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PROJECT NO. 55999

**REPORTS OF THE ELECTRIC
RELIABILITY COUNCIL OF TEXAS**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

ERCOT'S REPORT FOR THE FOURTH QUARTER OF 2023

Electric Reliability Council of Texas, Inc. (ERCOT) files its Report for the Fourth Quarter of 2023 pursuant to 16 Texas Administrative Code (TAC) § 25.362(i)(3). Attachments marked with an asterisk (*) contain information which is proprietary and confidential and shall be provided in accordance with Commission policy. The following documents comprise this report:

16 TAC Section	Description	Attachments
§25.362(i)(3)(A)	Any internal audit reports that were produced during the reporting quarter.	
	Approved 2023 Audit Plan updated December 31, 2023	A1*
	Audit Cover Letter: Audit of Personnel Risk Management Process	A2
	Audit Report: Audit of Personnel Risk Management Process	A3*
	Audit Cover Letter: Audit of IT Capacity Planning	A4
	Audit Report: Audit of IT Capacity Planning	A5*
	Audit Cover Letter: Audit of Compliance with Protocol Section 17.3 – Market Data Collection and Use	A6
	Audit Report: Audit of Compliance with Protocol Section 17.3 – Market Data Collection and Use	A7*
§§25.362(i)(3)(B) and 25.88	A report on performance measures, as prescribed by the commission.	See Project No. <u>54439-442</u>
§25.362(i)(3)(C)	By account item as established in the fee-filing package prescribed by the commission under §22.252 of this title (relating to Procedures for Approval of ERCOT Fees and Rates) a report of: (i) ERCOT fees and other rates, funds allocated, funds encumbered, and funds expended; (ii) An explanation for expenditures deviating from the original funding allocation for the particular account item; (iii) For the report covering the fourth quarter of ERCOT's fiscal year, a detailed explanation of how unexpended funds will be expended in the subsequent year.	B B1

Dated: February 14, 2023

Respectfully Submitted,

/s/ Katherine Gross

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ATTORNEYS FOR ELECTRIC
RELIABILITY COUNCIL OF TEXAS, INC.

ERCOT CONFIDENTIAL



TO: Mara Spak, Vice President – Human Resources
Jimmy Ramirez, Director – Supply Chain Management

FROM: Barbara Kremer, Senior Internal Auditor - Internal Audit Department

DATE: November 2, 2023

SUBJECT: Audit of Personnel Risk Management Process

Attached is Internal Audit's the final report from Audit of Personnel Risk Management Process.

The report rating for this audit is as follows:

	<i>Controlled</i>
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Additional details regarding this engagement are contained in the attached report.

CC:
Pablo Vegas
Monica Barchenger
Jeyant Tamby
Chad Seely
Sean Taylor
Chad Thompson
Penny Rychetsky
Jason Terrell
Shirley White
Board of Directors
Baker Tilly, LLP

Internal Audit Department

ERCOT CONFIDENTIAL



TO: Ajay Mannepalli, Director IT Architecture & Strategy
Jayapal Parakkuth, VP & Chief Information Officer

FROM: Michelle Myers, Lead IT Internal Auditor - Internal Audit Department

DATE: November 10, 2023

SUBJECT: IT Capacity Planning Audit

Attached is Internal Audit's final report from the IT Capacity Planning Audit.

The report rating for this audit is as follows:

	Significant Improvements Needed
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Additional details regarding this engagement are contained in the attached audit report.

cc:
Pablo Vegas
Jeyant Tamby
Chad Seely
Betty Day
Bryan Hanley
Penny Rychetsky
Chad Thompson
David Fryklund
Monica Barchenger
Finance and Audit Committee
Baker Tilly, LLP

Internal Audit Department

ERCOT CONFIDENTIAL



TO: John Messer, Director, Market Application Services

FROM: Kris Miller, Sr. IT Auditor – Internal Audit Department

DATE: November 10, 2023

SUBJECT: Audit of Compliance with Protocol Section 17.3 – Market Data Collection and Use

Attached is Internal Audit's the final report from Audit of Compliance with Protocol 17.3 – Market Data Collection and Use.

