



## **Filing Receipt**

**Filing Date - 2023-08-25 04:17:16 PM**

**Control Number - 38533**

**Item Number - 51**

**PROJECT NO. 38533**

**PUC REVIEW OF ERCOT BUDGET § PUBLIC UTILITY COMMISSION**  
**§**  
**§ OF TEXAS**

**ERCOT’S 2024/2025 BIENNIAL BUDGET AND  
SYSTEM ADMINISTRATION FEE SUBMISSION**

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**PUCT PROJECT NO. 38533**

**PUC REVIEW OF ERCOT BUDGET            §    PUBLIC UTILITY COMMISSION**  
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**ERCOT’S 2024/2025 BIENNIAL BUDGET AND  
SYSTEM ADMINISTRATION FEE SUBMISSION**

COMES NOW, Electric Reliability Council of Texas, Inc. (ERCOT) and files its *2024/2025 Biennial Budget and System Administration Fee Submission*, pursuant to 16 Tex. Admin. Code (TAC) § 25.363(e) and the Commission’s *Order Approving ERCOT’s 2022 to 2023 Biennial Budget and Authorizing the System Administration Fee (2022/2023 Order)*, for review by the Public Utility Commission of Texas (Commission). The 2024/2025 ERCOT biennial budget included in this submission contemplates a change in the ERCOT system administration fee rate, which ERCOT proposes to increase for the first time since 2016, from \$0.555 per megawatt hour (MWh) to \$0.710 per MWh for ERCOT fiscal years 2024 and 2025.

**I.        Commission Jurisdiction**

The Commission has jurisdiction over this matter pursuant to Section 39.151 of the Public Utility Regulatory Act (PURA)<sup>1</sup> and 16 TAC § 25.363(d) and (e). PURA § 39.151(d-1) and (e) grant the Commission complete authority over ERCOT’s finances and budget, including the system administration fee.<sup>2</sup>

**II.       Procedural Requirements**

16 TAC § 25.363(d) requires that ERCOT submit its proposed budget for Commission review as specified in the Commission order approving ERCOT’s previous budget, and that ERCOT’s application include all information necessary for the Commission to evaluate the

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<sup>1</sup> Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016.

<sup>2</sup> See also *CPS Energy v. Electric Reliability Council of Texas*, No. 22-056, 2023 WL 4140460, at \*11 (Tex. June 23, 2023). “ERCOT must submit its proposed annual budget to the PUC, which can ‘approve, disapprove, or modify any item’ in it. ERCOT is authorized to charge a system administration fee, but only after the PUC approves its budget and sets the fee range,” citing PURA § 39.151(d-1) and (e).

proposed budget. 16 TAC § 25.363(e) provides that ERCOT’s annual budget and any change in the system administration fee are subject to review by the Commission either annually or biennially, at the Commission’s discretion, and sets forth a process for Commission participation in the budget development process for ERCOT.

The 2024/2025 ERCOT biennial budget included in this submission contemplates an increase in the ERCOT system administration fee rate from \$0.555 per MWh to \$0.710 per MWh for years 2024 and 2025. 16 TAC § 25.363(e) provides, in pertinent part:

After approving ERCOT's budget, the commission shall authorize ERCOT to charge a system administration fee, within a range determined by the commission, that is reasonable and competitively neutral to fund ERCOT's budget. [...] Any change to the fee approved by the Commission or made during the course of an annual or biennial budget cycle will be noticed through standard market processes at least 45 days before implementation.

ERCOT’s request does not seek to revise the manner in which the system administration fee is charged and collected, which the Commission has previously found to be reasonable and competitively neutral.<sup>3</sup>

Commission staff requested that ERCOT file a biennial, rather than annual, budget for review beginning with the 2014/2015 budget cycle. In its *2024/2025 Biennial Budget and System Administration Fee Submission*, ERCOT has included information and data supporting the reasonableness of its budget request, as requested by Commission staff, including the information and data presented to the ERCOT Board of Directors (ERCOT Board) as part of the Board’s consideration of the 2024/2025 ERCOT biennial budget and system administration fee.

As specified in the 2022/2023 Order, ERCOT continues to utilize a format for structuring the budget filed with the Commission that includes the key components of the Legislative Appropriations Request (LAR) format utilized by the Texas Legislative Budget Board. ERCOT has organized its budget schedules to conform to the LAR format to the extent possible, and has prepared a summary statement from ERCOT’s Chief Executive Officer similar to the LAR “Administrator’s Statement.”

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<sup>3</sup> See *Application of the Electric Reliability Council of Texas to Change the ERCOT Administrative Fee*, Docket No. 28832 (March 18, 2004); *Application of the Electric Reliability Council for Approval of the ERCOT Administrative Fee*, Docket No. 31824 (May 15, 2006). ERCOT used the same process for charging and collecting the system administration fee in recent years, including the most recently approved budget and system administration fee. See also Project No. 38533, Order Approving ERCOT's 2022-2023 Biennial Budget and Authorizing the System Administration Fee (Dec. 2, 2021).

**A. Contents of ERCOT’s Biennial Budget Submission**

In addition to this pleading, ERCOT’s biennial budget submission includes the following attachments to satisfy the 16 TAC § 25.363(e) requirement to “file with the Commission its board-approved budget, budget strategies, and staffing needs, with a justification for all expenses, capital outlays, additional debt, and staffing requirements”:

- A. ERCOT Board resolution approving proposed 2024/2025 biennial budget and system administration fee;
- B. ERCOT staff presentation of the 2024/2025 biennial budget and system administration fee to the Finance and Audit (F&A) Committee of the ERCOT Board on June 19, 2023, and to the ERCOT Board on June 20, 2023;
- C. Statement of ERCOT Chief Executive Officer summarizing ERCOT’s 2024/2025 biennial budget and system administration fee;
- D. ERCOT 2024/2025 biennial budget schedules and work papers;
- E. ERCOT 2024 – 2028 Strategic Plan; and
- F. 2022 ERCOT Key Performance Indicators.

**B. Consultation with Commission Staff**

In accordance with 16 TAC § 25.363(e), ERCOT staff consulted “with commission staff designated by the executive director in connection with the development of the budget,” and provided “to the staff information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt.” In preparation of the 2024/2025 biennial budget for ERCOT Board approval in June 2023, ERCOT and Commission staff began holding meetings as early as May 2022. Between the consultation meetings, ERCOT staff responded to informal information requests from Commission staff regarding particular budget categories and discussed with Commission staff the format of ERCOT’s budget presentation, including mapping budget drivers in the 2024/2025 budget proposal to high-level priorities and objectives the ERCOT Board and management developed over several months, incorporating the input of other stakeholders, to guide ERCOT’s

work via the 2024 – 2028 Strategic Plan. To ERCOT’s knowledge, it has responded to all the requests or concerns raised by Commission staff in the consultation process.

**C. ERCOT Board Approval of 2024/2025 ERCOT Biennial Budget and System Administration Fee**

In accordance with 16 TAC § 25.363(e), ERCOT’s filing with the Commission includes the proposed 2024/2025 biennial budget and system administration fee approved by the ERCOT Board at its meeting on June 20, 2023. The ERCOT Board adopted the 2024/2025 biennial budget recommendations of ERCOT staff and the ERCOT Board’s F&A Committee. Such recommendations included identification of operating expenses, project spending, and debt service obligations. A copy of the June 20, 2023 ERCOT Board resolution approving the 2024/2025 ERCOT biennial budget is included in this submission as Attachment A. The 2024/2025 biennial budget presentation made by ERCOT staff at the June 19, 2023 F&A Committee meeting is included as Attachment B, for which a recommendation for ERCOT Board approval was made by the F&A Committee at the June 20, 2023 ERCOT Board meeting.

ERCOT’s 2022/2023 budget proposal filing to the Commission anticipated ERCOT would propose a system administration fee rate increase in its 2024/2025 biennial budget request. During the first quarter of 2022, the ERCOT Board discussed upward pressure on the 2023 budgeted system administration fee rate and the public’s desire for reasonable advance notice of any future system administration fee rate increases. Subsequently during the first quarter of 2023, the F&A Committee discussed, at a public meeting, ERCOT staff’s forecast of the need for a system administration fee rate increase in 2024. The F&A Committee subsequently discussed development of the 2024/2025 ERCOT biennial budget in a public meeting held in the second quarter of 2023.<sup>4</sup> Concurrently, as part of the process for developing ERCOT’s 2024 – 2028 Strategic Plan, beginning in April 2023, the Board’s Human Resources and Governance (HR&G) Committee invited stakeholder feedback regarding ERCOT strategic priorities and objectives for the next five years, which informed development of the 2024/2025 budget proposal.

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<sup>4</sup> The F&A Committee agendas and budget presentation materials are available at: [http://www.ercot.com/committees/board/finance\\_audit/](http://www.ercot.com/committees/board/finance_audit/).

The ERCOT Board’s decision to approve the 2024/2025 ERCOT biennial budget and system administration fee was not appealed to the Commission by any party. The Commission’s procedural rules require that if a party seeks Commission review of “ERCOT conduct,” the party must file its complaint at the Commission “within 35 days of the ERCOT conduct complained of ....”<sup>5</sup> In relation to the Commission’s procedural rules related to ERCOT conduct, the term “conduct” is defined as “a decision or an act done or omitted to be done.”<sup>6</sup> Under ERCOT’s governing documents, a vote of the ERCOT Board constitutes a “decision” made by ERCOT.<sup>7</sup> The thirty-five (35) day appeal period expired on July 25, 2023, and no party has contested the ERCOT Board’s approval of the 2024/2025 ERCOT biennial budget and system administration fee, which has a proposed effective date of the beginning of ERCOT’s new fiscal year on January 1, 2024.

### **III. The ERCOT 2024/2025 Biennial Budget and System Administration Fee Proposal**

The proposed biennial budget approved by the ERCOT Board includes \$424,027,936 for ERCOT’s fiscal year 2024 and \$426,184,988 for ERCOT’s fiscal year 2025 in total spending authorization for operating expenses, project spending, and debt service obligations, and an increase in the system administration fee rate from \$0.555 per MWh to \$0.710 per MWh, effective January 1, 2024, with the intention that the new rate will remain in effect through 2027.

ERCOT has maintained a flat system administration fee rate of \$0.555 per MWh since 2016, such that this increase of the system administration fee rate to \$0.710 per MWh would represent a compound annual growth rate of 3.1% since then. At the time of its 2016/2017 biennial budget request, ERCOT projected the \$0.555 per MWh fee rate would be sufficient for four to six years, and anticipated a potential fee increase no later than 2022. However, the 2022/2023 ERCOT budget proposal did not propose an increase to the system administration fee rate as management took exceptional measures to control and cut expenses across the organization in an effort to offset

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<sup>5</sup> 16 TAC § 22.251(d). A party may also file a request for alternative dispute resolution (ADR) under Section 20 of the ERCOT Protocols to contest ERCOT decisions. ERCOT notes for the record that no party filed an ADR contesting the ERCOT Board’s approval of the 2024/2025 ERCOT biennial budget and system administration fee.

<sup>6</sup> *Id.* § 22.251(b).

<sup>7</sup> ERCOT Bylaws, Section 4.7(b).

the significant costs associated with Winter Storm Uri and associated legislation. 2023 was the eighth consecutive year that the fee was set at the rate of \$0.555 per MWh.

Incremental increases in the proposed 2024/2025 budget from the 2022/2023 budget reflect multiple factors impacting the electric industry in the ERCOT region. The ERCOT region has witnessed significant changes in its resource mix and regulatory environment. The Texas grid is more complex, dynamic, and diverse than ever before, and the pace of growth and change is accelerating. In the past few years, the ERCOT region's growth has included active market participants increasing from 1,800-plus to over 3,100-plus; generating units, including Private Use Networks, increasing from 650-plus to 1,100-plus; miles of high-voltage transmission increasing from 46,500-plus to 52,700-plus; and the annual amount of endorsed transmission projects increasing from \$1.3 billion to \$3.3 billion. The types of industry participants also continue to evolve. Over the last decade, wind and solar generation has increased, and we have seen the development of energy storage. ERCOT now also works with various new types of participants, such as large loads and distributed energy resources. Federal and state statutory and regulatory activities since Winter Storm Uri continue to require substantial dedication of resources to support grid reliability and resilience, particularly in response to extreme weather events. Changes in response to these regulatory activities have focused on enhancing communication, strengthening weatherization standards, and implementing measures to ensure system stability.

Overall, the ERCOT region has experienced a dynamic transformation, embracing new energy sources while striving to enhance the reliability of its power infrastructure. Projects deferred in prior years need to be restored to continue ERCOT's reliability-first approach to operations and execute an overall market plan that includes Real-Time Co-optimization (RTC). A greater investment in ERCOT's people must be prioritized for ERCOT to compete for talent among employers in a tight job market and to manage talent in a way that advances ERCOT's mission, vision, and strategic objectives. Finally, ERCOT faces increased litigation and regulatory costs.

ERCOT consistently looks for efficiencies and savings in our processes. Savings we have realized since the last budget cycle include reducing spend by consolidating hardware and software platforms; repurposing employee positions; creating programs to develop entry level talent; increasing sourcing abilities; reducing facility costs; and implementing new software tools and enhancements.



The proposed 2024/2025 budget anticipates that interest income will provide \$49.8 million and \$39.8 million of funding in 2024 and 2025, respectively. The source of the interest income is the investment of the Congestion Revenue Rights (CRR) auction receipts that ERCOT holds and invests in compliance with the Board-approved investment policies.

ERCOT management is committed to promptly notifying the Commission and market participants of developments that would materially impact ERCOT's ability to operate within its requested budget and system administration fee structure.

#### **IV. Budget Drivers for 2024/2025**

In its presentations to the ERCOT Board, and in its consultation meetings with Commission staff, ERCOT has identified, with stakeholder input, three ERCOT Board-approved objectives and high-level priorities that correspond to the three Strategic Objectives in ERCOT's 2024 – 2028 Strategic Plan and budget-request drivers for 2024/2025 as follows:

1. Be an industry leader for grid reliability and resilience;
2. Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers; and
3. Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission.

Additional details regarding ERCOT's strategic objectives and priority issues are included in the 2024-2028 Strategic Plan in Attachment E.

Compared to ERCOT's approved 2023 budget,<sup>8</sup> the 2024 budget request represents an increase in total department net expenditures and project expenditures of \$115.6 million and includes 171 incremental employee positions. Of the \$115.6 million increase, \$24.8 million (21.5%) is tied to Strategic Objective 1, \$44.5 million (38.5%) is tied to Strategic Objective 2, and \$46.3 million (40.0%) is tied to Strategic Objective 3. Department net expenditures represent department expenditures net of department revenues such as user fees and securitization fees, which serve as funding sources for those expenditures. Incremental department revenues reduce

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<sup>8</sup> Throughout this section of ERCOT's submission, references to increases or decreases are to the 2024 budget request as compared to ERCOT's approved 2023 budget.

the system administration fee revenues that otherwise would be required to fund incremental department expenditures. It is important to note that the \$46.3 million tied to Strategic Objective 3 includes the incremental costs from the 2023 budget to the 2024 budget request that are associated with changes in the average compensation for all 2023 budgeted employee positions, regardless of the employee's role. Full details regarding increases in department net expenditures and projects are included in the 2024/2025 biennial budget presentation made by ERCOT staff at the June 19, 2023 F&A Committee meeting (Attachment B).

#### Strategic Objective 1: Be an industry leader for grid reliability and resilience

For ERCOT to be an industry leader for grid reliability and resilience, ERCOT's 2024/2025 budget proposal contemplates incremental department net expenditures and project expenditures of \$24.8 million with an incremental 114 employee positions. Of those 114 positions, 58 are in Systems Planning & Weatherization, 42 are in System Operations, six are in General Counsel, five are in the Chief Information Office, and three are in the Chief Administrative Office.

The incremental costs and positions are required as a result of ever-increasing complexities, volumes, and requirements. There are several drivers for the increases. They include: (1) growth in interconnection requests and reviews; (2) mandated inspections of generation and transmission facilities; (3) increased number and MWh of Large Flexible Loads (LFLs), Energy Storage Resources (ESRs), and Inverter Based Resources (IBRs); (4) continued growth in renewable resources; and (5) new responsibilities for monitoring compliance with state reliability rules.

While incremental employee positions are required for drivers like interconnection requests and mandated inspections, the related incremental costs are at least partially offset by user fees. Similarly, ERCOT's new responsibilities for monitoring compliance with state reliability rules require incremental employee positions; however, the costs of a third-party providing those services was previously included in the 2022/2023 budget. In situations like these, the incremental employee positions for these activities do not result in a similar incremental department net expenditure request, thus minimizing the impact on the system administration fee request. Full details regarding increases in department net expenditures and projects required for ERCOT to be an industry leader for grid reliability and resilience are included in the 2024/2025 biennial budget presentation in Attachment B.

Strategic Objective 2: Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers

To enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers, ERCOT's 2024/2025 budget proposal includes incremental department net expenditures and project expenditures of \$44.5 million with an incremental 29 employee positions. Of those 29 positions, 13 are in Commercial Operations, eight are in the Chief Information Office, and eight are in the Chief Administrative Office.

The majority of the Strategic Objective 2 incremental department net expenditures and project expenditures are project driven, with the largest two components being (1) high-profile market design projects, such as those required by House Bill 1500 of the 88th Texas Legislature and those featured in the overall market plan discussed at the Commission, which include Dispatchable Reliability Reserve Service (DRRS), Real-Time Co-optimization (RTC), the Performance Credit Mechanism (PCM), the Market Management System (MMS), and the Firm Fuel Supply Service (FFSS); and (2) the addition of a second iTest environment necessary to efficiently facilitate change.

The remaining incremental costs and employee positions are primarily driven by an increase in the complexity and volume of work including: (1) securitization; (2) CRR long-term auctions; and (3) the increasing size and activity of the wholesale and retail markets. Full details regarding increases in department net expenditures and projects required to enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers are included in the 2024/2025 biennial budget presentation in Attachment B.

Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission

To advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission, ERCOT's 2024/2025 budget proposal includes incremental department net expenditures and project expenditures of \$46.3 million with an incremental 28 employee positions. Of those 28

positions, 11 are in the Chief Information Office, eight are in General Counsel, seven are in the Chief Administrative Office, and two are in Public Affairs.

The majority of the Strategic Objective 3 incremental department net expenditures and project expenditures are to address recruitment, attrition management, and compensation adjustments for competitiveness. As noted previously, average compensation variances for all 2023 budgeted positions are included in Strategic Objective 3, regardless of the employee's department or function.

Additional key incremental costs and employee positions include resources for improving communications and providing support for lawsuits, disputes, and regulatory requirements. Full details regarding increases in department net expenditures and projects required to advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission are included in the 2024/2025 biennial budget presentation in Attachment B.

**V. Compliance with Instructions for Submission of ERCOT's Proposed 2024/2025 Biennial Budget**

Pursuant to the 2022/2023 Order, ERCOT is filing this proposed biennial budget for its fiscal years 2024 and 2025 no later than September 1, 2023, and in accordance with the instructions for submission as provided in the 2022/2023 Order.

## VI. Conclusion

ERCOT's 2024/2025 Biennial Budget and System Administration Fee Submission, and the consultation process with Commission staff prior to seeking ERCOT Board approval of its biennial budget and system administration fee rate, conform to the requirements for approval of the ERCOT budget included in 16 TAC § 25.363(d) and the 2022/2023 Order. ERCOT respectfully requests that the Commission take the actions necessary to approve the 2024/2025 ERCOT biennial budget and authorize the proposed increase of the system administration fee rate from the current rate of \$0.555 per MWh to \$0.710 per MWh for ERCOT's fiscal years 2024 and 2025. ERCOT respectfully requests Commission action by November 15, 2023, to allow a Market Notice to all Market Participants 45 days in advance of the change to the system administration fee rate at the beginning of ERCOT's fiscal year on January 1, 2024.

Respectfully Submitted,

/s/ Chad V. Seely

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ATTORNEYS FOR ELECTRIC RELIABILITY  
COUNCIL OF TEXAS, INC.

Attachment A

ERCOT Board Resolution Approving Proposed 2024/2025 Biennial  
Budget and System Administration Fee



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

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to accept the recommendations of ERCOT staff and the Finance and Audit (F&A) Committee that the Board approve the ERCOT recommended 2024-2025 Biennial Budget (Budget), which includes operating expenses, project spending, and debt service obligations;

WHEREAS, Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc., approved on December 20, 2022 (Bylaws), requires that the Board approve the Budget;

WHEREAS, ERCOT staff discussed financial assumptions, methodologies and schedules relating to the Budget in a public meeting with the F&A Committee, and consulted with the staff of the Public Utility Commission of Texas (PUCT) regarding development of the Budget;

WHEREAS, ERCOT staff presented its recommended 2024-2025 Biennial Budget, which includes a total spending authorization of \$424,027,936 and \$426,184,988 respectively; and

WHEREAS, the Budget recommended by ERCOT staff will require an increase in the ERCOT system administration fee rate from \$0.555 to \$0.710 per megawatt-hour effective January 1, 2024;

THEREFORE, BE IT RESOLVED, that the Board hereby:

- Approves the recommended 2024-2025 Biennial Budget as set forth in **Attachment A**, which includes \$424,027,936 and \$426,184,988 total spending authorization for operating expenses, project spending, and debt service obligations for 2024 and 2025, respectively; and
- Approves the request for a recommended increase to the ERCOT system administration fee rate from \$0.555 to \$0.710 per megawatt-hour effective January 1, 2024 as set forth in **Attachment B**; and
- Authorizes ERCOT Legal to file the Board-approved 2024-2025 Biennial Budget for approval by the PUCT, pursuant to P.U.C. SUBST. R. 25.363(d).





