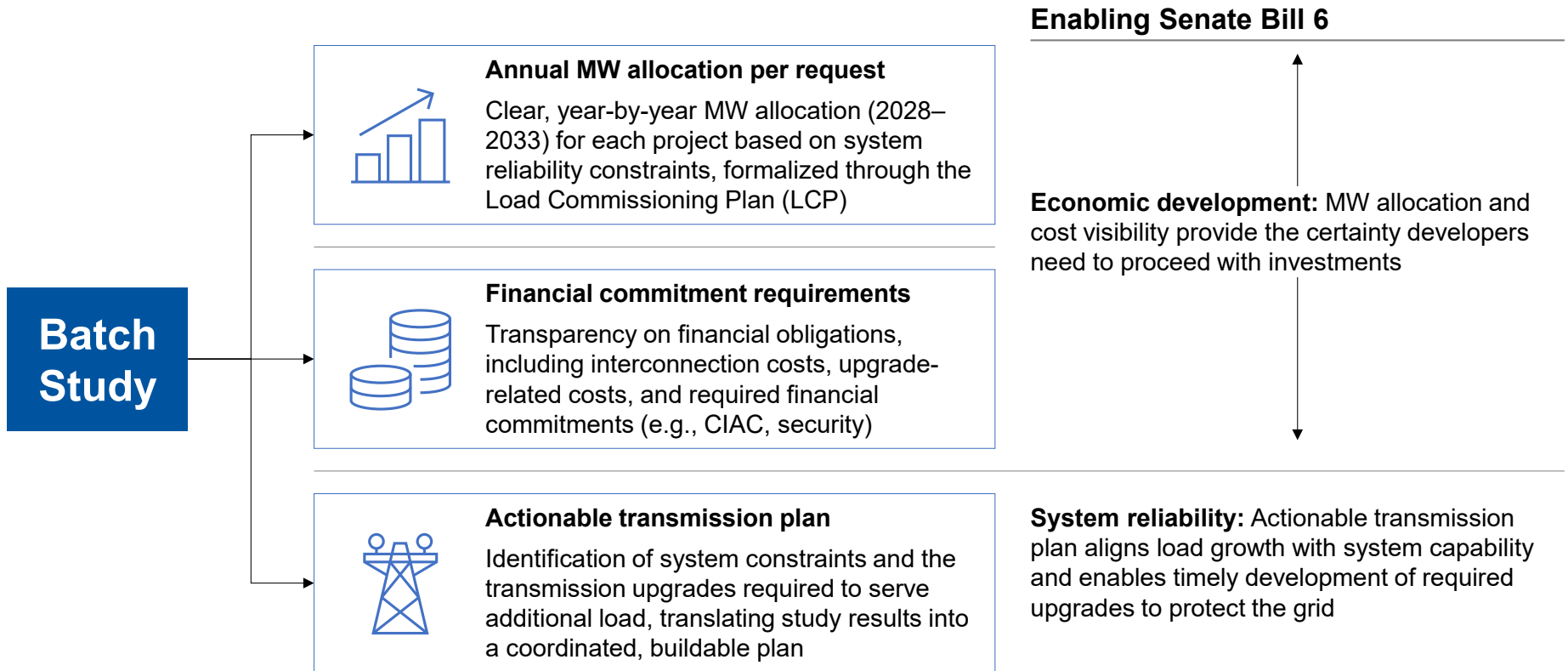
ERCOT Preliminary 2026 Long Term Load Forecast



This represents ERCOT's filtering of over 410 GW of load interconnection requests submitted to Transmission Service Providers (TSPs). Data centers dominate the load growth based on ERCOT's Request for Information to TSPs (RFI). The vast majority (~70% per ERCOT) have not submitted any studies.



ERCOT Proposed Handling of Load Interconnection Request Volume ^{Public}



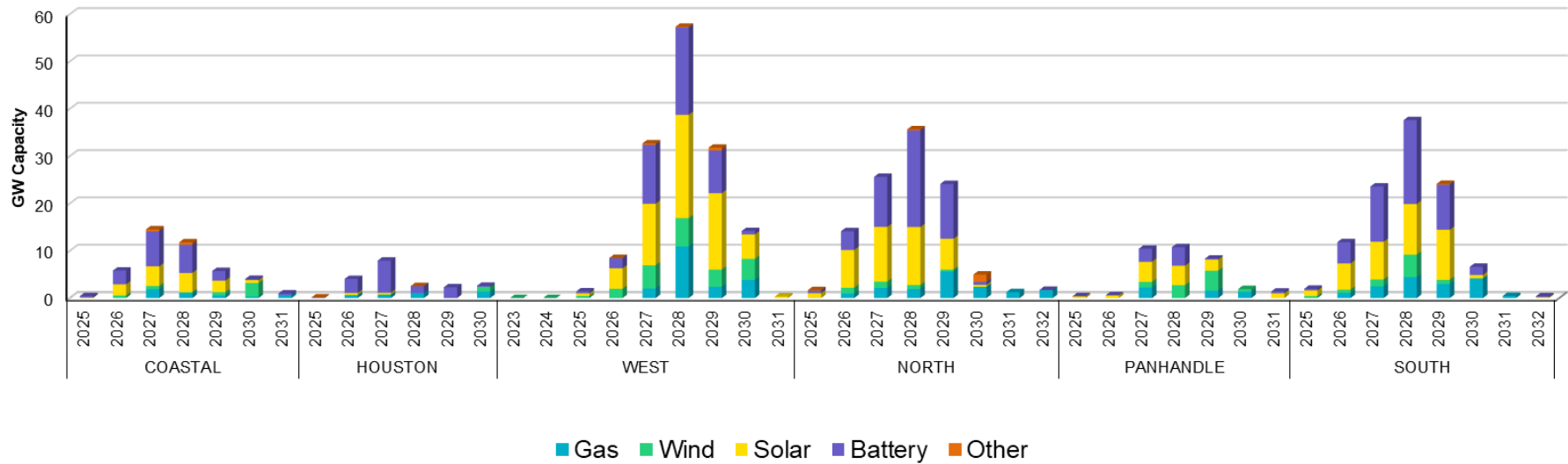


ERCOT Generation Queue as March 2026

ERCOT Capacity Demand and Reserves (CDR) Report has 10 year forward look

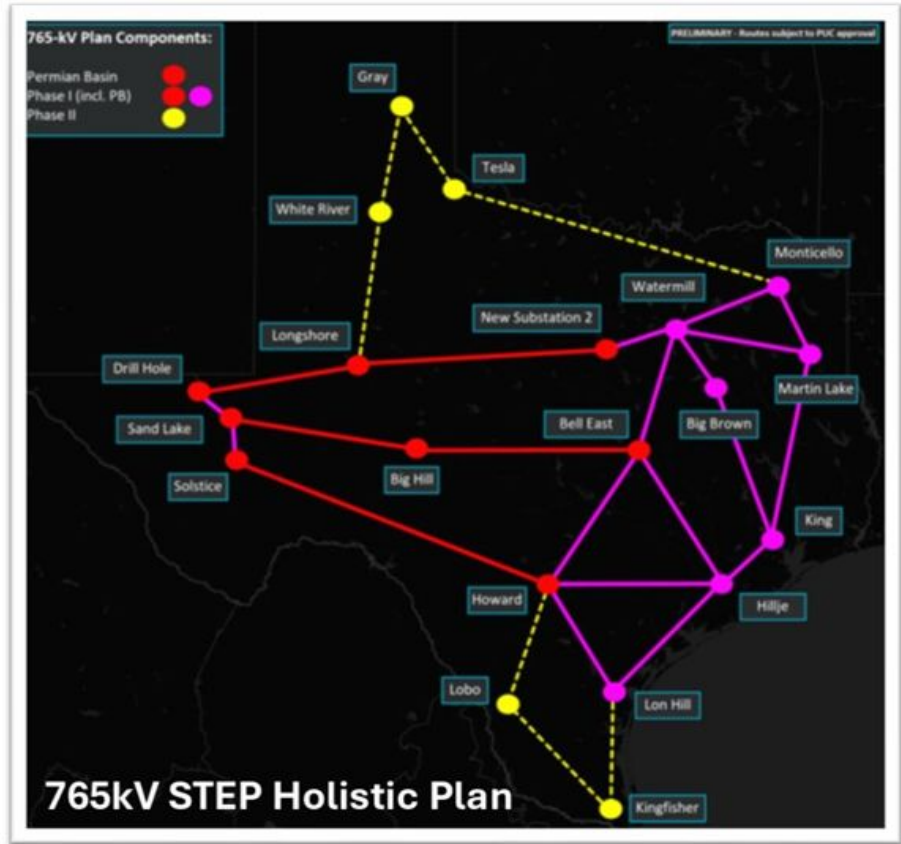
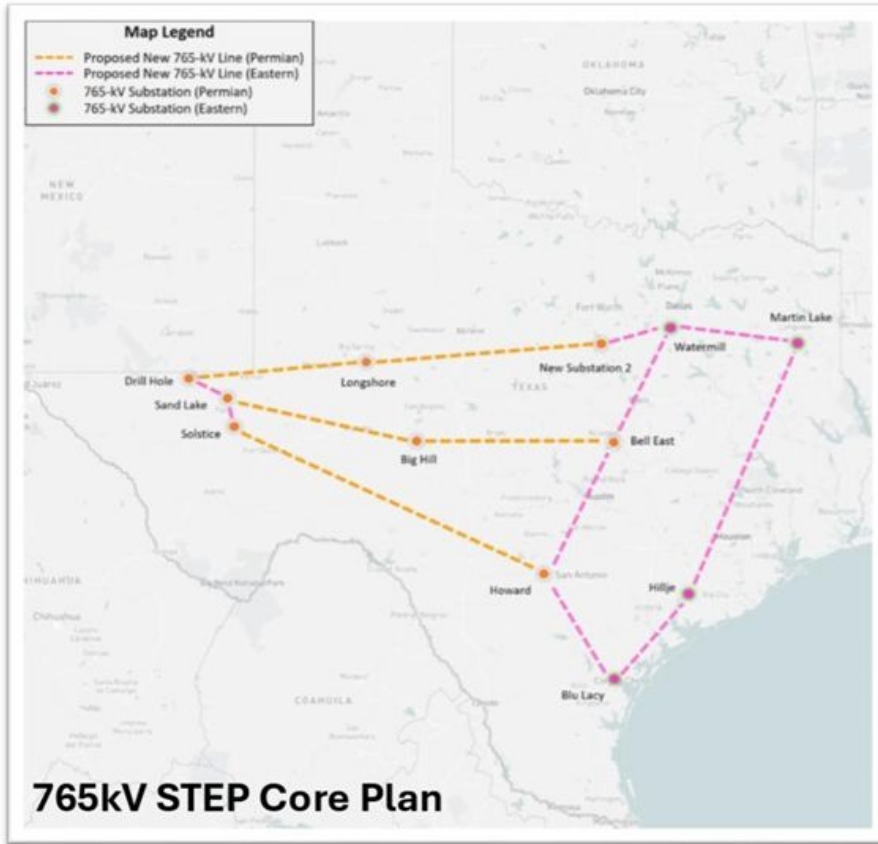
Status	Capacity, MW
Total Capacity Under Study	458,156
Interconnection Agreements Executed	138,177
IA plus screening and full interconnection studies complete	61,973

