

PROJECT NO. 38533

PUC REVIEW OF ERCOT BUDGET § PUBLIC UTILITY COMMISSION  
§  
§ OF TEXAS

ERCOT’S 2022/2023 BIENNIAL BUDGET AND  
SYSTEM ADMINISTRATION FEE SUBMISSION

TABLE OF CONTENTS

ERCOT’s 2022/2023 Biennial Budget and System Administration Fee Submission..... 2

Attachment A – ERCOT Board Resolution Approving Proposed 2022/2023 Biennial Budget and System Administration Fee..... 11

Attachment B – ERCOT Staff Presentations of the 2022/2023 Biennial Budget and System Administration Fee to the Finance and Audit Committee of the ERCOT Board on August 9, 2021, and to the ERCOT Board of Directors on August 10, 2021..... 16

Attachment C – Statement of ERCOT Interim Chief Executive Officer Summarizing ERCOT’s 2022/2023 Biennial Budget and System Administration Fee..... 76

Attachment D – ERCOT 2022/2023 Biennial Budget Schedules and Work Papers..... 83

Attachment E – ERCOT 2019 – 2023 Strategic Plan..... 92

Attachment F – 2020 ERCOT Key Performance Indicators..... 103

Attachment G – Commission Executive Director Letter Dated April 5, 2021 Extending Deadline for ERCOT 2022/2023 Biennial Budget Submission ..... 111

PUCT PROJECT NO. 38533

PUC REVIEW OF ERCOT BUDGET § PUBLIC UTILITY COMMISSION  
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**ERCOT’S 2022/2023 BIENNIAL BUDGET AND  
SYSTEM ADMINISTRATION FEE SUBMISSION**

COMES NOW, Electric Reliability Council of Texas, Inc. (ERCOT) and files its *2022/2023 Biennial Budget and System Administration Fee Submission*, pursuant to 16 Tex. Admin. Code (TAC) § 25.363(e) and the Commission’s *Order Approving ERCOT’s 2020-2021 Biennial Budget and Authorizing the System Administration Fee (2020/2021 Order)*, for review by the Public Utility Commission of Texas (Commission). The 2022/2023 ERCOT biennial budget included in this submission does not contemplate a change in the ERCOT system administration fee rate, which ERCOT plans to maintain at \$0.555 per megawatt hour (MWh) through 2023.

**I. Procedural Requirements**

16 TAC § 25.363(d) requires that ERCOT submit its proposed budget for Commission review as specified in the Commission order approving ERCOT’s previous budget, and that ERCOT’s application include all information necessary for the Commission to evaluate the proposed budget. 16 TAC § 25.363(e) provides that ERCOT’s annual budget and any change in the system administration fee, if one was sought, are subject to review by the Commission, and sets forth a process for Commission participation in the budget development process for ERCOT.

The 2022/2023 ERCOT biennial budget included in this submission contemplates no increase in the ERCOT system administration fee rate of \$0.555 per MWh for years 2022 and 2023. ERCOT’s request does not seek to revise the manner in which the system administration fee is charged and collected, which the Commission has previously found to be reasonable and competitively neutral.<sup>1</sup>

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<sup>1</sup> See *Application of the Electric Reliability Council of Texas to Change the ERCOT Administrative Fee*, Docket No. 28832 (March 18, 2004); *Application of the Electric Reliability Council for Approval of the ERCOT Administrative Fee*, Docket No. 31824 (May 15, 2006). ERCOT used the same process for charging and collecting

In its 2022/2023 *Biennial Budget and System Administration Fee Submission*, ERCOT has included information and data supporting the reasonableness of its budget request that have been requested by Commission staff and have been presented to the ERCOT Board of Directors (ERCOT Board) as part of its consideration of the 2022/2023 ERCOT biennial budget and system administration fee.

**A. Contents of ERCOT’s Biennial Budget Submission**

In addition to this pleading, ERCOT’s biennial budget submission includes the following attachments:

- A. ERCOT Board resolution approving proposed 2022/2023 biennial budget and system administration fee;
- B. ERCOT staff presentations of the 2022/2023 biennial budget and system administration fee to the Finance and Audit (F&A) Committee of the ERCOT Board on August 9, 2021, and to the ERCOT Board on August 10, 2021;
- C. Statement of ERCOT Interim Chief Executive Officer summarizing ERCOT’s 2022/2023 biennial budget and system administration fee;
- D. ERCOT 2022/2023 biennial budget schedules and work papers;
- E. ERCOT 2019 – 2023 Strategic Plan;
- F. ERCOT report on key performance indicators for 2020; and
- G. Commission Executive Director letter dated April 5, 2021 extending deadline for ERCOT 2022/2023 biennial budget submission.

**B. Consultation with Commission Staff**

In accordance with 16 TAC § 25.363(e), ERCOT staff consulted “with commission staff designated by the executive director in connection with the development of the budget,” and provided “to the staff information concerning budget strategies, staffing requirements, categories

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the system administration fee in recent years, including the most recently approved budget and system administration fee. *See* Project No. 38533, Order Approving ERCOT’s 2020-2021 Biennial Budget and Authorizing the System Administration Fee (Nov. 15, 2019).

of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt.” In preparation of the 2022/2023 biennial budget for ERCOT Board approval in August 2021, ERCOT and Commission staff began holding regular meetings as early as December 2020. Between the consultation meetings, ERCOT staff responded to informal information requests from Commission staff regarding particular budget categories and the format of ERCOT’s budget presentation. To ERCOT’s knowledge, it has responded to all the requests or concerns raised by Commission staff in the consultation process.

As part of the consultation meetings, Commission staff recommended that ERCOT continue to utilize a format for structuring the budget filed with the Commission that includes the key components of the Legislative Appropriations Request (LAR) utilized by the Texas Legislative Budget Board. ERCOT has organized its budget schedules to conform to the LAR format to the extent possible, and has prepared a summary statement from ERCOT’s Interim Chief Executive Officer similar to the LAR “Administrator’s Statement.” Commission staff requested that ERCOT file a biennial, rather than annual, budget for review beginning with the 2014/2015 budget cycle. As stated and pursuant to the 2020/2021 Order, ERCOT has organized its 2022/2023 biennial budget schedules, in which no system administration fee rate increase is being sought, to resemble the LAR format.

**C. ERCOT Board Approval of 2022/2023 ERCOT Biennial Budget and System Administration Fee**

The ERCOT Board approved the proposed 2022/2023 ERCOT biennial budget and system administration fee at its meeting on August 10, 2021. The ERCOT Board adopted the 2022/2023 biennial budget recommendations of ERCOT staff and the ERCOT Board’s F&A Committee, which included identification of operating expenses, project spending, and debt service obligations. The F&A Committee discussed the development of the 2022/2023 ERCOT biennial budget in public meetings held in the second and third quarters of 2021.<sup>2</sup> A copy of the August 10, 2021 ERCOT Board resolution approving the 2022/2023 ERCOT biennial budget is included in this submission as Attachment A. The 2022/2023 biennial budget presentation made by ERCOT staff at the August 9, 2021 F&A Committee meeting is included as Attachment B,

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<sup>2</sup> The F&A Committee agendas and budget presentation materials are available at: [http://www.ercot.com/committees/board/finance\\_audit/](http://www.ercot.com/committees/board/finance_audit/).

for which a recommendation for ERCOT Board approval was made by the F&A Committee at the August 10, 2021 ERCOT Board meeting.

The ERCOT Board's decision to approve the 2022/2023 ERCOT biennial budget and system administration fee was not appealed by any party to the Commission. The Commission's procedural rules require that if a party seeks Commission review of "ERCOT conduct," the party must file its complaint at the Commission "within 35 days of the ERCOT conduct complained of ...."<sup>3</sup> In relation to the Commission's procedural rules related to ERCOT conduct, the term "conduct" is defined as "a decision or an act done or omitted to be done."<sup>4</sup> Under ERCOT's governing documents, a vote of the ERCOT Board constitutes a "decision" made by ERCOT.<sup>5</sup> The thirty-five (35) day appeal period expired on September 14, 2021, and no party has contested the ERCOT Board's approval of the 2022/2023 ERCOT biennial budget and system administration fee, which has a proposed effective date of the beginning of ERCOT's new fiscal year on January 1, 2022.

## **II. The ERCOT 2022/2023 Biennial Budget and System Administration Fee Proposal**

In its 2022/2023 biennial budget and system administration fee proposal, ERCOT seeks to implement a sustainable financial plan that meets ERCOT's technology and business requirements, while also maintaining the current system administration fee rate at \$0.555 per MWh. The proposed biennial budget approved by the ERCOT Board includes \$322,167,833 for ERCOT's fiscal year 2022 and \$286,983,615 for ERCOT's fiscal year 2023 in total spending authorization for operating expenses, project spending, and debt service obligations. It is ERCOT management's intention that the \$0.555 per MWh system administration fee rate will remain in effect through the 2022/2023 biennium. ERCOT management is committed to promptly notifying the Commission and market participants of developments that would

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<sup>3</sup> 16 TAC § 22.251(d). A party may also file a request for alternative dispute resolution (ADR) under Section 20 of the ERCOT Protocols to contest ERCOT decisions. ERCOT would not expect a party contesting the budget to file for ADR rather than appealing to the Commission under 16 TAC § 22.251, but ERCOT notes for the record that no party filed an ADR contesting the ERCOT Board's approval of the 2022/2023 ERCOT biennial budget and system administration fee.

<sup>4</sup> *Id.* § 22.251(b).

<sup>5</sup> ERCOT Bylaws, Section 4.7(b).

materially impact ERCOT's ability to operate within its requested budget and system administration fee structure.

ERCOT has maintained a flat system administration fee rate since 2016. At the time of its 2016/2017 biennial budget request, ERCOT projected the \$0.555 per MWh fee rate would be sufficient for four to six years, and anticipated a potential fee increase no later than 2022. If the system administration fee rate remains at \$0.555 per MWh, 2023 would be the eighth year that the fee was set at that rate. In considering possible increases to the system administration fee rate, ERCOT seeks to maintain intergenerational equity between spending and benefits, balanced against providing predictable fee increases. Management has taken exceptional measures to control and cut expenses across the organization in an effort to offset the significant costs associated with Winter Storm Uri and recent legislation. The 2022/2023 biennial budget request also contemplates full recovery of the Senate Bill 3 generation and transmission inspection costs through a user fee separate from the system administration fee. Nevertheless, as described below, ERCOT faces several factors that drive the need for funding in the 2022/2023 biennium. ERCOT expects to propose a system administration fee rate increase in its 2024/2025 biennial budget request.

### **III. Budget Drivers for 2022/2023**

In its presentations to the ERCOT Board, and in its consultation meetings with Commission staff, ERCOT has identified three budget request drivers for 2022/2023 as follows:

1. Maintain a flat system administration fee rate at \$0.555 per MWh, which is consistent relative to the approved 2020/2021 biennial budget;
2. Incorporate key initiatives and new demands; and
3. Comply with the ERCOT Board's debt strategy guidance.

#### Maintenance of a Flat System Administration Fee Consistent Relative to Approved 2020/2021 Biennial Budget

ERCOT has prioritized maintaining consistency relative to the approved 2020/2021 biennial budget as one of its three budget drivers. To maintain this consistency relative to the approved 2020/2021 biennial budget, ERCOT expects to maintain the current system

administration fee rate of \$0.555 per MWh through the 2023 budget year. In addition, relative to the 2022 amounts projected in the approved 2020/2021 biennial budget, ERCOT will expect a decrease in system administration fee revenues due to lower-than-expected load growth; expect an increase in department net expenditures due to cost inflation, Winter Storm Uri, legislative requirements, and new demands partially offset by cost savings; expect an increase in project expenditures while maintaining a consistent multi-year approach including major refreshes; revise Real-Time Co-optimization (RTC) project expenditures to reflect the current project forecast; add a Met Center Replacement Project with an expected purchase of a new office and meeting facility in 2022; and expect a significant decrease in interest income due to lower interest rates.

#### Incorporation of Key Initiatives and New Demands

For another budget driver, ERCOT has incorporated key initiatives and new demands, but expects to recognize efficiency savings to help offset costs of these new demands. ERCOT will incorporate its strategic plan objectives by enhancing operating capabilities to maintain reliability of an increasingly complex system, improving information exchange to facilitate collaborative interaction, advancing competitive solutions for a changing industry, and optimizing use of ERCOT's resources to provide high-value services continuously.

New demands placed upon ERCOT include regulatory requirements, protocol and planning revisions, and increased information technology (IT) support costs for new or enhanced services. In regard to regulatory requirements, new demands include increased costs associated with Critical Infrastructure Protection (CIP) compliance, transmission line and generation inspections, cyber security monitoring, increased coordination of Resource Outages, and the incorporation of new economic standards for transmission project approval. Regarding anticipated protocol and planning revisions, new demands include the development of weatherization standards, stability assessments for interconnecting generation, interconnection study increases, and grid forecasting improvements.

Many of the new demands described above arose from Winter Storm Uri, and the 2022/2023 biennial budget incorporates significant increases in company insurance, external legal services, and additional communications services costs. Moreover, legislative requirements arising from the 87th Texas Legislative Regular Session layered other new demands onto

ERCOT, with some items still in rulemaking and pending resolution at the time of this budget submission. While management has taken exceptional measures to control and cut expenses across the organization in an effort to offset the significant costs associated with Winter Storm Uri and recent legislation, not all costs could be offset. The 2022/2023 biennial budget also contemplates full recovery of the Senate Bill 3 generation and transmission inspection costs through a new user fee separate from the system administration fee.

#### Compliance with the ERCOT Board's Debt Strategy Guidance

The final budget driver is ERCOT's need to comply with the ERCOT Board's debt strategy guidance. In order to maintain compliance with this strategy, ERCOT will maintain or improve ERCOT's long-term financial integrity by managing outstanding debt and liquidity requirements. ERCOT will maintain stable, fair and predictable fees by using debt matching appropriately. In addition, ERCOT will provide lowest cost to system administration fee-payers by using the lowest cost debt that is available and appropriate.

As an ongoing effort to maintain the current system administration fee level, ERCOT management continues to seek areas of opportunity to improve operational efficiency. ERCOT management has improved operational efficiency through a variety of efficiency initiatives. Examples of efficiency savings ERCOT has implemented or is implementing to help offset costs of new demands include: (1) delivery tool chain modernization system support labor decreases help offset increased hardware cost and maintenance; (2) in regard to the enterprise architecture tool, system support labor and software compliance cost decreases help offset increased software maintenance costs; (3) in regard to the Resource Integration & On-going Operations (RIOO) system, support labor decreases help offset increased hardware and software costs; (4) in regard to ServiceNow, administrative overhead and direct labor cost decreases help offset increased software maintenance costs; and (5) in regard to test automation, system support labor and project delivery time decreases help offset increased software maintenance costs. ERCOT continues to streamline its processes for low-risk, low-cost projects, thereby reducing complexity and staff time and delivering to the market and other users faster. ERCOT management will actively continue to seek these types of opportunities for improved operational efficiency throughout the 2022/2023 biennial budget years.



**IV. Compliance with Instructions for Submission of ERCOT's  
Proposed 2022/2023 Biennial Budget**

The 2020/2021 Order includes a deadline of September 1, 2021 for the filing of ERCOT's 2022/2023 biennial budget request but allows Commission staff designated by the Commission Executive Director to alter the deadline for good cause. On April 5, 2021, the Commission's Executive Director issued a letter to ERCOT, provided as Attachment G, which supported the delay in the filing of ERCOT's 2022/2023 biennial budget request due to several bills pending before the Texas Legislature during the 87th Texas Legislative Regular Session that concluded on May 31, 2021, and due to the potential impact of any laws enacted during the Regular Session that may not be known until after the expiration of the veto period on June 20, 2021. In this letter, the Commission's Executive Director extended the deadline for ERCOT to submit its proposed 2022/2023 biennial budget request to the Commission until November 1, 2021. ERCOT is filing this proposed biennial budget for its fiscal years 2022 and 2023 no later than November 1, 2021, and in accordance with the instructions for submission as provided in the 2020/2021 Order.

**V. Conclusion**

ERCOT's 2022/2023 Biennial Budget and System Administration Fee Submission, and the consultation process with Commission staff prior to seeking ERCOT Board approval of its biennial budget and system administration fee, conform to the requirements for approval of the ERCOT budget included in 16 TAC § 25.363(d) and the 2020/2021 Order. ERCOT respectfully requests that, prior to the beginning of ERCOT's 2022 fiscal year, the Commission take the actions necessary to approve the 2022/2023 ERCOT biennial budget, which contemplates full recovery of the Senate Bill 3 generation and transmission inspection costs through a user fee separate from the system administration fee, and authorize the proposed maintenance of the current system administration fee rate of \$0.555 per MWh for ERCOT's fiscal years 2022 and 2023.

Respectfully Submitted,

/s/ Chad V. Seely  
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ATTORNEYS FOR ELECTRIC RELIABILITY  
COUNCIL OF TEXAS, INC.

Attachment A

ERCOT Board Resolution Approving  
Proposed 2022/2023 Biennial Budget and  
System Administration Fee



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to accept the recommendations of ERCOT staff and the Finance and Audit (F&A) Committee that the Board approve the ERCOT recommended 2022-2023 Biennial Budget (Budget), which includes operating expenses, project spending, and debt service obligations;

WHEREAS, Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc., approved on July 31, 2020 (Bylaws), requires that the Board approve the Budget;

WHEREAS, ERCOT staff discussed financial assumptions, methodologies and schedules relating to the Budget in a public meeting with the F&A Committee, and consulted with the staff of the Public Utility Commission of Texas (PUCT) regarding development of the Budget;

WHEREAS, ERCOT staff presented its recommended 2022-2023 Biennial Budget, which includes a total spending authorization of \$322,167,883 and \$286,983,615 respectively; and

WHEREAS, the Budget recommended by ERCOT staff will keep the ERCOT system administration fee flat at \$0.555 for 2022 and 2023;

THEREFORE, BE IT RESOLVED, that the Board hereby:

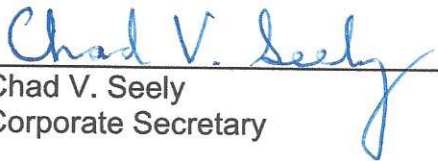
- Approves the recommended 2022-2023 Biennial Budget as set forth in Attachment A, which includes \$322,167,883 and \$286,983,615 total spending authorization for operating expenses, project spending, and debt service obligations for 2022 and 2023, respectively; and
- Approves the recommended ERCOT system administration fee rate of \$0.555 per megawatt-hour for 2022 and 2023 and full recovery of the Senate Bill 3 generation and transmission inspection costs separately from the system administration fee as set forth in Attachment B; and
- Authorizes ERCOT Legal to file the Board-approved 2022-2023 Biennial Budget for approval by the PUCT, pursuant to P.U.C. SUBST. R. 25.363(d).



**CORPORATE SECRETARY'S CERTIFICATE**

I, Chad V. Seely, Corporate Secretary of ERCOT, do hereby certify that, at its August 10, 2021 urgent meeting by teleconference, the Board passed a motion approving the above Resolution by voice vote with two opposed (Nick Fehrenbach and Tom Hancock) and one abstention (Shannon McClendon).

IN WITNESS WHEREOF, I have hereunto set my hand this 17<sup>th</sup> day of September, 2021.

  
\_\_\_\_\_  
Chad V. Seely  
Corporate Secretary

Attachment A

Fiscal Years 2022-2023 Management Recommended Budget

(\$ in Thousands)

Sources and Uses				2022	2023	2024	2025	2026	2027
	2020	2021	2021	2022	2023	2024	2025	2026	2027
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
1 System Administration Fee Revenues	\$ 212,185	\$ 229,274	\$ 222,391	\$ 232,887	\$ 240,873	\$ 295,543	\$ 299,699	\$ 304,473	\$ 309,160
2 Reliability Organization Assessment *	19,400	19,800	19,541	20,000	20,500	21,000	21,500	22,000	22,500
3 Interest Income	4,298	20,000	193	6	4	7	7	7	7
4 Other Revenues	6,866	6,083	8,726	20,243	20,462	21,608	22,818	24,096	25,445
5 CRR Borrowings	-	-	-	23,062	5,144	-	574	1,670	2,112
6 Decrease in Cash Balance	-	-	6,969	25,970	-	-	-	-	-
<b>7 Total Sources</b>	<b>\$ 242,749</b>	<b>\$ 275,157</b>	<b>\$ 257,820</b>	<b>\$ 322,168</b>	<b>\$ 286,984</b>	<b>\$ 338,158</b>	<b>\$ 344,599</b>	<b>\$ 352,246</b>	<b>\$ 359,224</b>
8 Department Expenditures	\$ 178,393	\$ 187,168	\$ 193,234	\$ 225,520	\$ 231,515	\$ 244,480	\$ 257,771	\$ 271,828	\$ 286,695
9 Project Expenditures	35,457	29,000	33,600	56,014	27,072	44,815	42,126	39,866	44,950
10 Real Time Co-optimization Project	2,727	5,000	1,300	-	2,415	13,060	17,637	13,230	-
11 MET Center Replacement Project	-	-	4,713	15,211	-	-	-	-	-
12 Reliability Organization Assessment *	19,400	19,800	19,541	20,000	20,500	21,000	21,500	22,000	22,500
13 Debt Service	5,577	5,531	5,431	5,423	5,481	5,504	5,566	5,322	5,079
14 Repayment of CRR Borrowings	-	-	-	-	-	9,300	-	-	-
15 Increase in Cash Balance	1,195	28,657	-	-	-	-	-	-	-
<b>16 Total Uses</b>	<b>\$ 242,749</b>	<b>\$ 275,157</b>	<b>\$ 257,820</b>	<b>\$ 322,168</b>	<b>\$ 286,984</b>	<b>\$ 338,158</b>	<b>\$ 344,599</b>	<b>\$ 352,246</b>	<b>\$ 359,224</b>

\* Reliability Organization Assessment is a pass-through collected on behalf of the Texas Regional Entity; it is not set by ERCOT.