**CORPORATE SECRETARY'S CERTIFICATE**

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its June 20, 2023 meeting, the Board passed a motion approving the above Resolution by unanimous voice vote with no abstentions.

IN WITNESS WHEREOF, I have hereunto set my hand this 22<sup>nd</sup> day of June, 2023.

A handwritten signature in black ink, appearing to read "Jonathan M. Levine".

\_\_\_\_\_  
Jonathan M. Levine  
Assistant Corporate Secretary

**Attachment A**

**ERCOT**

**Fiscal Years 2024-2025 Budget Request**

**(\$ in Millions)**

Sources and Uses				2024	2025	2026	2027	2028	2029
	2022	2023	2023	Request	Request	Projection	Projection	Projection	Projection
	Actual	Budget	Forecast						
1 System Administration Fee Revenue	\$ 239.2	\$ 240.9	\$ 241.2	\$ 330.1	\$ 340.8	\$ 350.9	\$ 360.9	\$ 397.6	\$ 401.4
2* Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
3 Interest Income	25.0	0.0	77.4	49.8	39.8	39.8	39.8	39.8	39.8
4 Other Revenues	8.6	20.5	16.4	18.0	18.0	18.9	19.9	20.9	21.9
5 CRR Borrowings	23.7	5.1	-	-	-	-	-	-	-
6 Decrease in Cash Balance	6.9	-	-	-	-	-	28.4	-	-
<b>7 Total Sources</b>	<b>\$ 325.2</b>	<b>\$ 287.0</b>	<b>\$ 359.7</b>	<b>\$ 424.0</b>	<b>\$ 426.2</b>	<b>\$ 438.8</b>	<b>\$ 479.7</b>	<b>\$ 490.8</b>	<b>\$ 497.4</b>
8 Department Expenditures	\$ 218.3	\$ 231.5	\$ 260.7	\$ 315.1	\$ 331.2	\$ 350.8	\$ 371.4	\$ 393.3	\$ 416.5
9 Project Expenditures	54.0	27.1	34.7	37.5	33.0	35.5	72.8	45.0	37.0
10 Market Design Project	-	2.4	2.4	21.6	17.2	8.0	-	-	-
11 MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-
12* Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
13 Debt Service	5.1	5.5	5.4	5.4	5.2	5.1	4.7	4.5	4.4
14 Investment in SPE M & N	10.6	-	-	-	-	-	-	-	-
15 Repayment of CRR Borrowings	-	-	23.7	-	-	-	-	-	-
16 Increase in Cash Balance	-	-	8.0	18.3	11.9	10.2	-	15.5	5.2
<b>17 Total Uses</b>	<b>\$ 325.2</b>	<b>\$ 287.0</b>	<b>\$ 359.7</b>	<b>\$ 424.0</b>	<b>\$ 426.2</b>	<b>\$ 438.8</b>	<b>\$ 479.7</b>	<b>\$ 490.8</b>	<b>\$ 497.4</b>

\* Reliability Organization Assessment is a pass-through collected on behalf of the Texas Regional Entity; it is not set by ERCOT.

Schedule may not foot due to rounding.

**Attachment B**

ERCOT

Fiscal Years 2024-2025 Budget Request

(\$ in Millions)

Budget Summary										
Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection	
1	<b>System Administration Fee Rate (SAF)</b>	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.770	\$ 0.770
2	Energy Consumption (TWh)	431.0	434.0	434.5	465.0	480.0	494.3	508.3	516.4	521.2
2A	Year over Year %	9.6%	0.7%	0.8%	7.0%	3.2%	3.0%	2.8%	1.6%	0.9%
3	<b>System Administration Fee Revenue</b>	\$ 239.2	\$ 240.9	\$ 241.2	\$ 330.1	\$ 340.8	\$ 350.9	\$ 360.9	\$ 397.6	\$ 401.4
4	Department Net Expenditures	\$ 209.7	\$ 211.1	\$ 244.3	\$ 297.1	\$ 313.3	\$ 331.9	\$ 351.6	\$ 372.5	\$ 394.6
4A	Year over Year %	11.0%	0.6%	16.5%	21.6%	5.4%	5.9%	5.9%	5.9%	5.9%
5	Project Expenditures	54.0	27.1	34.7	37.5	33.0	35.5	72.8	45.0	37.0
6	Market Design Project	-	2.4	2.4	21.6	17.2	8.0	-	-	-
7	MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-
8	<b>Total Net Expenditures</b>	\$ 279.1	\$ 240.5	\$ 281.4	\$ 356.2	\$ 363.5	\$ 375.4	\$ 424.3	\$ 417.5	\$ 431.6
9	<b>Net Available Before Non-Operating</b>	\$ (39.9)	\$ 0.3	\$ (40.3)	\$ (26.1)	\$ (22.6)	\$ (24.4)	\$ (63.4)	\$ (19.8)	\$ (30.2)
10	Debt Service	\$ (5.1)	\$ (5.5)	\$ (5.4)	\$ (5.4)	\$ (5.2)	\$ (5.1)	\$ (4.7)	\$ (4.5)	\$ (4.4)
11	Interest Income	25.0	0.0	77.4	49.8	39.8	39.8	39.8	39.8	39.8
11A	Interest Rate %	1.51%	0.01%	3.72%	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%
12	Investment in SPE M & N	(10.6)	-	-	-	-	-	-	-	-
13	<b>Non-Operating Sources &amp; Uses</b>	\$ 9.3	\$ (5.5)	\$ 72.0	\$ 44.4	\$ 34.6	\$ 34.6	\$ 35.1	\$ 35.3	\$ 35.4
14	<b>Net Available</b>	\$ (30.6)	\$ (5.1)	\$ 31.7	\$ 18.3	\$ 11.9	\$ 10.2	\$ (28.4)	\$ 15.5	\$ 5.2
<b>Year-End Balances: Notes Payable, CRR Borrowings, Cash, and CRR Fund</b>										
15	Notes Payable Balance	\$ 39.0	\$ 35.0	\$ 35.0	\$ 31.0	\$ 27.0	\$ 23.0	\$ 19.0	\$ 15.0	\$ 11.0
16	CRR Borrowings Balance	\$ 23.7	\$ 28.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Cash Balance	\$ -	\$ -	\$ 8.0	\$ 26.3	\$ 38.2	\$ 48.4	\$ 20.0	\$ 35.5	\$ 40.6
18	CRR Fund Balance	\$ 1,973.6	\$ 997.3	\$ 2,021.6	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0

Schedule may not foot due to rounding.

Attachment B

ERCOT Staff Presentation of the 2024/2025 Biennial Budget and  
System Administration Fee to the  
Finance and Audit Committee of the ERCOT Board on June 19, 2023,  
and to the  
ERCOT Board of Directors on June 20, 2023



**The Finance and Audit (F&A) Committee is  
expected to consider  
F&A Committee Agenda Item 5:**

***Recommendation regarding 2024-2025  
Budget and Fee***

**at its meeting on June 19, 2023.**

**The Board of Directors is expected to hear  
the F&A Committee's recommendation on  
this matter as part of the  
F&A Committee Report  
at the Board meeting  
on June 20, 2023.**

**Attached are the Board and Committee  
materials in relation to these agenda items.**



## Item 5: Recommendation regarding 2024-2025 Budget and Fee – REVISED

*Sean Taylor*  
Vice President and Chief Financial Officer

Finance and Audit Committee Meeting

ERCOT Public  
June 19, 2023

One entry on slide 9 chart revised 6/13/2023

# Recommendation regarding 2024-2025 Budget and Fee F&A Committee Request

Why is this being presented today:

The ERCOT Finance and Audit (F&A) Committee Charter requires the Committee to review staff's proposed budget for the following years, including the amount and type of financing needed, both revenue and debt, to support the proposed budget and meet liquidity needs. The Charter further requires that, following the Committee's review of the above items, the Committee recommend to the Board of Directors (Board) a proposed budget and associated financing plan for the following years

ERCOT staff requests a vote from the F&A Committee to recommend that the Board approve staff's proposed 2024-2025 Biennial Budget which includes:

1. Appropriate funds and staff to address ERCOT's Strategic Objectives;
2. Compliance with the Financial Corporate Standard and associated financial performance measures as approved by the Board;
3. Funding for independent market monitoring, Public Utility Regulatory Act (PURA), and North American Electric Reliability Corporation (NERC) compliance functions;
4. Total authorized spend of \$424.0 million and \$426.2 million in 2024 and 2025, respectively; and
5. An increase in the system administration fee (SAF) rate fee from \$0.555 to \$0.710 per megawatt-hour effective January 1, 2024, representing a compound annual growth rate of 3.1% since our last increase in 2016

# Recommendation regarding 2024-2025 Budget and Fee Agenda

1. Approval Timeline
2. Overview of the Budget Process
3. Budget Drivers
  - Expenditures
  - Revenues
  - Interest Income
  - Debt Strategy
4. System Administration Fee Rate Options Summary
5. Management Recommended Budget Option (Option 1) Details
  - Budget Summary – Option 1
  - Sources and Uses Summary – Option 1
  - Revenue Trends – Option 1
  - Budget Projections – Option 1
  - Financial Ratios – Option 1
6. Risks to Meeting the 2024-2025 Recommended Budget
7. Appendices

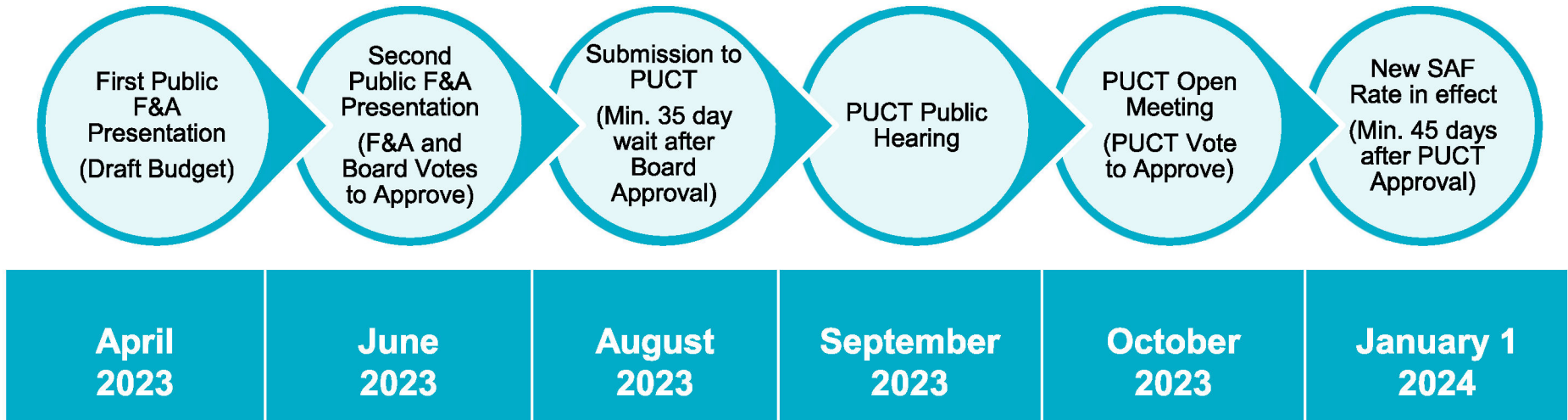




# Recommendation regarding 2024-2025 Budget and Fee

## 1. Approval Timeline

# Recommendation regarding 2024-2025 Budget and Fee Approval Timeline

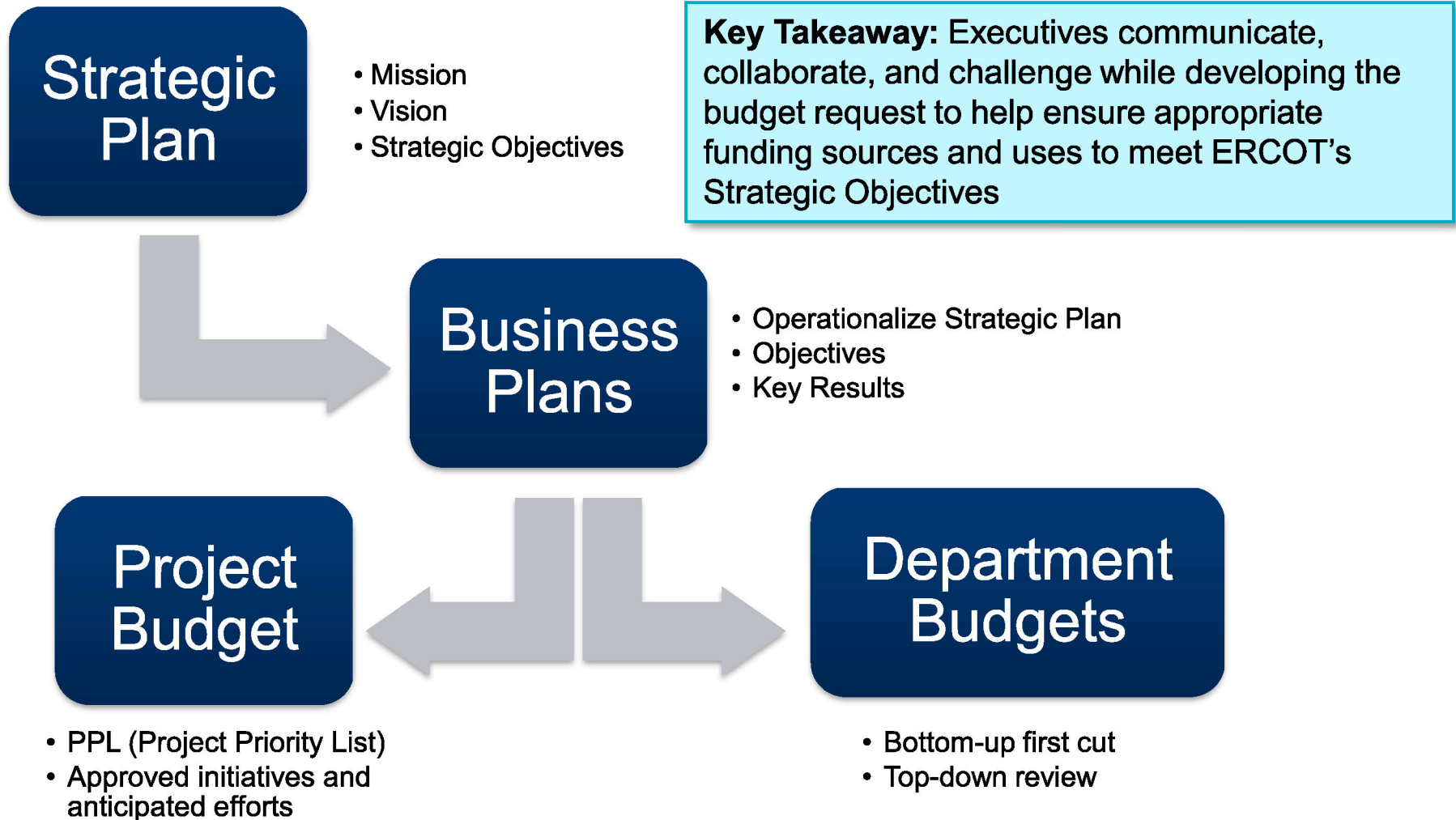


**Key Takeaway:** In order for the System Administration Fee (SAF) rate to increase effective January 1, 2024, as recommended by ERCOT management, Public Utility Commission of Texas (PUCT) approval must take place at least 45 days prior to January 1, 2024. Board approval is needed at the June 2023 Board meeting to facilitate that timing

## 2. Overview of the Budget Process

# Recommendation regarding 2024-2025 Budget and Fee

## Overview of the Budget Process

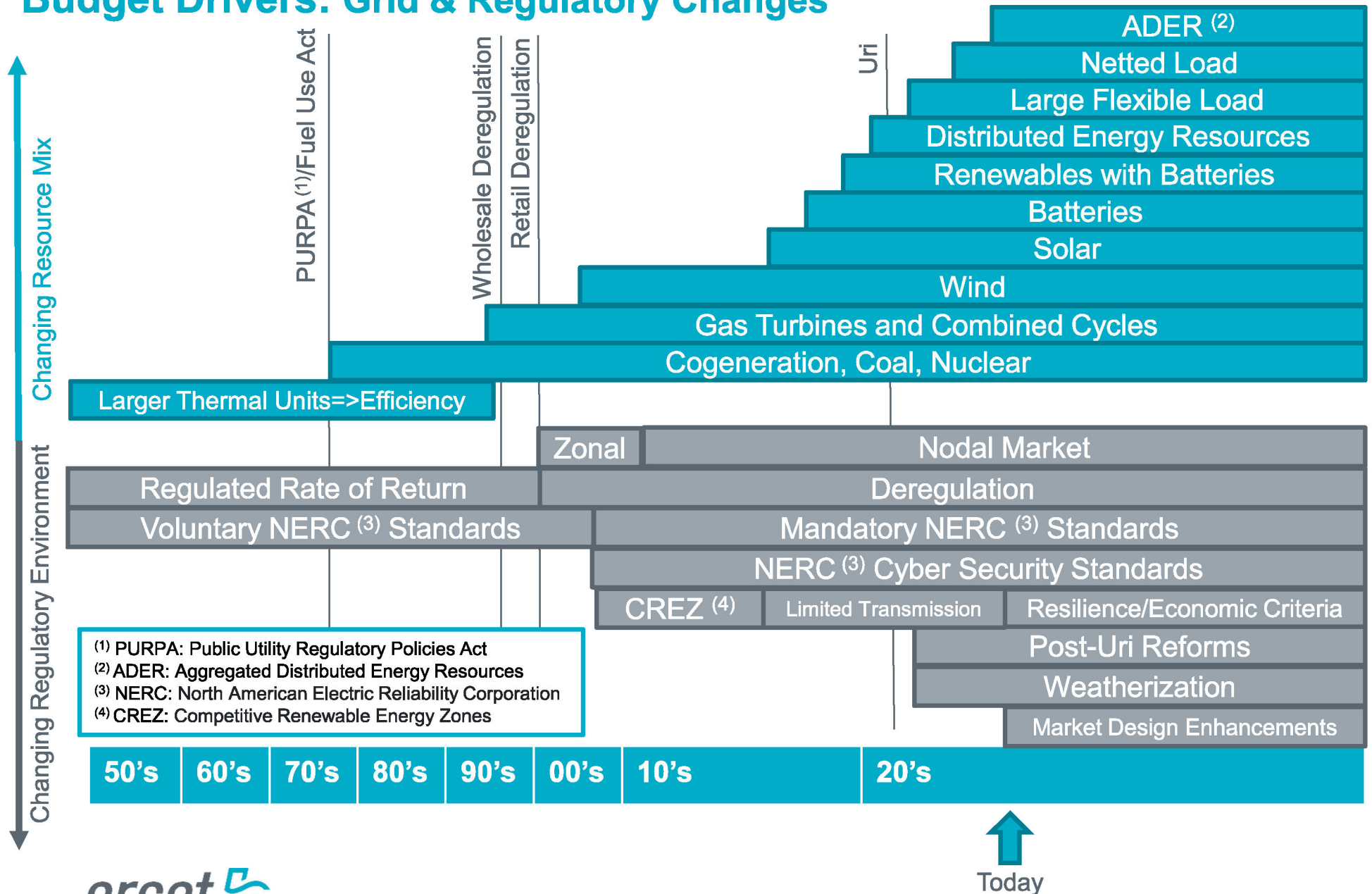


## 3. Budget Drivers

- Expenditures
- Revenues
- Interest Income
- Debt Strategy

# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Grid & Regulatory Changes



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Expenditures - Assumptions

### Primary Expenditure Assumptions

#### 1. Labor

- Defined needs based on known and future estimated work
- Filled positions use current salaries; vacant positions use pay grade mid-points
- Approved incentive and retention programs included
- Annual increases for merit and promotions
- Vacancy savings incorporated

#### 2. Non-Labor

- Zero-based budgeting with top-down management review
- Projections estimated using ERCOT Compound Annual Growth Rate (CAGR)

#### 3. Project Expenditures

- Developed from roadmaps and prioritization review
- Includes current estimates for Market Design efforts