Capacity for Planned Projects by Projected In-service Year and CDR Forecast Zone





Transmission Proposals Expand



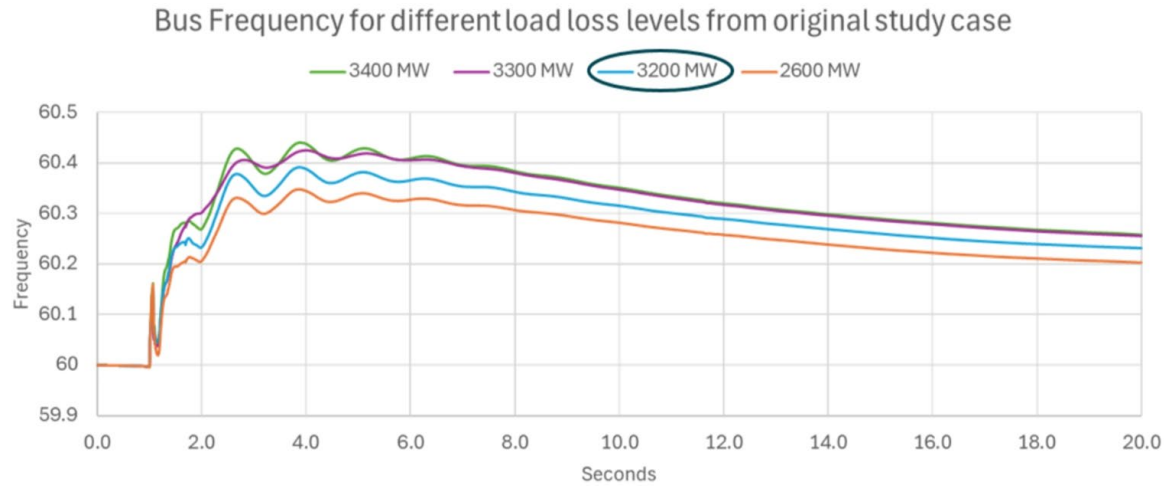
ERCOT 765kV STEP Core & Holistic Plan

Source: ERCOT 2024RTP Report, ERCOT, December 2024

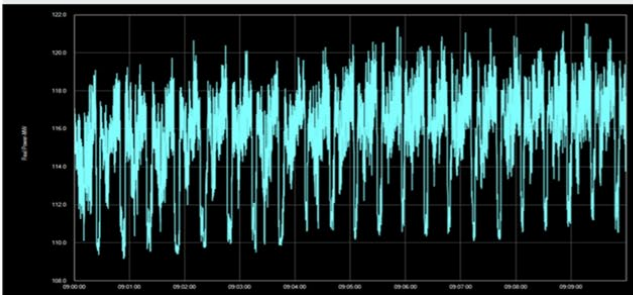
ERCOT



Large Load Dynamic Performance and Disturbance Ride-Through



Unrestricted Load Variation



Could cause

Catastrophic generator damage



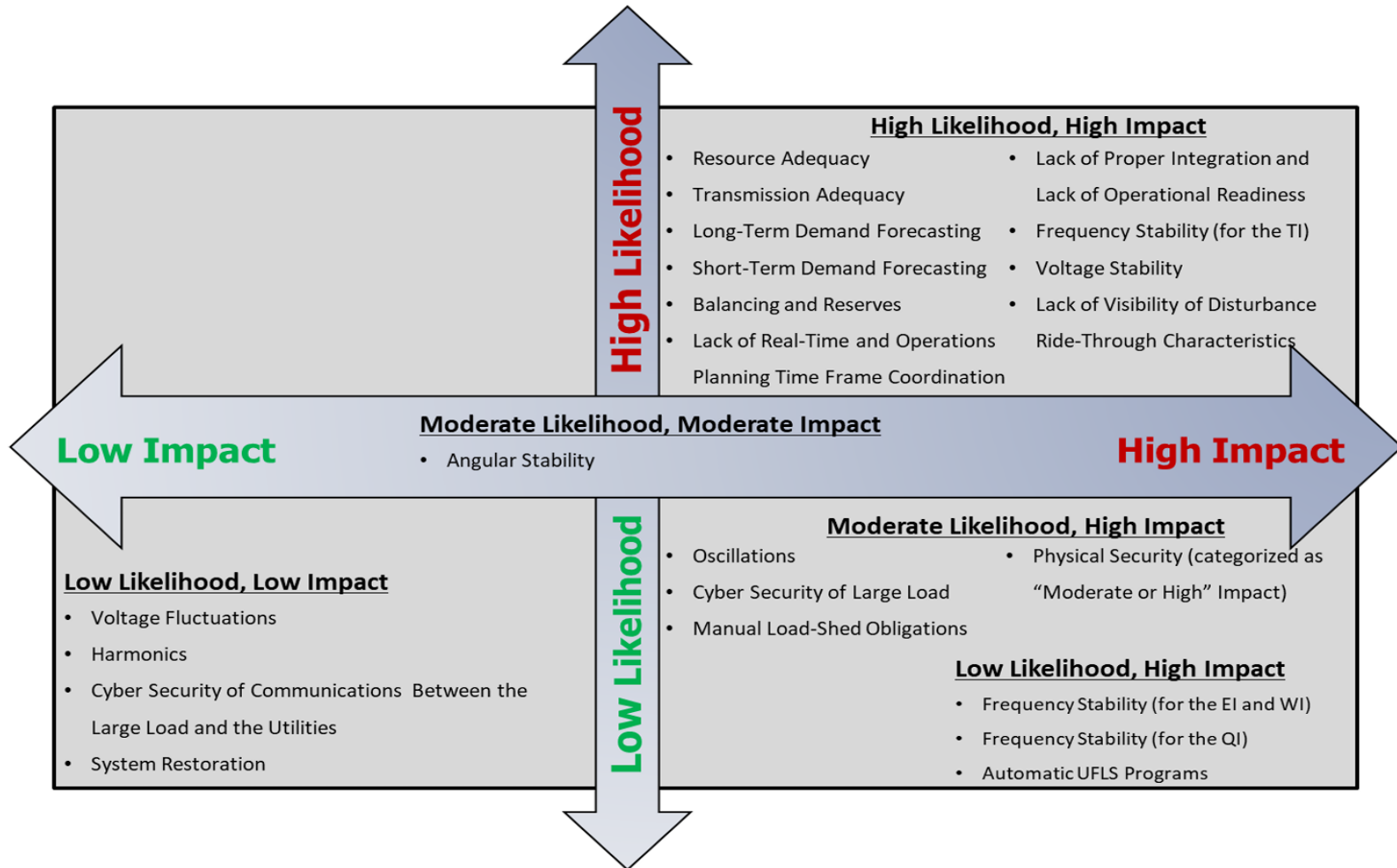


NERC's Large Load Working Group





LLWG Second Whitepaper Gap Assessment





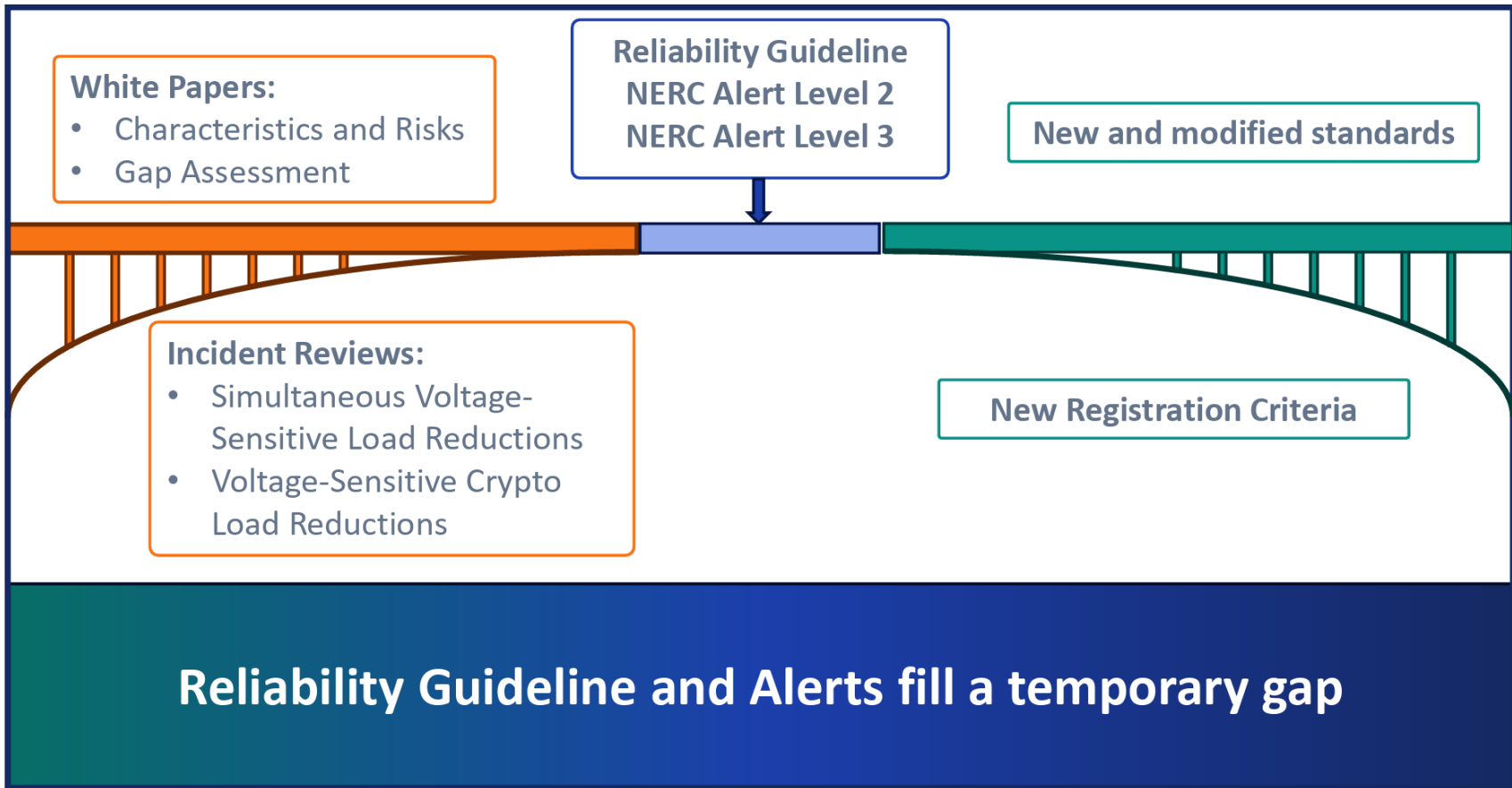
NERC Large Loads Action Plan: 2026-2027 Timeline

Q1	Q2	Q3	Q4	Q1-Q4
2026			2027	
<ul style="list-style-type: none"> • Publish white paper 2 (March 12) • Publish report on Level 2 (March 17) • SC appoint drafting team and post SAR (March 18) • Webinar on Large Load Action Plan (March 30) • Review comments on Reliability Guideline (March) 	<ul style="list-style-type: none"> • Post registry criteria and SAR (April 1) • Publish Reliability Guideline, <i>subject to RSTC approval</i> (May) • Issue Level 3 Alert <i>subject to Board approval</i> (May) • Initiate standards drafting, <i>subject to SC authorization</i> (June 9) • Publish the Data Center Load Modeling Technical Reference, <i>subject to RSTC approval</i> (June 10) 	<ul style="list-style-type: none"> • Post registry criteria, glossary and standard(s) for comment (August 19) • Level 3 Alert responses due (August) • Organize a Data Center Load Modeling Workshop (September 15-16) 	<ul style="list-style-type: none"> • Post registry criteria, glossary and standard(s) for additional comment period (October 21, <i>if needed</i>) • Request Board approval of registry criteria, glossary and standard(s) (December 5) • File registry criteria, glossary, and standards <i>subject to Board approval</i> (December 31) 	<ul style="list-style-type: none"> • Draft and file additional applicable Reliability Standards, <i>as needed</i>

