



2024 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by Texas RE Board of Directors

Date: May XX, 2023

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2024 Budget	U.S.	Canada	Mexico
Statutory FTEs	70.0			
Non-statutory FTEs	-			
Total FTEs	70.0			
Statutory Expenses	\$ 19,107,925			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 19,107,925			
Statutory Inc(Dec) in Fixed Assets	\$ 50,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 50,000			
Statutory Working Capital Requirement	\$ -			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ -			
Total Statutory Funding Requirement	\$ 19,157,925			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 19,157,925			
Statutory Funding Assessments	\$ 18,781,013			
Non-Statutory Fees	\$ -			
NEL	427,787,483	427,787,483		
NEL%	100.00%	100.00%		

Table B-1 Reserve Analysis on page 39 in Section B

Organizational Overview

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

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

Membership and Governance

Membership

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

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

Board of Directors

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

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

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

Statutory Functional Scope

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

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

Financial Policies

Texas RE has policies and procedures in place that address its overall financial management, including procurement and business expense reimbursement. Additionally, Texas RE has a working capital and operating reserve policy to ensure the stability of the ongoing operations of the organization. This policy is intended to provide funds for situations such as a sudden unanticipated increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses.

2024 Overview of Cost Impacts

In developing the Texas RE 2024 Business Plan and Budget, Texas RE reflects the collaborative development of the Electric Reliability Organization (ERO) Enterprise Long-Term Strategy. Texas RE also seeks input from its MRC and posts the budget for comment. Prior to obtaining final approval from its Board, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

Overall, the Texas RE 2024 budgeted statutory expenses (\$19,157,925) increased by 8.0% from the 2023 budgeted statutory expenses (\$17,733,467). The \$1,424,459 increase in budget is due to adding three full time equivalents (FTEs) and a 10.0% increase in health benefits.

Personnel Increases

Regarding the three additional FTEs:

- one additional FTE is added to the Compliance Monitoring and Enforcement Program (CMEP) in the Risk Assessment group;
- one additional FTE is added to the Reliability Assessment and Performance Analysis (RAPA) program area; and
- one additional FTE is added to Corporate Services in the Information Technology (IT) Infrastructure and Cyber and Physical Security department.

An explanation of the FTE increases is included in the Program Scope and Functional Description, and Resource Requirements sections in each applicable program area in Section A below.

Statutory Assessment and Expense Changes

The 2024 statutory assessment (\$18,781,013) increased 9.5% from the 2023 assessment (\$17,155,278).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 12.3%. Salaries expense is increasing 11.7%, which includes adding three additional FTE in 2024, in the Information Technology department, the CMEP department, and the RAPA department. A 5.0% allowance for salary increases and promotions is included in this personnel budget. Payroll taxes are increasing 9.8%.
- Total Benefits expense is decreasing 18.6%. Health plan expense did not increase as projected in 2023; however, health plan expense is projected to increase 10% for 2024 over actual 2023 cost, which is lower than the 2023 budgeted cost. Employee Benefits include education reimbursement, relocation expenses, and training and professional development. Including these expenses in Employee Benefits is consistent with the NERC budget guidelines. Retirement costs are increasing 10.6%. Changes in budgeted Benefits expense and Retirement expense affect all program area budgets. All personnel-related expenses are increasing based on the additional salary expense for three additional FTEs. (See program areas for details concerning FTE increases).
- Total Meeting and Travel expenses are increasing 7.7%. Meetings expense is increasing by \$29,000 to allow for major outreach initiatives and related production cost. An annual meeting with the Texas RE Board of Directors and stakeholders is included in Total Meetings expense for 2024. The 2024 budget includes Workshop Expense for one offsite workshop in the Training and Education Program. Travel expense is increasing 1.2% to include travel for added FTEs.
- Total Operating expenses are decreasing by 4.5%. The Consultants and Contracts expense is decreasing 3.5%. The 2023 budget includes three compensation studies and one custom survey; the 2024 budget includes two studies. Rent cost is decreasing 7.5%. This category includes building maintenance, which is lower on the current office space.

All statutory activity in the 2024 Business Plan and Budget aligns with the ERO Enterprise Long-Term Strategy.

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American BPS. Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



The ERO Enterprise Gold Circle.

ERO Enterprise Long-Term Strategy

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 Regions, and the different corporate and governance responsibilities of each Regional Entity.

In 2019, ERO Enterprise leadership came together to revise the ERO Enterprise Long-Term Strategy as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees (NERC Board) on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial ERO Reliability Risk Priorities Report;
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

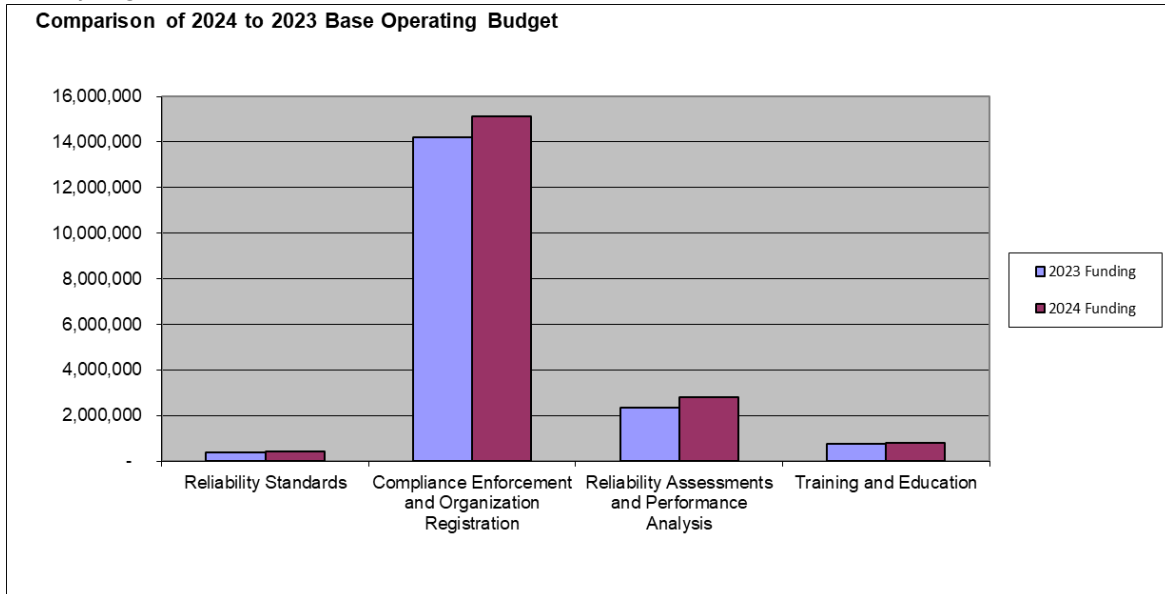
As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Texas RE's corporate goals further complement and align with Texas RE's mission to ensure a highly reliable and secure bulk power system in the Electric Reliability Council of Texas (ERCOT) Interconnection, while ensuring Texas RE meets the common commitments shared across the ERO Enterprise. Program area narratives in Texas RE's Business Plan and Budget may reference how activities support each of the ERO Enterprise's strategic focus areas. They may also reference the activities supporting Texas RE's specific corporate goals and focus areas that are themselves informed by the ERO Enterprise's strategic focus areas and Texas RE's overall corporate mission.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.

Summary by Program

The following table summarizes the Texas RE budget by program area.

