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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 2024

Electric Reliability Council of Texas, Inc. (ERCOT) files its Report for the Fourth Quarter of 2024 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 2024 Audit Plan updated through December 31, 2024	A1*
	Audit Cover Letter: Audit of Cash and Investments	A2
	Audit Report: Audit of Cash and Investments	A3*
	Audit Cover Letter: Audit of Developer Workstation Security	A4
	Audit Report: Audit of Developer Workstation Security	A5*
§§25.362(i)(3)(B) and 25.88	A report on performance measures, as prescribed by the commission.	See Project No. <u>56019-428</u> and <u>56019-429</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.	 B1 B2

Dated: February 12, 2025

Respectfully Submitted,

/s/ Katherine Gross

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Senior Vice President, Regulatory Policy,
General Counsel, and Chief Compliance
Officer

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ATTORNEYS FOR ELECTRIC
RELIABILITY COUNCIL OF TEXAS, INC.



TO: Leslie Swanson, Sr. Director Finance & Treasury

FROM: Barbara Kremer, Lead Auditor – Internal Audit Department

DATE: October 30, 2024

SUBJECT: Audit of Cash and Investments

Attached is Internal Audit's final report from the Audit of Cash and Investments.

The report rating for this audit is as follows:

	Controlled
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Additional details regarding this engagement are contained in the attached report.

CC:

Pablo Vegas

Chad Seely

Richard Scheel

Betty Day

Adam Martinez

Ravi Duggirala

Penny Rychetsky

Chad Thompson

Matt Folks

Daniel Guerrero

Monica Barchenger

Finance and Audit Committee

Baker Tilly, LLP



TO: Jayapal Parakkuth, SVP and CIO

FROM: Char Schneemann, Lead Auditor – Internal Audit Department

DATE: November 14, 2024

SUBJECT: Audit of Developer Workstation Security

Attached is Internal Audit's final report from the Audit of Developer Workstation Security.

The report rating for this audit is as follows:

	NOT RATED
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Additional details regarding this engagement are contained in the attached report.

CC:

Pablo Vegas	David Fryklund
Chad Seely	Blake Halstead
Richard Scheel	Nickolas Jessett
Woody Rickerson	Brian Shipman
Betty Day	John Discher
Adam Martinez	Nate Gamble
Venkata Tirupati	Janice Ayson
Bryan Hanley	Monica Barchenger
Ajay Mannepalli	Finance and Audit Committee
Sreenivas Badri	Baker Tilly, LLP
Drew Bonser	
Jason Chambers	
Ravi Duggirala	
Diane Gwinn	
John Messer	
Penny Rychetsky	
Chad Thompson	
Steve White	
Sonia Conrad	
Mike Whitlock	

Electric Reliability Council of Texas, Inc. 2024 Financial Summary As of January 17, 2024 (\$ in Millions)		Preliminary 2024 Year-End				
Line		2023	2024			
		Actual	Budget	Actual	Variance	
				\$		%
1	System Administration Revenue	\$ 247.5	\$ 292.9	\$ 291.8	\$ (1.2)	(0.4)
2	Department Net Expenditures					
3	Chief Information Office	107.0	125.1	120.6	4.5	3.6
4	Chief Operations Office	65.6	86.4	77.0	9.4	10.9
5	General Counsel	42.0	58.4	49.0	9.3	16.0
6	Chief Financial Office	22.5	28.4	22.2	6.2	21.7
7	Human Resources	7.4	12.5	8.5	4.1	32.6
8	Chief Executive Office	5.2	5.6	6.3	(0.7)	(13.4)
9	Project Funded Labor	(14.9)	(19.3)	(18.0)	(1.2)	(6.5)
10	Total Department Net Expenditures	234.8	297.1	265.6	31.5	10.6
11	Net Revenues After Department Expenditures	12.6	(4.2)	26.2	30.3	728.8
12						
13	Less: Project Expenditures	38.4	59.1	57.2	1.9	3.2
14	Less: Taylor Office Transformation	-	-	0.0	(0.0)	(0.0)
15	Less: Interest Expense	1.2	1.4	1.3	0.1	9.8
16	Add: Interest Income	120.2	49.8	114.2	64.5	129.6
17						
18	Net Available	\$ 93.2	\$ (14.9)	\$ 81.9	\$ 96.8	649.2
Note: Schedule may not foot due to rounding						