Schedule may not foot due to rounding.

Attachment B

Fiscal Years 2022-2023 Management Recommended Budget

(\$ in Thousands, except rates)

<b>Budget Summary</b>										
Line		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	<b>System Administration Fee Rate</b>	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665
2	Energy Consumption (GWH)	382,315	413,107	400,705	419,616	434,006	444,426	450,676	457,854	464,903
3	<b>System Administration Fee Revenues</b>	\$ 212,185	\$ 229,274	\$ 222,391	\$ 232,887	\$ 240,873	\$ 295,543	\$ 299,699	\$ 304,473	\$ 309,160
4	Department Net Expenditures	\$ 171,527	\$ 181,085	\$ 184,509	\$ 205,277	\$ 211,053	\$ 222,872	\$ 234,952	\$ 247,732	\$ 261,250
5	Project Expenditures	35,457	29,000	33,600	56,014	27,072	44,815	42,126	39,866	44,950
6	Real Time Co-optimization Project	2,727	5,000	1,300	-	2,415	13,060	17,637	13,230	-
7	MET Center Replacement Project	-	-	4,713	15,211	-	-	-	-	-
8	<b>Total Net Expenditures</b>	\$ 209,711	\$ 215,085	\$ 224,122	\$ 276,502	\$ 240,540	\$ 280,746	\$ 294,715	\$ 300,828	\$ 306,200
9	<b>Net Available Before Non-Operating Sources &amp;</b>	\$ 2,474	\$ 14,189	\$ (1,731)	\$ (43,615)	\$ 333	\$ 14,797	\$ 4,985	\$ 3,645	\$ 2,960
10	Debt Service	\$ (5,577)	\$ (5,531)	\$ (5,431)	\$ (5,423)	\$ (5,481)	\$ (5,504)	\$ (5,566)	\$ (5,322)	\$ (5,079)
11	Interest Income	4,298	20,000	193	6	4	7	7	7	7
12	<b>Non-Operating Sources &amp; Uses</b>	\$ (1,279)	\$ 14,469	\$ (5,238)	\$ (5,417)	\$ (5,478)	\$ (5,497)	\$ (5,558)	\$ (5,315)	\$ (5,072)
13	<b>Net Available</b>	\$ 1,195	\$ 28,657	\$ (6,969)	\$ (49,032)	\$ (5,144)	\$ 9,300	\$ (574)	\$ (1,670)	\$ (2,112)
<b>Year-End Balances: Notes Payable, CRR Borrowings, and Cash</b>										
		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
14	Notes Payable Balance	\$ 47,000	\$ 43,000	\$ 43,000	\$ 39,000	\$ 35,000	\$ 31,000	\$ 27,000	\$ 23,000	\$ 19,000
15	CRR Borrowings Balance	\$ -	\$ -	\$ -	\$ 23,062	\$ 28,206	\$ 18,906	\$ 19,480	\$ 21,150	\$ 23,262
16	Cash Balance	\$ 32,939	\$ 84,586	\$ 25,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Schedule may not foot due to rounding.

## Attachment B

ERCOT Staff Presentations of the 2022/2023 Biennial Budget and System Administration Fee to the Finance and Audit Committee of the ERCOT Board of Directors on August 9, 2021 and to the ERCOT Board of Directors on August 10, 2021





**The Finance & Audit (F&A) Committee is  
expected to consider  
F&A Committee Agenda Item 4:**

***Recommendation regarding  
2022-2023 Budget and Fee***

**at its meeting on August 9, 2021.**

**The Board of Directors is expected to hear  
the F&A Committee's recommendation on  
this matter as part of the F&A Committee  
Report at the Board meeting on  
August 10, 2021.**

**Attached are the Board and Committee  
materials in relation to these agenda items.**



## **Item 4: Recommendation regarding 2022-2023 Budget and Fee**

*Sean Taylor*

Vice President and Chief Financial Officer

Urgent Finance & Audit Committee Meeting

ERCOT Public

August 9, 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).

**<VOTE>** following presentation



# Agenda

1. Overview of the Budget Process
2. Budget Request Drivers
  - Maintain Flat Fee for 2022-2023
  - Incorporate Key Initiatives and New Demands
  - Comply with Board's Debt Strategy Guidance
3. Budget Request
  - Options
  - Management Recommendation
4. Financial Ratios
5. Risks to Meeting 2022-2023 Recommended Budget
6. Request for Vote

## Overview of the Budget Process

# Overview of the Budget Process

- System Administration Fee recent history
  - Flat fee since 2016
  - ERCOT projected the fee increase would be sufficient for four to six years, and anticipated a potential fee increase no later than 2022
  - 2023 would be eighth year of flat fee
- ERCOT seeks to maintain intergenerational equity between spending and benefits, balanced against providing predictable fee increases
- Management took exceptional measures to control and cut expenses across the organization in an effort to offset the significant costs associated with the February 2021 extreme winter weather event and recent legislation

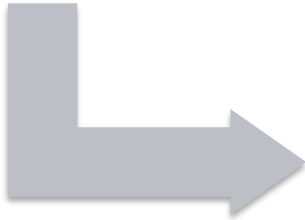
# Overview of the Budget Process

**Strategic Plan**

- Vision
- Mission
- Strategic Objectives

Executive Accountability:

- Review
- Challenge
- Collaborate
- Communicate



**Business Plans**

- Operationalize Strategic Plan
- Objectives
- Key Results

**Project Budget**

- PPL (Project Priority List)
- Approved initiatives and anticipated efforts



**Department Budgets**

- Bottom-up first cut
- Top-down review

**Winter Weather Event & Legislative Requirements**



# Budget Request Drivers: Maintain Flat Fee for 2022-2023



# Budget Request Drivers: Maintain Flat Fee for 2022-2023

## System Administration Fee

- Consistent Rate of \$0.555 for 2022-2023

## Relative to 2020-2021 Approved Budget

- System Administration Fee Revenues – decreased due to lower-than-expected load growth
- Department Net Expenditures – increased expenditures due to cost inflation, winter weather event, legislative requirements, and new demands partially offset by cost savings
- Project Expenditures – consistent multi-year approach, including major refreshes
- Real-Time Co-optimization – revised to reflect current project forecast
- Met Center Replacement Project – purchase in 2022
- Interest Income – decreased significantly due to lower interest rates

# Budget Request Drivers: Incorporate Key Initiatives and New Demands

# Budget Request Drivers: Incorporate Key Initiatives and New Demands

## Strategic Plan Objectives

- Enhance operating capabilities to maintain reliability of an increasingly complex system
- Improve information exchange to facilitate collaborative interaction
- Advance competitive solutions for a changing industry
- Optimize use of ERCOT, Inc.'s resources to continuously provide high-value services

# Budget Request Drivers: Incorporate Key Initiatives and New Demands

Winter Weather Event – Description	Annual Cost
Increase in Company Insurance	\$7.2 Million
Increase to External Legal Services	\$2.4 Million
Increase for Communications	\$0.9 Million

Bill	Legislative Requirements - Description	Annual Cost
SB 2	ERCOT Board - Board of Directors members decrease from 16 to 11, independent directors increase from 5 to 8	\$0.3 Million
SB 3	Omnibus Reform Bill - Generation and TSP Inspections cost estimate. Studies, policy, and rulemaking support will be largely absorbed into ERCOT baseline	\$10.6 Million
SB 415	Storage Ownership - assist with PUC rulemaking	Absorb Internally
SB 713	Sunset Review accelerates ERCOT to 2021	Absorb Internally
SB 1580	Market Participation and Securitization - relating to electric cooperatives	-
HB 4492	Winter Storm Uri default balance and uplift financing	Includes funding for upfront and ongoing costs, some costs absorbed internally
SB 1281	Transmission Planning process, adding back in the consumer impact test as well as reliability assessment conduct by ERCOT staff every other year	Absorb Internally
HB 2586	Requires annual audit of ERCOT	Absorb Internally



# Budget Request Drivers: Incorporate Key Initiatives and New Demands

## Generation and Transmission SB3 Inspection Costs

(Estimated Range of \$3-\$20 Million, Annually)

	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
SB3 Inspection Costs	\$ 10,000	\$ 10,560	\$ 11,151	\$ 11,776	\$ 12,435	\$ 13,132

## Increase to External Legal Services

	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
Winter Weather Event	\$ 2,370	\$ 2,370	\$ 2,503	\$ 2,243	\$ 1,991	\$ 1,747

# Budget Request Drivers: Incorporate Key Initiatives and New Demands

## New Demands Include:

- Regulatory Requirements
  - Increased costs associated with Critical Infrastructure Protection (CIP) compliance
  - Transmission line and generation inspections
  - Cyber security monitoring
  - Increased coordination of Resource Outages
  - Incorporate new economic standards for transmission project approval
- Protocol and Planning Revisions
  - Weatherization standard development
  - Stability assessments for interconnecting generation
  - Interconnection study increases
  - Grid forecasting improvements
- Increased IT support costs for new or enhanced services

# Budget Request Drivers: Incorporate Key Initiatives and New Demands

## Efficiency Savings Help Offset Costs of New Demands

- Delivery Tool Chain Modernization
  - System support labor decreased
  - Hardware cost and maintenance increased
- Enterprise Architecture Tool
  - System support labor decreased
  - Software compliance cost decreased
  - Software maintenance cost increased
- Resource Integration & On-going Operations (RIOO)
  - Support labor decreased
  - Hardware and software costs increased
- ServiceNow
  - Administrative overhead and direct labor cost decreased
  - Software maintenance cost increased
- Test Automation
  - System support labor decreased
  - Project delivery times decreased
  - Software maintenance cost increased

# Budget Request Drivers: Incorporate Key Initiatives and New Demands

Department & Project Expenditures: 2021 Budget vs 2022 Request

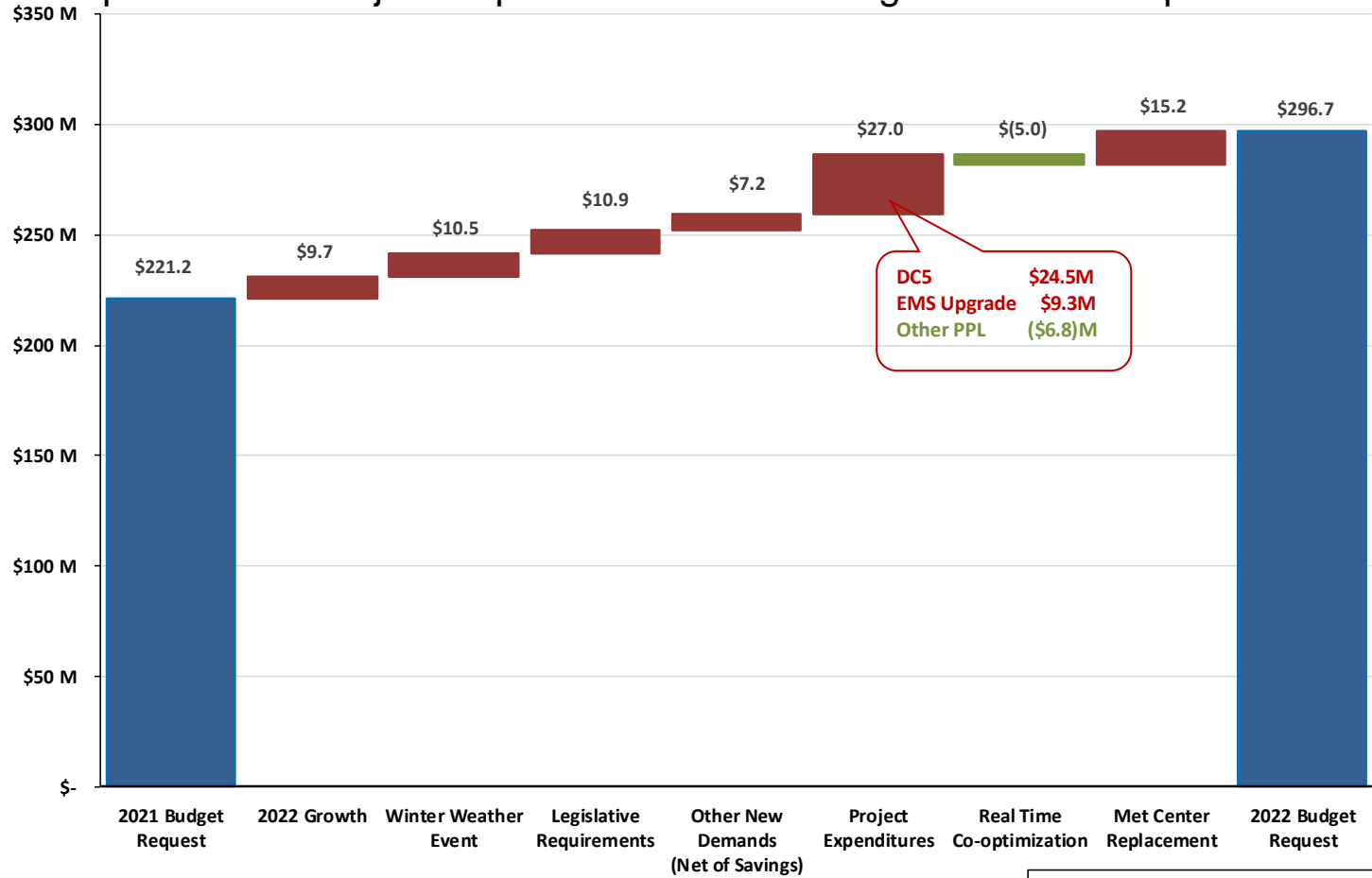


Chart may not foot due to rounding.





# Budget Request Drivers: Comply with Board's Debt Strategy Guidance

# Budget Request Drivers:

## Comply with Board's Debt Strategy Guidance

### **Maintain or Improve ERCOT's Financial Integrity**

- Manage impacts to outstanding debt and liquidity requirements

### **Maintain Stable, Fair and Predictable Fees**

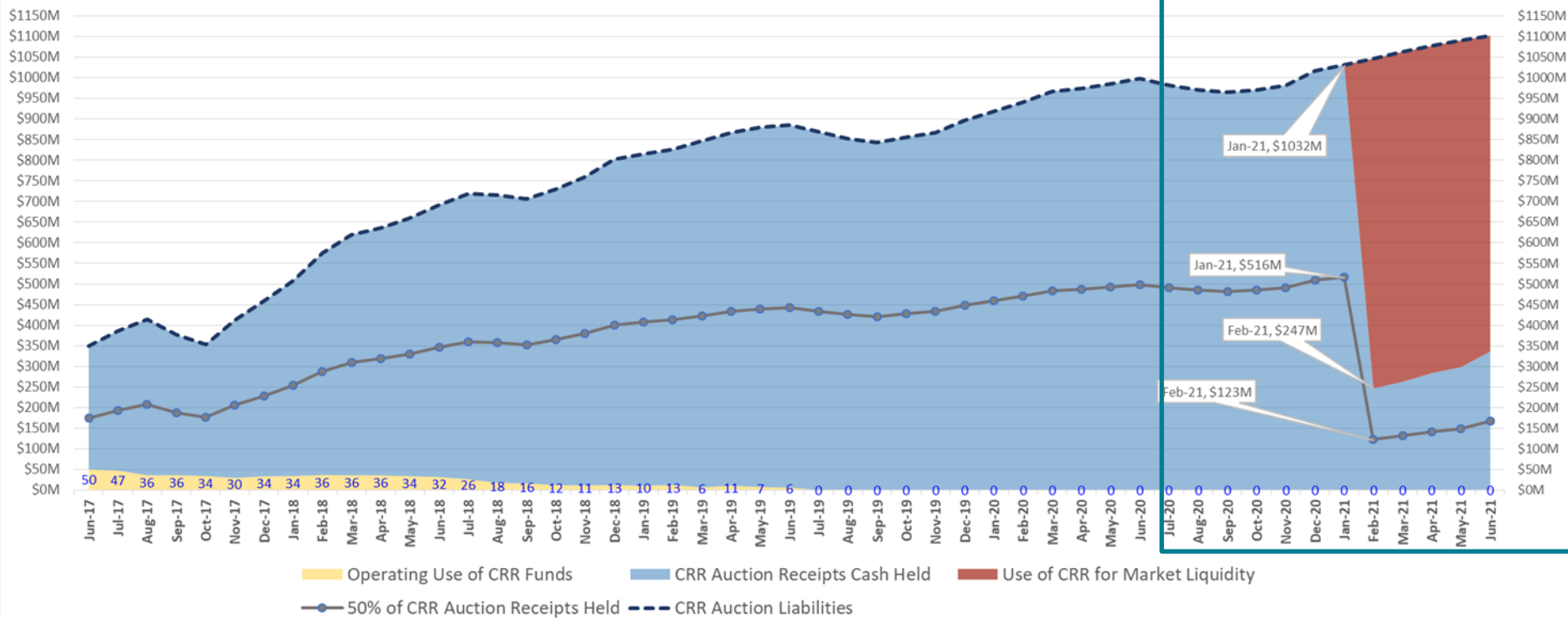
- Use debt matching appropriately

### **Provide Lowest Cost to Fee-Payers**

- Use lowest cost debt that is available and appropriate

# Budget Request Drivers: Comply with Board's Debt Strategy Guidance

Use of CRR Funds: Actual vs Limits



$$\text{Use of CRR Funds (CRR Borrowings)} = \text{Amount Owed to Market Participants} - \text{Unrestricted Cash and Bond Investments}$$



## Budget Request: Options

# Budget Request: Options - Base Scenario

Maintain System Administration Fee Rate Indefinitely;  
No Separate SB3 Inspection Fee

\$ in Thousands, except rates

Budget Summary										
Line	2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection	
1	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555
2	382,315	413,107	400,705	419,616	434,006	444,426	450,676	457,854	464,903	
3	\$ 212,185	\$ 229,274	\$ 222,391	\$ 232,887	\$ 240,873	\$ 246,656	\$ 250,125	\$ 254,109	\$ 258,021	
4	\$ 171,527	\$ 181,085	\$ 184,509	\$ 215,277	\$ 221,613	\$ 234,023	\$ 246,728	\$ 260,167	\$ 274,382	
5	35,457	29,000	33,600	56,014	27,072	44,815	42,126	39,866	44,950	
6	2,727	5,000	1,300	-	2,415	13,060	17,637	13,230	-	
7	-	-	4,713	15,211	-	-	-	-	-	
8	\$ 209,711	\$ 215,085	\$ 224,122	\$ 286,502	\$ 251,100	\$ 291,898	\$ 306,491	\$ 313,263	\$ 319,332	
9	\$ 2,474	\$ 14,189	\$ (1,731)	\$ (53,615)	\$ (10,227)	\$ (45,241)	\$ (56,366)	\$ (59,154)	\$ (61,311)	
10	\$ (5,577)	\$ (5,531)	\$ (5,431)	\$ (5,423)	\$ (5,481)	\$ (5,504)	\$ (5,566)	\$ (5,322)	\$ (5,079)	
11	4,298	20,000	193	6	4	7	7	7	7	
12	\$ (1,279)	\$ 14,469	\$ (5,238)	\$ (5,417)	\$ (5,478)	\$ (5,497)	\$ (5,558)	\$ (5,315)	\$ (5,072)	
13	\$ 1,195	\$ 28,657	\$ (6,969)	\$ (59,032)	\$ (15,704)	\$ (50,738)	\$ (61,924)	\$ (64,469)	\$ (66,383)	
Year-End Balances: Notes Payable, CRR Borrowings, Cash, and Real Time Co-optimization Project Funding										
Line	2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection	
14	\$ 47,000	\$ 43,000	\$ 43,000	\$ 39,000	\$ 35,000	\$ 31,000	\$ 27,000	\$ 23,000	\$ 19,000	
15	\$ -	\$ -	\$ -	\$ 33,062	\$ 48,766	\$ 99,505	\$ 161,429	\$ 225,898	\$ 292,281	
16	\$ 32,939	\$ 84,586	\$ 25,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Schedule may not foot due to rounding.

Change to \$161.4M from \$36.2M (\$125.2M increase) shown at Segment meetings in 2020



# Budget Request: Options - Summary

In which year should we increase the System Administration Fee Rate?

Do we implement separate SB3 Inspection Fee?

