



## **Item 5.1: Review 2023 Financial Summary**

*Sean Taylor*

Vice President and Chief Financial Officer

Finance and Audit Committee Meeting

ERCOT Public

August 30, 2023

# Overview

- **Purpose**
  - To provide the Finance and Audit (F&A) Committee an overview of ERCOT's financial performance as of June 30, 2023
- **Voting Items / Requests**
  - No action is requested of the F&A Committee or Board; for discussion only

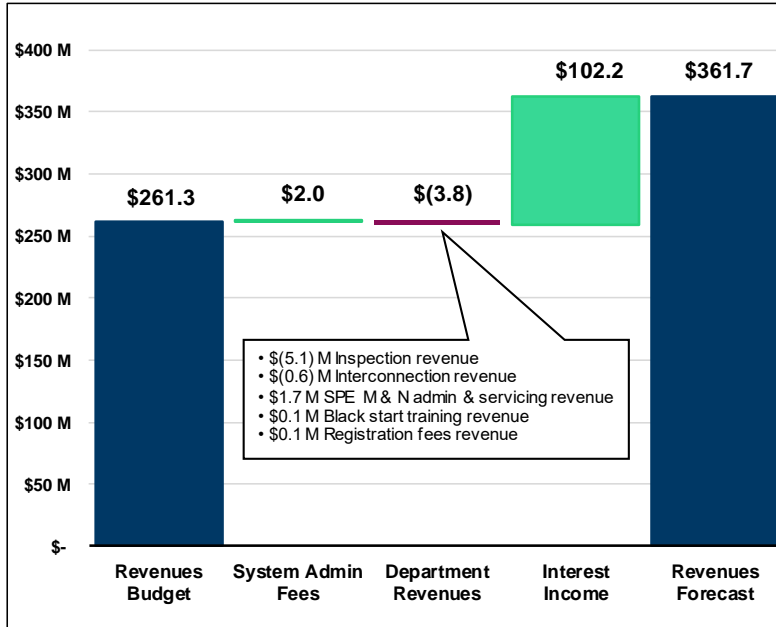
## • Key Takeaways

- ERCOT's year-to-date 2023 actual revenues net of expenditures are \$36.7 million favorable to budget, driven by interest income being favorable by \$51.5 million, partially offset by resource management being unfavorable by \$(12.8) million
- ERCOT's year-end 2023 forecasted revenues net of expenditures are \$62.7 million favorable to budget, driven by interest income forecasted to be favorable by \$102.2 million, partially offset by resource management forecasted to be unfavorable by \$(30.6) million
- ERCOT's unrestricted cash and bond investments have increased \$724.3 million year-over-year, driven by an increase in Congestion Revenue Right (CRR) auction receipts held which includes the full replenishment of CRRs temporarily used for market liquidity
- ERCOT's June 30, 2023 operating use of CRR funds was \$2.3 million compared to \$12.1 million as of June 30, 2022

# Review 2023 Financial Summary: 2023 Variance to Budget (\$ in Millions)

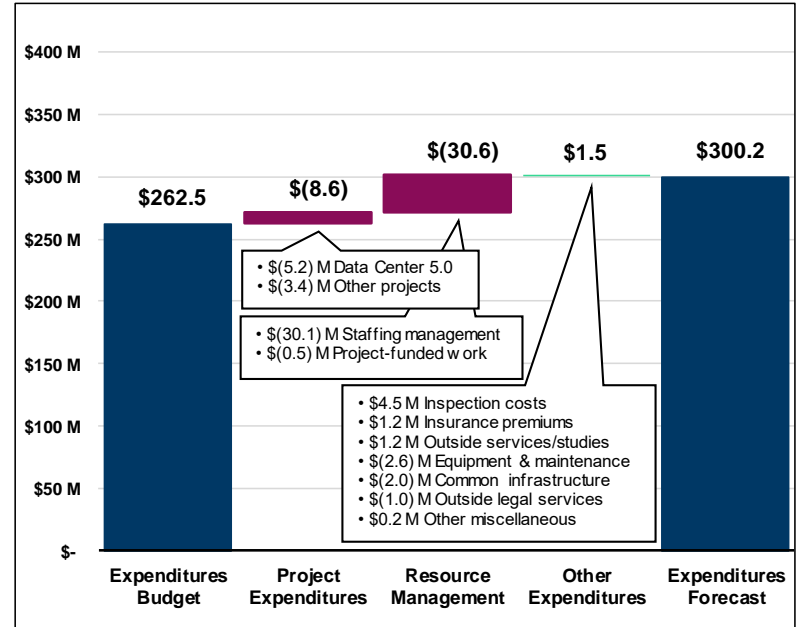
**Net Available Year-End Forecast Variance to Budget = \$62.7 M**

**Revenues Year-End Forecast  
Variance to Budget = \$100.4 M [38.4%]**



Charts may not foot due to rounding

**Expenditures Year-End Forecast  
Variance to Budget = \$(37.7) M [-14.4%]**



- Staffing management excludes 14 inspection positions which are included in Inspection costs for 2023 Budget
- See appendix page 12 for staffing management variance components

