



## **Item 6.1: Review 2023 Financial Summary**

*Sean Taylor*

Vice President and Chief Financial Officer

Finance and Audit Committee Meeting

ERCOT Public

December 18, 2023

# Overview

- **Purpose**

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

- **Voting Items / Requests**

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

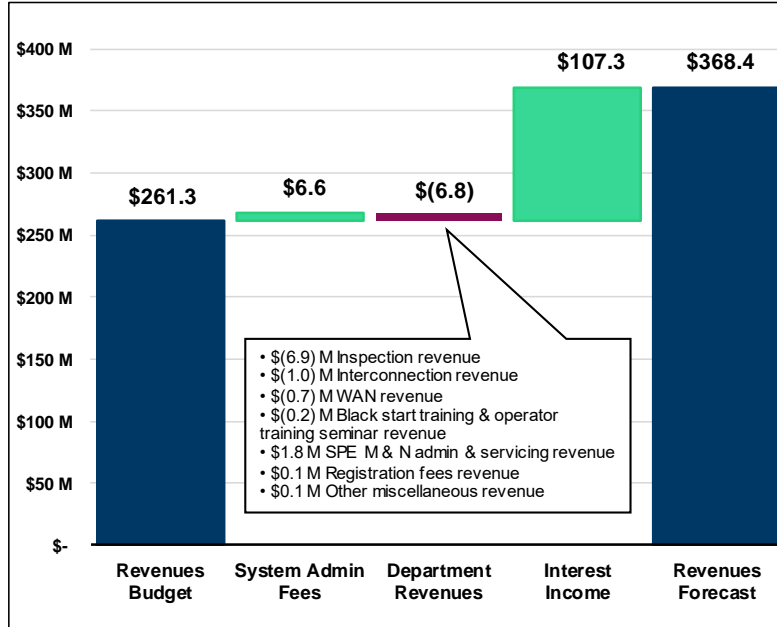
- **Key Takeaways**

- ERCOT's year-to-date October 2023 actual revenues net of expenditures were \$75.8 million favorable to budget, driven by interest income being favorable by \$90.6 million, partially offset by resource management being unfavorable by \$(21.0) million
- ERCOT's year-end 2023 forecasted revenues net of expenditures are \$80.2 million favorable to budget, driven by interest income forecasted to be favorable by \$107.3 million, partially offset by resource management forecasted to be unfavorable by \$(27.8) million
- ERCOT's unrestricted cash and bond investments have increased \$598.2 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 has \$55.0 million operating fund as of October 31, 2023, compared to \$0.6 million operating fund as of October 31, 2022

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

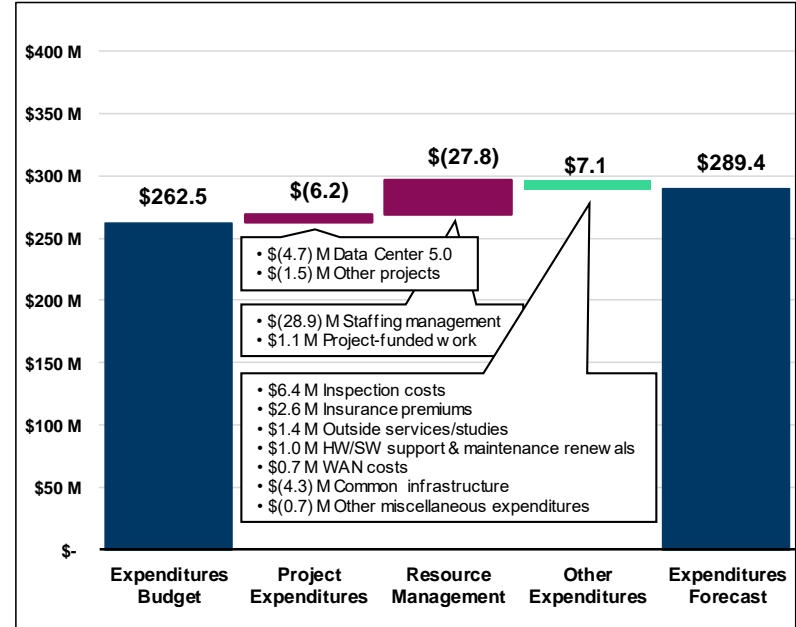
**Net Available Year-End Forecast Variance to Budget = \$80.2 M**

