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REPORTS OF THE ELECTRIC	§	PUBLIC UTILITY COMMISSION
RELIABILITY COUNCIL OF TEXAS	§	OF TEXAS

ERCOT'S 2024 ANNUAL REPORT

Electric Reliability Council of Texas, Inc. (ERCOT) hereby submits this 2024 Annual Report¹ as follows:

A strategic plan, including a statement of the mission and vision of the organization, a summary of the industry environment in which it operates, a description of the major challenges it faces, and key strategies it intends to employ to perform its functions and meet its challenges. (See **Attachment A**.)

A long-term organizational plan including:

- i. An overview of the major systems, including both hardware and software, operated by ERCOT, including descriptions of the functionality provided, estimates of remaining useful life, estimates of ongoing maintenance and upgrade costs, and evaluations of the performance of each system; (See **Attachment B1**).
- ii. A description of major capital projects completed in the prior budget year and those expected to be completed in the following budget year, including an explanation of why each project is needed to assist ERCOT in meeting its responsibilities or the benefits it would provide to market participants or consumers; (See **Attachment B2**).
- iii. A schedule summarizing ERCOT's sources and uses of funds for a six-year period beginning with the last historic calendar year and projections for the next five calendar years; (See **Attachment B3**).
- iv. Long-term goals for all ERCOT activities (See **Attachment B4**, see also Attachment A); and
- v. An evaluation of ERCOT's performance in meeting its responsibilities and system expectations during the current budget year. (See **Attachment B5**).

¹ ERCOT acknowledges that in 2014 rule amendments for 16 TAC §25.362, the ERCOT annual report requirements in 25.362(i)(1) (A), (B) and (C) were deleted, but ERCOT has continued to file its annual report.

Financial information including:

- i. A copy of an independent audit of ERCOT's financial statements for the report year. (See **Attachment C1**)
- ii. A schedule comparing actual revenues and costs to budgeted revenues and costs for the report year, a schedule showing the variance between actual and budgeted revenues and costs, and a schedule showing the assets and liabilities (including level and types of debt); (See **Attachment C2**).
- iii. The annual board-approved budget; (See **Attachment C3**) and
- iv. A description of any derivative transactions entered into by ERCOT. **Response:**
There have been no derivative contracts entered into by ERCOT.

Dated: April 30, 2025

Respectfully submitted,

/s/ Katherine Gross

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ATTORNEYS FOR ELECTRIC
RELIABILITY COUNCIL OF TEXAS, INC.

Attachment A

ERCOT 2024-2028 Strategic Plan



STRATEGIC PLAN

2024-2028

ercot 

CEO STATEMENT



Pablo Vegas
President and CEO of ERCOT

As the grid operator serving the majority of Texans, ERCOT is at the forefront of the energy transition. As we manage and operate through today's grid challenges, we will continue to lead the way by delivering a reliable, resilient, and affordable grid to Texans.

The power industry is evolving, and so must we. Our long-term Strategic Plan defines our roadmap for the next five years, illuminating a path that will solidify our position of being the premier grid and market operator in the country and make ERCOT the global standard in energy innovation.

As the leading fully deregulated energy market in the United States, ERCOT has responded to a significantly changing energy landscape by adapting and evolving our grid operations to meet the continued rising demand of the world's 9th largest economy.

ERCOT has a history of leading the way. From the deployment of the country's largest wind generation supply to the fastest adoption of solar generation and battery storage, ERCOT is positioned to continue leading the way for energy resource innovation.

Our next steps are critical. With energy markets changing rapidly, appropriate planning and new management techniques are required to maintain reliable and flexible grid operations. Innovative technologies and tools are needed as we develop new metrics and methods to address resource adequacy challenges now and in the future. We remain committed to our efforts to improve operations as we meet emerging challenges.

Texas is accustomed to being a leader. With momentum on our side, and by working together, we will continue to lead the energy transition by delivering a reliable, resilient, and affordable grid to all Texans.

Pablo Vegas
President and Chief Executive Officer
Electric Reliability Council of Texas



Paul Foster
Chair

As our industry faces dynamic changes, ERCOT must continue to be an industry leader in innovation and reliability. As the Chairman of the ERCOT Board of Directors, I can assure Texas that the Board and ERCOT are evolving and making adjustments that will enable the grid to meet the demands of a growing population and economy. Working together, our task is to provide a grid that is both reliable and resilient – now and in the future.

The 2024-2028 Strategic Plan lays out the strategy to make ERCOT the grid of the future and to continue to be a leader in our industry. Our new direction will allow us to better focus on the daily demands of the grid, while putting an emphasis on implementing necessary long-term strategies.

We have a tremendous responsibility to provide Texans with a reliable and resilient grid now, and in the future, and we are committed to this responsibility.

Paul Foster
Chairman of the ERCOT Board of Directors

2023

1,873+

active market participants that generate, move, buy, sell, or use wholesale electricity

1,250+

generating units, including PUNs

54,100+

miles of high-voltage transmission

\$3.3 billion

transmission projects endorsed in 2022

2019

1,800+

active market participants that generate, move, buy, sell, or use wholesale electricity

650+

generating units, including PUNs

46,500+

miles of high-voltage transmission

\$1.3 billion

transmission projects endorsed in 2019

ABOUT ERCOT

Founded in 1970, ERCOT is an independent, not-for-profit organization responsible for overseeing the reliable and safe transmission of electricity over the power grid serving most of Texas.

As the Independent System Operator (ISO) since 1996, ERCOT has been the broker between competitive wholesale power buyers and sellers. In 1999, the Texas Legislature restructured the Texas electric market by unbundling the investor-owned utilities and creating retail customer choice in those areas. ERCOT was assigned four primary responsibilities:

- » System reliability – planning and operations
- » Wholesale market settlement for electricity production and delivery
- » Retail registration process for customer choice
- » Open access to transmission

ERCOT provided the platform upon which Texas' electric utility industry made the transition to retail competition on January 1, 2002. Today, ERCOT manages the flow of electric power to more than 26 million Texas customers – representing about 90 percent of the state's electric load. As the ISO for the region, ERCOT schedules power on an electric grid that connects more than 54,100 miles of transmission lines and 1,250+ generation units. It also performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for more than 8 million premises in competitive choice areas.

ERCOT is a membership-based 501(c)(4) nonprofit corporation, governed by a 12-member Board of Directors and subject to oversight by the Public Utility Commission of Texas (PUC) and the Texas Legislature. Its members include consumers, cooperatives, generators, power marketers, retail electric providers, investor-owned electric utilities, transmission and distribution providers, and municipally-owned electric utilities.



How ERCOT is funded

The PUC has authorized ERCOT to charge the ERCOT System Administration Fee to fund its budget. As ERCOT is not included in the State of Texas General Appropriations Act and is not a part of the state's budget, this fee is ERCOT's primary source of revenue. ERCOT converts the fee into a charge to each Qualified Scheduling Entity using the formula set forth in the ERCOT Protocols, which is based on actual volume consumption of electricity. A typical residential consumer will pay less than a \$1 per month through this fee. ERCOT submits a biennial budget to its Board and, ultimately, the PUC for final approval.

Vision



Lead with independent insight on the future of electricity reliability, markets, and technology in Texas in order to facilitate grid and market change for the benefit of all stakeholders.

Mission



We serve the public by ensuring a reliable grid, efficient electricity markets, open access, and retail choice.



**Scan here
to learn more
about ERCOT**



ERCOT CORE VALUES

**Be accountable.**

Take personal responsibility for doing the right things the right way.

**Be a leader.**

Develop a vision and ensure its successful completion.

**Be innovative.**

Engineer, operate, and implement creative solutions.

**Be trustworthy.**

Build confidence and consistency through reliability, truth, and ability.

**Be the best expert you can be.**

Develop and demonstrate respected skills and knowledge.

Innovation



Leadership



Trust



Accountability



Expertise



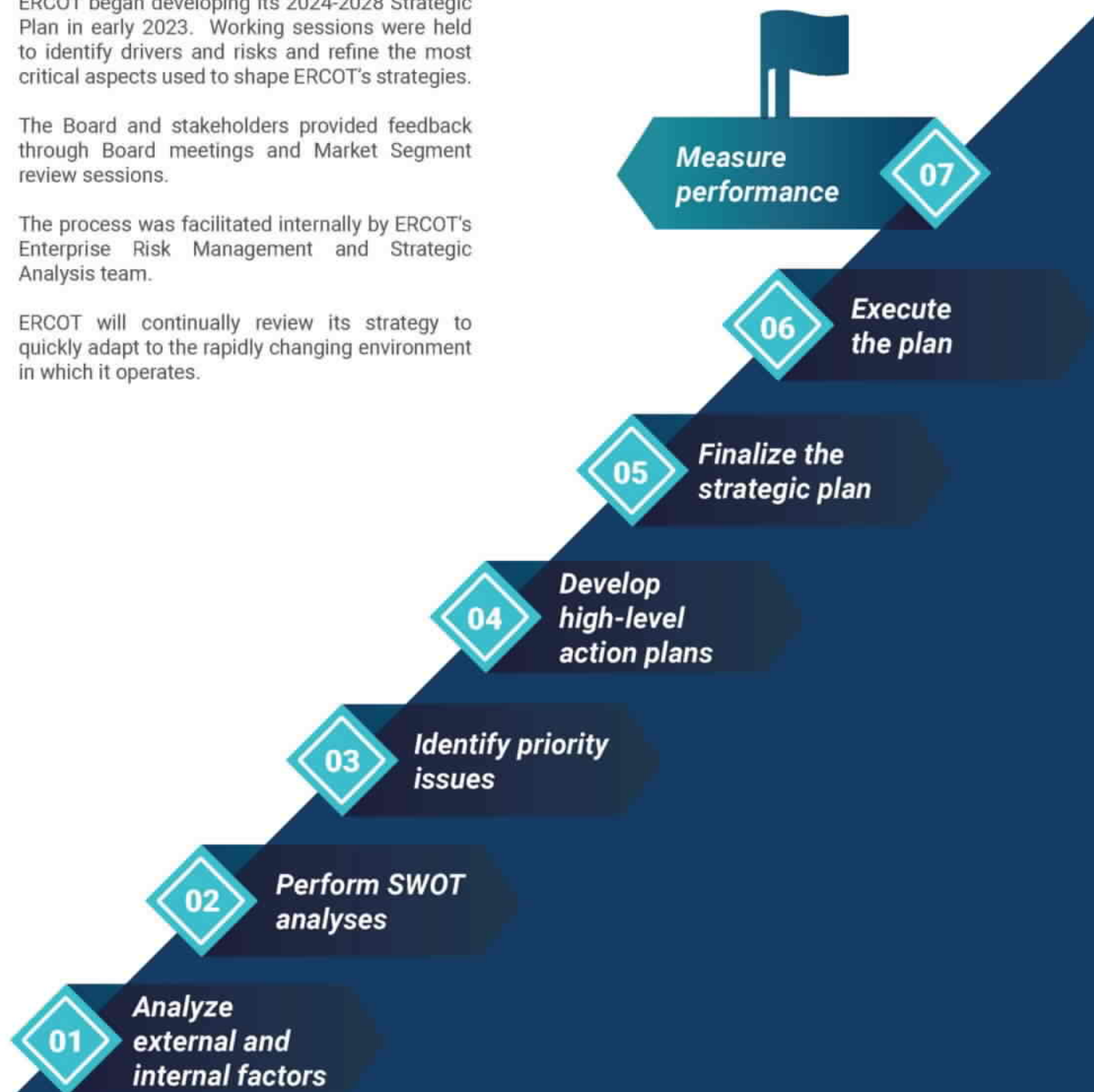
STRATEGIC PLANNING

ERCOT began developing its 2024-2028 Strategic Plan in early 2023. Working sessions were held to identify drivers and risks and refine the most critical aspects used to shape ERCOT's strategies.

The Board and stakeholders provided feedback through Board meetings and Market Segment review sessions.

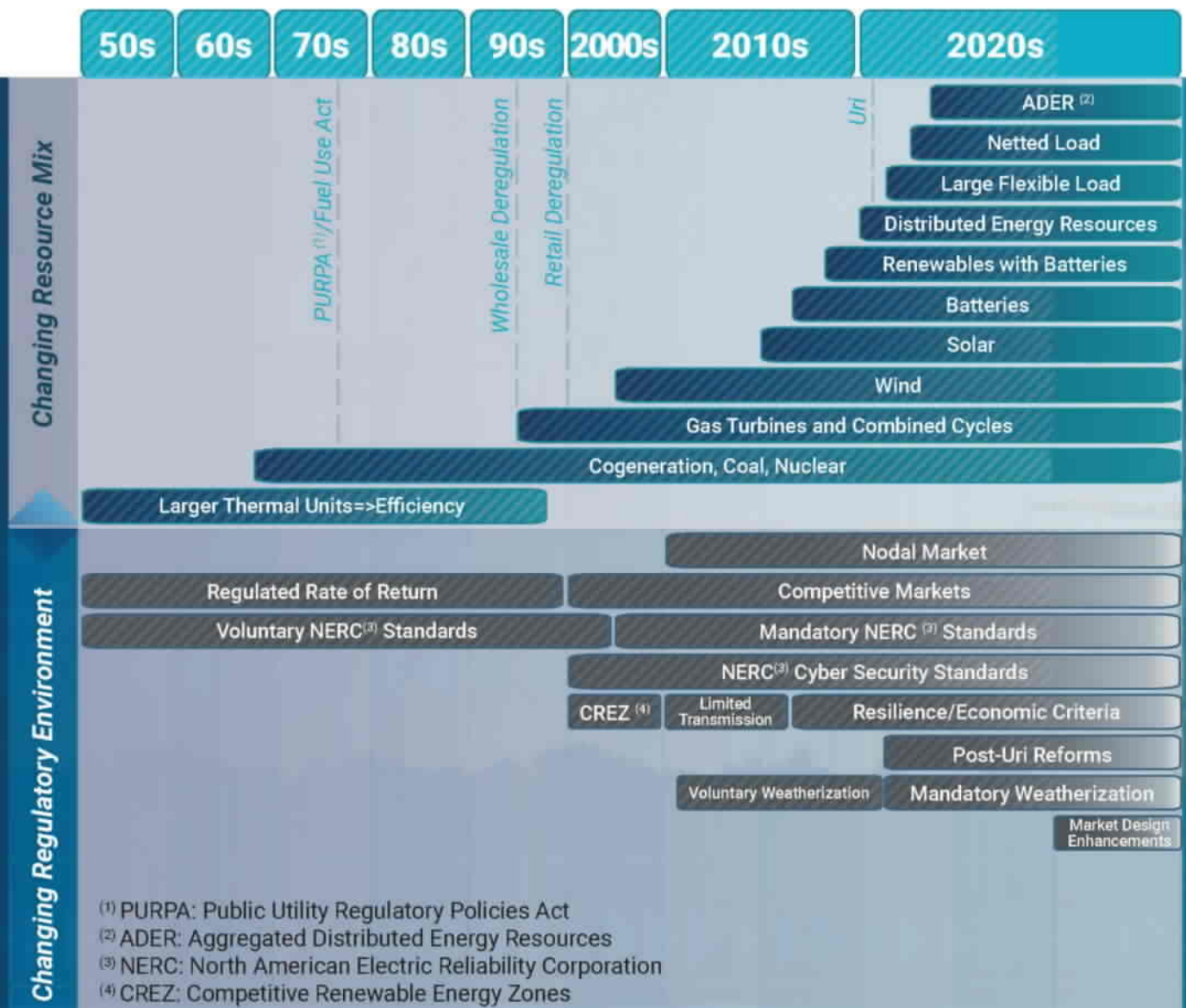
The process was facilitated internally by ERCOT's Enterprise Risk Management and Strategic Analysis team.

ERCOT will continually review its strategy to quickly adapt to the rapidly changing environment in which it operates.



DRIVERS OF CHANGE

The ERCOT region has witnessed significant changes in its resource mix and regulatory environment. One notable trend has been the evolution of the types and numbers of participants that ERCOT interacts with. Over the last decade, wind and solar generation has increased as well as the development of energy storage. The participants have grown and evolved as well and now include large flexible loads and distributed energy resources. In terms of regulations, ERCOT has undergone reforms aimed at improving grid reliability and resilience, particularly in response to extreme weather events. These changes have focused on enhancing communication, strengthening weatherization standards, and implementing measures to ensure system stability. Overall, the ERCOT region has experienced a dynamic transformation, embracing new energy sources while striving to enhance the reliability of its power infrastructure.



KEY STRATEGIC DRIVERS

Grid modernization and complexity

The electric grid is experiencing change at a rate much higher than seen in the past. This is evaluated in terms of the changing resource mix, the types of demand that are connecting to the grid, and the level of regulatory compliance. Many recent regulations at the state and federal levels have come in response to system events and have required expeditious implementation.

Historically, supply and demand grew at predictable rates, which led to a steady pace of change in the electric industry. Driven by public policies, economics, and technological innovations, the pace of change has accelerated such that modeling, rules and regulations, and analytical tools and methods have struggled to keep up.

