



# Consolidated Financial Statements

The Electric Reliability Council of Texas (ERCOT)

Years ended December 31, 2023 and 2022

With Independent Auditors' Report

April 2024



Electric Reliability Council of Texas, Inc.

Consolidated Financial Statements

As of and for the Years Ended  
December 31, 2023 and 2022

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## Independent Auditors' Report

The Board of Directors and the Finance and Audit Committee of  
Electric Reliability Council of Texas, Inc.

### Opinion

We have audited the accompanying consolidated financial statements of Electric Reliability Council of Texas, Inc. (ERCOT), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ERCOT as of December 31, 2023 and 2022, and the changes in its activities and net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ERCOT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ERCOT's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ERCOT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ERCOT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as identified in the Table of Contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in activities and net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Baker Tilly US, LLP*

Austin, Texas  
April 24, 2024

Electric Reliability Council of Texas, Inc.  
Consolidated Statements of Financial Position

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 539,766	\$ 1,823,837
Securitization charges receivable, current	53,850	50,615
Accounts receivable	5,643	5,625
Unbilled revenue	6,840	6,033
Interest receivable	17,548	12,565
Restricted cash and cash equivalents	1,634,124	1,901,297
Short-term investments	1,177,383	505,019
Prepaid expenses and other current assets	41,801	36,146
Total current assets	3,476,955	4,341,137
Long-term investments	585,099	-
Property and equipment, net	136,606	126,686
Systems under development	47,635	53,865
Securitization charges receivable, non-current	2,388,483	2,441,798
Right-of-use assets	915	901
Total assets	\$ 6,635,693	\$ 6,964,387

*See accompanying notes to the consolidated financial statements*

Electric Reliability Council of Texas, Inc.

Consolidated Statements of Financial Position (continued)

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 10,632	\$ 7,933
Accrued liabilities	89,641	88,525
Deferred revenue	9,002	7,670
Market settlement liabilities	1,405,688	1,503,670
Security deposits and reserves	1,551,831	1,420,165
Debt payable, current portion	56,993	436,506
Total current liabilities	<u>3,123,787</u>	<u>3,464,469</u>
Debt payable, less current portion:		
Principal	2,456,957	2,513,950
Less unamortized discount and debt issuance costs	14,783	15,463
Debt payable, less current portion and unamortized discount and debt issuance costs	<u>2,442,174</u>	<u>2,498,487</u>
Long-term CRR liabilities	818,633	845,586
Other long-term liabilities	703	743
Total liabilities	<u>6,385,297</u>	<u>6,809,285</u>
Net assets without donor restrictions	250,396	155,102
Total liabilities and net assets	<u>\$ 6,635,693</u>	<u>\$ 6,964,387</u>

See accompanying notes to the consolidated financial statements



Electric Reliability Council of Texas, Inc.

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31	
	2023	2022
	<i>(In Thousands)</i>	
<b>Operating revenues:</b>		
System administration fees	\$ 247,479	\$ 239,225
Securitization charges fees	114,542	80,789
Other services revenue	12,845	7,394
Total operating revenues	<u>374,866</u>	<u>327,408</u>
<b>Operating expenses:</b>		
Salaries and related benefits	168,365	133,128
Hardware and software maintenance and licensing	39,802	36,506
Outside services	20,256	25,305
Facility and equipment costs	9,543	9,499
Depreciation and amortization	34,691	26,260
Other	13,564	16,785
Total operating expenses	<u>286,221</u>	<u>247,483</u>
Income from operations	88,645	79,925
<b>Other income (expense):</b>		
Investment return, net	122,709	25,658
Interest expense and debt issuance cost amortization	(116,178)	(80,957)
Non-operating income	118	1
Change in net assets without donor restrictions	<u>95,294</u>	<u>24,627</u>
Net assets without donor restrictions, beginning of year	155,102	130,475
Net assets without donor restrictions, end of year	<u>\$ 250,396</u>	<u>\$ 155,102</u>

See accompanying notes to the consolidated financial statements

Electric Reliability Council of Texas, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2023	2022
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
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 right-of-use assets	274	293
Amortization of debt issuance costs and discount	840	503
Repayments of interest portion of finance lease liabilities	-	(6)
Amortization of bond investment (discount)	(28,883)	(4,714)
Unrealized (gains) losses on bond investments	(10,701)	2,259
Changes in operating assets and liabilities:		
Securitization charges receivable	50,080	(1,693,599)
Accounts receivable	(18)	(569)
Unbilled revenue	(807)	3,099
Interest receivable	(3,943)	(7,160)
Prepaid expenses and other current assets	(5,655)	(10,764)
Other long-term liabilities	(40)	84
Accounts payable	964	4,813
Accrued liabilities	(4,464)	55,281
Deferred revenue	1,332	4,598
Security deposits and reserves	131,666	284,203
Market settlement liabilities	(97,982)	916,786
Long-term CRR liabilities	(26,953)	356,992
Net cash provided by (used in) operating activities	135,694	(37,014)

See accompanying notes to the consolidated financial statements



Electric Reliability Council of Texas, Inc.

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31	
	2023	2022
	<i>(In Thousands)</i>	
<b>Investing activities</b>		
Purchase of investments	(2,329,039)	(614,793)
Proceeds from investments	1,111,160	112,229
Capital expenditures for property and equipment and systems under development	(32,393)	(63,927)
Net cash (used in) investing activities	(1,250,272)	(566,491)
<b>Financing activities</b>		
Proceeds from debt issuance	-	2,115,542
Repayment of debt payable	(436,506)	(8,244)
Payment of debt issuance costs	(160)	(13,753)
Repayments of principal portion of finance lease liabilities	-	(135)
Net cash (used in) provided by financing activities	(436,666)	2,093,410
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(1,551,244)	1,489,905
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	3,725,134	2,235,229
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	\$2,173,890	\$3,725,134
<b>Supplemental information</b>		
Cash paid for interest	\$ 134,030	\$ 18,453
<b>Supplemental disclosures of non-cash investing and financing activities</b>		
Change in accrued capital expenditures	\$ (5,988)	\$ 456
Capitalized interest	\$ 664	\$ 724

See accompanying notes to the consolidated financial statements

# Electric Reliability Council of Texas, Inc.

## Notes to Consolidated Financial Statements (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

### 1. Organization and Operations

The consolidated financial statements include the accounts of Electric Reliability Council of Texas, Inc. (ERCOT), Texas Electric Market Stabilization Funding M LLC (TEMSFM), and Texas Electric Market Stabilization Funding N LLC (TEMSFN), because ERCOT has both control and an economic interest in TEMSFM and TEMSFN.

#### **Electric Reliability Council of Texas, Inc. (ERCOT)**

ERCOT is a Texas, non-profit corporation. ERCOT functions as the independent system operator for its reliability region, which comprises about 90% of the electrical load in Texas. The ERCOT region has more than 98,000 expected megawatts of available capacity for the summer peak demand period.

The Public Utility Commission of Texas (PUCT) has primary jurisdictional authority over ERCOT, which is responsible for ensuring the adequacy and reliability of electricity across the state's main interconnected power grid and for operating and settling the electricity markets it administers. ERCOT's market rules and operations are carried out in accordance with its Protocols filed with the PUCT. The ERCOT electric service region is contained completely within the borders of Texas, and it has only a few direct current ties across state lines to import or export power with neighboring reliability regions. ERCOT has no synchronous connections (alternating current) across state lines. As a result, ERCOT is considered "intrastate" and does not fall under the jurisdiction of the Federal Energy Regulatory Commission except for reliability issues under the provisions of the Federal Energy Policy Act of 2005.