\$ in Thousands, except rates

	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection	2028 Projection	2029 Projection
<b>Base Scenario: No Rate Increase</b>								
System Administration Fee Rate	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555
CRR Borrowings Balance	\$ 33,062	\$ 48,766	\$ 99,505	\$ 161,429	\$ 225,898	\$ 292,281	\$ 380,840	\$ 453,216
<b>Scenario 1: Increase Rate in 2022</b>	16.2%	2.5%	6 year CAGR					
System Administration Fee Rate	\$ 0.645	\$ 0.645	\$ 0.645	\$ 0.645	\$ 0.645	\$ 0.645	\$ 0.645	\$ 0.645
CRR Borrowings Balance	\$ -	\$ -	\$ -	\$ 4,144	\$ 27,407	\$ 51,948	\$ 98,004	\$ 127,314
<b>Scenario 2: Increase Rate in 2024</b>			26.1%	2.9% 8 year CAGR				
System Administration Fee Rate	\$ 0.555	\$ 0.555	\$ 0.700	\$ 0.700	\$ 0.700	\$ 0.700	\$ 0.700	\$ 0.700
CRR Borrowings Balance	\$ 33,163	\$ 48,867	\$ 35,164	\$ 31,740	\$ 29,820	\$ 28,792	\$ 48,873	\$ 51,866
<b>Scenario 3: Increase Rate in 2022, again in 2024</b>	8.1%	1.3%	10.8%	5.3% 6 year/2 year CAGR				
System Administration Fee Rate	\$ 0.600	\$ 0.600	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665
CRR Borrowings Balance	\$ 14,280	\$ 10,454	\$ 12,306	\$ 24,655	\$ 38,761	\$ 54,004	\$ 90,614	\$ 110,355
<b>Scenario 1A: Increase Rate in 2022; with Inspection Fee</b>	11.7%	1.9%	6 year CAGR					
System Administration Fee Rate	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.620
CRR Borrowings Balance	\$ -	\$ -	\$ -	\$ 4,375	\$ 26,649	\$ 49,681	\$ 93,676	\$ 120,306
<b>Scenario 2A: Increase Rate in 2024; with Inspection Fee</b>			19.8%	2.3% 8 year CAGR				
System Administration Fee Rate	\$ 0.555	\$ 0.555	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665
CRR Borrowings Balance	\$ 23,062	\$ 28,206	\$ 18,906	\$ 19,480	\$ 21,150	\$ 23,262	\$ 46,006	\$ 51,102
<b>Scenario 3A: Increase Rate in 2022, again in 2024; with Inspection Fee</b>	4.5%	0.7%	10.3%	5.0% 6 year/2 year CAGR				
System Administration Fee Rate	\$ 0.580	\$ 0.580	\$ 0.640	\$ 0.640	\$ 0.640	\$ 0.640	\$ 0.640	\$ 0.640
CRR Borrowings Balance	\$ 12,672	\$ 6,966	\$ 8,777	\$ 20,618	\$ 33,734	\$ 47,469	\$ 82,019	\$ 99,078



# Budget Request: Management Recommendation

# Budget Request: Management Recommendation

Flat System Administration Fee Rate of \$0.555 for 2022-2023, Increase to \$0.665 in 2024; With Separate SB3 Inspection Fee

\$ in Thousands, except rates

Budget Summary										
Line	2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection	
1	<b>System Administration Fee Rate</b>	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665
2	Energy Consumption (GWH)	382,315	413,107	400,705	419,616	434,006	444,426	450,676	457,854	464,903
3	<b>System Administration Fee Revenues</b>	\$ 212,185	\$ 229,274	\$ 222,391	\$ 232,887	\$ 240,873	\$ 295,543	\$ 299,699	\$ 304,473	\$ 309,160
4	Department Net Expenditures	\$ 171,527	\$ 181,085	\$ 184,509	\$ 205,277	\$ 211,053	\$ 222,872	\$ 234,952	\$ 247,732	\$ 261,250
5	Project Expenditures	35,457	29,000	33,600	56,014	27,072	44,815	42,126	39,866	44,950
6	Real Time Co-optimization Project	2,727	5,000	1,300	-	2,415	13,060	17,637	13,230	-
7	MET Center Replacement Project	-	-	4,713	15,211	-	-	-	-	-
8	<b>Total Net Expenditures</b>	\$ 209,711	\$ 215,085	\$ 224,122	\$ 276,502	\$ 240,540	\$ 280,746	\$ 294,715	\$ 300,828	\$ 306,200
9	<b>Net Available Before Non-Operating Sources &amp; Uses</b>	\$ 2,474	\$ 14,189	\$ (1,731)	\$ (43,615)	\$ 333	\$ 14,797	\$ 4,985	\$ 3,645	\$ 2,960
10	Debt Service	\$ (5,577)	\$ (5,531)	\$ (5,431)	\$ (5,423)	\$ (5,481)	\$ (5,504)	\$ (5,566)	\$ (5,322)	\$ (5,079)
11	Interest Income	4,298	20,000	193	6	4	7	7	7	7
12	<b>Non-Operating Sources &amp; Uses</b>	\$ (1,279)	\$ 14,469	\$ (5,238)	\$ (5,417)	\$ (5,478)	\$ (5,497)	\$ (5,558)	\$ (5,315)	\$ (5,072)
13	<b>Net Available</b>	\$ 1,195	\$ 28,657	\$ (6,969)	\$ (49,032)	\$ (5,144)	\$ 9,300	\$ (574)	\$ (1,670)	\$ (2,112)
<b>Year-End Balances: Notes Payable, CRR Borrowings, and Cash</b>										
	2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection	
14	Notes Payable Balance	\$ 47,000	\$ 43,000	\$ 43,000	\$ 39,000	\$ 35,000	\$ 31,000	\$ 27,000	\$ 23,000	\$ 19,000
15	CRR Borrowings Balance	\$ -	\$ -	\$ -	\$ 23,062	\$ 28,206	\$ 18,906	\$ 19,480	\$ 21,150	\$ 23,262
16	Cash Balance	\$ 32,939	\$ 84,586	\$ 25,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Schedule may not foot due to rounding.





# Budget Request: Management Recommendation

Flat System Administration Fee Rate of \$0.555 for 2022-2023, Increase to \$0.665 in 2024; With Separate SB3 Inspection Fee

\$ in Thousands

Sources and Uses				2022	2023	2024	2025	2026	2027
	2020	2021	2021	2022	2023	2024	2025	2026	2027
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
1	\$ 212,185	\$ 229,274	\$ 222,391	\$ 232,887	\$ 240,873	\$ 295,543	\$ 299,699	\$ 304,473	\$ 309,160
2	19,400	19,800	19,541	20,000	20,500	21,000	21,500	22,000	22,500
3	4,298	20,000	193	6	4	7	7	7	7
4	6,866	6,083	8,726	20,243	20,462	21,608	22,818	24,096	25,445
5	-	-	-	23,062	5,144	-	574	1,670	2,112
6	-	-	6,969	25,970	-	-	-	-	-
7	<b>\$ 242,749</b>	<b>\$ 275,157</b>	<b>\$ 257,820</b>	<b>\$ 322,168</b>	<b>\$ 286,984</b>	<b>\$ 338,158</b>	<b>\$ 344,599</b>	<b>\$ 352,246</b>	<b>\$ 359,224</b>
8	\$ 178,393	\$ 187,168	\$ 193,234	\$ 225,520	\$ 231,515	\$ 244,480	\$ 257,771	\$ 271,828	\$ 286,695
9	35,457	29,000	33,600	56,014	27,072	44,815	42,126	39,866	44,950
10	2,727	5,000	1,300	-	2,415	13,060	17,637	13,230	-
11	-	-	4,713	15,211	-	-	-	-	-
12	19,400	19,800	19,541	20,000	20,500	21,000	21,500	22,000	22,500
13	5,577	5,531	5,431	5,423	5,481	5,504	5,566	5,322	5,079
14	-	-	-	-	-	9,300	-	-	-
15	1,195	28,657	-	-	-	-	-	-	-
16	<b>\$ 242,749</b>	<b>\$ 275,157</b>	<b>\$ 257,820</b>	<b>\$ 322,168</b>	<b>\$ 286,984</b>	<b>\$ 338,158</b>	<b>\$ 344,599</b>	<b>\$ 352,246</b>	<b>\$ 359,224</b>

\* Reliability Organization Assessment is a pass-through collected on behalf of the Texas Regional Entity; it is not set by ERCOT.

Schedule may not foot due to rounding.



# Budget Request: Management Recommendation

## Financial Health – 2019 vs 2027 End of Year Balance

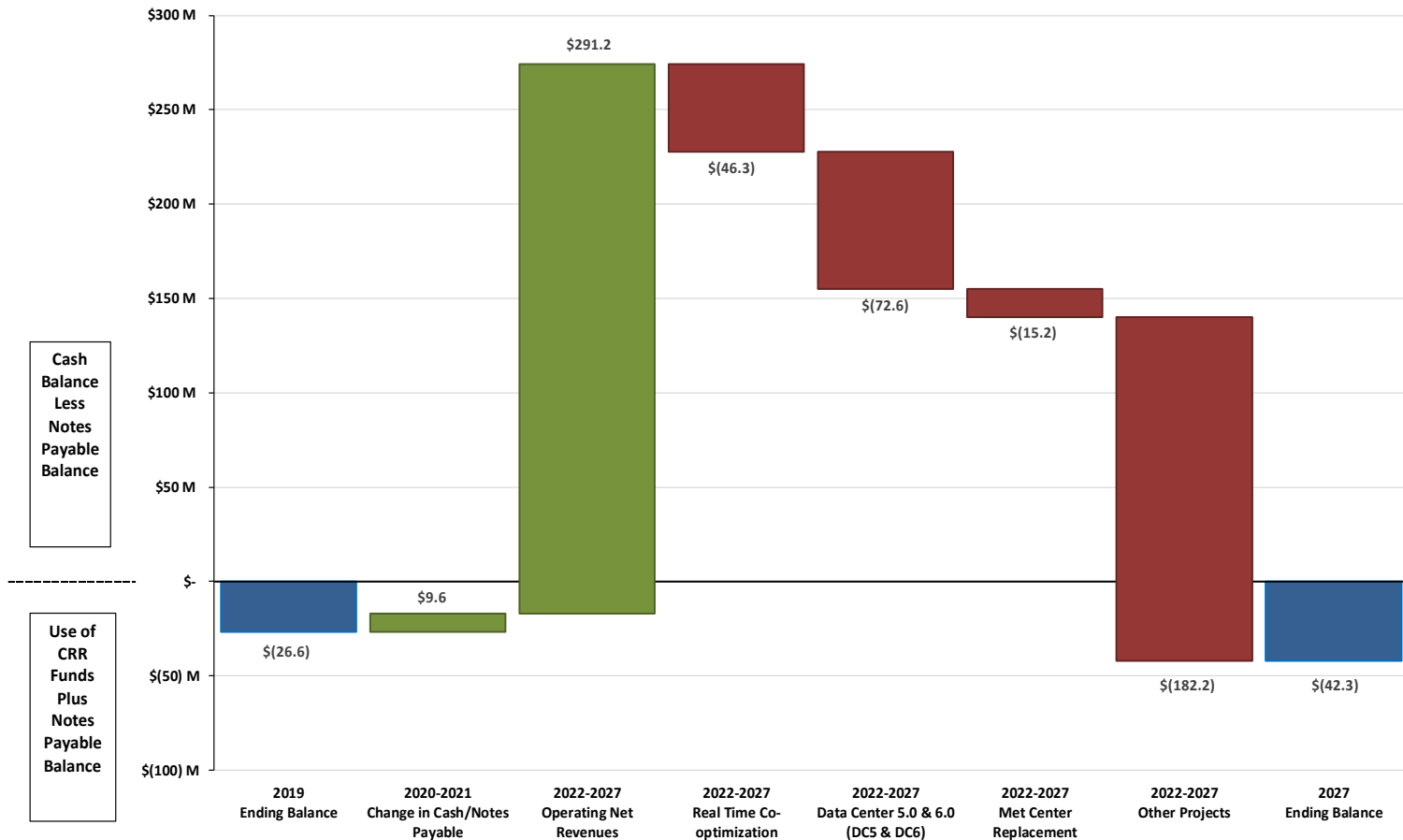


Chart may not foot due to rounding.



## Financial Ratios

# Financial Ratios

\$ in Thousands

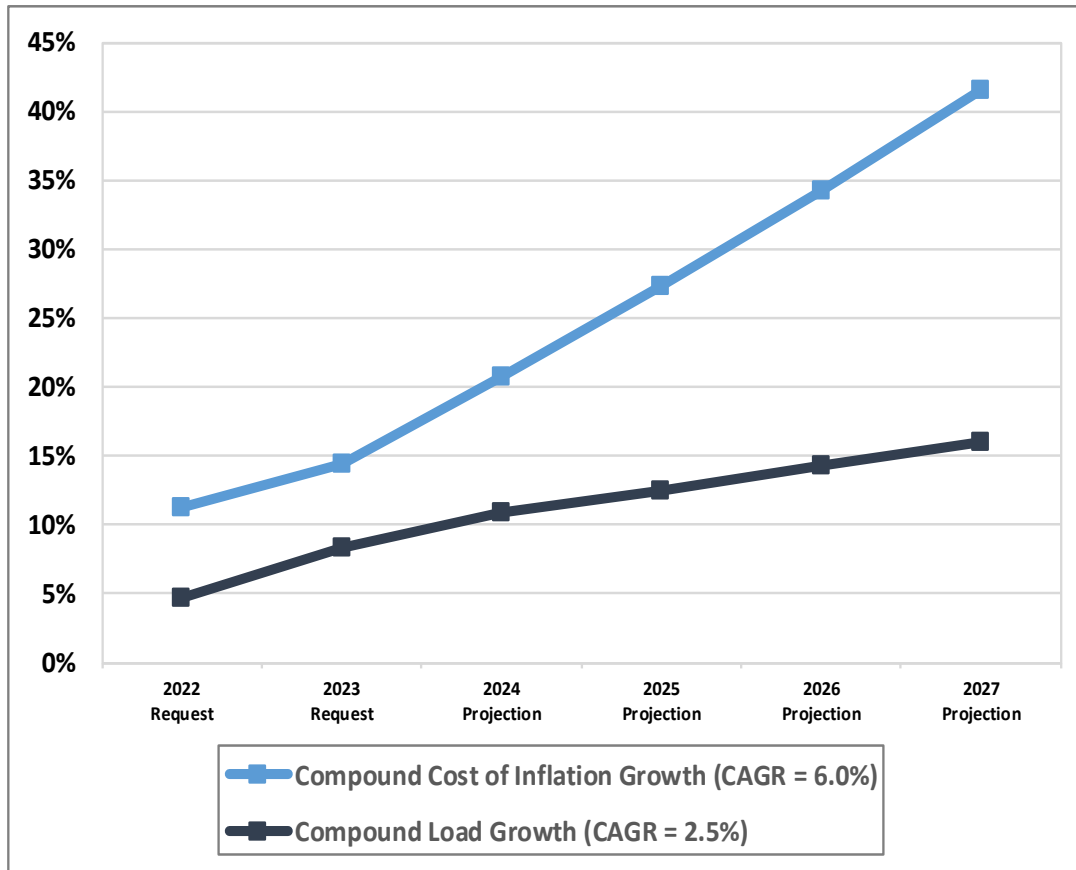
Debt Service Coverage Ratio										
	2020	2021	2021	2022	2023	2024	2025	2026	2027	
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection	
<b>Revenues</b>										
1	System Administration Fee Revenues	\$ 212,185	\$ 229,274	\$ 222,391	\$ 232,887	\$ 240,873	\$ 295,543	\$ 299,699	\$ 304,473	\$ 309,160
2	Reliability Organization Assessment	19,400	19,800	19,541	20,000	20,500	21,000	21,500	22,000	22,500
3	Interest Income	4,298	20,000	193	6	4	7	7	7	7
4	Other Revenues	6,866	6,083	8,726	20,243	20,462	21,608	22,818	24,096	25,445
5	<b>Total Revenues</b>	<b>242,749</b>	<b>275,157</b>	<b>250,851</b>	<b>273,136</b>	<b>281,839</b>	<b>338,158</b>	<b>344,025</b>	<b>350,576</b>	<b>357,113</b>
<b>Less: Non-Project Expenditures</b>										
6	Department Expenditures	178,393	187,168	193,234	225,520	231,515	244,480	257,771	271,828	286,695
7	Reliability Organization Assessment	19,400	19,800	19,541	20,000	20,500	21,000	21,500	22,000	22,500
8	<b>Net Revenues Available for Debt Service</b>	<b>\$ 44,956</b>	<b>\$ 68,189</b>	<b>\$ 38,076</b>	<b>\$ 27,616</b>	<b>\$ 29,825</b>	<b>\$ 72,679</b>	<b>\$ 64,754</b>	<b>\$ 56,748</b>	<b>\$ 47,917</b>
9	Interest Expense	1,577	1,531	1,431	1,423	1,481	1,504	1,566	1,322	1,079
10	Principal Payment	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
11	<b>Total Debt Service</b>	<b>\$ 5,577</b>	<b>\$ 5,531</b>	<b>\$ 5,431</b>	<b>\$ 5,423</b>	<b>\$ 5,481</b>	<b>\$ 5,504</b>	<b>\$ 5,566</b>	<b>\$ 5,322</b>	<b>\$ 5,079</b>
12	<b>Calculated Debt Service Coverage Ratio</b>	<b>8.06</b>	<b>12.33</b>	<b>7.01</b>	<b>5.09</b>	<b>5.44</b>	<b>13.20</b>	<b>11.63</b>	<b>10.66</b>	<b>9.43</b>
<b>Liquidity Ratio</b>										
	2020	2021	2021	2022	2023	2024	2025	2026	2027	
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection	
13	Department Expenditures (2 Month Average)	\$ 29,732	\$ 31,195	\$ 32,206	\$ 37,587	\$ 38,586	\$ 40,747	\$ 42,962	\$ 45,305	\$ 47,783
14	Debt Service (6 Month Average)	2,788	2,766	2,716	2,712	2,741	2,752	2,783	2,661	2,540
15	Project Expenditures (2 Month Average)	6,364	5,667	6,602	11,871	4,915	9,646	9,960	8,849	7,492
16	<b>Targeted Minimum Level of Liquidity</b>	<b>\$ 38,885</b>	<b>\$ 39,627</b>	<b>\$ 41,523</b>	<b>\$ 52,169</b>	<b>\$ 46,241</b>	<b>\$ 53,145</b>	<b>\$ 55,705</b>	<b>\$ 56,815</b>	<b>\$ 57,814</b>
17	<b>Undrawn Borrowing Capacity</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>
18	<b>Liquidity Ratio</b>	<b>2.57</b>	<b>2.52</b>	<b>2.41</b>	<b>1.92</b>	<b>2.16</b>	<b>1.88</b>	<b>1.80</b>	<b>1.76</b>	<b>1.73</b>

Schedule may not foot due to rounding.



# Risks to Meeting 2022-2023 Recommended Budget

# Risks to Meeting 2022-2023 Recommended Budget: Higher-than-Projected Cost Inflation & Lower-than-Projected Load Growth



*ERCOT's costs are forecast to continue to grow at a rate faster than load.*

*What is the sensitivity to ERCOT's financial health of variances to forecasts for these items?*

# Risks to Meeting 2022-2023 Recommended Budget: Sensitivity Analysis – Higher-than-Projected Cost Inflation & Lower-than-Projected Load Growth

2027 Ending (CRR Borrowing)/Cash Balance  
\$ in Millions

		CAGR for Six Year Department Net Expenditures (2021-2027)						
		7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	4.5%
CAGR for Six Year Load Growth (2021-2027)	1.0%	\$ (235.4)	\$ (209.6)	\$ (184.3)	\$ (157.8)	\$ (134.8)	\$ (110.7)	\$ (87.0)
	1.5%	\$ (191.5)	\$ (165.8)	\$ (140.4)	\$ (113.9)	\$ (91.0)	\$ (66.8)	\$ (43.1)
	2.0%	\$ (146.9)	\$ (121.2)	\$ (95.8)	\$ (69.3)	\$ (46.4)	\$ (22.2)	\$ 1.5
	2.5%	\$ (100.9)	\$ (75.1)	\$ (49.8)	\$ (23.3)	\$ (0.3)	\$ 23.8	\$ 47.5
	3.0%	\$ (55.5)	\$ (29.7)	\$ (4.4)	\$ 22.1	\$ 45.1	\$ 69.2	\$ 92.9
	3.5%	\$ (8.6)	\$ 17.1	\$ 42.5	\$ 69.0	\$ 91.9	\$ 116.1	\$ 139.8
	4.0%	\$ 39.0	\$ 64.8	\$ 90.1	\$ 116.6	\$ 139.6	\$ 163.7	\$ 187.4



# Risks to Meeting 2022-2023 Recommended Budget: Risks Summary and Mitigation

## Potential Risks

- Higher-than-Projected Cost Inflation
- Lower-than-Projected Load Growth
- Higher-than-Projected Costs from Legislative Requirements
- Higher-than-Projected Costs from Winter Weather Event
- New Costs

## Mitigation Responses

- Reduce Department Net Expenditures (e.g., operational efficiencies)
- Reduce Project Expenditures
- Increase Debt & ERCOT's Use of CRR Funds
- Increase Fees



## Request for Vote

# Request for Vote

## **ERCOT staff recommends that the ERCOT Finance & Audit Committee recommend that the Board of Directors:**

- Approve the recommended 2022-2023 Biennial Budget which includes \$322,167,883 and \$286,983,615 total spending authorization for operating expenses, project spending, and debt service obligations for 2022 and 2023, respectively
- Approve the recommended ERCOT system administration fee of \$0.555 per megawatt-hour rate for 2022 and 2023 and full recovery of the Senate Bill 3 generation and transmission inspection costs separately from the system administration fee
- Authorize ERCOT Legal to file the Board-approved 2022-2023 Biennial Budget for approval by the PUCT, pursuant to P.U.C. Substantive Rule Section 25.363(d)



# Appendices

1. Department Net Expenditures by Office
  - ERCOT
  - Chief Information Office
  - Chief Operating Office
  - Chief Administrative Office
  - External Affairs and Corporate Communications
  - General Counsel
  - Chief Executive Office
  
2. Project Expenditures
  - Summary
  - Project Priority List Details

# Department Net Expenditures by Office

# Department Net Expenditures by Office

\$ in Thousands

ERCOT

Line		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	Salaries	\$ 98,852	\$ 103,460	\$ 101,834	\$ 113,023	\$ 118,909	\$ 125,568	\$ 132,600	\$ 140,025	\$ 147,867
2	Benefits & Taxes	30,818	33,314	33,158	36,636	38,357	40,505	42,773	45,169	47,698
3	Project Funded Labor	(11,893)	(11,842)	(12,278)	(13,400)	(13,939)	(14,719)	(15,544)	(16,414)	(17,333)
4	Vacancy	-	(3,414)	-	(4,361)	(4,584)	(4,840)	(5,112)	(5,398)	(5,700)
5	<b>Department Labor</b>	<b>\$ 117,777</b>	<b>\$ 121,519</b>	<b>\$ 122,713</b>	<b>\$ 131,897</b>	<b>\$ 138,744</b>	<b>\$ 146,513</b>	<b>\$ 154,718</b>	<b>\$ 163,382</b>	<b>\$ 172,532</b>
6	Materials, Supplies & Equipment	729	801	645	625	633	669	706	746	788
7	HW/SW License & Maintenance	26,522	24,836	27,441	34,185	35,259	37,233	39,318	41,520	43,845
8	Outside Services	15,240	18,109	18,429	20,401	19,705	20,808	21,573	22,404	23,303
9	Utility, Maintenance & Facility	8,873	10,367	11,105	10,933	9,793	10,342	10,921	11,533	12,178
10	Employee Expenses	1,426	3,361	1,173	1,707	2,263	2,390	2,524	2,665	2,815
11	Insurance	2,372	2,534	6,715	10,019	10,242	10,815	11,421	12,061	12,736
12	Other Expenses	2,816	3,217	2,815	13,577	13,376	14,125	14,916	15,751	16,633
13	<b>Department Expense</b>	<b>\$ 175,756</b>	<b>\$ 184,743</b>	<b>\$ 191,036</b>	<b>\$ 223,345</b>	<b>\$ 230,015</b>	<b>\$ 242,896</b>	<b>\$ 256,098</b>	<b>\$ 270,062</b>	<b>\$ 284,830</b>
14	Minor Capital & Common Infrastructure	2,638	2,425	2,198	2,175	1,500	1,584	1,673	1,766	1,865
15	<b>Subtotal - Department Expenditures</b>	<b>\$ 178,393</b>	<b>\$ 187,168</b>	<b>\$ 193,234</b>	<b>\$ 225,520</b>	<b>\$ 231,515</b>	<b>\$ 244,480</b>	<b>\$ 257,771</b>	<b>\$ 271,828</b>	<b>\$ 286,695</b>
16										
17	<b>Revenues</b>	<b>\$ (6,866)</b>	<b>\$ (6,083)</b>	<b>\$ (8,726)</b>	<b>\$ (20,243)</b>	<b>\$ (20,462)</b>	<b>\$ (21,608)</b>	<b>\$ (22,818)</b>	<b>\$ (24,096)</b>	<b>\$ (25,445)</b>
18										
19	<b>Total Department Net Expenditures</b>	<b>\$ 171,527</b>	<b>\$ 181,085</b>	<b>\$ 184,509</b>	<b>\$ 205,277</b>	<b>\$ 211,053</b>	<b>\$ 222,872</b>	<b>\$ 234,952</b>	<b>\$ 247,732</b>	<b>\$ 261,250</b>

Schedule may not foot due to rounding.



