



Item 8.1: Review 2023 Financial Summary

Sean Taylor

Senior Vice President, Chief Financial Officer, and
Chief Risk Officer

Finance and Audit Committee Meeting

ERCOT Public

February 26, 2024

Overview

- **Purpose**

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

- **Voting Items / Requests**

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

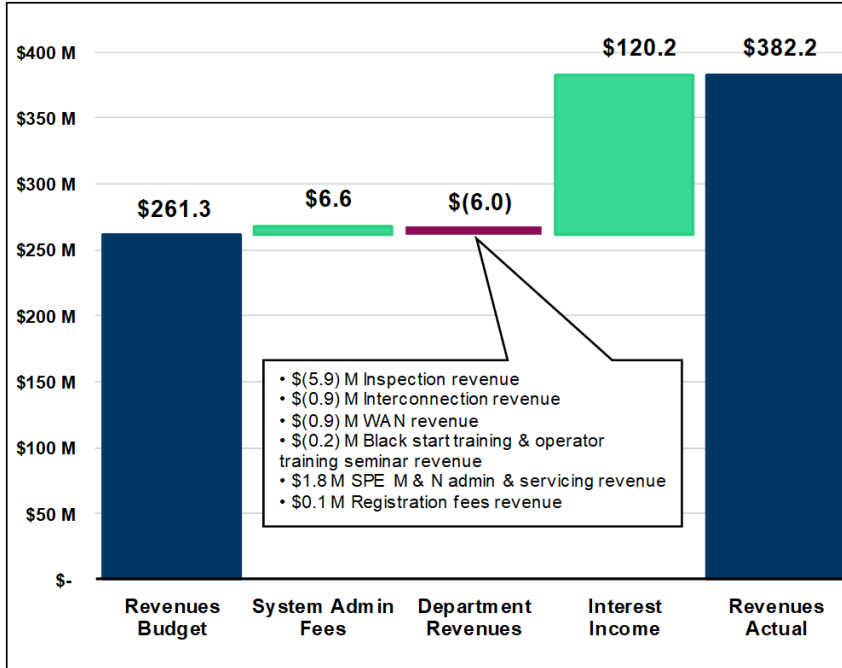
- **Key Takeaways**

- ERCOT's preliminary, unaudited year-end 2023 actual revenues net of expenditures were \$94.4 million favorable to budget, driven by interest income being favorable by \$120.2 million, partially offset by resource management being unfavorable by \$(26.7) million
- As of December 31, 2023, ERCOT's bond investments increased \$1,266.1 million year-over-year, driven by the \$1,335.0 million additional bond investment in September 2023
- ERCOT had \$81.8 million in operating funds as of December 31, 2023, compared to \$23.7 million operating use of Congestion Revenue Right (CRR) funds as of December 31, 2022