**Revenues Year-End Forecast**  
Variance to Budget = \$107.1 M [41.0%]



Charts may not foot due to rounding

**Expenditures Year-End Forecast**  
Variance to Budget = \$(26.9) M [-10.2%]



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

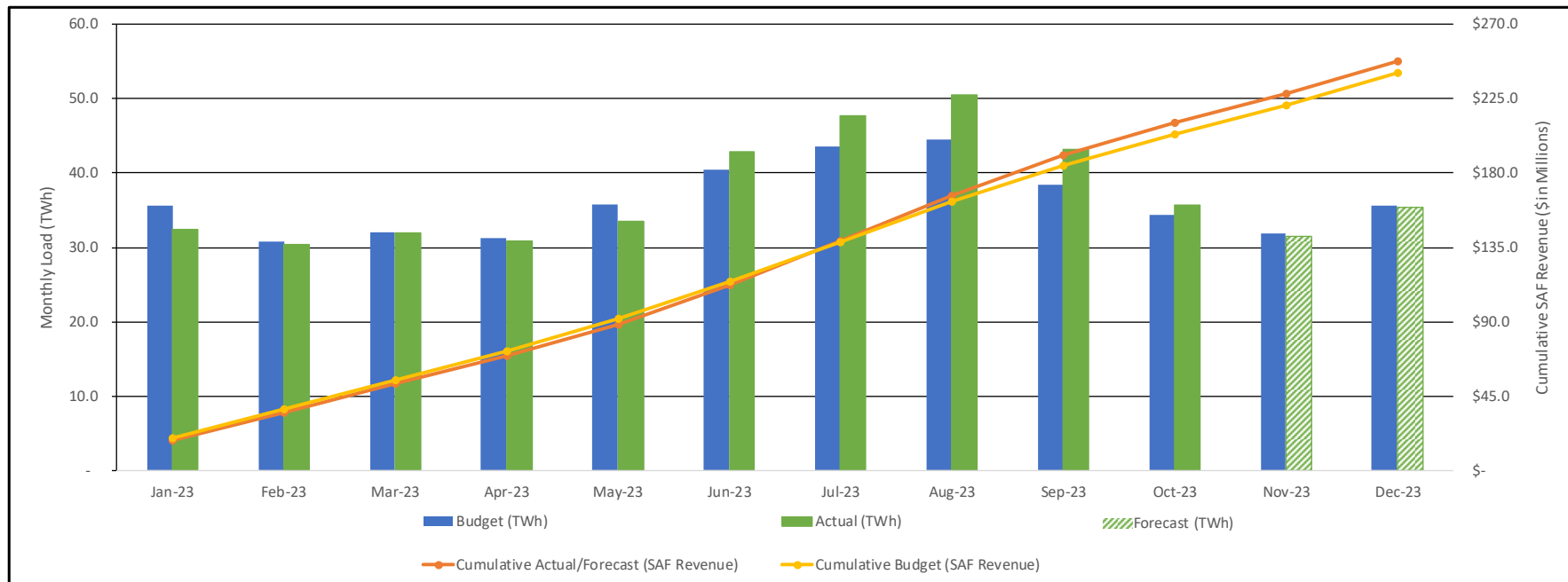
**Key Takeaway:** The forecasted year-end 2023 results are a net available amount of \$79.0 M versus a budgeted amount of \$(1.1) M, a \$80.2 M favorable variance



# 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	35.6	31.5	35.4	446.0
Variance	11.4	(3.1)	(0.4)	(0.0)	(0.3)	(2.4)	2.5	4.1	6.0	4.8	1.3	(0.3)	(0.1)	12.0
Variance (%)	2.7%	-8.8%	-1.4%	-0.1%	-1.0%	-6.6%	6.2%	9.5%	13.6%	12.4%	3.7%	-1.0%	-0.4%	2.8%

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	\$ 166.6	\$ 190.6	\$ 210.3	\$ 227.9	\$ 247.5	\$ 247.5
Cumulative Variance	\$ 6.3	\$ (1.7)	\$ (2.0)	\$ (2.0)	\$ (2.2)	\$ (3.5)	\$ (2.1)	\$ 0.2	\$ 3.5	\$ 6.2	\$ 6.9	\$ 6.7	\$ 6.6	\$ 6.6
Cumulative Variance (%)	2.7%	-8.8%	-5.4%	-3.7%	-3.0%	-3.8%	-1.8%	0.1%	2.2%	3.4%	3.4%	3.0%	2.8%	2.8%



# Review 2023 Financial Summary: ERCOT Statements of Financial Position

As of October 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
<b>Assets</b>						
Unrestricted cash	\$ 669.2	\$ 1,239.7	\$ 4.1	\$ 4.0	\$ -	\$ -
Bond Investments	1,661.7	493.0	-	-	-	-
Total unrestricted cash and bond investments	2,330.9	1,732.7	4.1	4.0	-	-
Restricted cash and interest receivable	1,594.9	1,426.7	26.1	33.8	52.9	54.7
Other current assets	53.3	44.2	10.2	19.7	43.9	46.3
Long-term investment in subsidiary	14.6	14.6	-	-	-	-
Other long-term assets	179.7	180.4	383.8	767.6	2,013.8	2,056.5
<b>Total assets</b>	<b>\$ 4,173.4</b>	<b>\$ 3,398.6</b>	<b>\$ 424.2</b>	<b>\$ 825.1</b>	<b>\$ 2,110.6</b>	<b>\$ 2,157.5</b>
<b>Liabilities and Net Assets</b>						
CRR auction liabilities-current	\$ 1,176.3	\$ 906.9	\$ -	\$ -	\$ -	\$ -
CRR auction liabilities-long term	962.6	954.0	-	-	-	-
Other market liabilities	136.3	96.0	-	-	-	-
Use of CRR for market liquidity	-	(224.9)	-	-	-	-
Total market settlement liabilities	2,275.2	1,732.0	-	-	-	-
Security deposits and interest payable	1,594.9	1,426.7	19.6	18.7	3.6	4.9
Other current liabilities	41.1	47.7	14.1	28.2	71.6	75.0
Other long-term liabilities	32.6	36.6	386.5	774.2	2,024.8	2,067.0
Net assets without donor restrictions	229.6	155.6	4.0	4.0	10.6	10.6
<b>Total liabilities and net assets</b>	<b>\$ 4,173.4</b>	<b>\$ 3,398.6</b>	<b>\$ 424.2</b>	<b>\$ 825.1</b>	<b>\$ 2,110.6</b>	<b>\$ 2,157.5</b>

## Key Takeaway:

- ERCOT's unrestricted cash and bond investments have increased \$598.2 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
- ERCOT's bond investments increased \$1,168.7 M year-over-year, driven by the \$1,335.0 M additional bond investment in September 2023
- TEMSFM's other current assets decreased \$9.5 M year-over-year, driven by lower balance of securitization charge receivable
- TEMSFM's other long-term assets decreased \$383.8 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
- TEMSFM's other long-term liabilities decreased \$42.2 M year-over-year, driven by lower balance of long-term debt payable liabilities