The second NERC LLWG whitepaper’s recommendations follow the results of January 2026’s NERC Alert on Large Loads, voltage ride-through incidents in Virginia and Texas coupled with potentially problematic dynamic behaviors, and the rapid growth in volume of interconnection requests and national importance prompted risk-based inclusion of certain large loads in NERC’s registry.



Building the Bridge to Future Reliability Standards





LLWG Large Load Reliability Guideline

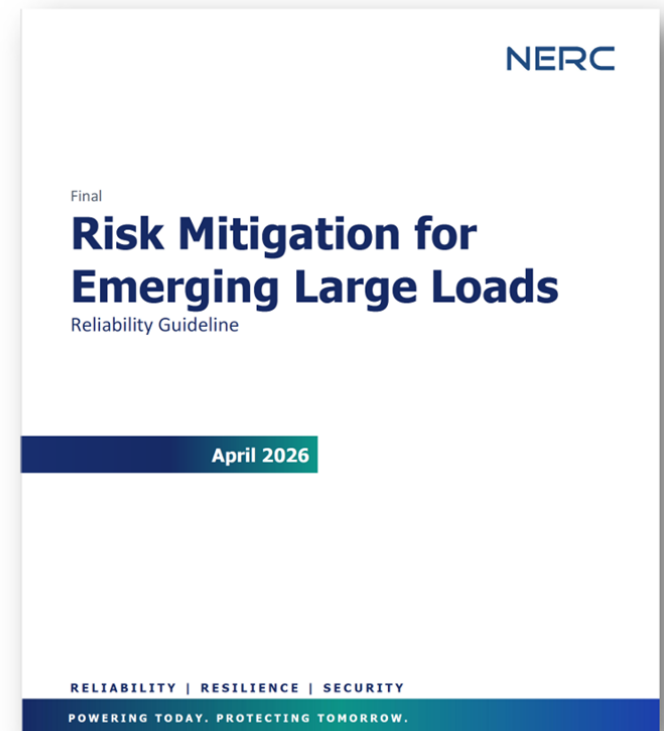
Public

Best-practice guidance on mitigating risks to BPS reliability from integration of emerging large loads

Recommendations for all registered entities and large load entities:

- Data collection and modeling
- Interconnection and planning study processes
- Commissioning processes & operational considerations
- Security and resilience
- High-speed monitoring

Expected publication April 30





Appendix A from Upcoming Reliability Guideline on Risk Mitigation for Emerging Large Loads

Category	Recommendation	LLE	DP	TO	TP	PC	TOP	BA	RC
Data Collection and Modeling	Provide steady-state, dynamic, and other data	P	L	L	SR	SR			
	Install high-speed FR, DDR, and SER	L	C	C					
	Provide high-speed recording data for post-event analysis	P	C	C	C	C	SR	SR	SR
	Provide updates to modeling data (as-built)	P	L	L	SR	SR			
	Provide real-time electrical measurements	P		P			SR	SR	SR
	Provide near-term demand forecasts	P		C				SR	SR
	Perform model quality assessment, model verification, model validation	L			SR	SR			
Interconnection	Collect data and share with relevant entities	C	L	L	SR	SR	SR	SR	SR
	Study reliability impacts of new large load	C	C	C	L	L	M	M	M
	Periodic near-term studies for collective impact of new large loads	C	C	C	L	L	M	M	M
	Comprehensive commissioning process for large loads	C	C	C	C	C	SR	SR	SR
	Develop EMT screening criteria where needed	M	C	C	SR	SR			M
Long-Term Planning	Study reliability impacts of new large load	C	C	C	L	L	M	M	M
	Resource adequacy analysis considering unique risks of large loads	C	C	C					