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

Preliminary Net Available Year-End Variance to Budget = \$94.4 M

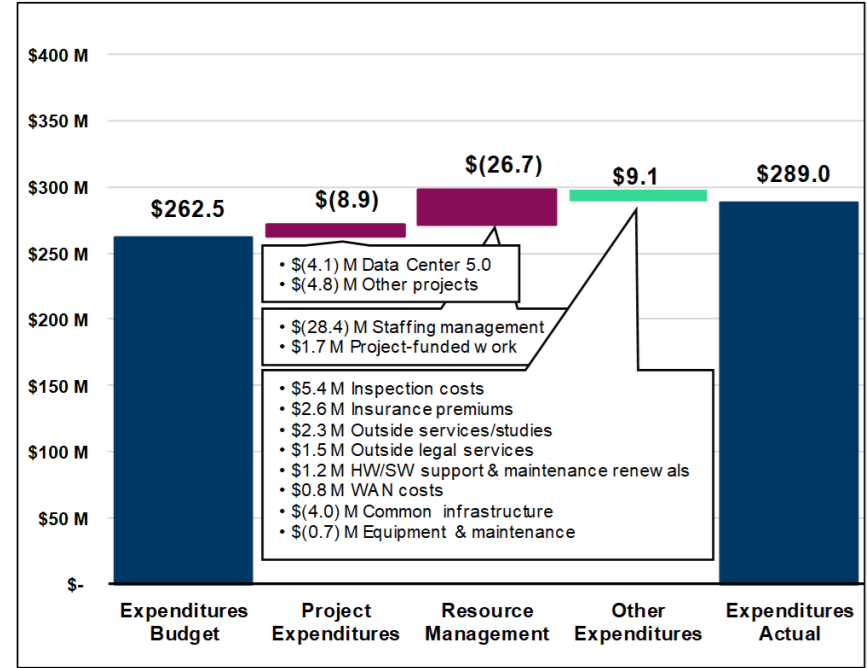
Preliminary Revenues Year-End



Interest Income includes a year-end 2023 \$8.4 M fair market adjustment

Charts may not foot due to rounding

Preliminary Expenditures Year-End



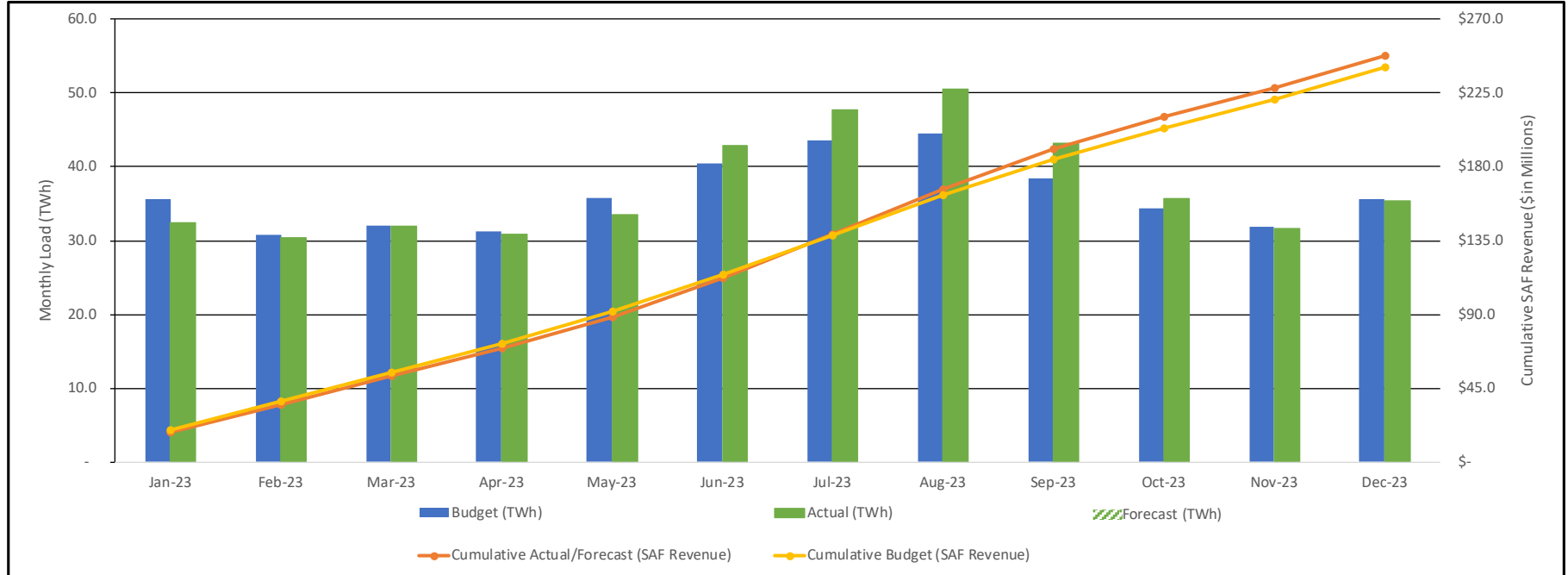
- Staffing management excludes 14 inspection positions which are included in Inspection costs for 2023 Budget
- See appendix page 12 for staffing management variance components

Key Takeaway: The preliminary, unaudited year-end 2023 result is a net available amount of \$93.2 M versus a budgeted amount of \$(1.1) M, a \$94.4 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	431.0	32.4	30.4	31.9	30.9	33.5	42.9	47.6	50.5	43.2	35.6	31.6	35.3	445.9
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)	(0.2)	11.9
Variance (%)	2.7%	-8.8%	-1.4%	-0.1%	-1.0%	-6.6%	6.2%	9.5%	13.6%	12.4%	3.7%	-0.9%	-0.7%	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	\$ 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%	2.7%	2.7%



Review 2023 Financial Summary: ERCOT Statements of Financial Position

As of December 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	\$ 535.7	\$ 1,819.8	\$ 4.1	\$ 4.0	\$ -	\$ -
Bond Investments	1,771.1	505.0	-	-	-	-
Total unrestricted cash and bond investments	2,306.8	2,324.8	4.1	4.0	-	-
Restricted cash and interest receivable	1,534.3	1,786.3	30.8	40.1	75.7	80.4
Other current assets	57.6	54.6	10.4	392.2	44.2	43.4
Long-term investment in subsidiary	14.6	14.6	-	-	-	-
Other long-term assets	185.2	181.5	382.1	392.5	2,006.5	2,049.3
Total assets	\$ 4,098.5	\$ 4,361.8	\$ 427.4	\$ 828.8	\$ 2,126.4	\$ 2,173.1
Liabilities and Net Assets						
CRR auction liabilities-current	\$ 1,347.4	\$ 1,128.1	\$ -	\$ -	\$ -	\$ -
CRR auction liabilities-long term	818.6	845.6	-	-	-	-
Other market liabilities	58.3	375.6	-	-	-	-
Total market settlement liabilities	2,224.3	2,349.3	-	-	-	-
Security deposits and interest payable	1,534.3	1,404.0	20.7	18.7	3.6	3.0
Other current liabilities	57.9	417.8	16.3	409.4	87.3	92.6
Other long-term liabilities	31.6	35.6	386.4	396.7	2,024.9	2,066.9
Net assets without donor restrictions	250.4	155.1	4.0	4.0	10.6	10.6
Total liabilities and net assets	\$ 4,098.5	\$ 4,361.8	\$ 427.4	\$ 828.8	\$ 2,126.4	\$ 2,173.1

Key Takeaway:

- ERCOT's bond investments increased \$1,266.1 M year-over-year, driven by the \$1,335.0 M additional bond investment in September 2023
- ERCOT's other current liabilities decreased \$359.9 M year-over-year, driven by the payment of \$382.3 M payable to TEMSFM for M bonds early pay down in January 2023
- TEMSFM's other current assets decreased \$381.8 M, and other current liabilities decreased \$393.1 M driven by the receipt of \$382.3 M funds from ERCOT and early pay down of M bonds in 2023
- TEMSFN's other long-term liabilities decreased \$42.0 M year-over-year, driven by lower balance of long-term debt payable liabilities