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

*For the Ten Months Ended October*  
*Dollars in Millions*

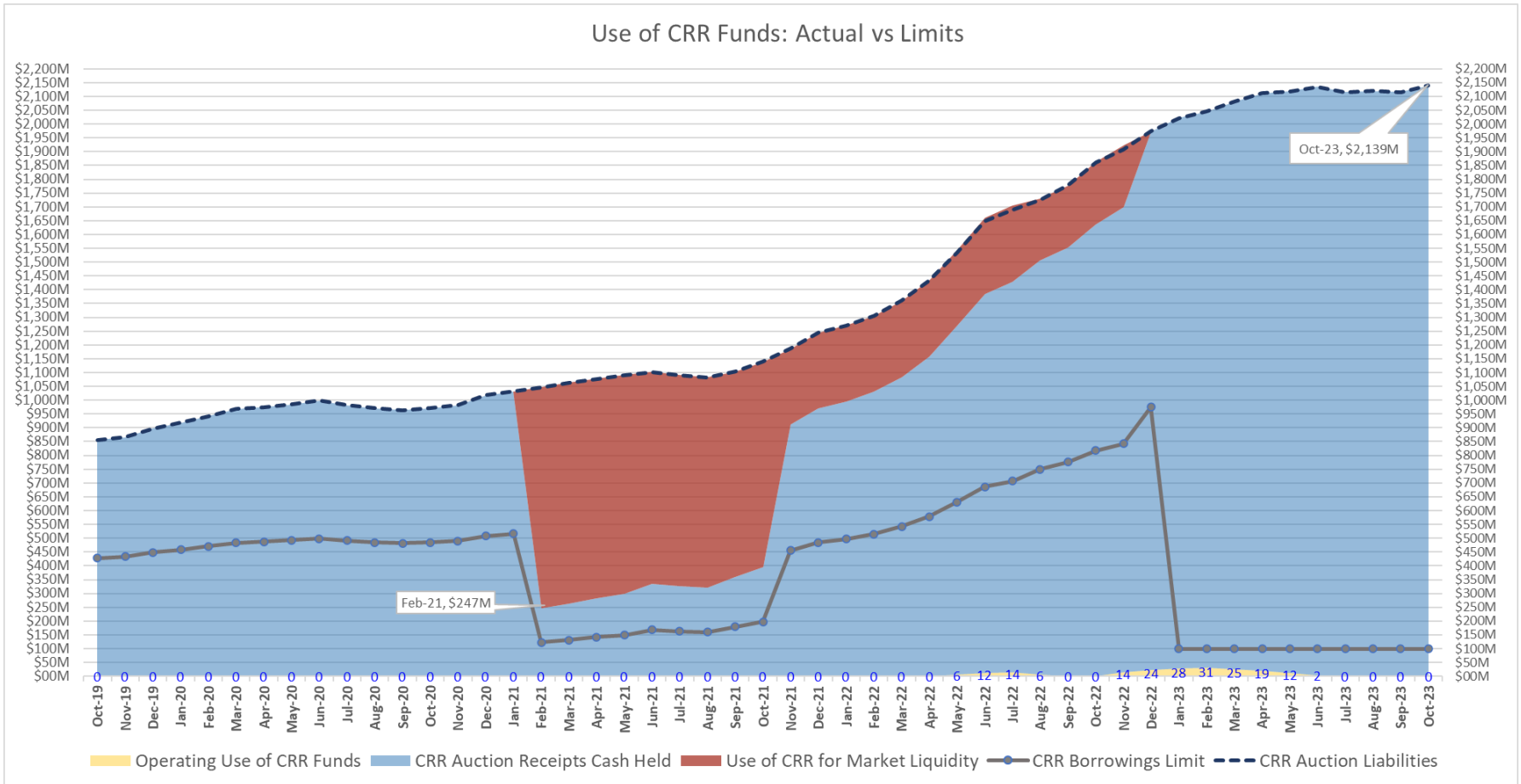
	ERCOT		Texas Electric Market Stabilization Funding M (TEMSFM)		Texas Electric Market Stabilization Funding N (TEMSFN)	
	2023	2022	2023	2022	2023	2022
Operating revenues	\$ 220.8	\$ 212.3	\$ 11.1	\$ 20.4	\$ 84.7	\$ 39.3
Operating expenses	235.9	201.4	0.6	0.6	1.1	0.5
(Loss) income from operations	(15.1)	10.9	10.5	19.8	83.6	38.8
Other income (expense)	89.6	14.2	(10.5)	(19.8)	(83.6)	(38.8)
<b>Change in net assets without donor restrictions</b>	<b>74.5</b>	<b>25.1</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>\$ 229.6</b>	<b>\$ 155.6</b>	<b>\$ 4.0</b>	<b>\$ 4.0</b>	<b>\$ 10.6</b>	<b>\$ 10.6</b>

**Key Takeaway:** ERCOT's year-over-year change in net assets without donor restrictions (equity) for the ten months ended October increased by \$49.4 M:

- \$34.5 M increase in operating expenses, driven by
  - \$29.7 M (27%) increase in salaries and related benefits expense
  - \$ 8.2 M (40%) increase in depreciation expense
  - \$ 2.8 M (9%) increase in hardware and software maintenance expense
  - \$ 3.1 M (15%) decrease in outside services expense
  - \$ 3.1 M (22%) decrease in other expense mainly driven by insurance premium
- \$75.4 M increase in other income (interest income)
- \$ 8.5 M increase in operating revenues



