



## **Item 5: Status of the 2022-2023 Biennial Budget Request**

*Sean Taylor*

Vice President and Chief Financial Officer

Urgent Finance & Audit Committee Meeting

ERCOT Public

April 12, 2021

# 2022-2023 Budget and Fee Requirements

## **ERCOT Bylaw Requirement**

- Sections 4.10 (Duties) and 10.3 (Budget): It is the duty of the ERCOT Board to approve the budget.

## **Finance & Audit Committee Charter Requirement**

- With respect to budget oversight...
  - Annually or biennially, the Committee shall review staff's proposed budget for the following year(s).
  - The Committee shall review the staff's recommendation of the amount and type of financing needed, both revenue and debt financing, to support the proposed budget and meet the Company's liquidity needs.
  - Following the Committee's review of the above items, the Committee shall recommend to the Board, a proposed budget and associated financing plan for the following year(s).

# Timing of the 2022-2023 Budget Request

## Typical Process

- ERCOT management would present the draft budget request to the F&A Committee for discussion at the April meeting.
- ERCOT management would present the final budget request to the F&A Committee at the June meeting. After Board approval at the June meeting, management would file the request with the PUC in July.

## Delay Resulting from the February 2021 Extreme Winter Weather Event

- Because the Texas Governor declared the reform of ERCOT as an emergency item for the current 87<sup>th</sup> Texas Legislature Regular Session, ERCOT is not able to determine the ultimate impact of any potential regulatory changes to its budget. Therefore, the PUC executive director and ERCOT management jointly agree to postpone the timing of the 2022-2023 Budget Request until after the conclusion of the legislative session to ensure the budget properly incorporates any resulting impacts.

## Presentation of Budget Request

- ERCOT management anticipates bringing the budget request to the F&A Committee following the conclusion of the legislative session, currently scheduled for May 31, 2021.



# Impact of Delayed 2022-2023 Budget Request

## **Texas Administrative Code (TAC) § 25.363(d): Budget Submission**

- In pertinent part: *“ERCOT shall submit its proposed budget for commission review as specified in the commission order approving its previous budget.”*
- The PUC order approving ERCOT’s 2020-2021 Budget Request includes a deadline of September 1, 2021, for the filing of ERCOT’s 2022-2023 Budget Request and allows PUC staff to alter the deadline for good cause.
- The PUC executive director is in agreement with the delay in the filing and plans to file a document in the PUC project to address the deadline extension.

## **Texas Administrative Code (TAC) § 25.363(e): Commission Review and Action**

- In pertinent part: *“After approving ERCOT’s budget, the commission shall authorize ERCOT to charge a system administration fee....”*
- In pertinent part: *“Any change to the fee approved by the commission or made during the course of an annual or biennial budget cycle will be noticed through standard market processes at least 45 days before implementation.”*
- ERCOT is not anticipating a change to the System Administration Fee as part of the 2022-2023 Budget Request at this time. Therefore, the delay is not anticipated to create an unmanageable timing constraint.