The ERCOT system is evolving towards having the nation's highest penetration of wind and solar resources with a relatively static level of thermal dispatchable generation. This change will result in increased stability limitations, increased modeling complexity, decreased system inertia, and increased volatility. New and alternative technologies, such as grid-forming inverters and synchronous condensers, are needed to keep the grid stable in the future. Additionally, there are uncertainties with respect to distribution-connected resources, battery energy storage systems, and large flexible loads, both from a stability modeling and market-based behavior perspective.

These challenges require ERCOT to proactively model these changes and anticipate reliability issues and market design implications associated with the changing resource mix. As the grid evolves, ERCOT and the broader industry will need to increase their capabilities to meet the rapidly changing needs of the system and customers.

Changing distribution system and operational impacts

Generation on the distribution system has been increasing exponentially. There are visibility challenges to ERCOT regarding load and supply resources on the distribution system. Changes on the distribution system influence the transmission system, which creates technical challenges for mapping and modeling. The future of how distribution system operations and transmission control centers will work together is unclear. However, the potential to leverage distribution resources for grid reliability, efficiency, and resiliency makes further research critical to determine how to best optimize those networks.

Market design and behavior changes

The PUC and the Texas Legislature establish policy and rules for the ERCOT market. ERCOT must be prepared to participate, evaluate, and implement market design changes, ensuring that market outcomes reflect design intentions.

Reputation, public perception, and trust of ERCOT, Inc.

ERCOT has experienced increased awareness and criticism in the wake of Winter Storm Uri. ERCOT is committed to upholding its mission, instilling the trust of Texans, and continuing to attract and retain the best talent to execute on its strategies.

KEY STRATEGIC DRIVERS

Technological advancement

While the grid is rapidly changing, there is a corresponding advancement in digitalization and the convergence of operational technology (OT) and information technology (IT). ERCOT will have to adapt and innovate on the tools, technologies, and processes to support the grid transformation. There are more sensors and devices that are on the edge of the grid that provide vast amounts of data, such as thermostats, appliances, home battery systems, electric vehicle chargers, etc., that could be used by grid operators. Handling the exponential growth of data requires investments not only in cloud-based technologies but also in data analytics, leveraging the advancements in computation and artificial intelligence and machine learning (AI/ML). The use of AI/ML has led to significant advances in several industries, and it is not hard to anticipate using AI as a co-pilot for grid operators. The next iteration of data centers will be a hybrid between cloud and on-premise, ensuring scalability and security. To ensure delivery of quality software products, ERCOT will need to leverage advancements in software development, continuous deployment, and test automation.

Cyber and physical security vulnerabilities

Cyberattacks continue to be a significant threat to all organizations, including those in our industry. As the sophistication and volume of cyberattacks continues to rise, the ongoing focus on cybersecurity is critical. Likewise, the uptick in physical security attacks to grid equipment demands closer monitoring and engagement with public safety authorities. ERCOT continuously evaluates and implements improvements to keep our systems, facilities, and resources protected against these threats.

Changing workforce dynamics and increasing competition for talent

The workforce and workplace have changed rapidly in recent years as a result of the pandemic and shrinking labor pool. Expectations have changed regarding how and where people work. ERCOT has adapted to these changes. ERCOT will keep an informed perspective regarding how the future of work continues to shift and change over time. In addition, companies and people continue to move to Texas at an unprecedented rate. The increased competition for talent has changed the way ERCOT will recruit, retain, and develop talent in the coming years.

STRATEGIC OBJECTIVES

Our strategic objectives are clear. First, to position ourselves as an industry leader for grid reliability and resilience, safeguarding the consistent delivery of power to our stakeholders. Second, we aim to enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices, thereby benefitting both consumers and businesses. Finally, we are committed to advancing ERCOT, Inc. as an independent leading industry expert and an employer of choice, cultivating a culture of innovation, investing in our talented workforce, and instilling a strong sense of purpose in fulfilling our critical mission.

1

Be an industry leader for grid reliability and resilience

2

Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers

3

Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission

PRIORITY ISSUES



Be an industry leader for grid reliability and resilience

- 1.1** Anticipate and rapidly respond to changes in market, operational, and planning needs
- 1.2** Facilitate the reliable market operation of new and existing generation and load resources at both the transmission and distribution level
- 1.3** Develop and implement a long-term transmission strategy meeting Texas' policy objectives
- 1.4** Lead the development of cost-effective changes to regulations or standards impacting the ERCOT grid
- 1.5** Advance ERCOT, Inc.'s resiliency, security, business continuity, and disaster management capabilities



Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers

- 2.1** Advocate and support efficient markets while delivering on reliability and resiliency expectations
- 2.2** Evolve toward more organizational agility and improved quality assurance so ERCOT, Inc. can implement changes efficiently and effectively to manage a rapidly changing energy environment
- 2.3** Promote innovation, continuous improvement, and transparent data-driven decision making



Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission

- 3.1** Cultivate a highly skilled workforce creating a rewarding work environment and driving success for the organization
- 3.2** Implement a workforce and learning strategy creating greater capacity for developing internal expertise and thought leadership
- 3.3** Strengthen ERCOT, Inc.'s culture by improving internal communications and enhancing employee experience
- 3.4** Continue building credibility and trust with all stakeholders through proactive and transparent communications of policy objectives, grid and market conditions, and organizational achievements
- 3.5** Expand ERCOT, Inc.'s position as a leading industry expert by increasing external collaboration and leveraging knowledge transfer

STRATEGIC OBJECTIVE 1

Be an industry leader for grid reliability and resilience

1.1 Anticipate and rapidly respond to changes in market, operational, and planning needs

The ERCOT system and power market are continuously changing as new technologies are adopted, economic growth drives new demand, extreme conditions become more normal, and the behaviors and expectations of market participants and end-use consumers evolve. As the independent organization whose charges include ensuring reliability and adequacy of the regional grid and non-discriminatory access to the market for all buyers and sellers, ERCOT, Inc. must proactively identify and prepare for these changes to serve customers.

To achieve this goal, ERCOT, Inc. will develop processes, tools, and resources to anticipate and evaluate the impacts of these changes on its market, operational, and planning functions. ERCOT will undertake initiatives like gathering newly important types of information and incorporating new critical conditions within operational and planning studies. It will improve market simulations and market-driven forecasting as well as modeling and analysis of system disturbances exacerbated by inverter-based resources. It will develop a roadmap for addressing increasing stability challenges. By undertaking these types of initiatives, ERCOT, Inc. will continue to position itself to anticipate and rapidly respond to changes in market, operational, and planning needs.

1.2 Facilitate the reliable market operation of new and existing generation and load resources at both the transmission and distribution level

The variety of new resource types that are entering the ERCOT System continues to increase. Some end-use consumers of electricity are varying their demand in response to electricity prices more frequently and more quickly than in the past, and these large variances in demand pose challenges for maintaining the voltage and stability of the grid. Additionally, ERCOT, Inc. has observed increasing interest in the development of utility-scale solar resources, energy storage resources, and distributed energy resources, including the aggregation of small, distributed energy resources. ERCOT, Inc. must work towards implementing appropriate technical requirements and market-driven incentives to maintain reliable operations while incorporating these new resource types into its system and markets. ERCOT, Inc. will need to evolve its processes and tools to adequately study and monitor the impacts to the ERCOT system of these new resources. To the extent legal or regulatory changes are needed, ERCOT, Inc. should serve as a source of facts and expertise for lawmakers and regulators regarding these challenges and the options for resolving them.

1.3 Develop and implement a long-term transmission strategy that meets Texas' policy objectives

ERCOT, Inc. should collaborate with the PUC on a proactive and holistic strategy to ensure robust transmission infrastructure is ready and available to promptly deliver power from utility-scale generation to loads and load centers in a reliable, economic, and resilient manner. There needs to be a comprehensive and longer-term strategy with the PUC and utilities to speed up the transmission planning and development process. This will entail proposing policy options to the PUC and then implementing their recommendations.

1.4 Lead the development of cost-effective changes to regulations or standards impacting the ERCOT grid

ERCOT, Inc. has a wealth of expertise on operational and market matters that are independent of the competing financial interests of the various stakeholder entities and groups. The organization should strive to be considered a trusted advisor, providing facts, context, and considerations for policy makers. To the extent ERCOT, Inc. identifies operational or market benefits or concerns with proposed laws, rules, or regulations, ERCOT, Inc. should inform the decision makers, so that they benefit from ERCOT's expert opinions.

1.5 Advance ERCOT, Inc.'s resiliency, security, business continuity, and disaster management capabilities

Improving organizational resiliency, security, business continuity, and disaster management capability is crucial in today's dynamic and unpredictable environment. ERCOT, Inc.'s core functions are vital to the public interest. Because ERCOT, Inc. must ensure it always does its work well, including in times of crisis, it must have robust business continuity and disaster management programs. These include being prepared for increased occurrences of extreme weather, cyber or physical attacks, and failures by other entities that could impact ERCOT, Inc.'s ability to carry out its duties. This has implications not only for its facilities and its own crisis operations, but also for managing the bulk power system in times of extreme weather, attack, or other external threats. By improving organizational resiliency, business continuity, and disaster management capability, ERCOT, Inc. is better equipping itself to be able to thrive in today's rapidly changing landscape.

STRATEGIC OBJECTIVE 2

Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers

2.1 Advocate and support efficient markets while delivering on reliability and resiliency expectations

While reliability is the organization's primary objective, costs should always be considered. ERCOT, Inc. will strive to identify and champion market outcomes and solutions that result in the most competitive wholesale power rates and retail electric prices without compromising reliability or resilience. When deciding among multiple market outcomes and solutions options that equally impact reliability and resilience, ERCOT, Inc. will choose the most cost-competitive option. In support of continuous improvement, ERCOT will evaluate reliability and market efficiency outcomes post-implementation to determine if goals were achieved.

2.2 Evolve toward more organizational agility and improved quality assurance so ERCOT, Inc. can implement changes efficiently and effectively to manage a rapidly changing energy environment

Organizational agility is critical in today's fast-changing environment. It is becoming increasingly important for ERCOT, Inc. to be more agile and quickly respond to, and benefit from, change. Agility refers to ERCOT, Inc.'s ability to adapt to external and internal needs, improve efficiency, and lead change. Agility requires a stable platform that does not change while many things are changing around it. This involves being both stable and dynamic on structure, process, systems, and people. ERCOT, Inc. will evaluate and improve internal processes and tools to be able to change more quickly. It will also invest in enterprise change management and quality assurance to help ensure any additional flexibility does not adversely impact reliability or resilience.

2.3 Promote innovation, continuous improvement, and transparent data-driven decision making

Innovation is one of ERCOT, Inc.'s core values, and promoting it has never been more critical to organizational success than it is now. ERCOT, Inc. will leverage technology innovation to streamline systems and efficiently achieve goals by implementing the latest technologies, automating manual processes, reducing errors, and optimizing resources. Embracing modern technology allows ERCOT, Inc. to continue to deliver on its mission and meet evolving stakeholder needs.

Decisions driving ERCOT, Inc.'s success should be supported by sound underlying data, and the volume of that data is growing at a rate of 25% per year. To improve transparency and make decision-making information more easily accessible, ERCOT, Inc. will modernize its data architecture, data engineering, and data analytics practices. That will help the organization be able to establish single sources of truth for market, operational, and financial data. Advancing data accessibility and analytics is crucial to gain insights and make data-driven decisions.

STRATEGIC OBJECTIVE 3

Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission

3.1 Cultivate a highly skilled workforce, creating a rewarding work environment and driving success for the organization

ERCOT, Inc. will prioritize the development of internal skills and create more growth opportunities within the organization. By focusing on enhancing the abilities of its employees, it can cultivate a highly skilled workforce that will create a rewarding work environment and drive success for the organization. To achieve this goal, ERCOT, Inc. will evaluate skillset gaps and implement a plan to provide its employees with the necessary tools and resources to develop their skills and expertise. ERCOT, Inc. will also establish mentorship programs and cross-functional training initiatives to foster a culture of continuous learning and growth. Additionally, it will create a system for identifying high-potential employees and provide them with targeted development opportunities to help them reach their full potential within the company.

3.2 Implement a workforce and learning strategy, creating greater capacity for developing internal expertise and thought leadership

In a time of significant change, ERCOT, Inc. will develop a staffing strategy to continually align its workforce with its objectives. ERCOT, Inc. will continue to work to optimize its talent, which is its greatest asset, so that it can achieve its objectives, anticipate future needs, attract and retain top talent, increase employee engagement and job satisfaction, and improve overall business performance. These efforts will include, but are not limited to, improving its recruiting efforts, developing a resource plan for strategic initiatives, improving enterprise staffing forecasting and planning, and creating a greater capacity for thought leadership and innovation.

3.3 Strengthen ERCOT, Inc.'s culture by improving internal communications and enhancing employee experience

Strengthening company culture is crucial for ERCOT, Inc. to adapt to the changing environment, attract and retain top talent, and achieve its objectives. Additionally, the organization will showcase the cutting-edge work and thought leadership

from people within the organization. From the day you start at ERCOT, Inc., it should be apparent that it is a great place to belong and work on important mission-driven work.

Internally, ERCOT, Inc. will implement a comprehensive communications program that will engage, inform, and unite employees. It is important that employees feel proud to work at ERCOT, Inc.

3.4 Continue building credibility and trust with all stakeholders through proactive and transparent communications of policy objectives, grid and market conditions, and organizational achievements

Externally, ERCOT, Inc. continues to rebuild trust and improve its overall reputation by communicating clear and reliable information on grid conditions with all stakeholders, including state leaders, market participants, industry representatives, media, and general public. ERCOT, Inc. will work to establish its leaders as resources for the media, legislators, and other government officials. Effective, two-way communication helps build trust and credibility and helps mitigate crisis situations. Investing in improving external communications is a strategic priority as ERCOT, Inc. continues to establish strong relationships with its external stakeholders.

3.5 Expand ERCOT, Inc.'s position as a leading industry expert by increasing external collaboration and knowledge transfer

Increasing collaboration and knowledge transfer is critical for ERCOT, Inc. to strengthen its position as a leading industry expert and broaden perspectives. By increasing collaboration and leveraging industry experts, ERCOT, Inc. can tap into a greater knowledge base and keep up to date with the latest trends and innovations. This can lead to more informed decision-making, increased innovation, and improved overall performance. Additionally, by fostering collaboration within the organization, ERCOT, Inc. can encourage enterprise teamwork and idea sharing. This can create a more inclusive and supportive workplace culture, leading to higher employee engagement and job satisfaction. Therefore, increasing collaboration and leveraging outside expertise is an essential strategy for ERCOT, Inc. to achieve its mission.

PLAN CONCLUSION

ERCOT's Strategic Plan sets forth a bold and transformative roadmap, aligning our efforts with the evolving energy landscape and the needs of our consumers. We will hold a steadfast commitment to grid reliability and resilience in an everchanging world. By enhancing economic competitiveness, we aim to provide accessible and affordable electricity to our consumers. As we nurture a culture of innovation and invest in our people, ERCOT will solidify its position as a leading industry expert and employer of choice, dedicated to serving our mission with passion and purpose.

To measure Strategic Plan progress, ERCOT will utilize a combination of key performance indicators, objectives and key results, and measures of success. Metrics will be tailored to each strategic objective, allowing us to track grid reliability and resilience through measures like system performance and forecast accuracy. Economic competitiveness will be assessed by analyzing trends in wholesale power rates and retail electric prices relative to other areas in the United States. Advancement as an industry expert and employer of choice will be monitored through employee engagement metrics and retention rates. Regular progress reviews and data analysis will ensure effective tracking of our Strategic Plan's implementation and guide us towards successful outcomes.

Together, we embrace the challenges and opportunities ahead, driving forward with a focus on balance, flexibility, and innovation for the ERCOT region and beyond. Through collaboration and partnering with our stakeholders, we will accomplish our strategic objectives and continue to be at the forefront of shaping a brighter tomorrow.