# Department Net Expenditures by Office

\$ in Thousands

## Chief Information Office

Line		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	Salaries	\$ 34,403	\$ 35,808	\$ 36,120	\$ 40,038	\$ 41,794	\$ 44,135	\$ 46,607	\$ 49,217	\$ 51,973
2	Benefits & Taxes	10,690	11,555	11,609	13,001	13,531	14,289	15,089	15,934	16,827
3	Project Funded Labor	(8,576)	(8,641)	(8,784)	(9,599)	(9,981)	(10,540)	(11,131)	(11,754)	(12,412)
4	Vacancy	-	(1,184)	-	(1,326)	(1,383)	(1,461)	(1,542)	(1,629)	(1,720)
5	<b>Department Labor</b>	<b>\$ 36,517</b>	<b>\$ 37,537</b>	<b>\$ 38,945</b>	<b>\$ 42,113</b>	<b>\$ 43,961</b>	<b>\$ 46,423</b>	<b>\$ 49,023</b>	<b>\$ 51,768</b>	<b>\$ 54,667</b>
6	Materials, Supplies & Equipment	193	157	186	189	188	199	210	222	234
7	HW/SW License & Maintenance	25,746	24,652	26,958	34,026	34,932	36,888	38,954	41,135	43,439
8	Outside Services	5,421	7,435	4,868	4,554	4,178	4,412	4,659	4,920	5,196
9	Utility, Maintenance & Facility	4,602	4,952	6,278	5,438	5,081	5,366	5,666	5,984	6,319
10	Employee Expenses	474	882	239	509	679	717	758	800	845
11	Insurance	-	-	-	-	-	-	-	-	-
12	Other Expenses	895	816	1,098	911	911	962	1,016	1,073	1,133
13	<b>Department Expense</b>	<b>\$ 73,848</b>	<b>\$ 76,430</b>	<b>\$ 78,572</b>	<b>\$ 87,739</b>	<b>\$ 89,931</b>	<b>\$ 94,967</b>	<b>\$ 100,285</b>	<b>\$ 105,901</b>	<b>\$ 111,832</b>
14	Minor Capital & Common Infrastructure	1,768	1,405	1,363	1,250	1,250	1,320	1,394	1,472	1,554
15	<b>Subtotal - Department Expenditures</b>	<b>\$ 75,616</b>	<b>\$ 77,835</b>	<b>\$ 79,935</b>	<b>\$ 88,989</b>	<b>\$ 91,181</b>	<b>\$ 96,287</b>	<b>\$ 101,679</b>	<b>\$ 107,373</b>	<b>\$ 113,386</b>
16										
17	<b>*Revenues</b>	<b>\$ (3,628)</b>	<b>\$ (3,399)</b>	<b>\$ (4,736)</b>	<b>\$ (3,703)</b>	<b>\$ (3,362)</b>	<b>\$ (3,551)</b>	<b>\$ (3,749)</b>	<b>\$ (3,959)</b>	<b>\$ (4,181)</b>
18										
19	<b>Total Department Net Expenditures</b>	<b>\$ 71,987</b>	<b>\$ 74,436</b>	<b>\$ 75,199</b>	<b>\$ 85,287</b>	<b>\$ 87,819</b>	<b>\$ 92,737</b>	<b>\$ 97,930</b>	<b>\$ 103,414</b>	<b>\$ 109,205</b>

\* Private Wide-Area Network Fees

Schedule may not foot due to rounding.



# Department Net Expenditures by Office

\$ in Thousands

## Chief Administrative Office Total

Line		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	Salaries	\$ 18,655	\$ 19,476	\$ 18,686	\$ 21,304	\$ 23,042	\$ 24,333	\$ 25,695	\$ 27,134	\$ 28,654
2	Benefits & Taxes	5,775	6,230	6,062	6,686	7,136	7,535	7,957	8,403	8,873
3	Project Funded Labor	(1,912)	(1,787)	(2,058)	(2,523)	(2,520)	(2,661)	(2,810)	(2,967)	(3,133)
4	Vacancy	-	(637)	-	(700)	(754)	(797)	(841)	(888)	(938)
5	<b>Department Labor</b>	<b>\$ 22,519</b>	<b>\$ 23,282</b>	<b>\$ 22,690</b>	<b>\$ 24,768</b>	<b>\$ 26,904</b>	<b>\$ 28,410</b>	<b>\$ 30,001</b>	<b>\$ 31,681</b>	<b>\$ 33,456</b>
6	Materials, Supplies & Equipment	524	612	445	421	430	454	479	506	535
7	HW/SW License & Maintenance	754	129	481	152	317	335	354	374	395
8	Outside Services	6,919	7,364	6,848	8,135	8,470	8,945	9,446	9,975	10,533
9	Utility, Maintenance & Facility	4,236	5,415	4,790	5,473	4,691	4,953	5,231	5,524	5,833
10	Employee Expenses	408	896	241	450	600	634	669	707	747
11	Insurance	2,372	2,534	6,715	10,019	10,242	10,815	11,421	12,061	12,736
12	Other Expenses	561	517	420	690	673	711	750	792	837
13	<b>Department Expense</b>	<b>\$ 38,293</b>	<b>\$ 40,750</b>	<b>\$ 42,630</b>	<b>\$ 50,109</b>	<b>\$ 52,327</b>	<b>\$ 55,257</b>	<b>\$ 58,352</b>	<b>\$ 61,620</b>	<b>\$ 65,070</b>
14	Minor Capital & Common Infrastructure	719	1,020	820	925	250	264	279	294	311
15	<b>Subtotal - Department Expenditures</b>	<b>\$ 39,012</b>	<b>\$ 41,770</b>	<b>\$ 43,450</b>	<b>\$ 51,034</b>	<b>\$ 52,577</b>	<b>\$ 55,521</b>	<b>\$ 58,631</b>	<b>\$ 61,914</b>	<b>\$ 65,381</b>
16										
17	<b>*Revenues</b>	<b>\$ 6</b>	<b>\$ -</b>	<b>\$ (8)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
18										
19	<b>Total Department Net Expenditures</b>	<b>\$ 39,018</b>	<b>\$ 41,770</b>	<b>\$ 43,442</b>	<b>\$ 51,034</b>	<b>\$ 52,577</b>	<b>\$ 55,521</b>	<b>\$ 58,631</b>	<b>\$ 61,914</b>	<b>\$ 65,381</b>

\*Cyber Monitoring Fees and Other Miscellaneous

Schedule may not foot due to rounding.



# Department Net Expenditures by Office

\$ in Thousands

## Grid Planning & Operations

Line		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	Salaries	\$ 24,740	\$ 25,367	\$ 25,441	\$ 27,552	\$ 28,739	\$ 30,348	\$ 32,048	\$ 33,842	\$ 35,738
2	Benefits & Taxes	8,030	8,353	8,528	9,290	9,667	10,208	10,780	11,383	12,021
3	Project Funded Labor	(423)	(739)	(424)	(500)	(500)	(528)	(558)	(589)	(622)
4	Vacancy	-	(843)	-	(921)	(960)	(1,014)	(1,071)	(1,131)	(1,194)
5	<b>Department Labor</b>	<b>\$ 32,347</b>	<b>\$ 32,138</b>	<b>\$ 33,544</b>	<b>\$ 35,421</b>	<b>\$ 36,945</b>	<b>\$ 39,014</b>	<b>\$ 41,199</b>	<b>\$ 43,506</b>	<b>\$ 45,943</b>
6	Materials, Supplies & Equipment	3	17	9	7	7	7	8	8	8
7	HW/SW License & Maintenance	5	50	0	0	0	0	0	0	0
8	Outside Services	1,659	1,550	1,547	1,933	1,157	1,221	1,290	1,362	1,438
9	Utility, Maintenance & Facility	1	-	1	1	1	1	1	1	1
10	Employee Expenses	331	892	453	404	538	569	600	634	670
11	Insurance	-	-	-	-	-	-	-	-	-
12	Other Expenses	836	1,314	943	11,404	11,350	11,985	12,656	13,365	14,114
13	<b>Department Expense</b>	<b>\$ 35,182</b>	<b>\$ 35,961</b>	<b>\$ 36,498</b>	<b>\$ 49,169</b>	<b>\$ 49,998</b>	<b>\$ 52,798</b>	<b>\$ 55,754</b>	<b>\$ 58,877</b>	<b>\$ 62,174</b>
14	Minor Capital & Common Infrastructure	47	-	15	-	-	-	-	-	-
15	<b>Subtotal - Department Expenditures</b>	<b>\$ 35,230</b>	<b>\$ 35,961</b>	<b>\$ 36,513</b>	<b>\$ 49,169</b>	<b>\$ 49,998</b>	<b>\$ 52,798</b>	<b>\$ 55,754</b>	<b>\$ 58,877</b>	<b>\$ 62,174</b>
16										
17	<b>*Revenues</b>	<b>\$ (2,883)</b>	<b>\$ (2,353)</b>	<b>\$ (3,618)</b>	<b>\$ (16,208)</b>	<b>\$ (16,768)</b>	<b>\$ (17,706)</b>	<b>\$ (18,698)</b>	<b>\$ (19,745)</b>	<b>\$ (20,851)</b>
18										
19	<b>Total Department Net Expenditures</b>	<b>\$ 32,347</b>	<b>\$ 33,607</b>	<b>\$ 32,894</b>	<b>\$ 32,962</b>	<b>\$ 33,230</b>	<b>\$ 35,091</b>	<b>\$ 37,056</b>	<b>\$ 39,131</b>	<b>\$ 41,323</b>

\*Generation Interconnection Study Fees, Operations Training Seminar Registration Fees, Blackstart Training Registration Fees, & Inspection User Fees

Schedule may not foot due to rounding.





# Department Net Expenditures by Office

\$ in Thousands

## Commercial Operations

Line		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	Salaries	\$ 11,755	\$ 12,242	\$ 11,964	\$ 12,614	\$ 13,357	\$ 14,105	\$ 14,895	\$ 15,729	\$ 16,610
2	Benefits & Taxes	3,697	4,023	3,943	4,197	4,433	4,682	4,944	5,221	5,513
3	Project Funded Labor	(897)	(591)	(759)	(678)	(838)	(885)	(934)	(986)	(1,042)
4	Vacancy	-	(407)	-	(841)	(890)	(939)	(992)	(1,047)	(1,106)
5	<b>Department Labor</b>	<b>\$ 14,556</b>	<b>\$ 15,267</b>	<b>\$ 15,148</b>	<b>\$ 15,292</b>	<b>\$ 16,063</b>	<b>\$ 16,963</b>	<b>\$ 17,913</b>	<b>\$ 18,916</b>	<b>\$ 19,975</b>
6	Materials, Supplies & Equipment	3	8	4	4	4	4	4	4	5
7	HW/SW License & Maintenance	1	-	0	-	-	-	-	-	-
8	Outside Services	266	245	323	329	329	347	367	387	409
9	Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
10	Employee Expenses	105	323	151	147	198	209	221	233	247
11	Insurance	-	-	-	-	-	-	-	-	-
12	Other Expenses	185	202	138	187	191	202	213	225	238
13	<b>Department Expense</b>	<b>\$ 15,116</b>	<b>\$ 16,045</b>	<b>\$ 15,764</b>	<b>\$ 15,959</b>	<b>\$ 16,785</b>	<b>\$ 17,725</b>	<b>\$ 18,717</b>	<b>\$ 19,766</b>	<b>\$ 20,873</b>
14	Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
15	<b>Subtotal - Department Expenditures</b>	<b>\$ 15,116</b>	<b>\$ 16,045</b>	<b>\$ 15,764</b>	<b>\$ 15,959</b>	<b>\$ 16,785</b>	<b>\$ 17,725</b>	<b>\$ 18,717</b>	<b>\$ 19,766</b>	<b>\$ 20,873</b>
16										
17	<b>Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
18										
19	<b>Total Department Net Expenditures</b>	<b>\$ 15,116</b>	<b>\$ 16,045</b>	<b>\$ 15,764</b>	<b>\$ 15,959</b>	<b>\$ 16,785</b>	<b>\$ 17,725</b>	<b>\$ 18,717</b>	<b>\$ 19,766</b>	<b>\$ 20,873</b>

Schedule may not foot due to rounding.



# Department Net Expenditures by Office

\$ in Thousands

## External Affairs and Corporate Communications

Line	2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1 Salaries	\$ 4,715	\$ 5,190	\$ 4,291	\$ 5,247	\$ 5,457	\$ 5,763	\$ 6,086	\$ 6,426	\$ 6,786
2 Benefits & Taxes	1,479	1,709	1,530	1,749	1,814	1,915	2,022	2,136	2,255
3 Project Funded Labor	(84)	(83)	(252)	(100)	(100)	(106)	(112)	(118)	(124)
4 Vacancy	-	(172)	-	(175)	(182)	(192)	(203)	(214)	(226)
<b>5 Department Labor</b>	<b>\$ 6,111</b>	<b>\$ 6,643</b>	<b>\$ 5,568</b>	<b>\$ 6,722</b>	<b>\$ 6,989</b>	<b>\$ 7,381</b>	<b>\$ 7,794</b>	<b>\$ 8,230</b>	<b>\$ 8,691</b>
6 Materials, Supplies & Equipment	3	4	0	1	1	1	1	1	1
7 HW/SW License & Maintenance	14	5	1	6	6	7	7	7	8
8 Outside Services	132	257	773	1,514	1,514	1,599	1,688	1,783	1,883
9 Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
10 Employee Expenses	50	181	16	80	106	112	118	125	132
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	101	149	118	93	93	98	104	110	116
<b>13 Department Expense</b>	<b>\$ 6,411</b>	<b>\$ 7,240</b>	<b>\$ 6,476</b>	<b>\$ 8,416</b>	<b>\$ 8,710</b>	<b>\$ 9,198</b>	<b>\$ 9,713</b>	<b>\$ 10,257</b>	<b>\$ 10,831</b>
14 Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 6,411</b>	<b>\$ 7,240</b>	<b>\$ 6,476</b>	<b>\$ 8,416</b>	<b>\$ 8,710</b>	<b>\$ 9,198</b>	<b>\$ 9,713</b>	<b>\$ 10,257</b>	<b>\$ 10,831</b>
16									
<b>17 *Revenues</b>	<b>\$ (76)</b>	<b>\$ (63)</b>	<b>\$ (82)</b>	<b>\$ (63)</b>	<b>\$ (63)</b>	<b>\$ (66)</b>	<b>\$ (70)</b>	<b>\$ (74)</b>	<b>\$ (78)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 6,335</b>	<b>\$ 7,178</b>	<b>\$ 6,394</b>	<b>\$ 8,353</b>	<b>\$ 8,647</b>	<b>\$ 9,132</b>	<b>\$ 9,643</b>	<b>\$ 10,183</b>	<b>\$ 10,753</b>

\*Market Participant Registration Fees

Schedule may not foot due to rounding.



# Department Net Expenditures by Office

\$ in Thousands

## General Counsel

Line	2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1 Salaries	\$ 2,906	\$ 3,102	\$ 3,322	\$ 4,050	\$ 4,212	\$ 4,448	\$ 4,697	\$ 4,960	\$ 5,238
2 Benefits & Taxes	799	957	1,005	1,212	1,257	1,328	1,402	1,480	1,563
3 Project Funded Labor	(3)	-	(1)	-	-	-	-	-	-
4 Vacancy	-	(101)	-	(263)	(273)	(289)	(305)	(322)	(340)
<b>5 Department Labor</b>	<b>\$ 3,702</b>	<b>\$ 3,957</b>	<b>\$ 4,325</b>	<b>\$ 4,999</b>	<b>\$ 5,196</b>	<b>\$ 5,487</b>	<b>\$ 5,794</b>	<b>\$ 6,118</b>	<b>\$ 6,461</b>
6 Materials, Supplies & Equipment	1	4	1	3	3	3	3	3	4
7 HW/SW License & Maintenance	1	-	0	0	3	3	4	4	4
8 Outside Services	842	1,257	3,870	3,924	4,044	4,270	4,110	3,962	3,829
9 Utility, Maintenance & Facility	34	-	35	21	21	22	23	25	26
10 Employee Expenses	33	114	10	53	70	74	78	83	87
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	229	199	92	274	140	148	156	165	174
<b>13 Department Expense</b>	<b>\$ 4,841</b>	<b>\$ 5,531</b>	<b>\$ 8,334</b>	<b>\$ 9,273</b>	<b>\$ 9,477</b>	<b>\$ 10,007</b>	<b>\$ 10,168</b>	<b>\$ 10,360</b>	<b>\$ 10,585</b>
14 Minor Capital & Common Infrastructure	104	-	-	-	-	-	-	-	-
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 4,945</b>	<b>\$ 5,531</b>	<b>\$ 8,334</b>	<b>\$ 9,273</b>	<b>\$ 9,477</b>	<b>\$ 10,007</b>	<b>\$ 10,168</b>	<b>\$ 10,360</b>	<b>\$ 10,585</b>
16									
<b>17 *Revenues</b>	<b>\$ (285)</b>	<b>\$ (268)</b>	<b>\$ (282)</b>	<b>\$ (270)</b>	<b>\$ (270)</b>	<b>\$ (285)</b>	<b>\$ (301)</b>	<b>\$ (318)</b>	<b>\$ (336)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 4,660</b>	<b>\$ 5,262</b>	<b>\$ 8,052</b>	<b>\$ 9,003</b>	<b>\$ 9,207</b>	<b>\$ 9,722</b>	<b>\$ 9,867</b>	<b>\$ 10,042</b>	<b>\$ 10,249</b>

\*Membership Dues

Schedule may not foot due to rounding.



# Department Net Expenditures by Office

\$ in Thousands

## Chief Executive Office

Line		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	Salaries	\$ 1,678	\$ 2,276	\$ 2,010	\$ 2,218	\$ 2,307	\$ 2,436	\$ 2,573	\$ 2,717	\$ 2,869
2	Benefits & Taxes	348	488	482	500	519	548	579	612	646
3	Project Funded Labor	-	-	-	-	-	-	-	-	-
4	Vacancy	-	(69)	-	(136)	(141)	(149)	(158)	(166)	(176)
5	<b>Department Labor</b>	<b>\$ 2,026</b>	<b>\$ 2,695</b>	<b>\$ 2,492</b>	<b>\$ 2,583</b>	<b>\$ 2,685</b>	<b>\$ 2,836</b>	<b>\$ 2,994</b>	<b>\$ 3,162</b>	<b>\$ 3,339</b>
6	Materials, Supplies & Equipment	2	0	0	1	1	1	1	1	1
7	HW/SW License & Maintenance	-	-	0	-	-	-	-	-	-
8	Outside Services	-	-	200	13	13	13	14	15	16
9	Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
10	Employee Expenses	26	72	64	64	71	75	79	83	88
11	Insurance	-	-	-	-	-	-	-	-	-
12	Other Expenses	11	20	6	18	18	19	20	22	23
13	<b>Department Expense</b>	<b>\$ 2,064</b>	<b>\$ 2,787</b>	<b>\$ 2,763</b>	<b>\$ 2,679</b>	<b>\$ 2,787</b>	<b>\$ 2,943</b>	<b>\$ 3,108</b>	<b>\$ 3,282</b>	<b>\$ 3,466</b>
14	Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
15	<b>Subtotal - Department Expenditures</b>	<b>\$ 2,064</b>	<b>\$ 2,787</b>	<b>\$ 2,763</b>	<b>\$ 2,679</b>	<b>\$ 2,787</b>	<b>\$ 2,943</b>	<b>\$ 3,108</b>	<b>\$ 3,282</b>	<b>\$ 3,466</b>
16										
17	<b>Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
18										
19	<b>Total Department Net Expenditures</b>	<b>\$ 2,064</b>	<b>\$ 2,787</b>	<b>\$ 2,763</b>	<b>\$ 2,679</b>	<b>\$ 2,787</b>	<b>\$ 2,943</b>	<b>\$ 3,108</b>	<b>\$ 3,282</b>	<b>\$ 3,466</b>

Schedule may not foot due to rounding.