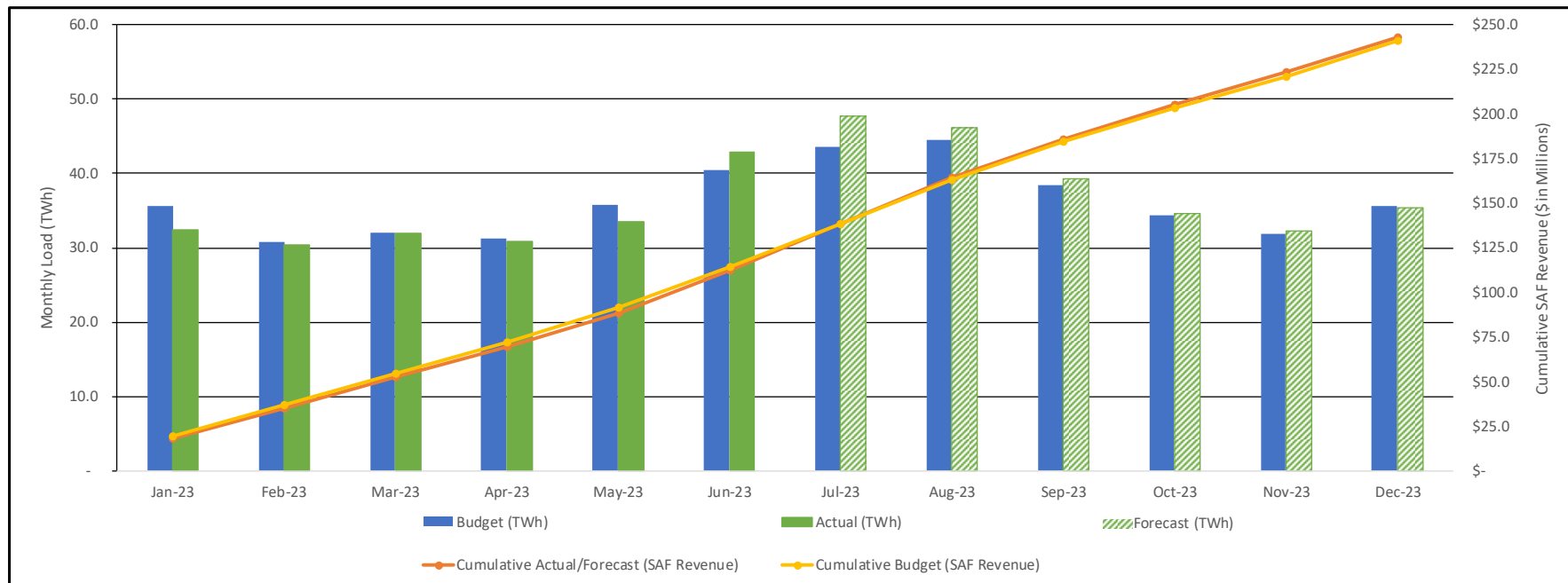
**Key Takeaway:** The forecasted year-end 2023 results are a net available amount of \$61.6 M versus a budgeted amount of \$(1.1) M, a \$62.7 M favorable variance



# Review 2023 Financial Summary:

## 2023 Budget versus Actual:

### Monthly TWh Load and Cumulative System Administration Fee (SAF) Revenue



Load (TWh):	FY 2022	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	FY 2023
Budget	419.6	35.6	30.9	32.0	31.2	35.8	40.4	43.5	44.4	38.4	34.4	31.9	35.6	434.0
Actual/Forecast	431.0	32.4	30.4	31.9	30.9	33.5	42.9	47.6	46.1	39.4	34.7	32.3	35.5	437.6
Variance	11.4	(3.1)	(0.4)	(0.0)	(0.3)	(2.4)	2.5	4.1	1.7	0.9	0.3	0.5	(0.1)	3.6
Variance (%)	2.7%	-8.8%	-1.4%	-0.1%	-1.0%	-6.6%	6.2%	9.5%	3.8%	2.4%	0.8%	1.5%	-0.3%	0.8%

SAF Revenue (\$ in Millions):	FY 2022	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	FY 2023
Cumulative Budget	\$ 232.9	\$ 19.7	\$ 36.9	\$ 54.6	\$ 71.9	\$ 91.8	\$ 114.2	\$ 138.4	\$ 163.0	\$ 184.4	\$ 203.4	\$ 221.1	\$ 240.9	\$ 240.9
Cumulative Actual/Forecast	\$ 239.2	\$ 18.0	\$ 34.9	\$ 52.6	\$ 69.7	\$ 88.3	\$ 112.1	\$ 138.6	\$ 164.2	\$ 186.0	\$ 205.3	\$ 223.2	\$ 242.9	\$ 242.9
Cumulative Variance	\$ 6.3	\$ (1.7)	\$ (2.0)	\$ (2.0)	\$ (2.2)	\$ (3.5)	\$ (2.1)	\$ 0.2	\$ 1.1	\$ 1.7	\$ 1.8	\$ 2.1	\$ 2.0	\$ 2.0
Cumulative Variance (%)	2.7%	-8.8%	-5.4%	-3.7%	-3.0%	-3.8%	-1.8%	0.1%	0.7%	0.9%	0.9%	0.9%	0.8%	0.8%



# Review 2023 Financial Summary: ERCOT Statements of Financial Position

As of June 30  
Dollars in Millions

	ERCOT		Texas Electric Market Stabilization Funding M (TEMSFM)		Texas Electric Market Stabilization Funding N (TEMSFN)	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Unrestricted cash	\$ 1,852.0	\$ 1,544.7	\$ 4.1	\$ 4.0	\$ -	\$ -
Bond Investments	417.0	-	-	-	-	-
Total unrestricted cash and bond investments	2,269.0	1,544.7	4.1	4.0	-	-
Restricted cash and interest receivable	1,281.3	1,309.2	30.8	88.6	77.5	18.9
Other current assets	59.5	40.0	10.0	19.5	43.0	37.0
Long-term investment in subsidiary	14.6	14.6	-	-	-	-
Other long-term assets	180.3	158.6	387.4	774.4	2,027.8	2,067.7
<b>Total assets</b>	<b>\$ 3,804.7</b>	<b>\$ 3,067.1</b>	<b>\$ 432.3</b>	<b>\$ 886.5</b>	<b>\$ 2,148.3</b>	<b>\$ 2,123.6</b>
<b>Liabilities and Net Assets</b>						
CRR auction liabilities-current	\$ 1,258.7	\$ 989.9	\$ -	\$ -	\$ -	\$ -
CRR auction liabilities-long term	876.2	658.3	-	-	-	-
Other market liabilities	135.9	183.6	-	-	-	-
Use of CRR for market liquidity	-	(274.9)	-	-	-	-
Total market settlement liabilities	2,270.8	1,556.9	-	-	-	-
Security deposits and interest payable	1,281.3	1,309.2	19.3	66.3	3.7	8.3
Other current liabilities	35.4	33.6	17.3	31.9	87.9	19.7
Other long-term liabilities	33.7	37.4	391.7	784.3	2,046.1	2,085.0
Net assets without donor restrictions	183.5	130.0	4.0	4.0	10.6	10.6
<b>Total liabilities and net assets</b>	<b>\$ 3,804.7</b>	<b>\$ 3,067.1</b>	<b>\$ 432.3</b>	<b>\$ 886.5</b>	<b>\$ 2,148.3</b>	<b>\$ 2,123.6</b>

