



Item 5.1: Review 2023 Financial Summary

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Vice President and Chief Financial Officer

Finance and Audit Committee Meeting

ERCOT Public

October 16, 2023

Overview

- **Purpose**

- To provide the Finance and Audit (F&A) Committee an overview of ERCOT's financial performance as of August 31, 2023

- **Voting Items / Requests**

- No action is requested of the F&A Committee or Board; for discussion only

- **Key Takeaways**

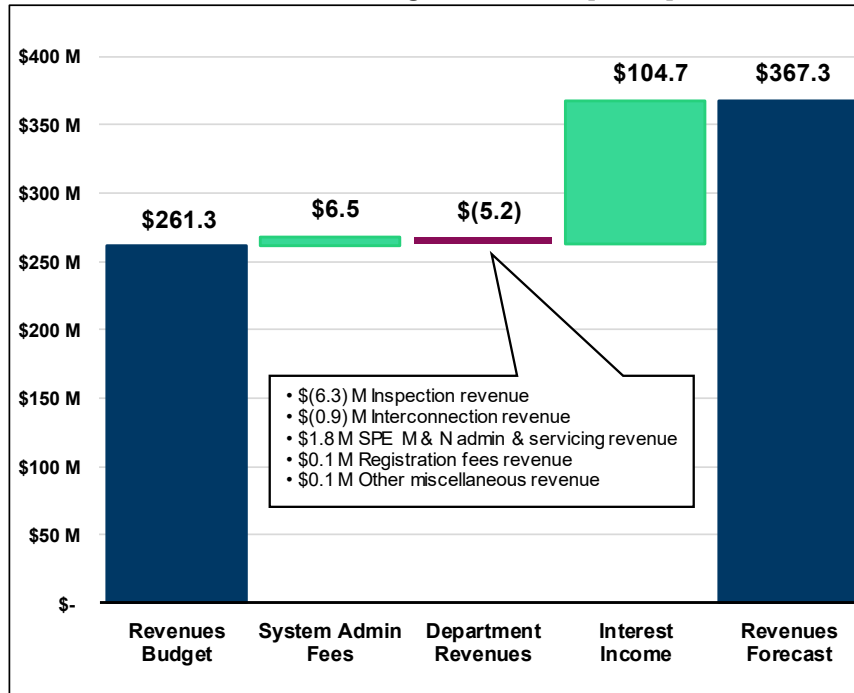
- ERCOT's year-to-date August 2023 actual revenues net of expenditures were \$57.6 million favorable to budget, driven by interest income being favorable by \$71.4 million, partially offset by resource management being unfavorable by \$(17.1) million. Resource management through August was \$(4.3) million more unfavorable than it was through June
- ERCOT's year-end 2023 forecasted revenues net of expenditures are \$72.9 million favorable to budget, driven by interest income forecasted to be favorable by \$104.7 million, partially offset by resource management forecasted to be unfavorable by \$(29.1) million. The year-end resource management variance is forecasted to be \$1.5 million less unfavorable than at the August meeting
- ERCOT's unrestricted cash and bond investments have increased \$1,355.6 million year-over-year, driven by an increase in market settlement liabilities receipts and Congestion Revenue Right (CRR) auction receipts held which includes the full replenishment of CRRs temporarily used for market liquidity
- ERCOT had a \$30.7 million operating cash balance as of August 31, 2023, compared to a \$6.0 million operating use of CRR funds as of August 31, 2022



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

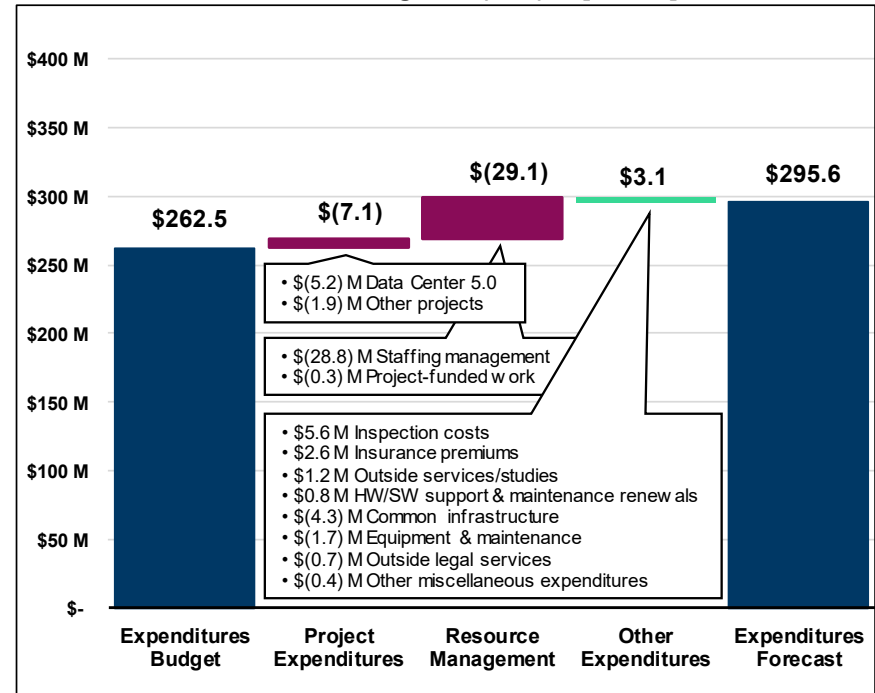
Net Available Year-End Forecast Variance to Budget = \$72.9 M