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Attachment B1

Overview of ERCOT Major Systems



<div>ercot</div>									
Functions Provided		Hardware Associated		Software Associated		Remaining Useful Life	Hardware/Software Maintenance Costs	Performance Overview	Planned Changes
Grid Operations									
Energy Management System	Grid Monitoring, Control, and Operational Awareness	IT infrastructure comprised of Dell EMC VxRail/VxRail servers and PowerMax storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	DE - Energy Management System: Mirachi - Outage Scheduler Economic - Network Model Management System Forecast Presentation Platform PowerTech Labs - VSA/TISA Market Power Group - PMG OTM - Load Forecast SCADA & Meter - Wind Forecast MDCS - Solar Forecast MDCS - Weather Forecast Aurora DTS - PMS JCAT - Outage MapInfo Atlas - Grid visualization	1-4 Years	\$4,500,000 annually	Systems have sufficient capacity to withstand future growth demands throughout remaining life. Additional capacity growth will be required for RTC program.	Windows and Red Hat Linux operating system updates ongoing RTC program efforts in 2024-2025		
System Planning & Weatherization	Grid Planning, Grid Coordination, Resource Allocation, Strategic Initiatives, Visualization and Inspection	IT infrastructure comprised of Dell EMC VxRail/VxRail servers and PowerMax storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	DE - Energy Management System: PMG Suite OTM - Load Forecast SCADA & Meter - Wind Forecast MDCS - Solar Forecast MDCS - Weather Forecast Aurora DTS - PMS JCAT - Outage MapInfo Atlas - Grid visualization	1-4 Years	\$9,000,000 annually	Systems have sufficient capacity to withstand future growth demands throughout remaining life. Additional capacity will be required for future planning studies.	Looking to build complete for Grid Planning Studies		
Market Operations									
Market Management System	Competitive wholesale market operations	IT infrastructure comprised of Dell EMC VxRail/VxRail servers and PowerMax storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	Mirachi - Market Management System: Mirachi - Outage Scheduler Forecast Integration Platform - Competition Resource Rights Market Information System Bidding - CPLEX optimization package Cloud Software Group - Enterprise Messaging Portfolio Economics - Independent Market Model	1-4 Years	\$6,500,000 annually	Systems have sufficient capacity to withstand future growth demands throughout remaining life. Additional capacity will be required for RTC program.	Windows and Red Hat Linux operating system updates ongoing RTC program efforts in 2024-2025		
Retail Processing	Transaction processing for the deregulated retail market in Texas	IT infrastructure comprised of Dell EMC VxRail/VxRail servers and PowerMax storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	Cloud Software Group - ESI Cloud Software Group - Messaging Cloud - Registration Retail - Registration Retail - Registration Retail - Registration	1-4 Years (Software)	\$4,500,000 annually	Systems are being upgraded with sufficient capacity to withstand future growth demands.	Windows and Red Hat Linux operating system updates Retail upgrades in 2024-2025 Retail upgrades in 2024-2025 RTC program efforts in 2024-2025		
Wholesale Settlements	Settlement and clearing for the deregulated retail market in Texas	IT infrastructure comprised of Dell EMC VxRail/VxRail servers and PowerMax storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	ERCOT - Settlements & Billing System Cloud - Registration Cloud - Registration Cloud Software Group - Messaging ERCOT - CDS (Credit and Settlement) ERCOT - Credit Management & Monitoring New WYS - Meter Data Management System ERCOT - Renewable Energy Credits	1-4 Years	\$1,300,000 annually	Systems have been upgraded with sufficient capacity to withstand future growth demands. Additional capacity will be required to support legislative and market demands.	Windows and Red Hat Linux operating system updates Enterprise Messaging upgrade RTC program efforts in 2024-2025 CRM Tools Upgrade 2024-2025 RTC systems shared in support of Renewable Portfolio requirements 2024-2025		
Information Operations									
Market Data Transparency	Reports, data extracts, and data management solutions for ERCOT stakeholders as required by contract	IT infrastructure comprised of Dell EMC VxRail/VxRail servers and PowerMax storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	IBM Cognos - Business Intelligence SAS - Analytics Informatica - Data Extract, Transform, and Load Applix - Integration Oracle - Relational Database Management System	1-3 Years	\$1,400,000 annually	Systems are upgraded on a regular scheduled basis. Additional capacity will be required to support additional analytics to the enterprise and to integrate with a large growth of data events.	Technical Health software upgrade for SAS Analytics in 2025 Windows and Red Hat Linux operating system updates RTC program efforts in 2024-2025 Addition of Informatica Analytics platform scheduled for 2024-2025 Addition of SAS PowerBI - 2024-2025 Addition of cloud based data management and governance capabilities 2024-2025 Migration to new integration platform in 2024-2025		
Digital Content Management	ERCOT web content and presentation channels for public and internal use	IT infrastructure comprised of Dell EMC VxRail/VxRail servers and PowerMax storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	Highland Mills - Content Management/Process Management Oracle - Web Content Management System	1-3 Years	\$1,000,000 annually	Systems operating with sufficient capacity to withstand future growth demands throughout remaining life.	Website and mobile apps under redesign effort in 2025 Highland Mills - Replacement in 2025-2026 Public Dashboard and Content Management in 2024		
Integration Services	Internal and external integration and interfaces	IT infrastructure comprised of Dell EMC VxRail/VxRail servers and PowerMax storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	Cloud Software Group - Enterprise Messaging Microsoft Azure - Platform Services Aurora DTS - Policy Management Support - Credit Management	1-3 Years	\$700,000 annually	Systems operating with sufficient capacity to withstand future growth demands throughout remaining life.	Windows and Red Hat Linux operating system updates completed Enterprise Messaging refresh in 2024-2025 New integration platform being rolled out in 2024 Public Dashboard and Content Management in 2024 RTC program efforts in 2024-2025		
Enterprise Applications									
Corporate Applications	Finance, Supply Chain and Human Resources management. Customer Service Management, Incident Management, Project Management, Project & Portfolio Management (PPM)	All applications are hosted with providers except the Treasury Management database is hosted with redundancy and site failure capability to ensure uninterrupted operations.	Oracle - Human Resources, Finance, Procurement, and Treasury Functions SAP - Contract Lifecycle Management System Oracle - Treasury and Accounting Functions Oracle - Treasury and Accounting Functions Oracle - Treasury and Accounting Functions Oracle - Treasury and Accounting Functions Oracle - Treasury and Accounting Functions	4-6 Years	\$1,000,000 annually	Systems operating with sufficient capacity to withstand future growth demands throughout remaining life.	Ongoing semi-annual vendor upgrades for tested solutions Expansion of Treasury Management System in 2024-2025 Expansion of Oracle Contract Lifecycle Management in 2024-2025 Expansion of IT Service Management in 2024-2025 to include Market Participant Portal, IT Operations Management, Hardware/Software Management Project Oracle & Power BI (PPM) improvement project in 2024-2025		



	Functions Provided	Hardware Associated	Software Associated	Remaining Useful Life	Hardware/Software Maintenance Costs	Performance Overview	Planned Changes
Identity & Access Management	Identity and Access Management - Internal Customers	IT infrastructure comprised of Dell EMC VxRail/VMware servers and Powerflex storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	Okta - Identity and Access Management SaaS	4-6 Years	\$105,000 annually	Systems operating with sufficient capacity to withstand future growth demands throughout remaining life.	Okta and Red Hat Linux operating system updates. Series of projects in 2025-2026 will be initiated to modernize IAM systems at ERCOT.
Communication Collaboration	Email & Collaboration	Microsoft 365 is hosted with provider. Microsoft 365 IT infrastructure comprised of Dell EMC VxRail/VMware servers and Powerflex storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	Microsoft 365 Microsoft Azure AD Microsoft AD FS Cisco Webex Microsoft Teams	4-6 Years	\$1,116,000 annually	Systems operating with sufficient capacity and are scheduled for technology refresh to extend capacity beyond 3 years.	
Shared File Services	Company data storage, retrieval and sharing.	IT infrastructure comprised of Dell EMC VxRail/VMware servers and Powerflex storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	Microsoft Windows File Services	3-5 Years	\$440,000 annually	Systems operating with sufficient capacity.	
Test Tools	Test automation, Test Management and Reporting, Defect Management and Reporting, Performance Testing	IT infrastructure comprised of Dell EMC VxRail/VMware servers and Powerflex storage. Systems are architected with redundancy and site failure capability to ensure uninterrupted operations.	WorkPoint Software - Testany	3-4 Years	\$845,000 annually	Systems operating with sufficient capacity to withstand future growth demands throughout remaining life.	Develop automated test suites and execution continuing in 2025. Upgrade Test Management Tool and implement API load test tool in 1-2 years.
Storage Infrastructure							
Production	ERCOT's storage infrastructure houses all production level data within the enterprise.	Dell Powerflex Storage	Complete	3-4 Years	\$2,415,000 annually	Migration to flash storage will continue to provide ERCOT with the performance and availability needed to satisfy market demands, internal production demands and future projects.	
Disaster Recovery	ERCOT incorporates a disaster recovery plan of all production data able to withstand immediate RPO requirements. This infrastructure is also used for bi-annual DR testing and semi-annual recovery plans.	Dell Powerflex Storage	Database replication software (Oracle Data Guard & TUL, Snowflake On)	3-4 Years	\$937,000 annually	DR infrastructure within storage are consistent with production levels of capacity and performance.	
Network Infrastructure							
Internal	Storage network infrastructure to include Storage, DNS, Content Delivery, Environmental Security.	Cisco Switches Aruba Switches Palo Alto Firewalls Cisco Next-Gen IPS Service providers to include AT&T, Spectrum and Data Foundry	Cisco IOS Palo Alto Panorama Aruba EOS	3+ Years	\$904,000 annually	Systems operating with sufficient capacity to withstand future growth demands throughout remaining life.	
WAN	Provides connectivity to ERCOT for Mobile Participants, Environmental Security, Digital Certificate Mgmt.	Cisco Routers T-Mobile Cloudlet Hewlett Packard & Network Manager Service on	Cisco IOS	3+ Years	\$904,000 annually	Systems operating with sufficient capacity to withstand future growth demands throughout remaining life.	ASU Migration - Routers T-Mobile with another service provider in 2024-2025.
Production / EMM	Load balancing with servers, network connectivity for servers and environmental security.	Cisco Switches Aruba Switches Palo Alto Firewalls Cisco Next-Gen IPS	Cisco IOS Aruba EOS Palo Alto Panorama	3+ Years	\$907,000 annually	Systems operating with sufficient capacity to withstand future growth demands throughout remaining life.	
Corporate	Network connectivity of corporate servers and environmental security.	Cisco Switches Aruba Switches Cisco VSR Palo Alto Firewalls Palo Alto VPN Concentrators Cisco Next-Gen IPS	Cisco IOS Aruba EOS Palo Alto Panorama Palo Alto GlobalProtect Cisco Duo Cisco ASA	3+ Years	\$702,000 annually	Systems operating with sufficient capacity to withstand future growth demands throughout remaining life.	

Attachment B2

A description of major capital projects completed in the prior budget year and those expected to be completed in the following budget year, including an explanation of why each project is needed to assist ERCOT in meeting its responsibilities or the benefits it would provide to market participants or consumers.

ERCOT's Major Capital Projects

The major capital projects in the chart consist of projects with an approved total expenditure equal to or greater than \$500,000 and were completed in the prior budget year or are expected to complete in the current budget year. Complete is defined as the project has gated to closed in its project lifecycle. The report contains an explanation of why each project is needed to assist ERCOT in meeting its responsibilities or the benefits it would provide to market participants or consumers. These projects were derived from ERCOT's Project Priority List (PPL) and are funded by ERCOT's approved base operating budget.

Criteria
For prior year projects (i.e. 2024)
1. must be major (i.e., total project expenditure >= \$500,000), and
2. must be complete.
For the following year (i.e. current year 2025)
1. must be major (i.e., total project expenditure >= \$500,000), and
2. must be "expected to be complete in this year."

Major ERCOT Capital Projects Completed in 2024

23

Project No.	Project	Project Category	Budget Range	Summary/Description	Benefits Summary	Q4/23/2025 Status
320-01	EMS (Energy Management System) Upgrade 2024	Technical Health	\$15M - \$20M	Will bring the EMS and OTS (Operator Training Simulator) software up to more current versions as available from the vendor. Upgrades are needed periodically in order for ERCOT to remain on vendor supported software.	Upgrading the EMS to a newer supported version will also bring the underlying technology versions to newer and supported versions and in line with ERCOT technical health roadmap.	Complete
342-02	DC5 (Data Center Refresh #5) x86 and RISC (Reduced Instruction Set Computing) Compute Infrastructure	Technical Health	\$30M - \$35M	Replace ERCOT infrastructure systems in accordance with ERCOT technical health roadmaps to provide next-generation compute and storage infrastructures to support ERCOT's current applications and databases.	Maintain the support, reliability and security of ERCOT's infrastructure.	Complete
342-03	DC5 Backup and Recovery	Technical Health	\$4.0M - \$6.0M	Replace and consolidate where possible ERCOT's data protection solutions and hardware. The overall objective of this project is to reduce complexity and cost of the existing solutions while continuing to meeting information lifecycle policies and NERC CIP regulatory requirements.	Value of the project is to maintain the support, reliability and security of ERCOT's data protection systems.	Complete
373-01	Forecast Presentation Platform	Technical Health	\$1.0M - \$1.5M	Build a new Forecasting Platform and consolidate ERCOT's three existing forecasting platforms used by Operators into one.	The timeline for making forecast overrides will be reduced by an hour from roughly one and a half hours to half an hour, which will allow for more accurate solutions during the Reliability Unit Commitment (RUC) process. Additionally, this enhancement will allow for better performance tracking and flexibility while overriding forecasts.	Complete
385-01	Endpoint Protection Refresh	Enterprise Improvements	\$500k - \$750k	Endpoint security is the practice of securing endpoints or entry points of end-user devices such as desktops, laptops, and mobile devices from being exploited by malicious actors and campaigns. Endpoint security systems protect these endpoints on a network or in the cloud from cybersecurity threats.	Managed endpoint security provides vital protection against preventing breaches, preventing persistent threats and preventing of malware.	Complete
387-01	Data Access Governance and Monitoring Solution	Enterprise Improvements	\$800k - \$800k	Establish a solution that will provide automation, insight, and governance into data access across most platforms and applications.	Provide an automated data access governance solution to identify, protect, and report on sensitive data. This will address areas currently covered by the "flat-file extract" process and to provide similar capabilities to cloud-based assets.	Complete
396-01	PART (Port Authorization and Reporting Tool) Replacement	Technical Health	\$500k - \$750k	Replace the existing solution and provide a maintainable replacement that addresses the current needs and issues for the current internally developed Port Authorization and Reporting Tool that meets ERCOT and CIP requirements.	To increase operational effectiveness by reducing manual efforts, increase supportability and reduce operational and support costs.	Complete
399-01	Treasury Management System	Enterprise Improvements	\$2M - \$3M	This project will implement a part of the overall automated Treasury Management System which will eliminate as many manual touchpoints as possible.	Automation of manual daily tasks to reduce financial and operational risks.	Complete
401-01	Improve Efficiency of Accessing Public API and Expired Public Data Requests	Enterprise Improvements	\$800k - \$1.2M	Request to remove impediments to the access of Public Data and will serve as a foundational first step for improving ERCOT APIs. ERCOT shift to a self-service model where Public users can access Public Data offerings via a user interface and/or API without restrictions or involvement of ERCOT staff.	Implement an API to allow the public to download Public data (current and expired) for Operating Days available on ERCOT.com or via Information Requests and allow researchers to access public content (dependent on solution).	Complete
405-01	Application Testing Modernization	Enterprise Improvements	\$500k - \$750k	The Testing Modernization project will focus on advancing ERCOT's tools and processes to mature its test management processes and align this process to the ERCOT Development Toolchain.	Modernizing our tools & processes will improve communication among testers, developers, designers, and architects, and allows potential glitches to be immediately rectified.	Complete
408-01	Tech Refresh - Tibco BusinessWorks Upgrade	Technical Health	\$1.5M - \$2.5M	The intent of this project is to migrate our applications to BusinessWorks (BW) 6. This will place us in a strong position should ERCOT license the Container Edition of the product.	This will bring our infrastructure up to the latest version of the product. Applications developed on BW 6 can also be run on containers using TIBCO's BusinessWorks Container Edition (BWCE).	Complete
416-01	Application Performance Monitoring (APM) Implementation	Enterprise Improvements	\$350k - \$450k	Application performance monitoring (APM) and observability software enables the observation and analysis of application health, performance, and user experience for applications and containers.	Improve operational efficiency, reduction in downtime, reduce operational costs, and increased response time / uptime	Complete
419-01	Tech Refresh - PACS (Physical Access Control System)	Technical Health	\$400k - \$600k	The PACS applications need to be upgraded to be compatible with the planned upgrade of Windows and SQL.	Run the PACS applications on fully supported technologies.	Complete
420-01	Replace TCC1 HVAC Controls T1_S-1 (2022)	Technical Health	\$1.0M - \$1.2M	HVAC Controls replacement is required to upgrade an aging system which have parts that are no longer supported by the manufacturer.	Replacing unsupported and end of life HVAC controls hardware will bring ERCOT to the current level of HVAC technology, providing continued reliable operation of critical and non-critical infrastructure equipment.	Complete