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

Line	Project	Year-End As of December 31, 2024		Life-to-Date As of December 31, 2024		Estimate-at-Completion (EAC) As of January 17, 2024			
		Preliminary Actual	% of All Included Projects	Preliminary Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
1	RTC-B Grid & Markets	\$ 5.9	10%	\$ 6.1	30%	\$ 20.3	10%	\$ 20.8	\$ 0.5
2	RTC-B Integration & Information	1.5	3%	1.5	24%	6.3	3%	6.4	0.1
3	RTC-B Program Control	3.9	7%	4.8	89%	5.3	3%	5.4	0.1
4	RTC-B Commercial Applications	0.9	2%	1.2	51%	2.3	1%	2.3	0.0
5	Dispatchable Reliability Reserve Service (DRRS)	0.0	0%	0.0	0%	1.3	1%	1.3	0.0
6	Subtotal - Market Design Projects	12.2	21%	13.6	38%	35.4	17%	36.2	0.8
7	Data Center 5.0 (DC5) Program	5.5	10%	59.9	99%	60.7	29%	61.1	0.4
8	Energy Management System (EMS) Upgrade 2024	(0.6)	(1%)	16.9	100%	16.9	8%	16.8	(0.1)
9	Second iTest Environment	8.7	15%	8.7	69%	12.6	6%	12.6	0.0
10	Test Data Management	7.1	12%	7.1	92%	7.7	4%	7.7	0.0
11	NMMS IMM Schema upgrade to CIM 16	0.5	1%	0.6	12%	4.5	2%	4.5	(0.0)
12	Market Management System (MMS) Outage Scheduler (OS) Red Hat Enterprise Linux (RHEL) Migration	1.1	2%	4.4	100%	4.4	2%	4.4	(0.0)
13	ServiceNow Self Hosted Migration	2.1	4%	2.1	47%	4.4	2%	4.4	0.0
14	ServiceNow Change Management	0.4	1%	0.4	9%	3.9	2%	3.9	0.0
15	Microsoft SharePoint Migration Phase 2	0.2	0%	0.2	5%	3.3	2%	3.3	0.0
16	Treasury Management Risk Mitigation	0.7	1%	2.7	100%	2.7	1%	2.7	(0.0)
17	Treasury Single Source of Truth	0.1	0%	0.1	4%	2.1	1%	2.1	0.0
18	Texas Standard Electronic Transaction (Texas SET) 5.0	1.0	2%	2.1	101%	2.1	1%	2.0	(0.1)
19	TIBCO BusinessWorks Upgrade	0.4	1%	1.3	100%	1.3	1%	2.0	0.7
20	Total Projects with EAC Budget Over \$2.0M	39.3	69%	120.1	74%	162.1	78%	163.7	1.7
21	Other Projects	17.9	31%	30.4	67%	45.2	22%	46.0	0.9
22	Total Project Expenditures	\$ 57.2	100%	\$ 150.5	73%	\$ 207.2	100%	\$ 209.8	\$ 2.5

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of December 31, 2024 and 2023**

(Dollars in Thousands)

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 674,176	\$ 535,034
Accounts receivable	5,541	5,643
Unbilled revenue	6,691	7,531
Interest receivable	16,646	17,080
Receivable from intercompany	1,008	550
Restricted cash and cash equivalents	2,227,473	1,528,653
Short-term investments	1,212,062	1,177,383
Prepaid expenses and other current assets	43,180	41,801
Total current assets	4,186,777	3,313,675
Long-term investments	557,481	599,678
Property and equipment, net	164,207	136,606
Systems under development	30,666	47,635
Other long-term assets	841	915
Total assets	\$ 4,939,972	\$ 4,098,509
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 5,831	\$ 10,628
Accrued liabilities	50,774	39,927
Payable to intercompany	1,125	722
Deferred revenue	12,049	9,002
Market settlement liabilities	1,509,221	1,405,688
Security deposits	2,226,348	1,527,931
Debt payable, current portion	4,000	4,000
Total current liabilities	3,809,348	2,997,898
Long-term liabilities:		
Debt payable, less current portion:		
Principal	27,000	31,000
Less unamortized debt issuance costs	111	121
Debt payable less current portion and unamortized debt issuance costs	26,889	30,879
Long-term CRR liabilities	758,474	818,633
Other long-term liabilities	631	703
Total long-term liabilities	785,994	850,215
Total liabilities	4,595,342	3,848,113
Net assets without donor restrictions	344,630	250,396
Total liabilities and net assets	\$ 4,939,972	\$ 4,098,509

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Activities and Changes in Net Assets****For the Twelve Months Ended December 31, 2024 and 2023****(Dollars in Thousands)**