## Key Takeaways:

- ERCOT's unrestricted cash and bond investments have increased \$724.3 M year-over-year, driven by an increase in CRR auction receipts held and the full replenishment of CRRs temporarily used for market liquidity
- TEMSFM's restricted cash and interest receivable decreased \$57.8 M year-over-year, driven by \$50.0 M paid back to CRR temporarily used for market liquidity
- TEMSFM's other long-term assets decreased \$387.0 M and other long-term liabilities decreased \$392.6 M, primarily due to the early redemption of bond principal, driven by receipt of the Brazos settlement funds
- TEMSFN's restricted cash and interest receivable increased \$58.6 M year-over-year, driven by receipt of uplift charges
- TEMSFN's other current liabilities increased \$68.2 M year-over-year, due to higher interest expense accrual and higher debt payable, current



# Review 2023 Financial Summary: ERCOT Statements of Activities and Net Assets

*For the Six Months Ended June*  
*Dollars in Millions*

	ERCOT		Texas Electric Market Stabilization Funding M (TEMSFM)		Texas Electric Market Stabilization Funding N (TEMSFN)	
	2023	2022	2023	2022	2023	2022
Operating revenues	\$ 119.2	\$ 120.8	\$ 7.1	\$ 12.3	\$ 50.9	\$ 4.7
Operating expenses	141.7	123.3	0.4	0.3	0.7	0.1
(Loss) income from operations	(22.5)	(2.5)	6.7	12.0	50.2	4.6
Other income (expense)	50.9	2.0	(6.7)	(12.0)	(50.2)	(4.6)
<b>Change in net assets without donor restrictions</b>	<b>28.4</b>	<b>(0.5)</b>	-	-	-	-
Net assets without donor restrictions, beginning of year	155.1	130.5	4.0	4.0	10.6	-
Equity contribution from parent company	-	-	-	-	-	10.6
<b>Net assets without donor restrictions, end of period</b>	<b>\$ 183.5</b>	<b>\$ 130.0</b>	<b>\$ 4.0</b>	<b>\$ 4.0</b>	<b>\$ 10.6</b>	<b>\$ 10.6</b>

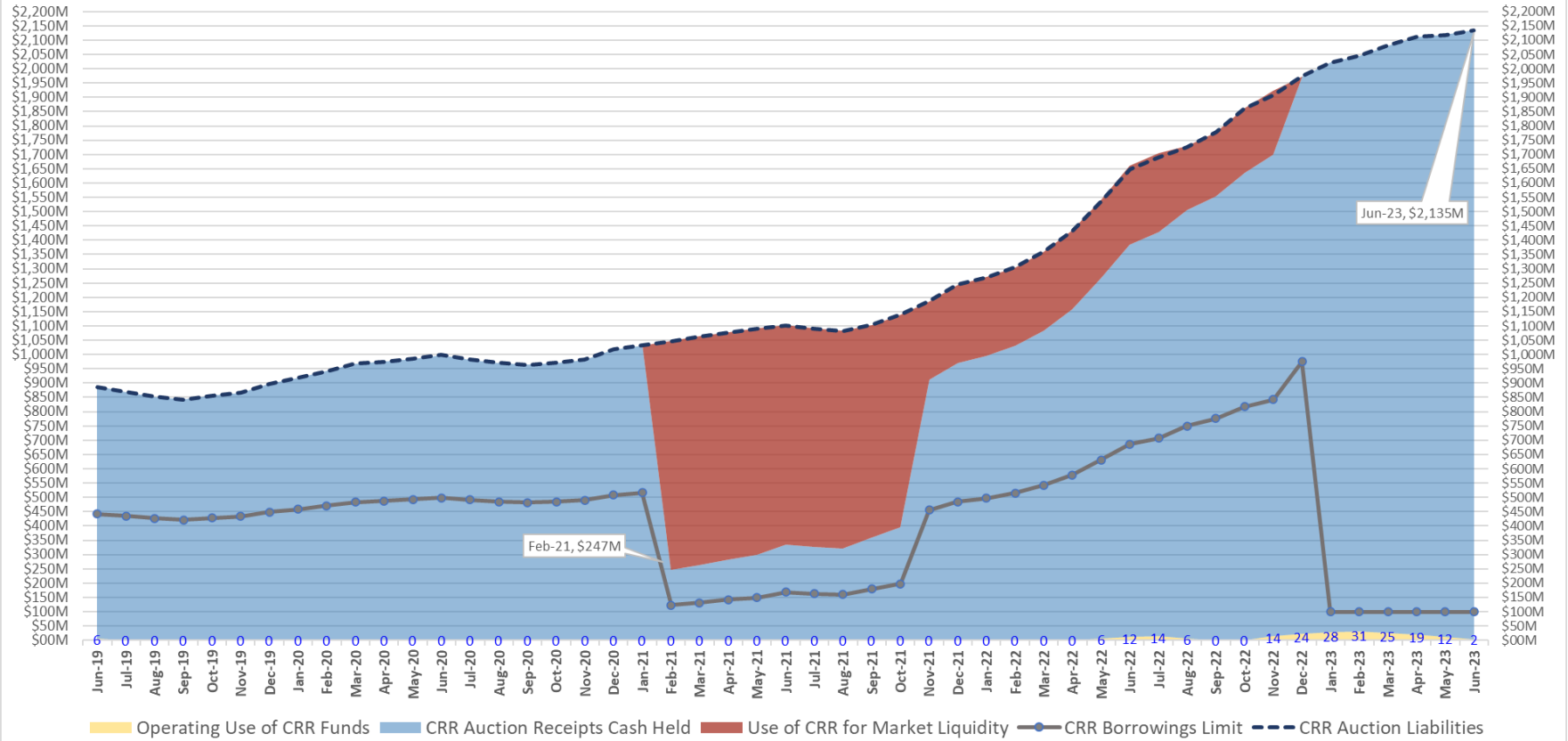
**Key Takeaways:** ERCOT's year-over-year change in net assets without donor restrictions (equity) for the six months ended June increased by \$28.9 M:

- \$18.4 M increase in operating expenses, driven by
  - \$17.5 M (27%) increase in salaries and related benefits expense
  - \$ 4.5 M (37%) increase in depreciation expense
  - \$ 2.2 M (12%) increase in hardware and software maintenance expense
  - \$ 2.2 M (18%) decrease in outside services expense
  - \$ 3.4 M (33%) decrease in other expense mainly driven by insurance premium
- \$48.9 M increase in other income (interest income)
- \$ 1.6 M decrease in operating revenues