The report rating for this audit is as follows:

	<i>Minor Improvements Needed</i>
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Additional details regarding this engagement are contained in the attached report.

CC:
Pablo Vegas
Monica Barchenger
Jeyant Tamby
Chad Seely
Betty Day
Jayapal Parakkuth
Venkata Tirupati
Penny Rychetsky
Chad Thompson
Craig Sussman
Scott Bolling
Finance and Audit Committee
Baker Tilly, LLP

Internal Audit Department

Electric Reliability Council of Texas, Inc. 2023 Financial Summary As of February 8, 2024 (S in Millions)		Preliminary 2023 Year End				
Line		2022	2023			
		Actual	Budget	Actual	Variance	
				\$		%
1	System Administration Revenue	\$ 239.2	\$ 240.9	\$ 247.5	\$ 6.6	2.7
2	Department Net Expenditures					
3	Chief Information Office	91.8	96.7	104.8	(8.1)	(8.4)
4	Chief Operations Office	53.0	51.9	65.5	(13.6)	(26.2)
5	Chief Administrative Office	36.9	37.8	37.1	0.7	1.8
6	General Counsel	31.0	28.6	30.6	(2.0)	(6.9)
7	Public Affairs	7.0	8.4	8.1	0.3	3.4
8	Chief Executive Office	1.8	1.7	3.8	(2.1)	(123.4)
9	Project Funded Labor	(11.7)	(13.9)	(14.9)	1.0	7.1
10	Total Department Net Expenditures	209.7	211.1	234.9	(23.8)	(11.3)
11	Net Revenues After Department Expenditures	29.5	29.8	12.6	(17.2)	(57.7)
12						
13	Less: Project Expenditures	54.0	29.5	38.4	(8.9)	(30.2)
14	Less: Met Center Replacement	15.4	-	-	-	-
15	Less: Interest Expense	1.1	1.5	1.2	0.3	18.6
16	Add: Interest Income	25.0	0.0	120.2	120.2	>1,000.0
17						
18	Net Available	\$ (16.0)	\$ (1.1)	\$ 93.2	\$ 94.4	>1,000.0
Note: Schedule may not foot due to rounding						

Electric Reliability Council of Texas, Inc.
Project Expenditures Summary
(S in Millions)

Line	Project	Year-to-Date As of December 31, 2023		Life-to-Date As of December 31, 2023		Estimate-at-Completion (EAC) As of February 8, 2024			
		Preliminary Actual	% of All Included Projects	Preliminary Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
1	Data Center 5.0 (DC5) Program	\$ 12.1	32%	\$ 54.5	90%	\$ 60.5	31%	\$ 60.6	\$ 0.1
2	Market Design	1.4	4%	1.4	3%	51.2	26%	51.2	0.0
3	Energy Management System (EMS) Upgrade 2024	4.8	12%	17.5	91%	19.2	10%	19.2	0.0
4	Grid Geospatial (Grid Geo) Program	0.2	0%	8.1	93%	8.7	5%	8.6	(0.2)
5	Market Management System (MMS) Outage Scheduler (OS) Red Hat Enterprise Linux (RHEL) Migration	3.4	9%	3.4	74%	4.6	2%	4.6	0.0
6	Bulk Electrical System (BES) Active Directory Isolation	0.2	1%	2.9	100%	2.9	1%	2.9	(0.0)
7	Network Model Management System (NMMS) Tech Health	0.1	0%	2.6	100%	2.6	1%	2.6	(0.0)
8	ERCOT Contingency Reserve Service (ECRS)	1.4	4%	2.4	100%	2.4	1%	2.4	(0.0)
9	Treasury Management Risk Mitigation	1.9	5%	2.0	83%	2.4	1%	2.4	0.0
10	Texas Standard Electronic Transaction (Texas SET) 5.0	0.9	2%	1.1	56%	2.0	1%	2.0	0.0
11	Total Projects with EAC Budget Over \$2.0M	<u>26.3</u>	69%	<u>95.9</u>	61%	<u>156.6</u>	81%	<u>156.5</u>	(0.1)
12	Other Projects	12.1	31%	21.5	58%	36.9	19%	37.3	0.4
13	Total Project Expenditures	<u><u>\$ 38.4</u></u>	100%	<u><u>\$ 117.4</u></u>	61%	<u><u>\$ 193.5</u></u>	100%	<u><u>\$ 193.8</u></u>	<u><u>\$ 0.3</u></u>