Base Operating Budget	Budget	Projection	Budget	Variance	
	2023	2023	2024	2024 Budget v 2023 Budget	Variance %
Reliability Standards	\$ 407,931	\$ 407,931	\$ 429,172	\$ 21,241	5.2%
Compliance Enforcement and Organization Registration	14,194,994	14,194,994	15,136,737	941,743	6.6%
Reliability Assessments and Performance Analysis	2,370,932	2,370,932	2,792,883	421,951	17.8%
Training and Education	759,610	759,610	799,133	39,523	5.2%
Total by Program	\$ 17,733,467	\$17,733,467	\$ 19,157,925	\$ 1,424,458	8.0%



FTEs by Program Area

Personnel Analysis

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2023	2023	2024	FTEs 2024	2024	from 2023
	Budget	Budget	Budget	Budget	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.25	1.25	1.25	-	1.25	-
Compliance and Organization Registration and Certificat	41.75	41.75	42.75	-	42.75	1.00
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.00	6.00	7.00	-	7.00	1.00
Total FTEs Operational Programs	51.25	51.25	53.25	-	53.25	2.00
Administrative Programs						
General & Administrative	4.00	4.00	4.00	-	4.00	-
Legal and Regulatory	2.75	2.75	2.75	-	2.75	-
Information Technology	6.00	6.00	7.00	-	7.00	1.00
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
Total FTEs Administrative Programs	15.75	15.75	16.75	-	16.75	1.00
Total FTEs	67.00	67.00	70.00	-	70.00	3.00

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2023 Budget and Projection and 2024 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
STATUTORY					
	2023 Budget	2023 Projection	Variance 2023 Projection v 2023 Budget Over(Under)	2024 Budget	Variance 2023 Budget v 2024 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 17,155,278	\$ 17,155,278	\$ -	\$ 18,781,013	\$ 1,625,735
Penalties Released*	576,188	576,188	-	326,912	(249,276)
Total NERC Funding	\$ 17,731,466	\$ 17,731,466	\$ -	\$ 19,107,925	\$ 1,376,459
Interest	2,000	2,000	-	50,000	48,000
Total Funding (A)	\$ 17,733,466	\$ 17,733,466	\$ -	\$ 19,157,925	\$ 1,424,459
Expenses					
Personnel Expenses					
Salaries	\$ 9,528,203	\$ 9,528,203	\$ -	10,642,009	\$ 1,113,807
Payroll Taxes	658,636	658,636	-	723,372	64,736
Benefits	1,606,373	1,606,373	-	1,904,575	298,202
Retirement Costs	1,375,439	1,375,439	-	1,520,920	145,481
Total Personnel Expenses	\$ 13,168,651	\$ 13,168,651	\$ -	\$ 14,790,877	\$ 1,622,226
Meeting & Travel Expenses					
Meetings	\$ 56,900	\$ 56,900	\$ -	85,900	\$ 29,000
Travel	376,735	376,735	-	381,150	4,415
Total Meeting & Travel Expenses	\$ 433,635	\$ 433,635	\$ -	\$ 467,050	\$ 33,415
Operating Expenses, Excluding Depreciation					
Consultants & Contracts	\$ 407,700	\$ 407,700	\$ -	393,500	\$ (14,200)
Office Rent	2,211,708	2,211,708	-	2,045,704	(166,003)
Office Costs	731,248	731,248	-	735,619	4,371
Professional Services	680,525	680,525	-	675,175	(5,350)
Total Operating Expenses	\$ 4,031,181	\$ 4,031,181	\$ -	\$ 3,849,998	\$ (181,182)
Total Direct Expenses	\$ 17,633,467	\$ 17,633,467	\$ -	\$ 19,107,925	\$ 1,474,459
Indirect Expenses	-	-	-	-	-
Other Non-Operating Expenses	-	-	-	-	-
Total Expenses (B)	\$ 17,633,467	\$ 17,633,467	\$ -	\$ 19,107,925	\$ 1,474,459
Change in Net Assets (A - B)	\$ 99,999	\$ 99,999	\$ -	\$ 50,000	\$ (50,000)
Fixed Assets, excluding Right of Use Assets (C)					
	100,000	100,000	-	50,000	(50,000)
TOTAL BUDGET (B + C)	\$ 17,733,467	\$ 17,733,467	\$ -	\$ 19,157,925	\$ 1,424,459
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	67.00	67.00		70.00	3

*Penalties Released in the current year reflects the designated amount of funds released to offset U.S. 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).

Section A – Statutory Programs

2024 Business Plan and Budget



Section A — 2024 Business Plan – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	1.25	1.25	-
Direct Expenses	\$ 203,871	\$ 229,746	\$ 25,875
Indirect Expenses	\$ 201,621	\$ 198,252	\$ (3,369)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 2,439	\$ 1,174	\$ (1,265)
Total Funding Requirement	\$ 407,931	\$ 429,172	\$ 21,241

Program Scope and Functional Description

Texas RE’s Reliability Standards Program supports the NERC Reliability Standards Program and facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process. 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 Texas RE Standards Development Process, the 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 Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. The Texas RE Standards Development Process includes an appeal process and an interpretation process.

When developing Regional Standards, Texas RE is responsible for adhering to its FERC-approved Regional Standards development processes, and for assisting NERC as needed with obtaining NERC Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the record 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 from its perspective as the Compliance Enforcement Authority, based on recommendations and input from subject matter experts employed by Texas RE.

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.

2024 Key Assumptions

- Continent-wide NERC Reliability Standards projects will consist primarily of new Standards Authorization Requests, Periodic Reviews, Standards Efficiency Review (SER) Implementation, and Standards Grading, covering both Critical Infrastructure Protection (CIP) and Operations and Planning standards. These activities will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the ERO Enterprise.
- 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 regarding the intent of the standard.
- The number of interpretations is expected to remain low. However, guidance requests associated with the implementation of standards may increase.

2024 Goals and Key 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.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2023.

Consultants and Contracts

No consulting support and contracts are budgeted for 2024, which is consistent with the 2023 budget.

Section A — 2024 Business Plan and Budget – Statutory Programs

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2024. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
RELIABILITY STANDARDS					
	2023 Budget	2023 Projection	Variance 2023 Projection v 2023 Budget Over(Under)	2024 Budget	Variance 2023 Budget v 2024 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 418,421	\$ 418,421	\$ -	440,869	\$ 22,447
Penalties Released	14,053	14,053		7,674	(6,379)
Total NERC Funding	<u>\$ 432,475</u>	<u>\$ 432,475</u>	<u>\$ -</u>	<u>\$ 448,543</u>	<u>\$ 16,068</u>
Interest	49	49	-	1,174	1,125
Total Funding	<u>\$ 432,524</u>	<u>\$ 432,524</u>	<u>\$ -</u>	<u>\$ 449,717</u>	<u>\$ 17,193</u>
Expenses					
Personnel Expenses					
Salaries	\$ 135,442	\$ 135,442	\$ -	154,150	\$ 18,708
Payroll Taxes	10,444	10,444	-	11,878	1,434
Benefits	31,537	31,537	-	35,737	4,200
Retirement Costs	19,548	19,548	-	22,266	2,718
Total Personnel Expenses	<u>\$ 196,971</u>	<u>\$ 196,971</u>	<u>\$ -</u>	<u>\$ 224,031</u>	<u>\$ 27,060</u>
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	-	\$ -
Travel	6,900	6,900	-	4,275	(2,625)
Total Meeting & Travel Expenses	<u>\$ 6,900</u>	<u>\$ 6,900</u>	<u>\$ -</u>	<u>\$ 4,275</u>	<u>\$ (2,625)</u>
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	-	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	1,440	1,440
Professional Services	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,440</u>	<u>\$ 1,440</u>
Total Direct Expenses	<u>\$ 203,871</u>	<u>\$ 203,871</u>	<u>\$ -</u>	<u>\$ 229,746</u>	<u>\$ 25,875</u>
Indirect Expenses	<u>\$ 201,621</u>	<u>\$ 201,621</u>	<u>\$ -</u>	<u>\$ 198,252</u>	<u>\$ (3,369)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 405,492</u>	<u>\$ 405,492</u>	<u>\$ -</u>	<u>\$ 427,998</u>	<u>\$ 22,506</u>
Change in Assets	<u>\$ 27,032</u>	<u>\$ 27,032</u>	<u>\$ -</u>	<u>\$ 21,719</u>	<u>\$ (5,314)</u>
Fixed Assets, excluding Right of Use Assets (C)	<u>\$ 2,439</u>	<u>\$ 2,439</u>	<u>-</u>	<u>\$ 1,174</u>	<u>(1,265)</u>
TOTAL BUDGET	<u>\$ 407,931</u>	<u>\$ 407,931</u>	<u>\$ -</u>	<u>\$ 429,172</u>	<u>\$ 21,241</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ 24,593</u>	<u>\$ 24,593</u>	<u>\$ -</u>	<u>\$ 20,545</u>	<u>\$ (4,048)</u>
FTEs	1.25	1.25	-	1.25	-

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program			
(in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	41.75	42.75	1.0
Direct Expenses	\$ 7,379,404	\$ 8,316,383	\$ 936,979
Indirect Expenses	\$ 6,734,126	\$ 6,780,213	\$ 46,086
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 81,463	\$ 40,141	\$ (41,323)
Total Funding Requirement	\$ 14,194,994	\$ 15,136,737	\$ 941,743

Program Scope and Functional Description

CMEP

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 ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, and data submittals. The 2024 Business Plan & Budget anticipates that Texas RE will perform CMEP activities for approximately 371 Registered Entities, an increase of approximately 39 registered entities from 2023.