# Review 2023 Financial Summary: Use of CRR Funds: Actual vs Limits

Use of CRR Funds: Actual vs Limits



**Key Takeaway:** As of June 2023, Operating Use of CRR Funds is \$2.3 M



# Review 2023 Financial Summary:

## Appendices



Electric Reliability Council of Texas, Inc. 2023 Financial Summary As of August 11, 2023 (\$ in Millions)		Year-to-Date (June 30)					Year-End (December 31)				
		2022		2023			2022		2023		
Line	Actual	Budget	Actual	Variance		Actual	Budget	Forecast	Variance		
				\$	%				\$	%	
1	System Administration Revenue	\$ 115.0	\$ 114.2	\$ 112.1	\$ (2.1)	(1.8)	\$ 239.2	\$ 240.9	\$ 242.9	\$ 2.0	0.8
2	Department Net Expenditures										
3	Chief Information Office	45.9	48.4	51.4	(3.0)	(6.2)	91.8	96.8	105.3	(8.5)	(8.8)
4	Chief Administrative Office	20.3	20.0	18.7	1.3	6.5	37.6	40.3	41.3	(1.0)	(2.4)
5	General Counsel	16.1	13.4	14.9	(1.5)	(11.6)	30.3	26.5	33.6	(7.1)	(26.8)
6	System Operations	11.4	12.0	14.1	(2.1)	(17.5)	23.8	24.3	28.9	(4.6)	(19.0)
7	Commercial Operations	8.2	8.8	9.9	(1.0)	(11.9)	16.1	17.6	19.7	(2.1)	(12.0)
8	System Planning & Weatherization	4.5	4.7	8.0	(3.2)	(68.6)	13.1	9.5	16.6	(7.1)	(75.3)
9	Public Affairs	3.3	4.2	4.0	0.1	3.4	7.0	8.3	8.2	0.1	1.4
10	Chief Executive Office	0.4	0.6	2.4	(1.7)	(274.2)	1.8	1.7	3.9	(2.2)	(127.4)
11	Project Funded Labor	(5.5)	(6.9)	(7.2)	0.2	3.6	(11.7)	(13.9)	(13.2)	(0.7)	(5.1)
12	Total Department Net Expenditures	104.8	105.3	116.3	(11.0)	(10.4)	209.7	211.1	244.2	(33.1)	(15.7)
13	Net Revenues After Department Expenditures	10.2	9.0	(4.1)	(13.1)	(146.2)	29.5	29.8	(1.3)	(31.1)	(104.4)
14											
15	Less: Project Expenditures	15.1	14.7	16.6	(1.8)	(12.4)	54.0	29.5	38.1	(8.6)	(29.2)
16	Less: Met Center Replacement	15.4	0.0	0.0	0.0	0.0	15.4	0.0	0.0	0.0	0.0
17	Less: Interest Expense	0.6	0.7	0.6	0.1	11.4	1.1	1.5	1.2	0.3	20.5
18	Add: Interest Income	2.6	0.0	51.5	51.5	>1,000.0	25.0	0.0	102.2	102.2	>1,000.0
19											
20	Net Available	\$ (18.4)	\$ (6.5)	\$ 30.2	\$ 36.7	567.6	\$ (16.0)	\$ (1.1)	\$ 61.6	\$ 62.7	>1,000.0

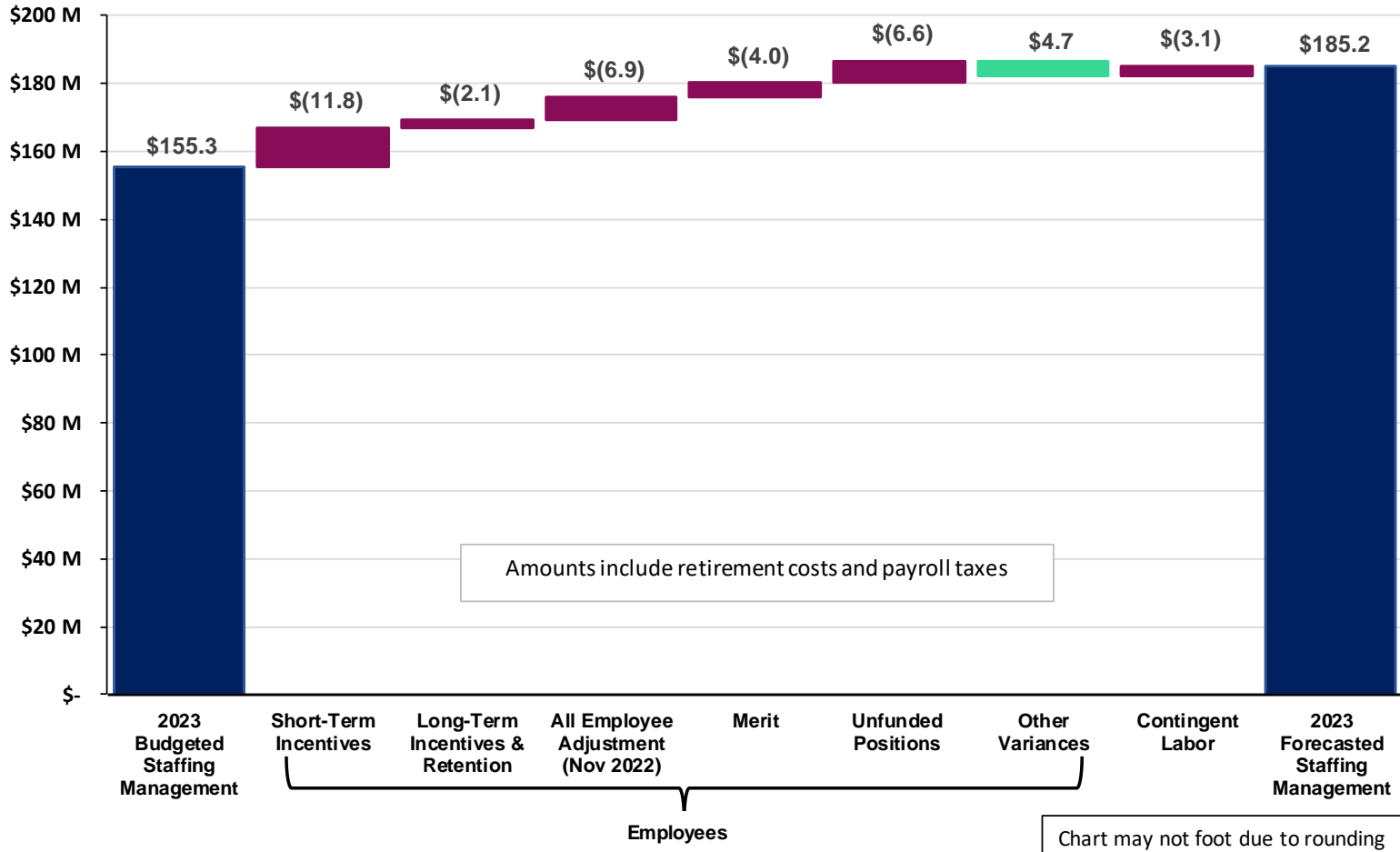
Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2023 Financial Summary Variance Explanations As of August 11, 2023		
Line	Year-to-Date (June 30)	Year-End (December 31)
1 System Administration Revenue	-\$6.1 M - Weather +\$4.0 M - Economy	+\$2.0 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$2.7 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$1.8 M - Common infrastructure -\$0.1 M - Contingent labor [Resource Management - Staffing Management]  +\$0.6 M - HW/SW support & maintenance renewals +\$0.2 M - Outside services/studies +\$0.2 M - HW/SW vendor support services [Resource Management - Project-Funded Work] +\$0.1 M - Data service subscriptions  <u>Timing Differences</u> +\$0.6 M - WAN costs +\$0.2 M - HW/SW vendor support services [Resource Management - Project-Funded Work] +\$0.1 M - Outside services/studies +\$0.1 M - Employee training & business travel -\$0.4 M - WAN revenue -\$0.1 M - Other miscellaneous	-\$6.5 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$2.0 M - Common infrastructure -\$1.0 M - Contingent labor [Resource Management - Staffing Management] -\$0.3 M - Minor capital +\$0.7 M - HW/SW support & maintenance renewals +\$0.2 M - Outside services/studies +\$0.2 M - HW/SW vendor support services [Resource Management - Project-Funded Work] +\$0.1 M - Data service subscriptions +\$0.1 M - Other miscellaneous
4 Chief Administrative Office	-\$1.1 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.3 M - Contingent labor [Resource Management - Staffing Management]  +\$0.9 M - SPE M & N administration & servicing revenue +\$0.8 M - Insurance premiums +\$0.3 M - Property tax +\$0.6 M - Outside services/studies  <u>Timing Differences</u> +\$0.1 M - Outside services/studies	-\$4.3 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.5 M - Contingent labor [Resource Management - Staffing Management] -\$0.2 M - Recruiting & pre-employment costs -\$0.1 M - HW/SW support & maintenance renewals +\$1.7 M - SPE M & N administration & servicing revenue +\$1.2 M - Insurance premiums +\$0.6 M - Property tax +\$0.6 M - Outside services/studies