Major ERCOT Capital Projects Completed in 2024

23

Project No.	Project	Project Category	Budget Range	Summary/Description	Benefit Summary	Q4/23/2025 Status
422-01	ServiceNow – Weatherization and Inspection Service Management	Regulatory	\$1.25M - \$1.75M	Processing and storing data, in addition to supporting the logistics of scheduling and documenting inspections, will require a software tool that will maintain compliance with applicable rules and the ERCOT Nodal Protocols, and adhere to NERC (North American Electric Reliability Corporation) BCS (Bulk Electric System Cyber System Information) and ERCOT EEC requirements.	Automate most business processes for the Weatherization and Inspection team, reduce compliance concerns, and create efficiencies in each task flow.	Complete
426-01	Tech Refresh - IAM (Identity and Access Management) 2023	Technical Health	\$1.0M - \$1.5M	Refresh the existing IAM solution to most recent release. This scope will also include any upgrades to the databases to the most current release.	Upgrading will result in continued delivery of business value and eliminate technical health risks of an unsupported application.	Complete
427-01	Tech Refresh - MMS OS RHEL Migration	Enterprise Improvements / Technical Health	\$3M - \$5M	The goal of this project is to migrate MMS/OS systems at ERCOT & at vendor site to a different platform within DC5 program cycle.	This migration will align with the vendor preferred platform, and to achieve the IT goal of having one unified platform and vendor (instead of a mix of technologies), reducing overall costs of hardware and ongoing maintenance significantly.	Complete
428-01	Tech Refresh - RTDMS (Real Time Dynamics Monitoring System)	Technical Health	\$500k - \$750k	Enable the Electric Power Group (EPG) RTDMS product suite to run on updated computer program servers.	Upgrade RTDMS application, EPG tech stack to updated computer program system and move to BES AD.	Complete
441-01	Crafter Upgrade and Architectural Improvements	Technical Health	\$1.0M - \$1.5M	The enhancements within the Crafter framework provide significant improvements towards how ERCOT can manage and operate the external presence for digital content.	Upgrades to Crafter provides continued stability and security for ERCOT's external presence surrounding ERCOT.com, MIS, EMIL, GCC, E-Wire, and Market Notices.	Complete
448-01	ERCOT Web and Mobile Design and Strategy	Enterprise Improvements	\$500k - \$750k	Brand and user experience refresh of the ERCOT websites. Scope will include RFP, design work, stakeholder engagement, and the update of website templates including home page, landing pages and search.	Effort will align our digital channels to the overall ERCOT communication strategy, engage our stakeholders to identify opportunities for improvement, and provide precise brand specifications and designs for ERCOT.com and the Mobile App, while providing reusable design elements that can be applied to new pages and sections.	Complete
453-01	Implement consideration of ESR SOC in ERCOT tools and studies	Revisions Requests	\$500k - \$700k	Short-term options to approximate Energy Storage Resource (ESR) State-of-Charge (SOC) in Security-Constrained Economic Dispatch (SCED) and Reliability Unit Commitment (RUC). This is the result of the effort to identify which improvements are feasible and make sense to develop before RTCS.	This effort includes proposed enhancements to EMS and MMS to better monitor and manage State-Of-Charge (SOC) for ESRs in the interim period before Real-Time Co-Optimization (RTC) and Single Model ESR with SOC accounting is implemented.	Complete
456-01	RIOO-IS_RS ESR-Single Model & Validation Rules Update	Revisions Requests	\$400k - \$700k	As new functionality and data fields are added there is always a need to add new validation rules and update the cross validation rules to ensure that all impacted data is updated when a user makes data changes. This minimizes the need to perform data corrections to support production issues. Includes Revision Requests for single model registration required for RTC.	Adds new features to RIOO-IS (Integration Services) and RIOO-RS (Resource Services), update the validation rules and cross-validation rules to ensure the accuracy of data and correct feedback is provided to users in both the RIOO-IS and RIOO-RS systems and address some of the technical debt.	Complete
457-01	Replace Control Room Video Wall (BCC1 - Bastrop Control Center)	Technical Health	\$500k - \$750k	The video wall system has reached end of life. ERCOT has been maintaining with parts from the TCC1 Video wall replacement in order to get the best ROI out of equipment.	Key components will be replaced to mitigate risk posed by end of life equipment.	Complete

Major ERCOT Capital Projects Expected to Complete in 2024

18

Project No.	Project	Project Category	Budget Range	Summary Description	Benefit Summary	04/23/2025 Status
342-00	DC5 Program Control	Technical Health	\$400k - \$600k	DC5 Program Control is an "umbrella project" providing oversight and pre-planning for all DC5 projects. By the start of 2022, the majority of ERCOT's data center infrastructure (i.e. compute, storage, network) will be approaching the end of their useful lifespan. The DC5 Program Control will provide program planning and pre-planning needed for DC5 as well as oversight and transparency.	ERCOT's Datacenter Version 5 (DC5) is an endeavor to guarantee the tech health within ERCOT's data center infrastructure which includes servers, network equipment, and storage platforms as well as the supporting management software. What makes this data center refresh initiative unique is 2 additional adjacent projects that will share a common architecture with DC5, Real-time Co-optimization (RTC) and Energy Management System (EMS). The DC5 Team is designing solutions to encompass these additional initiatives within a common architecture to insure scalability and flexibility in design.	Execution
342-06	DC5 Application Migrations	Enterprise Improvements	\$1.5M - \$2.5M	DC5 Application Migrations will use an iterative approach to scale system capacities and migrate applications in waves from the legacy infrastructure to the next generation compute infrastructures.	Standardize the architecture and technology stack and enable more infrastructure automation capabilities to increase agility and reduce the unit cost of IT services.	Execution
342-07	DC5 AIX Migrations to X86 Linux	Technical Health	\$3.5M - \$4.5M	DC5 AIX Migrations to a new operating system is the defined effort to migrate AIX hosts a from the legacy infrastructure to next generation infrastructure.	Outcome of the DC5 AIX Migrations a new operating system is the successful migration of all in-scope AIX hosts to the new DC5 next generation compute infrastructure. The expectations is that the migrations and cutover activities will be performed with zero "unplanned" outages.	Closing
342-08	DC5 Network Core	Technical Health	\$7.5M - \$10.0M	The DC5 Network Core is a multi-phased effort that will update and refresh ERCOT's network systems approaching the end of their useful lifespan.	DC5 Network Core will update and refresh ERCOT's firewalls, load balancers and network switches/routers approaching the end of their useful lifespan. This initiative will also replace network management and monitoring tools needed to enforce network policies, balance server workloads, balance network traffic loads and log server/network activities.	Execution
402-01	Security Patch Management – Modernization	Enterprise Improvements	\$1.0M - \$1.5M	Overhaul of the existing Security Patch Management process and procedures to enable automation of patch management assignments, assessments, mitigation, implementation and monitoring processes where applicable. This would also include all defined reports to support the Security patch management program.	Greatly reduce or eliminate the manual process of performing patch assessments for ERCOT. Additionally, as we adopt the identified Product Model, which includes the ERCOT Product Registry and the concepts of Product Ownership, we can enhance our ability to manage our software, increase accuracy and flexibility in reporting and ultimately, reduce risk to ERCOT by identifying and applying patches in a more defined manner.	Closing
404-01	GridGeo Blackstart - Advanced OTS (Operator Training Simulator)	Enterprise Improvements	\$1.0M - \$1.8M	Replacing the Macomber Map for Blackstart Training application with a web-based application on the Grid Geo platform reflecting what ERCOT and TO Operators utilize in the control room as a wide area display.	This application will maintain and enhance the QSE and TO user interface for controlling their equipment and will be on an architecture and user interface that the TOs and ERCOT System Operators utilize in real time operations.	Complete
409-01	TX SET 5_0 and SCR817	Revision Requests	\$1.4M - \$2.1M	This Nodal Protocol Revision Request (NPRR) contains revisions that the Texas Standard Electronic Transaction (Texas SET) Working Group has determined are necessary in support of the Texas SET V5.0 enhancement list.	This NPRR updates the Continuous Service Agreement (CSA) bypass validations at ERCOT; allows for rejection of "Move Out (MVO)" transactions if the CSA owner and MVO Competitive Retailer (CR) do not match; allows ERCOT to issue a "Move In (MVI)" transaction for the appropriate CSA CR when an MVO is .; and includes Electric Service Identifier (ESI ID) attributes that are being added to the Texas SET transactions and that are critical for identification of the Premise. SCR817 proposes additional validations/requirements to existing MarkeTrak subtypes, revises existing workflows, and suggests new subtypes to align with current market practices for more efficient issue resolution.	Complete
412-01	ERCOT WAN Replacement	Technical Health	\$750k - \$1.2M	ERCOT utilizes a private Wide Area Network (WAN) for Market Participant voice and data communications. Thus, ERCOT must select a new managed network service provider and identify a new carrier(s) for the ERCOT WAN.	The managed services needs to transition before the next contract renewal date (5/30/2023) and the circuit migrations to move to new Carrier(s) by mid-2024.	Execution

Major ERCOT Capital Projects Expected to Complete in 2024

18

Project No.	Project	Project Category	Budget Range	Summary Description	Benefit Summary	04/23/2025 Status
442-01	NMMS Upgrade to RHEL9	Technical Health	\$1.0M - \$1.5M	It is necessary to upgrade the RHEL 7 Asset to RHEL 9 (or RHEL 8) Assets. Given vendor engagement is required to get RHEL 9 (or RHEL 8) support for the components in question, NMMS should be considered Out of Scope for any RHEL 7 Upgrade project.	The purposes of this activity is to ensure Technical Health and reduce (or otherwise avoid increased) OS related support costs. Migrating to RHEL 9 pushes the Technical Health issues from an OS perspective out into 2029.	Execution
443-01	RHEL 7 Upgrade	Technical Health	\$800k - \$1.2M	To ensure that Red Hat Enterprise Linux (RHEL) remains up-to-date and supported at ERCOT, all Enterprise Linux 7 (EL7) instances of the operating system, not covered by other projects or technical health initiatives, will be migrated to a newer and supported version of RHEL.	This project will reduce the need for extended support licensing of EL7 hosts at ERCOT, as well as reduce the overall security risk associated with aging infrastructure.	Execution
452-01	Tech Health – MPIM	Technical Health	\$500k - \$750k	Replacing the SUN Waveset IDM is recommended to avoid any unforeseen technical and security issues. As this system is managing identity life cycle for the market participant users, integrated with other Market facing applications.	The ODSEE 11g platform needs to be upgraded or replaced with appropriate Directory Services system that integrate seamlessly with in-house Enterprise systems. The new system should support all the existing integrations, customizations which needs to be carefully analyzed and addressed based on the future roadmap and functionality of the new product.	Execution
459-01	ERCOT Mobile App Redesign Implementation	Enterprise Improvements	\$700k - \$900k	Update of the ERCOT Mobile App to support communication of grid communications with external stakeholders. The existing vendor will support: design, content, API modifications, upgrade iOS and Android code libraries, and store releases. ERCOT development will support authoring modifications, provide API queries, and manage the release of API changes to Production.	The outcome of this project includes updating branding on the app., reduction in UI defects, more efficient code development and modernizing the user experience.	Complete
465-01	Tech Health SAS Upgrade	Technical Health	\$500k - \$750k	The current version of SAS grid components end support and we need to upgrade all the SAS components as well as upgrade the OS from RHEL7 to RHEL9.	Upgrading the SAS components to the latest versions not only ensures we have support but it also ensure we have the most secure and reliable versions of SAS possible.	Execution
466-01	Future Case Builder	Enterprise Improvements	\$800k - \$1.2M	The Future Case Builder project will implement improvements to STNET, SMTNET, and SCOPF (MW and MVAR) study systems. These application improvements will help Operations team to expand the look-ahead study horizon and perform multi-hour studies to cover more time points of operational concern (like low/high wind hours, solar ramp down, low/high load hours) to help identify any SOL exceedances.	This project will improve the study tools and support operations engineers more effectively conduct multi-hour operations studies when needed within the required timeframe, such as next day studies. It is expected that this project will improve the efficiency and reduce the FTE loading. It will also improve the system reliability and security by identifying the potential challenges at multiple stressed conditions in advance and develop needed mitigation plans for timely real time operations support.	Execution
478-01	Workday and Zycus to IAM Integration Enhancements	Enterprise Improvements	\$800k - \$1.2M	Identity and Access Management (IAM) requires a reliable stream of data about staff members to facilitate appropriate provisioning and deprovisioning of access. Along with revisions to how Access Management processes the data it receives, these updates will reduce reporting difficulties over taxonomy differences between an auditor request trying to match HR Event data and trying to relate the data to actual user access lifecycles. It will also reduce provisioning errors due to missed date changes and reduce manual effort.	This project will improve compliance and audit performance, reduce time spent on exception handling and maintenance of multiple processes and data sources, and reduce operational risk and cost.	Planning
480-01	Integration NextGen Platform	Enterprise Improvements	\$1.5M - \$2.5M	Build out the next generation Integration layer platform consisting of traditional message broker (ActiveMQ), Event Broker (Kafka), Object Store (MinIO), Schema Registry, API Gateway, Application SSO (Keycloak) and API Gateway. The new platform should be deployed in both Corp and BES networks and mirroring of integration data should be enabled between the clusters.	The proposed implementation will have the integration layer components run in active/active mode across the two data centers, standardize on SOA patterns, enforces design first approaches and shape of data for all SOA messaging, and a configurable solution to stream production messaging data to lower environments.	Execution

Major ERCOT Capital Projects Expected to Complete in 2024

18

Project No.	Project	Project Category	Budget Range	Summary Description	Benefit Summary	04/23/2025 Status
492-01	Enabling Generative AI for the Enterprise	Enterprise Improvements	\$900k - \$1.3M	The objective of this project aims to integrate cutting-edge Generative AI technologies into our enterprise operations, prioritizing the utmost standards of data security, governance, and the protection of ERCOT's intellectual property. This strategic integration is designed to bolster the productivity, creativity, and efficiency of our workforce while ensuring rigorous compliance with data protection regulations and safeguarding our intellectual assets.	The goal is to not only enhance productivity, creativity, and efficiency across the enterprise but also to ensure that all AI-driven activities are conducted within a secure, governed framework that rigorously protects ERCOT's intellectual property and complies with all relevant data protection regulations.	Planning
505-01	TCC4 Control and Simulator Room Video Wall Replacement	Technical Health	\$750k - \$1.0M	TCC4 video wall and supporting equipment is reaching EOL and EOS. This project will be replacing backend components as well as the wall and displays.	The video wall and its key components will be upgraded to next-generation equipment to address the current end-of-life (EOL) and end-of-support (EOS) issues with continued operational readiness for training and tertiary control room.	Execution

Attachment B3

A schedule summarizing ERCOT's sources and uses of funds for a six-year period beginning with the last historic calendar year and projections for the next five calendar years.

Electric Reliability Council of Texas
Sources and Uses of Funds Summary
(in Thousands)

Line	Description	2024 Actual	2025 Budget	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1	Sources of Funds						
2	System Administration Fee Revenue	\$ 291.8	\$ 302.4	\$ 316.6	\$ 356.6	\$ 393.7	\$ 442.9
3	Reliability Organization Assessment	28.3	27.7	29.2	30.8	32.6	34.4
4	Interest Income	114.2	39.8	55.9	46.1	35.4	35.4
5	Other Revenues	19.0	18.0	28.3	32.6	35.7	39.1
6	CRR Borrowings	-	1.2	-	-	-	-
7	Decrease in Cash Balance	-	25.3	44.0	90.8	29.3	3.3
8	Total Sources	\$ 453.3	\$ 414.3	\$ 474.0	\$ 556.9	\$ 526.7	\$ 555.0
9							
10	Uses of Funds						
11	Department Expenditures	\$ 285.4	\$ 320.9	\$ 376.3	\$ 408.8	\$ 437.3	\$ 468.1
12	Project Expenditures	45.0	29.4	48.7	84.3	51.5	47.3
13	Market Design Project	12.2	20.8	0.9	1.7	-	-
14	Taylor Office Transformation	0.0	10.4	13.7	26.1	-	-
15	Reliability Organization Assessment	28.3	27.7	29.2	30.8	32.6	34.4
16	Debt Service	5.3	5.2	5.1	5.2	5.3	5.3
17	Repayment of CRR Borrowings	-	-	-	-	-	-
18	Increase in Cash Balance	77.0	-	-	-	-	-
19	Total Uses	\$ 453.3	\$ 414.3	\$ 474.0	\$ 556.9	\$ 526.7	\$ 555.0
19							
20	Total Sources less Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Attachment B4

Long-term goals for all ERCOT activities (See also Attachment A).



**Attachment B(iv):
Long Term Performance Goals**

2025 ERCOT Enterprise OKRs

1

Be an industry leader for grid reliability and resilience

2

Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers

3

Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission

2025 ERCOT Enterprise OKRs & STI Goals

Objective 1: Be an industry leader for grid reliability and resilience.

Key Results (as measured by)	
Improve Grid Stability	Dec-25
Modernize Transmission Planning processes to match the challenges of a rapidly changing grid	Dec-25
Increase cyber security awareness of employees	Dec-25
Improve rules, processes and internal procedures related to RMR/MRA and Contract for Capacity requirements	Dec-25
Enhance infrastructure patching period for production assets	Dec-25
Better manage the grid with large penetration of distributed energy resources	Dec-25

2025 ERCOT Enterprise OKRs & STI Goals

Objective 2: Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers.