C = Coordinate

L = Lead

M = Monitor

P = Provide

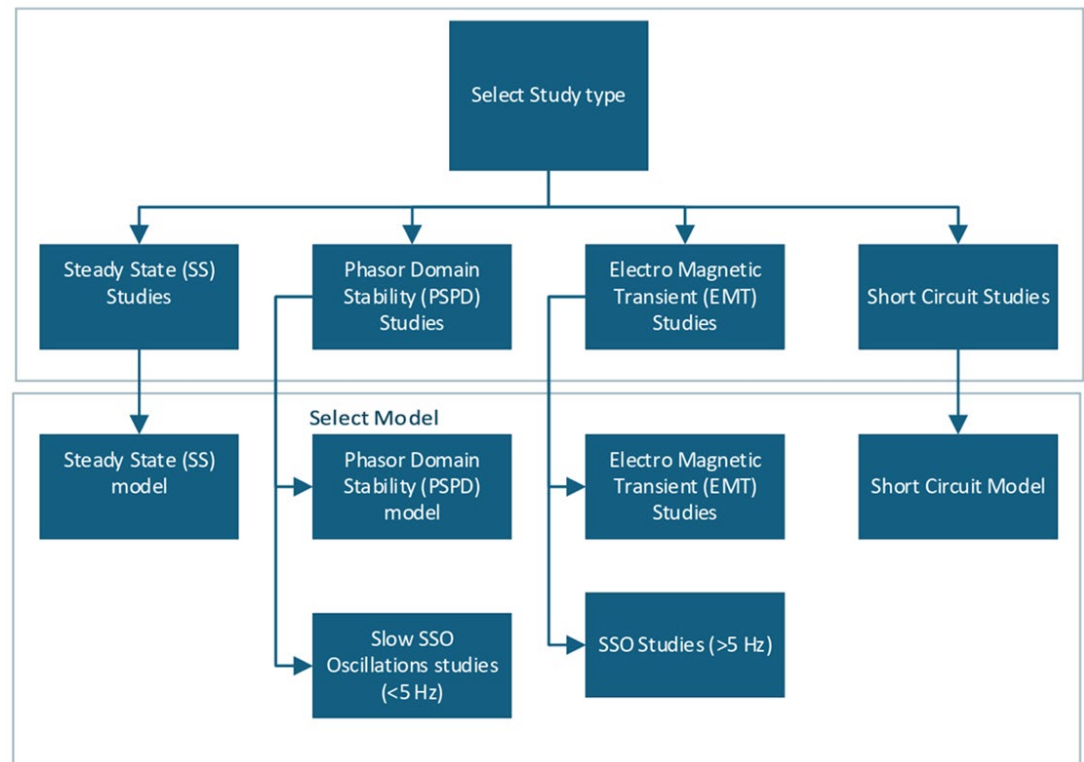
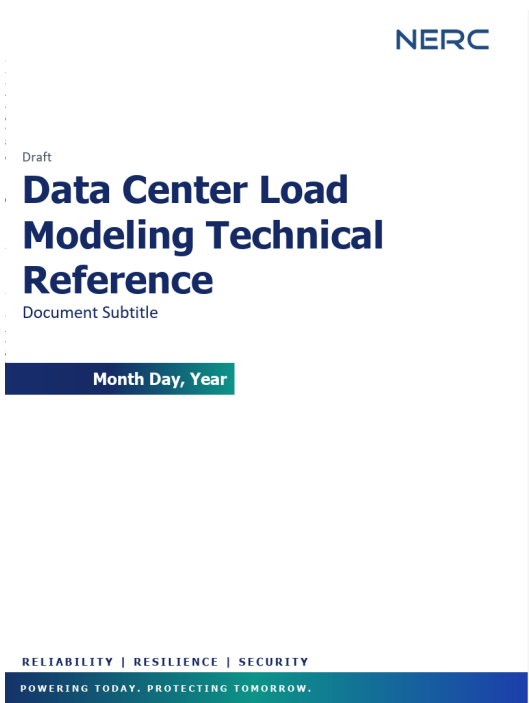
SR = Specify Requirements



Load Modeling Working Group (LMWG) Contribution

Public

NERC's LMWG aims to assist development of realistic and useful data center models capturing complex characteristics associated with modern data centers. The Reliability and Security Technical Subcommittee is reviewing draft in preparation for public posting in early summer.





TEXAS RE

**CIP and O&P
Compliance Monitoring
and Risk Assessment
Report**

**Board of Directors Meeting
May 13, 2026**



2026 ERO Enterprise Long-Term Strategy

Public



ENERGY



SECURITY



ENGAGEMENT



AGILITY AND SUSTAINABILITY

Critical Infrastructure Protection Compliance Monitoring





Q1 2026: Texas REview Newsletter

Public



Articles

- CMEP IP Grid Transformation: Aggregation of Control
- CMEP IP: Physical Security
- Complex Cyber Threats Require Brilliance at the Basics
- CIP Roadmap
- CMEP IP Supply Chain: Security Patch Management
- Critical Infrastructure Protection Evidence Request Tool v10
- GridEx VIII Lessons Learned Report



Q1 2026: CIP Working Group (CIPWG)

Public




Ask Texas RE Presentations

- CMEP IP Grid Transformation: CIP-011-3 Information Protection Program
- CMEP IP Supply Chain: CIP-007-6 R2 Security Patch Management
- CMEP IP Physical Security: CIP-006-6 R1 Physical Security



Q1 2026: Workshop, Webinar, Training, and Conference Highlights

Public



New Entity/PCC Expectations

Brook Rodaway
Registration and Certification Program Coordinator

Jeff Hargis
Risk Assessment Engineer, Sr.

Rebekah Barber
Compliance Team Lead

Alexandra Huey
O&P Compliance Engineer III

NERC

Currently Compliant Podcast

Episode Eight | CIP-003 Vendor Remote Access

Currently Compliant Podcast | Episode 8 | [CIP-003 Vendor Remote Access](#)

The release of the eighth episode of NERC's compliance podcast, "[Currently Compliant](#)" is now available. The podcast is intended to be a quick way to bring attention to frequently asked questions and provide clear insights on important compliance topics.

Currently Compliant: [Episode 8](#) focuses on the topic of **Vendor Remote Access applicable to CIP-003-9 R2**. In monitoring engagements, the ERO Enterprise (collectively NERC and Regional Entities) is paying closer attention to how vendor access is managed, monitored, and controlled. Common observations often highlight gaps in oversight, authentication, and activity logging. In addition, industry is trending towards more rigorous vendor due diligence, zero-trust access models, and continuous monitoring solutions. To help better understand these emerging patterns and observations from the ERO Enterprise, the episode breaks down discussions on CIP-003-9 Requirement R2, Attachment 1, Section 6, including how to detect, monitor and disable vendor access.

This episode is hosted by Catherine Nakor-Tetteh, NPCC, along with other subject matter experts across the ERO Enterprise including Chris Lewis (RF), Michael Spangenberg (MRO), Rebekah Barber (Texas RE), Tejiri Jessa (WECC), Don Kuntz (WECC), and Chase Cameron (NPCC).

For suggestions on future topics, please contact [ComplianceQuestions](#) and put "Currently Compliant" in the subject line.

For more information or assistance, please contact [Ryan Mauldin](#) via email or at 404-909-2355.

RELIABILITY | RESILIENCE | SECURITY

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Operations and Planning Compliance Monitoring





Q1 2026: Texas REview Newsletter

Public



Articles

- CMEP IP Extreme Weather Response and Physical Security: 2025 Positive Observations and Best Practices EOP-012 and CIP-014
- PRC-029 Proposed Implementation Guidance
- Align PDS Module Update
- 2025 Cold Weather Small Group Advisory Session FAQs
- CMEP IP Grid Transformation: Upcoming Changes to MOD-026 and MOD-027



Q1 2026: NERC Standards Review Forum (NSRF)

Public



Ask Texas RE Presentations

- CMEP IP Extreme Weather Response: EOP-012-3 Abeyance
- CMEP IP Grid Transformation: MOD-026-1, MOD-027-1, and Upcoming Changes
- PRC-028-1 & PRC-029-1: Implementation Plans & Data Submittals



Q1 2026: Workshop, Webinar, Training, and Conference Highlights

Public



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Announcement Cold Weather Preparedness Small Group Advisory Sessions (SGAS)



Planned activities will begin March 26, 2026.

Note: All meetings will be virtual through WebEx

Event Information – NERC, in collaboration with the Regional Entities, will host a SGAS for those entities that have been identified and notified during the Inverter-Based Resources Registration Initiative for registration with NERC as a Category 2 Generator Owner (referred to as GO-2) and/or Category 2 Generator Operator (referred to as GOP-2).

- The target audience for this SGAS will be GO-2s and GOP-2s with no previous NERC Regulatory experience.