Electric Reliability Council of Texas, Inc. 2023 Financial Summary Variance Explanations As of August 11, 2023		
Line	Year-to-Date (June 30)	Year-End (December 31)
5 General Counsel	-\$1.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Equipment & maintenance  -\$0.1 M - Rentals & leases  +\$0.4 M - Outside services/studies  <u>Timing Differences</u> +\$0.1 M - Outside legal services	-\$3.4 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$2.6 M - Equipment & maintenance -\$1.0 M - Outside legal services -\$0.2 M - Board member expense -\$0.2 M - HW/SW support & maintenance renewals -\$0.1 M - Minor capital -\$0.1 M - Rentals & leases -\$0.1 M - Electricity +\$0.6 M - Outside services/studies
6 System Operations	-\$2.2 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Training subscriptions  +\$0.1 M - Data service subscriptions  <u>Timing Differences</u> +\$0.1 M - Outside services/studies +\$0.1 M - Employee training & business travel	-\$4.5 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Training subscriptions -\$0.1 M - Software -\$0.1 M - Black start training & operator training seminar expense +\$0.1 M - Data service subscriptions +\$0.1 M - Black start training revenue +\$0.1 M - Other miscellaneous
7 Commercial Operations	-\$0.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.2 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Outside services/studies  +\$0.1 M - Other miscellaneous	-\$1.5 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.3 M - Contingent labor [Resource Management - Staffing Management] -\$0.2 M - Outside services/studies -\$0.1 M - Data service subscriptions

Electric Reliability Council of Texas, Inc. 2023 Financial Summary Variance Explanations As of August 11, 2023		
Line	Year-to-Date (June 30)	Year-End (December 31)
8 System Planning & Weatherization	-\$3.1 M - Inspection revenue -\$1.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.5 M - Contingent labor [Resource Management - Staffing Management] -\$0.6 M - Interconnection revenue  +\$2.7 M - Inspection costs  <u>Timing Differences</u> -\$0.1 M - Interconnection revenue	-\$5.1 M - Inspection revenue -\$4.0 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$1.3 M - Contingent labor [Resource Management - Staffing Management] -\$0.6 M - Interconnection revenue -\$0.5 M - Outside services/studies -\$0.1 M - Software +\$4.5 M - Inspection costs
9 Public Affairs	+\$0.5 M - Outside services/studies +\$0.1 M - Registration fees revenue -\$0.5 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]	+\$0.9 M - Outside services/studies +\$0.1 M - Registration fees revenue -\$0.9 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]
10 Chief Executive Office	-\$1.5 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.2 M - Outside services/studies	-\$1.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.4 M - Outside services/studies
11 Project Funded Labor	+\$0.2 M - Multiple projects [Resource Management - Project-Funded Work]	-\$0.7 M - Multiple projects [Resource Management - Project-Funded Work]
15 Project Expenditures	-\$1.8 M - All projects	-\$8.6 M - All projects
16 Interest Expense	+\$0.2 M - Revolver -\$0.1 M - Capitalized interest	+\$0.6 M - Revolver -\$0.3 M - Capitalized interest
17 Interest Income	+\$51.5 M - Interest rate	+\$102.2 M - Interest rate

**Electric Reliability Council of Texas**  
**2023 Staffing Management Variance to Budget**  
**As of August 11, 2023**  
(\$ in Millions)