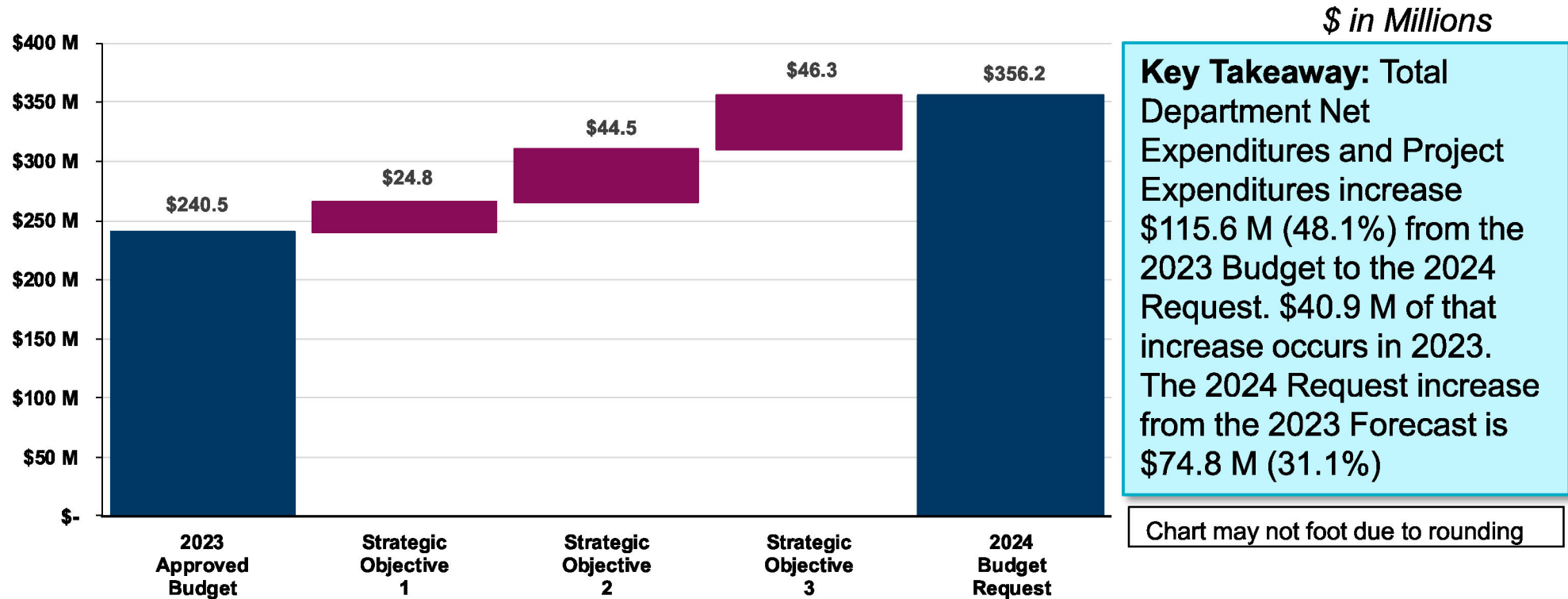
#### 4. We identified department and project expenditures by their primary strategic objective or normal growth

#### 5. Financial Key Performance Indicator (KPI) is that actual spend be within +/- 3% of budget



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Department Net Expenditures & Project Expenditures by Strategic Objective - 2023 Budget vs 2024 Request



- Strategic Objective 1: Be an industry leader for grid reliability and resilience
- Strategic Objective 2: Enhance the ERCOT region’s economic competitiveness with respect to trends in wholesale power rates and retail electricity prices
- Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission

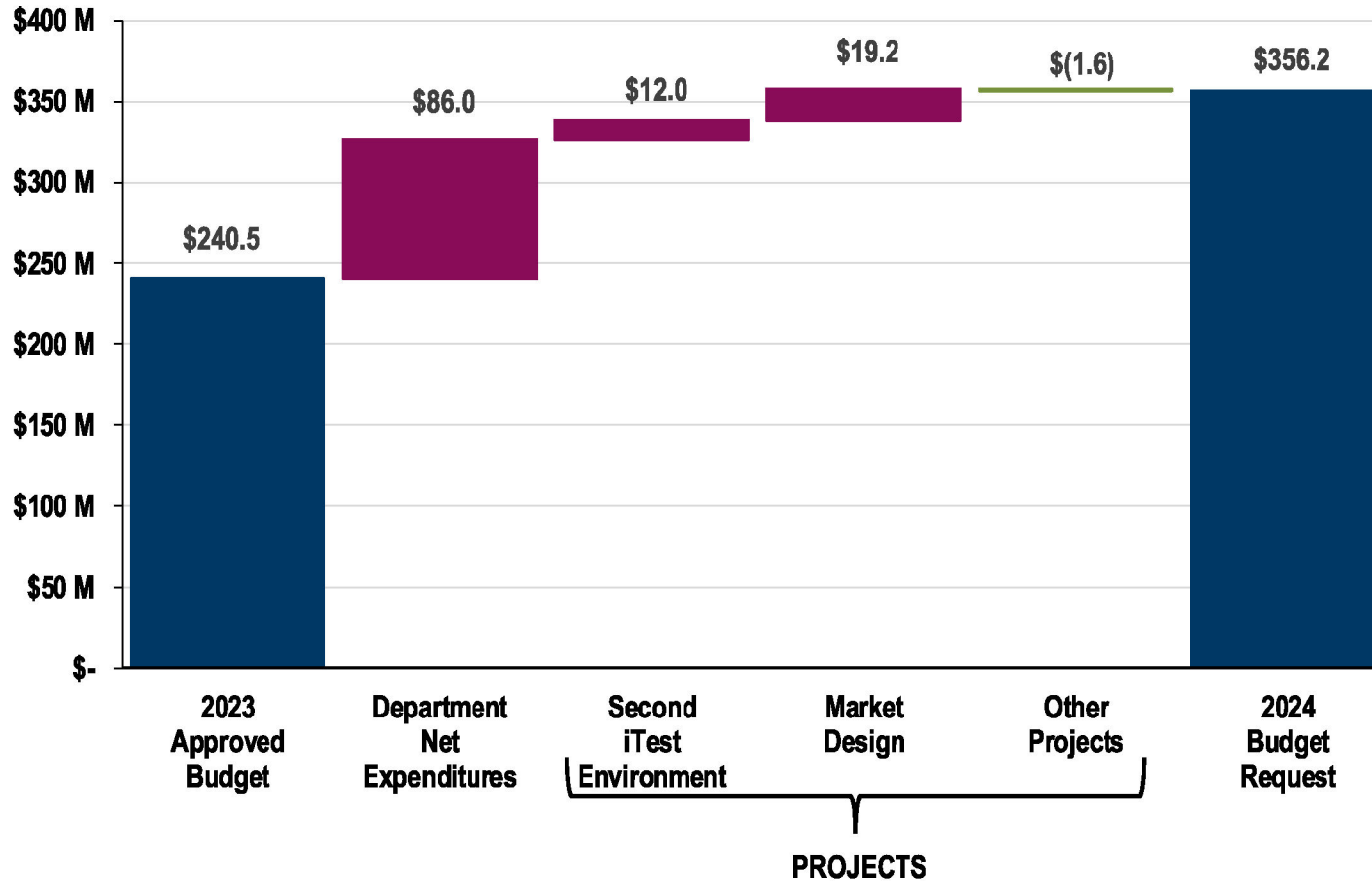




# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Department Net Expenditures & Project Expenditures - 2023 Budget vs 2024 Request

\$ in Millions



**Key Takeaway:** Of the \$115.6 M total spending increase from 2023 Budget to 2024 Request, \$29.6 M (25.6%) is due to increased project spend, primarily driven by Market Design

Chart may not foot due to rounding



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Projects At Least \$1 Million for 2024 and 2025 Combined

\$ in Millions

Line	Office	Strategic Objective	Project Name	2024 Budget Request	2025 Budget Request	2024-2025 Total	Appendix Line Number
1	Commercial Operations	2	Market Design Project	\$ 21.6	\$ 17.2	\$ 38.8	132 - 134
2	Chief Information Office	2	Second iTest Environment	12.0	4.0	16.0	124
3	Chief Information Office	1	Data Center 5.0 (DC5) Program	4.1	0.1	4.2	125 - 129
4	Commercial Operations	2	Securitization Phase 3	1.0	1.0	2.0	1
5	Chief Information Office	2	Monitoring of North America Electric Reliability Corporation (NERC) Asset Baselines	0.5	1.0	1.5	45
6	System Operations	1	Outage Scheduler (OS) Modernization	0.5	1.0	1.5	36
7	Chief Information Office	2	Data Virtualization	0.5	1.0	1.5	35
8	Chief Information Office	2	Market Management System (MMS) Outage Scheduler (OS) Refresh 2026	0.5	1.0	1.5	100
9	Chief Information Office	1	Structured Query Language (SQL) Server Upgrade 2024	0.8	0.3	1.1	96
10	Commercial Operations	2	Siebel Upgrade	0.5	0.5	1.0	102
11	Commercial Operations	2	Credit Monitoring and Management (CMM) Upgrade	1.0	-	1.0	97
12	Chief Information Office	1	Control Video Wall - Bastrop Control Center (BCC1)	1.0	-	1.0	98
Subtotal				\$ 43.9	\$ 27.1	\$ 70.9	
Other Projects				15.2	23.1	38.3	
Total Projects				\$ 59.1	\$ 50.2	\$ 109.3	

**Key Takeaway:** Twelve projects have spend greater than \$1.0 M projected for 2024-2025, representing 64.9% of the total project spend for the two years. Market Design is projected to be 35.5% of the total project spend for 2024-2025

Note: Schedule may not foot due to rounding



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Incremental Dollars & Employees by Office & Strategic Objective - 2023 Budget vs 2024 Request \$ in Millions

Line		Total		Strategic Objective 1		Strategic Objective 2		Strategic Objective 3	
		Dollars	Employees	Dollars	Employees	Dollars	Employees	Dollars	Employees
1	Chief Information Office	\$ 29.4	24	\$ 0.3	5	\$ 18.2	8	\$ 10.9	11
2	Chief Administrative Office	8.3	18	(1.1)	3	0.8	8	8.6	7
3	General Counsel	15.4	14	4.1	6	-	-	11.3	8
4	System Operations	12.7	42	7.7	42	-	-	5.0	-
5	Commercial Operations	28.8	13	-	-	25.5	13	3.3	-
6	System Planning & Weatherization	16.2	58	13.7	58	-	-	2.5	-
7	Public Affairs	1.9	2	-	-	-	-	1.9	2
8	Chief Executive Office	2.8	-	-	-	-	-	2.8	-
9	<b>Totals</b>	<b>\$ 115.6</b>	<b>171</b>	<b>\$ 24.8</b>	<b>114</b>	<b>\$ 44.5</b>	<b>29</b>	<b>\$ 46.3</b>	<b>28</b>

Schedule may not foot due to rounding.

### Key Takeaways:

- The \$115.6 M increase includes 171 incremental employee positions, representing a 20.3% increase from the 2023 Budget of 843 to the 2024 Request of 1,014
- 114 (66.7%) of the 171 incremental employee positions are in support of Strategic Objective 1
- Some incremental employee positions are funded outside of the System Administration Fee



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers - 2023 Budget vs 2024 Request: Chief Information Office

Line	Principal Budget Drivers	Baseline	Current	Incremental Employees	Incremental Dollars
1	Strategic Objective 1: Be an industry leader for grid reliability and resilience				
2	# Virtual machines (Reliability)	2021: 501	2024: 904	-	\$2.9
3	# Projects on projects priority list (Reliability)	2021: 40 to 50	2024: 50 to 60	5	\$1.8
4	Hardware/Software inflation assumption	2023: 3%	2024: 10%	-	\$0.9
5	Market Participants on the ERCOT Wide Area Network	2022: 159	2024: 219	-	\$0.5
6	Decline in the hardware-driven projects	Tech Refresh and Data Center 5.0	N/A	-	(\$5.4)
7	Strategic Objective 2: Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices				
8	Second iTest Environment project	N/A	Included in request	-	\$12.0
9	# Projects on projects priority list (Markets)	2021: 20 to 25	2024: 35 to 40	8	\$4.5
10	# Virtual machines (Markets)	2021: 949	2024: 2,026	-	\$1.1
11	Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission				
12	Average Salaries, Benefits, & Taxes	2023 Budget: \$151k	2024 Request: \$175 k	-	\$7.1
13	New graduate development program	N/A	6 employees	6	\$1.1
14	# Projects on projects priority list (other)	2021: 1 to 5	2024: 10 to 15	2	\$1.1
16	# Virtual machines (Other)	2021: 990	2024: 1,698	3	\$0.7
15	General employee support	2023 Budget: 843 employee positions	2024 Request: 1,014 employee positions	-	\$0.3

Line		2023 Budget vs 2024 Request			Strategic Objectives		
		2023 Budget	2024 Request	2024 Request	1	2	3
1	Department Labor	\$ 43.6	\$ 54.9	\$ 11.3	\$ 0.4	\$ 1.8	\$ 9.1
2	Department Non-Labor	46.6	57.7	11.1	6.6	2.9	1.7
3	Department Revenues	(3.4)	(4.6)	(1.2)	(1.2)	-	-
4	<b>Total Department Net Expenditures</b>	<b>\$ 86.8</b>	<b>\$ 107.9</b>	<b>\$ 21.1</b>	<b>\$ 5.7</b>	<b>\$ 4.6</b>	<b>\$ 10.8</b>
5	Project Expenditures	13.8	22.1	8.3	(5.4)	13.6	0.1
6	<b>Total Expenditures</b>	<b>\$ 100.5</b>	<b>\$ 130.0</b>	<b>\$ 29.5</b>	<b>\$ 0.3</b>	<b>\$ 18.2</b>	<b>\$ 10.9</b>
7	Employees	289	313	24	5	8	11



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Chief Information Office

### **Efficiencies/Savings since last budget cycle:**

- Consolidation of hardware and software platforms resulting in project spend reductions
- Negotiated license locks resulting in future project spend reductions
- Investment in development and testing to improve project development and deployment

### **Deferred from prior budget cycle:**

- Second iTest Environment project
- 2 Employee positions (1 Application Architecture Manager, 1 Grid & Market Solutions staff)

### **Items previously cut in this cycle:**

- 22 employee positions (6 Deskside Support Technicians, 6 Grid & Market Solutions staff, 4 Client Platform Administration Analysts, 2 Quality Assurance Analysts, 1 Applications Developer, 1 Audio Video Technician, 1 Change & Configuration Coordinator, 1 Network Administrator)
- Investments for Artificial Intelligence

### **Planned improvements and risk management**

- Second iTest Environment project



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers - 2023 Budget vs 2024 Request: Chief Administrative Office

Line	Principal Budget Drivers	Baseline	Current	Incremental Employees	Incremental Dollars
1	Strategic Objective 1: Be an industry leader for grid reliability and resilience				
2	Concurrent projects requiring a project manager	Concurrent projects 2021: ~25	Concurrent projects 2024: ~30	3	\$ -
3	Reliability Monitor responsibilities	Contracted professional services to complete Reliability Monitor functionalities	Responsibilities are now performed within ERCOT by the General Counsel Office	-	(\$0.7)
4	Strategic Objective 2: Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices				
5	Total assets	2020: \$1.9 billion	2022: \$7.0 billion; \$4.4 billion excluding Special Purpose Entities (SPEs)	1	\$0.9
6	Treasury activity	2020: 102,000 wires, \$24 billion	2022: 150,000 wires, \$83 billion	1	\$0.8
7	Supply chain management	2020 purchase orders: \$103 million	2022 purchase orders: \$135 million New requirements (cyber and trade laws)	1	\$0.2
8	Concurrent projects requiring a project manager	Concurrent projects 2021: ~20	Concurrent projects 2024: ~25	2	\$ -
9	Securitization	N/A	Implemented; set up SPEs M and N entities	3	\$ -
10	Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission				
11	Increase in employee positions being recruited	February 2021: 771 employees	March 2023: 843 employees 2024 Request: 1,014 employees	4	\$3.6
12	Average Salaries, Benefits, & Taxes	2023 Budget: \$210K	2024 Request: \$246K	-	\$2.8
13	Higher voluntary attrition	January 2021: 3.3%	March 2023: 11.1%	2	\$2.7
14	Market Rules development	Average comments filed, market meetings only in person or only virtual, and reports final at Board level	30% increase in comments filed, market meetings support and PUCT approval filings	1	\$0.2

Line		2023 Budget vs 2024 Request			Strategic Objectives		
		2023 Budget	2024 Request	2024 Request	1	2	3
1	Department Labor	\$ 16.9	\$ 23.9	\$ 7.0	\$ 0.1	\$ 2.4	\$ 4.5
2	Department Non-Labor	20.9	25.7	4.8	(0.7)	1.4	4.1
3	Department Revenues	-	(1.7)	(1.7)	-	(1.7)	-
4	<b>Total Department Net Expenditures</b>	<b>\$ 37.8</b>	<b>\$ 47.9</b>	<b>\$ 10.1</b>	<b>\$ (0.6)</b>	<b>\$ 2.1</b>	<b>\$ 8.6</b>
5	Project Expenditures	2.4	0.6	(1.8)	(0.5)	(1.3)	-
6	<b>Total Expenditures</b>	<b>\$ 40.2</b>	<b>\$ 48.5</b>	<b>\$ 8.3</b>	<b>\$ (1.1)</b>	<b>\$ 0.8</b>	<b>\$ 8.6</b>
7	Employees	83	101	18	3	8	7



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Chief Administrative Office

### **Efficiencies/Savings since last budget cycle:**

- 4 repurposed employee positions (2 HR professionals, 1 treasury analyst, 1 enterprise architect principal)
- Created programs to develop entry level talent and increased sourcing abilities via direct hire placement
- The Project Portfolio Management Tool has reduced manual processes, improved business continuity and improved data-driven scenario planning for the Project and Portfolio Management Teams

### **Deferred from prior budget cycle:**

- 4 employee positions (2 project managers, 1 HR governance/compliance, 1 procurement specialist)
- 2 contingent worker positions (1 HR governance/compliance, 1 procurement specialist)
- Employee development programs
- Employee experience programs

### **Items previously cut in this cycle:**

- 3 employee positions (1 procurement specialist, 1 accountant, 1 HR recruiter)
- Minimized request for training dollars
- Minimized request for employee spot and recognition awards
- Reduced employee and wellness events
- Indefinitely deferred Voluntary Knowledge Transfer Program previously approved

### **Planned improvements and risk management:**

- 3 employee positions (2 project managers, 1 HR professional)
- 2 contingent worker positions (recruiters)
- Training and engagement programs
- Travel and employee expenses
- Planned internal enhancement projects



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers - 2023 Budget vs 2024 Request: General Counsel

Line	Principal Budget Drivers	Baseline	Current	Incremental Employees	Incremental Dollars
1	Strategic Objective 1: Be an industry leader for grid reliability and resilience				
2	Heating, Ventilation, and Air Conditioning (HVAC) Equipment Replacement	Equipment is more than 20 years old and R22 coolant is no longer available	Replacement of HVAC Chillers and associated pumps that are end of life	-	\$1.6
3	Reliability Monitor responsibilities	ERCOT did not have this regulatory responsibility prior to 11/3/2022	Now responsible for monitoring ERCOT & Market Participants (MPs) compliance with state reliability rules	4	\$0.8
4	Cyber hardware refresh	Current hardware is from 2018	Refresh hardware for the threat detection and response solution	-	\$0.7
5	Increased Cyber staffing demands	Traditional use of technologies	Increased use cloud technology, use of containers, multi-tiered domains, etc. have increased need for Cyber staff support	2	\$0.4
6	Space adjustments & furniture replacement	Current office space and furniture is mostly original to each facility	Minor modifications to office spaces & replacement of broken/aged furniture	-	\$0.4
7	Installation of Met Center security fence	Was not in 2023 budget	Install security fence around Met Center	-	\$0.2
8	Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission				
9	Lawsuits, bankruptcies and regulatory policy	One major lawsuit, minimum disputes and normal regulatory changes	Multitude of lawsuits and disputes, and substantial increase in complex regulations	6	\$6.0
10	Average Salaries, Benefits, & Taxes	2023 Budget: \$159K	2024 Request: \$196K	-	\$3.7
11	Board Member compensation and expenses	5 Unaffiliated Board Members (Pre SB2)	8 Independent Board Members (Post SB2)	-	\$0.6
12	Information Governance	Manual/Semi-automated Lifecycle Management Processes	Enhance automation tools and create Custodian Network	1	\$0.6
13	# of internal audits performed	~18 audits with no Securitization consulting	Additional audits, in-depth audits, plus Securitization consulting	1	\$0.2

Line		2023 Budget vs 2024 Request			Strategic Objectives		
		2023 Budget	2024 Request	2024 Request	1	2	3
1	Department Labor	\$ 17.0	\$ 23.8	\$ 6.8	\$ 1.1	\$ -	\$ 5.7
2	Department Non-Labor	9.8	18.6	8.8	3.4	-	5.4
3	Department Revenues	(0.3)	(0.3)	0.0	-	-	0.0
4	<b>Total Department Net Expenditures</b>	<b>\$ 26.5</b>	<b>\$ 42.1</b>	<b>\$ 15.6</b>	<b>\$ 4.5</b>	<b>\$ -</b>	<b>\$ 11.1</b>
5	Project Expenditures	1.6	1.4	(0.2)	(0.4)	-	0.2
6	<b>Total Expenditures</b>	<b>\$ 28.0</b>	<b>\$ 43.5</b>	<b>\$ 15.4</b>	<b>\$ 4.1</b>	<b>\$ -</b>	<b>\$ 11.3</b>
7	Employees	107	121	14	6	-	8





# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: General Counsel

### **Efficiencies/Savings since last budget cycle:**

- Lower maintenance costs by replacing end of life and outdated systems that support grid and market operations
- Integration of new building technologies to reduce operating costs
- Leased office space on Congress to efficiently participate in Legislative activities
- Reduced outside contracts for preventive maintenance and installation by repurposing employee positions
- Reduced energy costs by changing out the fluorescent lighting to LEDs
- Reduced planned grounds maintenance service

### **Deferred from prior budget cycle:**

- Facility equipment replacements
- Met Center security fence

### **Items previously cut in this cycle:**

- 1 employee position (Facilities Technician)
- Refresh Taylor furniture, Taylor security desks, and former Taylor boardroom
- Taylor security gate replacement
- Taylor collaborative space furniture effort

### **Planned improvements and risk management:**

- Legal and Information Governance (IG) employee positions
- Outside counsel assistance
- Siebel Information Lifecycle Management Assessment
- Travel and employee expenses
- Downtown Austin office space
- Chiller replacements, furniture upgrades, and Met Center security fence