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of December 31, 2023 and 2022**

(Dollars in Thousands)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 535,678	\$ 1,819,793
Accounts receivable	5,643	5,625
Unbilled revenue	7,531	5,199
Interest receivable	17,080	12,176
Receivable from intercompany	550	934
Restricted cash and cash equivalents	1,528,009	1,780,854
Short-term investments	1,177,383	505,019
Prepaid expenses and other current assets	41,801	36,144
Total current assets	3,313,675	4,165,744
Long-term investments	599,678	14,579
Property and equipment, net	136,606	126,686
Systems under development	47,635	53,865
Other long term assets	915	901
Total assets	\$ 4,098,509	\$ 4,361,775
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 10,628	\$ 7,929
Accrued liabilities	39,927	20,905
Payable to intercompany	722	382,747
Deferred revenue	9,002	7,670
Market settlement liabilities	1,405,688	1,503,670
Security deposits	1,527,931	1,398,561
Debt payable, current portion	4,000	4,000
Total current liabilities	2,997,898	3,325,482
Long-term liabilities:		
Debt payable, less current portion:		
Principal	31,000	35,000
Less unamortized debt issuance costs	121	138
Debt payable less current portion and unamortized debt issuance costs	30,879	34,862
Long-term CRR liabilities	818,633	845,586
Other long-term liabilities	703	743
Total long-term liabilities	850,215	881,191
Total liabilities	3,848,113	4,206,673
Net assets without donor restrictions	250,396	155,102
Total liabilities and net assets	\$ 4,098,509	\$ 4,361,775

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Activities and Net Assets****For the Twelve Months Ended December 31, 2023 and 2022**

(Dollars in Thousands)

	2023	2022
Operating revenues		
System administration fees	\$ 247,479	\$ 239,225
Other services revenue	14,503	8,569
Total operating revenues	261,982	247,794
Operating expenses		
Salaries and related benefits	168,365	133,128
Facility and equipment costs	9,543	9,499
Outside services	19,833	24,907
Hardware and software maintenance and licensing	39,801	36,506
Depreciation	34,691	26,260
Other	13,561	16,784
Total operating expenses	285,794	247,084
(Loss) income from operations	(23,812)	710
Other income (expense)		
Investment return, net	120,193	24,987
Interest expense	(1,205)	(1,071)
Non-operating income	118	1
Change in net assets without donor restrictions	95,294	24,627
Net assets without donor restrictions, beginning of year	155,102	130,475
Net assets without donor restrictions, end of period	\$ 250,396	\$ 155,102

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Cash Flows****For the Twelve Months Ended December 31, 2023 and 2022**

(Dollars in Thousands)

	2023	2022
Operating activities:		
Change in net assets without donor restrictions	\$ 95,294	\$ 24,627
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	34,691	26,260
Amortization of debt issuance costs	17	18
Repayments of interest portion of finance lease liabilities	-	(6)
Amortization of bond investment discount	(28,883)	(4,714)
Unrealized (gains) on bond investments	(10,701)	2,259
Changes in operating assets and liabilities:		
Accounts receivable	(18)	(569)
Unbilled revenue	(2,332)	752
Interest receivable	(3,896)	(6,771)
Receivable from intercompany	384	(934)
Prepaid expenses and other assets	(5,657)	(10,770)
Other long-term assets	(14)	(34)
Other long-term liabilities	(40)	84
Accounts payable	964	4,809
Accrued liabilities	13,762	(8,110)
Payable to intercompany	(382,025)	382,747
Deferred revenue	1,332	4,598
Security deposits	129,370	323,018
Market settlement liabilities	(97,982)	916,786
Long-term CRR liabilities	(26,953)	356,992
Net cash (used in) provided by operating activities	(282,688)	2,011,042
Investing activities:		
Purchase of investments	(2,329,039)	(614,793)
Proceeds from investments	1,111,160	112,229
Investment in subsidiary	-	(10,579)
Capital expenditures for property and equipment and systems under development	(32,393)	(63,927)
Net cash (used in) investing activities	(1,250,272)	(577,070)
Financing activities:		
Repayment of debt payable	(4,000)	(4,000)
Repayments of principal portion of finance lease liabilities	-	(135)
Net cash (used in) financing activities	(4,000)	(4,135)
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(1,536,960)	1,429,837
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	3,600,647	2,170,810
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 2,063,687	\$ 3,600,647