**Revenues Year-End Forecast
Variance to Budget = \$106.0 M [40.6%]**



Charts may not foot due to rounding

**Expenditures Year-End Forecast
Variance to Budget = \$(33.2) M [-12.6%]**



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

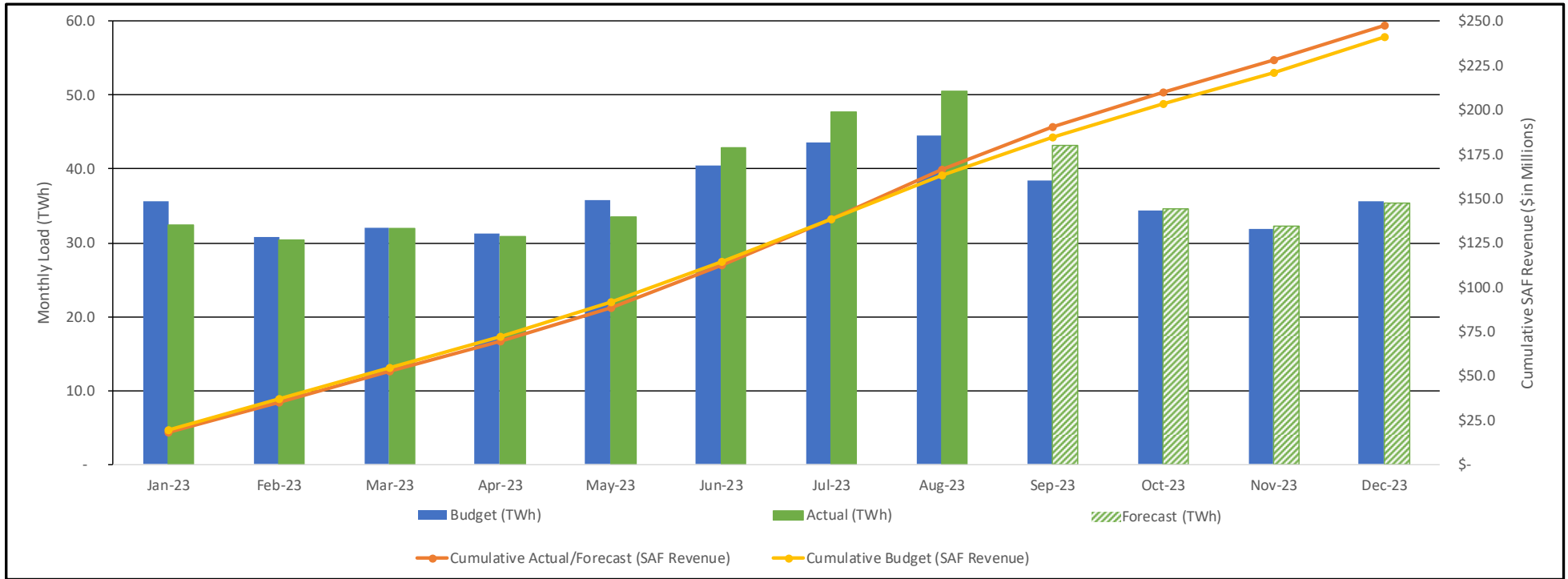
Key Takeaway: The forecasted year-end 2023 results are a net available amount of \$71.7 M versus a budgeted amount of \$(1.1) M, a \$72.9 M favorable variance



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	50.5	43.2	34.7	32.3	35.5	445.8
Variance	11.4	(3.1)	(0.4)	(0.0)	(0.3)	(2.4)	2.5	4.1	6.0	4.8	0.3	0.5	(0.1)	11.8
Variance (%)	2.7%	-8.8%	-1.4%	-0.1%	-1.0%	-6.6%	6.2%	9.5%	13.6%	12.4%	0.8%	1.5%	-0.3%	2.7%

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	\$ 166.6	\$ 190.6	\$ 209.8	\$ 227.7	\$ 247.4	\$ 247.4
Cumulative Variance	\$ 6.3	\$ (1.7)	\$ (2.0)	\$ (2.0)	\$ (2.2)	\$ (3.5)	\$ (2.1)	\$ 0.2	\$ 3.5	\$ 6.2	\$ 6.3	\$ 6.6	\$ 6.5	\$ 6.5
Cumulative Variance (%)	2.7%	-8.8%	-5.4%	-3.7%	-3.0%	-3.8%	-1.8%	0.1%	2.2%	3.4%	3.1%	3.0%	2.7%	2.7%



Review 2023 Financial Summary: ERCOT Statements of Financial Position

As of August 31
Dollars in Millions

	ERCOT		Texas Electric Market Stabilization Funding M (TEMSFM)		Texas Electric Market Stabilization Funding N (TEMSFN)	
	2023	2022	2023	2022	2023	2022
Assets						
Unrestricted cash	\$ 2,724.6	\$ 1,686.7	\$ 4.0	\$ 4.0	\$ -	\$ -
Bond Investments	317.7	-	-	-	-	-
Total unrestricted cash and bond investments	3,042.3	1,686.7	4.0	4.0	-	-
Restricted cash and interest receivable	1,963.8	1,664.1	22.9	25.4	29.8	25.7
Other current assets	64.4	49.1	10.2	19.6	43.2	48.9
Long-term investment in subsidiary	14.6	14.6	-	-	-	-
Other long-term assets	179.8	159.8	385.7	770.9	2,020.8	2,060.9
Total assets	\$ 5,264.9	\$ 3,574.3	\$ 422.8	\$ 819.9	\$ 2,093.8	\$ 2,135.5
Liabilities and Net Assets						
CRR auction liabilities-current	\$ 1,223.7	\$ 944.4	\$ -	\$ -	\$ -	\$ -
CRR auction liabilities-long term	895.7	780.6	-	-	-	-
Other market liabilities	891.8	191.7	-	-	-	-
Use of CRR for market liquidity	-	(224.9)	-	-	-	-
Total market settlement liabilities	3,011.2	1,691.8	-	-	-	-
Security deposits and interest payable	1,963.8	1,664.1	19.6	17.7	3.4	2.8
Other current liabilities	44.4	33.7	12.7	24.0	55.2	57.7
Other long-term liabilities	33.6	37.6	386.5	774.2	2,024.6	2,064.4
Net assets without donor restrictions	211.9	147.1	4.0	4.0	10.6	10.6
Total liabilities and net assets	\$ 5,264.9	\$ 3,574.3	\$ 422.8	\$ 819.9	\$ 2,093.8	\$ 2,135.5