Key Results (as measured by)	
Implement key milestones for the Real-Time Co-optimization plus Batteries (RTC+B) Program	Dec-25
Inclusion of operational probabilistic assessment in ancillary services	Dec-25
Implement key milestones for HB1500 Dispatchable Reliability Reserve Service (DRRS) Requirements	Dec-25
Enhance demand response approach and programs	Dec-25
Advance and improve enterprise risk management (ERM) initiative at ERCOT	Aug-25
Enabling AI and Data Analytics capabilities to empower data driven decision making	Dec-25
Better manage the grid with large penetration of energy storage resources	Dec-25

2025 ERCOT Enterprise OKRs & STI Goals

Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission.

Key Results (as measured by)	
Promote better talent identification and acclimation into ERCOT	Dec-25

Attachment B5

An evaluation of ERCOT's performance in meeting its responsibilities and system expectations during the current budget year.

Electric Reliability Council of Texas, Inc.
2025 Budget vs Year-end Forecast
(in Millions)

Line	Description	2025		
		2025 Budget	Year-end Forecast (as of 3.19.25)	Variance
1	System Administration Revenue	\$ 302.4	\$ 303.6	\$ 1.2
2	Department Net Expenditures			
3	Chief Information Office	154.1	152.1	2.0
4	Chief Operations Office	90.7	87.7	3.1
5	General Counsel	33.7	25.6	8.1
6	Chief Financial Office	24.5	23.2	1.3
7	Human Resources	13.3	12.5	0.7
8	Chief Executive Office	6.1	5.9	0.2
9	Project Funded Labor	(19.4)	(18.8)	(0.6)
10	Total Department Net Expenditures	302.9	288.3	14.7
11	Net Revenues After Department Expenditures	(0.5)	15.4	15.9
12				
13	Less: Total Project Expenditures	50.2	50.2	-
14	Less: Taylor Office Transformation	10.4	10.4	-
15	Less: Interest Expense	1.2	1.0	0.2
16	Add: Interest Income	39.8	100.0	60.3
17				
18	Net Available	\$ (22.5)	\$ 53.8	\$ 76.4

Note: Schedule may not foot due to rounding

Attachment C1

A copy of an independent audit of ERCOT's financial statements for the report year.



Consolidated Financial Statements

The Electric Reliability Council of Texas (ERCOT)

Years ended December 31, 2024 and 2023

With Independent Auditors' Report

April 9, 2025



Electric Reliability Council of Texas, Inc.

Consolidated Financial Statements

As of and for the Years Ended
December 31, 2024 and 2023

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Independent Auditors' Report

The Board of Directors and the Finance and Audit Committee of
Electric Reliability Council of Texas, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Electric Reliability Council of Texas, Inc. (ERCOT), which comprise the consolidated statement of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ERCOT as of December 31, 2024 and 2023, and the changes in its activities and net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as identified in the Table of Contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position information, activities and changes in net assets information and cash flow information of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such consolidating information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Austin, Texas
April 9, 2025

Electric Reliability Council of Texas, Inc.
Consolidated Statements of Financial Position

	As of December 31	
	2024	2023
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 678,259	\$ 539,766
Securitization charges	52,572	53,850
Accounts receivable	5,541	5,643
Unbilled revenue	6,034	6,840
Interest receivable	17,042	17,548
Restricted cash and cash equivalents	2,336,988	1,634,124
Short-term investments	1,212,062	1,177,383
Prepaid expenses and other current assets	43,180	41,801
Total current assets	4,351,678	3,476,955
Long-term investments	542,902	585,099
Property and equipment, net	164,207	136,606
Systems under development	30,700	47,635
Securitization charges receivable, non-current	2,336,737	2,388,483
Right-of-use assets	840	915
Total assets	<u>\$ 7,427,064</u>	<u>\$ 6,635,693</u>

See accompanying notes to the consolidated financial statements



Electric Reliability Council of Texas, Inc.

Consolidated Statements of Financial Position (continued)

	As of December 31	
	2024	2023
	<i>(In Thousands)</i>	
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 5,835	\$ 10,632
Accrued liabilities	101,511	89,641
Deferred revenue	12,049	9,002
Market settlement liabilities	1,509,221	1,405,688
Security deposits and reserves	2,252,906	1,551,831
Debt payable, current portion	57,209	56,993
Total current liabilities	3,938,731	3,123,787
Debt payable, less current portion:		
Principal	2,399,749	2,456,957
Less unamortized discount and debt issuance costs	14,443	14,783
Debt payable, less current portion and unamortized discount and debt issuance costs	2,385,306	2,442,174
Long-term CRR liabilities	758,474	818,633
Other long-term liabilities	631	703
Total liabilities	7,083,142	6,385,297
Net assets without donor restrictions	343,922	250,396
Total liabilities and net assets	\$ 7,427,064	\$ 6,635,693

See accompanying notes to the consolidated financial statements



Electric Reliability Council of Texas, Inc.

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31	
	2024	2023
	<i>(In Thousands)</i>	
Operating revenues:		
System administration fees	\$ 291,756	\$ 247,479
Securitization charges fees	110,947	114,542
Other services revenue	17,369	12,845
Total operating revenues	420,072	374,866
Operating expenses:		
Salaries and related benefits	193,997	168,365
Hardware and software maintenance and licensing	43,604	39,802
Outside services	27,077	20,256
Facility and equipment costs	9,531	9,543
Depreciation and amortization	43,593	34,691
Other	12,243	13,564
Total operating expenses	330,045	286,221
Income from operations	90,027	88,645
Other income (expense):		
Investment return, net	116,751	122,709
Interest expense and debt issuance cost amortization	(113,260)	(116,178)
Non-operating income	8	118
Change in net assets without donor restrictions	93,526	95,294
Net assets without donor restrictions, beginning of year	250,396	155,102
Net assets without donor restrictions, end of year	\$ 343,922	\$ 250,396

See accompanying notes to the consolidated financial statements

Electric Reliability Council of Texas, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2024	2023
	<i>(In Thousands)</i>	
Operating activities		
Change in net assets without donor restrictions	\$ 93,526	\$ 95,294
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	43,593	34,691
Amortization of right-of-use assets	293	274
Amortization of debt issuance costs and discount	841	840
Amortization of bond investment (discount)	(57,806)	(28,883)
Unrealized losses (gains) on bond investments	5,344	(10,701)
Changes in operating assets and liabilities:		
Securitization charges receivable	53,024	50,080
Accounts receivable	102	(18)
Unbilled revenue	806	(807)
Interest receivable	1,109	(3,943)
Prepaid expenses and other current assets	(1,379)	(5,655)
Other long-term liabilities	(72)	(40)
Accounts payable	(7,652)	963
Accrued liabilities	8,261	(4,464)
Deferred revenue	3,047	1,332
Security deposits and reserves	701,075	131,666
Market settlement liabilities	103,533	(97,982)
Long-term CRR liabilities	(60,159)	(26,953)
Net cash provided by operating activities	887,486	135,694

See accompanying notes to the consolidated financial statements

Electric Reliability Council of Texas, Inc.

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31	
	2024	2023
	<i>(In Thousands)</i>	
Investing activities		
Purchase of investments	(1,317,695)	(2,329,039)
Proceeds from investments	1,377,675	1,111,160
Capital expenditures for property and equipment and systems under development	(48,631)	(32,393)
Net cash provided by (used in) investing activities	11,349	(1,250,272)
Financing activities		
Repayment of debt payable	(56,992)	(436,506)
Payment of debt issuance costs	(486)	(160)
Net cash (used in) financing activities	(57,478)	(436,666)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	841,357	(1,551,244)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,173,890	3,725,134
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	<u>\$ 3,015,247</u>	<u>\$ 2,173,890</u>
Supplemental information		
Cash paid for interest	<u>\$ 113,156</u>	<u>\$ 134,030</u>
Supplemental disclosures of non-cash investing and financing activities		
Change in accrued capital expenditures	<u>\$ (5,628)</u>	<u>\$ (5,988)</u>
Capitalized interest	<u>\$ 610</u>	<u>\$ 664</u>

See accompanying notes to the consolidated financial statements

Electric Reliability Council of Texas, Inc.
Notes to Consolidated Financial Statements
(Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

1. Organization and Operations

The consolidated financial statements include the accounts of Electric Reliability Council of Texas, Inc. (ERCOT), Texas Electric Market Stabilization Funding M LLC (TEMSFM), and Texas Electric Market Stabilization Funding N LLC (TEMSFN), because ERCOT has both control and an economic interest in TEMSFM and TEMSFN.

Electric Reliability Council of Texas, Inc. (ERCOT)

ERCOT is a Texas, non-profit corporation. ERCOT functions as the independent system operator for its reliability region, which comprises about 90% of the electrical load in Texas. The ERCOT region has more than 115,000 expected megawatts of available capacity for the summer peak demand period.

The Public Utility Commission of Texas (PUCT) has primary jurisdictional authority over ERCOT, which is responsible for ensuring the adequacy and reliability of electricity across the state's main interconnected power grid and for operating and settling the electricity markets it administers. ERCOT's market rules and operations are carried out in accordance with its Protocols filed with the PUCT. The ERCOT electric service region is contained completely within the borders of Texas, and it has only a few direct current ties across state lines to import or export power with neighboring reliability regions. ERCOT has no synchronous connections (alternating current) across state lines. As a result, ERCOT is considered "intrastate" and does not fall under the jurisdiction of the Federal Energy Regulatory Commission except for reliability issues under the provisions of the Federal Energy Policy Act of 2005.

ERCOT is governed by a Board of Directors composed of twelve directors (nine voting and three non-voting). Eight of the voting directors are selected by a statutorily created ERCOT board selection committee and may not have a fiduciary duty or assets in the ERCOT region. The remaining voting director is an ex officio director, the Public Counsel. The three non-voting directors are also ex officio, that is, the Chair of the PUCT, Commissioner of the PUCT, and ERCOT's Chief Executive Officer.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

1. Organization and Operations (continued)

Electric Reliability Council of Texas, Inc. (ERCOT) (continued)

As a result of Winter Storm Uri, extraordinary prices in the wholesale electricity market caused some wholesale market participants to default on their payment obligations to ERCOT for power under the ERCOT Nodal Protocols. As a result of these payment defaults, ERCOT was unable to fully settle obligations to certain wholesale market participants who were due payments from ERCOT for the power they produced during the storm. To address these problems, the Texas Legislature during the 87th legislative session enacted two bills that authorized financing mechanisms to provide funds to pay market participants who were previously short-paid and provide liquidity to market participants. One of these bills, House Bill 4492, added Subchapters M and N to chapter 39 of PURA and each provided authority for a financing mechanism to address different aspects of the extraordinary costs incurred due to Winter Storm Uri, with Subchapter M authorizing up to \$800,000 and Subchapter N authorizing up to \$2,100,000, plus reasonable costs.

On October 14, 2021, the PUCT approved ERCOT's application for a Debt Obligation Order (The Sub M Order) under PURA § 39.603 (Subchapter M) and issued The Sub M Order. The Sub M Order approves the default balance in an aggregate amount of up to \$800,000; approves the assessment of default charges to all wholesale market participants except those expressly exempted by PURA, in an amount sufficient to ensure the recovery of amounts expected to be necessary to timely provide all payments of debt service and other required amounts and charges in connection with the issuance of debt obligations; authorizes the issuance of Texas Market Stabilization M bonds in one or more series in an aggregate amount of up to \$800,000 for the payment of the default balance; and approves the financing or securitization of default charges and the creation of default property.

On October 13, 2021, the PUCT approved ERCOT's application for a separate Debt Obligation Order (The Sub N Order) under PURA § 39.653 (Subchapter N) and issued The Sub N Order. The Sub N Order approves the uplift balance up to \$2,100,000, plus reasonable costs; approves Texas Market Stabilization N bonds to be issued through a special purpose entity to finance the uplift balance; and approves the securitization of uplift charges and the creation of uplift property.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

1. Organization and Operations (continued)

Texas Electric Market Stabilization Funding M LLC (TEMSFM)

TEMSFM is a Delaware limited liability company with ERCOT as its sole member, and a disregarded entity for tax purposes. It was incorporated on October 27, 2021, for the limited purpose of (a) imposing, collecting, and receiving default charges and acquiring default property and related assets to support its obligations under the Texas Market Stabilization M bonds, (b) issuing Texas Market Stabilization M bonds in one or more series, and (c) performing other activities relating thereto or otherwise authorized by The Sub M Order. On November 12, 2021, TEMSFM issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021, pursuant to The Sub M Order, which were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts (see Note 6). ERCOT is the servicer and administrator of the Texas Market Stabilization M bonds, Series 2021.

Texas Electric Market Stabilization Funding N LLC (TEMSFN)

TEMSFN is a Delaware limited liability company with ERCOT as its sole member, and a disregarded entity for tax purposes. It was incorporated on December 2, 2021, for the limited purpose of (a) imposing, collecting, and receiving uplift charges and acquiring uplift property and related assets to support its obligations under the Texas Market Stabilization N bonds, (b) issuing Texas Market Stabilization N bonds in one or more series, and (c) performing other activities relating thereto or otherwise authorized by The Sub N Order. On June 15, 2022, TEMSFN issued \$2,115,700 of Texas Market Stabilization N Bonds, Series 2022, pursuant to The Sub N Order (see Note 6). ERCOT is the servicer and administrator of the Texas Market Stabilization N Bonds, Series 2022. Neither TEMSFN nor ERCOT is an asset-backed issuer and the bonds are not asset-backed securities as such terms are defined by the Securities and Exchange Commission (SEC) in Item 1101 of Regulation AB. The bonds were offered in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and outside the United States to entities which are not "U.S. persons" as defined in, and in compliance with, regulations under the Securities Act. The bonds will not be registered under the Securities Act or any state securities or "Blue Sky" laws and were offered and sold in reliance upon exemption from the registration requirements of the Securities Act and such laws.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of ERCOT, TEMSFM and TEMSFN because ERCOT has both control and an economic interest in TEMSFM and TEMSFN. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Company.

Method of Accounting

The accompanying consolidated financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those that are not subject to donor restrictions or stipulations and that may be expendable for any purpose in performing the Company's objectives. Accordingly, net assets of the Company and changes therein are classified and reported as net assets without donor restrictions. The Company has no net assets with donor restrictions.

Use of Estimates

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

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. Cash and cash equivalents consist primarily of amounts held by ERCOT on behalf of market participants for congestion management funds and payments of settlement obligations (as described in Note 2 – Market Settlement Liabilities); and ERCOT capital contribution held by TEMSFM.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. ERCOT's restricted cash and cash equivalents primarily represent amounts received for security deposits from ERCOT's market participants.

TEMSFM's restricted cash consists of security deposits from ERCOT's market participants subject to Subchapter M, reserve for debt service and supplemental capital pledged as collateral for the payment of the Texas Market Stabilization M Bonds, Series 2021; and payments collected from securitization charges receivable.

TEMSFN's restricted cash consists of security deposits from ERCOT's market participants subject to Subchapter N, and capital contribution from ERCOT and payments collected from securitization charges receivable.

ERCOT's capital contribution in TEMSFN, and payments collected from securitization charges receivable for TEMSFM and TEMSFN, are deposited to trust accounts held by their indenture trustee, respectively, as collateral to ensure timely payment of debt principal and interest. The trustees shall have sole dominion and exclusive control over all money collected from securitization charges receivable.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Restricted Cash and Cash Equivalents (continued)

As of December 31, restricted cash and cash equivalents consist of below:

	2024			
	ERCOT	TEMSFM	TEMSFN	Total
Security Deposits	\$ 2,226,348	\$ 15,712	\$ 3,875	\$ 2,245,935
Payments collected from				
securitization charges receivable	1,125	10,955	61,202	73,282
Capital contribution from ERCOT	-	-	10,800	10,800
Reserve for debt service	-	4,084	-	4,084
Reserve for supplemental capital	-	2,887	-	2,887
Total	\$ 2,227,473	\$ 33,638	\$ 75,877	\$ 2,336,988

	2023			
	ERCOT	TEMSFM	TEMSFN	Total
Security Deposits	\$ 1,527,931	\$ 14,611	\$ 3,332	\$ 1,545,874
Payments collected from				
securitization charges receivable	-	10,163	61,241	71,404
Capital contribution from ERCOT	-	-	10,811	10,811
Reserve for debt service	-	4,089	-	4,089
Reserve for supplemental capital	-	1,868	-	1,868
Funds held to pay TEMSFN	78	-	-	78
Total	\$ 1,528,009	\$ 30,731	\$ 75,384	\$ 1,634,124

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Custodial Credit Risk

The Company maintains cash balances at financial institutions, which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits and are exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned. The Company has not experienced, nor does it anticipate, any losses with respect to such cash deposits.

Receivable and Revenue Recognition

Revenue is measured based on a consideration specified in a contract with a customer, and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a service to a customer.