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Financial Position
As of December 31, 2023
(Dollars in Thousands)

	Texas Electric Market Stabilization Funding M (TEMSEFM)		Texas Electric Market Stabilization Funding N (TEMSEFN)		Eliminations	Consolidated
	ERCOT					
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
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
Other long term assets	915	-	-	-	-	915
Total assets	\$ 4,098,509	\$ 427,377	\$ 2,126,349	\$ (16,542)	\$ -	\$ 6,635,693
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	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
Long-term liabilities:						
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 long-term liabilities	850,215	386,404	2,024,891	-	-	3,261,510
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
Consolidated Statements of Activities and Net Assets
For the Twelve Months Ended December 31, 2023
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSEFM)	Texas Electric Market Stabilization Funding N (TEMSEFN)	Eliminations	Consolidated
Operating revenues					
System administration fees	\$ 247,479	\$ -	\$ -	\$ -	\$ 247,479
Other services revenue	14,503	-	-	(1,658)	12,845
Securitization charges fees	-	13,195	101,347	-	114,542
Total operating revenues	261,982	13,195	101,347	(1,658)	374,866
Operating expenses					
Salaries and related benefits	168,365	-	-	-	168,365
Facility and equipment costs	9,543	-	-	-	9,543
Outside services	19,833	799	1,282	(1,658)	20,256
Hardware and software maintenance and licensing	39,801	-	1	-	39,802
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	(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 period	\$ 250,396	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 250,396

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Cash Flows
For the Twelve Months Ended December 31, 2023
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSEFM)	Texas Electric Market Stabilization Funding N (TEMSEFN)	Eliminations	Consolidated
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 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 assets	(14)	-	-	-	(14)
Other long-term liabilities	(40)	-	-	-	(40)
Accounts payable	964	-	-	-	964
Accrued liabilities	13,762	(6,211)	(11,727)	-	(4,176)
Payable to intercompany	(382,025)	(116)	(44)	382,185	-
Deferred revenue	1,332	-	-	-	1,332
Security deposits	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
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) 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 period	\$ 2,063,687	\$ 34,819	\$ 75,384	\$ -	\$ 2,173,890

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Financial Position
As of December 31, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSEFM)	Texas Electric Market Stabilization Funding N (TEMSEFN)	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,819,793	\$ 4,044	\$ -	\$ -	\$ 1,823,837
Securitization charges receivable, current	-	9,798	40,817	-	50,615
Accounts receivable	5,625	-	-	-	5,625
Unbilled revenue	5,199	-	1,843	(1,009)	6,033
Interest receivable	12,176	140	249	-	12,565
Receivable from intercompany	934	382,293	454	(383,681)	-
Restricted cash and cash equivalents	1,780,854	40,003	80,440	-	1,901,297
Short-term investments	505,019	-	-	-	505,019
Prepaid expenses and other current assets	36,144	2	-	-	36,146
Total current assets	4,165,744	436,280	123,803	(384,690)	4,341,137
Long-term investments	14,579	-	-	(14,579)	-
Property and equipment, net	126,686	-	-	-	126,686
Systems under development	53,865	-	-	-	53,865
Securitization charges receivable, non current	-	392,500	2,049,298	-	2,441,798
Other long term assets	901	-	-	-	901
Total assets	\$ 4,361,775	\$ 828,780	\$ 2,173,101	\$ (399,269)	\$ 6,964,387
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 7,929	\$ 4	\$ -	\$ -	\$ 7,933
Accrued liabilities	20,905	11,853	55,767	-	88,525
Payable to intercompany	382,747	636	1,307	(384,690)	-
Deferred revenue	7,670	-	-	-	7,670
Market settlement liabilities	1,503,670	-	-	-	1,503,670
Security deposits	1,398,561	18,565	3,039	-	1,420,165
Debt payable, current portion	4,000	396,974	35,532	-	436,506
Total current liabilities	3,325,482	428,032	95,645	(384,690)	3,464,469
Long-term liabilities:					
Debt payable, less current portion:					
Principal	35,000	398,782	2,080,168	-	2,513,950
Less unamortized discount and debt issuance costs	138	2,034	13,291	-	15,463
Debt payable less current portion and unamortized discount and debt issuance costs	34,862	396,748	2,066,877	-	2,498,487
Long-term CRR liabilities	845,586	-	-	-	845,586
Other long-term liabilities	743	-	-	-	743
Total long-term liabilities	881,191	396,748	2,066,877	-	3,344,816
Total liabilities	4,206,673	824,780	2,162,522	(384,690)	6,809,285
Net assets without donor restrictions	155,102	4,000	10,579	(14,579)	155,102
Total liabilities and net assets	\$ 4,361,775	\$ 828,780	\$ 2,173,101	\$ (399,269)	\$ 6,964,387