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



**Key Takeaway:** As of October 2023, Unrestricted Cash and Bond Investments exceeded Market Liabilities by \$55.0 M



# Review 2023 Financial Summary:

## Appendices



Electric Reliability Council of Texas, Inc. 2023 Financial Summary As of December 1, 2023 (\$ in Millions)						Year-to-Date (October 31)					Year-End (December 31)				
						2022		2023			2022		2023		
Line	Actual	Budget	Actual	Variance		Actual	Budget	Forecast	Variance						
				\$	%				\$	%					
1	\$ 203.2	\$ 203.4	\$ 210.3	\$ 6.9	3.4	\$ 239.2	\$ 240.9	\$ 247.5	\$ 6.6	2.8					
2	<b>Department Net Expenditures</b>														
3	76.1	80.7	86.4	(5.7)	(7.1)	91.8	96.8	106.0	(9.2)	(9.5)					
4	41.1	42.8	55.4	(12.6)	(29.4)	53.0	51.6	66.5	(14.9)	(28.8)					
5	30.8	32.1	30.5	1.7	5.2	36.9	38.4	37.9	0.5	1.4					
6	26.0	23.5	25.7	(2.2)	(9.3)	31.0	28.2	31.3	(3.2)	(11.3)					
7	5.6	7.0	6.7	0.3	4.0	7.0	8.4	8.0	0.3	4.2					
8	0.7	1.1	3.4	(2.3)	(220.1)	1.8	1.7	4.0	(2.3)	(137.4)					
9	(9.7)	(11.6)	(12.8)	1.2	10.3	(11.7)	(13.9)	(14.9)	0.9	6.8					
10	<b>170.6</b>	<b>175.5</b>	<b>195.2</b>	<b>(19.7)</b>	<b>(11.2)</b>	<b>209.7</b>	<b>211.1</b>	<b>238.8</b>	<b>(27.8)</b>	<b>(13.2)</b>					
11	<b>32.6</b>	<b>27.9</b>	<b>15.1</b>	<b>(12.8)</b>	<b>(45.7)</b>	<b>29.5</b>	<b>29.8</b>	<b>8.7</b>	<b>(21.1)</b>	<b>(70.8)</b>					
12															
13	<b>45.0</b>	<b>24.6</b>	<b>26.6</b>	<b>(2.0)</b>	<b>(8.3)</b>	<b>54.0</b>	<b>29.5</b>	<b>35.7</b>	<b>(6.2)</b>	<b>(21.1)</b>					
14	<b>15.4</b>	-	-	-	-	<b>15.4</b>	-	-	-	-					
15	<b>1.0</b>	<b>1.1</b>	<b>1.0</b>	<b>0.0</b>	<b>3.0</b>	<b>1.1</b>	<b>1.5</b>	<b>1.3</b>	<b>0.2</b>	<b>15.2</b>					
16	<b>15.1</b>	<b>0.0</b>	<b>90.6</b>	<b>90.6</b>	<b>&gt;1,000.0</b>	<b>25.0</b>	<b>0.0</b>	<b>107.3</b>	<b>107.3</b>	<b>&gt;1,000.0</b>					
17															
18	<b>\$ (13.7)</b>	<b>\$ 2.3</b>	<b>\$ 78.1</b>	<b>\$ 75.8</b>	<b>&gt;1,000.0</b>	<b>\$ (16.0)</b>	<b>\$ (1.1)</b>	<b>\$ 79.0</b>	<b>\$ 80.2</b>	<b>&gt;1,000.0</b>					

Note: Schedule may not foot due to rounding



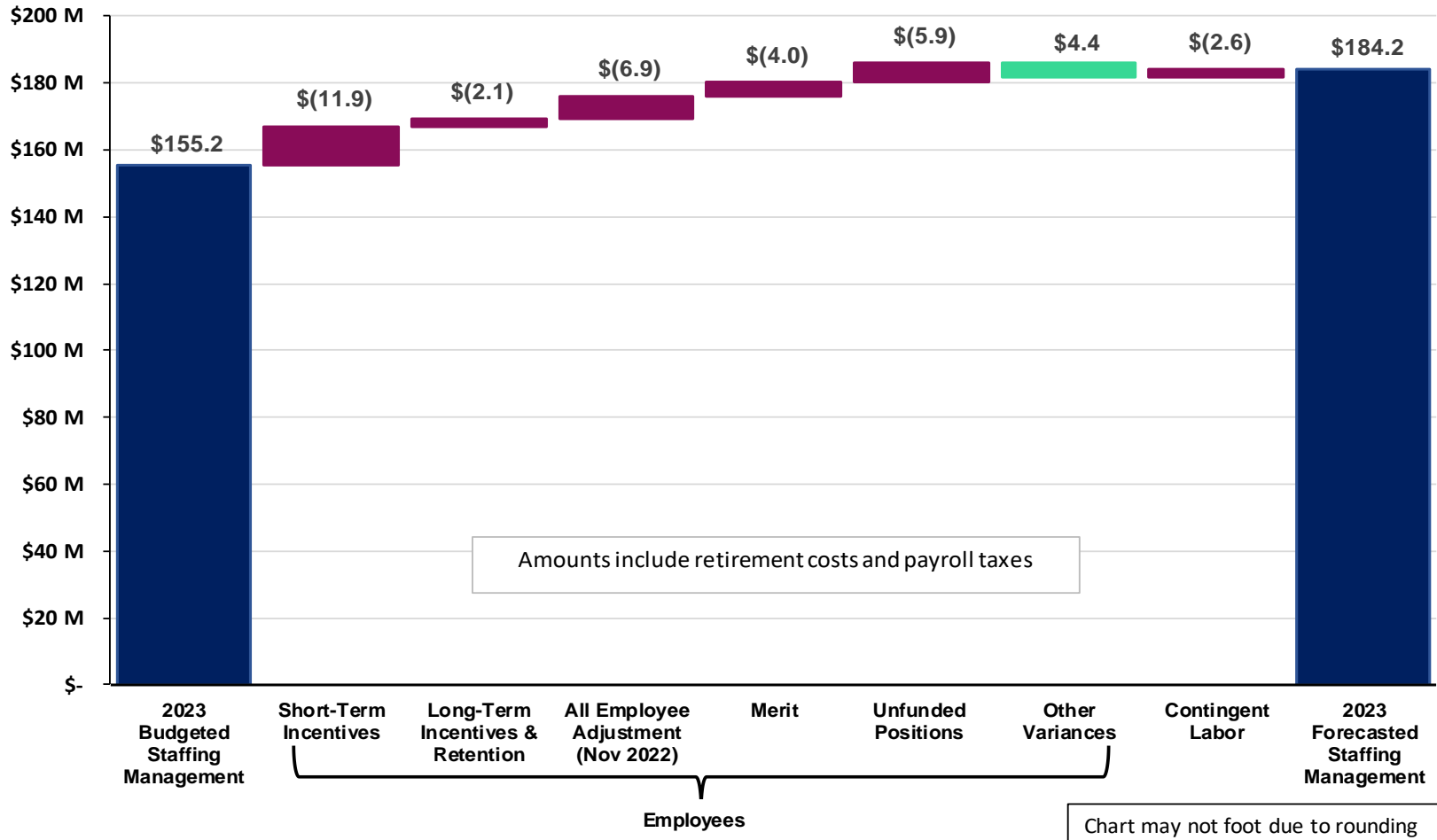
Electric Reliability Council of Texas, Inc. 2023 Financial Summary Variance Explanations As of December 1, 2023		
Line	Year-to-Date (October 31)	Year-End (December 31)
1 System Administration Revenue	+\$10.2 M - Economy -\$3.3 M - Weather	+\$6.6 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$5.0 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$3.6 M - Common infrastructure -\$0.5 M - WAN revenue  +\$1.1 M - HW/SW support & maintenance renewals +\$0.5 M - WAN costs +\$0.4 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 +\$0.1 M - Other miscellaneous expenditures  <u>Timing Differences</u> +\$0.7 M - HW/SW vendor support services [Resource Management - Project-Funded Work] +\$0.1 M - Employee training & business travel +\$0.1 M - Outside services/studies	-\$6.2 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$4.3 M - Common infrastructure -\$0.7 M - WAN revenue -\$0.5 M - Contingent labor [Resource Management - Staffing Management] -\$0.3 M - Minor capital +\$1.2 M - HW/SW support & maintenance renewals +\$0.7 M - WAN costs +\$0.4 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 +\$0.1 M - Other miscellaneous expenditures  +\$0.7 M - HW/SW support & maintenance renewals +\$0.7 M - WAN costs +\$0.4 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 +\$0.1 M - Other miscellaneous expenditures
4 Chief Operations Office	-\$8.5 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$6.7 M - Inspection revenue -\$1.2 M - Contingent labor [Resource Management - Staffing Management] -\$1.0 M - Interconnection revenue -\$0.3 M - Outside services/studies -\$0.3 M - Data service subscriptions -\$0.2 M - Black start training & operator training seminar revenue -\$0.1 M - Training subscriptions -\$0.1 M - Software +\$5.6 M - Inspection costs +\$0.1 M - Black start training & operator training seminar expense +\$0.1 M - Employee training & business travel	-\$10.4 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$6.9 M - Inspection revenue -\$1.5 M - Contingent labor [Resource Management - Staffing Management] -\$1.0 M - Interconnection revenue -\$0.8 M - Outside services/studies -\$0.3 M - Data service subscriptions -\$0.2 M - Black start training & operator training seminar revenue -\$0.1 M - Training subscriptions -\$0.1 M - Software +\$6.4 M - Inspection costs +\$0.1 M - Black start training & operator training seminar expense +\$0.1 M - Employee training & business travel -\$0.2 M - Other miscellaneous expenditures