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. 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 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 audits, self-certifications, spot checks, and investigations, are then performed by Texas RE’s O&P and CIP Compliance departments respectively. Finally, Texas RE’s Enforcement Department independently reviews and processes noncompliance using risk-based disposition methods, including assessing penalties where appropriate.

The increase in the number and type of registered entities will require Texas RE to appropriately allocate current resources and judiciously augment overall staffing levels to address critical emerging risks associated with energy availability concerns as the resource mix changes, as well as heightened security risks driven by common contingencies such as supply chain vulnerabilities.

While the rapid change in the number and type of registered entities is increasing CMEP and Registration and Certification workloads, Texas RE is focusing on enhancing its Risk Assessment group to increase its ability to identify emerging risks, design appropriate risk-based compliance activities to address those risks, elevate targeted outreach efforts to new entities, and provide insight into potential future resource needs throughout the CMEP.

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. Regarding certification activities, Texas RE anticipates two or three engagements in 2024, consistent with past years.

2024 Key Assumptions

- Continued need to address growth of registered entities and ensure appropriate, risk-based monitoring and engagement activities continue to be performed.
- Increased activity around the development of COPs for new registered entities and the need to review and refresh 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 such as grid transformation and extreme events.
- Due to the significant changes to the generation fuel mix in the ERCOT Interconnection, the volume of registration changes is expected to continue increasing.

2024 Goals and Key Deliverables

COMPLIANCE MONITORING AND RISK ASSESSMENT

- Continue stakeholder outreach for new and enhanced NERC Reliability Standards to minimize reliability and security risks and encourage consideration of ERCOT regional differences.
- Continue to enhance COP process and provide targeted outreach to stakeholders for awareness.
- Enhance the risk-based approach to compliance monitoring processes.
- Support the incorporation of internal controls into the ERO compliance monitoring program and provide outreach.
- 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.

- Identify current and emerging risks to security and reliability affecting the ERCOT Interconnection.
- 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 Distributed Energy Resources (DER), storage, and demand side resources.
- Expand cybersecurity outreach focusing on the risks and mitigation of the risks.
- Continue collaboration with government and state authorities on cyber and physical security issues.
- Continue to enhance cyber and physical security outreach beyond CMEP activities to share security information, best practices, mitigation strategies, and lessons learned. Enhance outreach efforts to new registrants 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 winterization and extreme weather events.
- 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 in ERO working groups to efficiently and effectively work with the ERO Enterprise.
- Ensure Texas RE is appropriately staffed and managed to maximize stakeholder value, maintain independence, and perform all delegated responsibilities. Promote communication, motivation, team building, and workforce development within Texas RE.

ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion using the Align and SEL systems.
- Undertake enforcement activities in accordance with established risk-based approaches.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Conduct technical assessments of registered entities’ plans and activities to mitigate noncompliance.
- Support streamlined mechanisms implemented to expedite possible violations that pose a lesser reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Board, NERC, and stakeholders.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.

- Assure timely mitigation of all violations, assessing 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.

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.
- 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.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this program is increasing by one in the Risk Assessment group.

Consultants and Contracts

No consulting support and contracts are budgeted for 2024, which is consistent with the 2023 budget.

Section A — 2024 Business Plan and Budget – Statutory Programs

Compliance Monitoring, Enforcement and Organization Registration and Certification Program

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2024. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	Budget	2023 Budget v 2024 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 13,975,276	\$ 13,975,276	\$ -	\$ 15,077,714	\$ 1,102,439
Penalties Released	469,382	469,382	-	262,450	(206,932)
Total NERC Funding	<u>\$ 14,444,657</u>	<u>\$ 14,444,657</u>	<u>\$ -</u>	<u>\$ 15,340,164</u>	<u>\$ 895,507</u>
Interest	1,629	1,629	-	40,141	38,512
Total Funding	<u>\$ 14,446,286</u>	<u>\$ 14,446,286</u>	<u>\$ -</u>	<u>\$ 15,380,305</u>	<u>\$ 934,018</u>
Expenses					
Personnel Expenses					
Salaries	\$ 5,150,734	\$ 5,150,734	\$ -	\$ 5,783,866	\$ 633,131
Payroll Taxes	384,920	384,920	-	428,670	43,750
Benefits	933,315	933,315	-	1,107,774	174,458
Retirement Costs	743,520	743,520	-	833,634	90,114
Total Personnel Expenses	<u>\$ 7,212,490</u>	<u>\$ 7,212,490</u>	<u>\$ -</u>	<u>\$ 8,153,944</u>	<u>\$ 941,454</u>
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	144,875	144,875	-	140,400	(4,475)
Total Meeting & Travel Expenses	<u>\$ 144,875</u>	<u>\$ 144,875</u>	<u>\$ -</u>	<u>\$ 140,400</u>	<u>\$ (4,475)</u>
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	22,040	22,040	-	22,040	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 22,040</u>	<u>\$ 22,040</u>	<u>\$ -</u>	<u>\$ 22,040</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ 7,379,404</u>	<u>\$ 7,379,404</u>	<u>\$ -</u>	<u>\$ 8,316,383</u>	<u>\$ 936,978</u>
Indirect Expenses	<u>\$ 6,734,126</u>	<u>\$ 6,734,126</u>	<u>\$ -</u>	<u>\$ 6,780,213</u>	<u>\$ 46,086</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 14,113,531</u>	<u>\$ 14,113,531</u>	<u>\$ -</u>	<u>\$ 15,096,596</u>	<u>\$ 983,064</u>
Change in Net Assets	<u>\$ 332,756</u>	<u>\$ 332,756</u>	<u>\$ -</u>	<u>\$ 283,709</u>	<u>\$ (49,046)</u>
Fixed Assets, excluding Right of Use Assets	<u>\$ 81,463</u>	<u>\$ 81,463</u>	<u>\$ -</u>	<u>\$ 40,141</u>	<u>\$ (41,323)</u>
TOTAL BUDGET	<u>\$ 14,194,994</u>	<u>\$ 14,194,994</u>	<u>\$ -</u>	<u>\$ 15,136,737</u>	<u>\$ 941,742</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ 251,292</u>	<u>\$ 251,292</u>	<u>\$ -</u>	<u>\$ 243,568</u>	<u>\$ (7,724)</u>
FTEs	41.75	41.75	-	42.75	1.00

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	6.00	7.00	1.00
Direct Expenses	\$ 1,391,446	\$ 1,676,100	\$ 284,654
Indirect Expenses	\$ 967,779	\$ 1,110,210	\$ 142,432
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 11,707	\$ 6,573	\$ (5,135)
Total Funding Requirement	\$ 2,370,932	\$ 2,792,883	\$ 421,951

Program Scope and Functional Description

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 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 as well as 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 resource mix trends. In particular, Texas RE anticipates increasing probabilistic assessments and energy availability analyses as part of its support for long-term and seasonal assessment activities.

2024 Key Assumptions

- Increased resource needs stemming from the growth in new registrants and the changing resource mix.
- Increased focus on enhancing reliability assessments to include assessments of energy availability and expanded use of probabilistic methods to identify potential energy shortfalls.

- Continued ERCOT ISO 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-ISO data and applications continues as in the past, along with cooperation and coordination with ERCOT and registered entity technical experts for analysis of operations and trends.
- Travel and meeting expenses are targeted to increase modestly over 2023 levels given increased in-person gatherings and projects, although web conferencing will continue for a significant portion of such meetings.