	2024	2023
Operating revenues		
System administration fees	\$ 291,756	\$ 247,479
Other services revenue	18,993	14,503
Total operating revenues	310,749	261,982
Operating expenses		
Salaries and related benefits	193,527	168,365
Facility and equipment costs	9,525	9,543
Outside services	27,042	19,833
Hardware and software maintenance and licensing	43,603	39,801
Depreciation	43,593	34,691
Other	12,187	13,561
Total operating expenses	329,477	285,794
Loss from operations	(18,728)	(23,812)
Other income (expense)		
Investment return, net	114,217	120,193
Interest expense	(1,263)	(1,205)
Non-operating income	8	118
Change in net assets without donor restrictions	94,234	95,294
Net assets without donor restrictions, beginning of year	250,396	155,102
Net assets without donor restrictions, end of period	\$ 344,630	\$ 250,396

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Cash Flows
For the Twelve Months Ended December 31, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Operating activities:		
Change in net assets without donor restrictions	\$ 94,234	\$ 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	17	17
Amortization of bond investment discount	(57,806)	(28,883)
Unrealized loss (gains) on bond investments	5,344	(10,701)
Changes in operating assets and liabilities:		
Accounts receivable	102	(18)
Unbilled revenue	840	(2,332)
Interest receivable	1,045	(3,896)
Receivable from intercompany	(458)	384
Prepaid expenses and other assets	(1,379)	(5,657)
Other long-term liabilities	(72)	(40)
Accounts payable	(7,652)	963
Accrued liabilities	7,270	13,474
Payable to intercompany	403	(382,025)
Deferred revenue	3,047	1,332
Security deposits	698,417	129,370
Market settlement liabilities	103,533	(97,982)
Long-term CRR liabilities	(60,159)	(26,953)
Net cash provided by (used in) operating activities	830,612	(282,688)
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	(48,630)	(32,393)
Net cash provided by (used in) investing activities	11,350	(1,250,272)
Financing activities:		
Repayment of debt payable	(4,000)	(4,000)
Net cash (used in) financing activities	(4,000)	(4,000)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	837,962	(1,536,960)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,063,687	3,600,647
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 2,901,649	\$ 2,063,687

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Financial Position
As of December 31, 2024
(Dollars in Thousands)

	Texas Electric Market Stabilization Funding M (TEMSFM)		Texas Electric Market Stabilization Funding N (TEMSFN)		Eliminations	Consolidated
	ERCOT					
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	6,691	-	-	(691)	-	6,000
Interest receivable	16,646	133	262	-	-	17,041
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	4,186,777	45,161	122,529	(2,824)	-	4,351,643
Long-term investments	557,481	-	-	(14,579)	-	543
Property and equipment, net	164,207	-	-	-	-	164,207
Systems under development	30,666	-	-	-	-	30,666
Securitization charges receivable, non current	-	374,796	1,961,941	-	-	2,336,737
Other long term assets	841	-	-	-	-	841
Total assets	\$ 4,939,972	\$ 419,957	\$ 2,084,470	\$ (17,403)	\$ -	\$ 7,426,996
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	\$ 5,831	\$ 4	\$ -	\$ -	\$ -	\$ 5,835
Accrued liabilities	50,774	6,329	43,632	-	-	100,735
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	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	3,809,348	38,675	92,756	(2,824)	-	3,937,955
Long-term liabilities:						
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 long-term liabilities	785,994	377,282	1,981,135	-	-	3,144,411
Total liabilities	4,595,342	415,957	2,073,891	(2,824)	-	7,082,366
Net assets without donor restrictions	344,630	4,000	10,579	(14,579)	-	344,630
Total liabilities and net assets	\$ 4,939,972	\$ 419,957	\$ 2,084,470	\$ (17,403)	\$ -	\$ 7,426,996

ELECTRIC RELIABILITY COUNCIL OF TEXAS

Consolidated Statements of Activities and Changes in Net Assets

For the Twelve Months Ended December 31, 2024

(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	\$ 291,756	\$ -	\$ -	\$ -	\$ 291,756
Other services revenue	18,993	-	-	(1,658)	17,335
Securitization charges fees	-	11,503	99,444	-	110,947
Total operating revenues	310,749	11,503	99,444	(1,658)	420,038
Operating expenses					
Salaries and related benefits	193,527	-	-	-	193,527
Facility and equipment costs	9,525	-	-	-	9,525
Outside services	27,042	413	1,131	(1,658)	26,928
Hardware and software maintenance and licensing	43,603	-	1	-	43,604
Depreciation	43,593	-	-	-	43,593
Other	12,187	-	-	-	12,187
Total operating expenses	329,477	413	1,132	(1,658)	329,364
(Loss) income from operations	(18,728)	11,090	98,312	-	90,674
Other income (expense)					
Investment return, net	114,217	628	1,906	-	116,751
Interest expense	(1,263)	(11,718)	(100,218)	-	(113,199)
Non-operating income	8	-	-	-	8
Change in net assets without donor restrictions	94,234	-	-	-	94,234
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 period	\$ 344,630	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 344,630