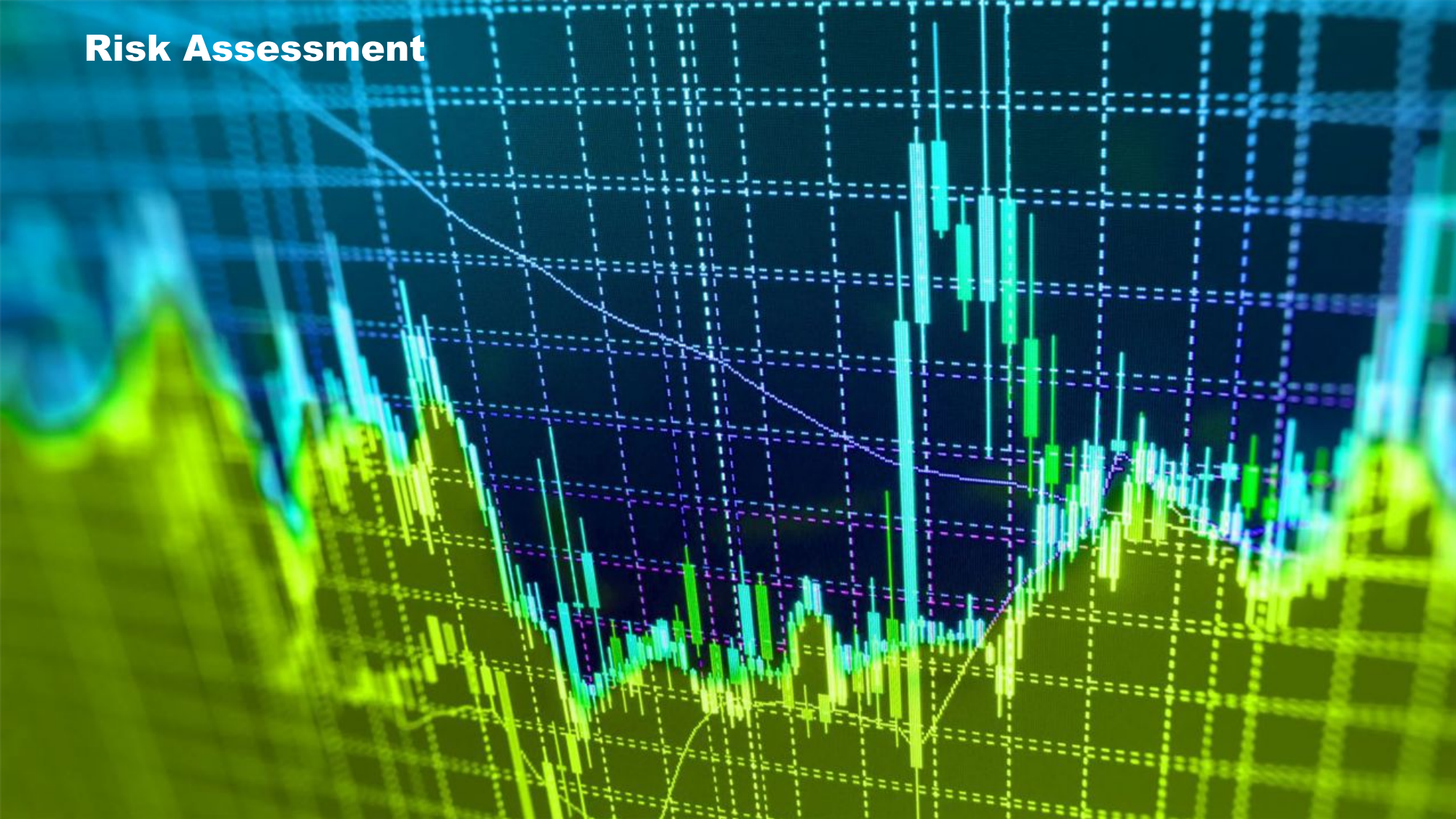
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Please note that GO-2s and GOP-2s are required to comply with an initial set of eight Reliability Standards on their registration effective date of **May 15, 2026**.

The SGAS will consist of two parts:

1. **General Session Live Webinar:** A general session will be held to help GO-2s and GOP-2s understand their compliance obligations with the initial set of Reliability Standards on Thursday, March 26, 2026, 2:00-4:00 p.m. Eastern This session will:
 - a. Introduce NERC, Regional Entities, and the Compliance Monitoring and Enforcement Program.
 - b. Review the NERC Reliability Standards that GO-2s and GOP-2s must comply with day one of their registration effective date.
 - c. Registration for a one-on-one session (detailed below) is not necessary to attend the General Session Live Webinar.
2. **SGAS One-on-One Sessions:** Closed, one-on-one discussions between a registered entity's Subject Matter Experts (SMEs) and ERO Enterprise (collectively NERC and Regional Entities) staff about issues pertinent to their implementation of NERC compliance obligations. These sessions will occur between Monday, March 30 – Friday, April 10, 2026. **NERC will schedule the one-on-one sessions after registration is received and is coordinated with Regional Entity staff.**

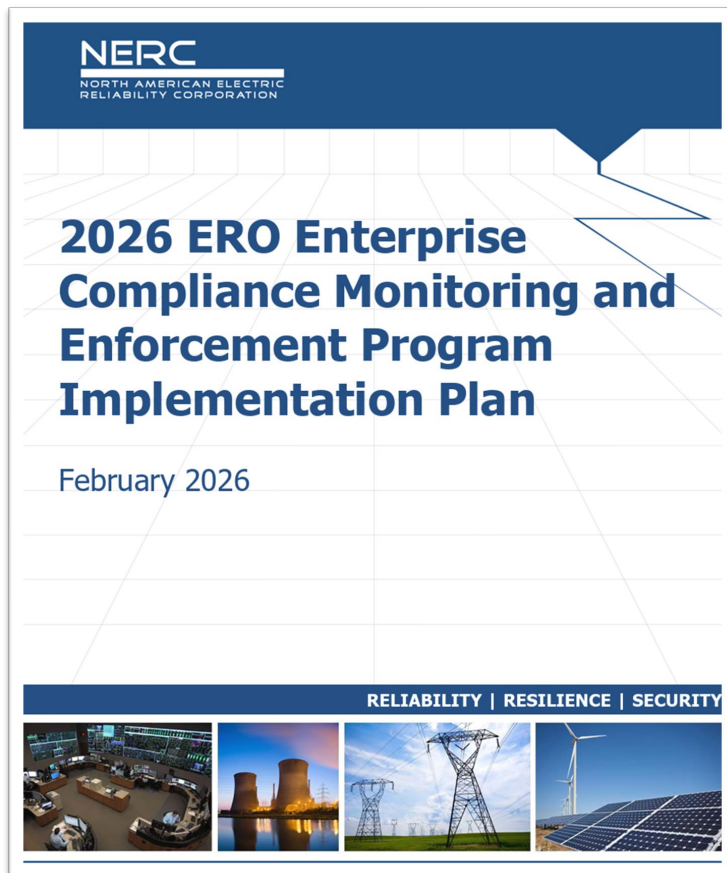
Risk Assessment





2026 Risk Assessment Strategy: CMEP IP

Public



Remote Connectivity

Supply Chain

Physical Security

Grid Transformation

Facility Ratings

Extreme Weather Response

Communication Protocols & Operating Instructions



Q1 2026: Texas REview Newsletter

Public



Articles

- ERO Enterprise Guide for Internal Controls
- Monitoring Period Calculation
- 2026 CMEP IP Update



Q1 2026: NERC Standards Review Forum (NSRF)

Public




Ask Texas RE Presentations

- CMEP IP Grid Transformation and Compliance Oversight
- CMEP IP Extreme Weather Response Risk