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers - 2023 Budget vs 2024 Request: System Operations

Line	Principal Budget Drivers	Baseline	Current	Incremental Employees	Incremental Dollars
1	Strategic Objective 1: Be an industry leader for grid reliability and resilience				
2	Complexity of forecasting	2014: 12,700 MWh of renewables; 1.2 GWh price responsive demand	2025: projected 74,000 MWh renewables; >5 GWh price responsive demand, Electric Vehicles (EVs), Distributed Energy Resources (DERs), etc.	5	\$1.3
3	# of Stability Limits	2014: 4 Generation Transmission Constraints (GTCs)	2023: 19 GTCs	5	\$1.0
4	MWh of Energy Storage Resources (ESRs)	2014: 0 ESRs	2025: 8,500 MWh	4	\$1.0
5	# of Inverter-Based Resources (IBRs)	2020: 250 IBRs	2023: 600 IBRs	4	\$0.8
6	# of new operators hired annually	2023: 52 operator positions	2024: Consistently hire 7 to 8 new operators each year for last 5 years; will grow with new desk addition	4	\$0.8
7	Fuel/emissions tracking	2014: None; 2023: Limited gas coordination	2024: tracking fuel constraints, and tracking emissions limits due to Cross-State Air Pollution Rule (CSAPR)	4	\$0.8
8	# Operations Improvement (OI) and Lessons Learned (LL) items	2021: Only 40 OI/LL items created; and only 18 of those resolved	2024: Reduce OI backlog, maintain timely resolution, and support increased transparency	3	\$0.6
9	# Voltage Violations	Constant at ~600k/year for several years	Needs to be significantly lower; exact metric unavailable without some experience	2	\$0.4
10	# Large Flexible Loads (LFLs)	2014: 0 LFLs	2022: 2,100 MWh LFLs 2025: projecting 21,000 MWh LFLs	2	\$0.4
11	Aggregated Distributed Energy Resources (ADER)	2022: ADER Pilot Project	2023+: Evaluate performance in pilot and expand	2	\$0.4
12	Transmission Congestion	2014: \$312M congestion rent for top 10 elements	2022: \$1.1B congestion rent for top 10 elements	2	\$0.4
13	# modeled Transmission Elements	2014: 2.2M elements	2023: 4.2M elements	2	\$0.4
14	# of event analyses needed, presentations and data requests	No specific metrics, but have increased significantly post-Uri	Ability to do near-miss analyses and support data requests in a timely manner	2	\$0.4
15	# of outages coordinated	2017: 111k outages	2022: 171k outages; Growing at ~4% per year	1	\$0.2
16	Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission				
17	Average Salaries, Benefits, & Taxes	2023 Budget: \$169K	2024 Request: \$206K	-	\$5.0



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: System Operations

Line		2023 Budget	2024 Request	2023 Budget vs 2024 Request	Strategic Objectives		
					1	2	3
1	Department Labor	\$ 22.8	\$ 36.4	\$ 13.7	\$ 8.7	\$ -	\$ 5.0
2	Department Non-Labor	1.8	2.7	0.9	0.9	-	-
3	Department Revenues	(0.7)	(0.7)	(0.0)	(0.0)	-	-
4	<b>Total Department Net Expenditures</b>	<b>\$ 23.9</b>	<b>\$ 38.4</b>	<b>\$ 14.6</b>	<b>\$ 9.6</b>	<b>\$ -</b>	<b>\$ 5.0</b>
5	Project Expenditures	6.8	5.0	(1.9)	(1.9)	-	-
6	<b>Total Expenditures</b>	<b>\$ 30.7</b>	<b>\$ 43.4</b>	<b>\$ 12.7</b>	<b>\$ 7.7</b>	<b>\$ -</b>	<b>\$ 5.0</b>
7	Employees	135	177	42	42	-	-



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: System Operations

### **Efficiencies/Savings since last budget cycle:**

- Reallocated activities across existing and new Control Room desks and perform any Real Time gas information monitoring on Reliability Unit Commitment (RUC) and Reliability Risk (RR) desks
- Research and coordination activities are covered by individual groups

### **Deferred from prior budget cycle:**

- Improved processes and analyses:
  - Operations Support for Supervisory Control and Data Acquisition (SCADA)
  - Stability analyses
  - Next day transmission studies
  - Inverter-Based Resources (IBR) and Distributed Energy Resources (DER) analyses
  - Event and near-miss analyses
  - Operational load forecasts
  - Off-peak outage coordination studies
- Operator development positions
- Additional Control Room Transmission/Voltage desk

### **Items previously cut in this cycle:**

- Improved seasonal transmission analysis
- Forward-Looking Operations Tools (FLOAT) project canceled

### **Planned improvements and risk management:**

- Software for forecasting for Energy Storage Resources (ESR) and Large Flexible Load (LFL)
- Number of transmission and stability analyses
- Support of external activities and research



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers - 2023 Budget vs 2024 Request: Commercial Operations

Line	Principal Budget Drivers	Baseline	Current	Incremental Employees	Incremental Dollars
1	Strategic Objective 2: Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices				
2	High-Profile Market Design Projects	1 high-profile project every 3 years.	Expect 2 high-profile projects each year	3.5	\$22.1
3	Securitization	N/A	Implemented; set up Special Purpose Entities (SPEs) M and N	0.5	\$1.1
4	Increase in complexity and volume of work	N/A	Increased volume of day-to-day-work and deliverables relating to: 1) additional generation resources and meters; 2) retail volume, Lubbock, Texas set 5.0; 3) Congestion Revenue Rights (CRR) long-term auction sequence support; 4) restore full team of 6 Day-Ahead Market (DAM) engineers to maintain shift work, training, and testing duties	5	\$1.0
5	Reliability Unit Commitment (RUC) Activity Analysis and Reporting	Performed ad hoc and infrequently (e.g., 1x per every two weeks)	Analysis performed daily with increased depth of analysis. Reporting performed monthly. Review of methodology to reduce RUC	-	\$0.3
6	Firm Fuel Supply Service (FFSS) Program	N/A	Manual process relying on experts	0.5	\$0.1
7	Evaluating Fuel Cost Disputes	Negligible	2022: 123 operating days	0.5	\$0.1
8	Aggregate Distributed Energy Resource (ADER) Pilot Program	N/A	Manual process relying on experts	-	\$-
9	ERCOT Board and PUCT Reporting	Monthly and bi-monthly reports	Weekly, monthly, and bi-monthly reports	-	\$-
10	Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission				
11	Average Salaries, Benefits, & Taxes	2023 Budget: \$161K	2024 Request: \$193K	-	\$3.3

Line		2023 Budget vs 2024 Request			Strategic Objectives		
		2023 Budget	2024 Request	2024 Request	1	2	3
1	Department Labor	\$ 16.1	\$ 21.8	\$ 5.8	\$ -	\$ 2.5	\$ 3.3
2	Department Non-Labor	0.7	1.1	0.4	-	0.4	-
3	Department Revenues	-	-	-	-	-	-
4	<b>Total Department Net Expenditures</b>	<b>\$ 16.8</b>	<b>\$ 22.9</b>	<b>\$ 6.1</b>	<b>\$ -</b>	<b>\$ 2.8</b>	<b>\$ 3.3</b>
5	Project Expenditures	3.9	26.5	22.6	-	22.6	-
6	<b>Total Expenditures</b>	<b>\$ 20.6</b>	<b>\$ 49.4</b>	<b>\$ 28.8</b>	<b>\$ -</b>	<b>\$ 25.5</b>	<b>\$ 3.3</b>
7	Employees	100	113	13	-	13	-



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Commercial Operations

### **Efficiencies/Savings since last budget cycle:**

- 2 Repurposed positions to meet higher-priority demands (1 Strategic Planner, 1 Market Design Director)

### **Deferred from prior budget cycle:**

- 4 employee positions
  - 2 Congestion Revenue Rights (CRR) Engineers
  - 1 Day-Ahead Market (DAM) Shift Engineer
  - 1 Principal
- Consulting services
- Energy Power Research Institute (EPRI) membership

### **Items previously cut in this cycle:**

- 2 employee positions (Design & Strategy professionals)

### **Planned improvements and risk management:**

- Employee training
- Consulting engagements

# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers - 2023 Budget vs 2024 Request: System Planning & Weatherization

Line	Principal Budget Drivers	Baseline	Current	Incremental Employees	Incremental Dollars
1	Strategic Objective 1: Be an industry leader for grid reliability and resilience				
2	# of Generation Interconnection Requests # of Full Interconnect Study Reviews	2020: 421 of annual Interconnection requests 2018: 44 reviews; 2020: 142 reviews	2025: Estimated 770 annual Interconnection requests 2022: 219 reviews	13	\$1.8
3	PUCT mandated Inspections of Resource and Transmission facilities	2020: None mandated	2023: Minimum of 700 onsite inspections required to meet requirement	11	\$2.0
4	# of Large Flexible Loads (LFLs) requests # of MWhs requested	1 project 400 MWh in service	88 separate projects 41,770 MWh requested	6	\$1.1
5	Market Design Project	N/A	included in request	-	\$1.1
6	# of Engineer Development Program (EDP) Graduates	2020: 5 to 6 per year	2024: 8 to 10 per year	5	\$0.9
7	# of criteria used to justify new Transmission projects	1. Reliability 2. Production cost	1. Reliability 2. Production cost 3. Congestion reduction 4. Resiliency	4	\$0.8
8	MWh of Energy Storage Resources (ESRs) MWh of Solar MWh of Wind	2014: 0 2014: 0 2014: 12,700 MWh	2025: 8,500 MWh 2025: 35,000 MWh 2025: 39,000 MWh	4	\$0.8
9	# of Stability Limits # of Inverter-Based Resources (IBRs)	2014: 4 2020: 250	2023: 19 2023: 600	3	\$0.6
10	# of Declarations of Weather Preparedness to evaluate	2020: None mandated	2023: ~800 Declarations for Transmission Service Providers (TSPs) and Resource Owners (each representing multiple sites)	3	\$0.6
11	# of Data Elements in Network Model Management System (NMMS)	2020: 4.1 million Data Elements	2025: Estimated 5.3 million Data Elements	2	\$0.4
12	# of Modifications / year	2020: 99k Modifications per year	2025: Estimated 214k Modifications per year	2	\$0.4
13	# of Resource Adequacy Reports and North-America Electric Reliability Corporation (NERC) data requests per year	2021 = 9 reports and data requests • 4 Seasonal Assessment Resource Assessments (SARA) • 2 Capacity, Demand and Reserves (CDR) • 3 NERC Assessments	2024 = 20 reports and data requests • 12 Monthly Resource Assessments (MORA) with Probability metrics (replaces the 4 SARAs per year) • 4 Capacity, Demand and Reserves Reports (CDR) • 4 NERC Assessments requiring cumulative 60% more time for compliance	2	\$0.4
14	# of units on system	2020: 850 units on system	2025: Estimated 1,300 units on system	2	\$0.4
15	# of Sub-synchronous Resonance Topology Screenings	2017: 170 screenings 2020: 260 screenings	2022: 537 screenings	1	\$0.2
16	Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission				
17	Average Salaries, Benefits, & Taxes	2023 Budget: \$161K	2024 Request: \$189K	-	\$2.5



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: System Planning & Weatherization

Line	2023 Budget	2024 Request	2023 Budget vs 2024 Request		Strategic Objectives		
			2023 Budget	2024 Request	1	2	3
1	\$ 14.1	\$ 27.6	\$ 13.5	\$ 11.0	\$ -	\$ 2.5	
2	11.3	6.7	(4.6)	(4.6)	-	-	
3	(16.1)	(10.6)	5.5	5.5	-	-	
4	<b>\$ 9.4</b>	<b>\$ 23.7</b>	<b>\$ 14.3</b>	<b>\$ 11.8</b>	<b>\$ -</b>	<b>\$ 2.5</b>	
5	0.2	2.2	1.9	1.9	-	-	
6	<b>\$ 9.6</b>	<b>\$ 25.8</b>	<b>\$ 16.3</b>	<b>\$ 13.7</b>	<b>\$ -</b>	<b>\$ 2.5</b>	
7	88	146	58	58	-	-	





# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: System Planning & Weatherization

### **Efficiencies/Savings since last budget cycle:**

- Implemented Resource Integration & Ongoing Operations (RIOO) and saved 5 employee positions across multiple departments
- Generation Interconnection fee change recovered more in revenue
- Implemented the Small Generation Interconnection process to streamline small generation work
- Automated large portions of Generation and Inter-Control Center Communications Protocol (ICCP) modeling saved 1 employee position
- Implemented data collection system for Weatherization process saved 1 employee position
- Developed 11 tool improvements for Planning saved 0.5 employee position
- Use of Weatherization Inspection team to perform Blackstart Unit testing saved 0.25 employee position
- Chose to not fill a Transmission Weatherization Inspection Manager

### **Deferred from prior budget cycle:**

- 19 employee positions
  - 7 Model Engineers
  - 6 Engineer Development Program (EDP) Engineers
  - 3 Planning Engineers
  - 2 Stability Engineers
  - 1 Resource Adequacy Engineer
- Energy Power Research Institute (EPRI) membership

### **Items previously cut in this cycle:**

- 7 employee positions
  - 2 Planning Engineers
  - 3 Model Engineers
  - 1 Resource Adequacy Engineer
  - 1 Stability Engineer

### **Planned improvements and risk management:**

- Large Flexible Load (LFL) group driven by demand
- Engineer Development Program (EDP)



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers - 2023 Budget vs 2024 Request: Public Affairs

Line	Principal Budget Drivers	Baseline	Current	Incremental Employees	Incremental Dollars
1	Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission				
2	Average Salaries, Benefits, & Taxes	2023 Budget: \$170K	2024 Request: \$210K	-	\$1.6
3	Improve external Communications	Small, siloed Communications team; little public expectation	Robust Communications team; reorganized department to better meet vastly increased public/legislative expectations.	1	\$0.2
4	Improve internal Communications	Small, siloed Communications team	Dedicated internal Communications personal and resources	1	\$0.2

Line		2023 Budget vs 2024 Request			Strategic Objectives		
		2023 Budget	2024 Request	2024 Request	1	2	3
1	Department Labor	\$ 6.6	\$ 8.6	\$ 2.0	\$ -	\$ -	\$ 2.0
2	Department Non-Labor	1.7	1.1	(0.6)	-	-	(0.6)
3	Department Revenues	(0.1)	(0.1)	(0.0)	-	-	(0.0)
4	<b>Total Department Net Expenditures</b>	<b>\$ 8.2</b>	<b>\$ 9.6</b>	<b>\$ 1.3</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1.3</b>
5	Project Expenditures	0.9	1.4	0.5	-	-	0.5
6	<b>Total Expenditures</b>	<b>\$ 9.2</b>	<b>\$ 11.0</b>	<b>\$ 1.9</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1.9</b>
7	Employees	39	41	2	-	-	2



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Public Affairs

### **Efficiencies/Savings since last budget cycle:**

- Lowered costs for outside public relations firms
- Eliminated costs related to media buys

### **Planned improvements and risk management:**

- Taxonomy tool
- Video, photography, editing

# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Revenue Trends

\$ in Millions

Line	Revenues	2019 Actual		2020 Actual		2021 Actual		2022 Actual		2023			
		Budget		Forecast									
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1	<b>System Administration Fee (SAF)</b>	\$ 214.0	96.9%	\$ 212.2	96.9%	\$ 218.3	95.1%	\$ 239.2	96.5%	\$ 240.9	92.2%	\$ 241.2	93.6%
2	<b>User Fees</b>												
3	Generation Interconnection Request (GINR)	1.9	0.9%	2.0	0.9%	2.4	1.0%	1.4	0.5%	3.7	1.4%	4.1	1.6%
4	Wide Area Network (WAN)	3.3	1.5%	3.6	1.7%	4.7	2.0%	3.1	1.3%	3.4	1.3%	3.4	1.3%
5	Weatherization Inspection	-	0.0%	-	0.0%	2.7	1.2%	0.9	0.4%	10.6	4.0%	4.7	1.8%
6	Full Interconnection Study (FIS)	0.7	0.3%	0.8	0.3%	0.9	0.4%	1.3	0.5%	1.8	0.7%	1.3	0.5%
7	Training	0.6	0.3%	0.1	0.1%	0.3	0.1%	0.2	0.1%	0.7	0.3%	0.9	0.3%
8	Membership	0.3	0.1%	0.3	0.1%	0.3	0.1%	0.3	0.1%	0.3	0.1%	0.3	0.1%
9	Registration/Application	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%
10	Information Request	-	0.0%	-	0.0%	0.0	0.0%	0.0	0.0%	-	0.0%	-	0.0%
11	<b>User Fees Total</b>	<b>6.8</b>	<b>3.1%</b>	<b>6.9</b>	<b>3.1%</b>	<b>11.3</b>	<b>4.9%</b>	<b>7.2</b>	<b>2.9%</b>	<b>20.5</b>	<b>7.8%</b>	<b>14.7</b>	<b>5.7%</b>
12	<b>Other Revenues</b>												
13	SPE Servicing and Administration	-	0.0%	-	0.0%	0.1	0.0%	1.3	0.5%	-	0.0%	1.7	0.7%
14	Miscellaneous	0.1	0.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%	-	0.0%	0.0	0.0%
15	<b>Total Revenues</b>	<b>\$ 220.9</b>	<b>100.0%</b>	<b>\$ 219.1</b>	<b>100.0%</b>	<b>\$ 229.7</b>	<b>100.0%</b>	<b>\$ 247.8</b>	<b>100.0%</b>	<b>\$ 261.3</b>	<b>100.0%</b>	<b>\$ 257.5</b>	<b>100.0%</b>

**Key Takeaway:** The System Administration Fee provides over 90% of ERCOT's revenues, the next largest source is less than 2%



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Revenues

### Primary Revenue Assumptions

#### 1. Fee Strategy

- Seek to maintain stable, fair, and predictable fees

#### 2. Load Forecast

- Utilize multi-year load forecast from ERCOT Load Forecasting & Analysis team
  - The model used to forecast the System Administration Fee (SAF) is the same model used for Seasonal Assessment of Resource Adequacy (SARA) and the Capacity, Demand, and Reserves (CDR) Report
  - The SAF forecast uses Moody's forecast of conditions; the current model has the largest number of manual adjustments to-date to address items such as Large Flexible Load (LFL), industrial, and technology load growth
    - 2024 includes 36.7 TWh of adjustments (7.9%)
    - 2025 includes 45.5 TWh of adjustments (9.5%)

#### 3. User Fees

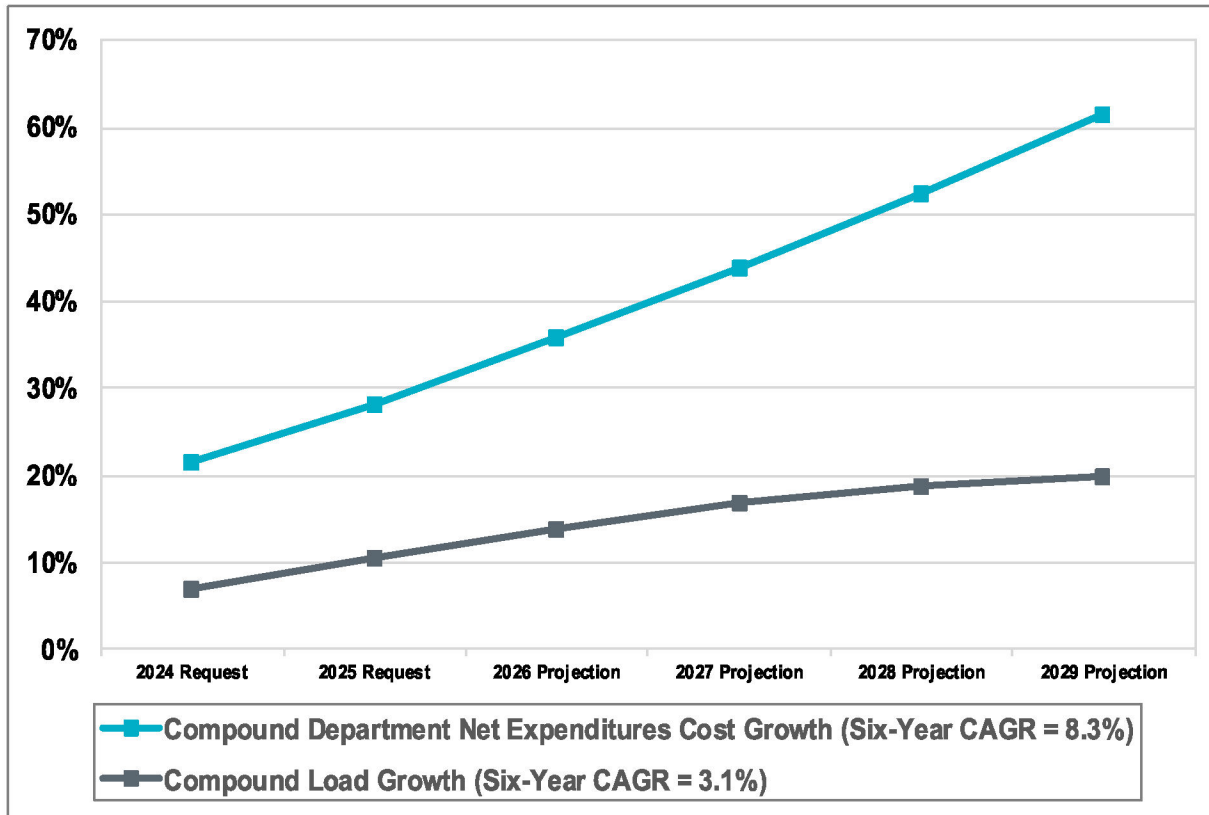
- 2024-2025 request based on management estimates of activity
- 2026-2029 projections are grown by CAGR