Preliminary-Unaudited



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

*For the Twelve Months Ended December
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	\$ 262.0	\$ 247.8	\$ 13.2	\$ 24.4	\$ 101.3	\$ 56.4
Operating expenses	285.8	247.1	0.8	0.8	1.3	0.8
(Loss) income from operations	(23.8)	0.7	12.4	23.6	100.0	55.6
Other income (expense)	119.1	23.9	(12.4)	(23.6)	(100.0)	(55.6)
Change in net assets without donor restrictions	95.3	24.6	-	-	-	-
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	\$ 250.4	\$ 155.1	\$ 4.0	\$ 4.0	\$ 10.6	\$ 10.6

Key Takeaways: ERCOT's year-over-year change in net assets without donor restrictions (equity) increased by \$70.7 M:

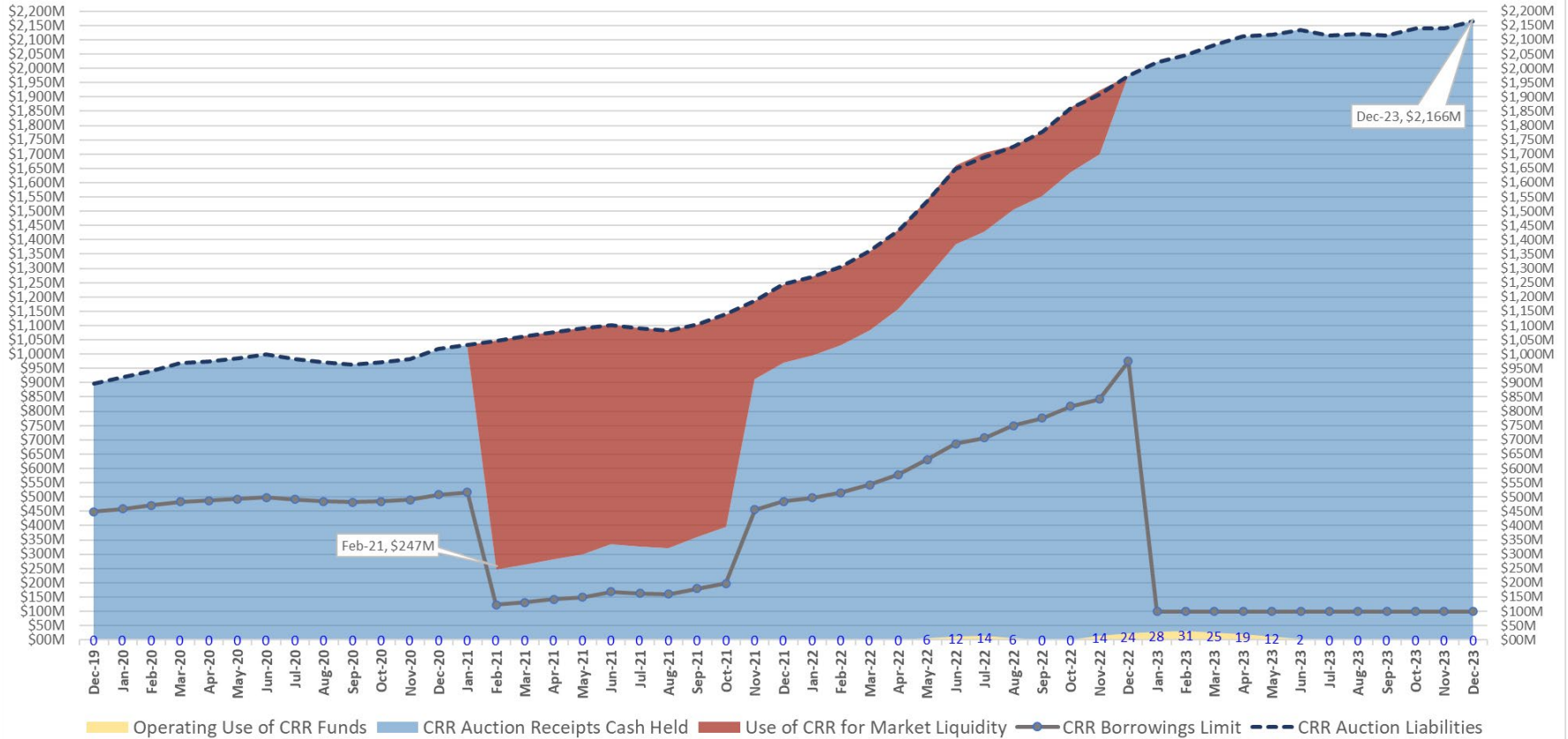
- \$38.7 M increase in operating expenses, driven by
 - \$35.3 M (27%) increase in salaries and related benefits expense
 - \$ 8.4 M (32%) increase in depreciation expense
 - \$ 3.3 M (9%) increase in hardware and software maintenance expense
 - \$ 5.1 M (20%) decrease in outside services expense
 - \$ 3.2 M (19%) decrease in other expense mainly driven by insurance premium
- \$95.2 M increase in other income (interest income)
 - \$13.0 M increase fair value adjustment
- \$14.2 M increase in operating revenues

Preliminary-Unaudited



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

Use of CRR Funds: Actual vs Limits



Key Takeaway: As of December 2023, Unrestricted Cash and Bond Investments exceeded Market Liabilities by \$81.8 M



Review 2023 Financial Summary:

Appendices

Electric Reliability Council of Texas, Inc. 2023 Financial Summary As of February 8, 2024 (\$ in Millions)		Preliminary 2023 Year End				
		2022		2023		
		Actual	Budget	Actual	Variance	
Line				\$	%	
1	System Administration Revenue	\$ 239.2	\$ 240.9	\$ 247.5	\$ 6.6	2.7
2	Department Net Expenditures					
3	Chief Information Office	91.8	96.7	104.8	(8.1)	(8.4)
4	Chief Operations Office	53.0	51.9	65.5	(13.6)	(26.2)
5	Chief Administrative Office	36.9	37.8	37.1	0.7	1.8
6	General Counsel	31.0	28.6	30.6	(2.0)	(6.9)
7	Public Affairs	7.0	8.4	8.1	0.3	3.4
8	Chief Executive Office	1.8	1.7	3.8	(2.1)	(123.4)
9	Project Funded Labor	(11.7)	(13.9)	(14.9)	1.0	7.1
10	Total Department Net Expenditures	209.7	211.1	234.9	(23.8)	(11.3)
11	Net Revenues After Department Expenditures	29.5	29.8	12.6	(17.2)	(57.7)
12						
13	Less: Project Expenditures	54.0	29.5	38.4	(8.9)	(30.2)
14	Less: Met Center Replacement	15.4	-	-	-	-
15	Less: Interest Expense	1.1	1.5	1.2	0.3	18.6
16	Add: Interest Income	25.0	0.0	120.2	120.2	>1,000.0
17						
18	Net Available	\$ (16.0)	\$ (1.1)	\$ 93.2	\$ 94.4	>1,000.0

Note: Schedule may not foot due to rounding



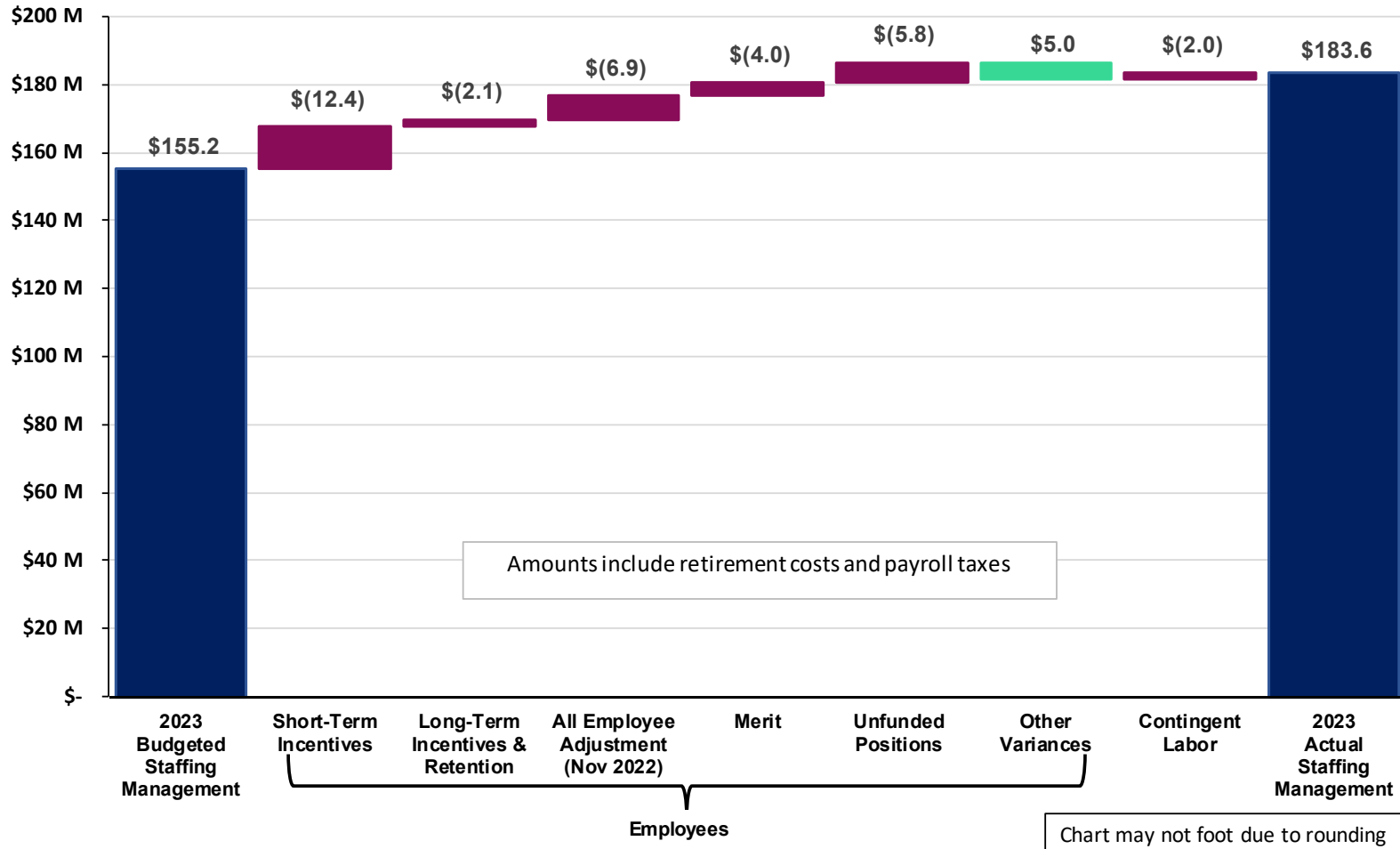
Electric Reliability Council of Texas, Inc.
2023 Financial Summary Variance Explanations
As of February 8, 2024