## Project Expenditures

# Project Expenditures

\$ in Thousands

Project Expenditures										
Line		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	Regulatory	\$ 567	\$ 2,000	\$ 500	\$ 2,000	\$ 2,000	\$ 2,000	\$ 3,000	\$ 3,000	\$ 3,000
2	Revision Requests	2,775	4,000	4,500	2,000	1,500	2,500	4,000	5,000	5,000
3	Internal Enhancements	11,673	11,000	9,700	5,875	2,625	10,900	12,850	11,900	11,700
4	Software Technical Health	15,197	9,750	12,400	19,389	9,884	14,167	14,400	13,000	13,750
5	IT Infrastructure	5,260	2,250	6,300	26,750	10,725	13,350	5,300	5,000	11,500
6	Passport Market Design - PPL	11	-	200	-	339	1,898	2,576	1,966	-
7	Passport Market Design - Real Time Co-optimization	2,728	5,000	1,300	-	2,415	13,060	17,637	13,230	-
8	MET Center Replacement	-	-	4,713	15,211	-	-	-	-	-
9	<b>Project Expenditures</b>	<b>\$ 38,212</b>	<b>\$ 34,000</b>	<b>\$ 39,613</b>	<b>\$ 71,224</b>	<b>\$ 29,487</b>	<b>\$ 57,875</b>	<b>\$ 59,762</b>	<b>\$ 53,096</b>	<b>\$ 44,950</b>

Schedule may not foot due to rounding.



# Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2022 Budget Range	2023 Budget Range
1	Revision Requests	BES (Battery Energy Storage) Combo Model Implementation NPRR963 - Base Point Deviation Settlement & Deployment Performance Metrics for ESRs (Energy Storage Resources) (Combo Model) NPRR987 - BESTF-3 ESR Contribution to Physical Responsive Capability and RT On-Line Reserve Capacity Calcs NPRR989 - BESTF-1 ESR Technical Requirements NPRR1002 - BESTF-5 ESR Single Model Registration and Charging Restrictions in Emergency Conditions NPRR1026 - BESTF-7 Self-Limiting Facilities and Self-Limiting Resources NPRR1038 - BESTF-8 Limited Exemption from Reactive Power Requirements for Certain ESRs NPRR1069 - Align Ancillary Service Responsibility for ESRs with NPRR987 NOGRR204 - Related to NPRR989, BESTF-1 ESR Technical Requirements NOGRR208 - Related to NPRR1002, BESTF-5 ESR Single Model Registration and Charging Restrictions in Emergency Conditions OBDRR017 - Related to NPRR987, BESTF-3 ESR Contribution to Physical Responsive Capability and Real-Time On-Line Reserve Capacity Calculations PGRR081 - Related to NPRR1026, BESTF-7 Self-Limiting Facilities RRGRR023 - Related to NPRR1002, BESTF-5 ESR Single Model Registration and Charging Restrictions in Emergency Conditions	\$500k-\$1M	-
2	Revision Requests	RARF Replacement (SCR781)	\$500k-\$1M	-
3	Revision Requests	Fast Frequency Response (FFR) Advancement (NPRR863)	\$100k-\$250k	-
4	Revision Requests	Increase CRR Transaction Capability (SCR807)	\$100k-\$250k	-
5	Revision Requests	Interconnection Request Cancellation and Creation of Inactive Status (PGRR066)	\$100k-\$250k	-
6	Revision Requests	Revisions to Real-Time On-Line Reliability Deployment Price Adder for ERCOT-Directed Actions Related to DC Ties and to Correct Design Flaws (NPRR904)	\$100k-\$250k	-
7	Revision Requests	Process Pricing and Cost Recovery for Delayed Resource Outages (NPRR930)	\$100k-\$250k	-
8	Revision Requests	Update Real-Time On-Line Reliability Deployment Price Adder Inputs to Match Actual Data (NPRR1006)	\$100k-\$250k	-
9	Revision Requests	Creation of Direct Current Tie Operator Market Participant Role (NPRR857)	\$100k-\$250k	\$250k-\$500k
10	Revision Requests	Incorporate Real-Time Non-Modeled Telemetered Net Generation by Load Zone into the Estimate of RTL (NPRR829)	\$100k-\$250k	-
11	Revision Requests	Allow Some Integrated Energy Storage Designs to Calculate Internal Loads (NPRR1020)	\$100k-\$250k	-
12	Revision Requests	SCED Base Point, Base Point Deviation, and Performance Evaluation Changes for IRRs that Carry Ancillary Services (NPRR879)	\$50k-\$100k	-
13	Revision Requests	CRR Account Holder Limits (NPRR936)	\$50k-\$100k	\$100k-\$250k
14	Revision Requests	Pricing and Settlement Changes for Switchable Generation Resources (SWGRs) Instructed to Switch to ERCOT (NPRR1019)	\$50k-\$100k	-
15	Revision Requests	Changes to External Telemetry Validations in Resource Limit Calculator (SCR809)	<\$50k	-



# Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2022 Budget Range	2023 Budget Range
16	Revision Requests	DGR (Distributed Generation Resource) DESR (Distributed Energy Storage) Implementation NPRR917 - Nodal Pricing for SODGs and SOTGs NPRR1016 - Clarify Requirements for DGRs and DESRs NPRR1052 - Load Zone Pricing for Settlement Only Storage Prior to NPRR995 Implementation NPRR1065 - Implementation Adjustment for NPRR917 NOGRR212 - Related to NPRR1016, Clarify Requirements for DGRs and DESRs PGRR082 - Revise Section 5 and Establish Small Generation Interconnection Process RRGRR026 - Related to NPRR1016, Clarify Requirements for DGRs and DESRs	<\$50k	-
17	Revision Requests	Load Forecast Model Transparency (NPRR975)	<\$50k	-
18	Revision Requests	ORDC OBD Revisions for ERCOT-Directed Actions Related to DC Ties (OBDRR009)	<\$50k	-
19	Revision Requests	Modification to Load Resources Providing RRS to Maintain Minimum PRC on Generators During Scarcity Conditions (NPRR939)	<\$50k	-
20	Revision Requests	Validation for PTP Obligations with Links to an Option (NPRR918)	<\$50k	-
21	Revision Requests	Modify Allocator for CRR Auction Revenue Distribution (NPRR1030)	-	\$100k-\$250k
22	Revision Requests	ERCOT Outage Study Cases in the System Operations Test Environment (SOTE) (SCR799)	-	\$100k-\$250k
23	Revision Requests	EMS System Change to Count DC Ties towards the 2% Constraint Activation Criterion (SCR810)	-	<\$50k
24	Revision Requests	Load Distribution Factor Process Update (NPRR1004)	-	<\$50k
25	Revision Requests	Provide Early Access to Certain 60-Day Reports to TSPs Upon Request (SCR805)	-	<\$50k
26	Revision Requests	Additional Revision Request Funding - 2022/2023	\$500k-\$1M	\$1M-\$2M

Line	Project Category	Project Name	2022 Budget Range	2023 Budget Range
27	Regulatory	Real-Time Co-Optimization (NPRR1007-NPRR1013, NPRR1014, NPRR1029)	-	\$2M-\$4M
28	Regulatory	CIP-012 Data Center Communication Upgrade	\$500k-\$1M	-
29	Regulatory	CAT/PUC-Report CAT	<\$50k	\$100k-\$250k
30	Regulatory	Additional Regulatory Funding - 2022/2023	\$1M-\$2M	\$1M-\$2M





# Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2022 Budget Range	2023 Budget Range
31	Internal Enhancements	Application Testing Modernization	\$500k-\$1M	-
32	Internal Enhancements	Cyber Security Project #1	\$500k-\$1M	-
33	Internal Enhancements	Metadata Management and Search Enhancement	\$500k-\$1M	-
34	Internal Enhancements	CMM (Credit Monitoring and Management) Phase 3	\$500k-\$1M	\$100k-\$250k
35	Internal Enhancements	Conditional Contingency Definitions	\$250k-\$500k	-
36	Internal Enhancements	Forecast Presentation Platform	\$250k-\$500k	-
37	Internal Enhancements	Modeling and Graphic Editor (MAGE) Enhancements	\$250k-\$500k	-
38	Internal Enhancements	Second Solar Forecast	\$250k-\$500k	-
39	Internal Enhancements	Treasury Management Risk Mitigation	\$250k-\$500k	-
40	Internal Enhancements	Add Second PVGR (PhotoVoltaic Generation Resource) Forecast Vendor	\$100k-\$250k	-
41	Internal Enhancements	ECMS (Enterprise Content Management System) Implementation Phase 2	\$100k-\$250k	-
42	Internal Enhancements	Enhanced Extreme Weather Load Forecast	\$100k-\$250k	-
43	Internal Enhancements	TCC4 Switchable Control Room / Training Center	\$100k-\$250k	-
44	Internal Enhancements	Enabling Records Management in ECMS	\$100k-\$250k	\$100k-\$250k
45	Internal Enhancements	Improve Efficiency of Accessing Public API and Expired Public Data Requests	\$50k-\$100k	-
46	Internal Enhancements	Infrastructure Service Delivery Phase 2 - Automation	\$50k-\$100k	-
47	Internal Enhancements	ISM Database Modernization & Architecture Strategy	\$50k-\$100k	-
48	Internal Enhancements	Information Governance Coordinator Network Implementation	\$50k-\$100k	\$50k-\$100k
49	Internal Enhancements	Data Access Governance and Monitoring Solution	\$50k-\$100k	\$250k-\$500k
50	Internal Enhancements	Monitoring Tools Optimization	\$50k-\$100k	\$250k-\$500k
51	Internal Enhancements	Automation of Mothballed Status & Seasonal Operation Period, and other Siebel Fields	<\$50k	-
52	Internal Enhancements	CMM Phase 2	<\$50k	-



# Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2022 Budget Range	2023 Budget Range
53	Internal Enhancements	DSA (Dynamic Security Assessment) Application Upgrade	<\$50k	-
54	Internal Enhancements	NMMS Usability Enhancements	-	<\$50k
55	Internal Enhancements	Federated Search Experience (internal users)	-	\$50k-\$100k
56	Internal Enhancements	ISM Architecture Re-Design	-	\$100k-\$250k
57	Internal Enhancements	Replace Net Dependable Capability and Reactive Capability (NDCRC)	-	\$100k-\$250k
58	Internal Enhancements	Security Constrained Unit Commitment (SCUC)	-	\$2M-\$3M
59	Internal Enhancements	Additional Internal Enhancement Funding - 2022/2023	<\$50k	<\$50k

Line	Project Category	Project Name	2022 Budget Range	2023 Budget Range
60	IT Infrastructure	DC5 Automated Provisioning	\$100k-\$250k	-
61	IT Infrastructure	DC5 Remote Access	\$250k-\$500k	-
62	IT Infrastructure	DC5 x86 and RISC Compute Infrastructure	\$15M-\$20M	\$100k-\$250k
63	IT Infrastructure	DC5 Application Migrations	\$500k-\$1M	\$250k-\$500k
64	IT Infrastructure	DC5 Licensing Purchase	\$250k-\$500k	\$250k-\$500k
65	IT Infrastructure	DC5 Telecom Core	\$1M-\$2M	\$250k-\$500k
66	IT Infrastructure	DC5 Network Core	\$3M-\$4M	\$500k-\$1M
67	IT Infrastructure	DC5 Backup and Recovery	\$2M-\$3M	\$1M-\$2M
68	IT Infrastructure	DC5 Program Control	\$100k-\$250k	\$50k-\$100k
69	IT Infrastructure	Battery Replacement - Large - Location 1	\$100k-\$250k	-



# Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2022 Budget Range	2023 Budget Range
70	IT Infrastructure	Battery Replacement - Small - Location 2	<\$50k	<\$50k
71	IT Infrastructure	Battery Replacement - Small - Location 3	-	<\$50k
72	IT Infrastructure	Battery Replacement - Large - Location 2	-	\$250k-\$500k
73	IT Infrastructure	Battery Replacement - Large - Location 3	-	\$250k-\$500k
74	IT Infrastructure	Replace HVAC Controls - Location 1	\$250k-\$500k	-
75	IT Infrastructure	Replace HVAC Controls - Location 2	-	\$250k-\$500k
76	IT Infrastructure	Replace Control Room Video Wall - Location 1	-	\$500k-\$1M
77	IT Infrastructure	Platform Refresh – Windows Server Upgrade	\$100k-\$250k	\$100k-\$250k
78	IT Infrastructure	Common Infrastructure	\$250k-\$500k	\$250k-\$500k
79	IT Infrastructure	Additional Internal Enhancement Funding - 2022/2023	<\$50k	<\$50k

Line	Project Category	Project Name	2022 Budget Range	2023 Budget Range
80	Software Technical Health	EMS (Energy Management System) Upgrade	\$8M-\$10M	\$4M-\$6M
81	Software Technical Health	Database Operating System Upgrade	\$1M-\$2M	-
82	Software Technical Health	NMMS (Network Model Management System) Tech Stack Upgrade	\$1M-\$2M	\$50k-\$100k
83	Software Technical Health	Business Resiliency - Production Hardening - Grid Operations	\$500k-\$1M	-
84	Software Technical Health	Tech Refresh - Data Warehouse	\$500k-\$1M	-
85	Software Technical Health	Tech Refresh - Middleware Upgrade	\$500k-\$1M	-
86	Software Technical Health	Tech Refresh - MPIM (Market Participant Identity Management) - Phase 1	\$500k-\$1M	-
87	Software Technical Health	Collaboration Software Update	\$500k-\$1M	<\$50k
88	Software Technical Health	Mapping System Upgrade	\$250k-\$500k	-
89	Software Technical Health	NAESB Application Upgrade (Retail)	\$250k-\$500k	-



# Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2022 Budget Range	2023 Budget Range
90	Software Technical Health	Pi Upgrade	\$250k-\$500k	-
91	Software Technical Health	Tech Refresh - MarkeTrak Upgrade	\$250k-\$500k	-
92	Software Technical Health	Cyber Security Project #2	\$250k-\$500k	\$50k-\$100k
93	Software Technical Health	IT Service Management Modernization	\$250k-\$500k	\$250k-\$500k
94	Software Technical Health	Privileged Account Management Phase 2	\$250k-\$500k	\$500k-\$1M
95	Software Technical Health	Tech Refresh - MPIM (Market Participant Identity Management) - Phase 2	\$250k-\$500k	\$500k-\$1M
96	Software Technical Health	CRR (Congestion Revenue Rights) Technical Refresh	\$100k-\$250k	-
97	Software Technical Health	Physical Security Project #1	\$100k-\$250k	-
98	Software Technical Health	Tech Refresh - ITron Upgrade	\$100k-\$250k	-
99	Software Technical Health	Tech Refresh – DSA Upgrade	\$100k-\$250k	\$100k-\$250k
100	Software Technical Health	Content Delivery Software Refresh	\$100k-\$250k	\$250k-\$500k
101	Software Technical Health	DTR User Interface Rewrite	\$100k-\$250k	\$250k-\$500k
102	Software Technical Health	Cyber Security Project #3	\$50k-\$100k	-
103	Software Technical Health	Tech Refresh - Server Operating Systems 2021	<\$50k	-
104	Software Technical Health	Tech Refresh - CMM	-	\$500k-\$1M
105	Software Technical Health	Tech Refresh - Server Operating Systems 2023	-	\$500k-\$1M
106	Software Technical Health	Tech Refresh - Monitoring Tools	-	\$250k-\$500k
107	Software Technical Health	Cyber Security Project #4	-	\$100k-\$250k
108	Software Technical Health	Cyber Security Project #5	-	\$100k-\$250k
109	Software Technical Health	Tech Refresh - MPIM (Market Participant Identity Management) - Phase 3	-	\$100k-\$250k
110	Software Technical Health	Identity Access Management Technical Refresh	-	<\$50k
111	Software Technical Health	Tech Foundation -Software Projects Expected to be Approved in 2022/2023	<\$50k	<\$50k





**Date:** August 3, 2021  
**To:** Board of Directors  
**From:** Nick Fehrenbach, Finance and Audit (F&A) Committee Chairman  
**Subject:** 2022-2023 Budget and Fee

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** August 10, 2021

**Item No.:** 9.2

**Issue:**

Approval by the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) of the ERCOT 2022-2023 Biennial Budget.

**Background/History:**

Public Utility Commission of Texas (PUCT) Substantive Rule 25.363, ERCOT Budget and Fee

P.U.C. SUBST. R. 25.363(e) provides that the ERCOT budget (Budget) and any change in the system administration fee are subject to review and approval by the PUCT. P.U.C. SUBST. R. 25.363(d) further specifies that the review and approval of a proposed Budget, or a proceeding to authorize and set the range for the amount of the fee is not a contested case.

P.U.C. SUBST. R. 25.363(e) provides that, prior to submission of the Budget for Board approval, ERCOT shall consult with PUCT staff in connection with the development of the Budget and provide PUCT staff with information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt.

ERCOT Bylaws

Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the ERCOT Bylaws require that the Board approve the Budget.

ERCOT Board Policies and Procedures

Section 3.3 of the Board Policies and Procedures provides as follows:

The CEO will present to the Board by October of each year when the Budget is to be approved, or at such other time as directed by the Board, a Budget to carry out the Board’s directives for the following year or longer as directed by the Board. The Budget will include projections of ERCOT’s overall financial performance and financing plans, and describe the services, projects, programs, and the associated revenues and expenditures for the next fiscal year. Adoption of the Budget by the Board and as approved by the PUCT authorizes the CEO to complete work

plans and make associated expenditures as provided for in accordance with the Budget.

F&A Committee Charter

The Duties and Responsibilities section of the Finance & Audit Committee Charter states in pertinent part:

With respect to budget oversight...

1. Annually or biennially, the Committee shall review staff's proposed budget for the following year(s).
2. 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.
3. 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).

The F&A Committee is expected to recommend to the Board whether it should approve, reject or amend the 2022-2023 Biennial Budget at the Board's August 10, 2021 meeting.

**Key Factors Influencing Issue:**

- ERCOT requires approval of the Budget by the Board and the PUCT for funding to enable ERCOT to fulfill its statutory functions as an independent organization as required by Section 39.151(a) of the Public Utility Regulatory Act (PURA). For instance, ERCOT must have adequate funds in 2022 and 2023 to:
  - Maintain compliance with the Financial Corporate Standard and associated financial performance measures as approved by the Board;
  - Fund independent market monitoring, PURA, and North American Electric Reliability Corporation (NERC) compliance functions;
  - Staff appropriately to participate in and support full market operations;
  - Implement system improvements and required functionality to support the market;
  - Enhance and maintain the computer systems and associated services contracted for with vendors;
  - Maintain necessary facilities to provide secure operations and house staff; and
  - Fund additional costs resulting from the February 2021 extreme winter weather event and the 87<sup>th</sup> Texas Legislature Regular Session.
- In the fourth quarter of 2020 and the first three quarters of 2021, ERCOT staff discussed financial assumptions, methodologies, schedules and a system administration fee rate relating to the 2022-2023 Biennial Budget with PUCT staff designated by the PUCT Executive Director.
- ERCOT staff will present its recommended 2022-2023 Biennial Budget to the F&A Committee on August 9, 2021.

- The Budget recommended by ERCOT staff will keep the ERCOT system administration fee rate flat at \$0.555 for 2022 and 2023.
- The Budget recommended by ERCOT staff does not fund the inspections required by Senate Bill 3 from the system administration fee. Those inspection costs will be funded through a different recovery mechanism, such as an ERCOT user fee.

**Conclusion/Recommendation:**

ERCOT staff recommends, and the F&A Committee is expected to recommend, that the Board:

- Approve the recommended 2022-2023 Biennial Budget as set forth in Attachment A, which includes \$322,167,883 and \$286,983,615 total spending authorization for operating expenses, project spending, and debt service obligations for 2022 and 2023, respectively;
- Approve the recommended ERCOT system administration fee of \$0.555 per megawatt-hour rate for 2022 and 2023 and full recovery of the Senate Bill 3 generation and transmission inspection costs separately from the system administration fee as set forth in Attachment B; and
- Authorize ERCOT Legal to file the Board-approved 2022-2023 Biennial Budget for approval by the PUCT, pursuant to P.U.C. SUBST. R. 25.363(d).