2024 Goals and Key Deliverables

- Provide independent review of regional data and assist NERC in overall development of the annual long-term, summer and winter reliability assessments, support enhanced use of probabilistic analysis and consideration of extreme condition scenarios for the development of ERO energy assessments.
- Support NERC-wide modeling improvement efforts, particularly those related to dynamic loads, inverter-based resources, DER, and generator model validation.
- Serve as the Interconnection model designee associated with MOD-032 and MOD-033 Reliability Standards and provide outreach with stakeholders to integrate annual fidelity and quality tests into Interconnection study-case development processes.
- Participate in ERO technical working groups under the NERC Reliability and Security Technical Committee (RSTC) and contribute to development of Reliability Guidelines and Technical Reference documents. Provide follow-up on guideline effectiveness with stakeholder outreach, especially for related ERCOT technical groups. Encourage stakeholder participation in NERC RSTC subgroups.
- Provide Section 1600 data collection support and analysis to meet NERC Performance Analysis initiatives or FERC requests. In 2024, rollout of additional data collection for wind, solar and battery systems is expected to begin after initial development in 2023. Work closely with Registration to assist new stakeholder personnel on system access, reporting instructions and training.
- 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 against existing and proposed regional criteria and processes for reliability concerns and possible gaps.
- Deepen mutual support between CMEP, RAPA and Registration to further overall ERO workplan priorities, especially those aiming to mitigate risks associated with inverter-based resources and extreme conditions.
- Promote data analytics leveraging PowerBI and PIVision 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 12 Category 1 (minor). Review and trend approximately 80 lesser system events, such as remedial action scheme mis-operations, communications issues, and frequency disturbances.
- Conduct follow-up on recommendations from joint ERO reports such as the February 2021 and December 2022 ERO FERC cold weather inquiries, June 2022 Odessa event, and other

major power system events as may occur. Participation in one or two joint reviews of grid practices with FERC, NERC and Regional staff is anticipated.

- Support application of the BES Definition, Registration criteria and associated processes through technical review of Registration requests. Roughly ten requests with significant review are expected, possibly including support of the BES Exception process and materiality panels for other Regions.
- 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 Situation 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. Assist E-ISAC in outreach on 2023's GridEx and planning the next GridEx Security exercise. Texas RE will request to participate in Regional exercises for blackstart and severe weather operations.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is increasing by one in 2024 to augment Texas RE's capacity to perform probabilistic assessments and assessments of energy availability.

Consultants and Contracts

No consulting support and contracts are budgeted for 2024, which is consistent with the 2023 budget. No task assignments have been identified that require consulting or contractor support.

Section A — 2024 Business Plan and Budget – Statutory Programs

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the RAPA Program for 2024. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	Budget	2023 Budget v 2024 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,008,423	\$ 2,008,423	\$ -	\$ 2,468,866	\$ 460,443
Penalties Released	67,456	67,456	-	42,974	(24,482)
Total NERC Funding	<u>\$ 2,075,879</u>	<u>\$ 2,075,879</u>	<u>\$ -</u>	<u>\$ 2,511,840</u>	<u>\$ 435,961</u>
Interest	234	234	-	6,573	6,339
Total Funding	<u>\$ 2,076,113</u>	<u>\$ 2,076,113</u>	<u>\$ -</u>	<u>\$ 2,518,413</u>	<u>\$ 442,299</u>
Expenses					
Personnel Expenses					
Salaries	\$ 940,898	\$ 940,898	\$ -	\$ 1,145,345	\$ 204,447
Payroll Taxes	64,970	64,970	-	81,886	16,916
Benefits	152,305	152,305	-	182,978	30,674
Retirement Costs	135,633	135,633	-	165,261	29,628
Total Personnel Expenses	<u>\$ 1,293,806</u>	<u>\$ 1,293,806</u>	<u>\$ -</u>	<u>\$ 1,575,470</u>	<u>\$ 281,664</u>
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	87,500	87,500	-	89,550	2,050
Total Meeting& Travel Expenses	<u>\$ 87,500</u>	<u>\$ 87,500</u>	<u>\$ -</u>	<u>\$ 89,550</u>	<u>\$ 2,050</u>
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	10,140	10,140	-	11,080	940
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 10,140</u>	<u>\$ 10,140</u>	<u>\$ -</u>	<u>\$ 11,080</u>	<u>\$ 940</u>
Total Direct Expenses	<u>\$ 1,391,446</u>	<u>\$ 1,391,446</u>	<u>\$ -</u>	<u>\$ 1,676,100</u>	<u>\$ 284,654</u>
Indirect Expenses	<u>\$ 967,779</u>	<u>\$ 967,779</u>	<u>\$ -</u>	<u>\$ 1,110,210</u>	<u>\$ 142,432</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 2,359,225</u>	<u>\$ 2,359,225</u>	<u>\$ -</u>	<u>\$ 2,786,311</u>	<u>\$ 427,086</u>
Change in Net Assets	<u>\$ (283,112)</u>	<u>\$ (283,112)</u>	<u>\$ -</u>	<u>\$ (267,898)</u>	<u>\$ 15,214</u>
Fixed Assets, excluding Right of Use Assets	<u>\$ 11,707</u>	<u>\$ 11,707</u>	<u>\$ -</u>	<u>\$ 6,573</u>	<u>\$ (5,135)</u>
TOTAL BUDGET	<u>\$ 2,370,932</u>	<u>\$ 2,370,932</u>	<u>\$ -</u>	<u>\$ 2,792,883</u>	<u>\$ 421,951</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ (294,819)</u>	<u>\$ (294,819)</u>	<u>\$ -</u>	<u>\$ (274,471)</u>	<u>\$ 20,348</u>
FTEs	6.00	6.00	-	7.00	1.00

Training and Education

Training and Education (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 392,303	\$ 440,167	\$ 47,864
Indirect Expenses	\$ 362,917	\$ 356,853	\$ (6,064)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 4,390	\$ 2,113	\$ (2,278)
Total Funding Requirement	\$ 759,610	\$ 799,133	\$ 39,523

Program Scope and Functional Description

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 and the Electric Power Human Performance Improvement Symposium, including co-hosting on a rotational basis among the Regions. In addition, Texas RE host the Generator Winter Weatherization Workshop.

Texas RE will continue to coordinate Standards and Compliance workshops, Reliability 101, security-based CIP workshops, and other education and sharing meetings and webinars, including Talk with Texas RE, in 2024. 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.

2024 Key Assumptions

- Host a similar number of training and outreach events as in prior years. Texas RE will utilize the services of a production company to enhance the virtual user experience, with a focus on leveraging hybrid meeting resources and developing topics responsive to emerging risks and stakeholder feedback.
- Continuing need to address known and emerging risks by providing stakeholders timely information on key reliability focus issues, including generator plant winter readiness, risks associated with grid transformation and energy availability, and heightened cyber security requirements.
- Texas RE will need to continue to enhance its existing outreach programs for newly registered entities, including targeted new registrant meetings and its Reliability 101 and 201 series.

- Texas RE will continue to provide guidance on the implementation of the Risk-Based CMEP, including Inherent Risk Assessments, COPs, and Internal Control Reviews.
- Texas RE will continue to provide outreach around common themes and root causes of Reliability Standard violations.
- Texas RE will continue to need to provide both internal and stakeholder training related to the implementation of the new releases of Align and the SEL platforms as those platforms continue to be enhanced.
- Texas RE will continue to emphasize the need to foster productive and fulsome relationships with Texas RE stakeholders, including supporting the implementation of Texas RE’s state outreach framework.

2024 Goals and Key Deliverables

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

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this program is consistent with 2023.

Consultants and Contracts

No consulting support and contracts costs are budgeted for this department. No task assignments have been identified that require consulting or contractor support in 2024.

Meetings and Conference Calls

Texas RE will be hosting a Virtual Workshop, utilizing the services of a production company to enhance the virtual user experience and assist with major outreach initiatives. Although these

services were used in the prior year, they were not previously budgeted, which is causing an increase in meeting costs in the 2024 budget.