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Revenues

### 2023-2029 Department Net Expenditures Cost Growth versus Load Growth



The System Administration Fee is how ERCOT recovers the vast majority of costs and is charged based on MWh of load

ERCOT's Department Net Expenditures are projected to continue growing at a rate faster than load

**Key Takeaway:** Periodic System Administration Fee rate increases are necessary due to load growth rate projected to be lower than ERCOT's Department Net Expenditures cost growth rate

# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Interest Income

### Interest Income Impact on System Administration Fee Rate

*\$ in Millions, except rates*

		Average Annual CRR Funding Balance (2024-2027)							
		\$ 1,250.0	\$ 1,500.0	\$ 1,750.0	\$ 2,000.0	\$ 2,250.0	\$ 2,500.0	\$ 2,750.0	
Average Annual Interest Rate (2024-2027)	0.50%	\$ 0.074	\$ 0.072	\$ 0.069	\$ 0.067	\$ 0.064	\$ 0.062	\$ 0.059	
	1.00%	\$ 0.062	\$ 0.056	\$ 0.051	\$ 0.046	\$ 0.041	\$ 0.036	\$ 0.031	
	1.50%	\$ 0.049	\$ 0.041	\$ 0.033	\$ 0.026	\$ 0.018	\$ 0.010	\$ 0.003	
	2.13%	\$ 0.033	\$ 0.022	\$ 0.011	\$ -	\$ (0.011)	\$ (0.022)	\$ (0.033)	
	2.50%	\$ 0.023	\$ 0.010	\$ (0.003)	\$ (0.015)	\$ (0.028)	\$ (0.041)	\$ (0.054)	
	3.00%	\$ 0.010	\$ (0.005)	\$ (0.021)	\$ (0.036)	\$ (0.051)	\$ (0.067)	\$ (0.082)	
	3.50%	\$ (0.003)	\$ (0.021)	\$ (0.039)	\$ (0.056)	\$ (0.074)	\$ (0.092)	\$ (0.110)	

**Key Takeaway:** Every 1% change in the average interest rate from 2024-2027 is approximately equal to a \$0.04 change in the System Administration Fee rate



# Recommendation regarding 2024-2025 Budget and Fee

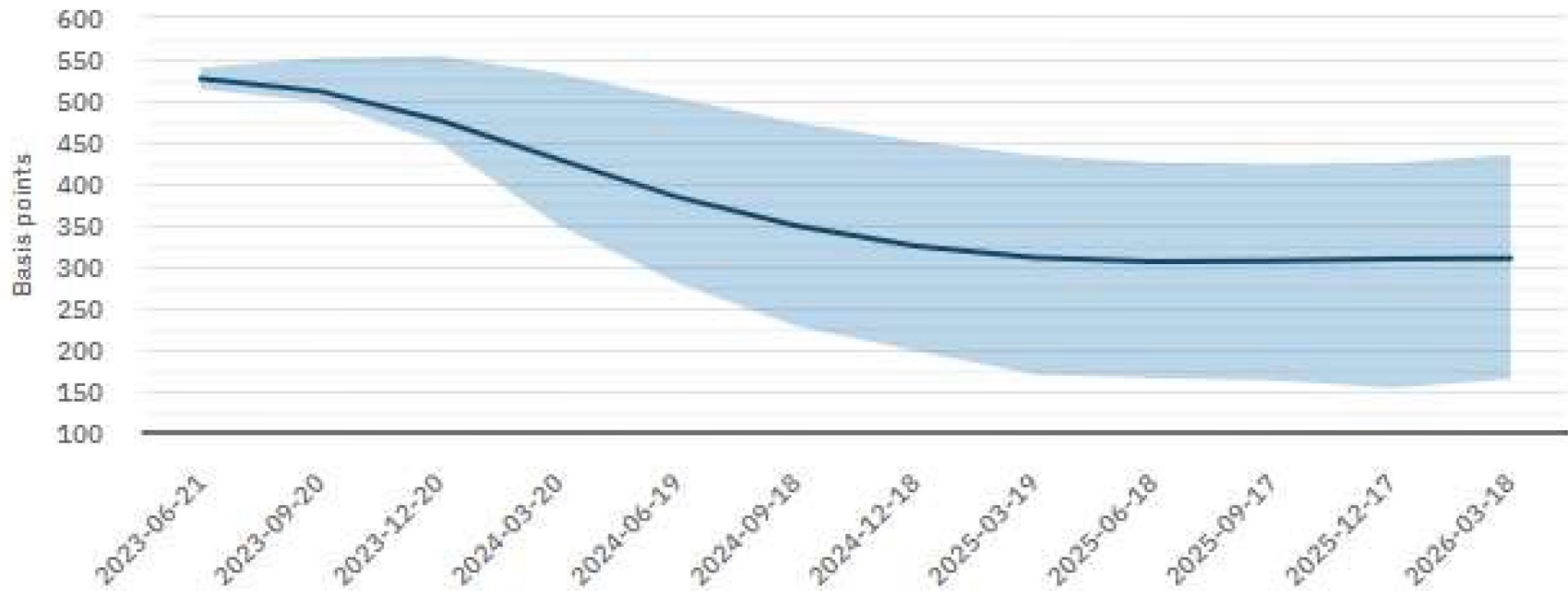
## Budget Drivers: Interest Income

### The Expected Future Path of the Three-Month Average Fed Funds Rate

Current target range: 500 - 525 basis points

Source: Atlanta Fed (as of 5/23/23)

<https://www.atlantafed.org/cenfig/market-probability-tracker>



**Key Takeaway:** Market expectations point to declining interest rates in the coming years. The estimated range in projected interest rates is up to +/- 150 basis points



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Interest Income

### Primary Interest Income Assumptions

1. Follow guidelines and related activities for the investment and management of funds held by ERCOT per the Board-approved Investment Corporate Standard (CS3.2)
2. Investment balance of \$2 billion in Congestion Revenue Rights fund balance
3. Interest rate assumptions based on Treasury forward curve less 100 basis points
4. Interest rates by year
  - 2023: 3.50%
  - 2024: 2.50%
  - 2025-2029: 2.00%



# Recommendation regarding 2024-2025 Budget and Fee Budget Drivers: Debt Strategy

## Comply with Board's Debt Strategy Guidance

1. Maintain or Improve ERCOT's Financial Integrity
  - Manage impacts to outstanding debt and liquidity requirements
  
2. Maintain Stable, Fair and Predictable Fees
  - Use debt matching appropriately
  
3. Provide Lowest Cost to Fee-Payers
  - Use lowest cost debt that is available and appropriate

# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Debt Strategy

### Primary Debt Strategy Assumptions

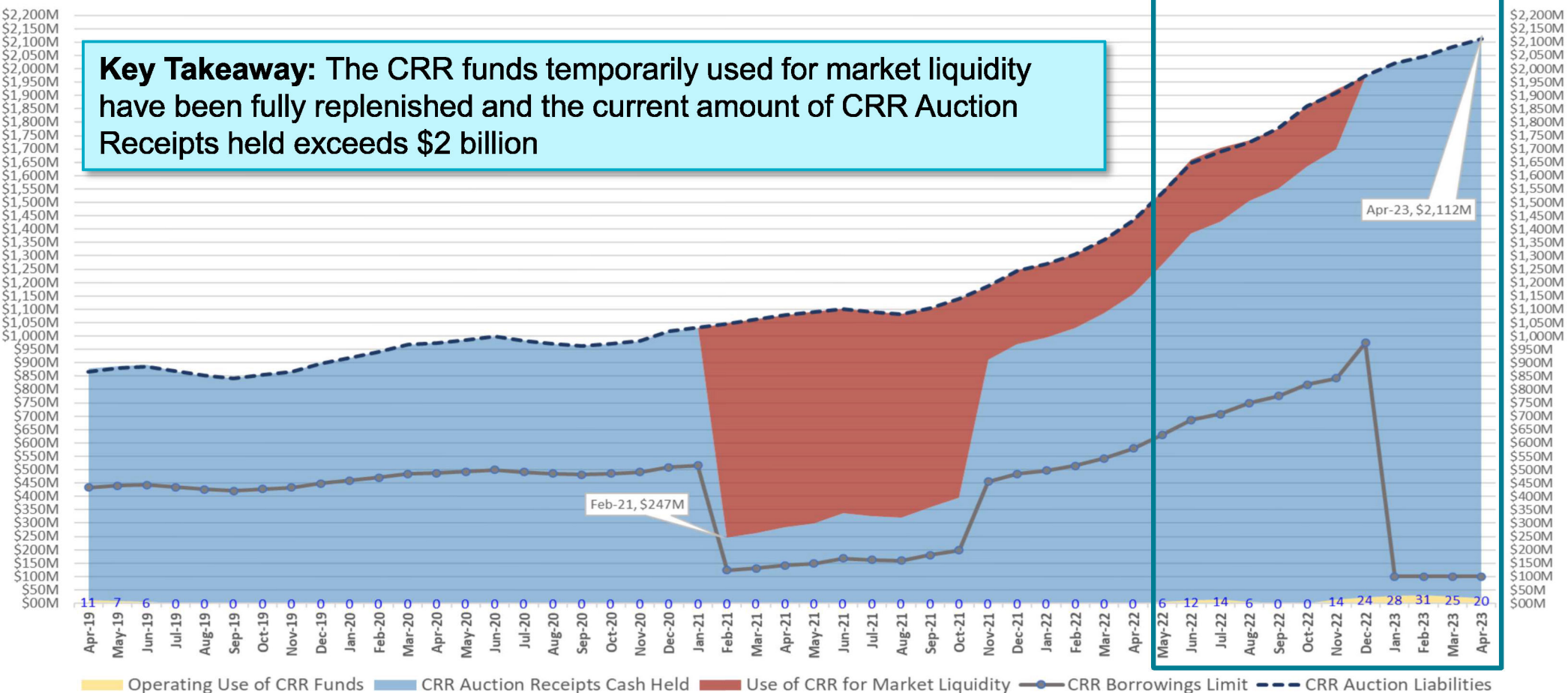
1. No new debt issuance
2. ERCOT's 3% Notes Payable continue to be paid down by \$4 million per year
3. CRR borrowing balance
  - No CRR borrowing balance at end of 2027
  - Any given year's CRR borrowing balance should not exceed revolver capacity of \$100 million, currently
    - ERCOT experiences working capital fluctuations impacted by seasonality and other cash outflows that are not perfectly timed to current revenues which may require use of CRR borrowings up to \$50 million
    - Given the above limitations, use of CRR borrowings for funding purposes should not exceed \$50 million



# Recommendation regarding 2024-2025 Budget and Fee

## Budget Drivers: Debt Strategy

Use of CRR Funds: Actual vs Limits



$$\text{Use of CRR Funds (CRR Borrowings)} = \text{Amount Owed to Market Participants} - \text{Unrestricted Cash and Bond Investments}$$



## 4. System Administration Fee Rate Options Summary

# Recommendation regarding 2024-2025 Budget and Fee System Administration Fee Rate Options

\$ in Millions, except rates

Line	2022 Actual	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection	2030 Projection	2031 Projection
<b>1 Base Scenario: Rate Increase 1/1/2024 (Rate Projected in 22/23 Budget) with Current Forecasts for 2022-2031</b>										
2	Year over year % fee increase		19.8%							
3	8 Year CAGR		2.3%							
4	<b>System Administration Fee Rate</b>	\$ 0.555	\$ 0.555	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665	\$ 0.665
5	(CRR Borrowings Balance)/Cash Balance	\$ (23.7)	\$ 8.0	\$ 5.4	\$ (4.3)	\$ (16.4)	\$ (67.6)	\$ (106.4)	\$ (155.9)	\$ (230.8) \$ (330.2)
<b>6 Option 1: Four-Year Rate Increase 1/1/2024 to reach approximately \$0 Cash/(CRR) Balance by end of 2027</b>										
7	Year over year % fee increase		27.9%		8.5%					
8	8 Year CAGR		3.1%							
9	<b>System Administration Fee Rate</b>	\$ 0.555	\$ 0.555	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.770	\$ 0.770	\$ 0.770 \$ 0.770
10	(CRR Borrowings Balance)/Cash Balance	\$ (23.7)	\$ 8.0	\$ 26.3	\$ 38.2	\$ 48.4	\$ 20.0	\$ 35.5	\$ 40.6	\$ 21.2 \$ (22.4)
<b>11 Option 2: Two-Year Rate Increases starting 1/1/2024 to reach approximately \$0 Cash/(CRR) Balance by end of 2027</b>										
12	Year over year % fee increase		18.0%		14.5%		2.7%		2.6%	
13	8 Year CAGR		2.1%							
14	<b>System Administration Fee Rate</b>	\$ 0.555	\$ 0.555	\$ 0.655	\$ 0.655	\$ 0.750	\$ 0.750	\$ 0.770	\$ 0.770	\$ 0.790 \$ 0.790
15	(CRR Borrowings Balance)/Cash Balance	\$ (23.7)	\$ 8.0	\$ 0.7	\$ (13.8)	\$ 16.2	\$ 8.1	\$ 23.6	\$ 28.8	\$ 19.8 \$ (13.0)
<b>16 Option 3: One-Year Rate Increases, starting 1/1/2024 to reach approximately \$0 Cash/(CRR) Balance by end of 2027</b>										
17	Year over year % fee increase		9.9%		9.9%		9.9%			
18	8 Year CAGR		1.2%							
19	<b>System Administration Fee Rate</b>	\$ 0.555	\$ 0.555	\$ 0.610	\$ 0.670	\$ 0.737	\$ 0.810	\$ 0.810	\$ 0.810	\$ 0.810 \$ 0.810
20	(CRR Borrowings Balance)/Cash Balance	\$ (23.7)	\$ 8.0	\$ (20.2)	\$ (27.3)	\$ (3.8)	\$ 18.7	\$ 54.8	80.8	\$ 82.4 \$ 60.2

**Key Takeaway:** Management recommends option 1: Increase SAF rate to \$0.71/MWh

- Best addresses potential liquidity constraints in 2024 and 2025
- Provides rate stability to Market Participants



## **5. Management Recommended Budget Option (Option 1) Details**

- Budget Summary – Option 1
- Sources and Uses Summary – Option 1
- Revenue Trends – Option 1
- Budget Projections – Option 1
- Financial Ratios – Option 1

# Recommendation regarding 2024-2025 Budget and Fee Management Recommended Budget Summary – Option 1

\$ in Millions, except rates

Budget Summary										
Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection	
1	<b>System Administration Fee Rate (SAF)</b>	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.770	\$ 0.770
2	Energy Consumption (TWh)	431.0	434.0	434.5	465.0	480.0	494.3	508.3	516.4	521.2
2A	Year over Year %	9.6%	0.7%	0.8%	7.0%	3.2%	3.0%	2.8%	1.6%	0.9%
3	<b>System Administration Fee Revenue</b>	\$ 239.2	\$ 240.9	\$ 241.2	\$ 330.1	\$ 340.8	\$ 350.9	\$ 360.9	\$ 397.6	\$ 401.4
4	Department Net Expenditures	\$ 209.7	\$ 211.1	\$ 244.3	\$ 297.1	\$ 313.3	\$ 331.9	\$ 351.6	\$ 372.5	\$ 394.6
4A	Year over Year %	11.0%	0.6%	16.5%	21.6%	5.4%	5.9%	5.9%	5.9%	5.9%
5	Project Expenditures	54.0	27.1	34.7	37.5	33.0	35.5	72.8	45.0	37.0
6	Market Design Project	-	2.4	2.4	21.6	17.2	8.0	-	-	-
7	MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-
8	<b>Total Net Expenditures</b>	\$ 279.1	\$ 240.5	\$ 281.4	\$ 356.2	\$ 363.5	\$ 375.4	\$ 424.3	\$ 417.5	\$ 431.6
9	<b>Net Available Before Non-Operating</b>	\$ (39.9)	\$ 0.3	\$ (40.3)	\$ (26.1)	\$ (22.6)	\$ (24.4)	\$ (63.4)	\$ (19.8)	\$ (30.2)
10	Debt Service	\$ (5.1)	\$ (5.5)	\$ (5.4)	\$ (5.4)	\$ (5.2)	\$ (5.1)	\$ (4.7)	\$ (4.5)	\$ (4.4)
11	Interest Income	25.0	0.0	77.4	49.8	39.8	39.8	39.8	39.8	39.8
11A	Interest Rate %	1.51%	0.01%	3.72%	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%
12	Investment in SPE M & N	(10.6)	-	-	-	-	-	-	-	-
13	<b>Non-Operating Sources &amp; Uses</b>	\$ 9.3	\$ (5.5)	\$ 72.0	\$ 44.4	\$ 34.6	\$ 34.6	\$ 35.1	\$ 35.3	\$ 35.4
14	<b>Net Available</b>	\$ (30.6)	\$ (5.1)	\$ 31.7	\$ 18.3	\$ 11.9	\$ 10.2	\$ (28.4)	\$ 15.5	\$ 5.2
<b>Year-End Balances: Notes Payable, CRR Borrowings, Cash, and CRR Fund</b>										
15	Notes Payable Balance	\$ 39.0	\$ 35.0	\$ 35.0	\$ 31.0	\$ 27.0	\$ 23.0	\$ 19.0	\$ 15.0	\$ 11.0
16	CRR Borrowings Balance	\$ 23.7	\$ 28.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Cash Balance	\$ -	\$ -	\$ 8.0	\$ 26.3	\$ 38.2	\$ 48.4	\$ 20.0	\$ 35.5	\$ 40.6
18	CRR Fund Balance	\$ 1,973.6	\$ 997.3	\$ 2,021.6	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0

Schedule may not foot due to rounding.



**Key Takeaway:** The management recommended option 1 projects a \$20.0 million cash balance at the end of 2027



# Recommendation regarding 2024-2025 Budget and Fee Management Recommended Sources and Uses Summary – Option 1

\$ in Millions

Sources and Uses									
	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1 System Administration Fee Revenue	\$ 239.2	\$ 240.9	\$ 241.2	\$ 330.1	\$ 340.8	\$ 350.9	\$ 360.9	\$ 397.6	\$ 401.4
2* Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
3 Interest Income	25.0	0.0	77.4	49.8	39.8	39.8	39.8	39.8	39.8
4 Other Revenues	8.6	20.5	16.4	18.0	18.0	18.9	19.9	20.9	21.9
5 CRR Borrowings	23.7	5.1	-	-	-	-	-	-	-
6 Decrease in Cash Balance	6.9	-	-	-	-	-	28.4	-	-
<b>7 Total Sources</b>	<b>\$ 325.2</b>	<b>\$ 287.0</b>	<b>\$ 359.7</b>	<b>\$ 424.0</b>	<b>\$ 426.2</b>	<b>\$ 438.8</b>	<b>\$ 479.7</b>	<b>\$ 490.8</b>	<b>\$ 497.4</b>
8 Department Expenditures	\$ 218.3	\$ 231.5	\$ 260.7	\$ 315.1	\$ 331.2	\$ 350.8	\$ 371.4	\$ 393.3	\$ 416.5
9 Project Expenditures	54.0	27.1	34.7	37.5	33.0	35.5	72.8	45.0	37.0
10 Market Design Project	-	2.4	2.4	21.6	17.2	8.0	-	-	-
11 MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-
12* Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
13 Debt Service	5.1	5.5	5.4	5.4	5.2	5.1	4.7	4.5	4.4
14 Investment in SPE M & N	10.6	-	-	-	-	-	-	-	-
15 Repayment of CRR Borrowings	-	-	23.7	-	-	-	-	-	-
16 Increase in Cash Balance	-	-	8.0	18.3	11.9	10.2	-	15.5	5.2
<b>17 Total Uses</b>	<b>\$ 325.2</b>	<b>\$ 287.0</b>	<b>\$ 359.7</b>	<b>\$ 424.0</b>	<b>\$ 426.2</b>	<b>\$ 438.8</b>	<b>\$ 479.7</b>	<b>\$ 490.8</b>	<b>\$ 497.4</b>

\* Reliability Organization Assessment is a pass-through collected on behalf of the Texas Regional Entity; it is not set by ERCOT.

Schedule may not foot due to rounding.