A. Performance Obligations

System administration services - As the independent system operator for the region, ERCOT provides a variety of services to Texas electricity market participants. ERCOT schedules power on an electric grid that connects more than 54,100 miles of transmission lines and 1,250 generation units, performs financial settlement for the competitive wholesale bulk-power market, and administers retail switching for more than 8 million premises in competitive choice areas. These services are performed to fulfill ERCOT's primary responsibilities which are maintaining system reliability, facilitating competitive wholesale and retail markets, and ensuring open access to transmission. ERCOT identifies a single performance obligation from these services which are considered a series of distinct services under the revenue standard. Revenue from system administration services, called the system administration fee (SAF) is recognized when services are performed over time. SAF is collected from electric service providers operating within the ERCOT region. This fee is charged pursuant to the ERCOT Nodal Protocols and as approved by both the ERCOT board of directors and the PUCT. It is based on actual volume consumption. Services are billed each business day and are generally due 2 business days after the invoice date. Amounts not yet billed are accrued and presented as unbilled revenue on the consolidated statements of financial position.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

The SAF was 63.0 cents and 55.5 cents per megawatt hour of adjusted metered load in 2024 and 2023, respectively. It is structured to provide funding for ERCOT's core operations and related services.

Securitization charges fees – As described in Note 1 Organization and Operations, TEMSFM is established to finance the default balance under The Sub M Order through Texas Market Stabilization M bonds, Series 2021, and performs other activities relating thereto or otherwise authorized by The Sub M Order. TEMSFM has the rights to impose, collect, and receive default charges along with the other rights arising under The Sub M Order. As the issuer of Texas Market Stabilization M bonds, Series 2021, TEMSFM has the performance obligations to maintain and service the bonds. Ongoing expenses associated with the performance obligations are recovered through securitization charges fees revenue. Wholesale market participants, except those expressly exempted by PURA, are billed and payments are collected monthly on a pro rata basis in amounts sufficient to ensure the recovery of default charges receivable and ongoing expenses. Revenue is recognized over time when related services are provided, and related expenses are incurred.

As described in Note 1 Organization and Operations, TEMSFN is approved to finance the uplift balance under The Sub N Order through Texas Market Stabilization N Bonds, Series 2022 and performs other activities relating thereto or otherwise authorized by The Sub N Order. TEMSFN has the rights to impose, collect, and receive uplift charges along with the other rights arising under The Sub N Order. As the issuer of Texas Market Stabilization N Bonds, Series 2022, TEMSFN has the performance obligations to maintain and service the bonds. Ongoing expenses associated with the performance obligations are recovered through securitization charges fees revenue. Responsible QSEs representing obligated LSEs within the ERCOT wholesale market are billed daily on a load ratio share basis in an amount sufficient to ensure the recovery of uplift charges receivable and ongoing expenses. Each securitization invoice payment is due by 5:00pm on the second bank business day after the invoice date. Revenue is recognized over time when related services are provided and related expenses are incurred.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

Other services - ERCOT offers or is required to provide its participants other services, including connectivity to ERCOT's grid studies, weatherization inspection, wide-area network usage (WAN), training for market participants, membership, and other miscellaneous services.

- 1) *Connectivity to ERCOT's grid studies* – Entities who propose new or updated generation resources to connect into the ERCOT grid are required to submit Generator Interconnection or Modification Request (GIM) to ERCOT. ERCOT coordinates studies on the request with relevant Transmission Service Providers and the entity. GIM fees are paid together with the requests and are deferred in the consolidated statements of financial position, and are recognized as revenue over time when services are provided.
- 2) *Weatherization Inspection* – Pursuant to Senate Bill 3 (SB3) and PUC Substantive Rule 25.55, Weather Emergency Preparedness, ERCOT is required to perform new weatherization tasks, including conducting inspections of generation resources and transmission facilities. Costs relating to the SB3 weatherization inspections for 2024 and 2023 are recovered by weatherization inspection fees revenue which is recognized when inspection services are provided.
- 3) *WAN* – ERCOT provides, in accordance with its reasonable discretion and control, the design, engineering, procurement, and installation of the equipment and facilities necessary to interconnect market participants' data transfer systems to ERCOT's data network and facilities for the sole purpose of transferring data between ERCOT and market participants. Revenue is recognized when services are provided over time. ERCOT bills market participants monthly based on actual costs incurred by ERCOT that are the responsibility of market participants. Payment term is net 30 days.
- 4) *Training for market participants* – ERCOT offers Operator Training and Black Start Training to market participants. Training fees are received during training registration and are recognized as revenue when trainings are completed.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

- 5) *Membership* – Applicants pay annual membership dues to apply for ERCOT membership. Membership dues are deferred, and revenue is recognized over the membership period.
- 6) *Other miscellaneous services* – ERCOT provides other miscellaneous services such as studies of operational issues, development of certain revisions to market rules and associated changes to IT systems. Revenue related to these services is recognized as the services are performed over time.

Reliability organization pass-through – The North American Electric Reliability Corporation (NERC) invoices ERCOT for reliability functions performed by NERC and its delegated Texas Reliability Entity, Inc. In turn, ERCOT collects payment from market participants for this Electric Reliability Organization (ERO) billing. The ERO billing is based on actual NERC funding, and ERCOT collects this payment and remits it to NERC on a quarterly basis. ERO billing amount was \$27,689 and \$24,799 in 2024 and 2023, respectively. No revenue is recognized as there is no consideration to earn during this ERO billing pass-through.

B. Disaggregation of Revenue

The following table illustrates the disaggregation disclosure by service types and timing of revenue recognition.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

<u>Service Types</u>	<u>Services</u> <u>transferred over</u> <u>time</u>	<u>Services</u> <u>transferred</u> <u>at a point in time</u>	<u>2024 Total</u>
System administration	\$ 291,756	\$ -	\$ 291,756
Securitization Charges fees	110,947	-	110,947
Connectivity to ERCOT's grid studies	6,757	-	6,757
Weatherization inspection	-	5,237	5,237
WAN	3,724	-	3,724
Training for market participants	-	682	682
Membership	328	-	328
Other miscellaneous services	641	-	641
Total	<u>\$ 414,153</u>	<u>\$ 5,919</u>	<u>\$ 420,072</u>

<u>Service Types</u>	<u>Services</u> <u>transferred over</u> <u>time</u>	<u>Services</u> <u>transferred</u> <u>at a point in time</u>	<u>2023 Total</u>
System administration	\$ 247,479	\$ -	\$ 247,479
Securitization Charges fees	114,542	-	114,542
Weatherization inspection	-	4,633	4,633
Connectivity to ERCOT's grid studies	4,558	-	4,558
WAN	2,470	-	2,470
Training for market participants	-	473	473
Membership	299	-	299
Other miscellaneous services	412	-	412
Total	<u>\$ 369,760</u>	<u>\$ 5,106</u>	<u>\$ 374,866</u>

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

C. Contract Balances

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers at December 31.

	2024	2023
Receivables-current	\$ 58,113	\$ 58,593
Receivables-non-current	2,336,737	2,388,483
Contract assets	6,034	6,840
Contract liabilities	15,812	11,532

Receivables-current on December 31, 2024 include accounts receivable and securitization charges receivable, current. Receivables-current on December 31, 2023 include accounts receivable but exclude \$900 receivable from insurance recovery, and securitization charges receivable, current.

Receivables-non-current are comprised solely of securitization charges receivable, non-current, and are represented that way on the consolidated statements of financial position.

Contract assets relate to the Company's rights to consideration for services provided but not billed for system administration and weatherization inspection. The contract assets are transferred to the receivables when invoices are billed.

Non-contract related receivables on the consolidated statements of financial position include \$17,042 interest receivable on December 31, 2024; and \$17,548 interest receivable and \$900 receivable from insurance recovery on December 31, 2023.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

Contract liabilities relate to advance consideration received from customers for various services to be provided, including connectivity to ERCOT's grid studies, membership, and advances of proceeds from securitization bonds to support upgrades to ERCOT's billing systems necessary to support ERCOT's requirements as servicer of TEMSFM and TEMSFN. As of December 31, 2024 and 2023, the balances are \$12,049 and \$9,002, respectively, and reported in deferred revenue on the consolidated statements of financial position.

Contract liabilities also include advances of securitization charges to cover the interest expenses and ongoing expenses of Texas Market Stabilization M Bonds, Series 2021, and Texas Market Stabilization N Bonds, Series 2022. As of December 31, 2024 and 2023, the balances are \$3,763 and \$2,530, respectively, and reported in accrued liabilities on the consolidated statements of financial position.

Revenues are recognized when performance obligations are satisfied.

D. Significant Judgements

The Company recognizes revenues from system administration, securitization charges fees, WAN, connectivity to ERCOT's grid studies, membership, and other miscellaneous services over time, as the Company determines that customers simultaneously receive and consume the benefits provided by the Company's performances. Revenue from system administration is recognized over time using output method which is based on actual load volume consumption. Revenues from securitization charges fees, WAN, and other miscellaneous services are recognized over time using cost-based input method, which is based on actual incurred costs of the services provided by the Company. Revenues from connectivity to ERCOT's grid studies and membership are recognized over time on a straight-line basis, as the Company determines that customers benefit from connectivity to ERCOT's grid studies and membership services throughout the service contract period, and the best measure of progress toward complete satisfaction of the performance obligation over time is a time-based straight-line measure.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

The Company recognizes revenues from weatherization inspection and training from market participants at a point of time. The Company determines that customers receive the benefits from the services when the Company's performance obligations are satisfied, which are when weatherization inspection is completed, and training to market participants is provided.

The Company has no significant continuing obligation, and collection is reasonably assured. The Company does not maintain credit losses accounts as it does not believe it has a material risk of loss associated with lack of collection.

Investments

Investments consist of US Treasury bonds and bills, and are recorded at fair value on the consolidated statements of financial position. Net investment return is reported in the statements of activities and changes in net assets, and consists of interest and unrealized capital gains and losses, less external investment expenses.

Investments are made by investment advisors whose performance is monitored by ERCOT's Investment Officers. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that the investment policies and guidelines are prudent for the long-term welfare of ERCOT.

Prepaid Expenses and Other Current Assets

Prepaid expenses consist of amounts paid in advance for items that had not yet occurred as of the end of fiscal year. Prepaid expenses are amortized in the periods when items occur. Other current assets primarily include the non-vested portion of former employees' 401K accounts.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Prepaid Expenses and Other Current Assets (continued)

The balances at December 31 are as following:

	2024	2023
Prepaid expenses	\$ 43,047	\$ 41,701
Other current assets	133	100
Total prepaid expenses and other current assets	<u>\$ 43,180</u>	<u>\$ 41,801</u>

Property and Equipment

Property and equipment consist primarily of computer equipment, software, and buildings for operations, and are recorded at cost. Depreciation is computed on the straight-line method over the estimated life of the asset. The cost of betterments to, or replacement of, property and equipment is capitalized. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in non-operating income (expense) in the consolidated statements of activities and changes in net assets for the period. There is no gain or loss in 2024 and 2023, related to property and equipment. Repairs and maintenance costs are expensed when incurred.

ERCOT's depreciable lives (in years) for property and equipment are as follows:

Asset Category	Depreciable Life
Computer hardware	3
Software	5
Vehicles	5
Furniture and equipment	7
Mechanical building components	10
Buildings and improvements	Up to 30
Finance lease right-of-use assets	30
Leasehold improvements	Lesser of useful life or respective lease term

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Systems Under Development

ERCOT continues to develop the information systems and grid operating systems that are being used in its operations. Direct costs and related indirect and interest costs incurred to develop or obtain these systems during the application development stage are capitalized. Such costs are expensed when incurred during the preliminary project stage. Internal costs and contract expenditures not related directly to the development of systems, and related testing activities, are expensed as incurred. Costs from completed projects are transferred to property and equipment when the systems are placed in service.

Impairment

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment exists, it is measured as the difference between the net book value of the asset and its estimated fair value. Impairment is computed by comparing the expected future cash flows, undiscounted and before interest, to the carrying value of the asset.

There is no impairment loss in 2024 and 2023, respectively.

Interest Capitalization

Interest is capitalized in connection with the construction of major software systems, buildings, and improvements. The capitalized interest is recorded as part of the asset to which it relates and is amortized or depreciated over the asset's estimated useful life. During 2024 and 2023, capitalized interest costs were \$610 and \$664, respectively.

Market Settlement Liabilities

Market settlement liabilities primarily represent two types of funds held on behalf of the ERCOT market: congestion management funds and payments of settlement obligations. Market participant settlement obligations amounts are collected and redistributed by ERCOT in the normal course of managing the settlement of ERCOT's markets. Such settlement obligations are generally held before distribution to the market in accordance with timetables set forth in ERCOT Nodal Protocols.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Market Settlement Liabilities (continued)

ERCOT manages a congestion revenue rights (CRR) program that includes monthly auctions and auctions for longer than one month. ERCOT collects and holds the proceeds from the auctions until the proceeds are distributed according to provisions of the ERCOT Nodal Protocols. ERCOT's Financial Corporate Standard, adopted by the Board of Directors, includes a provision that a certain portion of the funds held as a result of CRR auctions may be used to fund ERCOT working capital and capital expenditure needs within certain guidelines.

ERCOT acts as the central counter-party for transactions in the ERCOT wholesale market between buyers and sellers, and ERCOT must maintain revenue neutrality in serving this market function. Because ERCOT acts only as the clearinghouse through which funds are exchanged between buyers and sellers in the ERCOT wholesale market, when an ERCOT market participant with a payment obligation "short pays" an invoice, the result is that ERCOT market participants that are due payments from those "short paid" invoices cannot be paid in full. ERCOT is a non-recourse entity for settlement of market participant "short payments" – meaning ERCOT does not take on the financial obligation. Per ERCOT Nodal Protocol Section 9.19.1(1), the "Default Uplift Invoice" process must be used by ERCOT to collect outstanding "short pay amounts for all Settlement Invoices in a month," in order to fully pay the ERCOT market participants that are due payments but have been "short paid." By Protocol, ERCOT's fees are paid from market receipts as a first priority before any market obligations are paid, and ERCOT bears no liability from market participant "short payments."

Market settlement liabilities consist of the following at December 31:

	2024	2023
Short-term CRR auction funds	\$ 1,410,591	\$ 1,347,366
Settlement obligations	98,630	58,322
Total current market settlement liabilities	1,509,221	1,405,688
Long-term CRR auction funds	758,474	818,633
Total market settlement liabilities	<u>\$ 2,267,695</u>	<u>\$ 2,224,321</u>

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Security Deposits and Reserves

Market participants not meeting certain creditworthiness standards referenced in ERCOT Nodal Protocols must maintain a means of security with the Company in order to mitigate market credit risk. Market participants have discretion in the means of security, such as corporate guaranties, letters of credit, surety bonds, or cash security deposits provided the market participants remain in compliance with ERCOT Nodal Protocols. The Company is required to remit interest earned on security deposits to market participants.

In addition, a portion of the proceeds from \$800,000 Texas Market Stabilization M Bonds, Series 2021 issuance were reserved for debt service and supplemental capital that is pledged as collateral for the payment of the Texas Market Stabilization M Bonds, Series 2021.

Cash security deposits and debt reserves are classified as restricted cash and cash equivalents on the consolidated statements of financial position. See Note 2 Restricted Cash and Cash Equivalents. The balance of cash security deposits and reserves is \$2,252,906 and \$1,551,831 at December 31, 2024 and 2023, respectively.

Accrued Liabilities

Accrued liabilities are expenses that the Company has incurred but hasn't yet been billed for. As of December 31, the accrued liabilities consist of the amounts shown in the table below:

	2024	2023
Debt interest payable	\$ 46,037	\$ 46,924
Salaries, benefits and payroll taxes	28,411	21,640
Accrued fees liabilities	23,300	18,548
Advance receipts	3,763	2,529
	<u>\$ 101,511</u>	<u>\$ 89,641</u>

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

2. Summary of Significant Accounting Policies (continued)

Income Taxes

ERCOT is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(4), and TEMSFM and TEMSFN are classified as disregarded entities for tax purposes. ERCOT is also exempt from state income taxes. Accordingly, no provision for income taxes or uncertain tax positions has been reflected in the consolidated financial statements.

Debt Issuance Costs

The Company capitalizes issuance costs related to debt. The amounts are presented as a direct deduction from the debt liability, and amortized over the life of the debt.

Accounting for the Effects of Regulation

The Company is subject to the provisions of the FASB in accounting for the effects of rate regulation. These provisions require regulated entities, in appropriate circumstances, to establish regulatory assets and/or liabilities, and thereby defer the statements of activities and changes in net assets impact of certain revenues and charges because it is probable they will be recovered or repaid in future periods. The Company does not have any regulatory assets or liabilities as of December 31, 2024 and 2023.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	2024	2023
Cash, cash equivalents, and restricted cash, cash equivalents, net of security deposits and reserves	\$ 762,341	\$ 622,059
Securitization charges receivable, current	52,572	53,850
Accounts receivable	5,541	5,643
Unbilled revenue	6,034	6,840
Interest receivable, net	9,932	11,040
Short-term investments	1,212,062	1,177,383
Total	<u>\$ 2,048,482</u>	<u>\$ 1,876,815</u>

The balance of interest receivable on the consolidated statement of financial position as of December 31, 2024 and 2023 is \$17,042 and \$17,548, respectively, which includes \$7,110 and \$6,508 interest receivable from security deposits investment that the Company is required to remit to the market participants. This portion is not included in the financial assets available for general expenditures.

