

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

The Texas Regional Entity Division of Electric Reliability Council of Texas, Inc. ("Texas RE") shall include in its annual budget submission to the North American Electric Reliability Corporation ("NERC") amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules ("Statutory Functions"). These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Audit and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2. Allocation of Costs

Texas RE shall allocate its dues, fees, and other charges for its activities pursuant to the delegation agreement among all load-serving entities on the basis of net-energy-for load, unless a different method or methods of allocating and calculating such dues, fees, or charges is expressly provided in the annual business plan and budget Texas RE and NERC submit to the Commission pursuant to 18 C.F.R. §39.4. Texas RE shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities within its geographic boundaries and their proportionate net-energy-for load or such other data or information as is necessary to allocate and calculate Texas RE's dues, fees, or charges under any other method of allocation or calculation that is to be used.

3. Collection of Funding

NERC shall submit invoices on a quarterly basis to Electric Reliability Council of Texas, Inc. ("ERCOT") covering the NERC and Texas RE budgets approved for collection for the ERCOT region.

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund Texas RE's costs for Statutory Functions, as identified in the approved budget attached hereto, on a quarterly basis in four equal payments, within ten (10) business days after receiving the remittance from ERCOT.

4. Application of Penalties

Texas RE shall offset penalty monies it receives from unaffiliated Registered Entities against its next-year's annual budget for carrying out Statutory Functions. All penalty monies received by Texas RE from its affiliated operational entity, ERCOT, shall be sent to NERC and applied as a general offset to the entity's budget requirements for Statutory Functions

under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity.

5. Description of Non-Statutory Activities

The Texas RE shall also conduct non-Federal Power Act, §215 activities ("Non-Statutory Activities"). Texas RE's Non-Statutory Activities include:

- Investigation of market participants' compliance with the ERCOT Protocols and assistance or cooperation in enforcement of violations ("ERCOT Compliance Activities"), so long as the ERCOT Compliance Activities do not conflict with the Delegated Authority;
- Development of policies, processes, standards, and procedures to implement the ERCOT Compliance Activities; and
- Other activities not in implementation or exercise of Delegated Authority.

ERCOT, of which Texas RE is an independent division, operates as an independent system operator under the jurisdiction of the Public Utility Commission of Texas.

6. Time and Expense Tracking to Ensure Separate Funding of Non-Statutory Activities

Texas RE shall implement a time recording and expense management system under which employee time and expenses incurred in the conduct of Non-Statutory Activities will be tracked to ensure that they are not funded by NERC remittances intended for the funding of Statutory Functions.