Line	Preliminary 2023 Year End
1 System Administration Revenue	+ \$12.3M - Economy - \$5.7 M - Weather
3 Chief Information Office	- \$6.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] - \$4.0 M - Common infrastructure - \$0.9 M - WAN revenue - \$0.4 M - Minor capital + \$1.4 M - HW/SW support & maintenance renewals + \$0.8 M - WAN costs + \$0.7 M - HW/SW vendor support services [Resource Management - Project-Funded Work] + \$0.5 M - Outside services/studies + \$0.2 M - Employee training & business travel + \$0.1 M - Fiber lease + \$0.1 M - Data service subscriptions
4 Chief Operations Office	- \$9.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] - \$5.9 M - Inspection revenue - \$1.3 M - Contingent labor [Resource Management - Staffing Management] - \$0.9 M - Interconnection revenue - \$0.6 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 + \$5.4 M - Inspection costs + \$0.1 M - Black start training & operator training seminar expense + \$0.1 M - Employee training & business travel



Electric Reliability Council of Texas, Inc. 2023 Financial Summary Variance Explanations As of February 8, 2024		
Line		Preliminary 2023 Year End
5	Chief Administrative Office	+\$2.6 M - Insurance premiums +\$1.8 M - SPE M & N administration & servicing revenue +\$0.6 M - Property tax +\$0.3 M - Outside services/studies +\$0.1 M - Employee training & business travel -\$3.9 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.6 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Software -\$0.1 M - Recruiting & pre-employment costs -\$0.1 M - Minor capital +\$0.1 M - Other miscellaneous revenue
6	General Counsel	-\$3.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.7 M - Equipment & maintenance -\$0.3 M - HW/SW support & maintenance renewals -\$0.2 M - Board member expense -\$0.1 M - Rentals & leases -\$0.1 M - Electricity +\$1.5 M - Outside legal services +\$1.4 M - Outside services/studies +\$0.1 M - Employee training & business travel
7	Public Affairs	+\$1.2 M - Outside services/studies +\$0.1 M - Registration fees revenue -\$1.0 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]
8	Chief Executive Office	-\$1.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.5 M - Outside services/studies
9	Project Funded Labor	+\$1.0 M - Multiple projects [Resource Management - Project-Funded Work]
13	Project Expenditures	-\$8.9 M - All projects
15	Interest Expense	+\$0.5 M - Revolver -\$0.2 M - Capitalized interest
16	Interest Income	+\$120.1 M - Interest rate +\$0.1 M - Investment balance

Electric Reliability Council of Texas
2023 Staffing Management Preliminary Variance to Budget
As of February 8, 2024
(\$ in Millions)



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

Line	Project	Year-to-Date As of December 31, 2023		Life-to-Date As of December 31, 2023		Estimate-at-Completion (EAC) As of February 8, 2024			
		Preliminary Actual	% of All Included Projects	Preliminary Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
1	Data Center 5.0 (DC5) Program	\$ 12.1	32%	\$ 54.5	90%	\$ 60.5	31%	\$ 60.6	\$ 0.1
2	Market Design	1.4	4%	1.4	3%	51.2	26%	51.2	-
3	Energy Management System (EMS) Upgrade 2024	4.8	12%	17.5	91%	19.2	10%	19.2	-
4	Grid Geospatial (Grid Geo) Program	0.2	0%	8.1	93%	8.7	5%	8.6	(0.2)
5	Market Management System (MMS) Outage Scheduler (OS) Red Hat Enterprise Linux (RHEL) Migration	3.4	9%	3.4	74%	4.6	2%	4.6	-
6	Bulk Electrical System (BES) Active Directory Isolation	0.2	1%	2.9	100%	2.9	1%	2.9	(0.0)
7	Network Model Management System (NMMS) Tech Health	0.1	0%	2.6	100%	2.6	1%	2.6	(0.0)
8	ERCOT Contingency Reserve Service (ECRS)	1.4	4%	2.4	100%	2.4	1%	2.4	(0.0)
9	Treasury Management Risk Mitigation	1.9	5%	2.0	83%	2.4	1%	2.4	-
10	Texas Standard Electronic Transaction (Texas SET) 5.0	0.9	2%	1.1	56%	2.0	1%	2.0	0.0
11	Total Projects with EAC Budget Over \$2.0M	26.3	69%	95.9	61%	156.6	81%	156.5	(0.1)
12	Other Projects	12.1	31%	21.5	58%	36.9	19%	37.3	0.4
13	Total Project Expenditures	\$ 38.4	100%	\$ 117.4	61%	\$ 193.5	100%	\$ 193.8	\$ 0.3

