



Date: December 12, 2023
To: Board of Directors
From: Bill Flores, Finance and Audit (F&A) Committee Chair
Subject: Acceptance of 2023 System and Organization Control Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: December 19, 2023

Item No.: 12.1

Issue:

Acceptance of the 2023 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 2023.

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, 2022 through September 30, 2023* (SOC 1 Report), including the auditor’s opinion. **Weaver’s opinion is unmodified. There are no reportable exceptions.**

On December 18, 2023, Weaver will meet with the F&A Committee of the ERCOT Board of Directors (Board) to review the SOC 1 Report. Given the unmodified opinion, it is expected that the F&A Committee will recommend that the Board accept the 2023 SOC Audit Report.

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 2.1.1.

Key Factors Influencing Issue:

1. 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:

The F&A Committee is expected to review the SOC 1 Report at its meeting on December 18, 2023, and is expected to recommend that the Board accept the 2023 SOC Audit Report as presented by Weaver.



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 2023;

WHEREAS, Weaver’s opinion on the System and Organization Control audit for the period from October 1, 2022 to September 30, 2023 is unmodified;

WHEREAS, after due consideration of the alternatives, the Finance and Audit (F&A) Committee, at its meeting on December 18, 2023, 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, 2023 (also known as the 2023 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 2023 System and Organization Control Audit Report;

THEREFORE, BE IT RESOLVED, that the 2023 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 19, 2023 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of December, 2023.

Jonathan M. Levine
Assistant Corporate Secretary