Key Takeaway:

- ERCOT's unrestricted cash and bond investments have increased \$1,355.6 M year-over-year, driven by an increase in market settlement liabilities receipts, CRR auction receipts held and the full replenishment of CRRs temporarily used for market liquidity
- TEMSFM's other current assets decreased \$9.4 M year-over-year, driven by lower balance of securitization charge receivable
- TEMSFM's other long-term assets decreased \$385.2 M and other long-term liabilities decreased \$387.7 M, primarily due to the early redemption of bond principal, driven by receipt of the Brazos settlement funds
- TEMSFN's other long-term liabilities decreased \$39.8 M year-over-year, driven by bond payment in August 2023



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

For the Eight Months Ended August
Dollars in Millions

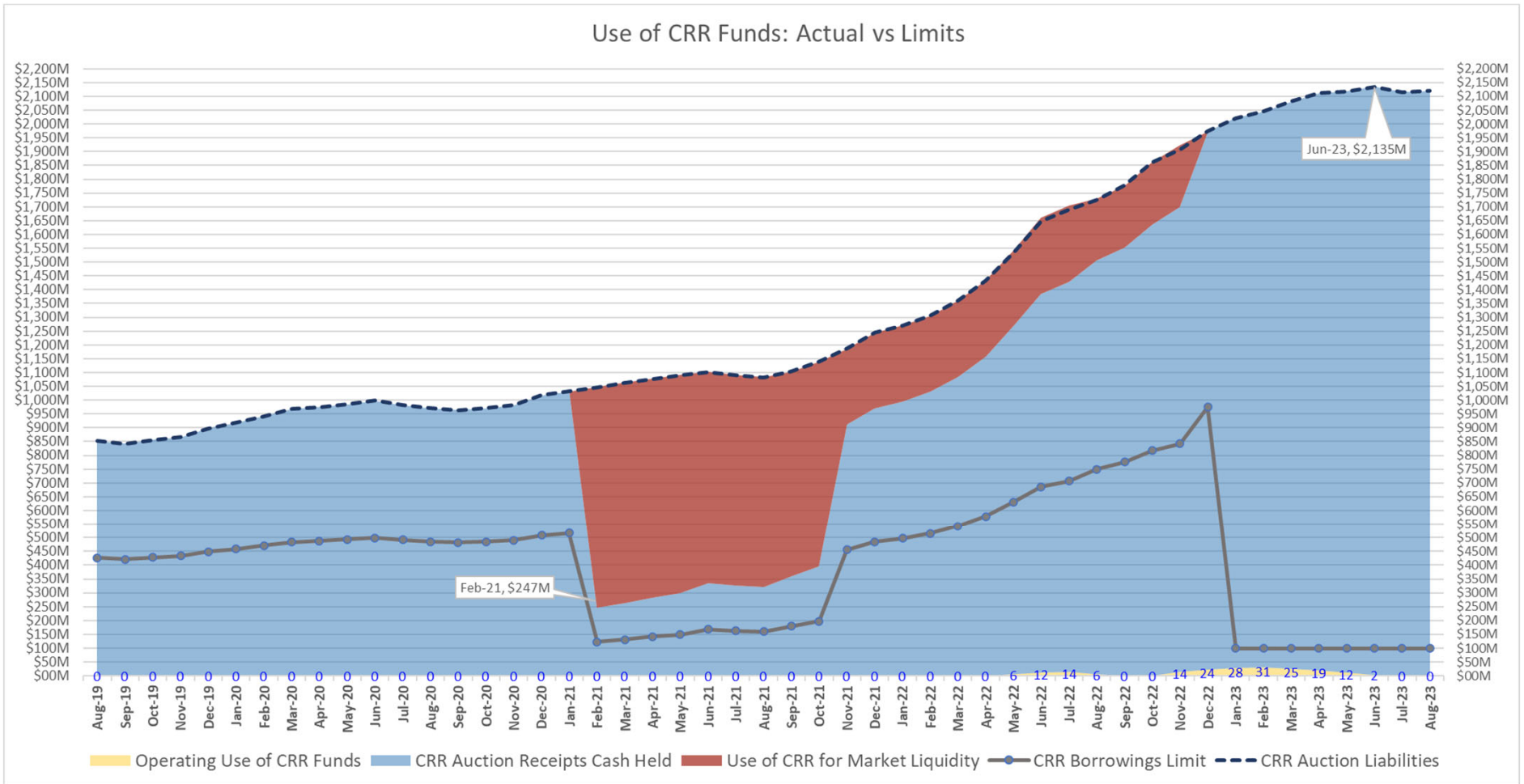
	ERCOT		Texas Electric Market Stabilization Funding M (TEMSFM)		Texas Electric Market Stabilization Funding N (TEMSFN)	
	2023	2022	2023	2022	2023	2022
Operating revenues	\$ 175.3	\$ 171.9	\$ 9.1	\$ 16.3	\$ 67.8	\$ 22.1
Operating expenses	189.2	161.7	0.5	0.4	0.9	0.3
(Loss) income from operations	(13.9)	10.2	8.6	15.9	66.9	21.8
Other income (expense)	70.7	6.4	(8.6)	(15.9)	(66.9)	(21.8)
Change in net assets without donor restrictions	56.8	16.6	-	-	-	-
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
Net assets without donor restrictions, end of period	\$ 211.9	\$ 147.1	\$ 4.0	\$ 4.0	\$ 10.6	\$ 10.6