ERCOT is governed by a Board of Directors composed of 11 directors (nine voting and two non-voting). Eight of the voting directors are selected by a statutorily created ERCOT board selection committee and may not have a fiduciary duty or assets in the ERCOT region. The remaining voting director is an ex officio director, the Public Counsel. The two non-voting directors are also ex officio, that is, the Chair of the PUCT and ERCOT's Chief Executive Officer.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 1. Organization and Operations (continued)

##### Electric Reliability Council of Texas, Inc. (ERCOT) (continued)

As a result of Winter Storm Uri, extraordinary prices in the wholesale electricity market caused some wholesale market participants to default on their payment obligations to ERCOT for power under the ERCOT Nodal Protocols. As a result of these payment defaults, ERCOT was unable to fully settle obligations to certain wholesale market participants who were due payments from ERCOT for the power they produced during the storm. To address these problems, the Texas Legislature during the 87th legislative session enacted two bills that authorized financing mechanisms to provide funds to pay market participants who were previously short-paid and provide liquidity to market participants. One of these bills, House Bill 4492, added Subchapters M and N to chapter 39 of PURA and each provided authority for a financing mechanism to address different aspects of the extraordinary costs incurred due to Winter Storm Uri, with Subchapter M authorizing up to \$800,000 and Subchapter N authorizing up to \$2,100,000, plus reasonable costs.

On October 14, 2021, the PUCT approved ERCOT's application for a Debt Obligation Order (The Sub M Order) under PURA § 39.603 (Subchapter M) and issued The Sub M Order. The Sub M Order approves the default balance in an aggregate amount of up to \$800,000; approves the assessment of default charges to all wholesale market participants except those expressly exempted by PURA, in an amount sufficient to ensure the recovery of amounts expected to be necessary to timely provide all payments of debt service and other required amounts and charges in connection with the issuance of debt obligations; authorizes the issuance of Texas Market Stabilization M bonds in one or more series in an aggregate amount of up to \$800,000 for the payment of the default balance; and approves the financing or securitization of default charges and the creation of default property.

On October 13, 2021, the PUCT approved ERCOT's application for a separate Debt Obligation Order (The Sub N Order) under PURA § 39.653 (Subchapter N) and issued The Sub N Order. The Sub N Order approves the uplift balance up to \$2,100,000, plus reasonable costs; approves Texas Market Stabilization N bonds to be issued through a special purpose entity to finance the uplift balance; and approves the securitization of uplift charges and the creation of uplift property.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 1. Organization and Operations (continued)

##### **Texas Electric Market Stabilization Funding M LLC (TEMSFM)**

TEMSFM is a Delaware limited liability company with ERCOT as its sole member, and a disregarded entity for tax purposes. It was incorporated on October 27, 2021, for the limited purpose of (a) imposing, collecting, and receiving default charges and acquiring default property and related assets to support its obligations under the Texas Market Stabilization M bonds, (b) issuing Texas Market Stabilization M bonds in one or more series, and (c) performing other activities relating thereto or otherwise authorized by The Sub M Order. On November 12, 2021, TEMSFM issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021, pursuant to The Sub M Order, which were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts (see Note 6). ERCOT is the servicer and administrator of the Texas Market Stabilization M bonds, Series 2021.

##### **Texas Electric Market Stabilization Funding N LLC (TEMSFN)**

TEMSFN is a Delaware limited liability company with ERCOT as its sole member, and a disregarded entity for tax purposes. It was incorporated on December 2, 2021, 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 Texas Market Stabilization N bonds, (b) issuing Texas Market Stabilization N bonds in one or more series, and (c) performing other activities relating thereto or otherwise authorized by The Sub N Order. On June 15, 2022, TEMSFN issued \$2,115,700 of Texas Market Stabilization N Bonds, Series 2022, pursuant to The Sub N Order (see Note 6). ERCOT is the servicer and administrator of the Texas Market Stabilization N Bonds, Series 2022. Neither TEMSFN nor ERCOT is an asset-backed issuer and the bonds are not asset-backed securities as such terms are defined by the Securities and Exchange Commission (SEC) in Item 1101 of Regulation AB. The bonds were offered in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and outside the United States to entities which are not “U.S. persons” as defined in, and in compliance with, regulations under the Securities Act. The bonds will not be registered under the Securities Act or any state securities or “Blue Sky” laws and were offered and sold in reliance upon exemption from the registration requirements of the Securities Act and such laws. There were no substantive activities from inception through June 14, 2022.

# Electric Reliability Council of Texas, Inc.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

### **2. Summary of Significant Accounting Policies**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of ERCOT, TEMSFM and TEMSFN because ERCOT has both control and an economic interest in TEMSFM and TEMSFN. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Company.

#### **Method of Accounting**

The accompanying consolidated financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions are those that are not subject to donor restrictions or stipulations and that may be expendable for any purpose in performing the Company's objectives. Accordingly, net assets of the Company and changes therein are classified and reported as net assets without donor restrictions. The Company has no net assets with donor restrictions.

#### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities of the consolidated financial statements and reported amounts of revenues, expenses, and capital expenditures during the reporting period. Actual results could differ from those estimates.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. Cash and cash equivalents consist primarily of amounts held by ERCOT on behalf of market participants for congestion management funds and payments of settlement obligations (as described in Note 2 – Market Settlement Liabilities); and ERCOT capital contribution held by TEMSFM.

##### **Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. ERCOT's restricted cash and cash equivalents primarily represent amounts received for security deposits from ERCOT's market participants and the funds held on behalf of TEMSFM for the Texas Market Stabilization M Bonds, Series 2021 early redemption (see Note 6 Debt Payable and Note 2 Market Settlement Liabilities).

TEMSFM's restricted cash consists of security deposits from ERCOT's market participants subject to Subchapter M, reserve for debt service and supplemental capital pledged as collateral for the payment of the Texas Market Stabilization M Bonds, Series 2021; and payments collected from securitization charges receivable.

TEMSFN's restricted cash consists of security deposits from ERCOT's market participants subject to Subchapter N, and capital contribution from ERCOT and payments collected from securitization charges receivable.

ERCOT's capital contribution in TEMSFN, and payments collected from securitization charges receivable for TEMSFM and TEMSFN, are deposited to trust accounts held by their indenture trustee, respectively, as collateral to ensure timely payment of debt principal and interest. The trustees shall have sole dominion and exclusive control over all money collected from securitization charges receivable.



Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Restricted Cash and Cash Equivalents (continued)

As of December 31, restricted cash and cash equivalents consist of below:

	2023			
	ERCOT	TEMSFM	TEMSFN	Total
Security deposits	\$ 1,527,931	\$ 14,611	\$ 3,332	\$1,545,874
Payments collected from securitization charges receivable	-	10,163	61,241	71,404
Capital contribution from ERCOT	-	-	10,811	10,811
Reserve for debt service	-	4,089	-	4,089
Reserve for supplemental capital	-	1,868	-	1,868
Funds held to pay TEMSFN	78	-	-	78
Total	<u>\$ 1,528,009</u>	<u>\$ 30,731</u>	<u>\$ 75,384</u>	<u>\$1,634,124</u>

	2022			
	ERCOT	TEMSFM	TEMSFN	Total
Security deposits	\$ 1,398,561	\$ 13,688	\$ 3,039	\$1,415,288
Funds held for Subchapter M bond early redemption	382,293	-	-	382,293
Payments collected from securitization charges receivable	-	21,438	66,741	88,179
Capital contribution from ERCOT	-	-	10,660	10,660
Reserve for debt service	-	4,041	-	4,041
Reserve for supplemental capital	-	836	-	836
Total	<u>\$ 1,780,854</u>	<u>\$ 40,003</u>	<u>\$ 80,440</u>	<u>\$1,901,297</u>

# Electric Reliability Council of Texas, Inc.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

### 2. Summary of Significant Accounting Policies (continued)

#### Custodial Credit Risk

The Company maintains cash balances at financial institutions, which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits and are exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned. The Company has not experienced, nor does it anticipate, any losses with respect to such cash deposits.