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Activities and Net Assets
For the Twelve Months Ended December 31, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSFM)	Texas Electric Market Stabilization Funding N (TEMSFN)	Eliminations	Consolidated
Operating revenues					
System administration fees	\$ 239,225	\$ -	\$ -	\$ -	\$ 239,225
Other services revenue	8,569	-	-	(1,175)	7,394
Securitization charges fees	-	24,417	56,372	-	80,789
Total operating revenues	247,794	24,417	56,372	(1,175)	327,408
Operating expenses					
Salaries and related benefits	133,128	-	-	-	133,128
Facility and equipment costs	9,499	-	-	-	9,499
Outside services	24,907	772	801	(1,175)	25,305
Hardware and software maintenance and licensing	36,506	-	-	-	36,506
Depreciation	26,260	-	-	-	26,260
Other	16,784	1	-	-	16,785
Total operating expenses	247,084	773	801	(1,175)	247,483
Income from operations	710	23,644	55,571	-	79,925
Other income (expense)					
Investment return, net	24,987	195	476	-	25,658
Interest expense	(1,071)	(23,839)	(56,047)	-	(80,957)
Non-operating income	1	-	-	-	1
Change in net assets without donor restrictions	24,627	-	-	-	24,627
Net assets without donor restrictions, beginning of year	130,475	4,000	-	(4,000)	130,475
Equity contribution from parent company	-	-	10,579	(10,579)	-
Net assets without donor restrictions, end of period	\$ 155,102	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 155,102

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Cash Flows
For the Twelve Months Ended December 31, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSEFM)	Texas Electric Market Stabilization Funding N (TEMSEFN)	Eliminations	Consolidated
Operating activities:					
Change in net assets without donor restrictions	\$ 24,627	\$ -	\$ -	\$ -	\$ 24,627
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	26,260	-	-	-	26,260
Amortization of debt issuance costs	18	78	407	-	503
Repayments of interest portion of finance lease liabilities	(6)	-	-	-	(6)
Amortization of bond investment discount	(4,714)	-	-	-	(4,714)
Unrealized losses on bond investments	2,259	-	-	-	2,259
Changes in operating assets and liabilities:					
Securitization charges receivable	-	13,502	(2,090,569)	383,468	(1,693,599)
Accounts receivable	(569)	-	-	-	(569)
Unbilled revenue	752	3,264	(1,843)	926	3,099
Interest receivable	(6,771)	(140)	(249)	-	(7,160)
Receivable from intercompany	(934)	-	-	934	-
Prepaid expenses and other assets	(10,770)	6	-	-	(10,764)
Other long-term assets	(34)	-	-	-	(34)
Other long-term liabilities	84	-	-	-	84
Accounts payable	4,809	4	-	-	4,813
Accrued liabilities	(8,110)	8,459	55,259	-	55,608
Payable to intercompany	382,747	553	1,307	(384,607)	-
Deferred revenue	4,598	-	-	-	4,598
Security deposits	323,018	(41,854)	3,039	-	284,203
Market settlement liabilities	916,786	-	-	-	916,786
Long-term CRR liabilities	356,992	-	-	-	356,992
Net cash provided by (used in) operating activities	2,011,042	(16,128)	(2,032,649)	721	(37,014)
Investing activities:					
Purchase of investments	(614,793)	-	-	-	(614,793)
Proceeds from investments	112,229	-	-	-	112,229
Investment in subsidiary	(10,579)	-	-	10,579	-
Capital expenditures for property and equipment and systems under development	(63,927)	-	-	-	(63,927)
Net cash (used in) investing activities	(577,070)	-	-	10,579	(566,491)
Financing activities:					
Proceeds from parent company investment	-	-	10,579	(10,579)	-
Proceeds from debt issuance	-	-	2,115,542	-	2,115,542
Repayment of debt payable	(4,000)	(4,244)	-	-	(8,244)
Payment of debt issuance costs	-	-	(13,032)	(721)	(13,753)
Repayments of principal portion of finance lease liabilities	(135)	-	-	-	(135)
Net cash (used in) provided by financing activities	(4,135)	(4,244)	2,113,089	(11,300)	2,093,410
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	1,429,837	(20,372)	80,440	-	1,489,905
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,170,810	64,419	-	-	2,235,229
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 3,600,647	\$ 44,047	\$ 80,440	\$ -	\$ 3,725,134