**Electric Reliability Council of Texas, Inc.**  
**Project Expenditures Summary**  
(\$ in Millions)

Line	Project	Year-to-Date As of June 30, 2023		Year-End (YE) As of August 11, 2023		Life-to-Date As of June 30, 2023		Estimate-at-Completion (EAC) As of August 11, 2023			
		Actual	% of YE Forecast	YE Forecast	% of All Included Projects	Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
1	Data Center 5.0 (DC5) Program	\$ 7.9	60%	\$ 13.2	35%	\$ 50.3	83%	\$ 60.5	33%	\$ 63.0	\$ 2.5
2	Market Design	0.8	28%	3.0	8%	0.8	2%	50.0	27%	50.0	0.0
3	Energy Management System (EMS) Upgrade 2024	2.4	36%	6.5	17%	15.1	77%	19.6	11%	20.0	0.4
4	Grid Geospatial (Grid Geo) Program	(0.1)	(53%)	0.3	1%	7.8	89%	8.7	5%	8.6	(0.1)
5	Bulk Electrical System (BES) Active Directory Isolation	0.2	100%	0.2	1%	2.9	100%	2.9	2%	2.9	(0.0)
6	Market Management System (MMS) Outage Scheduler (OS) Red Hat Enterprise Linux (RHEL) Migration	0.6	17%	3.8	10%	0.6	24%	2.6	1%	2.7	0.1
7	Network Model Management System (NMMS) Tech Health	(0.4)	(345%)	0.1	0%	2.1	81%	2.6	1%	2.6	(0.0)
8	ERCOT Contingency Reserve Service (ECRS)	1.3	97%	1.4	4%	2.3	97%	2.4	1%	2.4	(0.0)
9	Treasury Management Risk Mitigation	0.9	53%	1.8	5%	1.1	47%	2.3	1%	2.3	0.0
10	Texas Standard Electronic Transaction (Texas SET) 5.0	0.5	48%	1.0	3%	0.7	34%	2.0	1%	2.0	0.0
11	<b>Total Projects with EAC Budget Over \$2.0M</b>	<b>14.2</b>	<b>46%</b>	<b>31.2</b>	<b>82%</b>	<b>83.7</b>	<b>55%</b>	<b>153.6</b>	<b>84%</b>	<b>156.4</b>	<b>2.8</b>
12	<b>Other Projects</b>	<b>2.4</b>	<b>34%</b>	<b>6.9</b>	<b>18%</b>	<b>10.8</b>	<b>37%</b>	<b>29.1</b>	<b>16%</b>	<b>34.9</b>	<b>5.7</b>
13	<b>Total Project Expenditures</b>	<b>\$ 16.6</b>	<b>44%</b>	<b>\$ 38.1</b>	<b>100%</b>	<b>\$ 94.5</b>	<b>52%</b>	<b>\$ 182.8</b>	<b>100%</b>	<b>\$ 191.3</b>	<b>\$ 8.5</b>

Note: Schedule may not foot due to rounding

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Financial Position**  
**As of June 30, 2023 and 2022**  
(Dollars in Thousands)

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,851,955	\$ 1,544,734
Accounts receivable	3,509	3,210
Unbilled revenue	5,788	4,618
Interest receivable	12,869	2,766
Receivable from intercompany	380	-
Restricted cash and cash equivalents	1,276,434	1,308,108
Short-term investments	416,151	-
Prepaid expenses and other current assets	42,755	30,438
Total current assets	<u>3,609,841</u>	<u>2,893,874</u>
Long-term investments	14,579	14,579
Property and equipment, net	141,251	110,884
Systems under development	37,939	47,023
Other long term assets	1,054	698
Total assets	<u>\$ 3,804,664</u>	<u>\$ 3,067,058</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 2,662	\$ 7,636
Accrued liabilities	24,872	18,412
Payable to intercompany	414	-
Deferred revenue	8,336	4,666
Market settlement liabilities	1,394,574	898,558
Security deposits	1,276,430	1,308,108
Debt payable, current portion	4,000	4,000
Total current liabilities	<u>2,711,288</u>	<u>2,241,380</u>
Long-term liabilities:		
Debt payable, less current portion:		
Principal	33,000	37,000
Less unamortized debt issuance costs	130	147
Debt payable less current portion and unamortized debt issuance costs	<u>32,870</u>	<u>36,853</u>
Long-term CRR liabilities	876,187	658,299
Other long-term liabilities	771	575
Total long-term liabilities	<u>909,828</u>	<u>695,727</u>
Total liabilities	<u>3,621,116</u>	<u>2,937,107</u>
Net assets without donor restrictions	183,548	129,951
Total liabilities and net assets	<u>\$ 3,804,664</u>	<u>\$ 3,067,058</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Activities and Net Assets**  
**For the Six Months Ended June 30, 2023 and 2022**  
(Dollars in Thousands)

	<b>2023</b>	<b>2022</b>
<b>Operating revenues</b>		
System administration fees	\$ 112,127	\$ 114,989
Other services revenue	7,053	5,798
Total operating revenues	119,180	120,787
<b>Operating expenses</b>		
Salaries and related benefits	83,288	65,831
Facility and equipment costs	4,569	4,809
Outside services	10,074	12,289
Hardware and software maintenance and licensing	19,952	17,736
Depreciation	16,844	12,295
Other	6,939	10,314
Total operating expenses	141,666	123,274
Loss from operations	(22,486)	(2,487)
<b>Other income (expense)</b>		
Investment return, net	51,527	2,607
Interest expense	(596)	(644)
Non-operating income	1	-
Change in net assets without donor restrictions	28,446	(524)
Net assets without donor restrictions, beginning of year	155,102	130,475
Net assets without donor restrictions, end of period	\$ 183,548	\$ 129,951



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

**Statements of Cash Flows**

**For the Six Months Ended June 30, 2023 and 2022**

(Dollars in Thousands)