#### Receivable and Revenue Recognition

Revenue is measured based on a consideration specified in a contract with a customer, and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a service to a customer.

##### A. Performance Obligations

*System administration services* - As the independent system operator for the region, ERCOT provides a variety of services to Texas electricity market participants. ERCOT schedules power on an electric grid that connects more than 52,700 miles of transmission lines and 1,100 generation units, performs financial settlement for the competitive wholesale bulk-power market, and administers retail switching for more than 8 million premises in competitive choice areas. These services are performed to fulfill ERCOT's primary responsibilities which are maintaining system reliability, facilitating competitive wholesale and retail markets, and ensuring open access to transmission. ERCOT identifies a single performance obligation from these services which are considered a series of distinct services under the revenue standard. Revenue from system administration services, called the system administration fee (SAF) is recognized when services are performed over time. SAF is collected from electric service providers operating within the ERCOT region. This fee is charged pursuant to the ERCOT Nodal Protocols and as approved by both the ERCOT board of directors and the PUCT. It is based on actual volume consumption. Services are billed each business day and are generally due 2 business days after the invoice date. Amounts not yet billed are accrued and presented as unbilled revenue on the consolidated statements of financial position.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 2. Summary of Significant Accounting Policies (continued)

##### Receivable and Revenue Recognition (continued)

The SAF was 55.5 cents per megawatt hour of adjusted metered load in both 2023 and 2022. It is structured to provide funding for ERCOT's core operations and related services.

*Securitization charges fees* – As described in Note 1 Organization and Operations, TEMSFM is established to finance the default balance under The Sub M Order through Texas Market Stabilization M bonds, Series 2021, and performs other activities relating thereto or otherwise authorized by The Sub M Order. TEMSFM has the rights to impose, collect, and receive default charges along with the other rights arising under The Sub M Order. As the issuer of Texas Market Stabilization M bonds, Series 2021, TEMSFM has the performance obligations to maintain and service the bonds. Ongoing expenses associated with the performance obligations are recovered through securitization charges fees revenue. Wholesale market participants, except those expressly exempted by PURA, are billed and payments are collected monthly on a pro rata basis in amounts sufficient to ensure the recovery of default charges receivable and ongoing expenses. Revenue is recognized over time when related services are provided, and related expenses are incurred.

As described in Note 1 Organization and Operations, TEMSFN is approved to finance the uplift balance under The Sub N Order through Texas Market Stabilization N Bonds, Series 2022 and performs other activities relating thereto or otherwise authorized by The Sub N Order. TEMSFN has the rights to impose, collect, and receive uplift charges along with the other rights arising under The Sub N Order. As the issuer of Texas Market Stabilization N Bonds, Series 2022, TEMSFN has the performance obligations to maintain and service the bonds. Ongoing expenses associated with the performance obligations are recovered through securitization charges fees revenue. Responsible QSEs representing obligated LSEs within the ERCOT wholesale market are billed daily on a load ratio share basis in an amount sufficient to ensure the recovery of uplift charges receivable and ongoing expenses. Each securitization invoice payment is due by 5:00pm on the second bank business day after the invoice date. Revenue is recognized over time when related services are provided and related expenses are incurred.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

#### 2. Summary of Significant Accounting Policies (continued)

##### Receivable and Revenue Recognition (continued)

*Other services* - ERCOT offers or is required to provide its participants other services, including weatherization inspection, connectivity to ERCOT's grid studies, wide-area network usage (WAN), training for market participants, membership, and other miscellaneous services.

- 1) *Weatherization Inspection* – Pursuant to Senate Bill 3 (SB3) and PUC Substantive Rule 25.55, Weather Emergency Preparedness, ERCOT is required to perform new weatherization tasks, including conducting inspections of generation resources and transmission facilities. Costs relating to the SB3 weatherization inspections for 2023 and 2022 are recovered by weatherization inspection fees revenue which is recognized when inspection services are provided.
- 2) *Connectivity to ERCOT's grid studies* – Entities who propose new or updated generation resources to connect into the ERCOT grid are required to submit Generation Resource Interconnection or Change Request (GINR) to ERCOT. ERCOT coordinates studies on the request with relevant Transmission Service Providers and the entity. GINR fees are paid together with the requests and are deferred in the consolidated statements of financial position, and are recognized as revenue over time when services are provided.
- 3) *WAN* – ERCOT provides, in accordance with its reasonable discretion and control, the design, engineering, procurement, and installation of the equipment and facilities necessary to interconnect market participants' data transfer systems to ERCOT's data network and facilities for the sole purpose of transferring data between ERCOT and market participants. Revenue is recognized when services are provided over time. ERCOT bills market participants monthly based on actual costs incurred by ERCOT that are the responsibility of market participants. Payment term is net 30 days.
- 4) *Training for market participants* – ERCOT offers Operator Training and Black Start Training to market participants. Training fees are received during training registration and are recognized as revenue when trainings are completed.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

#### 2. Summary of Significant Accounting Policies (continued)

##### Receivable and Revenue Recognition (continued)

- 5) *Membership* – Applicants pay annual membership dues to apply for ERCOT membership. Membership dues are deferred, and revenue is recognized over the membership period.
- 6) *Other miscellaneous services* – ERCOT provides other miscellaneous services such as studies of operational issues, development of certain revisions to market rules and associated changes to IT systems. Revenue related to these services is recognized as the services are performed over time.

*Reliability organization pass-through* – The North American Electric Reliability Corporation (NERC) invoices ERCOT for reliability functions performed by NERC and its delegated Texas Reliability Entity, Inc. In turn, ERCOT collects payment from market participants for this Electric Reliability Organization (ERO) billing. The ERO billing is based on actual NERC funding, and ERCOT collects this payment and remits it to NERC on a quarterly basis. ERO billing amount was \$24,799 and \$21,848 in 2023 and 2022, respectively. No revenue is recognized as there is no consideration to earn during this ERO billing pass-through.

##### B. Disaggregation of Revenue

The following table illustrates the disaggregation disclosure by service types and timing of revenue recognition.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

<u>Service Types</u>	<u>Services transferred over time</u>	<u>Services transferred at a point in time</u>	<u>2023 Total</u>
System administration	\$ 247,479	\$ -	\$ 247,479
Securitization Charges fees	114,542	-	114,542
Weatherization inspection	-	4,633	4,633
Connectivity to ERCOT's grid studies	4,558	-	4,558
WAN	2,470	-	2,470
Training for market participants	-	473	473
Membership	299	-	299
Other miscellaneous services	412	-	412
Total	<u>\$ 369,760</u>	<u>\$ 5,106</u>	<u>\$ 374,866</u>

<u>Service Types</u>	<u>Services transferred over time</u>	<u>Services transferred at a point in time</u>	<u>2022 Total</u>
System administration	\$ 239,225	\$ -	\$ 239,225
Securitization Charges fees	80,789	-	80,789
WAN	3,119	-	3,119
Connectivity to ERCOT's grid studies	2,614	-	2,614
Weatherization inspection	-	876	876
Membership	311	-	311
Training for market participants	-	222	222
Other miscellaneous services	252	-	252
Total	<u>\$ 326,310</u>	<u>\$ 1,098</u>	<u>\$ 327,408</u>



## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 2. Summary of Significant Accounting Policies (continued)

##### Receivable and Revenue Recognition (continued)

###### C. Contract Balances

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers at December 31.