**Key Takeaway:** In addition to the SAF rate, the PUCT approves ERCOT's total authorized spend. Line 17 provides ERCOT's total requested spending authority for 2024-2025



# Recommendation regarding 2024-2025 Budget and Fee Management Recommended Revenue Trends – Option 1

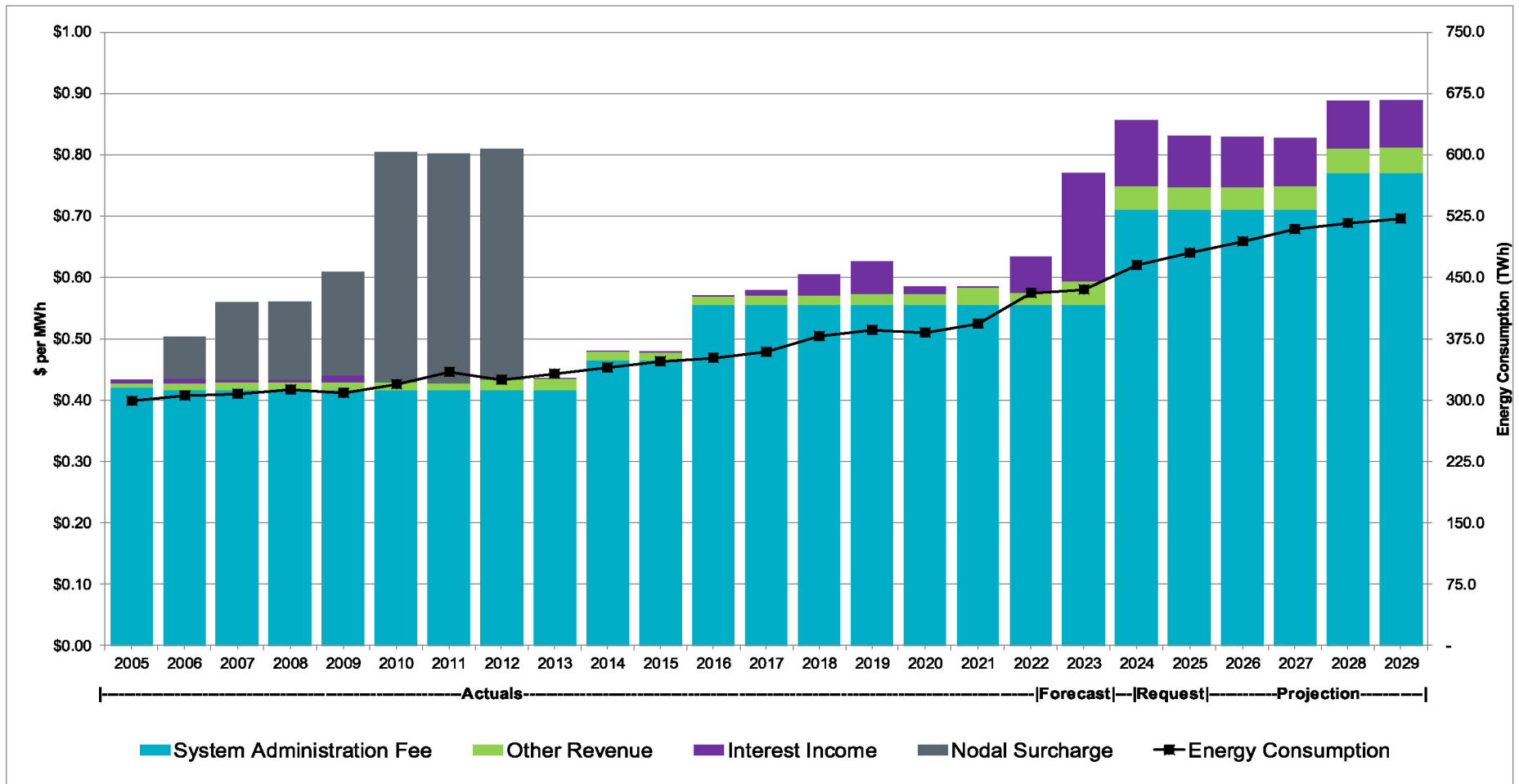
\$ in Millions

Line	Revenues	2022 Actual		2023				2024 Request		2025 Request		2026 Projections		2027 Projections		2028 Projections		2029 Projections	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1	<b>System Administration Fee (SAF)</b>	\$ 239.2	96.5%	\$ 240.9	92.2%	\$ 241.2	93.6%	\$ 330.1	94.8%	\$ 340.8	95.0%	\$ 350.9	94.9%	\$ 360.9	94.8%	\$ 397.6	95.0%	\$ 401.4	94.8%
2	<b>User Fees</b>																		
3	Generation Interconnection Request (GINR)	1.4	0.5%	3.7	1.4%	4.1	1.6%	5.3	1.5%	5.3	1.5%	5.6	1.5%	5.9	1.5%	6.2	1.5%	6.6	1.6%
4	Wide Area Network (WAN)	3.1	1.3%	3.4	1.3%	3.4	1.3%	4.6	1.3%	4.5	1.3%	4.8	1.3%	5.0	1.3%	5.3	1.3%	5.6	1.3%
5	Weatherization Inspection	0.9	0.4%	10.6	4.0%	4.7	1.8%	4.4	1.3%	4.5	1.3%	4.8	1.3%	5.0	1.3%	5.3	1.3%	5.6	1.3%
6	Full Interconnection Study (FIS)	1.3	0.5%	1.8	0.7%	1.3	0.5%	1.0	0.3%	1.0	0.3%	1.0	0.3%	1.1	0.3%	1.1	0.3%	1.2	0.3%
7	Training	0.2	0.1%	0.7	0.3%	0.9	0.3%	0.7	0.2%	0.7	0.2%	0.8	0.2%	0.8	0.2%	0.9	0.2%	0.9	0.2%
8	Membership	0.3	0.1%	0.3	0.1%	0.3	0.1%	0.3	0.1%	0.3	0.1%	0.3	0.1%	0.3	0.1%	0.3	0.1%	0.3	0.1%
9	Registration/Application	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%	0.1	0.0%
10	Information Request	0.0	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
11	<b>User Fees Total</b>	<b>7.2</b>	<b>2.9%</b>	<b>20.5</b>	<b>7.8%</b>	<b>14.7</b>	<b>5.7%</b>	<b>\$ 16.3</b>	<b>4.7%</b>	<b>\$ 16.3</b>	<b>4.5%</b>	<b>17.2</b>	<b>4.7%</b>	<b>18.2</b>	<b>4.8%</b>	<b>19.2</b>	<b>4.6%</b>	<b>20.3</b>	<b>4.8%</b>
12	<b>Other Revenues</b>																		
13	SPE Servicing and Administration	1.3	0.5%	-	0.0%	1.7	0.7%	1.7	0.5%	1.7	0.5%	1.7	0.4%	1.7	0.4%	1.7	0.4%	1.7	0.4%
14	Miscellaneous	0.0	0.0%	-	0.0%	0.0	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
15	<b>Total Revenues</b>	<b>\$ 247.8</b>	<b>100.0%</b>	<b>\$ 261.3</b>	<b>100.0%</b>	<b>\$ 257.5</b>	<b>100.0%</b>	<b>\$ 348.1</b>	<b>100.0%</b>	<b>\$ 358.8</b>	<b>100.0%</b>	<b>\$ 369.8</b>	<b>100.0%</b>	<b>\$ 380.8</b>	<b>100.0%</b>	<b>\$ 418.5</b>	<b>100.0%</b>	<b>\$ 423.3</b>	<b>100.0%</b>

**Key Takeaway:** The System Administration Fee is projected to provide approximately 95% of ERCOT's revenues, the next largest source is less than 2%



# Recommendation regarding 2024-2025 Budget and Fee Management Recommended Revenue Trends – Option 1

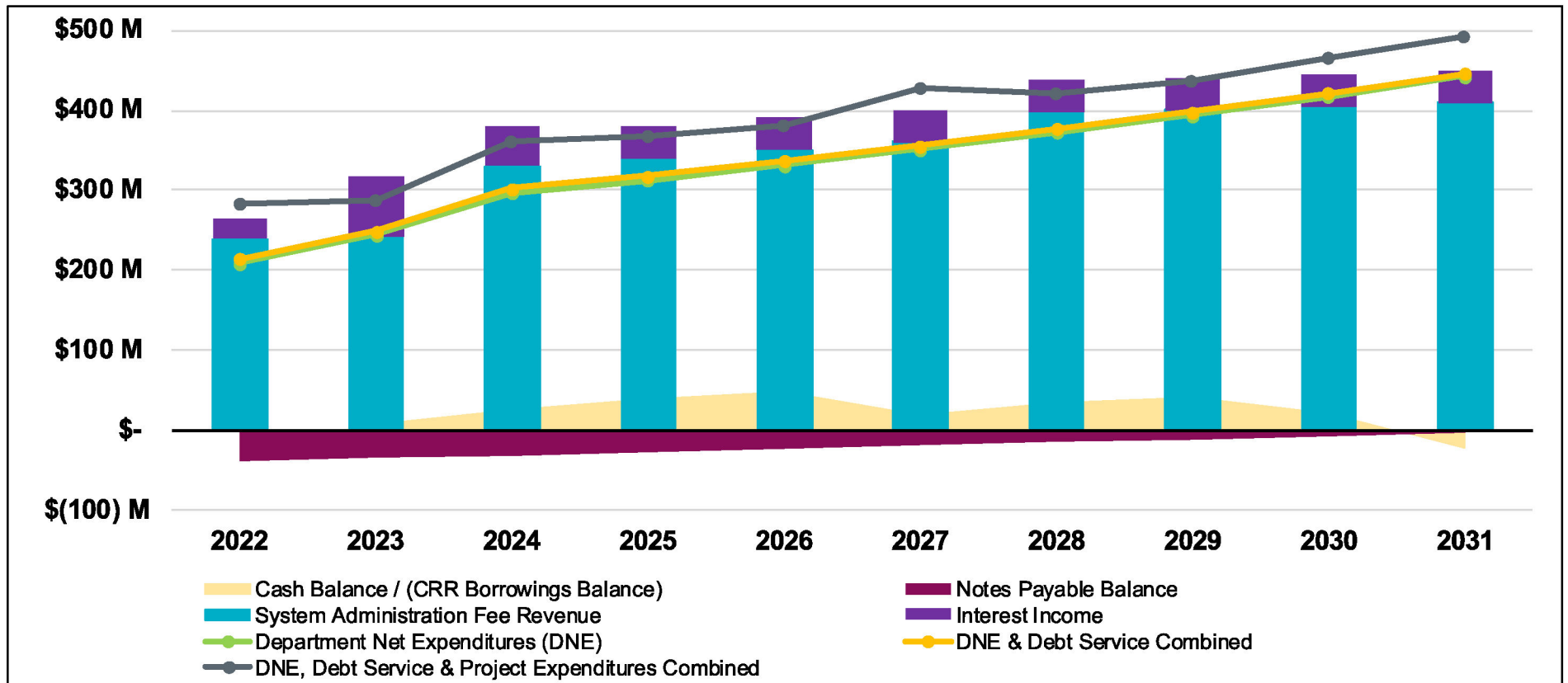


Note: Reliability Organization Assessment excluded

**Key Takeaway:** Trend shows a gradual increase in load with few exceptions, along with a step-up of the SAF rate. Additionally, from 2013-2023, ERCOT recovered costs at a lower \$/MWh level than the maximum three years of the Nodal Implementation Surcharge



# Recommendation regarding 2024-2025 Budget and Fee Management Recommended Budget Projections – Option 1



**Key Takeaway:** By increasing the SAF rate in 2024 and maintaining it through 2027, we expect to over collect in 2024, match closely in 2025-2026, and under collect in 2027. Similarly, we expect a need to increase the SAF Rate in 2028 and maintain it through 2031; over collect in 2028; match closely in 2029; and under collect in 2030-2031



# Recommendation regarding 2024-2025 Budget and Fee Management Recommended Financial Ratios – Option 1

Debt Service Coverage Ratio				2024	2025	2026	2027	2028	2029
	2022	2023	2023	2024	2025	2026	2027	2028	2029
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
<b>1 Revenues</b>									
2 System Administration Fee Revenues	\$ 239.2	\$ 240.9	\$ 241.2	\$ 330.1	\$ 340.8	\$ 350.9	\$ 360.9	\$ 397.6	\$ 401.4
3 Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
4 Interest Income	25.0	0.0	77.4	49.8	39.8	39.8	39.8	39.8	39.8
5 Other Revenues	8.6	20.5	16.4	18.0	18.0	18.9	19.9	20.9	21.9
<b>6 Total Revenues</b>	<b>\$ 294.6</b>	<b>\$ 281.8</b>	<b>\$ 359.7</b>	<b>\$ 424.0</b>	<b>\$ 426.2</b>	<b>\$ 438.8</b>	<b>\$ 451.4</b>	<b>\$ 490.8</b>	<b>\$ 497.4</b>
<b>7 Less: Non-Project Expenditures</b>									
8 Department Expenditures	218.3	231.5	260.7	315.1	331.2	350.8	371.4	393.3	416.5
9 Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
<b>10 Net Revenues Available for Debt Service</b>	<b>\$ 54.5</b>	<b>\$ 29.8</b>	<b>\$ 74.2</b>	<b>\$ 82.8</b>	<b>\$ 67.3</b>	<b>\$ 58.8</b>	<b>\$ 49.1</b>	<b>\$ 64.9</b>	<b>\$ 46.5</b>
11 Interest Expense	1.1	1.5	1.4	1.4	1.2	1.1	0.7	0.5	0.4
12 Principal Payment	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>13 Total Debt Service</b>	<b>\$ 5.1</b>	<b>\$ 5.5</b>	<b>\$ 5.4</b>	<b>\$ 5.4</b>	<b>\$ 5.2</b>	<b>\$ 5.1</b>	<b>\$ 4.7</b>	<b>\$ 4.5</b>	<b>\$ 4.4</b>
<b>14 Calculated Debt Service Coverage Ratio</b>	<b>10.7</b>	<b>5.4</b>	<b>13.7</b>	<b>15.3</b>	<b>12.9</b>	<b>11.5</b>	<b>10.4</b>	<b>14.6</b>	<b>10.7</b>
<b>Liquidity Ratio</b>									
	2022	2023	2023	2024	2025	2026	2027	2028	2029
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
15 Department Expenditures (2 Month Average)	\$ 36.4	\$ 38.6	\$ 43.4	\$ 52.5	\$ 55.2	\$ 58.5	\$ 61.9	\$ 65.6	\$ 69.4
16 Debt Service (6 Month Average)	2.5	2.7	2.7	2.7	2.6	2.6	2.4	2.2	2.2
17 Project Expenditures (2 Month Average)	11.6	4.9	6.2	9.9	8.4	7.3	12.1	7.5	6.2
<b>18 Targeted Minimum Level of Liquidity</b>	<b>\$ 50.5</b>	<b>\$ 46.2</b>	<b>\$ 52.3</b>	<b>\$ 65.1</b>	<b>\$ 66.2</b>	<b>\$ 68.3</b>	<b>\$ 76.4</b>	<b>\$ 75.3</b>	<b>\$ 77.8</b>
<b>19 Undrawn Borrowing Capacity</b>	<b>\$ 100.0</b>	<b>\$ 100.0</b>	<b>\$ 100.0</b>	<b>\$ 100.0</b>	<b>\$ 100.0</b>	<b>\$ 100.0</b>	<b>\$ 100.0</b>	<b>\$ 100.0</b>	<b>\$ 100.0</b>
<b>20 Liquidity Ratio</b>	<b>2.0</b>	<b>2.2</b>	<b>1.9</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>

Schedule may not foot due to rounding

## Key Takeaways:

- Debt Service Coverage ratio is projected to be adequate to meet ERCOT's 1.10 : 1.00 targeted ratio
- Liquidity ratio is projected to be adequate to meet ERCOT's targeted liquidity



## **6. Risks to Meeting the 2024-2025 Recommended Budget**

### 1. Sensitivity Analyses

- Department Net Expenditure Growth and Load Growth
- Department Net Expenditure Growth and Project Expenditures
- Department Net Expenditure Growth and Interest Income Rates
- CRR Funding Balance and Interest Income Rates

### 2. Risks Summary and Mitigation

# Recommendation regarding 2024-2025 Budget and Fee

## Sensitivity Analyses: Department Net Expenditure Growth and Load Growth

### Impact of Variances on Projected 2027 Cash Balance

\$ in Millions, except rates

		CAGR for Four Year Department Net Expenditures (2023-2027)						
		11.00%	10.50%	10.00%	9.53%	9.00%	8.50%	8.00%
CAGR for Four Year Load Growth (2023-2027)	2.00%	\$ (75.2)	\$ (60.1)	\$ (45.2)	\$ (31.2)	\$ (15.8)	\$ (1.3)	\$ 13.1
	2.50%	\$ (62.6)	\$ (47.5)	\$ (32.6)	\$ (18.6)	\$ (3.2)	\$ 11.3	\$ 25.7
	3.00%	\$ (49.8)	\$ (34.8)	\$ (19.9)	\$ (5.8)	\$ 9.6	\$ 24.1	\$ 38.4
	4.00%	\$ (24.0)	\$ (8.9)	\$ 6.0	\$ 20.0	\$ 35.4	\$ 49.9	\$ 64.2
	4.00%	\$ (24.0)	\$ (8.9)	\$ 6.0	\$ 20.0	\$ 35.4	\$ 49.9	\$ 64.3
	4.50%	\$ (10.9)	\$ 4.2	\$ 19.1	\$ 33.1	\$ 48.5	\$ 63.0	\$ 77.4
	5.00%	\$ 2.4	\$ 17.4	\$ 32.4	\$ 46.4	\$ 61.8	\$ 76.3	\$ 90.6

**Key Takeaway:** Redlined area shows where greater-than-projected department net expenditure growth and lower-than-projected load growth may result in a working capital shortage



# Recommendation regarding 2024-2025 Budget and Fee

## Sensitivity Analyses: Department Net Expenditure Growth and Project Expenditures Impact of Variances on Projected 2027 Cash Balance

\$ in Millions, except rates

		CAGR for Four Year Department Net Expenditures (2023-2027)						
		11.00%	10.50%	10.00%	9.53%	9.00%	8.50%	8.00%
Average Annual Project Expenditures (2023-2027)	\$ 64.0	\$ (69.9)	\$ (54.8)	\$ (39.9)	\$ (25.9)	\$ (10.5)	\$ 4.0	\$ 18.4
	\$ 61.0	\$ (57.9)	\$ (42.8)	\$ (27.9)	\$ (13.9)	\$ 1.5	\$ 16.0	\$ 30.4
	\$ 58.0	\$ (45.9)	\$ (30.8)	\$ (15.9)	\$ (1.9)	\$ 13.5	\$ 28.0	\$ 42.4
	\$ 52.5	\$ (24.0)	\$ (8.9)	\$ 6.0	\$ 20.0	\$ 35.4	\$ 49.9	\$ 64.2
	\$ 50.0	\$ (13.9)	\$ 1.2	\$ 16.1	\$ 30.1	\$ 45.5	\$ 60.0	\$ 74.4
	\$ 47.0	\$ (1.9)	\$ 13.2	\$ 28.1	\$ 42.1	\$ 57.5	\$ 72.0	\$ 86.4
	\$ 44.0	\$ 10.1	\$ 25.2	\$ 40.1	\$ 54.1	\$ 69.5	\$ 84.0	\$ 98.4

**Key Takeaway:** Redlined area shows where greater-than-projected department net expenditure growth and greater-than-projected project expenditures may result in a working capital shortage





# Recommendation regarding 2024-2025 Budget and Fee

## Sensitivity Analyses: Department Net Expenditure Growth and Interest Income Rates Impact of Variances on Projected 2027 Cash Balance

\$ in Millions, except rates

		CAGR for Four Year Department Net Expenditures (2023-2027)						
		11.00%	10.50%	10.00%	9.53%	9.00%	8.50%	8.00%
Average Annual Interest Income Rate (2024-2027)	0.50%	\$ (154.3)	\$ (139.2)	\$ (124.3)	\$ (110.3)	\$ (94.9)	\$ (80.4)	\$ (66.0)
	1.00%	\$ (114.2)	\$ (99.1)	\$ (84.2)	\$ (70.2)	\$ (54.8)	\$ (40.3)	\$ (26.0)
	1.50%	\$ (74.1)	\$ (59.1)	\$ (44.1)	\$ (30.1)	\$ (14.7)	\$ (0.2)	\$ 14.1
	2.13%	\$ (24.0)	\$ (8.9)	\$ 6.0	\$ 20.0	\$ 35.4	\$ 49.9	\$ 64.2
	2.50%	\$ 6.1	\$ 21.1	\$ 36.0	\$ 50.1	\$ 65.5	\$ 79.9	\$ 94.3
	3.00%	\$ 46.1	\$ 61.2	\$ 76.1	\$ 90.2	\$ 105.5	\$ 120.0	\$ 134.4
	3.50%	\$ 86.2	\$ 101.3	\$ 116.2	\$ 130.2	\$ 145.6	\$ 160.1	\$ 174.5

**Key Takeaway:** Redlined area shows where greater-than-projected department net expenditure growth and/or lower-than-projected interest income rates may result in a working capital shortage



# Recommendation regarding 2024-2025 Budget and Fee

## Sensitivity Analyses: CRR Funding Balance and Interest Income Rates

### Impact of Variances on Projected 2027 Cash Balance

\$ in Millions, except rates

		Average Annual CRR Funding Balance (2024-2027)									
		\$ 1,250.0	\$ 1,500.0	\$ 1,750.0	\$ 2,000.0	\$ 2,250.0	\$ 2,500.0	\$ 2,750.0			
Average Annual Interest Rate (2024-2027)	0.50%	\$ (125.0)	\$ (120.0)	\$ (115.0)	\$ (110.0)	\$ (105.0)	\$ (100.0)	\$ (95.0)			
	1.00%	\$ (100.0)	\$ (90.0)	\$ (80.0)	\$ (70.0)	\$ (60.0)	\$ (50.0)	\$ (40.0)			
	1.50%	\$ (75.0)	\$ (60.0)	\$ (45.0)	\$ (30.0)	\$ (15.0)	\$ 0.0	\$ 15.0			
	2.13%	\$ (43.7)	\$ (22.5)	\$ (1.2)	\$ 20.0	\$ 41.3	\$ 62.5	\$ 83.8			
	2.50%	\$ (25.0)	\$ 0.0	\$ 25.0	\$ 50.0	\$ 75.0	\$ 100.0	\$ 125.0			
	3.00%	\$ 0.0	\$ 30.0	\$ 60.0	\$ 90.0	\$ 120.0	\$ 150.0	\$ 180.0			
	3.50%	\$ 25.0	\$ 60.0	\$ 95.0	\$ 130.0	\$ 165.0	\$ 200.0	\$ 235.0			