	<b>2023</b>	<b>2022</b>
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ 28,446	\$ (524)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	16,844	12,295
Amortization of debt issuance costs	8	9
Repayments of interest portion of finance lease liabilities	-	(6)
Amortization of bond (discount) premium	(8,169)	-
Unrealized losses on bond investments	(2,259)	-
Changes in operating assets and liabilities:		
Accounts receivable	2,116	1,845
Unbilled revenue	(589)	1,333
Interest receivable	(1,168)	(1,624)
Receivable from intercompany	554	-
Prepaid expenses and other assets	(6,611)	(5,063)
Other long-term assets	(153)	169
Other long-term liabilities	28	(84)
Accounts payable	(5,138)	4,569
Accrued liabilities	5,275	(2,808)
Payable to intercompany	(382,333)	-
Deferred revenue	666	(917)
Security deposits	(122,131)	232,565
Market settlement liabilities	(109,096)	311,674
Long-term CRR liabilities	30,601	169,705
Net cash (used in) provided by operating activities	<u>(553,109)</u>	<u>723,138</u>
<b>Investing activities:</b>		
Purchase of investments	(252,209)	-
Proceeds from investments	351,505	-
Investment in subsidiary	-	(10,579)
Capital expenditures for property and equipment and systems under development	(16,445)	(28,392)
Net cash provided by (used in) investing activities	<u>82,851</u>	<u>(38,971)</u>
<b>Financing activities:</b>		
Repayment of debt payable	(2,000)	(2,000)
Repayments of principal portion of finance lease liabilities	-	(135)
Net cash (used in) financing activities	<u>(2,000)</u>	<u>(2,135)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(472,258)	682,032
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	3,600,647	2,170,810
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 3,128,389</u>	<u>\$ 2,852,842</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2023**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,851,955	\$ 4,076	\$ -	\$ -	\$ 1,856,031
Securitization charges receivable, current	-	9,963	42,590	-	52,553
Accounts receivable	3,509	-	-	-	3,509
Unbilled revenue	5,788	-	-	(691)	5,097
Interest receivable	12,869	139	291	-	13,299
Receivable from intercompany	380	4	410	(794)	-
Restricted cash and cash equivalents	1,276,434	30,748	77,198	-	1,384,380
Short-term investments	416,151	-	-	-	416,151
Prepaid expenses and other current assets	42,755	2	-	-	42,757
Total current assets	3,609,841	44,932	120,489	(1,485)	3,773,777
Long-term investments	14,579	-	-	(14,579)	-
Property and equipment, net	141,251	-	-	-	141,251
Systems under development	37,939	-	-	-	37,939
Securitization charges receivable, non current	-	387,383	2,027,821	-	2,415,204
Other long term assets	1,054	-	-	-	1,054
Total assets	\$ 3,804,664	\$ 432,315	\$ 2,148,310	\$ (16,064)	\$ 6,369,225
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable	\$ 2,662	\$ 4	\$ -	\$ -	\$ 2,666
Accrued liabilities	24,872	7,016	45,604	-	77,492
Payable to intercompany	414	324	747	(1,485)	-
Deferred revenue	8,336	-	-	-	8,336
Market settlement liabilities	1,394,574	-	-	-	1,394,574
Security deposits	1,276,430	19,167	3,404	-	1,299,001
Debt payable, current portion	4,000	10,110	41,874	-	55,984
Total current liabilities	2,711,288	36,621	91,629	(1,485)	2,838,053
Long-term liabilities:					
Debt payable, less current portion:					
Principal	33,000	393,690	2,059,019	-	2,485,709
Less unamortized discount and debt issuance costs	130	1,996	12,917	-	15,043
Debt payable less current portion and unamortized discount and debt issuance costs	32,870	391,694	2,046,102	-	2,470,666
Long-term CRR liabilities	876,187	-	-	-	876,187
Other long-term liabilities	771	-	-	-	771
Total long-term liabilities	909,828	391,694	2,046,102	-	3,347,624
Total liabilities	3,621,116	428,315	2,137,731	(1,485)	6,185,677
Net assets without donor restrictions	183,548	4,000	10,579	(14,579)	183,548
Total liabilities and net assets	\$ 3,804,664	\$ 432,315	\$ 2,148,310	\$ (16,064)	\$ 6,369,225

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Activities and Net Assets**  
**For the Six Months Ended June 30, 2023**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
<b>Operating revenues</b>					
System administration fees	\$ 112,127	\$ -	\$ -	\$ -	\$ 112,127
Other services revenue	7,053	-	-	(829)	6,224
Securitization charges fees	-	7,119	50,949	-	58,068
Total operating revenues	119,180	7,119	50,949	(829)	176,419
<b>Operating expenses</b>					
Salaries and related benefits	83,288	-	-	-	83,288
Facility and equipment costs	4,569	-	-	-	4,569
Outside services	10,074	400	650	(829)	10,295
Hardware and software maintenance and licensing	19,952	-	-	-	19,952
Depreciation	16,844	-	-	-	16,844
Other	6,939	3	1	-	6,943
Total operating expenses	141,666	403	651	(829)	141,891
(Loss) income from operations	(22,486)	6,716	50,298	-	34,528
<b>Other income (expense)</b>					
Investment return, net	51,527	289	911	-	52,727
Interest expense	(596)	(7,005)	(51,209)	-	(58,810)
Non-operating income	1	-	-	-	1
Change in net assets without donor restrictions	28,446	-	-	-	28,446
Net assets without donor restrictions, beginning of year	155,102	4,000	10,579	(14,579)	155,102
Net assets without donor restrictions, end of period	\$ 183,548	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 183,548

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 30, 2023**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
<b>Operating activities:</b>					
Change in net assets without donor restrictions	\$ 28,446	\$ -	\$ -	\$ -	\$ 28,446
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	16,844	-	-	-	16,844
Amortization of discount & debt issuance costs	8	38	374	-	420
Amortization of bond investment discount	(8,169)	-	-	-	(8,169)
Unrealized losses on bond investments	(2,259)	-	-	-	(2,259)
Changes in operating assets and liabilities:					
Securitization charges receivable	-	4,952	19,295	409	24,656
Accounts receivable	2,116	-	-	-	2,116
Unbilled revenue	(589)	-	1,843	(318)	936
Interest receivable	(1,168)	63	239	-	(866)
Receivable from intercompany	554	382,289	453	(383,296)	-
Prepaid expenses and other assets	(6,611)	-	-	-	(6,611)
Other long-term assets	(153)	-	-	-	(153)
Other long-term liabilities	28	-	-	-	28
Accounts payable	(5,138)	-	-	-	(5,138)
Accrued liabilities	5,275	(4,899)	(10,444)	-	(10,068)
Payable to intercompany	(382,333)	(99)	(52)	382,484	-
Deferred revenue	666	-	-	-	666
Security deposits	(122,131)	602	365	-	(121,164)
Market settlement liabilities	(109,096)	-	-	-	(109,096)
Long-term CRR liabilities	30,601	-	-	-	30,601
Net cash (used in) provided by operating activities	(553,109)	382,946	12,073	(721)	(158,811)
<b>Investing activities:</b>					
Purchase of investments	(252,209)	-	-	-	(252,209)
Proceeds from investments	351,505	-	-	-	351,505
Capital expenditures for property and equipment and systems under development	(16,445)	-	-	-	(16,445)
Net cash provided by investing activities	82,851	-	-	-	82,851
<b>Financing activities:</b>					
Repayment of debt payable	(2,000)	(391,956)	(14,807)	-	(408,763)
Payment of debt issuance costs	-	(213)	(508)	721	-
Net cash (used in) financing activities	(2,000)	(392,169)	(15,315)	721	(408,763)
Net (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(472,258)	(9,223)	(3,242)	-	(484,723)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	3,600,647	44,047	80,440	-	3,725,134
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 3,128,389	\$ 34,824	\$ 77,198	\$ -	\$ 3,240,411