	<u>2023</u>	<u>2022</u>
Receivables-current	\$ 58,593	\$ 56,240
Receivables-non-current	2,388,483	2,441,798
Contract assets	6,840	6,033
Contract liabilities	11,532	9,426

Receivables-current on December 31, 2023 include accounts receivable but exclude \$900 receivable from insurance recovery, and securitization charges receivable, current. Receivables-current on December 31, 2022 include accounts receivable and securitization charges receivable, current.

Receivables-non-current are comprised solely of securitization charges receivable, non-current, and are represented that way on the consolidated statements of financial position.

Contract assets on December 31, 2023 relate to the Company's rights to consideration for services provided but not billed for system administration. Contract assets on December 31, 2022 relate to the Company's rights to consideration for services provided but not billed for system administration and for Texas Market Stabilization N Bonds, Series 2022 interest expenses and ongoing expenses. The contract assets are transferred to the receivables when invoices are billed.

Non-contract related receivables on the consolidated statements of financial position include \$17,548 interest receivable and \$900 receivable from insurance recovery on December 31, 2023; and \$12,565 interest receivable on December 31, 2022.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 2. Summary of Significant Accounting Policies (continued)

##### Receivable and Revenue Recognition (continued)

Contract liabilities relate to advance consideration received from customers for various services to be provided, including connectivity to ERCOT's grid studies, membership, and advances of proceeds from securitization bonds to support upgrades to ERCOT's billing systems necessary to support ERCOT's requirements as servicer of TEMSFM and TEMSFN. As of December 31, 2023 and 2022, the balances are \$9,002 and 7,670, respectively, and reported in deferred revenue on the consolidated statements of financial position.

Contract liabilities also include advances of securitization charges to cover the interest expenses and ongoing expenses of Texas Market Stabilization M Bonds, Series 2021, and Texas Market Stabilization N Bonds, Series 2022. As of December 31, 2023 and 2022, the balances are \$2,530 and \$1,756, respectively, and reported in accrued liabilities on the consolidated statements of financial position.

Revenues are recognized when performance obligations are satisfied.

##### D. Significant Judgements

The Company recognizes revenues from system administration, securitization charges fees, WAN, connectivity to ERCOT's grid studies, membership, and other miscellaneous services over time, as the Company determines that customers simultaneously receive and consume the benefits provided by the Company's performances. Revenue from system administration is recognized over time using output method which is based on actual load volume consumption. Revenues from securitization charges fees, WAN, and other miscellaneous services are recognized over time using cost-based input method, which is based on actual incurred costs of the services provided by the Company. Revenues from connectivity to ERCOT's grid studies and membership are recognized over time on a straight-line basis, as the Company determines that customers benefit from connectivity to ERCOT's grid studies and membership services throughout the service contract period, and the best measure of progress toward complete satisfaction of the performance obligation over time is a time-based straight-line measure.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Receivable and Revenue Recognition (continued)**

The Company recognizes revenues from weatherization inspection and training from market participants at a point of time. The Company determines that customers receive the benefits from the services when the Company's performance obligations are satisfied, which are when weatherization inspection is completed, and training to market participants is provided.

The Company has no significant continuing obligation, and collection is reasonably assured. The Company does not maintain credit losses accounts as it does not believe it has a material risk of loss associated with lack of collection.

##### **Investments**

Investments consist of US Treasury bonds and bills, and are recorded at fair value on the consolidated statements of financial position. Net investment return is reported in the statements of activities and changes in net assets, and consists of interest and unrealized capital gains and losses, less external investment expenses.

Investments are made by investment advisors whose performance is monitored by ERCOT's Investment Officers. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that the investment policies and guidelines are prudent for the long-term welfare of ERCOT.

##### **Prepaid Expenses and Other Current Assets**

Prepaid expenses consist of amounts paid in advance for items that had not yet occurred as of the end of fiscal year. Prepaid expenses are amortized in the periods when items occur. Other current assets primarily include the non-vested portion of former employees' 401K accounts.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Prepaid Expenses and Other Current Assets (continued)

The balances at December 31 are as following:

	2023	2022
Prepaid expenses	\$ 41,701	\$ 35,971
Other current assets	100	175
Total prepaid expenses and other current assets	<u>\$ 41,801</u>	<u>\$ 36,146</u>

Property and Equipment

Property and equipment consist primarily of computer equipment, software, and buildings for operations, and are recorded at cost. Depreciation is computed on the straight-line method over the estimated life of the asset. The cost of betterments to, or replacement of, property and equipment is capitalized. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in non-operating income (expense) in the consolidated statements of activities and changes in net assets for the period. There is no gain or loss in 2023 and 2022, related to property and equipment. Repairs and maintenance costs are expensed when incurred.

ERCOT's depreciable lives (in years) for property and equipment are as follows:

<u>Asset Category</u>	<u>Depreciable Life</u>
Computer hardware	3
Software	5
Vehicles	5
Furniture and equipment	7
Mechanical building components	10
Buildings and improvements	Up to 30
Finance lease right-of-use assets	30
Leasehold improvements	Lesser of useful life or respective lease term

# Electric Reliability Council of Texas, Inc.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

### 2. Summary of Significant Accounting Policies (continued)

#### Systems Under Development

ERCOT continues to develop the information systems and grid operating systems that are being used in its operations. Direct costs and related indirect and interest costs incurred to develop or obtain these systems during the application development stage are capitalized. Such costs are expensed when incurred during the preliminary project stage. Internal costs and contract expenditures not related directly to the development of systems, and related testing activities, are expensed as incurred. Costs from completed projects are transferred to property and equipment when the systems are placed in service.

#### Impairment

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment exists, it is measured as the difference between the net book value of the asset and its estimated fair value. Impairment is computed by comparing the expected future cash flows, undiscounted and before interest, to the carrying value of the asset.

There is no impairment loss in 2023 and 2022, respectively.

#### Interest Capitalization

Interest is capitalized in connection with the construction of major software systems, buildings, and improvements. The capitalized interest is recorded as part of the asset to which it relates and is amortized or depreciated over the asset's estimated useful life. During 2023 and 2022, capitalized interest costs were \$664 and \$724, respectively.

#### Market Settlement Liabilities

Market settlement liabilities primarily represent two types of funds held on behalf of the ERCOT market: congestion management funds and payments of settlement obligations. Market participant settlement obligations amounts are collected and redistributed by ERCOT in the normal course of managing the settlement of ERCOT's markets. Such settlement obligations are generally held before distribution to the market in accordance with timetables set forth in ERCOT Nodal Protocols.

# Electric Reliability Council of Texas, Inc.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

### 2. Summary of Significant Accounting Policies (continued)

#### Market Settlement Liabilities (continued)

ERCOT manages a congestion revenue rights (CRR) program that includes monthly auctions and auctions for longer than one month. ERCOT collects and holds the proceeds from the auctions until the proceeds are distributed according to provisions of the ERCOT Nodal Protocols. ERCOT's Financial Corporate Standard, adopted by the Board of Directors, includes a provision that a certain portion of the funds held as a result of CRR auctions may be used to fund ERCOT working capital and capital expenditure needs within certain guidelines.

ERCOT acts as the central counter-party for transactions in the ERCOT wholesale market between buyers and sellers, and ERCOT must maintain revenue neutrality in serving this market function. Because ERCOT acts only as the clearinghouse through which funds are exchanged between buyers and sellers in the ERCOT wholesale market, when an ERCOT market participant with a payment obligation "short pays" an invoice, the result is that ERCOT market participants that are due payments from those "short paid" invoices cannot be paid in full. ERCOT is a non-recourse entity for settlement of market participant "short payments" – meaning ERCOT does not take on the financial obligation. Per ERCOT Nodal Protocol Section 9.19.1(1), the "Default Uplift Invoice" process must be used by ERCOT to collect outstanding "short pay amounts for all Settlement Invoices in a month," in order to fully pay the ERCOT market participants that are due payments but have been "short paid." By Protocol, ERCOT's fees are paid from market receipts as a first priority before any market obligations are paid, and ERCOT bears no liability from market participant "short payments."