Electric Reliability Council of Texas, Inc. 2023 Financial Summary Variance Explanations As of December 1, 2023		
Line	Year-to-Date (October 31)	Year-End (December 31)
5 Chief Administrative Office	+\$1.8 M - Insurance premiums +\$1.5 M - SPE M & N administration & servicing revenue +\$0.5 M - Property tax -\$1.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.5 M - Contingent labor [Resource Management - Staffing Management]  -\$0.1 M - Recruiting & pre-employment costs -\$0.1 M - Software +\$0.1 M - Other miscellaneous revenue  <u>Timing Differences</u> +\$0.2 M - Outside services/studies +\$0.1 M - Employee training & business travel	+\$2.6 M - Insurance premiums +\$1.8 M - SPE M & N administration & servicing revenue +\$0.6 M - Property tax -\$3.7 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.5 M - Contingent labor [Resource Management - Staffing Management] -\$0.2 M - Outside services/studies -\$0.1 M - Recruiting & pre-employment costs -\$0.1 M - Software +\$0.1 M - Other miscellaneous revenue
6 General Counsel	-\$2.9 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.5 M - Equipment & maintenance -\$0.2 M - HW/SW support & maintenance renewals -\$0.1 M - Electricity -\$0.1 M - Board member expense -\$0.1 M - Rentals & leases +\$1.3 M - Outside services/studies +\$0.1 M - Employee training & business travel  <u>Timing Differences</u> +\$0.3 M - Outside legal services	-\$3.4 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.6 M - Equipment & maintenance -\$0.2 M - HW/SW support & maintenance renewals -\$0.2 M - Electricity -\$0.2 M - Board member expense -\$0.1 M - Rentals & leases +\$1.4 M - Outside services/studies +\$0.1 M - Employee training & business travel
7 Public Affairs	+\$1.0 M - Outside services/studies +\$0.1 M - Registration fees revenue -\$0.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]	+\$1.2 M - Outside services/studies +\$0.1 M - Registration fees revenue -\$0.9 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Contingent labor [Resource Management - Staffing Management]
8 Chief Executive Office	-\$1.7 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.4 M - Outside services/studies  <u>Timing Differences</u> -\$0.2 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]	-\$1.7 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.6 M - Outside services/studies
9 Project Funded Labor	+\$1.2 M - Multiple projects [Resource Management - Project-Funded Work]	+\$0.9 M - Multiple projects [Resource Management - Project-Funded Work]
13 Project Expenditures	-\$2.0 M - All projects	-\$6.2 M - All projects
15 Interest Expense	+\$0.2 M - Revolver -\$0.2 M - Capitalized interest	+\$0.5 M - Revolver -\$0.3 M - Capitalized interest
16 Interest Income	+\$90.5 M - Interest rate +\$0.1 M - Investment balance	+\$107.2 M - Interest rate +\$0.1 M - Investment balance



**Electric Reliability Council of Texas**  
**2023 Staffing Management Variance to Budget**  
**As of December 1, 2023**  
**(\$ in Millions)**