Section A — 2024 Business Plan and Budget – Statutory Programs

Training and Education

The following table shows the funding sources and related expenses for the Training and Education Program for 2024. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
TRAINING AND EDUCATION					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2023 Budget
			v 2023 Budget		v 2024 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 753,159	\$ 753,159	\$ -	\$ 793,564	\$ 40,405
Penalties Released	25,296	25,296	-	13,813	(11,483)
Total NERC Funding	\$ 778,455	\$ 778,455	\$ -	\$ 807,377	\$ 28,922
Interest	88	88	-	2,113	2,025
Total Funding	\$ 778,542	\$ 778,542	\$ -	\$ 809,490	\$ 30,947
Expenses					
Personnel Expenses					
Salaries	\$ 269,177	\$ 269,177	\$ -	\$ 278,244	\$ 9,067
Payroll Taxes	19,055	19,055	-	19,422	367
Benefits	32,100	32,100	-	45,219	13,119
Retirement Costs	38,451	38,451	-	39,627	1,176
Total Personnel Expenses	\$ 358,783	\$ 358,783	\$ -	\$ 382,512	\$ 23,729
Meeting & Travel Expenses					
Meetings & Conference Calls	\$ 19,500	\$ 19,500	\$ -	\$ 44,500	\$ 25,000
Travel	4,680	4,680	-	4,575	(105)
Total Meeting & Travel Expenses	\$ 24,180	\$ 24,180	\$ -	\$ 49,075	\$ 24,895
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,340	6,340	-	5,580	(760)
Professional Services	3,000	3,000	-	3,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 9,340	\$ 9,340	\$ -	\$ 8,580	\$ (760)
Total Direct Expenses	\$ 392,303	\$ 392,303	\$ -	\$ 440,167	\$ 47,864
Indirect Expenses	\$ 362,917	\$ 362,917	\$ -	\$ 356,853	\$ (6,064)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 755,220	\$ 755,220	\$ -	\$ 797,020	\$ 41,800
Change in Net Assets	\$ 23,322	\$ 23,322	\$ -	\$ 12,469	\$ (10,853)
Fixed Assets, excluding Right of Use Assets	\$ 4,390	\$ 4,390	\$ -	\$ 2,113	\$ (2,278)
TOTAL BUDGET	\$ 759,610	\$ 759,610	\$ -	\$ 799,133	\$ 39,523
TOTAL CHANGE IN WORKING CAPITAL	\$ 18,932	\$ 18,932	\$ -	\$ 10,357	\$ (8,576)
FTEs	2.25	2.25	-	2.25	-

Administrative Services

Administrative Services						
	Direct Expenses & Fixed Asets			FTEs		
	2023 Budget	2024 Budget	Inc (Dec)	2023 Budget	2024 Budget	Inc (Dec)
General and Administrative	5,042,438	4,840,541	(201,897)	4.00	4.00	-
Legal and Regulatory	681,516	739,470	57,954	2.75	2.75	-
Information Technology	1,903,482	2,145,787	242,304	6.00	7.00	1.00
Human Resources	119,545	112,570	(6,975)	-	-	-
Finance and Accounting	619,463	607,160	(12,303)	3.00	3.00	-
Total Administrative Services	8,366,445	8,445,528	79,083	15.75	16.75	1.00

Program Scope and Functional Description

The Administrative Services Program is comprised of the following programs: General and Administrative (G&A), Legal and Regulatory, IT, Human Resources (HR), and Finance and Accounting. The resource requirements and comparative budget information for each of these functions is described below.

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.

Fixed asset additions that benefit the entire corporation that are not specific to any one activity/function will be allocated based on FTEs to all of the direct activities.

General and Administrative

This Program includes the President and CEO, the Vice President and Chief Operating Officer (VP), the personnel costs for the HR Department, and the compensation and expenses of the Texas RE Board. The President and CEO carries out the general affairs of Texas RE including administrative and corporate facilities support. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The VP performs a leadership role in coordinating and facilitating the activities of all Texas RE programs. The VP reports to the CEO and acts on behalf of the CEO in his absence.

Personnel expenses for HR are included in G&A. The benefits expenses in G&A include tuition reimbursement, training and classes, and relocation costs.

The G&A program will continue to strengthen Texas RE’s enterprise risk management model by enhancing internal controls to identify, assess, and mitigate corporate risks and prioritize resources. Texas RE will continue to evaluate the need for additional resources to ensure sustainability in the maturation of Texas RE’s internal governance models and controls.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program is consistent with 2023. Administrative Services costs are allocated among Programs based on Program FTE count during the year.

Consultants and Contracts

Consulting support and contracts costs are increasing 5.2% in 2024 to include possible executive coaching.

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 and transactions; (4) governmental, regulatory relations, and communications; (5) the work of any outside legal counsel; (6) the prosecution of any contested enforcement matters; and (7) responsible for coordinating the assessment of all risks that may impact the company – financial, operational, IT-related, and regulatory – and for administering the process for developing appropriate actions to minimize those risks.

2024 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels, but may increase due to external litigation activities.

2024 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.
- Effectively communicate information 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 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 general public, and media.
- Support the internal and external audits of the corporation and overseeing all regulatory filings and interactions.

- Manage relationships with Texas RE’s outside counsel.
- Provide legal support and perform the Corporate Secretary function (the General Counsel serves as the corporation’s Corporate Secretary), such as preparing Board materials and minutes, facilitating and conducting Board training, and ensuring that Director elections, Board of Directors and Committee meetings, and Meetings of Members adhere to the Texas RE Bylaws and other relevant governing documents.
- Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.
- Implement enterprise risk management framework and corporate policy.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this program is consistent with 2023.

Consultants and Contracts

Consulting support and contracts are increasing in 2024 for price adjustments for the legal hotline.

Legal Fees are decreasing 20.0% in 2024.

Information Technology

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

Texas RE supports the ERO efforts to implement, operate, and maintain software tools supporting common enterprise-wide operations that have been approved by the ERO Executive Committee (ERO-EC), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE’s budget assumes the availability of enterprise software tools as described in NERC’s Business Plan and Budget. If implementation of these software applications is delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending the availability of these applications. 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 2024 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.

2024 Key Assumptions

- Texas RE will continue to purchase and maintain a hardware and software lifecycle 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.

2024 Goals and Key Deliverables

- 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.
 - 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 to serve as backups and mentors to each other.
 - Continue to outsource IT and security services that are not within the core competencies, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
- 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 Security Principles for the ERO Enterprise adopted by the Electric Reliability Organization Executive Committee (EROEC).
- Participate in the design, planning and implementation of ERO Centralized Applications.
- Continue the Security Awareness Program that addresses, through education and training, social media vulnerabilities that pose threats to Texas RE systems.
- Train and support Texas RE staff on software and applications.
- Continue to develop and test failover and disaster recovery methods for all Texas RE systems.

Resource Requirements

Personnel Expenses

Texas RE is increasing staffing levels in the IT department by one FTE in 2024 to strengthen Texas RE's overall security posture, address expected impacts of the evolving cybersecurity threat landscape, and continue the multi-year maturation process of Texas RE's IT governance and program structure.

Consulting support and contracts is decreasing slightly in 2024.

Human Resources

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

Texas RE is a knowledge-based organization and ensuring that highly skilled, professional employees view Texas RE as an employer of choice is a critical HR function. To support this goal, Texas RE's HR program facilitates programs to develop shared connections, communication, and understanding among Texas RE employees. This is done with a goal of fostering a dynamic and engaging workplace that is attractive to top talent. As part of these efforts, the department supports the initiatives of Texas RE's staff-led Diversity, Equity, and Inclusion (DEI) committee to support DEI initiatives, including DEI training sessions, facilitated small group sessions, and department-level DEI programs. The HR department also supports continued team building and collaboration in Texas RE's new office space alongside Texas RE's staff-led Employee Action Committee.

Texas RE's HR department also ensures Texas RE remains a competitive employer by periodically conducting compensation studies that reflect both general market conditions and the specific supply and demand dynamics for top engineering, IT, and legal talent among others. Texas RE performed the most recent full compensation study in 2022 and anticipates the performing the next full compensation study in late 2024.

2024 Key Assumptions

- Employee engagement efforts will be prioritized with a view towards retaining talent and continuing to build a strong, collaborative, and engaged culture at Texas RE in the current hybrid work environment.
- Texas RE will use the results of its recent full compensation study and full classification review to inform the development of Texas RE's future budgets and ensure Texas RE can continue to successfully recruit and retain top talent.
- To ensure Texas RE maintains a skilled, qualified workforce, Texas RE will implement a 5.0% allowance for salary increases and promotions as outlined in the 2024 Business Plan & Budget.

2024 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 executive management team to ensure Texas RE remains a competitive employer in its industry.
- Review and enhance processes for onboarding new employees, including support for the development of a documented training curriculum and implementing a program of periodic check-ins during the first 90 days of employment.
- Engage in and support Texas RE DEI initiatives alongside the staff-led DEI Committee.
- Continue to utilize studies, market analyses, and other resources to support the optimization of current Texas RE staff positions, identify and address gaps between current and needed skills, and support Texas RE’s strategic and succession planning activities.

Resource Requirements

Personnel Expenses

Personnel expenses are reported under G&A.

Consultants and Contracts

Consulting services and contracts are decreasing 11.8% in 2024. The 2023 budget planned for three compensation studies and possible custom Salary Survey. The 2024 budget plans for only two studies.

Finance and Accounting

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

2024 Key Assumptions

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

2024 Goals and Key Deliverables

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

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this program is consistent with 2023..