Note: Schedule may not foot due to rounding



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Financial Position

As of December 31, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 535,678	\$ 1,819,793
Accounts receivable	5,643	5,625
Unbilled revenue	7,531	5,199
Interest receivable	17,080	12,176
Receivable from intercompany	550	934
Restricted cash and cash equivalents	1,528,009	1,780,854
Short-term investments	1,177,383	505,019
Prepaid expenses and other current assets	41,801	36,144
Total current assets	<u>3,313,675</u>	<u>4,165,744</u>
Long-term investments	599,678	14,579
Property and equipment, net	136,606	126,686
Systems under development	47,635	53,865
Other long term assets	915	901
Total assets	<u>\$ 4,098,509</u>	<u>\$ 4,361,775</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 10,628	\$ 7,929
Accrued liabilities	39,927	20,905
Payable to intercompany	722	382,747
Deferred revenue	9,002	7,670
Market settlement liabilities	1,405,688	1,503,670
Security deposits	1,527,931	1,398,561
Debt payable, current portion	4,000	4,000
Total current liabilities	<u>2,997,898</u>	<u>3,325,482</u>
Long-term liabilities:		
Debt payable, less current portion:		
Principal	31,000	35,000
Less unamortized debt issuance costs	121	138
Debt payable less current portion and unamortized debt issuance costs	<u>30,879</u>	<u>34,862</u>
Long-term CRR liabilities	818,633	845,586
Other long-term liabilities	703	743
Total long-term liabilities	<u>850,215</u>	<u>881,191</u>
Total liabilities	<u>3,848,113</u>	<u>4,206,673</u>
Net assets without donor restrictions	250,396	155,102
Total liabilities and net assets	<u>\$ 4,098,509</u>	<u>\$ 4,361,775</u>

Preliminary-Unaudited



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

	2023	2022
Operating revenues		
System administration fees	\$ 247,479	\$ 239,225
Other services revenue	14,503	8,569
Total operating revenues	261,982	247,794
Operating expenses		
Salaries and related benefits	168,365	133,128
Facility and equipment costs	9,543	9,499
Outside services	19,833	24,907
Hardware and software maintenance and licensing	39,801	36,506
Depreciation	34,691	26,260
Other	13,561	16,784
Total operating expenses	285,794	247,084
(Loss) income from operations	(23,812)	710
Other income (expense)		
Investment return, net	120,193	24,987
Interest expense	(1,205)	(1,071)
Non-operating income	118	1
Change in net assets without donor restrictions	95,294	24,627
Net assets without donor restrictions, beginning of year	155,102	130,475
Net assets without donor restrictions, end of period	\$ 250,396	\$ 155,102

Preliminary-Unaudited



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

	2023	2022
Operating activities:		
Change in net assets without donor restrictions	\$ 95,294	\$ 24,627
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	34,691	26,260
Amortization of debt issuance costs	17	18
Repayments of interest portion of finance lease liabilities	-	(6)
Amortization of bond investment discount	(28,883)	(4,714)
Unrealized (gains) on bond investments	(10,701)	2,259
Changes in operating assets and liabilities:		
Accounts receivable	(18)	(569)
Unbilled revenue	(2,332)	752
Interest receivable	(3,896)	(6,771)
Receivable from intercompany	384	(934)
Prepaid expenses and other assets	(5,657)	(10,770)
Other long-term assets	(14)	(34)
Other long-term liabilities	(40)	84
Accounts payable	964	4,809
Accrued liabilities	13,762	(8,110)
Payable to intercompany	(382,025)	382,747
Deferred revenue	1,332	4,598
Security deposits	129,370	323,018
Market settlement liabilities	(97,982)	916,786
Long-term CRR liabilities	(26,953)	356,992
Net cash (used in) provided by operating activities	<u>(282,688)</u>	<u>2,011,042</u>
Investing activities:		
Purchase of investments	(2,329,039)	(614,793)
Proceeds from investments	1,111,160	112,229
Investment in subsidiary	-	(10,579)
Capital expenditures for property and equipment and systems under development	(32,393)	(63,927)
Net cash (used in) investing activities	<u>(1,250,272)</u>	<u>(577,070)</u>
Financing activities:		
Repayment of debt payable	(4,000)	(4,000)
Repayments of principal portion of finance lease liabilities	-	(135)
Net cash (used in) financing activities	<u>(4,000)</u>	<u>(4,135)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(1,536,960)	1,429,837
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>\$ 2,063,687</u>	<u>\$ 3,600,647</u>

Preliminary-Unaudited



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

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSFM)	Texas Electric Market Stabilization Funding N (TEMSFN)	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 535,678	\$ 4,088	\$ -	\$ -	\$ 539,766
Securitization charges receivable, current	-	10,387	43,463	-	53,850
Accounts receivable	5,643	-	-	-	5,643
Unbilled revenue	7,531	-	-	(691)	6,840
Interest receivable	17,080	146	322	-	17,548
Receivable from intercompany	550	-	722	(1,272)	-
Restricted cash and cash equivalents	1,528,009	30,731	75,384	-	1,634,124
Short-term investments	1,177,383	-	-	-	1,177,383
Prepaid expenses and other current assets	41,801	-	-	-	41,801
Total current assets	3,313,675	45,352	119,891	(1,963)	3,476,955
Long-term investments	599,678	-	-	(14,579)	585,099
Property and equipment, net	136,606	-	-	-	136,606
Systems under development	47,635	-	-	-	47,635
Securitization charges receivable, non current	-	382,025	2,006,458	-	2,388,483
Other long term assets	915	-	-	-	915
Total assets	\$ 4,098,509	\$ 427,377	\$ 2,126,349	\$ (16,542)	\$ 6,635,693
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 10,628	\$ 4	\$ -	\$ -	\$ 10,632
Accrued liabilities	39,927	5,669	44,045	-	89,641
Payable to intercompany	722	472	769	(1,963)	-
Deferred revenue	9,002	-	-	-	9,002
Market settlement liabilities	1,405,688	-	-	-	1,405,688
Security deposits	1,527,931	20,568	3,332	-	1,551,831
Debt payable, current portion	4,000	10,260	42,733	-	56,993
Total current liabilities	2,997,898	36,973	90,879	(1,963)	3,123,787
Long-term liabilities:					
Debt payable, less current portion:					
Principal	31,000	388,522	2,037,435	-	2,456,957
Less unamortized discount and debt issuance costs	121	2,118	12,544	-	14,783
Debt payable less current portion and unamortized discount and debt issuance costs	30,879	386,404	2,024,891	-	2,442,174
Long-term CRR liabilities	818,633	-	-	-	818,633
Other long-term liabilities	703	-	-	-	703
Total long-term liabilities	850,215	386,404	2,024,891	-	3,261,510
Total liabilities	3,848,113	423,377	2,115,770	(1,963)	6,385,297
Net assets without donor restrictions	250,396	4,000	10,579	(14,579)	250,396
Total liabilities and net assets	\$ 4,098,509	\$ 427,377	\$ 2,126,349	\$ (16,542)	\$ 6,635,693