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

Line	Project	Year-to-Date As of October 31, 2023		Year-End (YE) As of December 1, 2023		Life-to-Date As of October 31, 2023		Estimate-at-Completion (EAC) As of December 1, 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	\$ 10.3	81%	\$ 12.7	35%	\$ 52.6	86%	\$ 60.9	33%	\$ 60.6	\$ (0.3)
2	Market Design	1.1	68%	1.6	4%	1.1	2%	51.2	28%	51.2	-
3	Energy Management System (EMS) Upgrade 2024	4.0	79%	5.1	14%	16.8	88%	19.0	10%	19.2	0.2
4	Grid Geospatial (Grid Geo) Program	0.0	18%	0.3	1%	8.0	91%	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	2.3	64%	3.6	10%	2.3	92%	2.5	1%	2.7	0.1
7	Network Model Management System (NMMS) Tech Health	0.1	100%	0.1	0%	2.6	100%	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	1.6	82%	1.9	5%	1.7	68%	2.5	1%	2.4	(0.1)
10	Texas Standard Electronic Transaction (Texas SET) 5.0	0.8	85%	1.0	3%	1.0	50%	2.0	1%	2.0	0.0
11	<b>Total Projects with EAC Budget Over \$2.0M</b>	<b>21.9</b>	<b>78%</b>	<b>27.9</b>	<b>78%</b>	<b>91.4</b>	<b>59%</b>	<b>154.8</b>	<b>84%</b>	<b>154.6</b>	<b>(0.2)</b>
12	<b>Other Projects</b>	<b>4.8</b>	<b>61%</b>	<b>7.8</b>	<b>22%</b>	<b>14.2</b>	<b>49%</b>	<b>28.9</b>	<b>16%</b>	<b>33.7</b>	<b>4.7</b>
13	<b>Total Project Expenditures</b>	<b>\$ 26.6</b>	<b>75%</b>	<b>\$ 35.7</b>	<b>100%</b>	<b>\$ 105.6</b>	<b>57%</b>	<b>\$ 183.7</b>	<b>100%</b>	<b>\$ 188.3</b>	<b>\$ 4.6</b>

Note: Schedule may not foot due to rounding



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

(Dollars in Thousands)

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 669,172	\$ 1,239,748
Accounts receivable	3,662	4,076
Unbilled revenue	2,983	4,076
Interest receivable	14,440	6,849
Receivable from intercompany	358	-
Restricted cash and cash equivalents	1,587,003	1,423,146
Short-term investments	975,227	492,913
Prepaid expenses and other current assets	44,509	32,798
Total current assets	<u>3,297,354</u>	<u>3,203,606</u>
Long-term investments	696,338	14,579
Property and equipment, net	139,573	107,279
Systems under development	39,137	72,281
Other long term assets	962	855
Total assets	<u>\$ 4,173,364</u>	<u>\$ 3,398,600</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 1,858	\$ 3,086
Accrued liabilities	33,833	39,078
Payable to intercompany	750	450
Deferred revenue	8,549	4,716
Market settlement liabilities	1,312,596	777,968
Security deposits	1,587,003	1,423,146
Debt payable, current portion	4,000	4,000
Total current liabilities	<u>2,948,589</u>	<u>2,252,444</u>
Long-term liabilities:		
Debt payable, less current portion:		
Principal	32,000	36,000
Less unamortized debt issuance costs	124	141
Debt payable less current portion and unamortized debt issuance costs	<u>31,876</u>	<u>35,859</u>
Long-term CRR liabilities	962,575	954,014
Other long-term liabilities	723	731
Total long-term liabilities	<u>995,174</u>	<u>990,604</u>
Total liabilities	<u>3,943,763</u>	<u>3,243,048</u>
Net assets without donor restrictions	229,601	155,552
Total liabilities and net assets	<u>\$ 4,173,364</u>	<u>\$ 3,398,600</u>



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

	<b>2023</b>	<b>2022</b>
<b>Operating revenues</b>		
System administration fees	\$ 210,343	\$ 203,247
Other services revenue	10,480	9,088
Total operating revenues	<u>220,823</u>	<u>212,335</u>
<b>Operating expenses</b>		
Salaries and related benefits	137,691	108,086
Facility and equipment costs	8,105	7,895
Outside services	16,988	20,097
Hardware and software maintenance and licensing	32,928	30,118
Depreciation	28,658	20,503
Other	11,525	14,691
Total operating expenses	<u>235,895</u>	<u>201,390</u>
(Loss) income from operations	(15,072)	10,945
<b>Other income (expense)</b>		
Investment return, net	90,596	15,088
Interest expense	(1,031)	(958)
Non-operating income	6	2
Change in net assets without donor restrictions	<u>74,499</u>	<u>25,077</u>
Net assets without donor restrictions, beginning of year	155,102	130,475
Net assets without donor restrictions, end of period	<u>\$ 229,601</u>	<u>\$ 155,552</u>

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

	2023	2022
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ 74,499	\$ 25,077
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	28,658	20,503
Amortization of debt issuance costs	14	15
Repayments of interest portion of finance lease liabilities	-	(6)
Amortization of bond investment discount	(18,386)	(2,391)
Unrealized (gains) on bond investments	(2,259)	-
Changes in operating assets and liabilities:		
Accounts receivable	1,963	980
Unbilled revenue	2,216	1,875
Interest receivable	196	(3,291)
Receivable from intercompany	576	-
Prepaid expenses and other assets	(8,365)	(7,424)
Other long-term assets	(61)	12
Other long-term liabilities	(20)	72
Accounts payable	(5,993)	(44)
Accrued liabilities	11,502	(7,931)
Payable to intercompany	(381,997)	450
Deferred revenue	879	1,644
Security deposits	188,442	347,603
Market settlement liabilities	(191,074)	191,084
Long-term CRR liabilities	116,989	465,420
Net cash (used in) provided by operating activities	<u>(182,221)</u>	<u>1,033,648</u>
<b>Investing activities:</b>		
Purchase of investments	(2,057,122)	(502,522)
Proceeds from investments	925,800	12,000
Investment in subsidiary	-	(10,579)
Capital expenditures for property and equipment and systems under development	(27,929)	(37,328)
Net cash (used in) investing activities	<u>(1,159,251)</u>	<u>(538,429)</u>
<b>Financing activities:</b>		
Repayment of debt payable	(3,000)	(3,000)
Repayments of principal portion of finance lease liabilities	-	(135)
Net cash (used in) financing activities	<u>(3,000)</u>	<u>(3,135)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(1,344,472)	492,084
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>\$ 2,256,175</u>	<u>\$ 2,662,894</u>