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2022**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,544,734	\$ 4,005	\$ -	\$ -	\$ 1,548,739
Securitization charges receivable, current	-	19,479	32,355	-	51,834
Accounts receivable	3,210	-	-	-	3,210
Unbilled revenue	4,618	-	4,646	(707)	8,557
Interest receivable	2,766	-	-	-	2,766
Restricted cash and cash equivalents	1,308,108	88,569	18,869	-	1,415,546
Prepaid expenses and other current assets	30,438	3	-	-	30,441
Total current assets	2,893,874	112,056	55,870	(707)	3,061,093
Long-term investments	14,579	-	-	(14,579)	-
Property and equipment, net	110,884	-	-	-	110,884
Systems under development	47,023	-	-	-	47,023
Securitization charges receivable, non current	-	774,412	2,067,684	-	2,842,096
Other long term assets	698	-	-	-	698
Total assets	\$ 3,067,058	\$ 886,468	\$ 2,123,554	\$ (15,286)	\$ 6,061,794
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable	\$ 7,636	\$ 26	\$ -	\$ -	\$ 7,662
Accrued liabilities	18,412	17,684	4,550	-	40,646
Payable to intercompany	-	333	374	(707)	-
Deferred revenue	4,666	-	-	-	4,666
Market settlement liabilities	898,558	-	-	-	898,558
Security deposits	1,308,108	66,290	8,290	-	1,382,688
Debt payable, current portion	4,000	13,912	14,807	-	32,719
Total current liabilities	2,241,380	98,245	28,021	(707)	2,366,939
Long-term liabilities:					
Debt payable, less current portion:					
Principal	37,000	786,088	2,100,893	-	2,923,981
Less unamortized discount and debt issuance costs	147	1,865	15,939	-	17,951
Debt payable less current portion and unamortized discount and debt issuance costs	36,853	784,223	2,084,954	-	2,906,030
Long-term CRR liabilities	658,299	-	-	-	658,299
Other long-term liabilities	575	-	-	-	575
Total long-term liabilities	695,727	784,223	2,084,954	-	3,564,904
Total liabilities	2,937,107	882,468	2,112,975	(707)	5,931,843
Net assets without donor restrictions	129,951	4,000	10,579	(14,579)	129,951
Total liabilities and net assets	\$ 3,067,058	\$ 886,468	\$ 2,123,554	\$ (15,286)	\$ 6,061,794

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Activities and Net Assets**  
**For the Six Months Ended June 30, 2022**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
<b>Operating revenues</b>					
System administration fees	\$ 114,989	\$ -	\$ -	\$ -	\$ 114,989
Other services revenue	5,798	-	-	(346)	5,452
Securitization charges fees	-	12,257	4,686	-	16,943
Total operating revenues	120,787	12,257	4,686	(346)	137,384
<b>Operating expenses</b>					
Salaries and related benefits	65,831	-	-	-	65,831
Facility and equipment costs	4,809	-	-	-	4,809
Outside services	12,289	297	105	(346)	12,345
Hardware and software maintenance and licensing	17,736	-	-	-	17,736
Depreciation	12,295	-	-	-	12,295
Other	10,314	-	-	-	10,314
Total operating expenses	123,274	297	105	(346)	123,330
(Loss) income from operations	(2,487)	11,960	4,581	-	14,054
<b>Other income (expense)</b>					
Investment return, net	2,607	-	-	-	2,607
Interest expense	(644)	(11,960)	(4,581)	-	(17,185)
Change in net assets without donor restrictions	(524)	-	-	-	(524)
Net assets without donor restrictions, beginning of year	130,475	4,000	-	(4,000)	130,475
Equity contribution from parent company	-	-	10,579	(10,579)	-
Net assets without donor restrictions, end of period	\$ 129,951	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 129,951

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 30, 2022**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
<b>Operating activities:</b>					
Change in net assets without donor restrictions	\$ (524)	\$ -	\$ -	\$ -	\$ (524)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	12,295	-	-	-	12,295
Amortization of debt issuance costs	9	34	39	-	82
Repayments of interest portion of finance lease liabilities	(6)	-	-	-	(6)
Changes in operating assets and liabilities:					
Securitization charges receivable	-	4,201	(2,100,039)	-	(2,095,838)
Accounts receivable	1,845	-	-	-	1,845
Unbilled revenue	1,333	3,264	(4,646)	624	575
Interest receivable	(1,624)	-	-	-	(1,624)
Prepaid expenses and other assets	(5,063)	6	-	-	(5,057)
Other long-term assets	169	-	-	-	169
Other long-term liabilities	(84)	-	-	-	(84)
Accounts payable	4,569	26	-	-	4,595
Accrued liabilities	(2,808)	14,503	4,550	-	16,245
Payable to intercompany	-	250	96	(346)	-
Deferred revenue	(917)	-	-	-	(917)
Security deposits	232,565	5,871	8,290	-	246,726
Market settlement liabilities	311,674	-	-	-	311,674
Long-term CRR liabilities	169,705	-	-	-	169,705
Net cash provided by (used in) operating activities	723,138	28,155	(2,091,710)	278	(1,340,139)
<b>Investing activities:</b>					
Investment in subsidiary	(10,579)	-	-	10,579	-
Capital expenditures for property and equipment and systems under development	(28,392)	-	-	-	(28,392)
Net cash (used in) investing activities	(38,971)	-	-	10,579	(28,392)
<b>Financing activities:</b>					
Proceeds from parent company investment	-	-	10,579	(10,579)	-
Proceeds from debt issuance	-	-	2,115,542	-	2,115,542
Repayment of debt payable	(2,000)	-	-	-	(2,000)
Repayments of principal portion of finance lease liabilities	(135)	-	-	-	(135)
Payment of debt issuance costs	-	-	(15,542)	(278)	(15,820)
Net cash (used in) provided by financing activities	(2,135)	-	2,110,579	(10,857)	2,097,587
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	682,032	28,155	18,869	-	729,056
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,170,810	64,419	-	-	2,235,229
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 2,852,842	\$ 92,574	\$ 18,869	\$ -	\$ 2,964,285