Q1 2026: Workshop, Webinar, Training, and Conference Highlights

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TEXAS RE

Enforcement Report

**Board of Directors Meeting
May 13, 2026**

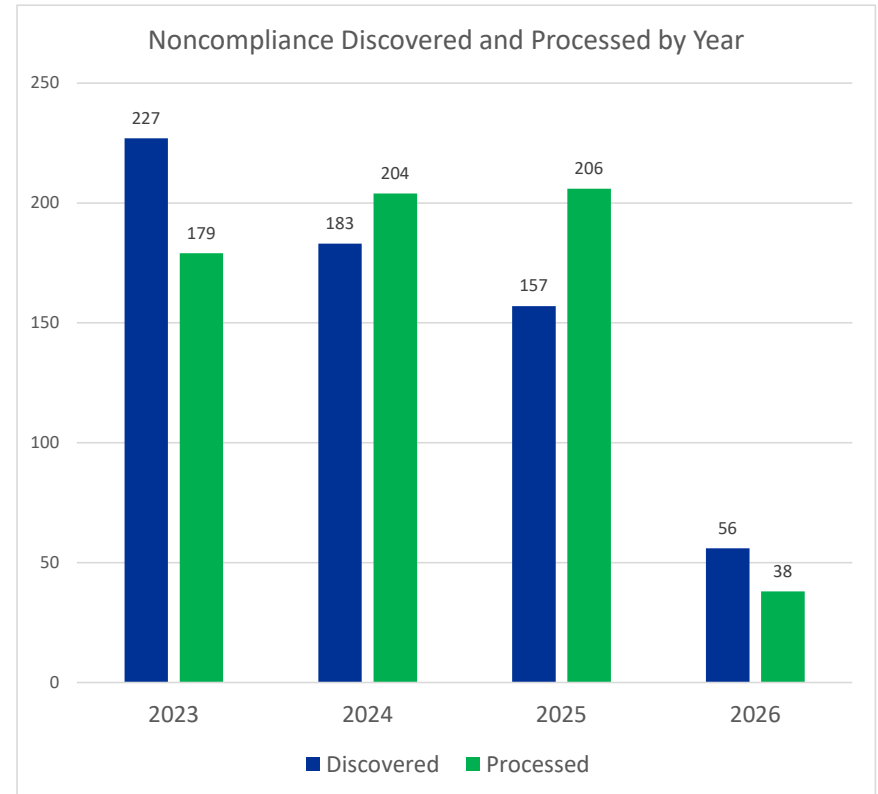


Enforcement Processing Priorities

Streamlining disposition of minimal risk issues

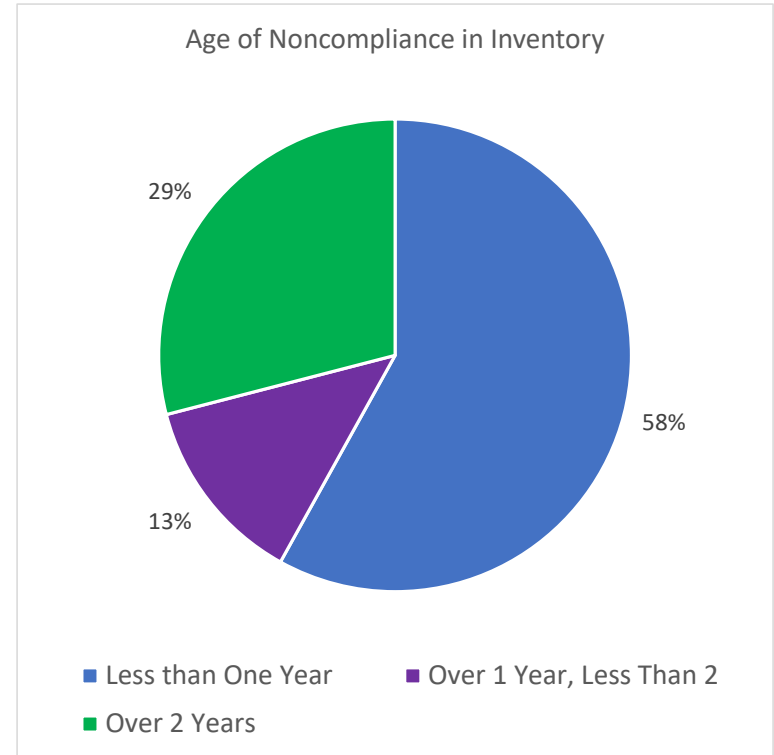
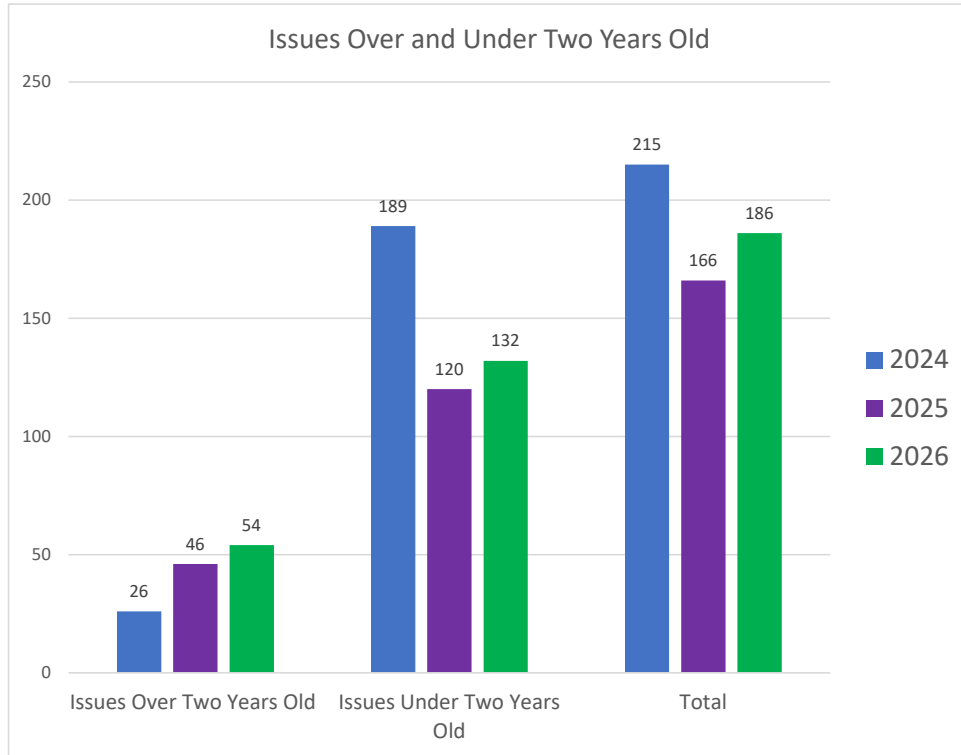
Working to promptly assess mitigating activities to ensure reasonableness and effectiveness

Focus on mitigating and resolving higher risk issues



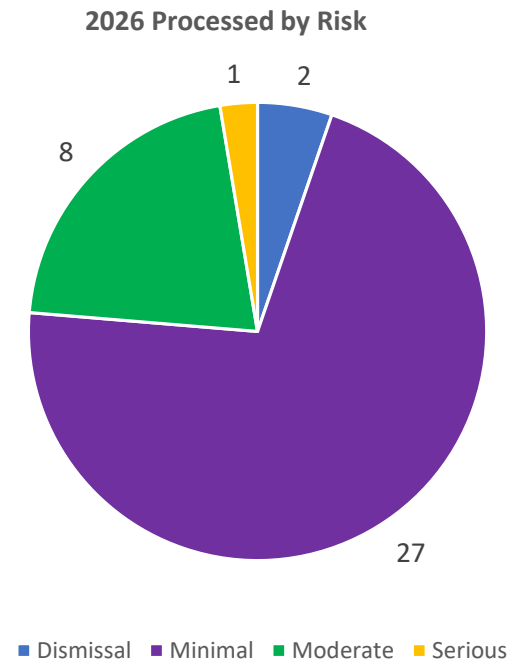
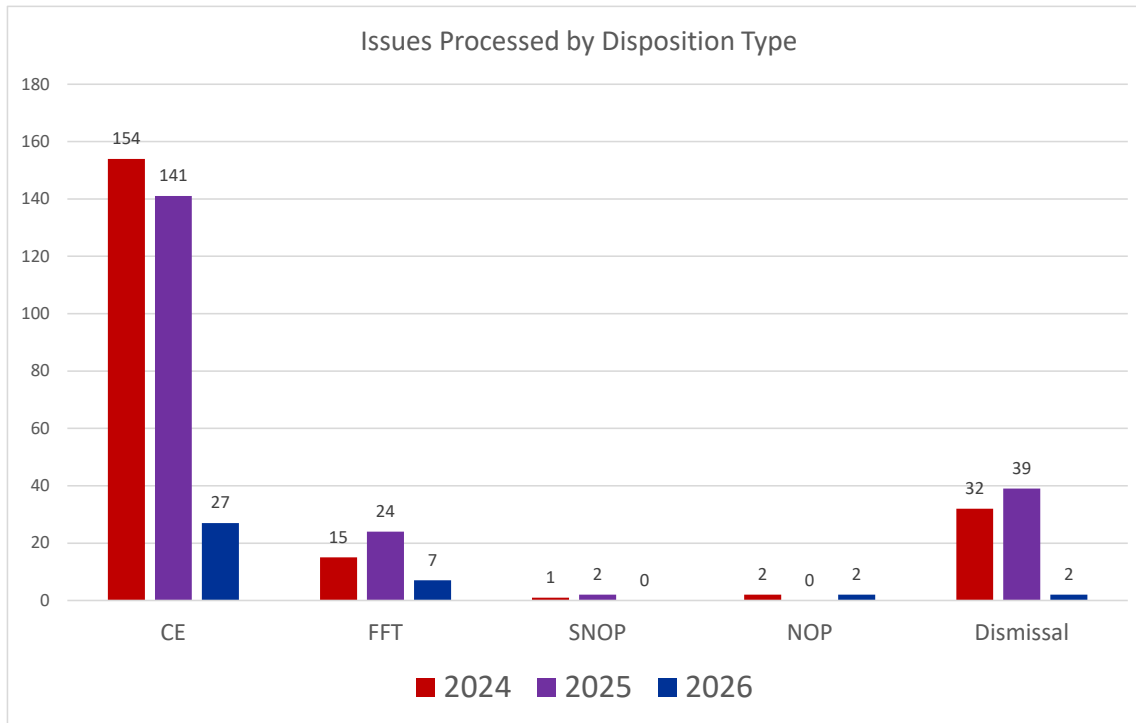


Addressing Aging Inventory





Enforcement Year-to-Date Dashboard





TEXAS RE

Registration Report

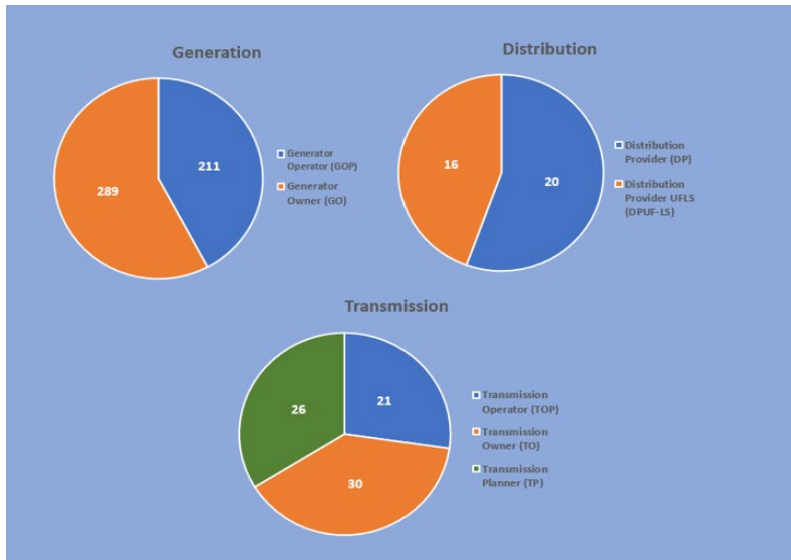
**Board of Directors Meeting
May 13, 2026**