**Key Takeaway:** Redlined area shows where lower-than-projected CRR funding balance and/or lower-than-projected interest income rates may result in a working capital shortage



# Recommendation regarding 2024-2025 Budget and Fee Risks Summary and Mitigation

## Potential Risks

- Higher-than-Projected Cost Inflation
- New Costs
- Lower-than-Projected Load Growth
- Lower-than-Projected Interest Income Rates
- Lower-than-Projected CRR Balance

## Mitigation Responses

- Increase Debt and/or ERCOT, Inc.'s Use of CRR Funds
- Increase Fees
- Reduce Department Net Expenditures (e.g., operational efficiencies)
- Reduce Project Expenditures

## 7. Appendices

- Department Net Expenditures by Spend Type and Project Expenditures
- Department Net Expenditures by Office
- Department Net Expenditures by Office by Spend Type
- Project Summary by Project Type
- Project Priority List Details

# Recommendation regarding 2024-2025 Budget and Fee

## Department Net Expenditures by Spend Type and Project Expenditures

\$ in Millions

ERCOT

Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1 Salaries	\$ 109.4	\$ 118.9	\$ 137.4	\$ 173.6	\$ 186.5	\$ 197.7	\$ 209.6	\$ 222.2	\$ 235.5
2 Benefits & Taxes	34.0	38.4	41.7	54.0	58.0	61.5	65.2	69.1	73.2
3 Project Funded Labor	(11.7)	(13.9)	(12.7)	(19.3)	(19.4)	(20.5)	(21.6)	(22.8)	(24.1)
4 Vacancy	-	(4.6)	-	(6.8)	(7.3)	(7.7)	(8.2)	(8.6)	(9.1)
<b>5 Department Labor</b>	<b>\$ 131.6</b>	<b>\$ 138.7</b>	<b>\$ 166.5</b>	<b>\$ 201.6</b>	<b>\$ 217.8</b>	<b>\$ 231.0</b>	<b>\$ 244.9</b>	<b>\$ 259.7</b>	<b>\$ 275.5</b>
6 Materials, Supplies & Equipment	0.7	0.6	0.7	1.3	1.0	1.0	1.1	1.1	1.2
7 HW/SW License & Maintenance	32.8	35.3	34.9	41.4	42.4	44.8	47.3	50.0	52.8
8 Outside Services	24.6	19.7	26.6	34.4	32.8	34.6	36.5	38.6	40.8
9 Utility, Maintenance & Facility	8.9	9.8	12.0	14.3	13.7	14.4	15.3	16.1	17.0
10 Employee Expenses	1.2	2.3	2.7	4.1	4.2	4.4	4.7	4.9	5.2
11 Insurance	12.4	10.2	9.0	10.4	11.8	12.5	13.2	13.9	14.7
12 Other Expenses	3.0	13.4	3.4	4.7	5.5	5.8	6.1	6.4	6.8
<b>13 Department Expense</b>	<b>\$ 215.3</b>	<b>\$ 230.0</b>	<b>\$ 255.7</b>	<b>\$ 312.0</b>	<b>\$ 329.1</b>	<b>\$ 348.5</b>	<b>\$ 369.1</b>	<b>\$ 390.8</b>	<b>\$ 413.9</b>
14 Minor Capital & Common Infrastructure	3.0	1.5	5.0	3.0	2.1	2.2	2.4	2.5	2.6
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 218.3</b>	<b>\$ 231.5</b>	<b>\$ 260.7</b>	<b>\$ 315.1</b>	<b>\$ 331.2</b>	<b>\$ 350.8</b>	<b>\$ 371.4</b>	<b>\$ 393.3</b>	<b>\$ 416.5</b>
16									
<b>17 Department Revenues</b>	<b>\$ (8.6)</b>	<b>\$ (20.5)</b>	<b>\$ (16.4)</b>	<b>\$ (18.0)</b>	<b>\$ (18.0)</b>	<b>\$ (18.9)</b>	<b>\$ (19.9)</b>	<b>\$ (20.9)</b>	<b>\$ (21.9)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 209.7</b>	<b>\$ 211.1</b>	<b>\$ 244.3</b>	<b>\$ 297.1</b>	<b>\$ 313.3</b>	<b>\$ 331.9</b>	<b>\$ 351.6</b>	<b>\$ 372.5</b>	<b>\$ 394.6</b>
20									
21 Project Expenditures	54.0	27.1	34.7	37.5	33.0	35.5	72.8	45.0	37.0
22 Market Design Project	-	2.4	2.4	21.6	17.2	8.0	-	-	-
23 MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-
<b>24 Total Project Expenditures</b>	<b>\$ 69.4</b>	<b>\$ 29.5</b>	<b>\$ 37.1</b>	<b>\$ 59.1</b>	<b>\$ 50.2</b>	<b>\$ 43.5</b>	<b>\$ 72.8</b>	<b>\$ 45.0</b>	<b>\$ 37.0</b>
25									
<b>26 Total Expenditures</b>	<b>\$ 279.1</b>	<b>\$ 240.5</b>	<b>\$ 281.4</b>	<b>\$ 356.2</b>	<b>\$ 363.5</b>	<b>\$ 375.4</b>	<b>\$ 424.3</b>	<b>\$ 417.5</b>	<b>\$ 431.6</b>

Schedule may not foot due to rounding.



# Recommendation regarding 2024-2025 Budget and Fee

## Department Net Expenditures by Office

*\$ in Millions*

Department Net Expenditures											
Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection		
1	Chief Information Office	\$ 83.1	\$ 86.8	\$ 95.3	\$ 107.9	\$ 113.3	\$ 120.0	\$ 127.0	\$ 134.5	\$ 142.3	
2	Chief Administrative Office	35.8	37.8	39.0	47.9	51.7	54.8	58.1	61.6	65.3	
3	General Counsel	30.2	26.5	34.4	42.1	43.1	45.6	48.3	51.1	54.1	
4	System Operations	23.7	23.9	27.9	38.4	40.8	43.3	45.9	48.6	51.5	
5	Commercial Operations	15.5	16.8	18.6	22.9	24.6	26.1	27.7	29.4	31.1	
6	System Planning & Weatherization	12.8	9.4	17.2	23.7	24.6	26.1	27.6	29.3	31.1	
7	Public Affairs	6.9	8.2	8.1	9.6	10.2	10.8	11.4	12.1	12.8	
8	Chief Executive Office	1.8	1.7	3.8	4.5	5.0	5.3	5.6	5.9	6.3	
9	<b>Total Department Net Expenditures</b>	<b>\$ 209.7</b>	<b>\$ 211.1</b>	<b>\$ 244.3</b>	<b>\$ 297.1</b>	<b>\$ 313.3</b>	<b>\$ 331.9</b>	<b>\$ 351.6</b>	<b>\$ 372.5</b>	<b>\$ 394.6</b>	

Notes:  
 • General Counsel office includes the Governance, Risk & Compliance office and Internal Audit  
 • Public Affairs office includes Client Services  
 • Schedule may not foot due to rounding



# Recommendation regarding 2024-2025 Budget and Fee

## Department Net Expenditures by Office by Spend Type

\$ in Millions

### Chief Information Office

Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection	
1	Salaries	\$ 38.4	\$ 41.5	\$ 45.3	\$ 53.9	\$ 58.1	\$ 61.5	\$ 65.2	\$ 69.2	\$ 73.3
2	Benefits & Taxes	12.1	13.4	13.9	16.8	18.1	19.2	20.3	21.5	22.8
3	Project Funded Labor	(8.7)	(10.0)	(10.1)	(13.7)	(14.0)	(14.8)	(15.6)	(16.5)	(17.4)
4	Vacancy	-	(1.4)	-	(2.1)	(2.3)	(2.4)	(2.5)	(2.7)	(2.8)
5	<b>Department Labor</b>	<b>\$ 41.7</b>	<b>\$ 43.6</b>	<b>\$ 49.1</b>	<b>\$ 54.9</b>	<b>\$ 59.8</b>	<b>\$ 63.5</b>	<b>\$ 67.4</b>	<b>\$ 71.5</b>	<b>\$ 75.9</b>
6	Materials, Supplies & Equipment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
7	HW/SW License & Maintenance	32.5	34.9	34.3	40.8	41.9	44.3	46.7	49.4	52.1
8	Outside Services	3.7	4.2	5.5	6.8	6.5	6.9	7.3	7.7	8.1
9	Utility, Maintenance & Facility	4.1	4.5	4.3	6.4	5.9	6.2	6.5	6.9	7.3
10	Employee Expenses	0.4	0.7	0.9	1.1	1.1	1.2	1.3	1.3	1.4
11	Insurance	-	-	-	-	-	-	-	-	-
12	Other Expenses	1.0	0.9	0.8	0.9	0.9	1.0	1.1	1.1	1.2
13	<b>Department Expense</b>	<b>\$ 83.4</b>	<b>\$ 88.9</b>	<b>\$ 95.1</b>	<b>\$ 111.1</b>	<b>\$ 116.4</b>	<b>\$ 123.2</b>	<b>\$ 130.4</b>	<b>\$ 138.0</b>	<b>\$ 146.1</b>
14	Minor Capital & Common Infrastructure	2.8	1.2	3.6	1.5	1.5	1.5	1.6	1.7	1.8
15	<b>Subtotal - Department Expenditures</b>	<b>\$ 86.2</b>	<b>\$ 90.1</b>	<b>\$ 98.6</b>	<b>\$ 112.5</b>	<b>\$ 117.8</b>	<b>\$ 124.7</b>	<b>\$ 132.0</b>	<b>\$ 139.8</b>	<b>\$ 147.9</b>
16										
17*	<b>Department Revenues</b>	<b>\$ (3.1)</b>	<b>\$ (3.4)</b>	<b>\$ (3.4)</b>	<b>\$ (4.6)</b>	<b>\$ (4.5)</b>	<b>\$ (4.8)</b>	<b>\$ (5.0)</b>	<b>\$ (5.3)</b>	<b>\$ (5.6)</b>
18										
19	<b>Total Department Net Expenditures</b>	<b>\$ 83.1</b>	<b>\$ 86.8</b>	<b>\$ 95.3</b>	<b>\$ 107.9</b>	<b>\$ 113.3</b>	<b>\$ 120.0</b>	<b>\$ 127.0</b>	<b>\$ 134.5</b>	<b>\$ 142.3</b>

\* Private Wide-Area Network Fees

Schedule may not foot due to rounding.



# Recommendation regarding 2024-2025 Budget and Fee

## Department Net Expenditures by Office by Spend Type

\$ in Millions

Chief Administrative Office										
Line		2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1	Salaries	\$ 13.6	\$ 15.5	\$ 18.1	\$ 22.1	\$ 23.1	\$ 24.4	\$ 25.9	\$ 27.5	\$ 29.1
2	Benefits & Taxes	3.8	4.4	4.9	6.2	6.6	7.0	7.4	7.8	8.3
3	Project Funded Labor	(1.8)	(2.5)	(2.0)	(3.6)	(3.6)	(3.8)	(4.0)	(4.2)	(4.4)
4	Vacancy	-	(0.5)	-	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)	(1.1)
5	<b>Department Labor</b>	<b>\$ 15.6</b>	<b>\$ 16.9</b>	<b>\$ 21.0</b>	<b>\$ 23.9</b>	<b>\$ 25.2</b>	<b>\$ 26.7</b>	<b>\$ 28.3</b>	<b>\$ 30.0</b>	<b>\$ 31.9</b>
6	Materials, Supplies & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	HW/SW License & Maintenance	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
8	Outside Services	6.7	7.3	7.4	9.8	10.2	10.8	11.4	12.0	12.7
9	Utility, Maintenance & Facility	1.7	2.4	1.8	3.1	3.0	3.2	3.3	3.5	3.7
10	Employee Expenses	0.2	0.3	0.4	0.6	0.6	0.6	0.7	0.7	0.8
11	Insurance	12.4	10.2	9.0	10.4	11.8	12.5	13.2	13.9	14.7
12	Other Expenses	0.6	0.6	1.0	1.7	2.5	2.6	2.7	2.9	3.0
13	<b>Department Expense</b>	<b>\$ 37.1</b>	<b>\$ 37.8</b>	<b>\$ 40.8</b>	<b>\$ 49.6</b>	<b>\$ 53.4</b>	<b>\$ 56.5</b>	<b>\$ 59.8</b>	<b>\$ 63.2</b>	<b>\$ 66.9</b>
14	Minor Capital & Common Infrastructure	0.0	-	-	-	-	-	-	-	-
15	<b>Subtotal - Department Expenditures</b>	<b>\$ 37.1</b>	<b>\$ 37.8</b>	<b>\$ 40.8</b>	<b>\$ 49.6</b>	<b>\$ 53.4</b>	<b>\$ 56.5</b>	<b>\$ 59.8</b>	<b>\$ 63.2</b>	<b>\$ 66.9</b>
16										
17*	<b>Department Revenues</b>	<b>\$ (1.3)</b>	<b>\$ -</b>	<b>\$ (1.7)</b>	<b>\$ (1.7)</b>	<b>\$ (1.7)</b>	<b>\$ (1.7)</b>	<b>\$ (1.7)</b>	<b>\$ (1.7)</b>	<b>\$ (1.7)</b>
18										
19	<b>Total Department Net Expenditures</b>	<b>\$ 35.8</b>	<b>\$ 37.8</b>	<b>\$ 39.0</b>	<b>\$ 47.9</b>	<b>\$ 51.7</b>	<b>\$ 54.8</b>	<b>\$ 58.1</b>	<b>\$ 61.6</b>	<b>\$ 65.3</b>

\* SPE Servicing & Administration, Cyber Monitoring Fees, and Other Miscellaneous

Schedule may not foot due to rounding.





# Recommendation regarding 2024-2025 Budget and Fee

## Department Net Expenditures by Office by Spend Type

\$ in Millions

### General Counsel

Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1 Salaries	\$ 12.2	\$ 13.1	\$ 15.2	\$ 18.6	\$ 20.5	\$ 21.7	\$ 23.0	\$ 24.4	\$ 25.9
2 Benefits & Taxes	3.9	4.5	4.8	6.0	6.6	7.0	7.4	7.9	8.3
3 Project Funded Labor	(0.1)	(0.0)	0.4	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
4 Vacancy	-	(0.6)	-	(0.7)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)
<b>5 Department Labor</b>	<b>\$ 16.1</b>	<b>\$ 17.0</b>	<b>\$ 20.4</b>	<b>\$ 23.8</b>	<b>\$ 26.2</b>	<b>\$ 27.8</b>	<b>\$ 29.4</b>	<b>\$ 31.2</b>	<b>\$ 33.1</b>
6 Materials, Supplies & Equipment	0.6	0.5	0.6	1.0	0.7	0.8	0.8	0.9	0.9
7 HW/SW License & Maintenance	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
8 Outside Services	9.8	5.3	6.7	10.0	9.7	10.3	10.9	11.5	12.1
9 Utility, Maintenance & Facility	3.1	2.9	5.8	4.8	4.8	5.1	5.4	5.7	6.0
10 Employee Expenses	0.3	0.4	0.3	0.5	0.5	0.6	0.6	0.6	0.7
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	0.3	0.2	0.2	0.4	0.4	0.4	0.5	0.5	0.5
<b>13 Department Expense</b>	<b>\$ 30.3</b>	<b>\$ 26.5</b>	<b>\$ 34.3</b>	<b>\$ 40.9</b>	<b>\$ 42.7</b>	<b>\$ 45.2</b>	<b>\$ 47.9</b>	<b>\$ 50.7</b>	<b>\$ 53.7</b>
14 Minor Capital & Common Infrastructure	0.2	0.3	0.3	1.5	0.6	0.7	0.7	0.8	0.8
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 30.5</b>	<b>\$ 26.8</b>	<b>\$ 34.7</b>	<b>\$ 42.3</b>	<b>\$ 43.4</b>	<b>\$ 45.9</b>	<b>\$ 48.6</b>	<b>\$ 51.4</b>	<b>\$ 54.5</b>
16									
<b>17* Department Revenues</b>	<b>\$ (0.3)</b>	<b>\$ (0.3)</b>	<b>\$ (0.3)</b>	<b>\$ (0.3)</b>	<b>\$ (0.3)</b>	<b>\$ (0.3)</b>	<b>\$ (0.3)</b>	<b>\$ (0.3)</b>	<b>\$ (0.3)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 30.2</b>	<b>\$ 26.5</b>	<b>\$ 34.4</b>	<b>\$ 42.1</b>	<b>\$ 43.1</b>	<b>\$ 45.6</b>	<b>\$ 48.3</b>	<b>\$ 51.1</b>	<b>\$ 54.1</b>

Schedule may not foot due to rounding.



# Recommendation regarding 2024-2025 Budget and Fee

## Department Net Expenditures by Office by Spend Type

\$ in Millions

### System Operations

Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1 Salaries	\$ 17.0	\$ 17.9	\$ 20.8	\$ 29.0	\$ 31.0	\$ 32.9	\$ 34.8	\$ 36.9	\$ 39.1
2 Benefits & Taxes	5.4	5.9	6.4	9.2	9.8	10.4	11.0	11.7	12.4
3 Project Funded Labor	(0.1)	(0.4)	(0.1)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)
4 Vacancy	-	(0.6)	-	(1.1)	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)
<b>5 Department Labor</b>	<b>\$ 22.3</b>	<b>\$ 22.8</b>	<b>\$ 27.1</b>	<b>\$ 36.4</b>	<b>\$ 39.0</b>	<b>\$ 41.4</b>	<b>\$ 43.9</b>	<b>\$ 46.5</b>	<b>\$ 49.3</b>
6 Materials, Supplies & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 HW/SW License & Maintenance	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
8 Outside Services	0.6	0.1	0.3	0.9	0.7	0.8	0.8	0.8	0.9
9 Utility, Maintenance & Facility	0.0	-	0.0	-	-	-	-	-	-
10 Employee Expenses	0.1	0.3	0.3	0.5	0.5	0.6	0.6	0.6	0.6
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	0.8	1.3	0.9	1.2	1.2	1.2	1.3	1.4	1.5
<b>13 Department Expense</b>	<b>\$ 23.9</b>	<b>\$ 24.6</b>	<b>\$ 28.7</b>	<b>\$ 39.1</b>	<b>\$ 41.5</b>	<b>\$ 44.0</b>	<b>\$ 46.7</b>	<b>\$ 49.5</b>	<b>\$ 52.4</b>
14 Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 23.9</b>	<b>\$ 24.6</b>	<b>\$ 28.7</b>	<b>\$ 39.1</b>	<b>\$ 41.5</b>	<b>\$ 44.0</b>	<b>\$ 46.7</b>	<b>\$ 49.5</b>	<b>\$ 52.4</b>
16									
<b>17* Department Revenues</b>	<b>\$ (0.2)</b>	<b>\$ (0.7)</b>	<b>\$ (0.9)</b>	<b>\$ (0.7)</b>	<b>\$ (0.7)</b>	<b>\$ (0.8)</b>	<b>\$ (0.8)</b>	<b>\$ (0.9)</b>	<b>\$ (0.9)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 23.7</b>	<b>\$ 23.9</b>	<b>\$ 27.9</b>	<b>\$ 38.4</b>	<b>\$ 40.8</b>	<b>\$ 43.3</b>	<b>\$ 45.9</b>	<b>\$ 48.6</b>	<b>\$ 51.5</b>

\*Operations Training Seminar Registration Fees & Blackstart Training Registration Fees

Schedule may not foot due to rounding.



# Recommendation regarding 2024-2025 Budget and Fee

## Department Net Expenditures by Office by Spend Type

\$ in Millions

### Commercial Operations

Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1 Salaries	\$ 11.4	\$ 13.4	\$ 13.5	\$ 17.7	\$ 19.1	\$ 20.2	\$ 21.4	\$ 22.7	\$ 24.1
2 Benefits & Taxes	3.7	4.4	4.3	5.7	6.1	6.5	6.9	7.3	7.7
3 Project Funded Labor	(0.6)	(0.8)	(0.6)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(1.0)
4 Vacancy	-	(0.9)	-	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)
<b>5 Department Labor</b>	<b>\$ 14.5</b>	<b>\$ 16.1</b>	<b>\$ 17.2</b>	<b>\$ 21.8</b>	<b>\$ 23.6</b>	<b>\$ 25.0</b>	<b>\$ 26.5</b>	<b>\$ 28.1</b>	<b>\$ 29.8</b>
6 Materials, Supplies & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 HW/SW License & Maintenance	0.0	-	0.0	-	-	-	-	-	-
8 Outside Services	0.7	0.3	0.9	0.6	0.5	0.5	0.6	0.6	0.6
9 Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
10 Employee Expenses	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	0.2	0.2	0.3	0.3	0.2	0.3	0.3	0.3	0.3
<b>13 Department Expense</b>	<b>\$ 15.5</b>	<b>\$ 16.8</b>	<b>\$ 18.6</b>	<b>\$ 22.9</b>	<b>\$ 24.6</b>	<b>\$ 26.1</b>	<b>\$ 27.7</b>	<b>\$ 29.4</b>	<b>\$ 31.1</b>
14 Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 15.5</b>	<b>\$ 16.8</b>	<b>\$ 18.6</b>	<b>\$ 22.9</b>	<b>\$ 24.6</b>	<b>\$ 26.1</b>	<b>\$ 27.7</b>	<b>\$ 29.4</b>	<b>\$ 31.1</b>
16									
<b>17 Department Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 15.5</b>	<b>\$ 16.8</b>	<b>\$ 18.6</b>	<b>\$ 22.9</b>	<b>\$ 24.6</b>	<b>\$ 26.1</b>	<b>\$ 27.7</b>	<b>\$ 29.4</b>	<b>\$ 31.1</b>

Schedule may not foot due to rounding.



