

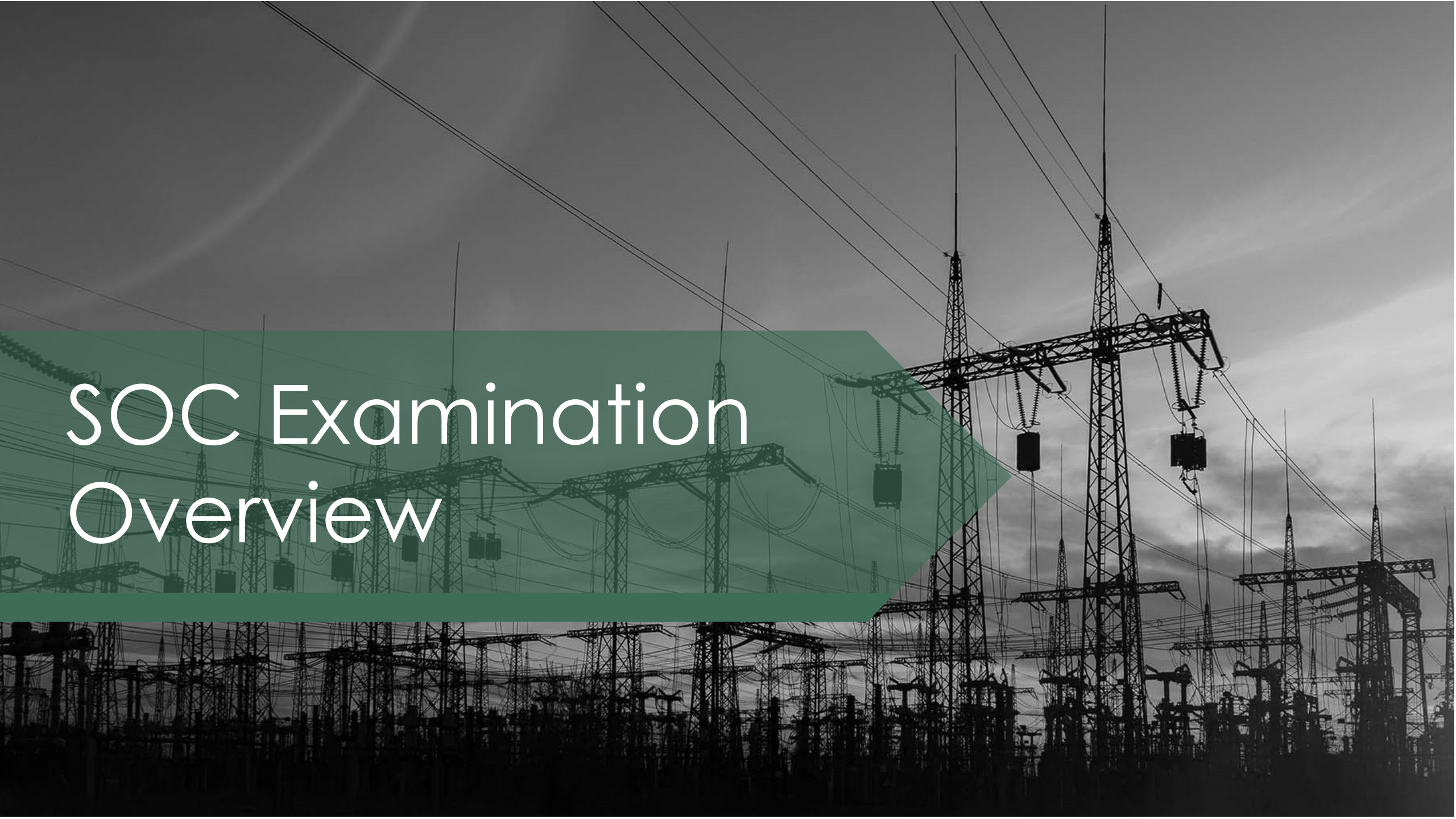


# Results of Examination and Independent Report from the Service Auditor

Brittany George, Partner and Melanie Tull, Senior Manager  
Weaver and Tidwell, LLP  
ERCOT Finance and Audit Committee Meeting  
December 19, 2023

# Discussion Topics

1. SOC Examination Overview
2. Audit Approach
3. Auditor Independence



# SOC Examination Overview



# SOC 1 Examination Overview

## ◀ Governing Standard and Guidance:

- AICPA
- Statement on Standards for Attestation (SSAE) No. 21
- Controls at service organizations that are relevant to user entities' internal control over financial reporting

## ◀ Scope:

- ERCOT's Settlements and Billing Operations
- Supporting applications and systems
- For the period October 1, 2022 through September 30, 2023
- 22 Control Objectives and 113 Controls
  - 2 New Controls – Securitization Default Charge Invoices

# SOC 1 Examination Overview

## ◀ Examination Phases

- Documentation Collection
  - June through July 2023
- Control Testing
  - July through August 2023
- Reporting
  - September through October 2023

## ◀ Results

- Unmodified Opinion
- No Reportable Exceptions for the 2023 Examination





# Audit Approach

# Audit Approach

## ◁ Audit Team Composition

- Risk Management Partner
- Partner
- Senior Manager
- Senior Associates and Associates

## ◁ Risk-Based Approach

- Emphasis and Focus on Risk to User Entities' Financial Reporting
- Key controls defined by ERCOT directly tie to those risks, including an additional control objective to address securitization settlement considerations.