Key Takeaways: ERCOT's year-over-year change in net assets without donor restrictions (equity) for the eight months ended August increased by \$40.2 M:

- \$27.5 M increase in operating expenses, driven by
 - \$24.0 M (28%) increase in salaries and related benefits expense
 - \$ 6.3 M (39%) increase in depreciation expense
 - \$ 2.7 M (11%) increase in hardware and software maintenance expense
 - \$ 2.7 M (17%) decrease in outside services expense
 - \$ 2.8 M (24%) decrease in other expense mainly driven by insurance premium
- \$64.3 M increase in other income (interest income)
- \$ 3.4 M increase in operating revenues



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



Key Takeaway: As of August 2023, Unrestricted Cash and Bond Investments exceeded Market Liabilities by \$30.7 M



Review 2023 Financial Summary:

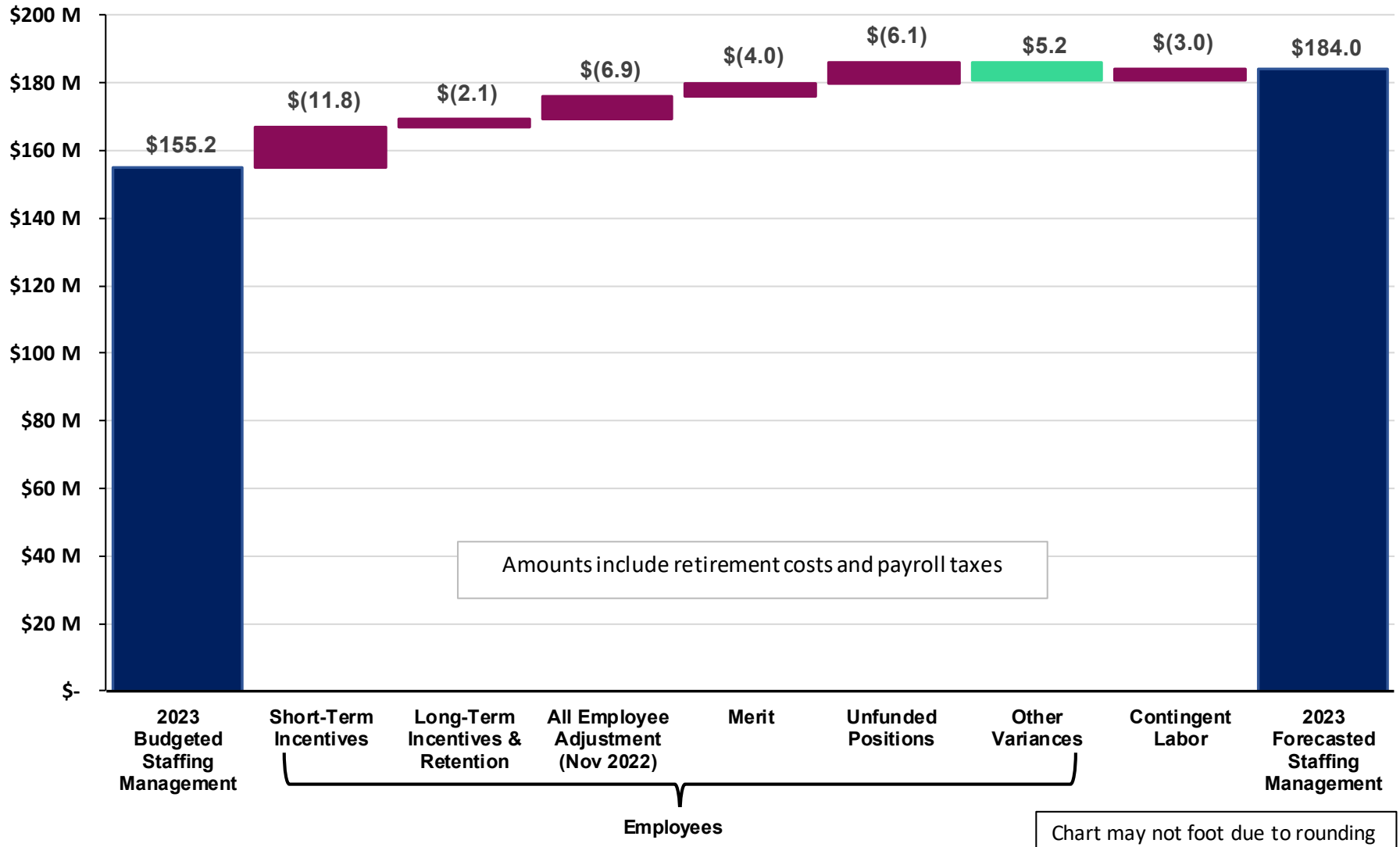
Appendices

Electric Reliability Council of Texas, Inc. 2023 Financial Summary As of October 2, 2023 (\$ in Millions)										
						Year-to-Date (August 31)				
Line	2022		2023			2022		2023		
	Actual	Budget	Actual	Variance		Actual	Budget	Forecast	Variance	
				\$	%				\$	%
1	\$ 164.5	\$ 163.0	\$ 166.6	\$ 3.5	2.2	\$ 239.2	\$ 240.9	\$ 247.4	\$ 6.5	2.7
2	Department Net Expenditures									
3	60.5	64.5	68.5	(4.0)	(6.2)	91.8	96.8	106.6	(9.9)	(10.2)
4	32.4	34.1	43.6	(9.4)	(27.7)	53.0	51.4	65.6	(14.2)	(27.7)
5	25.6	26.4	24.7	1.7	6.3	36.9	39.5	38.3	1.2	3.1
6	20.7	18.3	20.8	(2.5)	(13.6)	31.0	27.3	33.2	(5.9)	(21.7)
7	4.5	5.6	5.3	0.3	4.5	7.0	8.3	8.0	0.3	3.8
8	0.5	0.8	2.9	(2.0)	(239.7)	1.8	1.7	4.2	(2.5)	(150.1)
9	(7.6)	(9.3)	(9.8)	0.5	5.6	(11.7)	(13.9)	(13.4)	(0.5)	(3.5)
10	136.7	140.4	156.0	(15.6)	(11.1)	209.7	211.1	242.6	(31.5)	(14.9)
11	27.8	22.6	10.6	(12.0)	(53.1)	29.5	29.8	4.9	(25.0)	(83.7)
12										
13	20.2	19.7	21.6	(2.0)	(10.0)	54.0	29.5	36.6	(7.1)	(24.1)
14	15.4	0.0	0.0	0.0	0.0	15.4	0.0	0.0	0.0	0.0
15	0.8	0.9	0.8	0.1	10.7	1.1	1.5	1.2	0.3	19.3
16	7.3	0.0	71.4	71.4	>1,000.0	25.0	0.0	104.7	104.7	>1,000.0
17										
18	\$ (1.4)	\$ 2.1	\$ 59.6	\$ 57.6	>1,000.0	\$ (16.0)	\$ (1.1)	\$ 71.7	\$ 72.9	>1,000.0
Note: Schedule may not foot due to rounding										

Electric Reliability Council of Texas, Inc. 2023 Financial Summary Variance Explanations As of October 2, 2023		
Line	Year-to-Date (August 31)	Year-End (December 31)
1 System Administration Revenue	+\$7.3 M - Economy -\$3.8 M - Weather	+\$6.5 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$3.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$2.6 M - Common infrastructure +\$1.1 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 - Fiber lease +\$0.1 M - Data service subscriptions <u>Timing Differences</u> -\$0.5 M - WAN revenue +\$0.5 M - WAN costs +\$0.5 M - HW/SW vendor support services [Resource Management - Project-Funded Work] +\$0.1 M - Outside services/studies +\$0.1 M - Employee training & business travel	-\$6.1 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$4.3 M - Common infrastructure -\$0.9 M - Contingent labor [Resource Management - Staffing Management] -\$0.3 M - Minor capital +\$1.1 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 - Fiber lease +\$0.1 M - Data service subscriptions