Following Winter Storm Uri, Brazos Electric Power Cooperative, Inc. filed a petition for relief under Chapter 11 of the United States Bankruptcy Code. As part of the Brazos bankruptcy proceeding, ERCOT sought to recover approximately \$1,886,600 from Brazos as a result of Brazos failure to pay ERCOT-issued settlement invoices in connection with Winter Storm Uri. ERCOT and Brazos engaged in mediation, and ultimately reached a settlement agreement to be included as part of Brazos's Chapter 11 Plan of Reorganization (Plan). The Plan was filed on October 27, 2022, with the Bankruptcy Court.



# Electric Reliability Council of Texas, Inc.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Market Settlement Liabilities (continued)

According to the settlement agreement, ERCOT will be reimbursed on the effective date of the Plan \$599,710, which represents the amounts of CRR temporarily used by ERCOT to reduce the amount short-paid to Market Participants immediately following Winter Storm Uri that was attributable to Brazos' short-pay. The remaining \$1,286,890 is owed to market participants that are owed an allocable portion of the Brazos Short Pay Claim, and will be paid in accordance with the market participants respective elections under the \$1,286,890 Market Participant Claim Recovery Options.

On December 15, 2022, ERCOT received the effective date payment in the amount of approximately \$1,151,400 from Brazos according to the Plan. That payment included the \$599,710 representing the amounts of CRR temporarily used to reduce the amount short-paid to Market Participants. Of the \$599,710, \$224,900 was used to fully replenish CRR funds temporarily used to reduce the amount short-paid to Market Participants and the remaining \$374,764 was used to pay down Texas Market Stabilization M Bonds on February 1, 2023 (see Note 2 Restricted Cash and Cash Equivalents and Note 6 Debt Payable). The remaining amount of the \$1,151,400 effective date payment was managed in accordance with the Plan.

Market settlement liabilities consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Short-term CRR auction funds	\$1,347,366	\$1,128,064
Settlement obligations	58,322	375,606
Total current market settlement liabilities	1,405,688	1,503,670
Long-term CRR auction funds	818,633	845,586
Total market settlement liabilities	<u>\$2,224,321</u>	<u>\$2,349,256</u>

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 2. Summary of Significant Accounting Policies (continued)

##### Security Deposits and Reserves

Market participants not meeting certain creditworthiness standards referenced in ERCOT Nodal Protocols must maintain a means of security with the Company in order to mitigate market credit risk. Market participants have discretion in the means of security, such as corporate guaranties, letters of credit, surety bonds, or cash security deposits provided the market participants remain in compliance with ERCOT Nodal Protocols. The Company is required to remit interest earned on security deposits to market participants.

In addition, a portion of the proceeds from \$800,000 Texas Market Stabilization M Bonds, Series 2021 issuance were reserved for debt service and supplemental capital that is pledged as collateral for the payment of the Texas Market Stabilization M Bonds, Series 2021.

Cash security deposits and debt reserves are classified as restricted cash and cash equivalents on the consolidated statements of financial position. See Note 2 Restricted Cash and Cash Equivalents. The balance of cash security deposits and reserves is \$1,551,831 and \$1,420,165 at December 31, 2023 and 2022, respectively.

##### Income Taxes

ERCOT is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(4), and TEMSFM and TEMSFN are classified as a disregarded entities for tax purposes. ERCOT is also exempt from state income taxes. Accordingly, no provision for income taxes or uncertain tax positions has been reflected in the consolidated financial statements.

##### Debt Issuance Costs

The Company capitalizes issuance costs related to debt. The amounts are presented as a direct deduction from the debt liability, and amortized over the life of the debt.

# Electric Reliability Council of Texas, Inc.

## Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Accounting for the Effects of Regulation

The Company is subject to the provisions of the FASB in accounting for the effects of rate regulation. These provisions require regulated entities, in appropriate circumstances, to establish regulatory assets and/or liabilities, and thereby defer the statements of activities and changes in net assets impact of certain revenues and charges because it is probable they will be recovered or repaid in future periods. The Company does not have any regulatory assets or liabilities as of December 31, 2023 and 2022.

### 3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash, cash equivalents, and restricted cash, cash equivalents, net of security deposits and reserves	\$ 622,059	\$ 1,922,676
Securitization charges receivable, current	53,850	50,615
Accounts receivable	5,643	5,625
Unbilled revenue	6,840	6,033
Interest receivable, net	11,040	7,097
Short-term investments	1,177,383	505,019
Total	<u>\$ 1,876,815</u>	<u>\$ 2,497,065</u>

The balance of interest receivable on the consolidated statement of financial position as of December 31, 2023 and 2022 is \$17,548 and \$12,565, respectively, which includes \$6,508 and \$5,468 interest receivable from security deposits investment that the Company is required to remit to the market participants. This portion is not included in the financial assets available for general expenditures.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### **3. Liquidity and Availability (continued)**

As part of the Company's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, ERCOT invests cash in excess of daily requirements in short-term investments and money market funds. To help manage unanticipated liquidity needs, ERCOT has committed a line of credit in the amount of \$100,000 (see Note 6 Debt Payable), which it could draw upon.

#### **4. Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in pricing the asset or liability. The use of observable inputs is maximized where available and the use of unobservable inputs is minimized for fair value measurement. In a three-tier fair value hierarchy, which prioritizes inputs to valuation techniques used for fair value measurement, the following levels were established for each input:

- Level 1 valuations use quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 valuations use inputs, other than those included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 valuations use unobservable inputs for the asset or liability. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The input may reflect the assumptions of the reporting entity of what a market participant would use in pricing an asset or liability.

In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

4. Fair Value Measurement (continued)

The following tables set forth by level within the fair value hierarchy the Company's financial assets. The fair value on a recurring basis as of December 31 is as follows:

	2023			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Money Market Mutual Funds				
Cash equivalents	\$ 533,868	\$ 533,868	\$ -	\$ -
Restricted cash equivalents	1,582,939	1,582,939	-	-
US Treasury Bonds and Bills				
Short-term investments	1,177,383	1,177,383	-	-
Long-term investments	585,099	585,099		
Total assets at fair value	<u>\$3,879,289</u>	<u>\$3,879,289</u>	<u>\$ -</u>	<u>\$ -</u>

	2022			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Money Market Mutual Funds				
Cash equivalents	\$1,792,342	\$ 1,792,342	\$ -	\$ -
Restricted cash equivalents	1,896,643	1,896,643	-	-
US Treasury Bonds				
Short-term investments	505,019	505,019		
Total assets at fair value	<u>\$4,194,004</u>	<u>\$ 4,194,004</u>	<u>\$ -</u>	<u>\$ -</u>

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
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5. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
<b>Depreciable:</b>		
Software	\$ 781,435	\$ 743,019
Building and improvements	111,359	111,183
Computer hardware and equipment	108,220	108,653
Furniture and fixtures	39,207	39,403
Vehicles	286	286
<b>Non-depreciable:</b>		
Land	2,242	2,242
	<u>1,042,749</u>	<u>1,004,786</u>
Accumulated depreciation	(906,143)	(878,100)
Total property and equipment, net	136,606	126,686
Systems under development	47,635	53,865
Total	<u>\$ 184,241</u>	<u>\$ 180,551</u>

6. Debt Payable

The Company's consolidated debt payable consists of the following:

	<u>2023</u>	<u>2022</u>
3.00% Senior Notes	\$ 35,000	\$ 39,000
Texas Market Stabilization M Bonds, Series 2021	398,782	795,756
Texas Market Stabilization N Bonds, Series 2022	2,080,168	2,115,700
Total	<u>\$ 2,513,950</u>	<u>\$ 2,950,456</u>

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 6. Debt Payable (continued)

##### Revolving Line of Credit

ERCOT has one revolving line of credit with JPMorgan Chase Bank that was entered into in June 2012, and amended in subsequent years when it expired. This facility is primarily used for short-term working capital needs, has a maximum amount of available credit of \$100,000 and expires on December 31, 2024. As of December 31, 2023 and 2022, there was no debt outstanding under this line of credit.