Consultants and Contracts

No consulting support and contracts are budgeted for 2024, which is consistent with the 2023 budget.

Section A — 2021 Business Plan and Budget – Statutory Programs

Administrative Services

The following table shows funding sources and related expenses for the Administrative Services section of the 2024 Business Plan and Budget. Explanations of variances by expense category are included with the Department Section and with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
ADMINISTRATIVE SERVICES					
	2023 Budget	2023 Projection	Variance 2023 Projection v 2023 Budget Over(Under)	2024 Budget	Variance 2023 Budget v 2024 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 3,031,951	\$ 3,031,951	\$ -	\$ 3,280,405	\$ 248,454
Payroll Taxes	179,247	179,247	-	181,516	2,269
Benefits	457,116	457,116	-	532,867	75,751
Retirement Costs	438,287	438,287	-	460,132	21,845
Total Personnel Expenses	\$ 4,106,602	\$ 4,106,602	\$ -	\$ 4,454,920	\$ 348,318
Meeting and Travel Expenses					
Meetings & Conference Calls	\$ 37,400	\$ 37,400	\$ -	\$ 41,400	\$ 4,000
Travel	132,780	132,780	-	142,350	9,570
Total Meeting & Travel Expenses	\$ 170,180	\$ 170,180	\$ -	\$ 183,750	\$ 13,570
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 407,700	\$ 407,700	\$ -	\$ 393,500	\$ (14,200)
Office Rent	2,211,710	2,211,710	-	2,045,704	(166,006)
Office Costs	692,728	692,728	-	695,479	2,751
Professional Services	677,525	677,525	-	672,175	(5,350)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 3,989,663	\$ 3,989,663	\$ -	\$ 3,806,858	\$ (182,805)
Total Direct Expenses	\$ 8,266,445	\$ 8,266,445	\$ -	\$ 8,445,528	\$ 179,083
Indirect Expenses	\$ (8,266,445)	\$ (8,266,445)	\$ -	\$ (8,445,528)	\$ (179,083)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ (0)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ 0
Fixed Assets, excluding Right of Use Assets	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET					
TOTAL CHANGE IN WORKING CAPITAL					
FTEs	14.75	14.75	-	\$ 16.75	2.00

Section B – Supplemental Financial Information

2024 Business Plan and Budget



Section B — Supplemental Financial Information

Table B-1 – Reserve Balance

Working Capital Reserve Analysis 2023-2024				
STATUTORY				
	Total Reserve & Stabilization	Operating Reserve	Assessment Stabilization	Unreleased Penalties
Beginning Reserves, January 1, 2023	\$ 2,799,281	\$ 2,000,000	\$ 223,093	\$ 576,188
Plus: 2023 Funding (from LSEs or designees)	\$ 17,155,278	\$ 17,155,278	\$ -	\$ -
Plus: 2023 Other funding sources	2,000	2,000	-	-
Released from Assessment Stabilization & Contingency	(223,093)	-	(223,093)	-
Penalties Released in 2023	-	576,188	-	(576,188)
Penalty Sanctions Received July 1, 2022 - June 30, 2023	326,912	-	-	326,912
Less: 2023 Projected expenses & capital expenditures	(17,733,466)	(17,733,466)	-	-
Projected Reserves, December 31, 2023	\$ 2,326,912	\$ 2,000,000	\$ -	\$ 326,912
Desired Reserves, December 31, 2024				
Target Reserve December 31, 2024	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
Minus: Projected Reserves, December 31, 2023	(2,326,912)	(2,000,000)	-	(326,912)
Increase(decrease) in funding requirement to achieve Reserve	\$ (326,912)	\$ -	\$ -	\$ (326,912)
2024 Expenses and Capital Expenditures	\$ 19,157,925			
Less: Other Funding Sources	(50,000)			
Adjustment to achieve targeted working capital	-			
Reserves released from Assessment Stabilization	-			
Penalty Sanctions Released	(326,912)			
2024 NERC Assessment to Texas RE	\$ 18,781,013			

Explanation of Changes in Reserve Policy from Prior Years

The Board approved Working Capital and Operating Reserve Policy calls for Texas RE to retain a \$2,000,000 cash reserve, or an amount as adjusted by the Board, or as required by regulators.

Texas RE used \$670,000 of the Operating Reserve to reduce assessments for the 2022 Budget. At the end of 2022, Texas RE had enough excess cash to reimburse the Operating Reserve for the amount applied to the 2022 assessments.

The projected Operating Reserve for the 2024 budget period is \$2,000,000.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 11 of the 2024 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2023. The 2024 budget was based on this information.

Penalty Sanctions

Penalty monies received by June 30, 2023 are to be used to offset assessments in the 2024 Budget, as documented in the NERC Policy – *ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD*. Penalty monies received from July 1, 2023 through June 30, 2024 will be used to offset assessments in the 2025 Budget.

All penalties received by June 30, 2023 are detailed in Exhibit B-2.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; and Training and Education. Penalty sanctions are allocated based on the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received On or Prior to June 30, 2023	Date Received	Amount Received
	9/7/2022	\$ 39,000
	9/21/2022	150,000
	11/15/2022	105,000
	11/29/2022	32,912
Total Penalties Released		\$ 326,912

Table B-3 – Supplemental Funding

	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 2,000	\$ 2,000	\$ 50,000	\$ 48,000
Total	\$ 2,000	\$ 2,000	\$ 50,000	\$ 48,000
Total Outside Funding	\$ 2,000	\$ 2,000	\$ 50,000	\$ 48,000

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

- Texas RE anticipates its investments will earn interest of approximately \$50,000 in 2024, due primarily to higher anticipated interest rates. Texas RE’s banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Total Salaries	\$ 9,528,203	\$ 9,528,203	\$ 10,642,009	\$ 1,113,807	11.7%
Total Payroll Taxes	658,636	658,636	723,372	64,736	9.8%
Total Benefits	1,606,373	1,606,373	1,904,575	298,202	18.6%
Total Retirement	1,375,439	1,375,439	1,520,920	145,481	10.6%
Total Personnel Costs	\$ 13,168,651	\$ 13,168,651	\$ 14,790,877	\$ 1,622,226	12.3%
FTEs	67.0	67.0	70.0	3.00	4.5%
Cost per FTE					
Salaries	\$ 142,212	\$ 142,212	\$ 152,029	9,817	6.9%
Payroll Taxes	9,830	9,830	10,334	504	5.1%
Benefits	23,976	23,976	27,208	3,232	13.5%
Retirement	20,529	20,529	21,727	1,198	5.8%
Total Cost per FTE	\$ 196,547	\$ 196,547	\$ 211,298	\$ 14,751	7.5%
	67.0	67.0	70.0		

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

- Total costs for Texas RE personnel expenses are increasing by 12.3%. Salaries expense is increasing 11.7%, which includes three additional FTEs. Salaries expense also includes a 5% allowance for salary increases, promotions, and market adjustments.
- Payroll taxes are increasing 9.8%, which includes State Unemployment Insurance Tax.
- Total Benefits expense is increasing 18.6%. Health plan expense did not increase as projected in 2023; however, health plan expense is projected to increase 10% for 2024 over actual 2023 cost, which is lower than the 2023 budgeted cost. In addition to the projected cost increase this budget includes full benefits for three additional FTEs. Employee Benefits include education reimbursement, relocation expenses, and training and professional development.
- Retirement costs are increasing 10.6%. Forfeiture funds are used when available to fund the employer portion of retirement plan cost. The overall cost for the plan has increased due to increases in fund costs and higher participation among FTEs.
- All personnel related expenses are increasing based on the additional expense for three additional FTEs.

Table B-5 – Meeting & Travel Expense

Meeting and Travel Expenses	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Meetings	\$ 56,900	\$ 56,900	\$ 85,900	\$ 29,000	51.0%
Travel	376,735	376,735	381,150	8,890	1.2%
Conference Calls	-	-	-	-	
	\$ 433,635	\$ 433,635	\$ 467,050	\$ 37,890	7.7%

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

- Meetings expense is increasing 51.0%. The 2024 budget includes Workshop Expense for an offsite workshop and production cost for major outreach initiatives in the Training and Education Program. An annual meeting with the Texas RE Board of Directors and stakeholders is included in Meetings expense.
- The budget for Travel is increasing 1.2% in 2024 to accommodate for added FTEs.