4 Chief Operations Office	-\$6.4 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$4.9 M - Inspection revenue -\$1.0 M - Contingent labor [Resource Management - Staffing Management] -\$0.9 M - Interconnection revenue -\$0.2 M - Outside services/studies -\$0.1 M - Training subscriptions -\$0.1 M - Software +\$4.2 M - Inspection costs <u>Timing Differences</u> +\$0.1 M - Employee training & business travel -\$0.1 M - Data service subscriptions -\$0.1 M - Black start training & operator training seminar revenue +\$0.1 M - Other miscellaneous expenditures	-\$9.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$6.3 M - Inspection revenue -\$1.7 M - Contingent labor [Resource Management - Staffing Management] -\$0.9 M - Interconnection revenue -\$0.7 M - Outside services/studies -\$0.1 M - Training subscriptions -\$0.1 M - Software +\$5.6 M - Inspection costs -\$0.2 M - Other miscellaneous expenditures

Electric Reliability Council of Texas, Inc. 2023 Financial Summary Variance Explanations As of October 2, 2023		
Line	Year-to-Date (August 31)	Year-End (December 31)
5 Chief Administrative Office	+\$1.0 M - Insurance premiums +\$1.3 M - SPE M & N administration & servicing revenue +\$0.6 M - Outside services/studies +\$0.4 M - Property tax -\$1.5 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.4 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Recruiting & pre-employment costs <u>Timing Differences</u> +\$0.4 M - Outside services/studies	+\$2.6 M - Insurance premiums +\$1.8 M - SPE M & N administration & servicing revenue +\$0.6 M - Outside services/studies +\$0.5 M - Property tax -\$3.6 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 +\$0.1 M - Other miscellaneous revenue
6 General Counsel	-\$2.4 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.4 M - Equipment & maintenance -\$0.2 M - HW/SW support & maintenance renewals -\$0.1 M - Electricity -\$0.1 M - Rentals & leases +\$0.5 M - Outside services/studies <u>Timing Differences</u> +\$0.2 M - Outside legal services	-\$3.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$1.7 M - Equipment & maintenance -\$0.7 M - Outside legal services -\$0.2 M - Board member expense -\$0.2 M - HW/SW support & maintenance renewals -\$0.2 M - Electricity -\$0.1 M - Rentals & leases +\$0.8 M - Outside services/studies
7 Public Affairs	+\$0.8 M - Outside services/studies +\$0.1 M - Registration fees revenue -\$0.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]	+\$1.1 M - Outside services/studies +\$0.1 M - Registration fees revenue -\$0.9 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]
8 Chief Executive Office	-\$1.7 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.3 M - Outside services/studies	-\$1.7 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.8 M - Outside services/studies
9 Project Funded Labor	+\$0.5 M - Multiple projects [Resource Management - Project-Funded Work]	-\$0.5 M - Multiple projects [Resource Management - Project-Funded Work]
13 Project Expenditures	-\$2.0 M - All projects	-\$7.1 M - All projects
15 Interest Expense	+\$0.3 M - Revolver -\$0.2 M - Capitalized interest	+\$0.6 M - Revolver -\$0.3 M - Capitalized interest
16 Interest Income	+\$71.3 M - Interest rate +\$0.1 M - Investment balance	+\$104.6 M - Interest rate +\$0.1 M - Investment balance

**Electric Reliability Council of Texas
2023 Staffing Management Variance to Budget
As of October 2, 2023
(\$ in Millions)**