Electric Reliability Council of Texas, Inc.
2023 Financial Summary Variance Explanations
As of February 8, 2024

Line	Preliminary 2023 Year End
1 System Administration Revenue	+\$12.3M - Economy -\$5.7 M - Weather
3 Chief Information Office	-\$6.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$4.0 M - Common infrastructure -\$0.9 M - WAN revenue -\$0.4 M - Minor capital +\$1.4 M - HW/SW support & maintenance renewals +\$0.8 M - WAN costs +\$0.7 M - HW/SW vendor support services [Resource Management - Project-Funded Work] +\$0.5 M - Outside services/studies +\$0.2 M - Employee training & business travel +\$0.1 M - Fiber lease +\$0.1 M - Data service subscriptions
4 Chief Operations Office	-\$9.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$5.9 M - Inspection revenue -\$1.3 M - Contingent labor [Resource Management - Staffing Management] -\$0.9 M - Interconnection revenue -\$0.6 M - Outside services/studies -\$0.3 M - Data service subscriptions -\$0.2 M - Black start training & operator training seminar revenue -\$0.1 M - Training subscriptions -\$0.1 M - Software +\$5.4 M - Inspection costs +\$0.1 M - Black start training & operator training seminar expense +\$0.1 M - Employee training & business travel

Electric Reliability Council of Texas, Inc.
2023 Financial Summary Variance Explanations
As of February 8, 2024

Line	Preliminary 2023 Year End
5 Chief Administrative Office	+\$2.6 M - Insurance premiums +\$1.8 M - SPE M & N administration & servicing revenue +\$0.6 M - Property tax +\$0.3 M - Outside services/studies +\$0.1 M - Employee training & business travel -\$3.9 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.6 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Software -\$0.1 M - Recruiting & pre-employment costs -\$0.1 M - Minor capital +\$0.1 M - Other miscellaneous revenue
6 General Counsel	-\$3.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.7 M - Equipment & maintenance -\$0.3 M - HW/SW support & maintenance renewals -\$0.2 M - Board member expense -\$0.1 M - Rentals & leases -\$0.1 M - Electricity +\$1.5 M - Outside legal services +\$1.4 M - Outside services/studies +\$0.1 M - Employee training & business travel

Electric Reliability Council of Texas, Inc.
2023 Financial Summary Variance Explanations
As of February 8, 2024

Line	Preliminary 2023 Year End
7 Public Affairs	+\$1.2 M - Outside services/studies +\$0.1 M - Registration fees revenue -\$1.0 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]
8 Chief Executive Office	-\$1.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.5 M - Outside services/studies
9 Project Funded Labor	+\$1.0 M - Multiple projects [Resource Management - Project-Funded Work]
13 Project Expenditures	-\$8.9 M - All projects
15 Interest Expense	+\$0.5 M - Revolver -\$0.2 M - Capitalized interest
16 Interest Income	+\$120.1 M - Interest rate +\$0.1 M - Investment balance