Preliminary-Unaudited



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

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSFM)	Texas Electric Market Stabilization Funding N (TEMSFN)	Eliminations	Consolidated
Operating revenues					
System administration fees	\$ 247,479	\$ -	\$ -	\$ -	\$ 247,479
Other services revenue	14,503	-	-	(1,658)	12,845
Securitization charges fees	-	13,195	101,347	-	114,542
Total operating revenues	261,982	13,195	101,347	(1,658)	374,866
Operating expenses					
Salaries and related benefits	168,365	-	-	-	168,365
Facility and equipment costs	9,543	-	-	-	9,543
Outside services	19,833	799	1,282	(1,658)	20,256
Hardware and software maintenance and licensing	39,801	-	1	-	39,802
Depreciation	34,691	-	-	-	34,691
Other	13,561	2	1	-	13,564
Total operating expenses	285,794	801	1,284	(1,658)	286,221
(Loss) income from operations	(23,812)	12,394	100,063	-	88,645
Other income (expense)					
Investment return, net	120,193	583	1,933	-	122,709
Interest expense	(1,205)	(12,977)	(101,996)	-	(116,178)
Non-operating income	118	-	-	-	118
Change in net assets without donor restrictions	95,294	-	-	-	95,294
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	\$ 250,396	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 250,396

Preliminary-Unaudited



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

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSFM)	Texas Electric Market Stabilization Funding N (TEMSFN)	Eliminations	Consolidated
Operating activities:					
Change in net assets without donor restrictions	\$ 95,294	\$ -	\$ -	\$ -	\$ 95,294
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	34,691	-	-	-	34,691
Amortization of discount & debt issuance costs	17	76	747	-	840
Amortization of bond investment discount	(28,883)	-	-	-	(28,883)
Unrealized (gains) on bond investments	(10,701)	-	-	-	(10,701)
Changes in operating assets and liabilities:					
Securitization charges receivable	-	9,886	39,926	268	50,080
Accounts receivable	(18)	-	-	-	(18)
Unbilled revenue	(2,332)	-	1,843	(318)	(807)
Interest receivable	(3,896)	26	(54)	(19)	(3,943)
Receivable from intercompany	384	382,293	-	(382,677)	-
Prepaid expenses and other assets	(5,657)	2	-	-	(5,655)
Other long-term assets	(14)	-	-	-	(14)
Other long-term liabilities	(40)	-	-	-	(40)
Accounts payable	964	-	-	-	964
Accrued liabilities	13,762	(6,211)	(11,727)	-	(4,176)
Payable to intercompany	(382,025)	(116)	(44)	382,185	-
Deferred revenue	1,332	-	-	-	1,332
Security deposits	129,370	2,003	293	-	131,666
Market settlement liabilities	(97,982)	-	-	-	(97,982)
Long-term CRR liabilities	(26,953)	-	-	-	(26,953)
Net cash (used in) provided by operating activities	(282,688)	387,959	30,984	(561)	135,694
Investing activities:					
Purchase of investments	(2,329,039)	-	-	-	(2,329,039)
Proceeds from investments	1,111,160	-	-	-	1,111,160
Capital expenditures for property and equipment and systems under development	(32,393)	-	-	-	(32,393)
Net cash (used in) investing activities	(1,250,272)	-	-	-	(1,250,272)
Financing activities:					
Repayment of debt payable	(4,000)	(396,974)	(35,532)	-	(436,506)
Payment of debt issuance costs	-	(213)	(508)	561	(160)
Net cash (used in) financing activities	(4,000)	(397,187)	(36,040)	561	(436,666)
Net (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(1,536,960)	(9,228)	(5,056)	-	(1,551,244)
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	\$ 2,063,687	\$ 34,819	\$ 75,384	\$ -	\$ 2,173,890