The interest rate on this facility is based on the prime rate, a Eurodollar based rate, or other rate as described in the debt agreements. The contractual rate of interest on the revolving line of credit's outstanding balance was 5.44% and 5.15% at December 31, 2023 and 2022, respectively. Additionally, at December 31, 2023, ERCOT pays a commitment fee of 0.15% on the unused portion of the \$100,000 revolving credit facility. ERCOT incurred commitment fees totaling \$152 in both 2023 and 2022, in connection with its debt facilities. The revolving line of credit has several debt covenants, the most restrictive of which limits ERCOT's indebtedness. At December 31, 2023 and 2022, the revolving line of credit had unamortized debt issuance costs of \$4 and \$8, respectively.

##### 3.00% Senior Notes

On October 31, 2012, ERCOT issued \$80,000 in senior notes through a private placement. These notes bear interest at 3.00% and are due in equal quarterly principal payments beginning in December 2012 through September 2032. The private placement has several covenants, the most restrictive of which limits ERCOT's indebtedness. At December 31, 2023 and 2022, there were \$35,000 and \$39,000 outstanding senior notes, respectively and, \$117 and \$130 of unamortized debt issuance costs, respectively.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 6. Debt Payable (continued)

##### Texas Market Stabilization M Bonds, Series 2021

On November 12, 2021, TEMSFM issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021, pursuant to The Sub M Order (see Note 1 Organization and Operations). The bonds were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts. The bonds proceeds were allocated to first pay upfront costs, then to pay amounts owed to ERCOT by competitive wholesale market participants, and finally to use the rest to replenish CRR auction funds temporarily used by ERCOT to reduce the short payments to wholesale market participants due to Winter Storm Uri. The bonds are payable out of default charges to all wholesale market participants except those expressly exempted by PURA. The bonds have target scheduled final maturities of approximately 28 years and legal final maturities not exceeding 30 years from the date of issuance. The interest rate is calculated by using the rate determined by the Municipal Market Data Municipal Electric Index, as published by Refinitiv TM3, based on the credit rating of ERCOT, plus 2.5%. The interest rate is fixed at 2.97% for the first 3 years, after January 31, 2025 the interest rate will be reset based on the aforementioned calculation. Payments of the bonds are semi-annual, beginning August 1, 2022. On December 31, 2023 and 2022, the unamortized debt issuance costs were \$1,958 and \$2,034, respectively.

On December 29, 2022, TEMSFM notified the trustee of its election to redeem on February 1, 2023 \$382,288 of the Texas Market Stabilization M Bonds, Series 2021 at a redemption price equal to the principal amount thereof plus interest accrued to the redemption Date.

PUCT Order No. 6 addressing ERCOT's January 12, 2023, Supplemental True-Up Filing approved ERCOT's Application for Early Optional Redemption of \$382,288 of the Texas Market Stabilization M Bonds, conditionally approved the issuance of the Replacement Revenue Requirement Amortization Schedule and Default Charge Schedule entered on January 23, 2023 under Docket No. 52709.



## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
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#### 6. Debt Payable (continued)

##### Texas Market Stabilization M Bonds, Series 2021 (continued)

On February 1, 2023, TEMSFM made an early optional redemption of \$382,288 of Texas Market Stabilization M Bonds, Series 2021. The early redemption amount was funded by \$374,764 from the Brazos settlement (see Note 2 Market Settlement Liabilities) and \$7,524 recovered from market participants whose unpaid obligations were included in the Texas Market Stabilization M Bonds.

The following future maturities table was based on an assumed rate of 6.266%, and the new amortization schedule for early redemption approved by PUCT aforementioned.

The Company is working on refinancing the Texas Market Stabilization M Bonds, Series 2021, and expects to complete the refinancing no later than January 31, 2025. The Company has incurred \$160 debt issuance cost related to the refinancing at December 31, 2023.

Under PURA § 39.603(i), the Texas Market Stabilization M Bonds, Series 2021 authorized to be issued under The Sub M Order are a nonrecourse debt secured solely by the default charges created by The Sub M Order and explicitly assessed to repay the Texas Market Stabilization M Bonds, Series 2021 (including the default property as well as earnings from the investment and reinvestment of default charges). The Texas Market Stabilization M Bonds, Series 2021 authorized to be issued under The Sub M Order and PURA § 39.603 do not create a personal liability for ERCOT.

##### Texas Market Stabilization N Bonds, Series 2022

On June 15, 2022, TEMSFN issued \$2,115,700 of Texas Market Stabilization N Bonds, Series 2022, tranches A-1, A-2, A-3 and A-4, pursuant to The Sub N Order (see Note 1 Organization and Operations). The bonds proceeds were allocated to first pay upfront costs, before payout to finance the ERCOT wholesale market.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

6. Debt Payable (continued)

Texas Market Stabilization N Bonds, Series 2022 (continued)

The bonds have target scheduled final payment dates ranging from approximately 12 years to 28 years and final maturities not exceeding 30 years from the date of issuance. Payments of the bonds are semi-annual, beginning February 1, 2023. On December 31, 2023 and 2022, the unamortized debt issuance costs were \$12,397 and \$13,137, respectively, and unamortized bond discounts were \$147 and \$154, respectively.

As of December 31, 2023, the bonds comprise each tranche as following:

Tranche	Principal Amount Offered	Scheduled Final Payment Date	Final Maturity Date	Interest Rate	Outstanding Principal	Unamortized Bond Discount	Unamortized Debt Issuance Cost
A-1	\$ 600,000	8/1/2034	8/1/2036	4.265%	\$ 564,468	\$ 7	\$ 3,351
A-2	600,000	2/1/2042	2/1/2044	4.966%	600,000	53	3,537
A-3	457,900	8/1/2046	8/1/2048	5.057%	457,900	42	2,743
A-4	457,800	2/1/2050	2/1/2052	5.167%	457,800	45	2,766
<b>Total</b>	<b>\$2,115,700</b>				<b>\$2,080,168</b>	<b>\$ 147</b>	<b>\$ 12,397</b>

Under PURA § 39.653(h), the Texas Market Stabilization N Bonds, Series 2022 authorized to be issued under The Sub N Order are a nonrecourse debt secured solely by the uplift charges created by The Sub N Order and explicitly assessed to repay the Texas Market Stabilization N Bonds, Series 2022 (including the uplift property as well as earnings from the investment and reinvestment of uplift charges). The Texas Market Stabilization N Bonds, Series 2022 authorized to be issued under The Sub N Order and PURA § 39.653 do not create a personal liability for ERCOT.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

6. Debt Payable (continued)

Future Maturities

Future maturities of the debt payable are as follows:

	3.00% Senior Notes	Texas Market Stabilization M Bonds, Series 2021	Texas Market Stabilization N Bonds, Series 2022	Total
Year Ending December 31:				
2024	\$ 4,000	\$ 10,260	\$ 42,733	\$ 56,993
2025	4,000	8,608	44,504	57,112
2026	4,000	7,047	46,348	57,395
2027	4,000	7,495	48,269	59,764
2028	4,000	7,973	50,269	62,242
Thereafter through 2050	15,000	357,399	1,848,045	2,220,444
	<u>\$ 35,000</u>	<u>\$ 398,782</u>	<u>\$ 2,080,168</u>	<u>\$ 2,513,950</u>

7. Expenses by Nature and Function

The consolidated financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Depreciation is allocated based on ratio of each function's operating expenses to the total operating expenses. Interest expense is allocated based on project efforts. Other expenses are recorded in the cost centers where the expenses are incurred, and reported in the functions that the cost centers belong to.