Table B-6 – Consultants and Contracts

Consultants and Contracts	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
General and Administrative	96,000	96,000	101,000	5,000	5.2%
Legal and Regulatory	1,700	1,700	2,500	800	47.1%
Information Technology	225,000	225,000	215,000	(10,000)	-4.4%
Human Resources	85,000	85,000	75,000	(10,000)	-11.8%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 407,700	\$ 407,700	\$ 393,500	\$ (14,200)	-3.5%

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

- For an explanation of the variances, refer to the Administrative Services program sections in Section A.

Table B-7 – Office Rent

Rent	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Office Rent	\$ 951,710	\$ 951,710	\$ 811,704	\$ (140,006)	-14.7%
Utilities	1,200,000	1,200,000	\$ 1,174,000	(26,000)	-2.2%
Maintenance	60,000	60,000	\$ 60,000	-	0.0%
Total Office Rent & Utilites	\$ 2,211,710	\$ 2,211,710	\$ 2,045,704	\$ (166,006)	-7.5%

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

- Office Rent, which includes building maintenance and utilities, is being reduced. This reduction is to bring all areas in line with actual cost after having occupied the building for a full year. A new standard related to the accounting for leases had an impact on the straight-line rent amount, also contributing to the reduction.

Table B-8 – Office Costs

Office Costs	Budget	Projection	Budget	Variance	
	2023	2023	2024	2024 Budget v 2023 Budget	Variance %
Telephone/Cell Phone	\$ 44,640	\$ 44,640	\$ 51,840	\$ 7,200	16.1%
Internet Expense	125,000	125,000	\$ 125,004	4	0.0%
Office Supplies	43,950	43,950	\$ 65,350	21,400	48.7%
Computer Supplies & Maintenance	32,250	32,250	\$ 35,500	3,250	10.1%
IT Remote Support	1,350	1,350	\$ 1,350	-	0.0%
Software & Software Maintenance	235,250	235,250	\$ 235,000	(250)	-0.1%
Subscriptions & Publications	27,088	27,088	\$ 29,500	2,412	8.9%
Dues	8,920	8,920	\$ 8,175	(745)	-8.4%
Postage	250	250	\$ 300	50	20.0%
Express Shipping	300	300	\$ 350	50	16.7%
Stationary & Office Forms	1,950	1,950	\$ 950	(1,000)	-51.3%
Equipment Repair/Srv. Contracts	9,500	9,500	\$ 5,500	(4,000)	-42.1%
Bank Charges	1,800	1,800	\$ 1,800	-	0.0%
Property Taxes	12,000	12,000	\$ 8,000	(4,000)	-33.3%
Merchant Credit Card Fee	2,000	2,000	\$ 2,000	-	0.0%
IT-Leased Equipment	165,000	165,000	\$ 145,000	(20,000)	-12.1%
Office Furniture & Equipment Exp	17,500	17,500	\$ 17,500	-	0.0%
IT Maintenance	-	-	\$ -	-	-
Employment Related Fees	2,500	2,500	\$ 2,500	-	0.0%
Total Office Costs	\$ 731,248	\$ 731,248	\$ 735,619	\$ 4,371	0.6%

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

- All categories in the Office Costs have been adjusted in the 2024 budget to accurately reflect actual experience.
- The number of employees receiving reimbursement for cell phones has increased.
- Office supplies is increasing due to larger office, more employees being equipped to work remotely, as well as returning to the office to work in the hybrid mode.
- Equipment Repairs/Service Contracts and the Property Taxes are decreasing to reflect actual cost savings.
- IT-Leased Equipment is decreasing to reflect new contracts at lower prices.

Table B-9 – Professional Services

Professional Services	Budget 2023	Projection 2023	Budget 2024	Variance	
				2024 Budget v 2023 Budget	Variance %
Board of Director Fees	\$ 382,675	\$ 382,675	\$ 382,675	\$ -	0.0%
Accounting & Auditing Fees	62,100	62,100	65,000	2,900	4.7%
Legal Fees	50,000	50,000	40,000	(10,000)	-20.0%
Insurance - Commercial	112,000	112,000	112,000	-	0.0%
Professional Services-Other	73,750	73,750	75,500	1,750	2.4%
Total Professional Services	\$ 680,525	\$ 680,525	\$ 675,175	\$ (5,350)	-0.8%

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

- Accounting and Auditing Fees are increasing slightly due to annual price adjustment and the possibility of a different accounting firm.
- Legal Fees are decreasing because litigation from Winter Storm Uri isn't expected to impact Texas RE.
- Professional Services - Other has been adjusted for price increases.

Table B-10 – Miscellaneous Expense

Miscellaneous	Budget		Projection		Budget		Variance	
	2023		2023		2024		2024 Budget v 2023 Budget	Variance %
Miscellaneous Expense	\$	-	\$	-	\$	-	\$	-
Total Miscellaneous Expenses	\$	-	\$	-	\$	-	\$	-

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

- N/A

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget		Budget		Variance	
	2023	Projection 2023	2024	2024 Budget v 2023 Budget	Variance %	
Interest Expense	\$ -	\$ -	\$ -	\$ -	-	
Line of Credit Payment	-	-	-	-	-	
Office Relocation	-	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-	

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

- N/A

Table B-12 – Fixed Assets

Fixed Assets	Budget	Projection	Budget	Variance	
	2023	2023	2024	2024 Budget v 2023 Budget	Variance %
Computer & Software CapEx	\$ -	\$ -	\$ -	\$ -	
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	100,000	100,000	50,000	(50,000)	-50.00%
Leasehold Improvements	-	-	-	-	
Total Fixed Assets	\$ 100,000	\$ 100,000	\$ 50,000	\$ (50,000)	-50.0%

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

Equipment was replenished in 2023. Additions or equipment replacement will not be as extensive in 2024.

Table B-13 – 2025 and 2026 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2024 Budget & Projected 2025 and 2026 Budgets							
	2024 Budget	2025 Projection	\$ Change 25 v 24	% Change 25 v 24	2026 Projection	\$ Change 26 v 25	% Change 26 v 25
Funding							
ERO Funding							
NERC Assessments	\$ 18,781,013	\$ 20,193,644	\$ 1,412,631	7.5%	\$ 21,513,217	\$ 1,319,574	6.5%
Penalties Released	326,912	-	(326,912)	-100.00%	-	-	0.0%
Total NERC Funding	\$ 19,107,925	\$ 20,193,644	\$ 1,085,719	5.7%	\$ 21,513,217	\$ 1,319,574	6.5%
Interest	\$ 50,000	\$ 53,000	\$ 3,000	6.00%	\$ 56,180	\$ 3,180	6.0%
Total Funding	\$ 19,157,925	\$ 20,246,644	\$ 1,088,719	5.7%	\$ 21,569,397	\$ 1,322,754	6.5%
Expenses							
Personnel Expenses							
Salaries	\$ 10,642,009	\$ 11,327,690	\$ 685,680	6.4%	\$ 12,170,797	\$ 843,108	7.4%
Payroll Taxes	723,372	769,980	46,608	6.4%	827,289	57,309	7.4%
Benefits	1,904,575	2,051,158	146,583	7.7%	2,238,805	187,646	9.1%
Retirement Costs	1,520,920	1,619,457	98,537	6.5%	1,740,785	121,328	7.5%
Total Personnel Expenses	\$ 14,790,877	\$ 15,768,285	\$ 977,408	6.6%	\$ 16,977,676	\$ 1,209,391	7.7%
Meeting & Travel Expenses							
Meetings & Conference Calls	\$ 85,900	\$ 89,336	\$ 3,436	4.0%	\$ 91,123	1,787	2.0%
Travel	381,150	396,395	15,246	4.0%	412,251	15,856	4.0%
Total Meeting & Travel Expenses	\$ 467,050	\$ 485,731	\$ 18,682	4.0%	\$ 503,374	\$ 17,643	3.6%
Operating Expenses, excluding Depreciation							
Consultants & Contracts	\$ 393,500	\$ 409,240	\$ 15,740	4.0%	\$ 425,610	\$ 16,370	4.0%
Office Rent & Maintenance	2,045,704	2,066,161	20,457	1.0%	2,086,823	20,662	1.0%
Office Costs	735,619	765,044	29,425	4.0%	795,646	30,602	4.0%
Professional Services	675,175	702,182	27,007	4.0%	730,269	28,087	4.0%
Total Operating Expenses	\$ 3,849,998	\$ 3,942,627	\$ 92,629	2.4%	\$ 4,038,347	\$ 95,720	2.4%
Total Direct Expenses	\$ 19,107,925	\$ 20,196,644	\$ 1,088,719	5.7%	\$ 21,519,397	\$ 1,322,754	6.5%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Total Expenses	\$ 19,107,925	\$ 20,196,644	\$ 1,088,719	5.7%	\$ 21,519,397	\$ 1,322,754	6.5%
Change in Net Assets	\$ 50,000	\$ 50,000	\$ -	0.0%	\$ 50,000	\$ -	0.0%
Fixed Assets, excluding Right of Use Assets	\$ 50,000	\$ 50,000	\$ -	0.0%	\$ 50,000	\$ -	0.0%
TOTAL BUDGET	\$ 19,157,925	\$ 20,246,644	\$ 1,088,719	5.7%	\$ 21,569,397	\$ 1,322,754	6.5%
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
FTEs	70	72	2		75	3	

2025 and 2026 Projection Analysis

2025 reflects two additional FTEs and 2026 adds three FTEs with 4.0% per year allowance for salary increases. Office Rent, which includes utilities and building maintenance, is projected to increase 1.0% each year. Meetings and Conference calls are decreasing 2.0% in 2026. All other categories are projected to increase approximately 4% with overall increases projected to be 5.7% and 6.5%, respectively.