As part of the Company's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, ERCOT invests cash in excess of daily requirements in short-term investments and money market funds. To help manage unanticipated liquidity needs, ERCOT has committed a line of credit in the amount of \$125,000, which it could draw upon (see Note 6 Debt Payable).

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

4. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in pricing the asset or liability. The use of observable inputs is maximized where available and the use of unobservable inputs is minimized for fair value measurement. In a three-tier fair value hierarchy, which prioritizes inputs to valuation techniques used for fair value measurement, the following levels were established for each input:

- Level 1 valuations use quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 valuations use inputs, other than those included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 valuations use unobservable inputs for the asset or liability. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The input may reflect the assumptions of the reporting entity of what a market participant would use in pricing an asset or liability.

In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2024 and 2023

4. Fair Value Measurement (continued)

The following tables set forth by level within the fair value hierarchy the Company's financial assets. The fair value on a recurring basis as of December 31 is as follows:

		2024			
		Total	Level 1	Level 2	Level 3
Assets					
Money Market Mutual Funds					
Cash equivalents	\$	677,093	\$ 677,093	\$ -	\$ -
Restricted Cash equivalents		2,333,869	2,333,869	-	-
US Treasury Bonds and Bills					
Short-term investments		1,212,062	1,212,062	-	-
Long-term investments		542,902	542,902	-	-
Total assets at fair value	\$	4,765,926	\$ 4,765,926	\$ -	\$ -

		2023			
		Total	Level 1	Level 2	Level 3
Assets					
Money Market Mutual Funds					
Cash equivalents	\$	533,868	\$ 533,868	\$ -	\$ -
Restricted Cash equivalents		1,582,939	1,582,939	-	-
US Treasury Bonds and Bills					
Short-term investments		1,177,383	1,177,383	-	-
Long-term investments		585,099	585,099	-	-
Total assets at fair value	\$	3,879,289	\$ 3,879,289	\$ -	\$ -

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

5. Property and Equipment

Property and equipment consist of the following at December 31:

	2024	2023
Depreciable:		
Software	\$ 814,464	\$ 781,435
Building and improvements	114,027	111,359
Computer hardware and equipment	139,150	108,220
Furniture and fixtures	39,219	39,207
Vehicles	286	286
Non-depreciable:		
Land	2,242	2,242
Construction in progress	44	-
	1,109,432	1,042,749
Accumulated depreciation	(945,225)	(906,143)
Total property and equipment, net	164,207	136,606
Systems under development	30,700	47,635
Total	\$ 194,907	\$ 184,241

6. Debt Payable

The Company's consolidated debt payable consists of the following:

	2024	2023
3.00% Senior Notes	\$ 31,000	\$ 35,000
Texas Market Stabilization M Bonds, Series 2021	388,522	398,782
Texas Market Stabilization N Bonds, Series 2022	2,037,436	2,080,168
Total	\$ 2,456,958	\$ 2,513,950

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
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6. Debt Payable (continued)

Revolving Line of Credit

ERCOT has one revolving line of credit with JPMorgan Chase Bank that was entered into in June 2012, and amended in subsequent years when it expired. This facility is primarily used for short-term working capital needs, has a maximum amount of available credit of \$100,000 before the amendment on December 31, 2024. After the amendment, the line of credit has an addition of an accordion feature which allows ERCOT to increase the line of credit up to \$125,000. As of December 31, 2024 and 2023, there was no debt outstanding under this line of credit.

The interest rate on this facility is based on the Secured Overnight Financing Rate (SOFR), or other rate as described in the debt agreements. The contractual rate of interest on the revolving line of credit's outstanding balance was 5.48% and 5.44% at December 31, 2024 and 2023, respectively. Additionally, at December 31, 2024, ERCOT pays a commitment fee of 0.15% on the unused portion of the \$100,000 revolving credit facility. ERCOT incurred commitment fees totaling \$152 in both 2024 and 2023, in connection with its debt facilities. The revolving line of credit has several debt covenants, the most restrictive of which limits ERCOT's indebtedness. At December 31, 2024 and 2023, the revolving line of credit had unamortized debt issuance costs of \$8 and \$4, respectively.

3.00% Senior Notes

On October 31, 2012, ERCOT issued \$80,000 in senior notes through a private placement. These notes bear interest at 3.00% and are due in equal quarterly principal payments beginning in December 2012 through September 2032. The private placement has several covenants, the most restrictive of which limits ERCOT's indebtedness. At December 31, 2024 and 2023, there were \$31,000 and \$35,000 outstanding senior notes, respectively and, \$104 and \$117 of unamortized debt issuance costs, respectively.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

6. Debt Payable (continued)

Texas Market Stabilization M Bonds, Series 2021

On November 12, 2021, TEMSFM issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021, pursuant to The Sub M Order (see Note 1 Organization and Operations). The bonds were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts. The bonds proceeds were allocated to first pay upfront costs, then to pay amounts owed to ERCOT by competitive wholesale market participants, and finally to use the rest to replenish CRR auction funds temporarily used by ERCOT to reduce the short payments to wholesale market participants due to Winter Storm Uri. The bonds are payable out of default charges to all wholesale market participants except those expressly exempted by PURA. The bonds have target scheduled final maturities of approximately 28 years and legal final maturities not exceeding 30 years from the date of issuance. The interest rate is calculated by using the rate determined by the Municipal Market Data Municipal Electric Index, as published by Refinitiv TM3, based on the credit rating of ERCOT, plus 2.5%. The interest rate is fixed at 2.97% for the first 3 years, after January 31, 2025 the interest rate will be reset to 6.07% based on the aforementioned calculation. Payments of the bonds are semi-annual, beginning August 1, 2022. On December 31, 2024 and 2023, the unamortized debt issuance costs were \$1,881 and \$1,958, respectively.

On December 29, 2022, TEMSFM notified the trustee of its election to redeem on February 1, 2023 \$382,288 of the Texas Market Stabilization M Bonds, Series 2021 at a redemption price equal to the principal amount thereof plus interest accrued to the redemption Date.

PUCT Order No. 6 addressing ERCOT's January 12, 2023, Supplemental True-Up Filing approved ERCOT's Application for Early Optional Redemption of \$382,288 of the Texas Market Stabilization M Bonds, conditionally approved the issuance of the Replacement Revenue Requirement Amortization Schedule and Default Charge Schedule entered on January 23, 2023 under Docket No. 52709.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
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*As of and for the Years Ended
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6. Debt Payable (continued)

Texas Market Stabilization M Bonds, Series 2021 (continued)

On February 1, 2023, TEMSFM made an early optional redemption of \$382,288 of Texas Market Stabilization M Bonds, Series 2021. The early redemption amount was funded by \$374,764 from the first settlement payment from Brazos under its bankruptcy exit plan, and \$7,524 recovered from market participants whose unpaid obligations were included in the Texas Market Stabilization M Bonds.

The following future maturities table was based on the reset rate of 6.07%, and the new amortization schedule after January 31, 2025.

The Company has been working on refinancing the Texas Market Stabilization M Bonds, Series 2021, and expects to complete the refinancing in late 2025. The Company has incurred \$654 and \$160 debt issuance cost related to the refinancing at December 31, 2024 and 2023, respectively.

Under PURA § 39.603(i), the Texas Market Stabilization M Bonds, Series 2021 authorized to be issued under The Sub M Order are a nonrecourse debt secured solely by the default charges created by The Sub M Order and explicitly assessed to repay the Texas Market Stabilization M Bonds, Series 2021 (including the default property as well as earnings from the investment and reinvestment of default charges). The Texas Market Stabilization M Bonds, Series 2021 authorized to be issued under The Sub M Order and PURA § 39.603 do not create a personal liability for ERCOT.

Texas Market Stabilization N Bonds, Series 2022

On June 15, 2022, TEMSFN issued \$2,115,700 of Texas Market Stabilization N Bonds, Series 2022, tranches A-1, A-2, A-3 and A-4, pursuant to The Sub N Order (see Note 1 Organization and Operations). The bonds proceeds were allocated to first pay upfront costs, before payout to finance the ERCOT wholesale market.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2024 and 2023

6. Debt Payable (continued)

Texas Market Stabilization N Bonds, Series 2022 (continued)

The bonds have target scheduled final payment dates ranging from approximately 12 years to 28 years and final maturities not exceeding 30 years from the date of issuance. Payments of the bonds are semi-annual, beginning February 1, 2023. On December 31, 2024 and 2023, the unamortized debt issuance costs were \$11,657 and \$12,397, respectively, and unamortized bond discounts were \$140 and \$147, respectively.

As of December 31, 2024, the bonds comprise each tranche as following:

Tranche	Principal Amount Offered	Scheduled Final Payment Date	Final Maturity Date	Interest Rate	Outstanding Principal	Unamortized Bond Discount	Unamortized Debt Issuance Cost
A-1	\$ 600,000	8/1/2034	8/1/2036	4.265%	\$ 521,736	\$ 7	\$ 3,034
A-2	600,000	2/1/2042	2/1/2044	4.966%	600,000	50	3,342
A-3	457,900	8/1/2046	8/1/2048	5.057%	457,900	40	2,621
A-4	457,800	2/1/2050	2/1/2052	5.167%	457,800	43	2,660
Total	\$ 2,115,700				\$ 2,037,436	\$ 140	\$ 11,657

Under PURA § 39.653(h), the Texas Market Stabilization N Bonds, Series 2022 authorized to be issued under The Sub N Order are a nonrecourse debt secured solely by the uplift charges created by The Sub N Order and explicitly assessed to repay the Texas Market Stabilization N Bonds, Series 2022 (including the uplift property as well as earnings from the investment and reinvestment of uplift charges). The Texas Market Stabilization N Bonds, Series 2022 authorized to be issued under The Sub N Order and PURA § 39.653 do not create a personal liability for ERCOT.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

6. Debt Payable (continued)

Future Maturities

Future maturities of the debt payable are as follows:

Year Ending December 31:	3.00% Senior Notes	Texas Market Stabilization M Bonds, Series 2021	Texas Market Stabilization N Bonds, Series 2022	Total
2025	\$ 4,000	\$ 8,705	\$ 44,504	\$ 57,209
2026	4,000	7,240	46,348	57,588
2027	4,000	7,686	48,269	59,955
2028	4,000	8,159	50,269	62,428
2029	4,000	8,662	52,352	65,014
Thereafter through 2050	11,000	348,070	1,795,694	2,154,764
	<u>\$ 31,000</u>	<u>\$ 388,522</u>	<u>\$ 2,037,436</u>	<u>\$ 2,456,958</u>

7. Expenses by Nature and Function

The consolidated financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Depreciation is allocated based on ratio of each function's operating expenses to the total operating expenses. Interest expense is allocated based on project efforts. Other expenses are recorded in the cost centers where the expenses are incurred, and reported in the functions that the cost centers belong to.

The tables below present expenses by both their nature and function for years ended December 31, 2024 and 2023, respectively.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2024 and 2023

7. Expenses by Nature and Function (continued)

	2024		
	Program Services	Management and General	Total
Salaries and related benefits	\$ 155,033	\$ 54,143	\$ 209,176
Hardware and software maintenance and licensing	40,834	2,770	43,604
Outside services	17,723	9,354	27,077
Facility and equipment costs	4,578	4,953	9,531
Depreciation and amortization	31,670	11,923	43,593
Other	4,434	7,809	12,243
Subtotal expenses by function	254,272	90,952	345,224
Less capitalized labor expense included on the consolidated statement of financial position	(14,498)	(681)	(15,179)
Total operating expenses included on the consolidated statement of activities	\$ 239,774	\$ 90,271	\$ 330,045
Interest expense	\$ 112,546	\$ 1,324	\$ 113,870
Less capitalized interest expense included on the consolidated statement of financial position	(610)	-	(610)
Total interest expense included on the consolidated statement of activities	\$ 111,936	\$ 1,324	\$ 113,260
Total operating and interest expenses included on the consolidated statement of activities	\$ 351,710	\$ 91,595	\$ 443,305

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2024 and 2023

7. Expenses by Nature and Function (continued)

	2023		
	Program Services	Management and General	Total
Salaries and related benefits	\$ 141,122	\$ 40,155	\$ 181,277
Hardware and software maintenance and licensing	38,567	1,235	39,802
Outside services	14,356	5,900	20,256
Facility and equipment costs	3,726	5,817	9,543
Depreciation and amortization	26,102	8,589	34,691
Other	4,165	9,399	13,564
Subtotal expenses by function	228,038	71,095	299,133
Less capitalized labor expense included on the consolidated statement of financial position	(12,538)	(374)	(12,912)
Total operating expenses included on the consolidated statement of activities	\$ 215,500	\$ 70,721	\$ 286,221
Interest expense	\$ 115,637	\$ 1,205	\$ 116,842
Less capitalized interest expense included on the consolidated statement of financial position	(664)	-	(664)
Total interest expense included on the consolidated statement of activities	\$ 114,973	\$ 1,205	\$ 116,178
Total operating and interest expenses included on the consolidated statement of activities	\$ 330,473	\$ 71,926	\$ 402,399

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

8. Employee Benefit Plans

Defined Contribution Plan

ERCOT sponsors the ERCOT Defined Contribution 401(k) Savings Plan (the 401(k) Plan), which is subject to the provisions of the Employee Retirement Income Security Act of 1974. The 401(k) Plan utilizes a third-party administrator. Employees must be 21 years of age to be eligible to participate.

ERCOT matches 75% of the employee's contribution up to 6% of eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the ERCOT match of 75% after five years. In addition, ERCOT contributes 10% of a participant's eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the ERCOT contributions of 10% after three years. Employer contributions to the 401(k) Plan are summarized in the table below:

	2024	2023
10% of the employee's compensation	\$ 14,162	\$ 13,426
75% of the employee's contribution up to 6%	5,885	5,609
Total employer contributions	<u>\$ 20,047</u>	<u>\$ 19,035</u>

Health Insurance Reserve

ERCOT provides a self-insured group health plan to its employees and pays for all health claims. Incurred-but-not-reported claims liability is accrued. On December 31, 2024 and 2023, the liability is \$871 and \$991, respectively.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

9. Leases

ERCOT has non-cancelable operating leases for office and telecommunication equipment. The terms of ERCOT's leases require monthly payments and expire in varying dates ranging from 2025 through 2035. All of the operating leases are fixed lease payments. ERCOT elected the practical expedient not to separate lease and non-lease components for the office facilities and office equipment leases. Most leases include options to renew, with renewal terms that can extend the lease term from 2 to 5 years. The exercise of lease renewal options is at ERCOT's sole discretion. The amounts of the right-of-use assets and lease liabilities are mostly measured based on current expectations of not exercising the available renewal options. The existing leases are not subject to any restrictions or covenants which preclude ERCOT's ability to obtain financing or enter into additional leases.

ERCOT has an accounting policy for short-term leases, of which lease payments are recorded as an expense on a straight-line basis over the lease term.

Because the rate implicit in the leases was not readily determinable, ERCOT used a risk-free discount rate for all operating and finance leases.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2024 and 2023

9. Leases (continued)

Lease costs and related information as December 31 are as follows:

	2024	2023
Lease cost		
Operating lease cost	\$ 352	\$ 324
Short-term lease cost	5	34
Total lease cost	<u>\$ 357</u>	<u>\$ 358</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities	\$ 235	\$ 211
Operating cash flows from operating leases	\$ 235	\$ 211
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 196	\$ 271
Weighted-average remaining lease term-operating leases	4.9 years	5.9 years
Weighted-average discount rate-operating leases	2.96%	2.46%

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

9. Leases (continued)

Amounts recognized as right-of-use assets related to operating leases are reported in right-of-use assets, while related lease liabilities are included in accrued liabilities and other long-term liabilities.

As of December 31, right-of-use assets and lease liabilities related to operating leases were as follows:

	2024	2023
Right-of-use assets	\$ 840	\$ 915
Total operating lease right-of-use assets	<u>\$ 840</u>	<u>\$ 915</u>
Accrued liabilities	\$ 194	\$ 175
Other long-term liabilities	479	508
Total operating lease liabilities	<u>\$ 673</u>	<u>\$ 683</u>

The following table presents the future undiscounted maturities of operating leases at December 31, 2024 and for each of the next five years and thereafter:

2025	\$ 212
2026	176
2027	145
2028	36
2029	36
Thereafter	117
Total lease payments	<u>\$ 722</u>
Less imputed interest	(49)
Lease liabilities recognized	<u>\$ 673</u>

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

10. Concentrations

ERCOT provides reliability and market services to market participants. ERCOT settles the costs of these services by passing through the costs of such services from the providers to the users of such services. In the event that a market participant is unable to make payment on its market obligations, ERCOT Nodal Protocols stipulate that the amount of the default is to be allocated to other market participants based on their market activity and define the allocation mechanism. In order to limit the risks associated with such occurrences, ERCOT requires a cash security deposit, letter of credit, corporate guaranty, or surety bond from market participants that do not meet certain credit standards. Credit risk related to trade receivables associated with ERCOT's fees is substantially mitigated by the fact that, by Protocol, ERCOT's fees are paid from market receipts as a first priority before any market obligations are paid.

