The Finance and Audit (F&A) Committee is expected to consider F&A Committee Agenda Item 4.3:

Recommendation regarding Acceptance of 2022 System and Organization Control Audit Report

at its meeting on December 19, 2022.

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 December 20, 2022.

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

Date: December 12, 2022
To: Board of Directors
From: Chad Thompson, Director, Compliance Analysis
Subject: Acceptance of 2022 System and Organization Control Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: December 20, 2022
Item No.: 11.1

Issue:
Acceptance of the 2022 System and Organization Control (SOC) Audit Report

Background/History:
Per Section 1.4.3.1(1) of the ERCOT Protocols (entitled "Audits to be Performed"), "At least annually, an Appointed Firm shall perform a System and Organization Control (SOC) audit of ERCOT regarding ERCOT's market Settlements operations." Weaver & Tidwell, LLP (Weaver) was engaged to perform the audit for 2022.

Weaver has provided its *Report on Electric Reliability Council of Texas, Inc.'s Description of its Settlement and Billing Operations System and Suitability of the Design and Operating Effectiveness of its Controls for the period October 1, 2021 through September 30, 2022* (SOC 1 Report), including the auditor's opinion. Weaver's opinion is unmodified. There are no reportable exceptions.

On December 19, 2022, Weaver will meet with the ERCOT Finance and Audit Committee to review the SOC 1 Report. Given the unmodified opinion, the 2022 SOC Audit Report is expected to be accepted by the Committee.

Due to the confidentiality of the SOC 1 Report, the report is available solely for the Board's electronic viewing in the Board's Executive Session meeting materials under Agenda Item ES 2.1.2.

Key Factors Influencing Issue:
1. ERCOT Protocol Section 1.4.3.1(1) requires an annual SOC audit be performed;
2. Certain external organizations, including Market Participants, utilize the SOC 1 Report as an assurance of the suitability of ERCOT internal controls in connection with certain Sarbanes-Oxley reporting requirements; and
3. Because most Market Participants' fiscal years end December 31, acceptance of the SOC 1 Report in a timely manner will allow the Report to be utilized in connection with preparation of their year-end financial statements.

Conclusion/Recommendation:
ERCOT staff recommends, and the F&A Committee is expected to recommend, that the Board accept the 2022 SOC Audit Report

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

WHEREAS, Section 1.4.3.1(1) of the ERCOT Protocols (entitled "Audits to be Performed") requires that at least annually, an Appointed Firm shall perform a System and Organization Control (SOC) audit of ERCOT regarding ERCOT's market Settlements operations;

WHEREAS, Weaver & Tidwell, LLP (Weaver) was engaged as the Independent Service Auditor to perform ERCOT's System and Organization Control audit for 2022;

WHEREAS, Weaver's opinion on the System and Organization Control audit for the period from October 1, 2021 to September 30, 2022 is unmodified;

WHEREAS, after due consideration of the alternatives, the Finance and Audit (F&A) Committee, at its meeting on December 19, 2022, recommended that the Board of Directors (Board) of ERCOT accept the System and Organization Control audit report for the twelve-month period ended September 30, 2022 (also known as the 2022 System and Organization Control Audit Report), as presented by Weaver; and

WHEREAS, the Board deems it desirable and in the best interest of ERCOT to accept the F&A Committee's recommendation to accept the 2022 System and Organization Control Audit Report;

THEREFORE, BE IT RESOLVED, that the 2022 System and Organization Control Audit Report is hereby accepted.

CORPORATE SECRETARY'S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its December 20, 2022 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of December, 2022.

_____
Jonathan M. Levine
Assistant Corporate Secretary