



Date: April 16, 2024
To: Board of Directors
From: Bill Flores, Finance and Audit (F&A) Committee Chair
Subject: Acceptance of Texas Electric Market Stabilization Funding N LLC Financial Statements Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: April 23, 2024

Item No.: 8.3

Issue:

Texas Electric Market Stabilization Funding N LLC (TEMSFN) must obtain an annual audit of its financial records pursuant to the Amended and Restated Limited Liability Company Agreement of TEMSFN.

Background/History:

Requirements of Bylaws, Protocols and Charter

Section 10.6 of the Electric Reliability Council of Texas, Inc. (ERCOT) Bylaws provides that “[a]t least annually, an audit of the financial statements of ERCOT shall be performed by the Auditor approved by the Board.” Baker Tilly US, LLP (Baker Tilly) was engaged by ERCOT, subsequent to approval by ERCOT’s Board of Directors (Board) in April 2023, to perform the annual audit of TEMSFN’s financial books and records.

At the April 22, 2024 meeting of the ERCOT F&A Committee, Baker Tilly will present the proposed audit report for the year ended December 31, 2023 and Baker Tilly’s assessment of internal controls, recommendations, and other business items raised by the F&A Committee.

The audit opinion is expected to be unmodified or “clean,” and the ERCOT F&A Committee is expected to recommend Board acceptance of the audited financial statements as presented by Baker Tilly during the Meeting on April 22, 2024.

Formation of Special Purpose Entity

On December 2, 2021, ERCOT formed TEMSFN as a special purpose funding entity pursuant to the Public Utility Commission of Texas (PUCT) Debt Obligation Order in Docket No. 52322 (Order 52322), for the limited purpose of “(a) imposing, collecting and receiving uplift charges and acquiring uplift property and related assets to support its obligations under the Subchapter N bonds, (b) issuing Subchapter N bonds in one or more series, and (c) performing other activities relating thereto or otherwise authorized by [Order 52322].” As the sole member of TEMSFN, ERCOT adopted on June 7, 2022 the Amended and Restated Limited Liability Company Agreement of TEMSFN, which provides in Section 1.08(f) that TEMSFN shall “maintain full books of accounts and records (financial or other) and financial statements ... prepared and



maintained in accordance with generally accepted accounting principles ... and audited annually by an independent accounting firm”

Key Factors Influencing Issue:

1. ERCOT’s Bylaws requirement;
2. The formation of TEMSFN as a wholly owned subsidiary of ERCOT in 2021;
3. TEMSFN’s first substantive activities in 2022; and
4. The expectation that Baker Tilly will issue an unmodified opinion in connection with its audit of TEMSFN’s financial statements for the year ended December 31, 2023.

Conclusion/Recommendation:

ERCOT staff recommends, and the ERCOT F&A Committee is expected to 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.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, on December 2, 2021, Electric Reliability Council of Texas, Inc. (ERCOT) formed Texas Electric Market Stabilization Funding N LLC (TEMSFN) as a special purpose funding entity pursuant to the Public Utility Commission of Texas (PUCT) Debt Obligation Order in Docket No. 52322;

WHEREAS, as the sole member of TEMSFN, ERCOT adopted on June 7, 2022 the Amended and Restated Limited Liability Company Agreement of TEMSFN, which provides in Section 1.08(f) that TEMSFN shall “maintain full books of accounts and records (financial or other) and financial statements ... prepared and maintained in accordance with generally accepted accounting principles ... and audited annually by an independent accounting firm”;

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of ERCOT deems it desirable and in the best interest of ERCOT to accept the TEMSFN audited Financial Statements for the Years Ended December 31, 2023 and 2022 (Report);

THEREFORE, BE IT RESOLVED, that ERCOT is hereby authorized and approved to accept the TEMSFN audited financial statements and Report.

CORPORATE SECRETARY’S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its April 23, 2024 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of April, 2024.

Jonathan M. Levine
Assistant Corporate Secretary