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to accept the recommendations of ERCOT staff and the Finance and Audit (F&A) Committee that the Board approve the ERCOT recommended 2022-2023 Biennial Budget (Budget), which includes operating expenses, project spending, and debt service obligations;

WHEREAS, Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc., approved on July 31, 2020 (Bylaws), requires that the Board approve the Budget;

WHEREAS, ERCOT staff discussed financial assumptions, methodologies and schedules relating to the Budget in a public meeting with the F&A Committee, and consulted with the staff of the Public Utility Commission of Texas (PUCT) regarding development of the Budget;

WHEREAS, ERCOT staff presented its recommended 2022-2023 Biennial Budget, which includes a total spending authorization of \$322,167,883 and \$286,983,615 respectively; and

WHEREAS, the Budget recommended by ERCOT staff will keep the ERCOT system administration fee flat at \$0.555 for 2022 and 2023;

THEREFORE, BE IT RESOLVED, that the Board hereby:

- Approves the recommended 2022-2023 Biennial Budget as set forth in Attachment A, which includes \$322,167,883 and \$286,983,615 total spending authorization for operating expenses, project spending, and debt service obligations for 2022 and 2023, respectively; and
- Approves the recommended ERCOT system administration fee rate of \$0.555 per megawatt-hour for 2022 and 2023 and full recovery of the Senate Bill 3 generation and transmission inspection costs separately from the system administration fee as set forth in Attachment B; and
- Authorizes ERCOT Legal to file the Board-approved 2022-2023 Biennial Budget for approval by the PUCT, pursuant to P.U.C. SUBST. R. 25.363(d).





**CORPORATE SECRETARY'S CERTIFICATE**

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its August 10, 2021 urgent meeting by teleconference, the ERCOT Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of August, 2021.

\_\_\_\_\_  
Vickie G. Leady  
Assistant Corporate Secretary

Attachment A

Fiscal Years 2022-2023 Management Recommended Budget

(\$ in Thousands)

Sources and Uses				2022	2023	2024	2025	2026	2027
	2020	2021	2021	2022	2023	2024	2025	2026	2027
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
1 System Administration Fee Revenues	\$ 212,185	\$ 229,274	\$ 222,391	\$ 232,887	\$ 240,873	\$ 295,543	\$ 299,699	\$ 304,473	\$ 309,160
2 Reliability Organization Assessment *	19,400	19,800	19,541	20,000	20,500	21,000	21,500	22,000	22,500
3 Interest Income	4,298	20,000	193	6	4	7	7	7	7
4 Other Revenues	6,866	6,083	8,726	20,243	20,462	21,608	22,818	24,096	25,445
5 CRR Borrowings	-	-	-	23,062	5,144	-	574	1,670	2,112
6 Decrease in Cash Balance	-	-	6,969	25,970	-	-	-	-	-
<b>7 Total Sources</b>	<b>\$ 242,749</b>	<b>\$ 275,157</b>	<b>\$ 257,820</b>	<b>\$ 322,168</b>	<b>\$ 286,984</b>	<b>\$ 338,158</b>	<b>\$ 344,599</b>	<b>\$ 352,246</b>	<b>\$ 359,224</b>
8 Department Expenditures	\$ 178,393	\$ 187,168	\$ 193,234	\$ 225,520	\$ 231,515	\$ 244,480	\$ 257,771	\$ 271,828	\$ 286,695
9 Project Expenditures	35,457	29,000	33,600	56,014	27,072	44,815	42,126	39,866	44,950
10 Real Time Co-optimization Project	2,727	5,000	1,300	-	2,415	13,060	17,637	13,230	-
11 MET Center Replacement Project	-	-	4,713	15,211	-	-	-	-	-
12 Reliability Organization Assessment *	19,400	19,800	19,541	20,000	20,500	21,000	21,500	22,000	22,500
13 Debt Service	5,577	5,531	5,431	5,423	5,481	5,504	5,566	5,322	5,079
14 Repayment of CRR Borrowings	-	-	-	-	-	9,300	-	-	-
15 Increase in Cash Balance	1,195	28,657	-	-	-	-	-	-	-
<b>16 Total Uses</b>	<b>\$ 242,749</b>	<b>\$ 275,157</b>	<b>\$ 257,820</b>	<b>\$ 322,168</b>	<b>\$ 286,984</b>	<b>\$ 338,158</b>	<b>\$ 344,599</b>	<b>\$ 352,246</b>	<b>\$ 359,224</b>

\* Reliability Organization Assessment is a pass-through collected on behalf of the Texas Regional Entity; it is not set by ERCOT.

Schedule may not foot due to rounding.

Attachment B

Fiscal Years 2022-2023 Management Recommended Budget

(\$ in Thousands, except rates)

<b>Budget Summary</b>										
Line		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	<b>System Administration Fee Rate</b>	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665
2	Energy Consumption (GWH)	382,315	413,107	400,705	419,616	434,006	444,426	450,676	457,854	464,903
3	<b>System Administration Fee Revenues</b>	\$ 212,185	\$ 229,274	\$ 222,391	\$ 232,887	\$ 240,873	\$ 295,543	\$ 299,699	\$ 304,473	\$ 309,160
4	Department Net Expenditures	\$ 171,527	\$ 181,085	\$ 184,509	\$ 205,277	\$ 211,053	\$ 222,872	\$ 234,952	\$ 247,732	\$ 261,250
5	Project Expenditures	35,457	29,000	33,600	56,014	27,072	44,815	42,126	39,866	44,950
6	Real Time Co-optimization Project	2,727	5,000	1,300	-	2,415	13,060	17,637	13,230	-
7	MET Center Replacement Project	-	-	4,713	15,211	-	-	-	-	-
8	<b>Total Net Expenditures</b>	\$ 209,711	\$ 215,085	\$ 224,122	\$ 276,502	\$ 240,540	\$ 280,746	\$ 294,715	\$ 300,828	\$ 306,200
9	<b>Net Available Before Non-Operating Sources &amp; Uses</b>	\$ 2,474	\$ 14,189	\$ (1,731)	\$ (43,615)	\$ 333	\$ 14,797	\$ 4,985	\$ 3,645	\$ 2,960
10	Debt Service	\$ (5,577)	\$ (5,531)	\$ (5,431)	\$ (5,423)	\$ (5,481)	\$ (5,504)	\$ (5,566)	\$ (5,322)	\$ (5,079)
11	Interest Income	4,298	20,000	193	6	4	7	7	7	7
12	<b>Non-Operating Sources &amp; Uses</b>	\$ (1,279)	\$ 14,469	\$ (5,238)	\$ (5,417)	\$ (5,478)	\$ (5,497)	\$ (5,558)	\$ (5,315)	\$ (5,072)
13	<b>Net Available</b>	\$ 1,195	\$ 28,657	\$ (6,969)	\$ (49,032)	\$ (5,144)	\$ 9,300	\$ (574)	\$ (1,670)	\$ (2,112)
<b>Year-End Balances: Notes Payable, CRR Borrowings, and Cash</b>										
		2020 Actual	2021 Budget	2021 Forecast	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
14	Notes Payable Balance	\$ 47,000	\$ 43,000	\$ 43,000	\$ 39,000	\$ 35,000	\$ 31,000	\$ 27,000	\$ 23,000	\$ 19,000
15	CRR Borrowings Balance	\$ -	\$ -	\$ -	\$ 23,062	\$ 28,206	\$ 18,906	\$ 19,480	\$ 21,150	\$ 23,262
16	Cash Balance	\$ 32,939	\$ 84,586	\$ 25,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Schedule may not foot due to rounding.

## Attachment C

Statement of ERCOT Interim Chief Executive Officer Summarizing  
ERCOT's 2022/2023 Biennial Budget and System Administration Fee

**PROJECT NO. 38533**

**PUC REVIEW OF ERCOT BUDGET            §            PUBLIC UTILITY COMMISSION**  
**§**  
**§                       OF TEXAS**

**STATEMENT OF ERCOT INTERIM CHIEF EXECUTIVE OFFICER SUMMARIZING  
ERCOT’s 2022/2023 BIENNIAL BUDGET AND SYSTEM ADMINISTRATION FEE**

**Introduction**

Electric Reliability Council of Texas, Inc. (ERCOT) presents a 2022/2023 biennial budget that contemplates maintaining ERCOT’s current system administration fee (*i.e.*, ERCOT’s primary funding source) rate at \$0.555 per megawatt hour (MWh) for years 2022 and 2023.

The following information is presented for the consideration of the Public Utility Commission of Texas (Commission), in a format modeled on the “Administrator’s Statement” utilized by Texas state agencies in their Legislative Appropriations Requests. In addition to this statement, ERCOT has filed with the Commission the supporting documentation required by Commission rules or otherwise requested by Commission staff. ERCOT management and its Board of Directors (Board) are gratified that the development of the ERCOT Board-approved 2022/2023 biennial budget and system administration fee was the result of a productive collaboration with Commission staff.

ERCOT is prepared to provide additional information at the Commission’s request.

**ERCOT Overview**

ERCOT manages the flow of electric power to more than 26 million Texas customers, representing approximately 90 percent of the state’s electric load. As the independent system operator (ISO) for the region, ERCOT schedules power on an electric grid that connects more than 46,500 miles of transmission lines and more than 710 generation units. ERCOT also performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for nearly 8 million premises in competitive choice areas.

ERCOT is a membership-based, Texas non-profit corporation, operating as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code. ERCOT’s core duties are delineated in Section 39.151 of the Texas Public Utility Regulatory Act (PURA). As the “independent organization” designated to serve as the ISO for the ERCOT power region, ERCOT is responsible for ensuring:

1. Access to the transmission and distribution systems for all buyers and sellers of electricity on nondiscriminatory terms;
2. The reliability and adequacy of the regional electrical network;

3. That information relating to a customer's choice of retail electric provider is conveyed in a timely manner to the persons who need that information; and
4. That electricity production and delivery are accurately accounted for among the generators and wholesale buyers and sellers in the region.<sup>1</sup>

ERCOT's actions in furtherance of its statutory mission are subject to the oversight and review of the Commission. In addition, ERCOT is responsible for ensuring compliance with federal electric reliability standards, pursuant to the Federal Power Act. For federal reliability standards, ERCOT is accountable to the Texas Reliability Entity (TRE), the North American Electric Reliability Corporation (NERC), and the Federal Energy Regulatory Commission (FERC).

ERCOT is governed by a board of directors, the composition of which is mandated by PURA,<sup>2</sup> as is the Commission's oversight role.<sup>3</sup> The members of the ERCOT Board and the dates of their terms are identified in the schedules as Work Paper 1 in Attachment D, ERCOT 2022/2023 Biennial Budget Schedules and Work Papers. The identification of ERCOT's Board members is as of the date of this filing. However, it is anticipated that to align ERCOT governance with amendments to PURA that became effective September 1, 2021,<sup>4</sup> several new Unaffiliated Directors will be selected and seated, and Market Segment Director positions will be eliminated. This will result in some new ERCOT Board members serving in 2022 and 2023.

## **High-Level Overview: ERCOT's Proposed 2022/2023 Biennial Budget**

### Spending Authorization

ERCOT's proposed 2022/2023 biennial budget authorizes total spending for operating expenses, project spending, and debt service in the amounts of \$322.2 million for 2022, and \$287.0 million for 2023.

As documented in the materials filed with this application, ERCOT management and staff are dedicated to running efficient operations. As part of its overarching operations strategy, ERCOT proactively optimizes the use of ERCOT's resources to continuously provide high-value services. ERCOT has maintained a flat system administration fee rate since 2016. At the time of its 2016/2017 biennial budget request, ERCOT projected the \$0.555 per MWh fee rate would be sufficient for four to six years, and anticipated a potential fee increase no later than 2022. If the system administration fee rate remains at \$0.555 per MWh, 2023 would be the eighth year that the

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<sup>1</sup> PURA § 39.151(a)(1)-(4).

<sup>2</sup> See PURA § 39.151(g).

<sup>3</sup> See PURA § 39.151(c)-(f). The Commission's oversight of ERCOT is further detailed in Chapter 25, Subchapter O, Division 2 (Independent Organizations) of the 16 Tex. Admin. Code (TAC), and in 16 TAC § 22.251 – 22.252 of the P.U.C. Procedural Rules.

<sup>4</sup> See PURA § 39.151(g)-(g-1).

fee was set at that rate. In considering possible increases to the system administration fee rate, ERCOT seeks to maintain intergenerational equity between spending and benefits, balanced against providing predictable fee increases. Management has taken exceptional measures to control and cut expenses across the organization in an effort to offset the significant costs associated with Winter Storm Uri and recent legislation. The 2022/2023 biennial budget request also contemplates full recovery of the Senate Bill 3 generation and transmission inspection costs through a user fee separate from the system administration fee. Nevertheless, as described below under “Budget Drivers for 2022/2023,” ERCOT faces several factors that drive the need for funding in the 2022/2023 biennium. ERCOT expects to propose a system administration fee rate increase in its 2024/2025 biennial budget request.

ERCOT is also responsible for budgeting to fund the operations of the NERC Electric Reliability Organization (ERO). Funding for NERC/ERO operations is a pass-through fee that is not used to fund ERCOT operations. A total of \$40.5 million of ERCOT’s proposed 2022/2023 biennial budget will be used to fund the NERC/ERO for 2022 and 2023.

### Revenue Sources

ERCOT’s proposed 2022/2023 biennial budget includes system administration fee requirements of \$232.9 million in 2022, and \$240.9 million in 2023. The proposed biennial budget allows ERCOT to continue to maintain the system administration fee at \$0.555 MWh in fiscal years 2022 and 2023. The Board and ERCOT management are acutely aware that the consumers of Texas fund ERCOT, and that ERCOT must remain focused on running a lean but effective organization that not only meets but exceeds the performance expectations of those ERCOT serves.

The Commission’s rules<sup>5</sup> permit the Board to approve user fees for specific services provided by ERCOT to Market Participants and the public. These user fees are included in the ERCOT Fee Schedule that is maintained along with the ERCOT Protocols. While user fees do not recover a large portion of ERCOT’s revenue requirement (user fees are expected to generate \$20.2 million in 2022 and \$20.5 million in 2023), ERCOT regularly reviews user fees to ensure the recovery of appropriate costs. The proposed 2022/2023 biennial budget includes new user fees for Senate Bill 3 generation and transmission inspection costs noted above under “Spending Authorization.” ERCOT may recommend other user fee changes to the Board while the 2022/2023 ERCOT biennial budget is in effect.

ERCOT’s proposed 2022/2023 biennial budget includes immaterial interest income for 2022 and 2023.

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<sup>5</sup> See 16 TAC § 25.363(f).

<b><u>Sources and Uses Summary Table</u></b>		
	<b>2022 Board Approved Amount <u>(\$ in millions)</u></b>	<b>2023 Board Approved Amount <u>(\$ in millions)</u></b>
<b><u>Sources</u></b>		
System Administration Fee Revenues	\$232.9	\$240.9
Reliability Organization Assessment	20.0	20.5
Interest Income	0.0	0.0
Other Revenues	20.2	20.5
CRR Borrowings	23.1	5.1
Decrease in Cash Balance	<u>26.0</u>	<u>0.0</u>
<b>Total Sources</b>	<b>\$322.2</b>	<b>\$287.0</b>
<b><u>Uses</u></b>		
Department Expenditures	\$225.5	\$ 231.5
Project Expenditures	56.0	27.1
Real Time Co-optimization Project	0.0	2.4
MET Center Replacement Project	15.2	0.0
Reliability Organization Assessment	20.0	20.5
Debt Service	<u>5.4</u>	<u>5.5</u>
<b>Total Uses</b>	<b>\$322.2</b>	<b>\$287.0</b>

### **Mission and Driving Forces**

ERCOT’s mission and driving forces are detailed in its 2019 - 2023 Strategic Plan, which is included in ERCOT’s 2022/2023 Biennial Budget and System Administration Fee Submission as Attachment E, ERCOT 2019 – 2023 Strategic Plan.

### **Budget Drivers for 2022/2023**

In its presentations to the ERCOT Board, and in its consultation meetings with Commission staff, ERCOT has identified three budget request drivers for 2022/2023 as follows:

1. Maintain a flat system administration fee rate at \$0.555 per MWh, which is consistent relative to the approved 2020/2021 biennial budget;
2. Incorporate key initiatives and new demands; and
3. Comply with the ERCOT Board’s debt strategy guidance.

#### **Maintenance of a Flat System Administration Fee Consistent Relative to Approved 2020/2021 Biennial Budget**

ERCOT has prioritized maintaining consistency relative to the approved 2020/2021 biennial budget as one of its three budget drivers. To maintain this consistency relative to the approved 2020/2021 biennial budget, ERCOT expects to maintain the current system administration fee rate of \$0.555 per MWh through the 2023 budget year. In addition, relative to



the 2022 amounts projected in the approved 2020/2021 biennial budget, ERCOT will expect a decrease in system administration fee revenues due to lower-than-expected load growth; expect an increase in department net expenditures due to cost inflation, Winter Storm Uri, legislative requirements, and new demands partially offset by cost savings; expect an increase in project expenditures while maintaining a consistent multi-year approach including major refreshes; revise Real-Time Co-optimization (RTC) project expenditures to reflect the current project forecast; add a Met Center Replacement Project with an expected purchase of a new office and meeting facility in 2022; and expect a significant decrease in interest income due to lower interest rates.

### Incorporation of Key Initiatives and New Demands

For another budget driver, ERCOT has incorporated key initiatives and new demands, but expects to recognize efficiency savings to help offset costs of these new demands. ERCOT will incorporate its strategic plan objectives by enhancing operating capabilities to maintain reliability of an increasingly complex system, improving information exchange to facilitate collaborative interaction, advancing competitive solutions for a changing industry, and optimizing use of ERCOT's resources to provide high-value services continuously.

New demands placed upon ERCOT include regulatory requirements, protocol and planning revisions, and increased information technology (IT) support costs for new or enhanced services. In regard to regulatory requirements, new demands include increased costs associated with Critical Infrastructure Protection (CIP) compliance, transmission line and generation inspections, cyber security monitoring, increased coordination of Resource Outages, and the incorporation of new economic standards for transmission project approval. Regarding anticipated protocol and planning revisions, new demands include the development of weatherization standards, stability assessments for interconnecting generation, interconnection study increases, and grid forecasting improvements.

Many of the new demands described above arose from Winter Storm Uri, and the 2022/2023 biennial budget incorporates significant increases in company insurance, external legal services, and additional communications services costs. Moreover, legislative requirements arising from the 87th Texas Legislative Regular Session layered other new demands onto ERCOT, with some items still in rulemaking and pending resolution at the time of this budget submission. For some of these new demands, while management has taken exceptional measures to control and cut expenses across the organization in an effort to offset the significant costs associated with Winter Storm Uri and recent legislation, not all costs could be offset. The 2022/2023 biennial budget also contemplates full recovery of the Senate Bill 3 generation and transmission inspection costs through a new user fee separate from the system administration fee.

### Compliance with the ERCOT Board's Debt Strategy Guidance

The final budget driver is ERCOT's need to comply with the Board's debt strategy guidance. In order to maintain compliance with this strategy, ERCOT will maintain or improve ERCOT's long-term financial integrity by managing outstanding debt and liquidity requirements.

ERCOT will maintain stable, fair and predictable fees by using debt matching appropriately. In addition, ERCOT will provide lowest cost to system administration fee-payers by using the lowest cost debt that is available and appropriate.

As an ongoing effort to maintain the current system administration fee level, ERCOT management continues to seek areas of opportunity to improve operational efficiency. ERCOT management has improved operational efficiency through a variety of efficiency initiatives. Examples of efficiency savings ERCOT has implemented or is implementing to help offset costs of new demands include: (1) delivery tool chain modernization system support labor decreases help offset increased hardware cost and maintenance; (2) in regard to the enterprise architecture tool, system support labor and software compliance cost decreases help offset increased software maintenance costs; (3) in regard to the Resource Integration & On-going Operations (RIOO) system, support labor decreases help offset increased hardware and software costs; (4) in regard to ServiceNow, administrative overhead and direct labor cost decreases help offset increased software maintenance costs; and (5) in regard to test automation, system support labor and project delivery time decreases help offset increased software maintenance costs. ERCOT continues to streamline its processes for low-risk, low-cost projects, thereby reducing complexity and staff time and delivering to the market and other users faster. ERCOT management will actively continue to seek these types of opportunities for improved operational efficiency throughout the 2022/2023 biennial budget years.

### **Conclusion**

ERCOT will provide additional information, as requested, to facilitate the Commission's review of ERCOT's 2022/2023 Biennial Budget and System Administration Fee Submission. ERCOT respectfully requests that the review process conclude by year-end 2021 to allow ERCOT to implement the proposed 2022/2023 biennial budget and system administration fee beginning January 1, 2022.