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

Line	Project	Year-to-Date As of August 31, 2023		Year-End (YE) As of October 2, 2023		Life-to-Date As of August 31, 2023		Estimate-at-Completion (EAC) As of October 2, 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	\$ 9.1	69%	\$ 13.2	36%	\$ 51.5	85%	\$ 60.5	33%	\$ 63.0	\$ 2.5
2	Market Design	0.9	43%	2.0	6%	0.9	2%	51.2	28%	51.2	0.0
3	Energy Management System (EMS) Upgrade 2024	3.0	54%	5.6	15%	15.8	82%	19.2	10%	19.2	0.0
4	Grid Geospatial (Grid Geo) Program	(0.0)	(13%)	0.3	1%	7.9	90%	8.8	5%	8.6	(0.2)
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	1.5	40%	3.7	10%	1.5	56%	2.7	1%	2.7	0.0
7	Network Model Management System (NMMS) Tech Health	(0.4)	(362%)	0.1	0%	2.1	80%	2.6	1%	2.6	(0.0)
8	ERCOT Contingency Reserve Service (ECRS)	1.4	100%	1.4	4%	2.4	100%	2.4	1%	2.4	(0.0)
9	Treasury Management Risk Mitigation	1.2	62%	1.9	5%	1.3	53%	2.4	1%	2.4	(0.0)
10	Texas Standard Electronic Transaction (Texas SET) 5.0	0.7	65%	1.0	3%	0.9	42%	2.0	1%	2.0	0.0
11	Total Projects with EAC Budget Over \$2.0M	17.5	59%	29.5	81%	87.1	56%	154.8	84%	157.0	2.2
12	Other Projects	4.1	58%	7.1	19%	12.4	41%	30.3	16%	35.5	5.1
13	Total Project Expenditures	\$ 21.6	59%	\$ 36.6	100%	\$ 99.5	54%	\$ 185.1	100%	\$ 192.5	\$ 7.4

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of August 31, 2023 and 2022**

(Dollars in Thousands)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,724,618	\$ 1,686,703
Accounts receivable	9,879	4,085
Unbilled revenue	3,017	4,840
Interest receivable	19,154	5,793
Receivable from intercompany	130	-
Restricted cash and cash equivalents	1,954,625	1,661,035
Short-term investments	316,296	-
Prepaid expenses and other current assets	42,750	37,430
Total current assets	5,070,469	3,399,886
Long-term investments	14,579	14,579
Property and equipment, net	139,611	109,272
Systems under development	39,233	49,735
Other long term assets	1,006	873
Total assets	\$ 5,264,898	\$ 3,574,345
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 8,612	\$ 9,724
Accrued liabilities	32,091	17,569
Payable to intercompany	366	867
Deferred revenue	8,487	4,614
Market settlement liabilities	2,115,497	911,227
Security deposits	1,954,621	1,661,035
Debt payable, current portion	4,000	4,000
Total current liabilities	4,123,674	2,609,036
Long-term liabilities:		
Debt payable, less current portion:		
Principal	33,000	37,000
Less unamortized debt issuance costs	127	144
Debt payable less current portion and unamortized debt issuance costs	32,873	36,856
Long-term CRR liabilities	895,733	780,586
Other long-term liabilities	742	741
Total long-term liabilities	929,348	818,183
Total liabilities	5,053,022	3,427,219
Net assets without donor restrictions	211,876	147,126
Total liabilities and net assets	\$ 5,264,898	\$ 3,574,345

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Activities and Net Assets
For the Eight Months Ended August 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Operating revenues		
System administration fees	\$ 166,589	\$ 164,508
Other services revenue	8,737	7,375
Total operating revenues	<u>175,326</u>	<u>171,883</u>
Operating expenses		
Salaries and related benefits	110,755	86,851
Facility and equipment costs	6,538	6,367
Outside services	13,408	16,084
Hardware and software maintenance and licensing	26,321	23,631
Depreciation	22,722	16,376
Other	9,444	12,368
Total operating expenses	<u>189,188</u>	<u>161,677</u>
(Loss) income from operations	(13,862)	10,206
Other income (expense)		
Investment return, net	71,430	7,280
Interest expense	(795)	(835)
Non-operating income	1	-
Change in net assets without donor restrictions	<u>56,774</u>	<u>16,651</u>
Net assets without donor restrictions, beginning of year	155,102	130,475
Net assets without donor restrictions, end of period	<u>\$ 211,876</u>	<u>\$ 147,126</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Cash Flows
For the Eight Months Ended August 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Operating activities:		
Change in net assets without donor restrictions	\$ 56,774	\$ 16,651
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	22,722	16,376
Amortization of debt issuance costs	11	12
Repayments of interest portion of finance lease liabilities	-	(6)
Amortization of bond investment discount	(11,194)	-
Unrealized (gains) on bond investments	(2,259)	-
Changes in operating assets and liabilities:		
Accounts receivable	(4,254)	970
Unbilled revenue	2,182	1,111
Interest receivable	(3,144)	(2,727)
Receivable from intercompany	804	-
Prepaid expenses and other assets	(6,606)	(12,056)
Other long-term assets	(105)	(6)
Other long-term liabilities	(1)	82
Accounts payable	855	6,692
Accrued liabilities	8,203	(8,573)
Payable to intercompany	(382,381)	867
Deferred revenue	817	1,541
Security deposits	556,060	585,492
Market settlement liabilities	611,827	324,343
Long-term CRR liabilities	50,147	291,992
Net cash provided by operating activities	<u>900,458</u>	<u>1,222,761</u>
Investing activities:		
Purchase of investments	(455,364)	-
Proceeds from investments	657,540	-
Investment in subsidiary	-	(10,579)
Capital expenditures for property and equipment and systems under development	(22,038)	(33,119)
Net cash provided by (used in) investing activities	<u>180,138</u>	<u>(43,698)</u>
Financing activities:		
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 increase in cash, cash equivalents, and restricted cash and cash equivalents	1,078,596	1,176,928
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>\$ 4,679,243</u>	<u>\$ 3,347,738</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Financial Position
As of August 31, 2023
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,724,618	\$ 4,017	\$ -	\$ -	\$ 2,728,635
Securitization charges receivable, current	-	10,285	42,879	-	53,164
Accounts receivable	9,879	-	-	-	9,879
Unbilled revenue	3,017	-	-	(138)	2,879
Interest receivable	19,154	115	94	-	19,363
Receivable from intercompany	130	4	361	(495)	-
Restricted cash and cash equivalents	1,954,625	22,794	29,701	-	2,007,120
Short-term investments	316,296	-	-	-	316,296
Prepaid expenses and other current assets	42,750	-	-	-	42,750
Total current assets	5,070,469	37,215	73,035	(633)	5,180,086
Long-term investments	14,579	-	-	(14,579)	-
Property and equipment, net	139,611	-	-	-	139,611
Systems under development	39,233	-	-	-	39,233
Securitization charges receivable, non current	-	385,661	2,020,771	-	2,406,432
Other long term assets	1,006	-	-	-	1,006
Total assets	\$ 5,264,898	\$ 422,876	\$ 2,093,806	\$ (15,212)	\$ 7,766,368
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 8,612	\$ -	\$ -	\$ -	\$ 8,612
Accrued liabilities	32,091	2,550	12,327	-	46,968
Payable to intercompany	366	74	193	(633)	-
Deferred revenue	8,487	-	-	-	8,487
Market settlement liabilities	2,115,497	-	-	-	2,115,497
Security deposits	1,954,621	19,453	3,332	-	1,977,406
Debt payable, current portion	4,000	10,260	42,733	-	56,993
Total current liabilities	4,123,674	32,337	58,585	(633)	4,213,963
Long-term liabilities:					
Debt payable, less current portion:					
Principal	33,000	388,522	2,037,435	-	2,458,957
Less unamortized discount and debt issuance costs	127	1,983	12,793	-	14,903
Debt payable less current portion and unamortized discount and debt issuance costs	32,873	386,539	2,024,642	-	2,444,054
Long-term CRR liabilities	895,733	-	-	-	895,733
Other long-term liabilities	742	-	-	-	742
Total long-term liabilities	929,348	386,539	2,024,642	-	3,340,529
Total liabilities	5,053,022	418,876	2,083,227	(633)	7,554,492
Net assets without donor restrictions	211,876	4,000	10,579	(14,579)	211,876
Total liabilities and net assets	\$ 5,264,898	\$ 422,876	\$ 2,093,806	\$ (15,212)	\$ 7,766,368