Section C – Non-Statutory Activities 2024 Business Plan and Budget

Texas RE has no Non-Statutory activities



Section D – Supplemental Information

2024 Business Plan and Budget

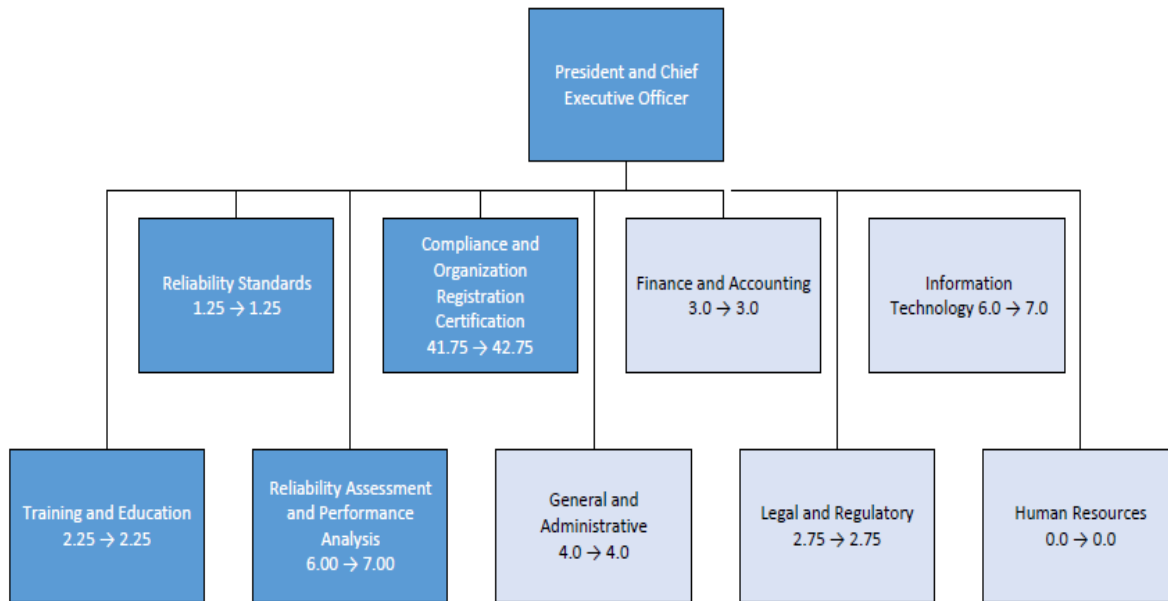


Section D – Supplemental Information

2024 Statement of Activities by Program.

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	\$18,781,013	\$ 440,869	\$ 15,077,714	\$ 2,468,866	\$ 793,564	\$ -	\$ -		\$ -	
Penalties Released	326,912	7,674	262,450	42,974	13,813					
Total NERC Funding	\$19,107,925	\$ 448,543	\$ 15,340,165	\$ 2,511,840	\$ 807,377	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	50,000	1,174	40,141	6,573	2,113	-				
Total Funding	\$19,157,925	\$ 449,717	\$ 15,380,306	\$ 2,518,413	\$ 809,490	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses										
Personnel Expenses										
Salaries	\$10,642,009	\$ 154,150	\$ 5,783,866	\$ 1,145,345	\$ 278,244	\$ 1,543,209	\$ 487,196	\$ 852,730	\$ -	\$ 397,271
Payroll Taxes	723,372	\$ 11,878	\$ 428,670	\$ 81,886	\$ 19,422	\$ 60,295	\$ 29,339	\$ 63,963	\$ -	\$ 27,920
Benefits	1,904,575	\$ 35,737	\$ 1,107,774	\$ 182,978	\$ 45,219	\$ 170,112	\$ 83,951	\$ 233,297	\$ -	\$ 45,507
Retirement Costs	1,520,920	\$ 22,266	\$ 833,634	\$ 165,261	\$ 39,627	\$ 210,781	\$ 69,915	\$ 122,703	\$ -	\$ 56,733
Total Personnel Expenses	\$14,790,877	\$ 224,031	\$ 8,153,944	\$ 1,575,470	\$ 382,512	\$ 1,984,397	\$ 670,400	\$ 1,272,693	\$ -	\$ 527,430
Meeting Expenses										
Meetings & Conference Calls	\$ 85,900	\$ -	\$ -	\$ -	\$ 44,500	\$ 10,000	\$ -	\$ 11,400	\$ 20,000	\$ -
Travel	381,150	\$ 4,275	\$ 140,400	\$ 89,550	\$ 4,575	\$ 96,395	\$ 19,600	\$ 9,950	\$ 5,505	\$ 10,900
Total Meeting Expenses	\$ 467,050	\$ 4,275	\$ 140,400	\$ 89,550	\$ 49,075	\$ 106,395	\$ 19,600	\$ 21,350	\$ 25,505	\$ 10,900
Operating Expenses, excluding Depreciation										
Consultants & Contracts	\$ 393,500	\$ -	\$ -	\$ -	\$ -	\$ 101,000	\$ 2,500	\$ 215,000	\$ 75,000	\$ -
Office Rent		\$ -	\$ -	\$ -	\$ -	\$ 2,045,704	\$ -	\$ -	\$ -	\$ -
Office Costs	735,619	\$ 1,440	\$ 22,040	\$ 11,080	\$ 5,580	\$ 108,370	\$ 6,970	\$ 566,744	\$ 9,565	\$ 3,830
Professional Services	675,175	\$ -	\$ -	\$ -	\$ 3,000	\$ 494,675	\$ 40,000	\$ 70,000	\$ 2,500	\$ 65,000
Miscellaneous	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 1,804,294	\$ 1,440	\$ 22,040	\$ 11,080	\$ 8,580	\$ 2,749,749	\$ 49,470	\$ 851,744	\$ 87,065	\$ 68,830
Total Direct Expenses	\$17,062,219	\$ 229,746	\$ 8,316,383	\$ 1,676,100	\$ 440,167	\$ 4,840,541	\$ 739,470	\$ 2,145,787	\$ 112,570	\$ 607,160
Indirect Expenses	\$ 0	\$ 198,252	\$ 6,780,213	\$ 1,110,210	\$ 356,853	\$ (4,840,541)	\$ (739,470)	\$ (2,145,787)	\$ (112,570)	\$ (607,160)
Other Non-Operating	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$17,062,219	\$ 427,998	\$ 15,096,596	\$ 2,786,311	\$ 797,020	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets	\$ 2,095,706	\$ 21,719	\$ 283,710	\$ (267,898)	\$ 12,470	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets, excluding Right of Use Assets	\$ 50,000	\$ 1,174	\$ 40,141	\$ 6,573	\$ 2,113	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET	\$19,157,925	\$ 429,172	\$ 15,136,737	\$ 2,792,883	\$ 799,133	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL	\$ (0.00)	\$ 20,545	\$ 243,569	\$ (274,471)	\$ 10,357	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	70.00	1.25	42.75	7.00	2.25	4.00	2.75	7.00	-	3.00

2024 Texas RE Organization Chart



- Statutory Program Area
- Administrative Services Program Area

Arrow indicates number of FTEs from 2023 to 2024.