The tables below present expenses by both their nature and function for years ended December 31, 2023 and 2022, respectively.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

7. Expenses by Nature and Function (continued)

	2023		
	Program Services	Management and General	Total
Salaries and related benefits	\$ 141,122	\$ 40,155	\$ 181,277
Hardware and software maintenance and licensing	38,567	1,235	39,802
Outside services	14,356	5,900	20,256
Facility and equipment costs	3,726	5,817	9,543
Depreciation and amortization	26,102	8,589	34,691
Other	4,165	9,399	13,564
Subtotal expenses by function	<u>228,038</u>	<u>71,095</u>	<u>299,133</u>
Less capitalized labor expense included on the consolidated statement of financial position	<u>(12,538)</u>	<u>(374)</u>	<u>(12,912)</u>
Total operating expenses included on the consolidated statement of activities	<u>\$ 215,500</u>	<u>\$ 70,721</u>	<u>\$ 286,221</u>
Interest expense	\$ 115,637	\$ 1,205	\$ 116,842
Less capitalized interest expense included on the consolidated statement of financial position	<u>(664)</u>	<u>-</u>	<u>(664)</u>
Total interest expense included on the consolidated statement of activities	<u>\$ 114,973</u>	<u>\$ 1,205</u>	<u>\$ 116,178</u>
Total operating and interest expenses included on the consolidated statement of activities	<u><u>\$ 330,473</u></u>	<u><u>\$ 71,926</u></u>	<u><u>\$ 402,399</u></u>

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

7. Expenses by Nature and Function (continued)

	2022		
	Program Services	Management and General	Total
Salaries and related benefits	\$ 117,265	\$ 26,099	\$ 143,364
Hardware and software maintenance and licensing	36,144	362	36,506
Outside services	13,348	11,957	25,305
Facility and equipment costs	4,173	5,326	9,499
Depreciation and amortization	19,449	6,811	26,260
Other	3,109	13,676	16,785
Subtotal expenses by function	193,488	64,231	257,719
Less capitalized labor expense included on the consolidated statement of financial position	(10,068)	(168)	(10,236)
Total operating expenses included on the consolidated statement of activities	\$ 183,420	\$ 64,063	\$ 247,483
Interest expense	\$ 80,629	\$ 1,052	\$ 81,681
Less capitalized interest expense included on the consolidated statement of financial position	(724)	-	(724)
Total interest expense included on the consolidated statement of activities	\$ 79,905	\$ 1,052	\$ 80,957
Total operating and interest expenses included on the consolidated statement of activities	\$ 263,325	\$ 65,115	\$ 328,440

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

#### 8. Employee Benefit Plans

##### Defined Contribution Plan

ERCOT sponsors the ERCOT Defined Contribution 401(k) Savings Plan (the 401(k) Plan), which is subject to the provisions of the Employee Retirement Income Security Act of 1974. The 401(k) Plan utilizes a third-party administrator. Employees must be 21 years of age to be eligible to participate.

ERCOT matches 75% of the employee's contribution up to 6% of eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the ERCOT match of 75% after five years. In addition, ERCOT contributes 10% of a participant's eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the ERCOT contributions of 10% after three years. Employer contributions to the 401(k) Plan are summarized in the table below:

	<u>2023</u>	<u>2022</u>
75% of the employee's contribution up to 6%	\$ 5,609	\$ 4,447
10% of the employee's compensation	<u>13,426</u>	<u>10,611</u>
Total employer contributions	<u>\$ 19,035</u>	<u>\$ 15,058</u>

##### Health Insurance Reserve

ERCOT provides a self-insured group health plan to its employees and pays for all health claims. Incurred-but-not-reported claims liability is accrued. On December 31, 2023 and 2022, the liability is \$991 and \$1,191, respectively.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 9. Leases

ERCOT has non-cancelable operating leases for office and telecommunication equipment. The terms of ERCOT's leases require monthly payments and expire in varying dates ranging from 2024 through 2035. All of the operating leases are fixed lease payments. ERCOT elected the practical expedient not to separate lease and non-lease components for the office facilities and office equipment leases. Most leases include options to renew, with renewal terms that can extend the lease term from 2 to 5 years. The exercise of lease renewal options is at ERCOT's sole discretion. The amounts of the right-of-use assets and lease liabilities are mostly measured based on current expectations of not exercising the available renewal options. The existing leases are not subject to any restrictions or covenants which preclude ERCOT's ability to obtain financing or enter into additional leases.

ERCOT had a finance lease for a new Austin office facility which commenced in year 2021 with a lease term of 123 months and two 5-year renewal options and a purchase option. In May 2022, ERCOT exercised the purchase option, and bought the new Austin office facility.

ERCOT has an accounting policy for short-term leases, of which lease payments are recorded as an expense on a straight-line basis over the lease term.

Because the rate implicit in the leases was not readily determinable, ERCOT used a risk-free discount rate for all operating and finance leases.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

*As of and for the Years Ended  
 December 31, 2023 and 2022*

**9. Leases (continued)**

Lease costs and related information as December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Lease cost		
Operating lease cost	\$ 324	\$ 470
Finance lease cost	-	125
Amortization of right-of-use assets	-	123
Interest on lease liabilities	-	2
Short-term lease cost	<u>34</u>	<u>12</u>
Total lease cost	<u>\$ 358</u>	<u>\$ 607</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities	\$ 211	\$ 12,708
Operating cash flows from operating leases	211	121
Operating cash flows from finance leases	-	6
Financing cash flows from finance leases	-	135
Investing cash flows from finance leases	-	12,446
Right-of-use assets obtained in exchange for new operating lease liabilities	271	299
Weighted-average remaining lease term-operating leases	5.9 years	6.7 years
Weighted-average discount rate-operating leases	2.46%	1.81%



Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

As of and for the Years Ended  
December 31, 2023 and 2022

9. Leases (continued)

Amounts recognized as right-of-use assets related to operating leases are reported in right-of-use assets, while related lease liabilities are included in accrued liabilities and other long-term liabilities.

As of December 31, right-of-use assets and lease liabilities related to operating leases were as follows:

	2023	2022
Right-of-use assets	\$ 915	\$ 901
Total operating lease right-of-use assets	<u>\$ 915</u>	<u>\$ 901</u>
Accrued liabilities	\$ 175	\$ 173
Other long-term liabilities	508	449
Total operating lease liabilities	<u>\$ 683</u>	<u>\$ 622</u>

The following table presents the future undiscounted maturities of operating leases at December 31, 2023 and for each of the next five years and thereafter:

2024	\$ 199
2025	148
2026	112
2027	97
2028	36
Thereafter	154
Total lease payments	<u>746</u>
Less imputed interest	<u>(63)</u>
Lease liabilities recognized	<u>\$ 683</u>

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### 10. Concentrations

ERCOT provides reliability and market services to market participants. ERCOT settles the costs of these services by passing through the costs of such services from the providers to the users of such services. In the event that a market participant is unable to make payment on its market obligations, ERCOT Nodal Protocols stipulate that the amount of the default is to be allocated to other market participants based on their market activity and define the allocation mechanism. In order to limit the risks associated with such occurrences, ERCOT requires a cash security deposit, letter of credit, corporate guaranty, or surety bond from market participants that do not meet certain credit standards. Credit risk related to trade receivables associated with ERCOT's fees is substantially mitigated by the fact that, by Protocol, ERCOT's fees are paid from market receipts as a first priority before any market obligations are paid.