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Activities and Net Assets
For the Eight Months Ended August 31, 2023
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
Operating revenues					
System administration fees	\$ 166,589	\$ -	\$ -	\$ -	\$ 166,589
Other services revenue	8,737	-	-	(1,105)	7,632
Securitization charges fees	-	9,075	67,812	-	76,887
Total operating revenues	175,326	9,075	67,812	(1,105)	251,108
Operating expenses					
Salaries and related benefits	110,755	-	-	-	110,755
Facility and equipment costs	6,538	-	-	-	6,538
Outside services	13,408	538	865	(1,105)	13,706
Hardware and software maintenance and licensing	26,321	-	-	-	26,321
Depreciation	22,722	-	-	-	22,722
Other	9,444	3	1	-	9,448
Total operating expenses	189,188	541	866	(1,105)	189,490
(Loss) income from operations	(13,862)	8,534	66,946	-	61,618
Other income (expense)					
Investment return, net	71,430	470	1,241	-	73,141
Interest expense	(795)	(9,004)	(68,187)	-	(77,986)
Non-operating income	1	-	-	-	1
Change in net assets without donor restrictions	56,774	-	-	-	56,774
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	\$ 211,876	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 211,876

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Cash Flows
For the Eight Months Ended August 31, 2023
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
Operating activities:					
Change in net assets without donor restrictions	\$ 56,774	\$ -	\$ -	\$ -	\$ 56,774
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	22,722	-	-	-	22,722
Amortization of discount & debt issuance costs	11	51	498	-	560
Amortization of bond investment discount	(11,194)	-	-	-	(11,194)
Unrealized (gains) on bond investments	(2,259)	-	-	-	(2,259)
Changes in operating assets and liabilities:					
Securitization charges receivable	-	6,352	26,558	(93)	32,817
Accounts receivable	(4,254)	-	-	-	(4,254)
Unbilled revenue	2,182	-	1,843	(871)	3,154
Interest receivable	(3,144)	61	239	-	(2,844)
Receivable from intercompany	804	382,289	-	(383,093)	-
Prepaid expenses and other assets	(6,606)	2	-	-	(6,604)
Other long-term assets	(105)	-	-	-	(105)
Other long-term liabilities	(1)	-	-	-	(1)
Accounts payable	855	(4)	-	-	851
Accrued liabilities	8,203	(9,339)	(43,524)	-	(44,660)
Payable to intercompany	(382,381)	(349)	(606)	383,336	-
Deferred revenue	817	-	-	-	817
Security deposits	556,060	888	293	-	557,241
Market settlement liabilities	611,827	-	-	-	611,827
Long-term CRR liabilities	50,147	-	-	-	50,147
Net cash provided by (used in) operating activities	900,458	379,951	(14,699)	(721)	1,264,989
Investing activities:					
Purchase of investments	(455,364)	-	-	-	(455,364)
Proceeds from investments	657,540	-	-	-	657,540
Capital expenditures for property and equipment and systems under development	(22,038)	-	-	-	(22,038)
Net cash provided by investing activities	180,138	-	-	-	180,138
Financing activities:					
Repayment of debt payable	(2,000)	(396,974)	(35,532)	-	(434,506)
Payment of debt issuance costs	-	(213)	(508)	721	-
Net cash (used in) financing activities	(2,000)	(397,187)	(36,040)	721	(434,506)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	1,078,596	(17,236)	(50,739)	-	1,010,621
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	\$ 4,679,243	\$ 26,811	\$ 29,701	\$ -	\$ 4,735,755