Brad Jones  
ERCOT Interim President & Chief Executive Officer

Attachment D

ERCOT 2022/2023 Biennial Budget Schedules and Work Papers

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2022-2023 Budget Request**  
**Schedule 1: Method of Finance (\$ in Thousands)**

Line	Method of Finance	2020 Actual		2021 Budget		2022 Request		2023 Request		2024 Projection		2025 Projection		2026 Projection		2027 Projection	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1	System Administration Fee	\$ 212,185	87%	\$ 229,274	83%	\$ 232,887	72%	\$ 240,873	84%	\$ 295,543	87%	\$ 299,699	87%	\$ 304,473	86%	\$ 309,160	86%
2	Reliability Organization Assessment Fee	19,400	8%	19,800	7%	20,000	6%	20,500	7%	21,000	6%	21,500	6%	22,000	6%	22,500	6%
3	Interest Income	4,298	2%	20,000	7%	6	0%	4	0%	7	0%	7	0%	7	0%	7	0%
4	<u>Other Revenues</u>																
5	Inspection User Fee	-	0%	-	0%	10,000	3%	10,560	4%	11,151	3%	11,776	3%	12,435	4%	13,132	4%
6	Generation Interconnection Study Fee	2,770	1%	1,700	1%	5,508	2%	5,508	2%	5,816	2%	6,142	2%	6,486	2%	6,849	2%
7	Private Wide-Area Network Fee	3,628	1%	3,399	1%	3,703	1%	3,362	1%	3,551	1%	3,749	1%	3,959	1%	4,181	1%
8	Blackstart Training Fee	101	0%	363	0%	438	0%	438	0%	462	0%	488	0%	515	0%	544	0%
9	Membership Dues	283	0%	268	0%	270	0%	270	0%	285	0%	301	0%	318	0%	336	0%
10	Operations Training Seminar Fee	-	0%	291	0%	263	0%	263	0%	277	0%	293	0%	309	0%	326	0%
11	Market Participant Registration Fee	76	0%	63	0%	63	0%	63	0%	66	0%	70	0%	74	0%	78	0%
12	Cyber Monitoring Fee	6	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
13	Special Project Billing	2	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
14	Sub-Total Other Revenues	6,866	3%	6,083	2%	20,243	6%	20,462	7%	21,608	6%	22,818	7%	24,096	7%	25,445	7%
15																	
16	CRR Borrowings	-	0%	-	0%	23,062	7%	5,144	2%	-	0%	574	0%	1,670	0%	2,112	1%
17	Decrease in Cash Balance	-	0%	-	0%	25,970	8%	-	0%	-	0%	-	0%	-	0%	-	0%
18	Total - ERCOT	\$ 242,749	100%	\$ 275,157	100%	\$ 322,168	100%	\$ 286,984	100%	\$ 338,158	100%	\$ 344,599	100%	\$ 352,246	100%	\$ 359,224	100%

Schedule may not foot due to rounding.

Note: Certain prior year amounts have been reclassified for consistency with the current presentation. These reclassifications had no effect on the reported results of operations.

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2022-2023 Budget Request**  
**Schedule 2: Summary by Object of Expense (\$ in Thousands)**

Line	Object of Expense	2020 Actual	2021 Budget	2022 Request	2023 Request	2024 Projection	2025 Projection	2026 Projection	2027 Projection
1	Salaries & Wages	\$ 87,620	\$ 90,509	\$ 105,692	\$ 110,150	\$ 116,319	\$ 122,833	\$ 129,711	\$ 136,975
2	Other Personnel Costs	30,321	31,261	36,767	39,161	41,354	43,670	46,116	48,698
3	Professional Fees & Services	16,986	20,406	22,816	22,231	23,476	24,391	25,379	26,445
4	Fuels & Lubricants	24	40	27	28	30	31	33	35
5	Consumable Supplies	97	207	208	213	225	237	251	265
6	Utilities	5,276	6,104	5,620	5,335	5,634	5,949	6,283	6,634
7	Travel	250	1,787	211	771	814	860	908	959
8	Rent - Building	556	1,186	997	170	180	190	200	211
9	Rent - Machine & Other	6,030	4,333	10,799	10,743	11,345	11,980	12,651	13,360
10	Debt Service	5,151	5,051	4,883	4,941	4,934	4,963	4,686	4,408
11	Other Operating Expenses	48,419	49,191	60,748	62,252	65,090	68,059	71,166	74,420
12	Capital Expenditures	40,822	36,425	73,399	30,987	59,459	61,435	54,862	46,815
13	Sub-Total Objects of Expense	241,554	246,500	322,168	286,984	328,859	344,599	352,246	359,224
14									
15	Repayment of CRR Borrowings	-	-	-	-	9,300	-	-	-
16	Increase in Cash Balance	1,195	28,657	-	-	-	-	-	-
17									
18	Total - ERCOT	\$ 242,749	\$ 275,157	\$ 322,168	\$ 286,984	\$ 338,158	\$ 344,599	\$ 352,246	\$ 359,224

Schedule may not foot due to rounding.

Note: Certain prior year amounts have been reclassified for consistency with the current presentation. These reclassifications had no effect on the reported results of operations.

Electric Reliability Council of Texas, Inc. (ERCOT)  
 Fiscal Year 2022-2023 Budget Request  
 Schedule 3: Summary by Object of Expense-Exceptional Requests (\$ in Thousands)

Line	Object of Expense	2020 Actual	2021 Budget	2022 Baseline Budget	Exceptional Request #1		Exceptional Request #2		Exceptional Request #3		Exceptional Request #4		Exceptional Request #5	
					Dollars	Fee Impact	Dollars	Fee Impact	Dollars	Fee Impact	Dollars	Fee Impact	Dollars	Fee Impact
1	Salaries & Wages	\$ 87,620	\$ 90,509	\$ 90,509	\$ -	\$ -	\$ 8,100	\$ 0.0193	\$ -	\$ -	\$ 4,706	\$ 0.0112	\$ 2,377	\$ 0.0057
2	Other Personnel Costs	30,321	31,261	31,261	-	-	2,500	0.0060	-	-	1,626	0.0039	1,380	0.0033
3	Professional Fees & Services	16,986	20,406	20,406	-	-	-	-	3,300	0.0079	1,061	0.0025	(1,952)	(0.0047)
4	Fuels & Lubricants	24	40	40	-	-	-	-	-	-	2	-	(15)	-
5	Consumable Supplies	97	207	207	-	-	-	-	-	-	11	-	(10)	-
6	Utilities	5,276	6,104	6,104	-	-	-	-	-	-	317	0.0008	(801)	(0.0019)
7	Travel	250	1,787	1,787	-	-	300	0.0007	-	-	93	0.0002	(1,969)	(0.0047)
8	Rent - Building	556	1,186	1,186	-	-	-	-	-	-	62	0.0001	(250)	(0.0006)
9	Rent - Machine & Other	6,030	4,333	4,333	-	-	-	-	-	-	225	0.0005	6,241	0.0149
10	Debt Service	5,151	5,051	5,051	-	-	-	-	-	-	-	-	(168)	(0.0004)
11	Other Operating Expenses	48,419	49,191	49,191	-	-	-	-	7,200	0.0172	1,503	0.0036	2,854	0.0068
12	Capital Expenditures	40,822	36,425	36,425	37,224	0.0887	-	-	-	-	126	0.0003	(376)	(0.0009)
13	Total - ERCOT	\$ 241,554	\$ 246,500	\$ 246,500	\$ 37,224	\$ 0.0887	\$ 10,900	\$ 0.0260	\$ 10,500	\$ 0.0250	\$ 9,733	\$ 0.0232	\$ 7,311	\$ 0.0174

Schedule may not foot due to rounding.

Notes: Certain prior year amounts have been reclassified for consistency with the current presentation. These reclassifications had no effect on the reported results of operations.  
 Debt Service and Reliability Organization Assessment are not considered Department Expenditures.  
 Capital Expenditures consist of Project, Minor Capital and Common Infrastructure Expenditures.

- 2022 Exceptional Request #1:  
 This \$37,224K is for capital expenditures. The increase is driven by spend necessary for the Data Center 5.0 Refresh, Met Center Replacement purchase, and other projects.

- 2022 Exceptional Request #2:  
 This \$10,900K is required to meet the new Legislative requirements; the primary driver is for the generation and transmission line inspections.

- 2022 Exceptional Request #3:  
 This \$10,500K is for new costs resulting from the 2021 Winter Weather event, such as higher company insurance premiums and external legal services.

- 2022 Exceptional Request #4:  
 This \$9,733K is needed for normal labor growth and inflationary increases.

- 2022 Exceptional Request #5:  
 This \$7,311K is for new demands, such as regulatory requirements, protocol and planning revisions, and system improvements to better manage ERCOT business.  
 These increases are offset by reductions, where efficiencies and cost savings have been achieved.

<b>2021 Budgeted System Administration Fee Rate</b>	<b>\$ 0.5550</b>
Exceptional Requests (Included Above)	0.1803
Higher Energy Consumption (6,509 GWhs)	(0.0086)
Decrease of Other Revenues (\$5,634K)	0.0134
Change in Net Available (\$77,689K)	<u>(0.1851)</u>
<b>2022 Requested System Administration Fee Rate</b>	<b>\$ 0.5550</b>

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

**Fiscal Year 2022-2023 Budget Request**

**Workpaper 1: 2021 Board Of Directors**

<b>Line</b>	<b>Role</b>	<b>Board Member</b>	<b>Board Member Type</b>	<b>Term</b>
1	Director	Peter Lake	Public Utility Commission of Texas Chair ( <i>Ex Officio</i> , Non-Voting Director)	
2	Director	Brad Jones	ERCOT Interim Chief Executive Officer ( <i>Ex Officio</i> , Voting Director)	
3	Director	Chris Ekoh	The Public Counsel (Office of Public Utility Counsel) - Consumer Segment - Residential and Small Commercial ( <i>Ex Officio</i> , Voting Director)	
4	Director	Nick Fehrenbach	Consumer Segment - Commercial	
5	Director	Sam Harper	Consumer Segment - Industrial	
6	Director	Julie Parsley	Cooperative Segment	
7	Director	Kevin Gresham	Independent Generator Segment	
8	Director	Keith Emery	Independent Power Marketer Segment	
9	Director	Shannon McClendon	Independent Retail Electric Provider (REP) Segment	
10	Director	Mark Carpenter	Investor-Owned Utility Segment	
11	Director	Tom Hancock	Municipal Segment	
12	Segment Alternate	Jennifer Richie	Consumer Segment - Commercial	
13	Segment Alternate	Glen Lyons	Consumer Segment - Industrial	
14	Segment Alternate	Mike Kezar	Cooperative Segment	
15	Segment Alternate	Steven Schleimer	Independent Generator Segment	
16	Segment Alternate	Kevin Bunch	Independent Power Marketer Segment	
17	Segment Alternate	Jim Brown	Independent REP	
18	Segment Alternate	Judith Talavera	Investor-Owned Utility Segment	
19	Segment Alternate	Ian Taylor	Municipal Segment	

Notes:

Unaffiliated Directors are selected by the Nominating Committee of the Board, elected by the ERCOT Corporate Members and approved by the PUCT for a term of three years, subject to a term limit of two three-year renewals (for a maximum of nine years of service). For renewals, each Unaffiliated Director must be re-elected and re-approved for each subsequent three-year term. Market Segment Directors and Segment Alternates, as applicable, are elected by their respective Market Segments for a term of one year (that is, for service of January 1 through December 31 each year). The Bylaws do not prescribe any term limits; however, some Market Segments have their own internal guidelines for limits on terms of service. *Ex Officio* Directors serve by virtue of their office and maintain their positions on the Board so long as they continue to hold their respective positions outside of the Board.

The identification of ERCOT's Board members is as of the date of ERCOT's 2022/2023 biennial budget submission. However, it is anticipated that to align ERCOT governance with amendments to Public Utility Regulatory Act Section 39.151 that became effective September 1, 2021, several new Unaffiliated Directors will be selected and seated, and Market Segment Director positions will be eliminated. This will result in some new ERCOT Board members serving in 2022 and 2023.

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2022-2023 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

ABEST		ERCOT		
Line	Object	ABEST Object Description	Spend Category	Account Summary
1	1001	Salaries & Wages	Payroll - Salaries & Wages	Salaries
2	1001	Salaries & Wages	Overtime Pay	Salaries
3	1001	Salaries & Wages	Vacation Liability	Salaries
4	1002	Other Personnel Costs	Awards	Salaries
5	1002	Other Personnel Costs	Bonus (Referral, Sign On)	Salaries
6	1002	Other Personnel Costs	Executive Incentive Target	Salaries
7	1002	Other Personnel Costs	Severance Pay	Salaries
8	1002	Other Personnel Costs	401K Match	Benefits & Taxes
9	1002	Other Personnel Costs	Dental Insurance	Benefits & Taxes
10	1002	Other Personnel Costs	Health Insurance	Benefits & Taxes
11	1002	Other Personnel Costs	Health Savings Account - Employer Cost	Benefits & Taxes
12	1002	Other Personnel Costs	Life Premiums	Benefits & Taxes
13	1002	Other Personnel Costs	Long-Term Care	Benefits & Taxes
14	1002	Other Personnel Costs	Payroll Taxes - Federal	Benefits & Taxes
15	1002	Other Personnel Costs	Payroll Taxes - Medicare	Benefits & Taxes
16	1002	Other Personnel Costs	Payroll Taxes - Social Security	Benefits & Taxes
17	1002	Other Personnel Costs	Payroll Taxes - State Unemployment Insurance	Benefits & Taxes
18	1002	Other Personnel Costs	PBO Interest Cost	Benefits & Taxes
19	1002	Other Personnel Costs	PBO Service Cost	Benefits & Taxes
20	1002	Other Personnel Costs	Pension Contributions	Benefits & Taxes
21	1002	Other Personnel Costs	Roth IRA Match	Benefits & Taxes
22	1002	Other Personnel Costs	Short-Term Disability	Benefits & Taxes
23	1002	Other Personnel Costs	Health & Wellness Expense	Other Expenses
24	1002	Other Personnel Costs	Board Retainer	Outside Services
25	* 75% to 1001	Salaries & Wages	Contra Labor for Projects	Project Funded Labor
	25% to 1002	Other Personnel Costs		
26	* 75% to 1001	Salaries & Wages	Vacancy	Vacancy
	25% to 1002	Other Personnel Costs		

**Note:**

\* The "Contra Labor for Projects" and "Vacancy" spend categories are credits which are allocated at 75% to the 1001-Salaries & Wages ABEST object and 25% to the 1002-Other Personnel Costs ABEST object.



**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2022-2023 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

<b>ABEST</b>				
<b>Line</b>	<b>Object</b>	<b>ABEST Object Description</b>	<b>ERCOT Spend Category</b>	<b>ERCOT Account Summary</b>
27	2001	Professional Fees & Services	Software Services	HW/SW License & Maintenance
28	2001	Professional Fees & Services	Audit Services	Outside Services
29	2001	Professional Fees & Services	Consulting Services	Outside Services
30	2001	Professional Fees & Services	Contingent Labor	Outside Services
31	2001	Professional Fees & Services	Immigration Services	Outside Services
32	2001	Professional Fees & Services	Legal Services	Outside Services
33	2001	Professional Fees & Services	Professional Services	Outside Services
34	2001	Professional Fees & Services	Professional Services - Research/Studies	Outside Services
35	2001	Professional Fees & Services	Professional Services - Training	Outside Services
36	2002	Fuels & Lubricants	Fuel Oil	Utility, Maintenance & Facility
37	2003	Consumable Supplies	Janitorial Supplies	Materials, Supplies & Equipment
38	2003	Consumable Supplies	Office Supplies	Materials, Supplies & Equipment
39	2003	Consumable Supplies	Uniforms/Gear	Materials, Supplies & Equipment
40	2004	Utilities	Remote System Access	Employee Expenses
41	2004	Utilities	Wireless PC Card	Employee Expenses
42	2004	Utilities	Data Center Connectivity	Utility, Maintenance & Facility
43	2004	Utilities	Electricity	Utility, Maintenance & Facility
44	2004	Utilities	Fiber Lease	Utility, Maintenance & Facility
45	2004	Utilities	Frame Relay	Utility, Maintenance & Facility
46	2004	Utilities	Internet Service	Utility, Maintenance & Facility
47	2004	Utilities	Telephone	Utility, Maintenance & Facility
48	2004	Utilities	Water/Gas/Sewer/Trash	Utility, Maintenance & Facility
49	2004	Utilities	Wide Area Network (WAN) Reimbursable Costs	Utility, Maintenance & Facility
50	2005	Travel	Airfare	Employee Expenses
51	2005	Travel	Business Meals	Employee Expenses
52	2005	Travel	Car Rental	Employee Expenses
53	2005	Travel	Gasoline	Employee Expenses
54	2005	Travel	Ground Transportation	Employee Expenses
55	2005	Travel	Lodging	Employee Expenses
56	2005	Travel	Mileage Reimbursement	Employee Expenses
57	2005	Travel	Parking	Employee Expenses
58	2005	Travel	Personal Meals	Employee Expenses
59	2005	Travel	Other Employee Expense	Employee Expenses
60	2005	Travel	Board Non-Taxable Expenses	Outside Services
61	2006	Rent - Building	Office Lease	Utility, Maintenance & Facility
62	2006	Rent - Building	Office Rent	Utility, Maintenance & Facility
63	2006	Rent - Building	Storage Rental	Utility, Maintenance & Facility

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2022-2023 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

<b>ABEST</b>				
<b>Line</b>	<b>Object</b>	<b>ABEST Object Description</b>	<b>ERCOT Spend Category</b>	<b>ERCOT Account Summary</b>
64	2007	Rent - Machine & Other	Software as a Service (SAAS)	HW/SW License & Maintenance
65	2007	Rent - Machine & Other	Software License Renewable	HW/SW License & Maintenance
66	2007	Rent - Machine & Other	Equipment Rental	Materials, Supplies & Equipment
67	2007	Rent - Machine & Other	Equipment Lease	Utility, Maintenance & Facility
68	2007	Rent - Machine & Other	Lease Expense - Other	Utility, Maintenance & Facility
69	2007	Rent - Machine & Other	Miscellaneous Rental	Utility, Maintenance & Facility
70	2008	Debt Service	Debt Principal	Debt Service
71	2008	Debt Service	Fees & Interest Expense	Debt Service
72	2009	Other Operating Expenses	Bank Fees	Debt Service
73	2009	Other Operating Expenses	Professional Dues	Employee Expenses
74	2009	Other Operating Expenses	Registration Fees	Employee Expenses
75	2009	Other Operating Expenses	College Education Reimbursement	Employee Expenses
76	2009	Other Operating Expenses	Communications Allowance	Employee Expenses
77	2009	Other Operating Expenses	Hardware Support & Maintenance	HW/SW License & Maintenance
78	2009	Other Operating Expenses	Information Technology Hardware	HW/SW License & Maintenance
79	2009	Other Operating Expenses	Information Technology Peripheral	HW/SW License & Maintenance
80	2009	Other Operating Expenses	Software License Perpetual	HW/SW License & Maintenance
81	2009	Other Operating Expenses	Software Maintenance	HW/SW License & Maintenance
82	2009	Other Operating Expenses	Insurance Premiums	Insurance
83	2009	Other Operating Expenses	Equipment & Tools	Materials, Supplies & Equipment
84	2009	Other Operating Expenses	Equipment Maintenance	Materials, Supplies & Equipment
85	2009	Other Operating Expenses	Furniture & Equipment	Materials, Supplies & Equipment
86	2009	Other Operating Expenses	Vehicle Maintenance	Materials, Supplies & Equipment
87	2009	Other Operating Expenses	Black Start Training	Other Expenses
88	2009	Other Operating Expenses	Company Dues	Other Expenses
89	2009	Other Operating Expenses	Corporate Events	Other Expenses
90	2009	Other Operating Expenses	Discounts Taken	Other Expenses
91	2009	Other Operating Expenses	Employment Screening	Other Expenses
92	2009	Other Operating Expenses	Job Posting	Other Expenses
93	2009	Other Operating Expenses	Late Fee Payment	Other Expenses
94	2009	Other Operating Expenses	Legal Claims & Settlements	Other Expenses
95	2009	Other Operating Expenses	Market Meetings	Other Expenses
96	2009	Other Operating Expenses	Media	Other Expenses
97	2009	Other Operating Expenses	Miscellaneous Expense	Other Expenses
98	2009	Other Operating Expenses	Moving Expenses	Other Expenses
99	2009	Other Operating Expenses	Operator Training Seminar	Other Expenses
100	2009	Other Operating Expenses	Postage & Shipping	Other Expenses

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2022-2023 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

ABEST		ERCOT		
Line	Object	ABEST Object Description	Spend Category	Account Summary
101	2009	Other Operating Expenses	Printing & Copying Services	Other Expenses
102	2009	Other Operating Expenses	Publications	Other Expenses
103	2009	Other Operating Expenses	Recruiting Expense	Other Expenses
104	2009	Other Operating Expenses	Reward/Recognition-NonMonetary	Other Expenses
105	2009	Other Operating Expenses	Subscriptions - Data Services	Other Expenses
106	2009	Other Operating Expenses	Subscriptions - Training	Other Expenses
107	2009	Other Operating Expenses	Temp-to-Hire Fees	Other Expenses
108	2009	Other Operating Expenses	Write Off Adjustments	Other Expenses
109	2009	Other Operating Expenses	Security Services	Outside Services
110	2009	Other Operating Expenses	Relocation Benefit	Salaries
111	2009	Other Operating Expenses	Building Maintenance	Utility, Maintenance & Facility
112	2009	Other Operating Expenses	Building Systems Maintenance	Utility, Maintenance & Facility
113	2009	Other Operating Expenses	Conferencing	Utility, Maintenance & Facility
114	2009	Other Operating Expenses	Custodial Service	Utility, Maintenance & Facility
115	2009	Other Operating Expenses	Grounds Maintenance	Utility, Maintenance & Facility
116	2009	Other Operating Expenses	Leasehold	Utility, Maintenance & Facility
117	2009	Other Operating Expenses	Miscellaneous Facility Services	Utility, Maintenance & Facility
118	2009	Other Operating Expenses	Network Telecom	Utility, Maintenance & Facility
119	2009	Other Operating Expenses	Property Tax	Utility, Maintenance & Facility
120	2009	Other Operating Expenses	ERO Assessment	Other Expenses
121	5000	Capital Expenditures	Common Infrastructure Expenditures	Minor Capital & Common Infrastructure
122	5000	Capital Expenditures	Minor Capital Expenditures	Minor Capital & Common Infrastructure
123	5000	Capital Expenditures	Capital Expenditures	Project Expenditures

Attachment E

ERCOT 2019–2023 Strategic Plan

# Strategic Plan

2019-2023



## A message from the CEO

One of the most important things an organization can work on is its strategy. Developing strategy requires an enterprise to look beyond its current operations and consider developments that may alter what it takes to successfully operate in the future. Strategy looks for threats and opportunities and formulates ways to meet them successfully.