ERCOT's fee revenue is driven by the demand for electricity rather than the number of market participants. In the event that any market participant representing load ceased to operate, another market participant representing load would assume the role in response to the demand for electricity. As such, ERCOT believes its exposure to a material reduction in revenues associated with the loss of any market participant is limited.

TEMSFM and TEMSFN securitization charges receivable and securitization charge fees revenue are decided by the amounts needed to cover the principal, interest, and other debt related expenses of the Texas Market Stabilization M Bonds, Series 2021, and Texas Market Stabilization N Bonds, Series 2022, respectively, rather than the number of market participants that are subject to Subchapter M and N. Under Subchapter M, wholesale market participants, except those expressly exempted by PURA, are billed and payments are collected monthly on a pro rata basis. Under Subchapter N, responsible QSEs representing obligated LSEs within the ERCOT wholesale market are billed daily on a load ratio share basis. The billing amounts are sufficient to ensure the recovery of securitization charges receivable and ongoing expenses. Cash security deposit or letter of credit from market participants that do not meet certain credit standards is required to mitigate the risk that a market participant is not able to make payment. TEMSFM and TEMSFN believe that they do not have a material concentration risk.

## Electric Reliability Council of Texas, Inc.

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

*As of and for the Years Ended  
December 31, 2023 and 2022*

#### **11. Contingencies**

The Company is party to regulatory and legal proceedings that management considers to be normal actions to which an enterprise of its size and nature might be subject. Such proceedings are not anticipated to have a material impact on ERCOT's financial condition, results of operations, or cash flows.

As a result of Winter Storm Uri, ERCOT was named a party to numerous legal and regulatory proceedings. Specifically, ERCOT was named as a defendant in more than 200 personal injury and property damage lawsuits involving more than fifteen thousand plaintiffs and a class action, which were consolidated for adjudication in a multi-district litigation pre-trial court. ERCOT remains a party to other lawsuits and administrative proceedings at the PUCT challenging energy pricing during the February 2021 extreme winter weather event. Significantly, last June the Supreme Court of Texas held that ERCOT is entitled to sovereign immunity and that the PUCT has exclusive jurisdiction over claims asserted against ERCOT that arise from ERCOT's core functions. Following these rulings, all but a handful of the personal injury and property damage cases have been dismissed. ERCOT expects the remainder will also be dismissed. Pricing disputes remain pending, but ERCOT does not anticipate that the remaining pricing proceedings to which it is a party will have a material impact on ERCOT's financial condition, results of operations, or cash flows in the next twelve months or thereafter.

#### **12. Subsequent Events**

The Company has evaluated material subsequent events through April 24, 2024, the date the Company's consolidated financial statements were available to be issued. The Company is not aware of any material subsequent events.

Electric Reliability Council of Texas, Inc.  
Supplementary Information  
December 31, 2023 and 2022

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information

	December 31, 2023				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Assets</b>					
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
Right-of-use assets	915	-	-	-	915
Total assets	\$4,098,509	\$427,377	\$2,126,349	\$(16,542)	\$6,635,693

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information (continued)

	December 31, 2023				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Liabilities and Net Assets</b>					
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 and reserves	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
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 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

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information (continued)

	December 31, 2022				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Assets</b>					
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	<u>4,165,744</u>	<u>436,280</u>	<u>123,803</u>	<u>(384,690)</u>	<u>4,341,137</u>
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
Right-of-use assets	901	-	-	-	901
Total assets	<u>\$4,361,775</u>	<u>\$ 828,780</u>	<u>\$ 2,173,101</u>	<u>\$(399,269)</u>	<u>\$ 6,964,387</u>

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information (continued)

	December 31, 2022				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Liabilities and Net Assets</b>					
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 and reserves	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
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 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, Inc.

Consolidating Statements of Activities and Changes in Net Assets Information

	December 31, 2023				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Operating revenues:</b>					
System administration fees	\$ 247,479	\$ -	\$ -	\$ -	\$ 247,479
Securitization charges fees	-	13,195	101,347	-	114,542
Other services revenue	14,503	-	-	(1,658)	12,845
Total operating revenues	261,982	13,195	101,347	(1,658)	374,866
<b>Operating expenses:</b>					
Salaries and related benefits	168,365	-	-	-	168,365
Hardware and software maintenance and licensing	39,801	-	1	-	39,802
Outside services	19,833	799	1,282	(1,658)	20,256
Facility and equipment costs	9,543	-	-	-	9,543
Depreciation and amortization	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
<b>Other income (expense):</b>					
Investment return, net	120,193	583	1,933	-	122,709
Interest expense and debt issuance cost amortization	(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 year	\$ 250,396	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 250,396

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Activities and Changes in Net Assets Information (continued)

	December 31, 2022				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Operating revenues:</b>					
System administration fees	\$ 239,225	\$ -	\$ -	\$ -	\$ 239,225
Securitization charges fees	-	24,417	56,372	-	80,789
Other services revenue	8,569	-	-	(1,175)	7,394
Total operating revenues	247,794	24,417	56,372	(1,175)	327,408
<b>Operating expenses:</b>					
Salaries and related benefits	133,128	-	-	-	133,128
Hardware and software maintenance and licensing	36,506	-	-	-	36,506
Outside services	24,907	772	801	(1,175)	25,305
Facility and equipment costs	9,499	-	-	-	9,499
Depreciation and amortization	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	23,664	55,571	-	79,925
<b>Other income (expense):</b>					
Investment return, net	24,987	195	476	-	25,658
Interest expense and debt issuance cost amortization	(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 year	\$ 155,102	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 155,102

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information

	December 31, 2023				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Operating activities</b>					
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 right-of-use assets	274	-	-	-	274
Amortization of debt issuance costs	17	76	747	-	840
Amortization of bond investments 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 current assets	(5,657)	2	-	-	(5,655)
Other long-term liabilities	(40)	-	-	-	(40)
Accounts payable	964	-	-	-	964
Accrued liabilities	13,474	(6,211)	(11,727)	-	(4,464)
Payable to intercompany	(382,025)	(116)	(44)	382,185	-
Deferred revenue	1,332	-	-	-	1,332
Security deposits and reserves	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

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information (continued)

	December 31, 2023				Consolidated
	ERCOT	TEMSFM	TEMSFN	Eliminations	
	<i>(In Thousands)</i>				
<b>Investing activities</b>					
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)
<b>Financing activities</b>					
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 year	\$2,063,687	\$ 34,819	\$ 75,384	\$ -	\$2,173,890

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information (continued)

	December 31, 2022				Consolidated
	ERCOT	TEMSFM	TEMSFN	Eliminations	
	<i>(In Thousands)</i>				
<b>Operating activities</b>					
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 right-of-use assets	293	-	-	-	293
Amortization of debt issuance costs	18	78	407	-	503
Repayments of interest portion of finance lease liabilities	(6)	-	-	-	(6)
Amortization of bond investments 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 current assets	(10,770)	6	-	-	(10,764)
Other long-term liabilities	84	-	-	-	84
Accounts payable	4,809	4	-	-	4,813
Accrued liabilities	(8,437)	8,459	55,259	-	55,281
Payable to intercompany	382,747	553	1,307	(384,607)	-
Deferred revenue	4,598	-	-	-	4,598
Security deposits and reserves	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)

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information (continued)

	December 31, 2022				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
<b>Investing activities</b>					
Purchase of investments	(614,793)	-	-	-	(614,793)
Proceeds from investments	112,229	-	-	-	112,229
Investments in subsidiary	(10,579)	-	-	10,579	-
Capital expenditures for property and equipment and systems under development	(63,927)	-	-	-	(63,927)
Net cash (used in) provided by investing activities	(577,070)	-	-	10,579	(566,491)
<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	(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 year	\$3,600,647	\$ 44,047	\$ 80,440	\$ -	\$3,725,134