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Financial Position
As of August 31, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,686,703	\$ 4,017	\$ -	\$ -	\$ 1,690,720
Securitization charges receivable, current	-	19,576	36,866	-	56,442
Accounts receivable	4,085	-	-	-	4,085
Unbilled revenue	4,840	-	11,133	(967)	15,006
Interest receivable	5,793	-	-	-	5,793
Receivable from intercompany	-	-	867	(867)	-
Restricted cash and cash equivalents	1,661,035	25,377	25,704	-	1,712,116
Prepaid expenses and other current assets	37,430	1	-	-	37,431
Total current assets	3,399,886	48,971	74,570	(1,834)	3,521,593
Long-term investments	14,579	-	-	(14,579)	-
Property and equipment, net	109,272	-	-	-	109,272
Systems under development	49,735	-	-	-	49,735
Securitization charges receivable, non current	-	770,898	2,060,875	-	2,831,773
Other long term assets	873	-	-	-	873
Total assets	\$ 3,574,345	\$ 819,869	\$ 2,135,445	\$ (16,413)	\$ 6,513,246
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 9,724	\$ -	\$ -	\$ -	\$ 9,724
Accrued liabilities	17,569	4,107	21,608	-	43,284
Payable to intercompany	867	400	567	(1,834)	-
Deferred revenue	4,614	-	-	-	4,614
Market settlement liabilities	911,227	-	-	-	911,227
Security deposits	1,661,035	17,666	2,785	-	1,681,486
Debt payable, current portion	4,000	19,479	35,532	-	59,011
Total current liabilities	2,609,036	41,652	60,492	(1,834)	2,709,346
Long-term liabilities:					
Debt payable, less current portion:					
Principal	37,000	776,277	2,080,168	-	2,893,445
Less unamortized discount and debt issuance costs	144	2,060	15,794	-	17,998
Debt payable less current portion and unamortized discount and debt issuance costs	36,856	774,217	2,064,374	-	2,875,447
Long-term CRR liabilities	780,586	-	-	-	780,586
Other long-term liabilities	741	-	-	-	741
Total long-term liabilities	818,183	774,217	2,064,374	-	3,656,774
Total liabilities	3,427,219	815,869	2,124,866	(1,834)	6,366,120
Net assets without donor restrictions	147,126	4,000	10,579	(14,579)	147,126
Total liabilities and net assets	\$ 3,574,345	\$ 819,869	\$ 2,135,445	\$ (16,413)	\$ 6,513,246

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Activities and Net Assets
For the Eight Months Ended August 31, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
Operating revenues					
System administration fees	\$ 164,508	\$ -	\$ -	\$ -	\$ 164,508
Other services revenue	7,375	-	-	(623)	6,752
Securitization charges fees	-	16,321	22,066	-	38,387
Total operating revenues	171,883	16,321	22,066	(623)	209,647
Operating expenses					
Salaries and related benefits	86,851	-	-	-	86,851
Facility and equipment costs	6,367	-	-	-	6,367
Outside services	16,084	423	315	(623)	16,199
Hardware and software maintenance and licensing	23,631	-	-	-	23,631
Depreciation	16,376	-	-	-	16,376
Other	12,368	-	-	-	12,368
Total operating expenses	161,677	423	315	(623)	161,792
Income from operations	10,206	15,898	21,751	-	47,855
Other income (expense)					
Investment return, net	7,280	37	8	-	7,325
Interest expense	(835)	(15,935)	(21,759)	-	(38,529)
Change in net assets without donor restrictions	16,651	-	-	-	16,651
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	\$ 147,126	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 147,126

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Cash Flows
For the Eight Months Ended August 31, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
Operating activities:					
Change in net assets without donor restrictions	\$ 16,651	\$ -	\$ -	\$ -	\$ 16,651
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	16,376	-	-	-	16,376
Amortization of debt issuance costs	12	52	184	-	248
Repayments of interest portion of finance lease liabilities	(6)	-	-	-	(6)
Changes in operating assets and liabilities:					
Securitization charges receivable	-	7,619	(2,097,741)	-	(2,090,122)
Accounts receivable	970	-	-	-	970
Unbilled revenue	1,111	3,264	(11,133)	884	(5,874)
Interest receivable	(2,727)	-	-	-	(2,727)
Receivable from intercompany	-	-	(867)	867	-
Prepaid expenses and other assets	(12,056)	7	-	-	(12,049)
Other long-term assets	(6)	-	-	-	(6)
Other long-term liabilities	82	-	-	-	82
Accounts payable	6,692	-	-	-	6,692
Accrued liabilities	(8,573)	713	21,608	-	13,748
Payable to intercompany	867	317	289	(1,473)	-
Deferred revenue	1,541	-	-	-	1,541
Security deposits	585,492	(42,753)	2,785	-	545,524
Market settlement liabilities	324,343	-	-	-	324,343
Long-term CRR liabilities	291,992	-	-	-	291,992
Net cash provided by (used in) operating activities	1,222,761	(30,781)	(2,084,875)	278	(892,617)
Investing activities:					
Investment in subsidiary	(10,579)	-	-	10,579	-
Capital expenditures for property and equipment and systems under development	(33,119)	-	-	-	(33,119)
Net cash (used in) investing activities	(43,698)	-	-	10,579	(33,119)
Financing activities:					
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)	(4,244)	-	-	(6,244)
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)	(4,244)	2,110,579	(10,857)	2,093,343
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	1,176,928	(35,025)	25,704	-	1,167,607
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	\$ 3,347,738	\$ 29,394	\$ 25,704	\$ -	\$ 3,402,836