**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Financial Position**  
**As of October 31, 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	\$ 669,172	\$ 4,052	\$ -	\$ -	\$ 673,224
Securitization charges receivable, current	-	10,336	43,171	-	53,507
Accounts receivable	3,662	-	-	-	3,662
Unbilled revenue	2,983	-	-	(415)	2,568
Interest receivable	14,440	130	209	-	14,779
Receivable from intercompany	358	-	750	(1,108)	-
Restricted cash and cash equivalents	1,587,003	25,968	52,708	-	1,665,679
Short-term investments	975,227	-	-	-	975,227
Prepaid expenses and other current assets	44,509	-	-	-	44,509
Total current assets	3,297,354	40,486	96,838	(1,523)	3,433,155
Long-term investments	696,338	-	-	(14,579)	681,759
Property and equipment, net	139,573	-	-	-	139,573
Systems under development	39,137	-	-	-	39,137
Securitization charges receivable, non current	-	383,761	2,013,754	-	2,397,515
Other long term assets	962	-	-	-	962
Total assets	\$ 4,173,364	\$ 424,247	\$ 2,110,592	\$ (16,102)	\$ 6,692,101
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable	\$ 1,858	\$ -	\$ -	\$ -	\$ 1,858
Accrued liabilities	33,833	3,753	28,630	-	66,216
Payable to intercompany	750	293	480	(1,523)	-
Deferred revenue	8,549	-	-	-	8,549
Market settlement liabilities	1,312,596	-	-	-	1,312,596
Security deposits	1,587,003	19,489	3,404	-	1,609,896
Debt payable, current portion	4,000	10,260	42,733	-	56,993
Total current liabilities	2,948,589	33,795	75,247	(1,523)	3,056,108
Long-term liabilities:					
Debt payable, less current portion:					
Principal	32,000	388,522	2,037,435	-	2,457,957
Less unamortized discount and debt issuance costs	124	2,070	12,669	-	14,863
Debt payable less current portion and unamortized discount and debt issuance costs	31,876	386,452	2,024,766	-	2,443,094
Long-term CRR liabilities	962,575	-	-	-	962,575
Other long-term liabilities	723	-	-	-	723
Total long-term liabilities	995,174	386,452	2,024,766	-	3,406,392
Total liabilities	3,943,763	420,247	2,100,013	(1,523)	6,462,500
Net assets without donor restrictions	229,601	4,000	10,579	(14,579)	229,601
Total liabilities and net assets	\$ 4,173,364	\$ 424,247	\$ 2,110,592	\$ (16,102)	\$ 6,692,101



**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Activities and Net Assets**  
**For the Ten Months Ended October 31, 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	\$ 210,343	\$ -	\$ -	\$ -	\$ 210,343
Other services revenue	10,480	-	-	(1,382)	9,098
Securitization charges fees	-	11,137	84,692	-	95,829
Total operating revenues	220,823	11,137	84,692	(1,382)	315,270
<b>Operating expenses</b>					
Salaries and related benefits	137,691	-	-	-	137,691
Facility and equipment costs	8,105	-	-	-	8,105
Outside services	16,988	655	1,069	(1,382)	17,330
Hardware and software maintenance and licensing	32,928	-	-	-	32,928
Depreciation	28,658	-	-	-	28,658
Other	11,525	3	1	-	11,529
Total operating expenses	235,895	658	1,070	(1,382)	236,241
(Loss) income from operations	(15,072)	10,479	83,622	-	79,029
<b>Other income (expense)</b>					
Investment return, net	90,596	512	1,470	-	92,578
Interest expense	(1,031)	(10,991)	(85,092)	-	(97,114)
Non-operating income	6	-	-	-	6
Change in net assets without donor restrictions	74,499	-	-	-	74,499
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	\$ 229,601	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 229,601



**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Cash Flows**  
**For the Ten Months Ended October 31, 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	\$ 74,499	\$ -	\$ -	\$ -	\$ 74,499
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	28,658	-	-	-	28,658
Amortization of discount & debt issuance costs	14	64	623	-	701
Amortization of bond investment discount	(18,386)	-	-	-	(18,386)
Unrealized (gains) on bond investments	(2,259)	-	-	-	(2,259)
Changes in operating assets and liabilities:					
Securitization charges receivable	-	8,201	32,894	296	41,391
Accounts receivable	1,963	-	-	-	1,963
Unbilled revenue	2,216	-	1,843	(595)	3,464
Interest receivable	196	61	240	-	497
Receivable from intercompany	576	382,293	-	(382,869)	-
Prepaid expenses and other assets	(8,365)	2	-	-	(8,363)
Other long-term assets	(61)	-	-	-	(61)
Other long-term liabilities	(20)	-	-	-	(20)
Accounts payable	(5,993)	(4)	-	-	(5,997)
Accrued liabilities	11,502	(8,151)	(27,337)	-	(23,986)
Payable to intercompany	(381,997)	(230)	(319)	382,546	-
Deferred revenue	879	-	-	-	879
Security deposits	188,442	924	365	-	189,731
Market settlement liabilities	(191,074)	-	-	-	(191,074)
Long-term CRR liabilities	116,989	-	-	-	116,989
Net cash (used in) provided by operating activities	(182,221)	383,160	8,309	(622)	208,626
<b>Investing activities:</b>					
Purchase of investments	(2,057,122)	-	-	-	(2,057,122)
Proceeds from investments	925,800	-	-	-	925,800
Capital expenditures for property and equipment and systems under development	(27,929)	-	-	-	(27,929)
Net cash (used in) investing activities	(1,159,251)	-	-	-	(1,159,251)
<b>Financing activities:</b>					
Repayment of debt payable	(3,000)	(396,974)	(35,532)	-	(435,506)
Payment of debt issuance costs	-	(213)	(509)	622	(100)
Net cash (used in) financing activities	(3,000)	(397,187)	(36,041)	622	(435,606)
Net (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(1,344,472)	(14,027)	(27,732)	-	(1,386,231)
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	\$ 2,256,175	\$ 30,020	\$ 52,708	\$ -	\$ 2,338,903