Preliminary-Unaudited



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

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSFM)	Texas Electric Market Stabilization Funding N (TEMSFN)	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,819,793	\$ 4,044	\$ -	\$ -	\$ 1,823,837
Securitization charges receivable, current	-	9,798	40,817	-	50,615
Accounts receivable	5,625	-	-	-	5,625
Unbilled revenue	5,199	-	1,843	(1,009)	6,033
Interest receivable	12,176	140	249	-	12,565
Receivable from intercompany	934	382,293	454	(383,681)	-
Restricted cash and cash equivalents	1,780,854	40,003	80,440	-	1,901,297
Short-term investments	505,019	-	-	-	505,019
Prepaid expenses and other current assets	36,144	2	-	-	36,146
Total current assets	4,165,744	436,280	123,803	(384,690)	4,341,137
Long-term investments	14,579	-	-	(14,579)	-
Property and equipment, net	126,686	-	-	-	126,686
Systems under development	53,865	-	-	-	53,865
Securitization charges receivable, non current	-	392,500	2,049,298	-	2,441,798
Other long term assets	901	-	-	-	901
Total assets	\$ 4,361,775	\$ 828,780	\$ 2,173,101	\$ (399,269)	\$ 6,964,387
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 7,929	\$ 4	\$ -	\$ -	\$ 7,933
Accrued liabilities	20,905	11,853	55,767	-	88,525
Payable to intercompany	382,747	636	1,307	(384,690)	-
Deferred revenue	7,670	-	-	-	7,670
Market settlement liabilities	1,503,670	-	-	-	1,503,670
Security deposits	1,398,561	18,565	3,039	-	1,420,165
Debt payable, current portion	4,000	396,974	35,532	-	436,506
Total current liabilities	3,325,482	428,032	95,645	(384,690)	3,464,469
Long-term liabilities:					
Debt payable, less current portion:					
Principal	35,000	398,782	2,080,168	-	2,513,950
Less unamortized discount and debt issuance costs	138	2,034	13,291	-	15,463
Debt payable less current portion and unamortized discount and debt issuance costs	34,862	396,748	2,066,877	-	2,498,487
Long-term CRR liabilities	845,586	-	-	-	845,586
Other long-term liabilities	743	-	-	-	743
Total long-term liabilities	881,191	396,748	2,066,877	-	3,344,816
Total liabilities	4,206,673	824,780	2,162,522	(384,690)	6,809,285
Net assets without donor restrictions	155,102	4,000	10,579	(14,579)	155,102
Total liabilities and net assets	\$ 4,361,775	\$ 828,780	\$ 2,173,101	\$ (399,269)	\$ 6,964,387



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

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSFM)	Texas Electric Market Stabilization Funding N (TEMSFN)	Eliminations	Consolidated
Operating revenues					
System administration fees	\$ 239,225	\$ -	\$ -	\$ -	\$ 239,225
Other services revenue	8,569	-	-	(1,175)	7,394
Securitization charges fees	-	24,417	56,372	-	80,789
Total operating revenues	247,794	24,417	56,372	(1,175)	327,408
Operating expenses					
Salaries and related benefits	133,128	-	-	-	133,128
Facility and equipment costs	9,499	-	-	-	9,499
Outside services	24,907	772	801	(1,175)	25,305
Hardware and software maintenance and licensing	36,506	-	-	-	36,506
Depreciation	26,260	-	-	-	26,260
Other	16,784	1	-	-	16,785
Total operating expenses	247,084	773	801	(1,175)	247,483
Income from operations	710	23,644	55,571	-	79,925
Other income (expense)					
Investment return, net	24,987	195	476	-	25,658
Interest expense	(1,071)	(23,839)	(56,047)	-	(80,957)
Non-operating income	1	-	-	-	1
Change in net assets without donor restrictions	24,627	-	-	-	24,627
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	\$ 155,102	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 155,102



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

	ERCOT	Texas Electric Market Stabilization Funding M (TEMSFM)	Texas Electric Market Stabilization Funding N (TEMSFN)	Eliminations	Consolidated
Operating activities:					
Change in net assets without donor restrictions	\$ 24,627	\$ -	\$ -	\$ -	\$ 24,627
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	26,260	-	-	-	26,260
Amortization of debt issuance costs	18	78	407	-	503
Repayments of interest portion of finance lease liabilities	(6)	-	-	-	(6)
Amortization of bond investment discount	(4,714)	-	-	-	(4,714)
Unrealized losses on bond investments	2,259	-	-	-	2,259
Changes in operating assets and liabilities:					
Securitization charges receivable	-	13,502	(2,090,569)	383,468	(1,693,599)
Accounts receivable	(569)	-	-	-	(569)
Unbilled revenue	752	3,264	(1,843)	926	3,099
Interest receivable	(6,771)	(140)	(249)	-	(7,160)
Receivable from intercompany	(934)	-	-	934	-
Prepaid expenses and other assets	(10,770)	6	-	-	(10,764)
Other long-term assets	(34)	-	-	-	(34)
Other long-term liabilities	84	-	-	-	84
Accounts payable	4,809	4	-	-	4,813
Accrued liabilities	(8,110)	8,459	55,259	-	55,608
Payable to intercompany	382,747	553	1,307	(384,607)	-
Deferred revenue	4,598	-	-	-	4,598
Security deposits	323,018	(41,854)	3,039	-	284,203
Market settlement liabilities	916,786	-	-	-	916,786
Long-term CRR liabilities	356,992	-	-	-	356,992
Net cash provided by (used in) operating activities	2,011,042	(16,128)	(2,032,649)	721	(37,014)
Investing activities:					
Purchase of investments	(614,793)	-	-	-	(614,793)
Proceeds from investments	112,229	-	-	-	112,229
Investment in subsidiary	(10,579)	-	-	10,579	-
Capital expenditures for property and equipment and systems under development	(63,927)	-	-	-	(63,927)
Net cash (used in) investing activities	(577,070)	-	-	10,579	(566,491)
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	(4,000)	(4,244)	-	-	(8,244)
Payment of debt issuance costs	-	-	(13,032)	(721)	(13,753)
Repayments of principal portion of finance lease liabilities	(135)	-	-	-	(135)
Net cash (used in) provided by financing activities	(4,135)	(4,244)	2,113,089	(11,300)	2,093,410
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	1,429,837	(20,372)	80,440	-	1,489,905
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	\$ 3,600,647	\$ 44,047	\$ 80,440	\$ -	\$ 3,725,134