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Cash Flows
For the Twelve Months Ended December 31, 2024
(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	\$ 94,234	\$ -	\$ -	\$ -	\$ 94,234
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 investment 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	840	-	-	-	840
Interest receivable	1,045	-	39	26	1,110
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	7,270	658	(411)	-	7,517
Payable to intercompany	403	3	(5)	(401)	-
Deferred revenue	3,047	-	-	-	3,047
Security deposits	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	830,612	13,162	43,225	486	887,485
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	(48,630)	-	-	-	(48,630)
Net cash provided by investing activities	11,350	-	-	-	11,350
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 period	\$ 2,901,649	\$ 37,721	\$ 75,877	\$ -	\$ 3,015,247

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Financial Position
As of December 31, 2023
(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	\$ 535,034	\$ 4,088	\$ -	\$ -	\$ 539,122
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	1,528,653	30,731	75,384	-	1,634,768
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 Changes in Net Assets
For the Twelve Months Ended December 31, 2023
(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	\$ 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 right-of-use assets	274	-	-	-	274
Amortization of 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	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, Inc. 2024 Financial Summary Variance Explanations As of January 17, 2024	
Line	Preliminary 2024 Year-End
1 System Administration Revenue	-\$27.1 M - Weather \$25.9 M - Economy
3 Chief Information Office	\$1.5 M - HW/SW support & maintenance renewals -\$1.3 M - ITW/SW vendor support services [Resource Management - Project-Funded Work] -\$1.3 M - Contingent labor [Resource Management - Staffing Management] -\$1.2 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] \$1.0 M - WAN costs \$0.7 M - Outside services/studies -\$0.7 M - Telecommunications -\$0.4 M - Employee training & business travel \$0.2 M - Data service subscriptions \$0.1 M - Fiber lease -\$2.3 M - Common infrastructure -\$0.9 M - WAN revenue -\$0.8 M - Minor capital -\$0.1 M - ERCOT Innovation Summit -\$0.2 M - Other miscellaneous expenditures
4 Chief Operations Office	-\$0.0 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.8 M - Inspection revenue -\$0.8 M - Contingent labor [Resource Management - Staffing Management] \$0.7 M - Employee training & business travel -\$0.6 M - Outside services/studies -\$0.5 M - Interconnection revenue -\$0.5 M - Minor capital -\$0.2 M - Data service subscriptions -\$0.1 M - Operator training seminar revenue -\$0.1 M - Company dues -\$0.1 M - Other miscellaneous expenditures
5 General Counsel	-\$4.9 M - Legal services -\$1.6 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] \$0.9 M - Building systems maintenance \$0.6 M - Minor capital -\$0.4 M - Outside services/studies -\$0.3 M - Employee training & business travel \$0.3 M - HW/SW vendor support services [Resource Management - Project-Funded Work] \$0.3 M - Contingent labor [Resource Management - Staffing Management] -\$0.3 M - Registration fees revenue -\$0.2 M - Board member expense \$0.1 M - Electricity \$0.1 M - Membership dues revenue -\$0.4 M - Texas Reliability Entity (TRE) penalty -\$0.3 M - Software
6 Chief Financial Office	-\$5.0 M - Insurance premiums -\$1.3 M - Property tax \$0.6 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] \$0.2 M - SPE/M & N administration & servicing revenue -\$0.1 M - Employee training & business travel -\$1.0 M - Outside services/studies
7 Human Resources	-\$1.7 M - Outside services/studies -\$0.9 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] \$0.5 M - Contingent labor [Resource Management - Staffing Management] \$0.3 M - Recruiting & pre-employment costs -\$0.3 M - Corporate events -\$0.1 M - Employee training & business travel \$0.1 M - Health & wellness expense \$0.1 M - Non-monetary reward & recognition -\$0.1 M - Data service subscriptions
8 Chief Executive Office	-\$0.5 M - Outside services/studies -\$0.2 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]
9 Project-Funded Labor	-\$1.2 M - Multiple projects [Resource Management - Project-Funded Work]
13 Project Expenditures	\$1.9 M - All projects
14 Taylor Office Transformation	No material variance
15 Interest Expense	-\$0.1 M - Capitalized interest
16 Interest Income	\$61.8 M - Interest rate -\$8.0 M - Investment balance -\$5.3 M - Fair value adjustment