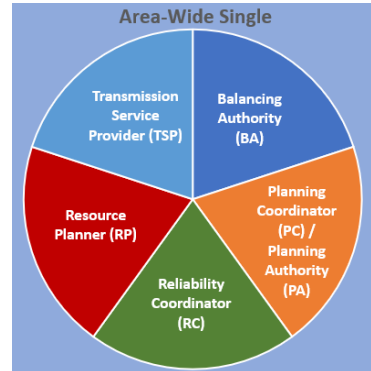
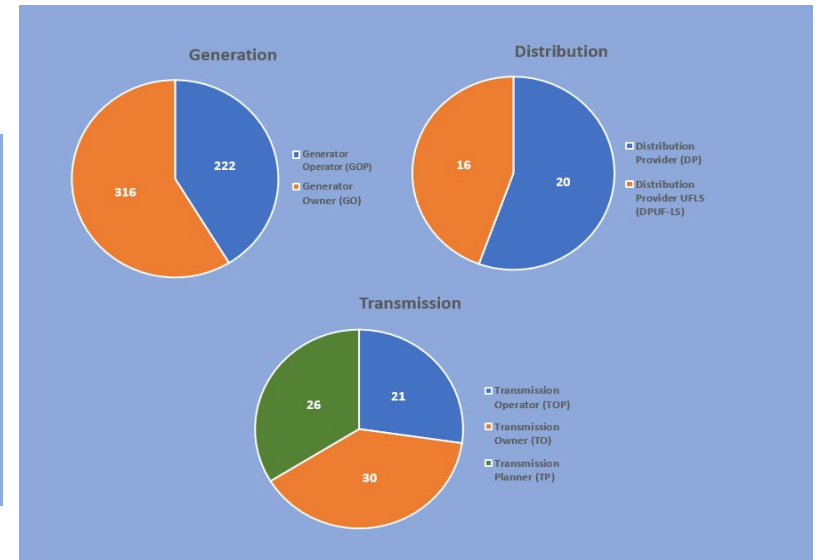
Number of Registered Entities by Function – Texas RE Region

Public

370 Registered Entities | 618 Functions
As of April 1, 2025



408 Registered Entities | 656 Functions
As of April 1, 2026



Over 20% of all Texas RE registered entities participate in the Coordinated Oversight Program



Registration Change Activity by Entities and Functions – 2026

Registration Changes by Entity

Type of Activity	# of Entities
Deactivations	1
Additions	15
Entity Name Changes	3

Includes only registration activities requiring a revision to the NERC Registry between January 1 – April 1, 2026

Registration Changes by NERC Function (Note: entity may have more than one function)

Type of Activity	DP	DP UFLS	GO	GOP	TO	TOP	TP	Total Functions
Deactivations	0	0	0	1	0	0	0	1
Additions	0	0	12	4	0	0	0	16
Entity Name Changes	0	0	1	2	0	0	0	3

1,832 MW*
New Generation

0 MW Wind

889 MW Solar

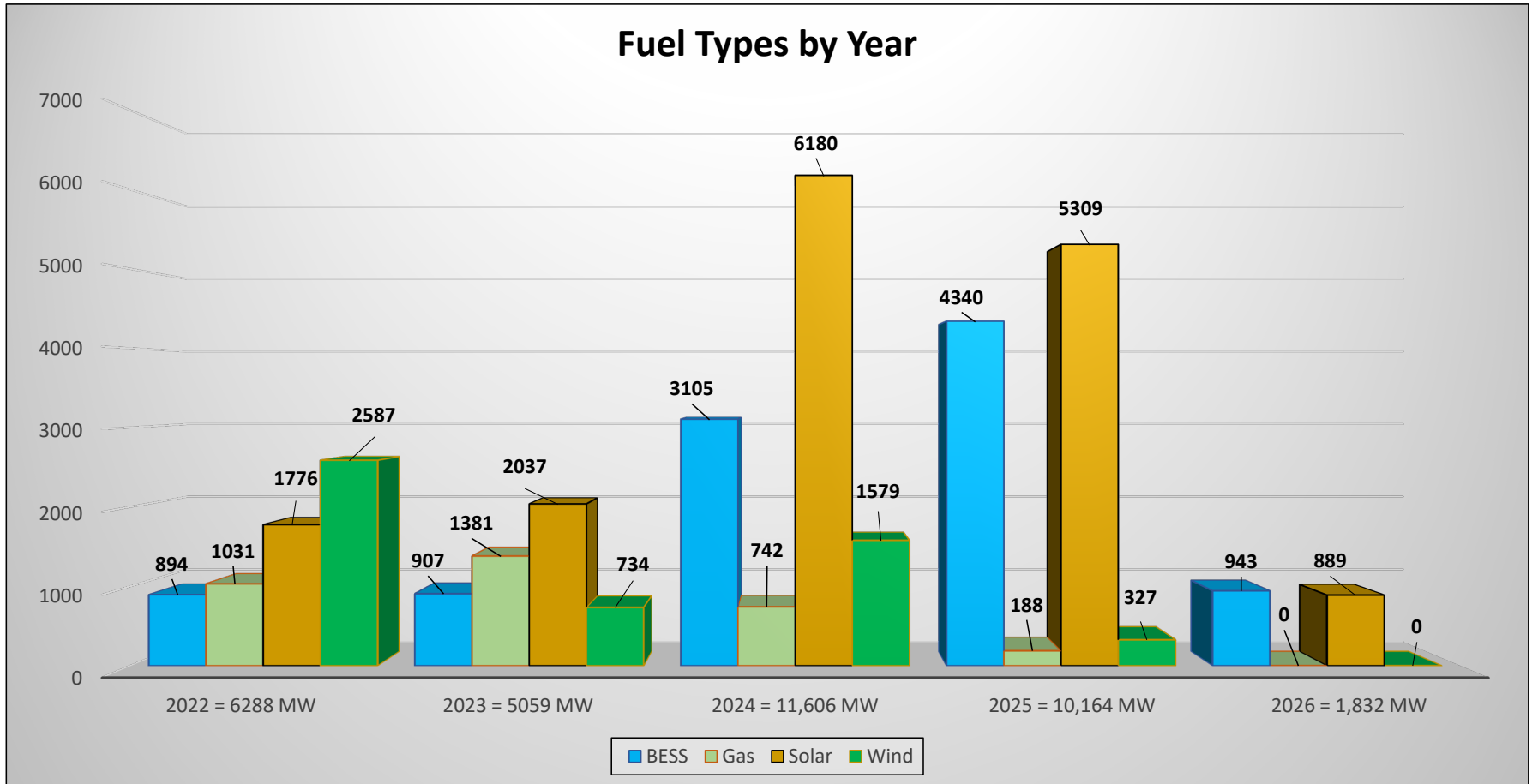
943 MW
Battery Storage

0 MW Gas

*The total amount of MW includes facilities that added generation to existing registrations



Registered Generation by Fuel Type





Certification/Certification Review Updates

Public

Status Updates

Current Certification Activities

- 1 Certification
- 3 Certification Reviews
- 7 Lesser Activities



TEXAS RE

Reliability Services Report

**Board of Directors Meeting
May 13, 2026**



Key Activities in Q1 2026

Public

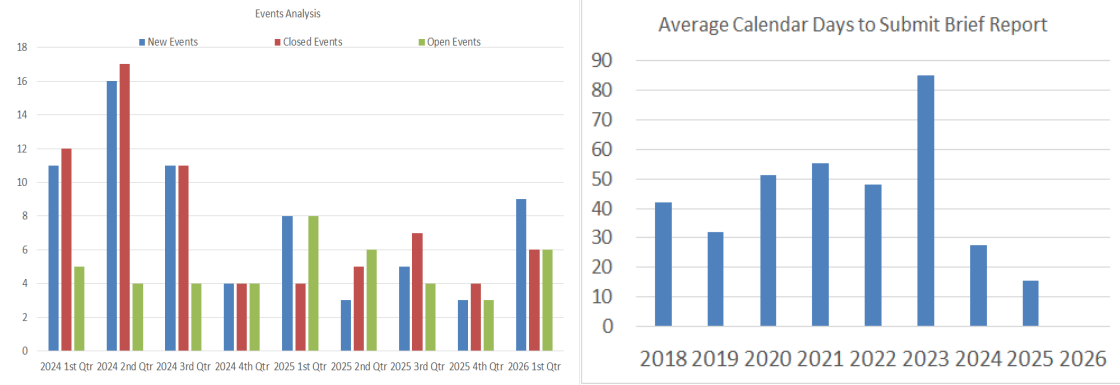




Reliability Services Functional Dashboard as of April 1, 2026

Public

EVENTS ANALYSIS



SITUATIONAL AWARENESS

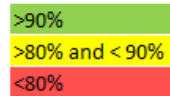
Through 4/1/2026

Category	OE-417 Submission	EOP-004 Submission
Physical/cyber Threat	3	
System Separation or Islanding		
Loss of Firm Load		
Public Appeals		
Loss of Monitoring	2	1
Control Center Evacuation		
Loss of > 50k Customers		
Fuel Supply Emergency		
Damage/Destruction of Facility	2	
Generation Loss		
Transmission Loss	2	

PERFORMANCE ANALYSIS

On-Time Section 1600 Reporting Status as of 4/1/2026

	2025 Q1	2025 Q2	2025 Q3	2025 Q4
TADS	100%	100%	100%	100%
GADS	100%	100%	100%	100%
MIDAS	100%	99%	98%	97%
Wind GADS	93%	92%	96%	92%
Solar GADS	88%	84%	92%	94%