**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Financial Position**  
**As of October 31, 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	\$ 1,239,748	\$ 4,033	\$ -	\$ -	\$ 1,243,781
Securitization charges receivable, current	-	19,672	38,703	-	58,375
Accounts receivable	4,076	-	-	-	4,076
Unbilled revenue	4,076	-	7,507	(1,669)	9,914
Interest receivable	6,849	-	-	-	6,849
Restricted cash and cash equivalents	1,423,146	33,762	54,731	-	1,511,639
Short-term investments	492,913	-	-	-	492,913
Prepaid expenses and other current assets	32,798	-	-	-	32,798
Total current assets	3,203,606	57,467	100,941	(1,669)	3,360,345
Long-term investments	14,579	-	-	(14,579)	-
Property and equipment, net	107,279	-	-	-	107,279
Systems under development	72,281	-	-	-	72,281
Securitization charges receivable, non current	-	767,592	2,056,520	-	2,824,112
Other long term assets	855	-	-	-	855
Total assets	\$ 3,398,600	\$ 825,059	\$ 2,157,461	\$ (16,248)	\$ 6,364,872
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable	\$ 3,086	\$ -	\$ -	\$ -	\$ 3,086
Accrued liabilities	39,078	8,211	38,738	-	86,027
Payable to intercompany	450	489	730	(1,669)	-
Deferred revenue	4,716	-	-	-	4,716
Market settlement liabilities	777,968	-	-	-	777,968
Security deposits	1,423,146	18,650	4,867	-	1,446,663
Debt payable, current portion	4,000	19,479	35,532	-	59,011
Total current liabilities	2,252,444	46,829	79,867	(1,669)	2,377,471
Long-term liabilities:					
Debt payable, less current portion:					
Principal	36,000	776,277	2,080,168	-	2,892,445
Less unamortized discount and debt issuance costs	141	2,047	13,153	-	15,341
Debt payable less current portion and unamortized discount and debt issuance costs	35,859	774,230	2,067,015	-	2,877,104
Long-term CRR liabilities	954,014	-	-	-	954,014
Other long-term liabilities	731	-	-	-	731
Total long-term liabilities	990,604	774,230	2,067,015	-	3,831,849
Total liabilities	3,243,048	821,059	2,146,882	(1,669)	6,209,320
Net assets without donor restrictions	155,552	4,000	10,579	(14,579)	155,552
Total liabilities and net assets	\$ 3,398,600	\$ 825,059	\$ 2,157,461	\$ (16,248)	\$ 6,364,872



**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Activities and Net Assets**  
**For the Ten Months Ended October 31, 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	\$ 203,247	\$ -	\$ -	\$ -	\$ 203,247
Other services revenue	9,088	-	-	(899)	8,189
Securitization charges fees	-	20,408	39,323	-	59,731
Total operating revenues	212,335	20,408	39,323	(899)	271,167
<b>Operating expenses</b>					
Salaries and related benefits	108,086	-	-	-	108,086
Facility and equipment costs	7,895	-	-	-	7,895
Outside services	20,097	601	568	(899)	20,367
Hardware and software maintenance and licensing	30,118	-	-	-	30,118
Depreciation	20,503	-	-	-	20,503
Other	14,691	-	-	-	14,691
Total operating expenses	201,390	601	568	(899)	201,660
Income from operations	10,945	19,807	38,755	-	69,507
<b>Other income (expense)</b>					
Investment return, net	15,088	80	129	-	15,297
Interest expense	(958)	(19,887)	(38,884)	-	(59,729)
Non-operating income	2	-	-	-	2
Change in net assets without donor restrictions	25,077	-	-	-	25,077
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	\$ 155,552	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 155,552



**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Cash Flows**  
**For the Ten Months Ended October 31, 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	\$ 25,077	\$ -	\$ -	\$ -	\$ 25,077
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	20,503	-	-	-	20,503
Amortization of debt issuance costs	15	65	277	-	357
Repayments of interest portion of finance lease liabilities	(6)	-	-	-	(6)
Amortization of bond investment discount	(2,391)	-	-	-	(2,391)
Changes in operating assets and liabilities:					
Securitization charges receivable	-	10,829	(2,095,222)	-	(2,084,393)
Accounts receivable	980	-	-	-	980
Unbilled revenue	1,875	3,264	(7,507)	1,586	(782)
Interest receivable	(3,291)	-	-	-	(3,291)
Prepaid expenses and other assets	(7,424)	8	-	-	(7,416)
Other long-term assets	12	-	-	-	12
Other long-term liabilities	72	-	-	-	72
Accounts payable	(44)	-	-	-	(44)
Accrued liabilities	(7,931)	4,817	38,738	-	35,624
Payable to intercompany	450	406	489	(1,345)	-
Deferred revenue	1,644	-	-	-	1,644
Security deposits	347,603	(41,769)	4,867	-	310,701
Market settlement liabilities	191,084	-	-	-	191,084
Long-term CRR liabilities	465,420	-	-	-	465,420
Net cash provided by (used in) operating activities	1,033,648	(22,380)	(2,058,358)	241	(1,046,849)
<b>Investing activities:</b>					
Purchase of investments	(502,522)	-	-	-	(502,522)
Proceeds from investments	12,000	-	-	-	12,000
Investment in subsidiary	(10,579)	-	-	10,579	-
Capital expenditures for property and equipment and systems under development	(37,328)	-	-	-	(37,328)
Net cash (used in) investing activities	(538,429)	-	-	10,579	(527,850)
<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	(3,000)	(4,244)	-	-	(7,244)
Payment of debt issuance costs	-	-	(13,032)	(241)	(13,273)
Repayments of principal portion of finance lease liabilities	(135)	-	-	-	(135)
Net cash (used in) provided by financing activities	(3,135)	(4,244)	2,113,089	(10,820)	2,094,890
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	492,084	(26,624)	54,731	-	520,191
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	\$ 2,662,894	\$ 37,795	\$ 54,731	\$ -	\$ 2,755,420