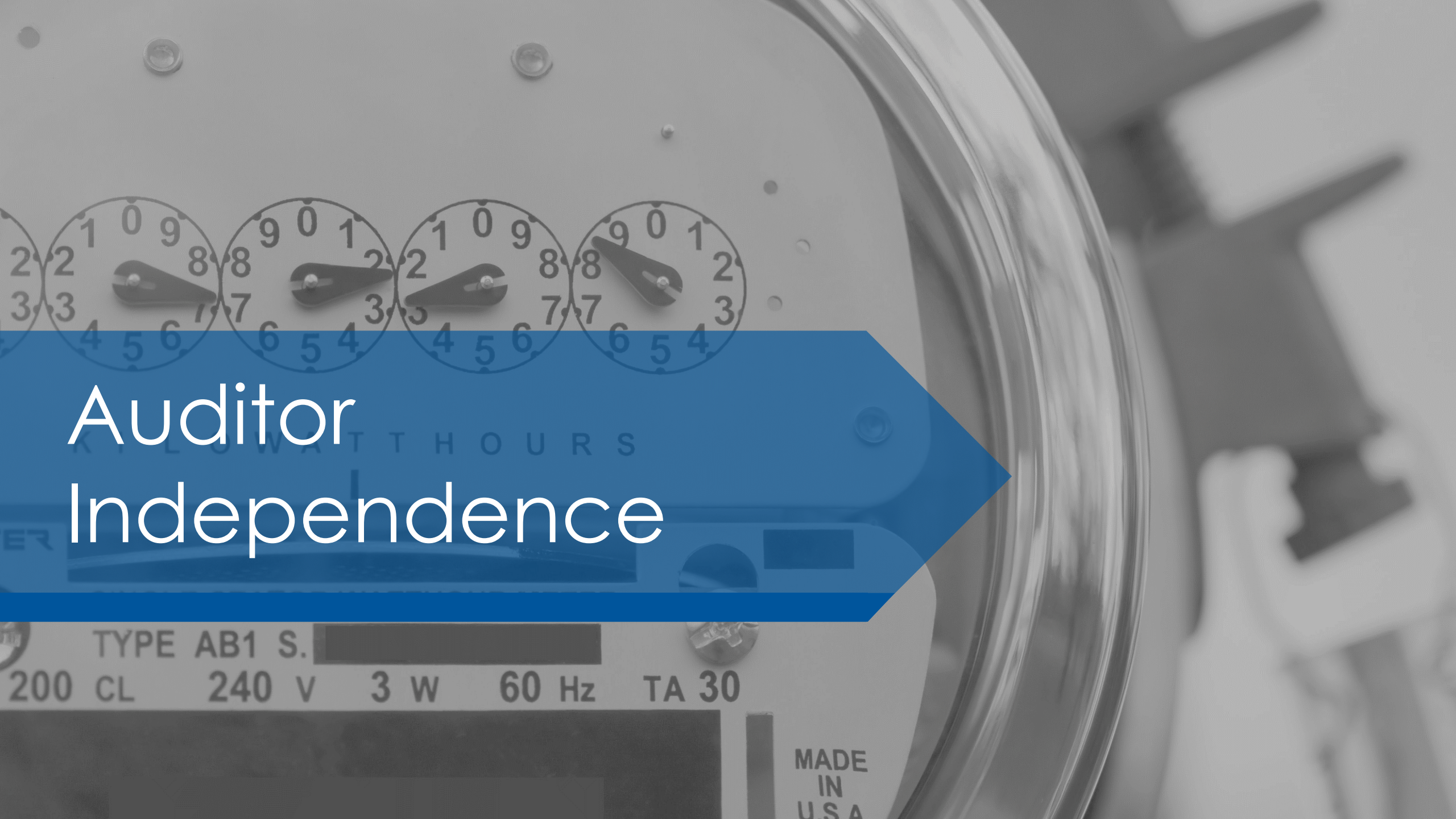
# Audit Approach

- ◁ Application and System Scoping
  - ERCOT scoped into the SOC 1 examination applications and systems that directly impact internal controls over financial reporting as it relates to the user entities.
- ◁ Control Testing Approach
  - Design Walkthrough and Control Testing
  - Operating Effectiveness Control Testing
    - Combination of following procedures:
      - Inquiry
      - Observation
      - Inspection of documents/records and configurations
      - Reperformance on transactional controls
  - Sampling in Accordance with AICPA's AU-C Section 530



# Audit Approach

- ◁ Quality Assurance Process
  - Testing procedures and SOC 1 report are reviewed by the senior associate, senior manager, partner and risk management partner.



# Auditor Independence

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AICPA Code of Professional Conduct -  
Independence Rule: “A member in public  
practice shall be independent in the  
performance of professional services as  
required by standards promulgated by bodies  
designated by Council.”



# Audit Independence

- ◁ Policies and procedures implemented by Weaver related to Independence.
  - Independence training for all professional personnel every three years and new hires are expected to complete independence training within one week of being hired, as covered in the Relevant Ethical Requirements QC policy and procedures.
  - All applicable personnel (whether they be full time, part time, seasonal, contract, or otherwise) are required to complete the independence confirmation form when hired (and annually thereafter), which establishes their familiarity with the Firm's relevant policy and procedures on ethical requirements, particularly with regard to independence.

# Audit Independence

- ◀ Policies and procedures implemented by Weaver related to Independence.
  - The adequacy of the Firm's quality control system for our accounting and auditing practice and our compliance with that system are independently evaluated every three years through a peer review conducted under the requirements and guidance of the AICPA's National Peer Review Committee. The resultant peer review report is publicly available.



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