Q1 data reporting in progress

*** Q1 data due on 5/15 for GADS-Conventional, Wind and Solar

** Q1 data due 5/31 for MIDAS

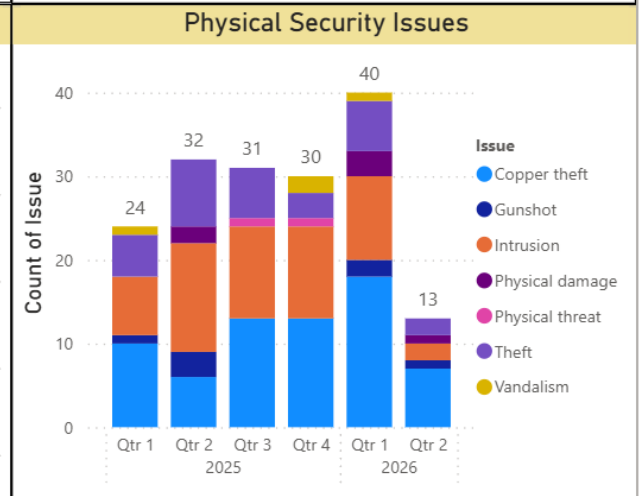
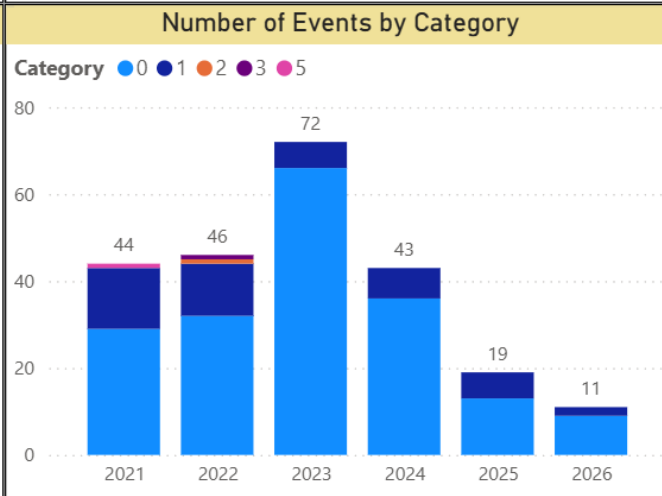
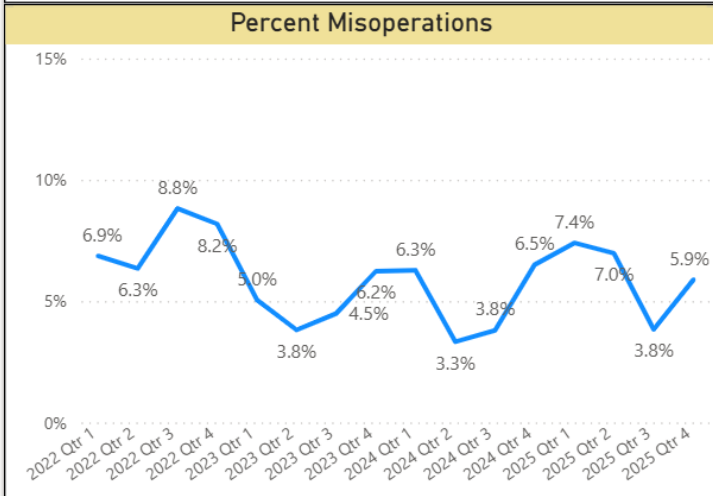
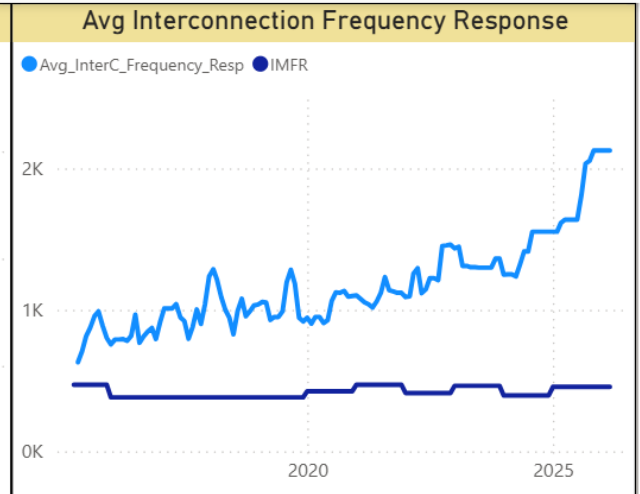
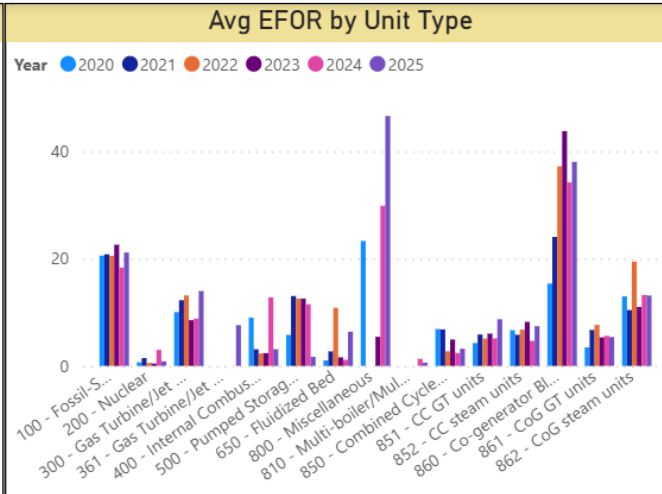
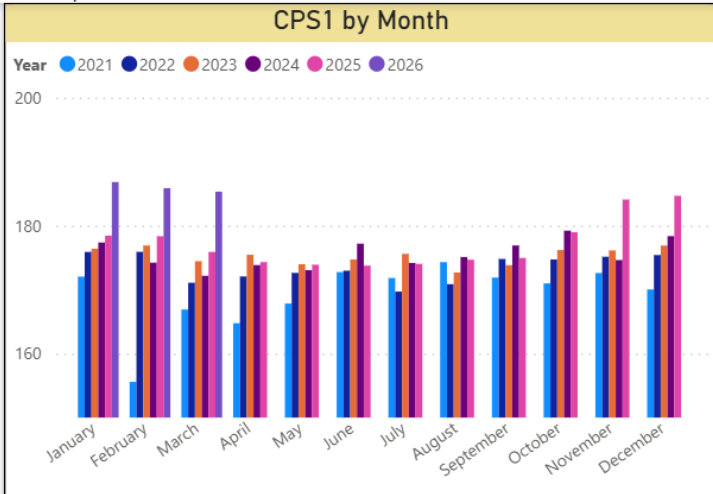
RELIABILITY ASSESSMENTS

2025 Oversight Plan Expectation	MRO	NPCC	RF	SERC	Texas-RE	WECC
Expectation 1. RE provides assessment materials that meet ERO Guidelines (Yes / No narratives and data complete and submitted on or before the September deadline?)	Y	Y	Y	N ¹	Y	Y
Expectation 2. RE supports the RA program in identifying risks. (Yes/No When actual capacity or energy deficiency occurs, the RE analyzes conditions to inform future assessments (Outcome Analysis))	Evaluation Performed After Winter Season					
Expectation 3. RE works collaboratively to assess risks (Yes/No The Regional Entity participates in RAS and ERO RA, and uses professional judgement to identify regional risks and includes them in assessment reports)	Y	Y	Y	Y	Y	Y



Grid Reliability Dashboard as of April 1, 2026

Public





MEMORANDUM

To: Texas RE Board of Directors
From: Rachel Coyne, Executive Chief of Staff
Date: May 13, 2026
Re: Item 10.e - Status Update for Project SAR-013: Revisions to Regional Standard BAL-001-TRE-2

In accordance with the Texas RE Regional Standards Development Process (RSDP), I am providing the quarterly status reporting on Project SAR-013: Revisions to Regional Standard BAL-001-TRE-2. The standard drafting team (SDT) met on March 10, 2026, to finalize the documentation based on revisions that occurred after the first comment and ballot period. The team sought the MRC's approval to post draft Regional Standard BAL-001-TRE-3 for an additional 45-day comment and ballot period during its May 13, 2026, meeting.

Background

On June 28, 2024, ERCOT submitted a Regional Standard Authorization Request (SAR) to revise Texas RE's Regional Standard BAL-001-TRE-2. The MRC accepted the SAR as a project during its September 18, 2024, meeting.

Subsequent to the MRC's approval on September 17, 2025, Texas RE posted the draft Regional Standard BAL-001-TRE-3 and draft implementation plan for a 45-day public comment period, with a ballot occurring during the last 15 days from September 22 – November 6, 2025. The draft standard and implementation plan passed the ballot. The standard drafting team (SDT) met on December 3, 2025, to review comments received during the comment period and determine next steps. The SDT met again on December 16, 2025, to continue its discussions from the previous meeting. The SDT met again on March 10, 2026, to finalize changes to the draft standard based on the comments they received. During this meeting, the team reached consensus on proposed language reflecting stakeholder comments. The SDT determined several of these proposed changes were substantive in nature, thus necessitating an additional comment and ballot period. At the May 13, 2026, meeting, Texas RE staff requested the MRC approve the revised Regional Standard BAL-001-TRE-3 language for an additional 45-day comment period with a ballot period during the last 15 days to ensure transparency and opportunity for comment on the revised standard.

I am happy to answer any questions regarding the status of the SAR-013 project.