ERCOT develops our strategy by looking ahead in five-year increments. There is no magic in this particular time period, but a five-year period does require us to think far enough into the future to consider potential technological, economic and policy changes. Some changes beyond the horizon may soon shape ERCOT's ability to deliver its mission of serving the public by ensuring a reliable grid, efficient electricity markets, open access and retail choice. Planning ahead in this way is essential to ERCOT leading with independent insight amidst the many changes impacting electricity markets and technology.

As our 2019-2023 Strategic Plan highlights, ERCOT is prepared to maintain excellent operations and to improve and modernize our business processes as necessary to meet emerging challenges. The plan sets a course for building on the success of the ERCOT system and for providing employees with the tools they need to achieve strategic objectives in every part of the ERCOT enterprise.

This plan was developed by numerous ERCOT stakeholders: the ERCOT Board of Directors, representatives of our Market Segments, ERCOT executive management and a Strategic Planning Team comprised of ERCOT employees.

ERCOT employees provided feedback and helped identify key issues facing the company's future. I appreciate the efforts of all those who participated, in particular our Enterprise Risk Management & Strategic Analysis team, who provided leadership throughout the process.

The main point of defining strategy is to direct action that will move the strategy in place for 2019-2023, ERCOT's job moving forward is to establish strategic priorities, align our efforts to those priorities and execute successfully to deliver on our critical public service mission.



Sincerely,

A handwritten signature in black ink that reads "Bill Magness". The signature is written in a cursive, flowing style.

Bill Magness  
President and CEO

# About ERCOT

Founded in 1970, the Electric Reliability Council of Texas (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 25 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 46,500 miles of transmission lines and 600+ generation units. It also performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for 7 million premises in competitive choice areas.

ERCOT is a membership-based 501(c)(4) nonprofit corporation, governed by a 16-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. 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. ERCOT submits a biennial budget to its Board, and ultimately, the PUC for final approval. The 2018-2019 budget maintained the System Administration Fee at 55.5 cents per MWh (no increase from the 2016-2017 budget). ERCOT anticipates maintaining a flat System Administration Fee through 2024, and as a result, management and staff remain dedicated to seeking opportunities to improve operational efficiency, as well as continue cost-management initiatives that have enabled the ISO to postpone or minimize fee increases in spite of additional costs associated with the increasingly complex electric market.





ERCOT executives established direction

**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.

**Key areas of focus:**

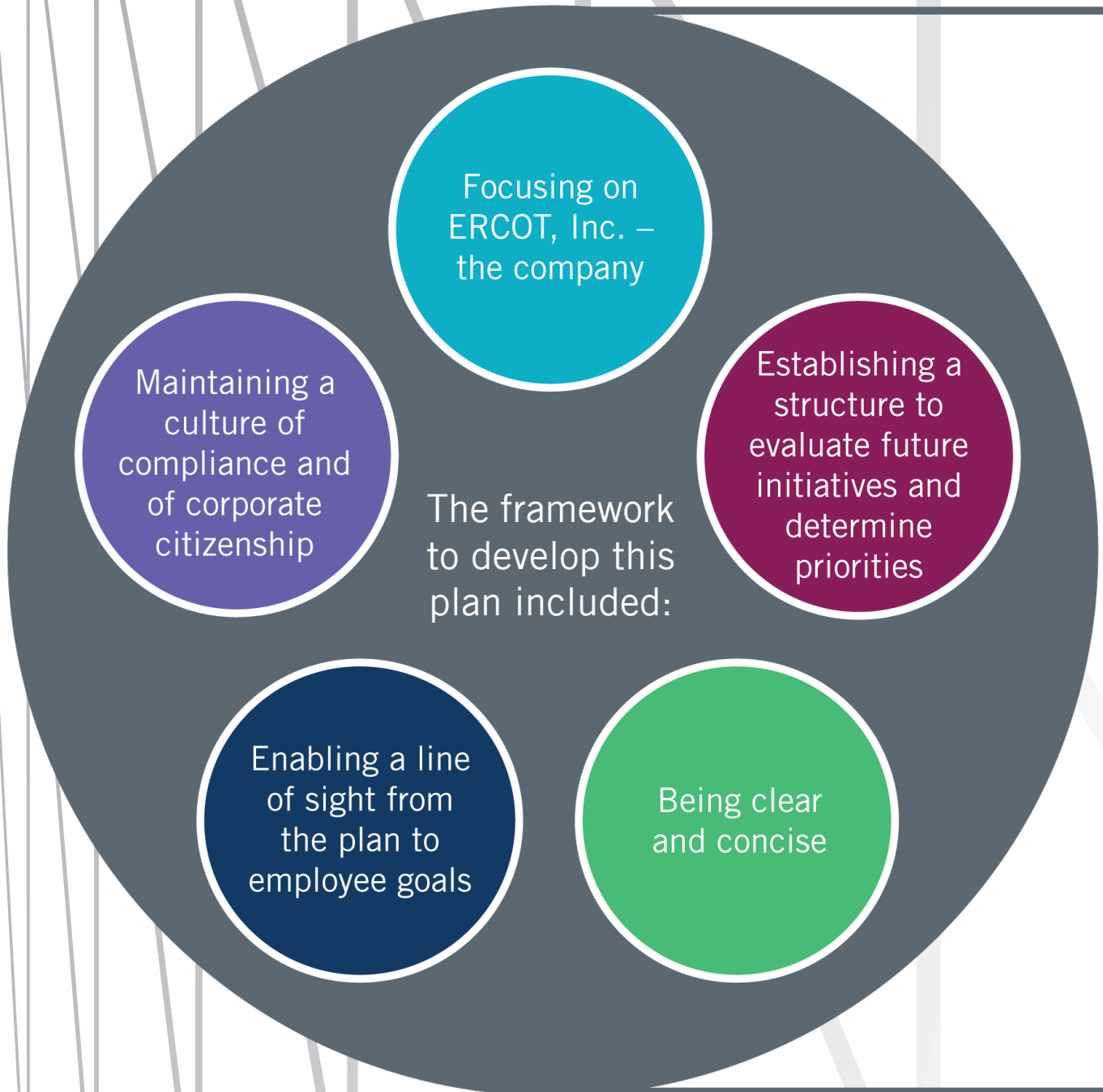
- People
- Grid
- Technology
- Market



## Preparing the Strategic Plan

ERCOT leadership is focused on continuing to develop an organization (people and systems) that can quickly adapt to provide value to those we serve.

ERCOT utilized a traditional strategic planning process involving its Board, stakeholders and employees.



## Defining the strategy

ERCOT began developing its 2019-2023 Strategic Plan in early 2018. Executive leadership identified a Strategic Planning Team comprised of eight individuals representing various areas of the organization. This group was charged with leading the effort to define opportunities and challenges facing ERCOT, and to draft a strategic plan document for 2019-2023.

The planning team and executives engaged in training to establish a common language and approach for the process. Twenty working sessions were held to identify drivers and refine the most critical aspects used to shape ERCOT's strategies.

Staff was encouraged to provide feedback through the Strategic Planning Team, the CEO Focus Group and a strategic planning survey.

The ERCOT Board of Directors 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.

Mission  
and  
Objectives

Environmental  
Scanning

Strategy  
Formulation

Strategy  
Implementation

Evaluation  
and Control

# Key drivers that shape ERCOT's strategies

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## Grid modernization and complexity

The grid is changing dramatically and quickly, and becoming ever more complex. Grid modernization and the smart grid will play key roles in ERCOT's strategies to operate reliably. As grid technology changes, there is a greater need for improved modeling, monitoring and analytical tools.

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## Changing resource mix

ERCOT's resource mix continues to change as new technologies emerge. The economies of various technologies change relative to one another. Policies tailored to specific resource types are continually introduced or rolled off. These challenges require the ISO to proactively model these changes and anticipate reliability issues and market design implications associated with the changing resource mix.

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## Decreasing visibility and control

The integration of new resource technologies, distributed energy resources and other small energy resources complicate ERCOT's ability to have visibility into and control of the electric system. Although individually each is a small impact, the increasing lack of visibility on the aggregate creates a transmission-level reliability concern.

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## Collaborative interaction

The current technological methods of sharing information are not optimal in the long run. There is a need for effective and open collaboration and straightforward information exchange with Market Participants, regulators, industry, researchers and peers, in order to share expertise, expand learning opportunities and proactively plan for change.

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## Increasing number of electricity consumers and changing usage patterns

The population growth rate in Texas, coupled with increased consumer use of smart home technology and the electrification of the transportation sector are changing power usage patterns. With the emergence of new resource technologies, an understanding of how these trends will impact the transmission system and to what degree integration with the grid and wholesale markets is appropriate will prove essential.

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## Providing high-value services

ERCOT is tasked to responsibly use funds to provide high-value services and maintain reliability while rising to the challenges of an increasingly complex and changing industry. It is imperative to take a proactive, strategic approach to this to work. As the industry and workforce changes, ERCOT must identify the skill sets needed and implement efforts to attract and retain the right workforce to fulfill ERCOT's mission.

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## Cyber security and physical security vulnerabilities

The industry continues to see an increase in the sophistication and volume of cyber attacks. There is a constant need to protect physical and cyber assets. Increased vulnerabilities require ERCOT to continuously evaluate what additional steps are needed.

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## Balancing advanced technology and reliability

Improvements in technology, increasing amounts of data and quicker response times provide opportunities for improved analytical capabilities that are required to manage the grid reliably.

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## Minimizing reputational risk

ERCOT has the unique responsibility to manage the flow of electric power to Texas consumers, perform financial settlement for the competitive wholesale bulk-power market and administer the retail registration process in competitive choice areas. Since even minimal errors or issues outside of ERCOT's control can negatively impact external parties' impressions of the organization, ERCOT must continually nurture relationships while enforcing an internal culture of compliance, security and reliability.

## Strategic Plan objectives

### Enhance operating capabilities

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to maintain reliability  
of an increasingly  
complex system

To reliably operate the increasingly complex electric grid and markets, ERCOT must enhance its analytical capabilities and the resilience of its critical infrastructure and systems.

These enhancements will include:

1. Advancement of ERCOT's modeling, monitoring and analytical tools
2. Assimilation of evolving technologies into these tools and processes
3. Performance of more rigorous forward analyses and scrutiny of system events

### Improve information exchange

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to facilitate  
collaborative  
interaction

To improve information exchange, ERCOT will modernize business operations and data integration with stakeholders by enhancing the provision of data and reports and facilitating a more streamlined process for data submission to ERCOT, while maintaining security and confidentiality.

ERCOT will collaborate with Market Participants, regulators, industry, researchers and our peers to share expertise, expand learning opportunities and proactively plan for change.

### Advance competitive solutions

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for a changing industry

To support efficient electric markets, open access and retail choice, ERCOT will use its expertise to provide fact-based, objective analysis to policy and decision-makers to advance competitive solutions for an evolving industry.

ERCOT will partner with stakeholders and industry experts to:

1. Facilitate entry and participation in markets by new and existing resource types
2. Continue to evolve the necessary Ancillary Services
3. Improve the reliable and efficient management of regional transmission constraints
4. Pursue opportunities to enhance the flexibility of ERCOT's systems to more readily accommodate such changes

### Optimize use of ERCOT, Inc.'s resources

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to continuously provide high-value services

To ensure the responsible use of the funds it is entrusted with while rising to the challenges of an increasingly complex and changing industry,

ERCOT will proactively drive strategic requirements to:

1. Optimize allocation of resources to strategic priorities
2. Leverage innovative and efficient solutions
3. Promote enterprise-wide thinking
4. Ensure staff has the knowledge, skills and abilities to match the evolving state of technology and the industry
5. Foster employee engagement and accountability



Attachment F

2020 ERCOT Key Performance Indicators



## 2020 ERCOT Key Performance Indicators



# 2020 Key Performance Indicator (KPI) Summary

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



# Q1- Q4 2020 KPI Detail – Reliable Grid

KPI ID	KPI Description	2020 Target Performance	2020 Stretch Performance	2020 YTD	Q4	Q3	Q2	Q1
<b>Grid Security Management</b>								
RG 1	Control Performance Standard 1 (CPS1) frequency control performance (rolling 12 month CPS1 score)	> 140	> 150	All scores greater than 150	Oct-170.56%, Nov-173.19%, Dec-170.47%	Jul-168.30%, Aug-170.50%, Sep-173.60%	April-168.90%, May-170.80%, June-170.70%	Jan-174.86%, Feb-174.80%, March-174.51%
RG 2	Interconnection Reliability Operating Limit (IROL) exceedance limitations	None longer than 20 minutes	None longer than 10 minutes	No IROL exceedances	No IROL exceedances	No IROL exceedances	No IROL exceedances	No IROL exceedances
<b>Outage Coordination / Planning</b>								
RG 3	Outage Coordination performance: requests approved or denied within timeline and with mitigation plans developed if required	97%	99%	99.73%	99.86%	99.92%	99.80%	99.34%
<b>Forecasting</b>								
RG 4	Operations Load Forecast performance - Mean Average Percent Error (MAPE): monthly average day ahead load forecasts used for DRUC MAPE	All less than 4.0%	All less than 3.5%	2.63%	2.61%	2.26%	3.22%	2.42%
RG 5	Wind forecast performance - MAPE based on installed wind capacity: monthly average day ahead wind forecasts used for DRUC MAPE	All less than 10%	All less than 8%	All less than 8%	Oct-4.9%, Nov-3.3%, Dec-3.8%	Jul-4.60%, Aug-4.40%, Sep-3.40%	April-4.50%, May-4.50%, June-4.80%	Jan-4.00%, Feb-4.10%, March-5.10%
RG 6	Solar forecast performance - MAPE based on installed solar capacity: monthly average day ahead solar forecasts used for DRUC MAPE.	All less than 15%	All less than 10%	All less than 10%	Oct-5.84%, Nov-4.48%, Dec-5.29%	Jul-5.40%, Aug-5.24%, Sep-6.76%	April-5.01%, May-6.79%, June-5.01%	Jan-5.82%, Feb-5.77%, March-7.37%
<b>Compliance Monitoring &amp; Reporting</b>								
RG 8	Achieve compliance with SOC controls	No exceptions found in a SOC audit	N/A	No exceptions found in a SOC audit	No exceptions found in a SOC audit	No exceptions found in a SOC audit	No exceptions found in a SOC audit	No exceptions found in a SOC audit

RG7 is intentionally left blank.

# Q1- Q4 2020 KPI Detail – Reliable Grid

KPI ID	KPI Description	2020 Target Performance	2020 Stretch Performance	2020 YTD	Q4	Q3	Q2	Q1
<b>IT Application Services</b>								
RG 9	Energy Management System Tier 1 Aggregate Availability	All Tier 1 systems meet or exceed defined SLAs (99.90%)	N/A	100%	100%	100%	100%	100%
RG 10	Energy Management System Tier 2 Aggregate Availability	Achieve 99.9% availability for 10 of 11 Tier 2 systems	Achieve 99.9% availability for all Tier 2 systems	100%	100%	100%	100%	100%
RG 11	Security Constrained Economic Dispatch (SCED) Availability	99.95%	100%	100%	100%	100%	100%	100%
RG 12	Security Constrained Economic Dispatch (SCED): number of unplanned outages greater than 30 consecutive minutes (per quarter)	Zero	N/A	Zero	Zero	Zero	Zero	Zero
RG 13	Outage Scheduler Availability	99%	99.5%	100%	100%	100%	100%	100%
RG 14	Network Model Management System (NMMS) Availability	99%	99.5%	100%	100%	100%	100%	100%

# Q1- Q4 2020 KPI Detail – Efficient Electricity Markets

KPI ID	KPI Description	2020 Target Performance	2020 Stretch Performance	2020 YTD	Q4	Q3	Q2	Q1
<b>Bidding, Scheduling and Pricing</b>								
EM 1	DAM quality of solution as measured with price corrections: percent of hourly prices requiring DAM price correction	1-3 % of time	< 1 % of time	4.62%	0.00%	7.87%	10.45%	0.25%
EM 2	SCED solution is solved and posted: percent of 15-minute Settlement Interval prices where price corrections are performed. This measure includes corrections from routine work (e.g., database loads and site failover)	0.25% - 1%	<0.25%	0.03%	0.00%	0.09%	0.02%	0.00%
<b>Settlement &amp; Billing</b>								
EM 3	Achieve timely settlements per Protocol defined timelines	99%	100%	100%	100%	100%	100%	100%
EM 4	Perform accurate settlements as measured by the percent of statements/invoices that do not require a correction as a result of an error in the settlement and billing systems or processes	98%	99.9%	99.96%	100%	99.94%	99.90%	100%
<b>Market Credit</b>								
EM 5	Credit reports are correct and posted in a timely manner	98%	100%	98.81%	100%	99.94%	95.30%	100%
<b>Market Information</b>								
EM 6	Wholesale extracts available per Protocol timelines	98%	99%	99.96%	99.96%	99.96%	99.96%	99.98%
<b>IT Application Services</b>								
EM 7	Congestion Revenue Rights (CRR) Availability	99%	99.5%	100%	100%	100%	100%	100%
EM 8	Market Management System Aggregate Availability	99%	99.5%	100%	100%	100%	100%	100%

# Q1- Q4 2020 KPI Detail – Open Access & Retail Choice

KPI ID	KPI Description	2020 Target Performance	2020 Stretch Performance	2020 YTD	Q4	Q3	Q2	Q1
<b>Customer Switching / Registry</b>								
OARC 1	Conduct retail transaction processing per Protocol timelines	98%	99%	99.88%	99.94%	99.64%	99.99%	99.94%
OARC 2	End use customer switch notifications processed per PUCT rules	99%	100%	100%	100%	100%	100%	100%
<b>Market Information</b>								
OARC 3	Retail extracts available per Protocol timelines	98%	99%	100%	100%	100%	100%	100%
<b>IT Application Services</b>								
OARC 4	Retail Processing Availability - Business Hours	99.90%	99.95%	100%	100%	100%	100%	100%
OARC 5	Market Information System (MIS) Availability	99%	99.5%	99.90%	99.77%	99.99%	99.88%	99.97%

# Q1- Q4 2020 KPI Detail – Other Support & Management Functions

KPI ID	KPI Description	2020 Target Performance	2020 Stretch Performance	2020 YTD	Q4	Q3	Q2	Q1
<b>Finance</b>								
OSM 1	Manage spending to be equal to or less than the board-approved expenditure budget	Between 0 - 5% favorable variance	N/A	-1.00%	-3.80%	6.30%	-9.10%	2.50%
<b>Security</b>								
OSM 2	Maintain ERCOT ISO's security posture against cyber security threats as defined in the Security Incident Response Plan	Zero externally reportable cyber security incidents	N/A	Zero externally reportable cyber security incidents	Zero externally reportable cyber security incidents	Zero externally reportable cyber security incidents	Zero externally reportable cyber security incidents	Zero externally reportable cyber security incidents
OSM 3	Maintain ERCOT ISO's security posture against physical security threats as defined in the Security Incident Response Plan	Zero externally reportable physical security incidents	N/A	Zero externally reportable physical security incidents	Zero externally reportable physical security incidents	Zero externally reportable physical security incidents	Zero externally reportable physical security incidents	Zero externally reportable physical security incidents

Attachment G

Commission Executive Director letter dated April 5, 2021 extending  
deadline for ERCOT 2022/2023 biennial budget submission

**Arthur C. D'Andrea**  
Chairman

**Thomas Gleeson**  
Executive Director



**Greg Abbott**  
Governor

## *Public Utility Commission of Texas*

April 5, 2021

Mr. William Magness  
President and Chief Executive Officer  
Electric Reliability Council of Texas  
7620 Metro Center Drive  
Austin, Texas 78744

Dear Bill:

By order issued on November 15, 2019, the Commission approved the 2020/2021 biennial budget and system administration fee for the Electric Reliability Council of Texas (ERCOT).<sup>1</sup> In this order, the Commission directed ERCOT to file its proposed budget for fiscal years 2022 to 2023 by no later than September 1, 2021.<sup>2</sup> 16 TAC §25.363 outlines the requirements for ERCOT's budget submission to the Commission. As part of its application for approval of its proposed budget, ERCOT must include "all information necessary for the commission to evaluate the proposed budget."<sup>3</sup> Additionally, before submitting its proposed budget to the Commission, the ERCOT board must review and approve the budget.<sup>4</sup> Ordinarily, the ERCOT board would approve the proposed budget at its June board meeting and submit its proposed budget to the Commission on or before September 1.

As you know, there are several bills pending before the Texas Legislature which, if passed, would affect ERCOT's budget. The ERCOT board must consider and incorporate the impact of all relevant changes in Texas law enacted by the 87<sup>th</sup> Legislature into its proposed 2022-2023 budget. Because the full extent of laws enacted in the Regular Session of the 87<sup>th</sup> Legislature will not be known until after the expiration of the veto period on June 20, 2021, ERCOT's proposed budget cannot be finalized until sometime after June 20. This in turn, will almost certainly delay the submission of ERCOT's proposed budget to the Commission beyond the current September 1 deadline. Based on the foregoing, I am extending the deadline for ERCOT's submission of its proposed 2022-2023 budget to the Commission until November 1, 2021.

If you have any questions or if it becomes necessary to alter the revised budget submission deadline, please let me know.

Sincerely,

Thomas Gleeson  
Executive Director

<sup>1</sup> Docket No. 38533, *PUC Review of ERCOT Budget, Order Approving ERCOT's 2020 to 2021 Biennial Budget and Authorizing the System Administration Fee* (Nov. 15, 2019).

<sup>2</sup> *Id.* at 5.

<sup>3</sup> 16 TAC §25.363(d).

<sup>4</sup> *Id.* at §25.363(e).