ERCOT's fee revenue is driven by the demand for electricity rather than the number of market participants. In the event that any market participant representing load ceased to operate, another market participant representing load would assume the role in response to the demand for electricity. As such, ERCOT believes its exposure to a material reduction in revenues associated with the loss of any market participant is limited.

TEMSFM and TEMSFN securitization charges receivable and securitization charge fees revenue are decided by the amounts needed to cover the principal, interest, and other debt related expenses of the Texas Market Stabilization M Bonds, Series 2021, and Texas Market Stabilization N Bonds, Series 2022, respectively, rather than the number of market participants that are subject to Subchapter M and N. Under Subchapter M, wholesale market participants, except those expressly exempted by PURA, are billed and payments are collected monthly on a pro rata basis. Under Subchapter N, responsible QSEs representing obligated LSEs within the ERCOT wholesale market are billed daily on a load ratio share basis. The billing amounts are sufficient to ensure the recovery of securitization charges receivable and ongoing expenses. Cash security deposit or letter of credit from market participants that do not meet certain credit standards is required to mitigate the risk that a market participant is not able to make payment. TEMSFM and TEMSFN believe that they do not have a material concentration risk.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended
December 31, 2024 and 2023*

11. Contingencies

The Company is party to regulatory and legal proceedings that management considers to be normal actions to which an enterprise of its size and nature might be subject. Such proceedings are not anticipated to have a material impact on ERCOT's financial condition, results of operations, or cash flows.

As a result of Winter Storm Uri, ERCOT was named a party to numerous legal and regulatory proceedings. Specifically, ERCOT was named as a defendant in more than 200 personal injury and property damage lawsuits involving more than fifteen thousand plaintiffs and a class action, which were consolidated for adjudication in a multi-district litigation pre-trial court. ERCOT was also made a party to other lawsuits and administrative proceedings at the PUCT challenging energy pricing during the February 2021 extreme winter weather event. Subsequently, the Supreme Court of Texas issued several opinions holding that ERCOT is entitled to sovereign immunity, the PUCT has exclusive jurisdiction over claims asserted against ERCOT that arise from ERCOT's core functions, and the PUCT's extreme weather event pricing orders, which ERCOT followed, were indeed valid. Following these rulings, all but two active cases have been dismissed. ERCOT expects favorable outcomes in the remaining two cases and does not anticipate either case will have a material impact on ERCOT's financial condition, results of operations, or cash flows in the next twelve months or thereafter.

12. Subsequent Events

In March of 2025, ERCOT recovered a material reimbursement of defense costs related to Winter Storm Uri litigation.

Electric Reliability Council of Texas, Inc.
Supplementary Information
December 31, 2024 and 2023

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information

	December 31, 2024				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Assets					
Current assets:					
Cash and cash equivalents	\$ 674,176	\$ 4,083	\$ -	\$ -	\$ 678,259
Securitization charges receivable, current	-	7,307	45,265	-	52,572
Accounts receivable	5,541	-	-	-	5,541
Unbilled revenue	6,725	-	-	(691)	6,034
Interest receivable	16,647	133	262	-	17,042
Receivable from intercompany	1,008	-	1,125	(2,133)	-
Restricted cash and cash equivalents	2,227,473	33,638	75,877	-	2,336,988
Short-term investments	1,212,062	-	-	-	1,212,062
Prepaid expenses and other current assets	43,180	-	-	-	43,180
Total current assets	4,186,812	45,161	122,529	(2,824)	4,351,678
Long-term investments	557,481	-	-	(14,579)	542,902
Property and equipment, net	164,207	-	-	-	164,207
Systems under development	30,700	-	-	-	30,700
Securitization charges receivable, non-current	-	374,796	1,961,941	-	2,336,737
Right-of-use assets	840	-	-	-	840
Total assets	\$ 4,940,040	\$ 419,957	\$ 2,084,470	\$ (17,403)	\$ 7,427,064

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information (continued)

	December 31, 2024				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 5,831	\$ 4	\$ -	\$ -	\$ 5,835
Accrued liabilities	51,550	6,329	43,632	-	101,511
Payable to intercompany	1,125	954	745	(2,824)	-
Deferred revenue	12,049	-	-	-	12,049
Market settlement liabilities	1,509,221	-	-	-	1,509,221
Security deposits and reserves	2,226,348	22,683	3,875	-	2,252,906
Debt payable, current portion	4,000	8,705	44,504	-	57,209
Total current liabilities	3,810,124	38,675	92,756	(2,824)	3,938,731
Debt payable, less current portion:					
Principal	27,000	379,817	1,992,932	-	2,399,749
Less unamortized discount and debt issuance costs	111	2,535	11,797	-	14,443
Debt payable less current portion and unamortized discount and debt issuance costs	26,889	377,282	1,981,135	-	2,385,306
Long-term CRR liabilities	758,474	-	-	-	758,474
Other long-term liabilities	631	-	-	-	631
Total liabilities	4,596,118	415,957	2,073,891	(2,824)	7,083,142
Net assets without donor restrictions	343,922	4,000	10,579	(14,579)	343,922
Total liabilities and net assets	\$ 4,940,040	\$ 419,957	\$ 2,084,470	\$ (17,403)	\$ 7,427,064

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information (continued)

	December 31, 2023				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	(In Thousands)				
Assets					
Current assets:					
Cash and cash equivalents	\$ 535,678	\$ 4,088	\$ -	\$ -	\$ 539,766
Securitization charges receivable, current	-	10,387	43,463	-	53,850
Accounts receivable	5,643	-	-	-	5,643
Unbilled revenue	7,531	-	-	(691)	6,840
Interest receivable	17,080	146	322	-	17,548
Receivable from intercompany	550	-	722	(1,272)	-
Restricted cash and cash equivalents	1,528,009	30,731	75,384	-	1,634,124
Short-term investments	1,177,383	-	-	-	1,177,383
Prepaid expenses and other current assets	41,801	-	-	-	41,801
Total current assets	3,313,675	45,352	119,891	(1,963)	3,476,955
Long-term investments	599,678	-	-	(14,579)	585,099
Property and equipment, net	136,606	-	-	-	136,606
Systems under development	47,635	-	-	-	47,635
Securitization charges receivable, non-current	-	382,025	2,006,458	-	2,388,483
Right-of-use assets	915	-	-	-	915
Total assets	\$ 4,098,509	\$ 427,377	\$ 2,126,349	\$ (16,542)	\$ 6,635,693

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information (continued)

	December 31, 2023				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 10,628	\$ 4	\$ -	\$ -	\$ 10,632
Accrued liabilities	39,927	5,669	44,045	-	89,641
Payable to intercompany	722	472	769	(1,963)	-
Deferred revenue	9,002	-	-	-	9,002
Market settlement liabilities	1,405,688	-	-	-	1,405,688
Security deposits and reserves	1,527,931	20,568	3,332	-	1,551,831
Debt payable, current portion	4,000	10,260	42,733	-	56,993
Total current liabilities	2,997,898	36,973	90,879	(1,963)	3,123,787
Debt payable, less current portion:					
Principal	31,000	388,522	2,037,435	-	2,456,957
Less unamortized discount and debt issuance costs	121	2,118	12,544	-	14,783
Debt payable less current portion and unamortized discount and debt issuance costs	30,879	386,404	2,024,891	-	2,442,174
Long-term CRR liabilities	818,633	-	-	-	818,633
Other long-term liabilities	703	-	-	-	703
Total liabilities	3,848,113	423,377	2,115,770	(1,963)	6,385,297
Net assets without donor restrictions	250,396	4,000	10,579	(14,579)	250,396
Total liabilities and net assets	\$ 4,098,509	\$ 427,377	\$ 2,126,349	\$ (16,542)	\$ 6,635,693

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Activities and Changes in Net Assets Information

	December 31, 2024				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Operating revenues					
System administration fees	\$ 291,756	\$ -	\$ -	\$ -	\$ 291,756
Securitization charges fees	-	11,503	99,444	-	110,947
Other services revenue	19,027	-	-	(1,658)	17,369
Total operating revenues	310,783	11,503	99,444	(1,658)	420,072
Operating expenses					
Salaries and related benefits	193,997	-	-	-	193,997
Hardware and software maintenance and licensing	43,603	-	1	-	43,604
Outside services	27,191	413	1,131	(1,658)	27,077
Facility and equipment costs	9,531	-	-	-	9,531
Depreciation	43,593	-	-	-	43,593
Other	12,243	-	-	-	12,243
Total operating expenses	330,158	413	1,132	(1,658)	330,045
(Loss) income from operations	(19,375)	11,090	98,312	-	90,027
Other income (expense)					
Investment return, net	114,217	628	1,906	-	116,751
Interest expense and debt issuance cost amortization	(1,324)	(11,718)	(100,218)	-	(113,260)
Non-operating income	8	-	-	-	8
Change in net assets without donor restrictions	93,526	-	-	-	93,526
Net assets without donor restrictions, beginning of year	250,396	4,000	10,579	(14,579)	250,396
Net assets without donor restrictions, end of year	\$ 343,922	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 343,922

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Activities and Changes in Net Assets Information (continued)

	December 31, 2023				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Operating revenues					
System administration fees	\$ 247,479	\$ -	\$ -	\$ -	247,479
Securitization charges fees	-	13,195	101,347	-	114,542
Other services revenue	14,503	-	-	(1,658)	12,845
Total operating revenues	261,982	13,195	101,347	(1,658)	374,866
Operating expenses					
Salaries and related benefits	168,365	-	-	-	168,365
Hardware and software maintenance and licensing	39,801	-	1	-	39,802
Outside services	19,833	799	1,282	(1,658)	20,256
Facility and equipment costs	9,543	-	-	-	9,543
Depreciation	34,691	-	-	-	34,691
Other	13,561	2	1	-	13,564
Total operating expenses	285,794	801	1,284	(1,658)	286,221
(Loss) income from operations	(23,812)	12,394	100,063	-	88,645
Other income (expense)					
Investment return, net	120,193	583	1,933	-	122,709
Interest expense and debt issuance cost amortization	(1,205)	(12,977)	(101,996)	-	(116,178)
Non-operating income	118	-	-	-	118
Change in net assets without donor restrictions	95,294	-	-	-	95,294
Net assets without donor restrictions, beginning of year	155,102	4,000	10,579	(14,579)	155,102
Net assets without donor restrictions, end of year	\$ 250,396	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 250,396

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information

	December 31, 2024				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Operating activities:					
Change in net assets without donor restrictions	\$ 93,526	\$ -	\$ -	\$ -	93,526
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	43,593	-	-	-	43,593
Amortization of right-of-use assets	293	-	-	-	293
Amortization of discount & debt issuance costs	17	77	747	-	841
Amortization of bond investments discount	(57,806)	-	-	-	(57,806)
Unrealized loss on bond investments	5,344	-	-	-	5,344
Changes in operating assets and liabilities:					
Securitization charges receivable	-	10,309	42,312	403	53,024
Accounts receivable	102	-	-	-	102
Unbilled revenue	806	-	-	-	806
Interest receivable	1,044	-	39	26	1,109
Receivable from intercompany	(458)	-	-	458	-
Prepaid expenses and other assets	(1,379)	-	-	-	(1,379)
Other long-term liabilities	(72)	-	-	-	(72)
Accounts payable	(7,652)	-	-	-	(7,652)
Accrued liabilities	8,014	658	(411)	-	8,261
Payable to intercompany	403	3	(5)	(401)	-
Deferred revenue	3,047	-	-	-	3,047
Security deposits and reserves	698,417	2,115	543	-	701,075
Market settlement liabilities	103,533	-	-	-	103,533
Long-term CRR liabilities	(60,159)	-	-	-	(60,159)
Net cash provided by operating activities	830,613	13,162	43,225	486	887,486

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information (continued)

	ERCOT	TEMSFM	December 31, 2024		Eliminations	Consolidated
			TEMSFN			
			(In Thousands)			
Investing activities:						
Purchase of investments	(1,317,695)	-	-	-	-	(1,317,695)
Proceeds from investments	1,377,675	-	-	-	-	1,377,675
Capital expenditures for property and equipment and systems under development	(48,631)	-	-	-	-	(48,631)
Net cash provided by investing activities	11,349	-	-	-	-	11,349
Financing activities:						
Repayment of debt payable	(4,000)	(10,260)	(42,732)	-	-	(56,992)
Payment of debt issuance costs	-	-	-	(486)	-	(486)
Net cash (used in) financing activities	(4,000)	(10,260)	(42,732)	(486)	-	(57,478)
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	837,962	2,902	493	-	-	841,357
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,063,687	34,819	75,384	-	-	2,173,890
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	\$ 2,901,649	\$ 37,721	\$ 75,877	\$ -	\$ -	\$ 3,015,247

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information (continued)

	December 31, 2023				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Operating activities:					
Change in net assets without donor restrictions	\$ 95,294	\$ -	\$ -	\$ -	\$ 95,294
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	34,691	-	-	-	34,691
Amortization of right-of-use assets	274	-	-	-	274
Amortization of discount & debt issuance costs	17	76	747	-	840
Amortization of bond investment discount	(28,883)	-	-	-	(28,883)
Unrealized (gains) on bond investments	(10,701)	-	-	-	(10,701)
Changes in operating assets and liabilities:					
Securitization charges receivable	-	9,886	39,926	268	50,080
Accounts receivable	(18)	-	-	-	(18)
Unbilled revenue	(2,332)	-	1,843	(318)	(807)
Interest receivable	(3,896)	26	(54)	(19)	(3,943)
Receivable from intercompany	384	382,293	-	(382,677)	-
Prepaid expenses and other assets	(5,657)	2	-	-	(5,655)
Other long-term liabilities	(40)	-	-	-	(40)
Accounts payable	963	-	-	-	963
Accrued liabilities	13,474	(6,211)	(11,727)	-	(4,464)
Payable to intercompany	(382,025)	(116)	(44)	382,185	-
Deferred revenue	1,332	-	-	-	1,332
Security deposits and reserves	129,370	2,003	293	-	131,666
Market settlement liabilities	(97,982)	-	-	-	(97,982)
Long-term CRR liabilities	(26,953)	-	-	-	(26,953)
Net cash (used in) provided by operating activities	(282,688)	387,959	30,984	(561)	135,694

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information (continued)

	ERCOT	TEMSFM	December 31, 2023 TEMSFN (In Thousands)	Eliminations	Consolidated
Investing activities:					
Purchase of investments	(2,329,039)	-	-	-	(2,329,039)
Proceeds from investments	1,111,160	-	-	-	1,111,160
Capital expenditures for property and equipment and systems under development	(32,393)	-	-	-	(32,393)
Net cash (used in) investing activities	(1,250,272)	-	-	-	(1,250,272)
Financing activities:					
Repayment of debt payable	(4,000)	(396,974)	(35,532)	-	(436,506)
Payment of debt issuance costs	-	(213)	(508)	561	(160)
Net cash (used in) provided by financing activities	(4,000)	(397,187)	(36,040)	561	(436,666)
Net (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(1,536,960)	(9,228)	(5,056)	-	(1,551,244)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	3,600,647	44,047	80,440	-	3,725,134
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	\$ 2,063,687	\$ 34,819	\$ 75,384	\$ -	\$ 2,173,890

Attachment C2

A schedule comparing actual revenues and costs to budgeted revenues and costs for the report year, a schedule showing the variance between actual and budgeted revenues and costs, and a schedule showing the assets and liabilities (including level and types of debt).

Electric Reliability Council of Texas, Inc.
2024 Budget vs Actual
(\$ in Millions)

Line	Description	2024 Budget	2024 Actual	Variance
1	System Administration Revenue	\$ 292.9	\$ 291.8	\$ (1.2)
2	Department Net Expenditures			
3	Chief Information Office	147.9	141.1	6.8
4	Chief Operations Office	86.4	77.1	9.3
5	General Counsel	34.8	28.0	6.8
6	Chief Financial Office	28.4	22.3	6.1
7	Human Resources	12.5	8.6	3.9
8	Chief Executive Office	6.4	7.4	(1.0)
9	Project Funded Labor	(19.3)	(18.0)	(1.3)
10	Total Department Net Expenditures	297.1	266.4	30.7
11	Net Revenues After Department Expenditures	(4.2)	25.4	29.6
12				
13	Less: Project Expenditures	59.1	57.2	1.9
14	Less: Taylor Office Transformation	-	0.0	(0.0)
15	Less: Interest Expense	1.4	1.3	0.1
16	Add: Interest Income	49.8	114.2	64.5
17				
18	Net Available	\$ (15.0)	\$ 81.0	\$ 96.0

Note: Schedule may not foot due to rounding

Attachment C3

Annual Board-Approved Budget