



## **Item 4.1: Review of Requirements for Annual Audit of Financial Statements and Annual Servicer's Certificate**

*Richard Scheel*  
Controller

Finance and Audit Committee Meeting

ERCOT Public  
April 22, 2024

# Finance and Audit Committee Request

Why this is being presented today:

The ERCOT Finance and Audit (F&A) Committee Charter requires the Committee provide a recommendation to the Board of Directors (Board) whether the Company's annual financial statements audit report should be accepted

ERCOT staff requests a vote from the F&A Committee to recommend that the Board accept:

1. ERCOT's audited financials and Report on Audit of Consolidated Financial Statements;
  2. The Texas Electric Market Stabilization Funding M LLC (TEMSFM) audited financials and Report on Audit of Financial Statements; and
  3. The Texas Electric Market Stabilization Funding N LLC (TEMSFN) audited financials and Report on Audit of Financial Statements
- Servicer's Annual Certificate of Compliance is presented for your review and does not require Board action
  - Vote in General Session Item 8, following Executive Session

# Review of Requirements for Annual Audit of Financial Statements and Annual Servicer's Certificate

## ERCOT Bylaws Requirement

- Each year, the Board must select a qualified independent public accounting firm (“Auditor”) to audit the financial statements of ERCOT

## ERCOT Protocol Requirement (§ 1.4.2 in pertinent part)

- “For audits performed by an Appointed Firm, the ERCOT F&A Committee shall directly approve the initiation, scheduling, and reporting of such audits or make recommendations to the ERCOT Board”

## Finance & Audit Committee Charter Requirement

- “Based on its review and discussions with management and the independent auditor, the Committee shall provide a recommendation to the Board whether the Company’s financial statements audit report should be accepted”

# Review of Requirements for Annual Audit of Financial Statements and Annual Servicer's Certificate

## Amended and Restated Limited Liability Company Agreement of TEMSFM

- Section 1.07(h) that TEMSFM shall “maintain full books of accounts and records (financial or other) and financial statements ... and audited annually by an independent accounting firm ...”

## Amended and Restated Limited Liability Company Agreement of TEMSFN

- Section 1.08(f) states that TEMSFN shall “maintain full books of accounts and records (financial or other) and financial statements ... and audited annually by an independent accounting firm ...”

## ERCOT Servicing Agreement with TEMSFN

- “The Servicer ... shall cause a firm of Independent certified public accountants ... to prepare annually ... on or before March 31 of each year ... a report regarding the Servicer's assessment of compliance with the servicing criteria set forth in” the Uplift Property Servicing Agreement
- Servicer's Annual Certificate of Compliance is presented for your review and does not require Board action
- ERCOT completed the Servicer's Annual Certificate of Compliance process timely



## Request for Vote

- ERCOT staff recommends that the F&A Committee recommend that the Board accept the ERCOT audited financials and Report on Audit of Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 as presented by Baker Tilly
- ERCOT staff recommends that the F&A Committee recommend that the Board accept the TEMSFM audited financials and Report on Audit of Financial Statements for the Years Ended December 31, 2023 and 2022 as presented by Baker Tilly
- ERCOT staff recommends that the F&A Committee recommend that the Board accept the TEMSFN audited financials and Report on Audit of Financial Statements for the Years Ended December 31, 2023 and 2022 as presented by Baker Tilly

**<VOTE> in General Session Item 8, following Executive Session**