# Recommendation regarding 2024-2025 Budget and Fee

## Department Net Expenditures by Office by Spend Type

\$ in Millions

### System Planning & Weatherization

Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1 Salaries	\$ 10.8	\$ 10.9	\$ 15.9	\$ 21.9	\$ 23.4	\$ 24.8	\$ 26.3	\$ 27.9	\$ 29.6
2 Benefits & Taxes	3.5	3.7	5.1	7.1	7.6	8.1	8.6	9.1	9.6
3 Project Funded Labor	(0.3)	(0.1)	(0.2)	(0.5)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)
4 Vacancy	-	(0.4)	-	(0.9)	(0.9)	(1.0)	(1.0)	(1.1)	(1.2)
<b>5 Department Labor</b>	<b>\$ 14.0</b>	<b>\$ 14.1</b>	<b>\$ 20.8</b>	<b>\$ 27.6</b>	<b>\$ 29.8</b>	<b>\$ 31.5</b>	<b>\$ 33.4</b>	<b>\$ 35.5</b>	<b>\$ 37.6</b>
6 Materials, Supplies & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 HW/SW License & Maintenance	0.0	-	0.0	-	-	-	-	-	-
8 Outside Services	2.1	1.0	4.8	5.5	4.4	4.7	4.9	5.2	5.5
9 Utility, Maintenance & Facility	0.0	0.0	0.0	-	-	-	-	-	-
10 Employee Expenses	0.1	0.2	0.4	0.9	1.0	1.0	1.1	1.1	1.2
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	0.1	10.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
<b>13 Department Expense</b>	<b>\$ 16.3</b>	<b>\$ 25.4</b>	<b>\$ 26.2</b>	<b>\$ 34.2</b>	<b>\$ 35.3</b>	<b>\$ 37.4</b>	<b>\$ 39.6</b>	<b>\$ 42.0</b>	<b>\$ 44.4</b>
14 Minor Capital & Common Infrastructure	0.0	-	1.1	0.1	0.0	0.0	0.0	0.0	0.0
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 16.3</b>	<b>\$ 25.4</b>	<b>\$ 27.3</b>	<b>\$ 34.3</b>	<b>\$ 35.3</b>	<b>\$ 37.4</b>	<b>\$ 39.6</b>	<b>\$ 42.0</b>	<b>\$ 44.5</b>
16									
<b>17* Department Revenues</b>	<b>\$ (3.5)</b>	<b>\$ (16.1)</b>	<b>\$ (10.1)</b>	<b>\$ (10.6)</b>	<b>\$ (10.7)</b>	<b>\$ (11.3)</b>	<b>\$ (12.0)</b>	<b>\$ (12.7)</b>	<b>\$ (13.4)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 12.8</b>	<b>\$ 9.4</b>	<b>\$ 17.2</b>	<b>\$ 23.7</b>	<b>\$ 24.6</b>	<b>\$ 26.1</b>	<b>\$ 27.6</b>	<b>\$ 29.3</b>	<b>\$ 31.1</b>

\*Generation Interconnection Study Fees & Inspection User Fees

Schedule may not foot due to rounding.



# Recommendation regarding 2024-2025 Budget and Fee

## Department Net Expenditures by Office by Spend Type

\$ in Millions

### Public Affairs

Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1 Salaries	\$ 4.4	\$ 5.2	\$ 5.8	\$ 6.7	\$ 7.3	\$ 7.7	\$ 8.2	\$ 8.7	\$ 9.2
2 Benefits & Taxes	1.4	1.7	1.8	2.1	2.3	2.4	2.6	2.7	2.9
3 Project Funded Labor	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
4 Vacancy	-	(0.2)	-	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)
<b>5 Department Labor</b>	<b>\$ 5.7</b>	<b>\$ 6.6</b>	<b>\$ 7.5</b>	<b>\$ 8.6</b>	<b>\$ 9.3</b>	<b>\$ 9.8</b>	<b>\$ 10.4</b>	<b>\$ 11.0</b>	<b>\$ 11.7</b>
6 Materials, Supplies & Equipment	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
7 HW/SW License & Maintenance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8 Outside Services	1.2	1.5	0.6	0.8	0.7	0.7	0.7	0.8	0.8
9 Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
10 Employee Expenses	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>13 Department Expense</b>	<b>\$ 7.0</b>	<b>\$ 8.3</b>	<b>\$ 8.2</b>	<b>\$ 9.7</b>	<b>\$ 10.2</b>	<b>\$ 10.8</b>	<b>\$ 11.5</b>	<b>\$ 12.2</b>	<b>\$ 12.9</b>
14 Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 7.0</b>	<b>\$ 8.3</b>	<b>\$ 8.2</b>	<b>\$ 9.7</b>	<b>\$ 10.2</b>	<b>\$ 10.8</b>	<b>\$ 11.5</b>	<b>\$ 12.2</b>	<b>\$ 12.9</b>
16									
<b>17* Department Revenues</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 6.9</b>	<b>\$ 8.2</b>	<b>\$ 8.1</b>	<b>\$ 9.6</b>	<b>\$ 10.2</b>	<b>\$ 10.8</b>	<b>\$ 11.4</b>	<b>\$ 12.1</b>	<b>\$ 12.8</b>

\*Market Participant Registration Fees

Schedule may not foot due to rounding.



# Recommendation regarding 2024-2025 Budget and Fee Project Summary by Project Type

\$ in Millions

Project Expenditures											
Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection		
1	Regulatory	\$ 3.0	\$ 2.0	\$ 2.3	\$ 1.5	\$ 1.5	\$ 1.5	\$ 2.0	\$ 2.0	\$ 3.0	
2	Revision Requests	3.7	1.8	2.4	3.0	3.0	3.5	4.5	5.0	5.0	
3	Internal Enhancements	6.4	2.6	6.2	10.8	13.4	13.0	11.3	11.3	11.0	
4	Software Technical Health	10.5	9.9	13.3	9.1	9.0	10.5	11.0	11.8	13.0	
5	IT Infrastructure	30.5	10.7	10.4	13.1	6.1	7.0	44.0	15.0	5.0	
6	Market Design Project	-	2.4	2.4	21.6	17.2	8.0	-	-	-	
7	MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-	
8	<b>Total Project Expenditures</b>	<b>\$ 69.4</b>	<b>\$ 29.5</b>	<b>\$ 37.1</b>	<b>\$ 59.1</b>	<b>\$ 50.2</b>	<b>\$ 43.5</b>	<b>\$ 72.8</b>	<b>\$ 45.0</b>	<b>\$ 37.0</b>	

Schedule may not foot due to rounding



# Recommendation regarding 2024-2025 Budget and Fee Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
1	Regulatory	Securitization Phase 3	\$500k-\$1M	\$1M-\$2M
2	Regulatory	Creation of Direct Current Tie Operator Market Participant Role (NPRR857)	\$100k-\$250k	\$250k-\$500k
3	Regulatory	CAT/PUC-Report CAT	\$100k-\$250k	-
4	Regulatory	NERC FAC Standards Alignment	\$100k-\$250k	-
5	Regulatory	Securitization Phase 2A - Maine Invoice and Credit Exposure	<\$50k	-
6	Regulatory	Additional Regulatory Funding - 2024/2025	-	\$100k-\$250k

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
7	Revision Requests	NPRR1095 TX SET 5_0 and SCR817 MarkeTrak Validation Revisions Aligning with Texas SET V5.0	\$500k-\$1M	<\$50k
8	Revision Requests	SCR818 Phase 2 Changes to Incorporate GIC Modeling Data into Existing Modeling Applications	\$100k-\$250k	\$250k-\$500k
9	Revision Requests	NPRR863 Creation of ERCOT Contingency Reserve Service (ECRS)	\$100k-\$250k	-
10	Revision Requests	SCR820 Operator Real-Time Messaging During Emergency	\$100k-\$250k	-
11	Revision Requests	NPRR1023 Change to CRR Repossession Process	\$100k-\$250k	-
12	Revision Requests	NPRR936 CRR Account Holder Limits	\$100k-\$250k	-
13	Revision Requests	SCR799 ERCOT Outage Study Cases in the System Operations Test Environment (SOTE)	\$100k-\$250k	-
14	Revision Requests	SCR819 Improving IRR Control to Manage GTC Stability Limits	\$50k-\$100k	-
15	Revision Requests	NOGRR226 Addition of Supplemental UFLS Stages	\$50k-\$100k	-
16	Revision Requests	NPRR879 SCED Base Point Base Point Deviation and Performance Evaluation Changes for IRRs that Carry Ancillary Services	\$50k-\$100k	-
17	Revision Requests	NPRR904 Revisions to Real-Time On-Line Reliability Deployment Price Adder for ERCOT-Directed Actions Related to DC Ties and to Correct Design Flaws	<\$50k	\$250k-\$500k
18	Revision Requests	NPRR1026 BESTF-7 Self-Limiting Facilities	<\$50k	\$250k-\$500k
19	Revision Requests	NPRR930 Process Pricing and Cost Recovery for Delayed Resource Outages	<\$50k	-
20	Revision Requests	SCR789 Update NMMS Topology Processor to PSS_E 34 (35) Capability – Phase 2	<\$50k	-
21	Revision Requests	SCR807 Increase CRR Transaction Capability and SCR816 CRR Auction Bid Credit Enhancement Implementation	<\$50k	-



# Recommendation regarding 2024-2025 Budget and Fee

## Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
22	Revision Requests	NPRR1121 Add a Posting Requirement to the Exceptional Fuel Cost Submission Process	<\$50k	-
23	Revision Requests	NPRR1058 Resource Offer Modernization	<\$50k	-
24	Revision Requests	NPRR1091 Changes to Address Market Impacts of Additional Non-Spin Procurement	<\$50k	-
25	Revision Requests	NPRR1092 Reduce RUC Offer Floor and Limit RUC Opt-Out Provision	<\$50k	-
26	Revision Requests	NPRR1098 DC Tie Reactive Power Capability Requirements	<\$50k	-
27	Revision Requests	NPRR1131 Controllable Load Resource Participation in Non-Spin	<\$50k	-
28	Revision Requests	NPRR1149 Implementation of Systematic Ancillary Service Failed Quantity Charges	<\$50k	-
29	Revision Requests	SCR813 NMMS Jointly-Rated Equipment Coordination Confirmation	<\$50k	-
30	Revision Requests	SCR821 Voltage Set Point Target Information for DGR or DESR	<\$50k	-
31	Revision Requests	NPRR941 Create a Lower Rio Grande Valley Hub	-	\$250k-\$500k
32	Revision Requests	NPRR1019 Pricing and Settlement Changes for Switchable Generation Resources (SWGRs) Instructed to Switch to ERCOT	-	\$250k-\$500k
33	Revision Requests	NPRR826 Mitigated Offer Caps for RMR Resources	-	\$250k-\$500k
34	Revision Requests	NPRR1020 - Allow Some Integrated Energy Storage Designs to Calculate Internal Loads - Data Agg portion	-	<\$50k

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
35	Internal Enhancements	Data Virtualization	\$500k-\$1M	\$500k-\$1M
36	Internal Enhancements	Outage Scheduler Modernization	\$500k-\$1M	\$500k-\$1M
37	Internal Enhancements	CMM (Credit Monitoring and Management) Phase 2	\$500k-\$1M	<\$50k
38	Internal Enhancements	NMMS IMM Schema upgrade to CIM 16	\$500k-\$1M	<\$50k
39	Internal Enhancements	Treasury Management System	\$500k-\$1M	<\$50k
40	Internal Enhancements	Energy Optimization Tool	\$500k-\$1M	<\$50k
41	Internal Enhancements	Future Case Builder	\$500k-\$1M	-
42	Internal Enhancements	Gas Monitoring Tool	\$500k-\$1M	-
43	Internal Enhancements	Metadata Auto-Tagging	\$500k-\$1M	-
44	Internal Enhancements	User Behavior Analytics	\$500k-\$1M	-





# Recommendation regarding 2024-2025 Budget and Fee Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
45	Software Technical Health	Monitoring of NERC Asset Baselines	\$250k-\$500k	\$500k-\$1M
46	Internal Enhancements	CMM (Credit Monitoring and Management) Phase 3	\$250k-\$500k	\$250k-\$500k
47	Internal Enhancements	Data Governance Framework	\$250k-\$500k	\$250k-\$500k
48	Internal Enhancements	Modernize RUC	\$250k-\$500k	\$250k-\$500k
49	Internal Enhancements	Operational Data Interface	\$250k-\$500k	\$250k-\$500k
50	Internal Enhancements	Test Data Management	\$250k-\$500k	\$250k-\$500k
51	Internal Enhancements	Flexible Resource Monitoring and Forecasting	\$250k-\$500k	\$100k-\$250k
52	Internal Enhancements	API 2.0 Secure & Cert. Data	\$250k-\$500k	-
53	Internal Enhancements	Enhanced Access Monitoring	\$250k-\$500k	-
54	Internal Enhancements	Expand Information Governance Capabilities with ECMS (Enterprise Content Management System)	\$250k-\$500k	-
55	Internal Enhancements	Service Management - CMDB	\$250k-\$500k	-
56	Internal Enhancements	Tracing & Unit Tests	\$250k-\$500k	-
57	Internal Enhancements	Workday to Identity Management Integration Enhancements	\$250k-\$500k	-
58	Internal Enhancements	GridGeo Blackstart - Advanced OTS	\$250k-\$500k	-
59	Internal Enhancements	Internal Operator Logging	\$100k-\$250k	\$100k-\$250k
60	Internal Enhancements	Migrate Load Forecasts	\$100k-\$250k	\$100k-\$250k
61	Internal Enhancements	Online Replacement	\$100k-\$250k	\$100k-\$250k
62	Internal Enhancements	Replace NDCRC (Replace Net Dependable Capability and Reactive Capability)	\$100k-\$250k	\$100k-\$250k
63	Internal Enhancements	Service Management - Asset Mgmt	\$100k-\$250k	\$100k-\$250k
64	Internal Enhancements	Reactive Power Coordination	\$100k-\$250k	\$100k-\$250k
65	Internal Enhancements	Confluence Retention	\$100k-\$250k	<\$50k
66	Internal Enhancements	ECMS (Enterprise Content Management System) and Office365 Integration	\$100k-\$250k	-
67	Internal Enhancements	External Load Forecast	\$100k-\$250k	-
68	Internal Enhancements	Federated Search	\$100k-\$250k	-
69	Internal Enhancements	Improve data processing & query optimization	\$100k-\$250k	-
70	Internal Enhancements	Service Management – CSM Phase 2 - MPs	\$100k-\$250k	-



# Recommendation regarding 2024-2025 Budget and Fee Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
71	Internal Enhancements	SharePoint Event-Driven Retention Labels	\$100k-\$250k	-
72	Internal Enhancements	Website Search as a Service	\$100k-\$250k	-
73	Internal Enhancements	Siebel Lifecycle	\$50k-\$100k	\$50k-\$100k
74	Internal Enhancements	ERCOT Website Redesign	\$50k-\$100k	-
75	Internal Enhancements	PSS/E 36 Upgrade	\$50k-\$100k	-
76	Internal Enhancements	E-Discovery	<\$50k	\$100k-\$250k
77	Internal Enhancements	Additional Internal Enhancement Funding - 2024/2025	-	<\$50k
78	Internal Enhancements	Service Management - Change Mgmt	<\$50k	-
79	Internal Enhancements	Forecast Presentation Platform (FPP)	<\$50k	-
80	Internal Enhancements	Retail API Redesign	<\$50k	-
81	Internal Enhancements	Automation of Mothballed Status & Seasonal Operation Period	<\$50k	-
82	Internal Enhancements	Grid Geo - Off-Site Training OTS	-	\$500k-\$1M
83	Internal Enhancements	GridGeo - Additional Layers	-	\$500k-\$1M
84	Internal Enhancements	GridGeo Analysis/Playback	-	\$500k-\$1M
85	Internal Enhancements	Project and Portfolio Database	-	\$500k-\$1M
86	Internal Enhancements	RIOO Connectivity	-	\$250k-\$500k
87	Internal Enhancements	TRACE Reporting	-	\$250k-\$500k
88	Internal Enhancements	Automate Quarterly Access Reviews	-	\$100k-\$250k
89	Internal Enhancements	Cloud Migration & Data Warehouse Modernization	-	\$100k-\$250k
90	Internal Enhancements	Cond. Contingency Def.	-	\$100k-\$250k
91	Internal Enhancements	Dynamic Ancillary Service Quantities	-	\$100k-\$250k
92	Internal Enhancements	MAGE (Modeling and Graphic Editor) Upgrade 2025	-	\$100k-\$250k
93	Internal Enhancements	NMMS Usability Enhancements	-	\$100k-\$250k
94	Internal Enhancements	Self Service RSA	-	\$100k-\$250k
95	Internal Enhancements	Service Management - Event Mgmt	-	\$100k-\$250k



# Recommendation regarding 2024-2025 Budget and Fee Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
96	Software Technical Health	SQL Server Upgrade 2024	\$500k-\$1M	\$100k-\$250k
97	Software Technical Health	CMM Upgrade	\$500k-\$1M	-
98	Software Technical Health	Control Video Wall BCC1	\$500k-\$1M	-
99	Software Technical Health	Tech Refresh - MMS OS RHEL Migration	\$500k-\$1M	-
100	Software Technical Health	MMS/OS Refresh 2026	\$250k-\$500k	\$500k-\$1M
101	Software Technical Health	MPIM (Market Participant Identity Management) MFA	\$250k-\$500k	\$250k-\$500k
102	Software Technical Health	Siebel Upgrade	\$250k-\$500k	\$250k-\$500k
103	Software Technical Health	DTR UI Rewrite	\$250k-\$500k	\$100k-\$250k
104	Software Technical Health	ERCOT WAN (Wide-Area Network) Replacement	\$250k-\$500k	\$100k-\$250k
105	Software Technical Health	APE Technical Health Improvements	\$250k-\$500k	-
106	Software Technical Health	DB OEM Upgrade	\$250k-\$500k	-
107	Software Technical Health	ETAG & MMS/OS RHEL Upgrade	\$250k-\$500k	-
108	Software Technical Health	Tech Health – MPIM (Market Participant Identity Management)	\$250k-\$500k	-
109	Software Technical Health	MarkeTrak Refresh 2024	\$100k-\$250k	\$100k-\$250k
110	Software Technical Health	Database Upgrade 2024	\$100k-\$250k	\$100k-\$250k
111	Software Technical Health	Data Manager Upgrade	\$100k-\$250k	-
112	Software Technical Health	Grid Conditions Communications	\$100k-\$250k	-
113	Software Technical Health	Security Scanning Refresh	\$100k-\$250k	-
114	Software Technical Health	EMS (Energy Management System) Upgrade	\$100k-\$250k	-
115	Software Technical Health	Centralized Account Management	\$50k-\$100k	\$250k-\$500k
116	Software Technical Health	NMMS (Network Model Management System) Upgrade	\$50k-\$100k	-
117	Software Technical Health	Tech Health: ListServ Cloud Upgrade	\$50k-\$100k	-



# Recommendation regarding 2024-2025 Budget and Fee

## Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
118	Software Technical Health	Tech Refresh - Integration Upgrade	\$50k-\$100k	-
119	Software Technical Health	Tech Refresh - Identity Management 2023	<\$50k	-
120	Software Technical Health	CRR Refresh 2025	-	\$250k-\$500k
121	Software Technical Health	Grid Geo - Database Upgrade	-	\$250k-\$500k
122	Software Technical Health	FlighTrak Refresh 2025	-	\$100k-\$250k
123	Software Technical Health	Tech Foundation -Software Technical Health Expected to be Approved in 2024/2025	-	\$3M-\$4M

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
124	IT Infrastructure	Second iTest Environment	\$10M-\$15M	\$3M-\$4M
125	IT Infrastructure	DC5 Network Core	\$2M-\$3M	\$50k-\$100k
126	IT Infrastructure	DC5 AIX Migrations to Linux	\$500k-\$1M	-
127	IT Infrastructure	DC5 Pre-Project Purchases	\$250k-\$500k	-
128	IT Infrastructure	DC5 Program Control	\$50k-\$100k	<\$50k
129	IT Infrastructure	DC5 Application Migrations	<\$50k	-
130	IT Infrastructure	Common Infrastructure	(\$2M-\$3M)	(\$1M-\$2M)
131	IT Infrastructure	Additional IT Infrastructure Funding - 2024/2025	-	\$2M-\$3M

Line	Project Category	Project Name	2024 Budget Range	2025 Budget Range
132	Market Design Project	Real-Time Co-Optimization (NPRR1007-NPRR1013, NPRR1014)	\$15M-\$20M	\$15M-\$20M
133	Market Design Project	PUCT Phase 2 Initiatives	\$1M-\$2M	\$1M-\$2M
134	Market Design Project	NPRR1014 BESTF-4 Energy Storage Resource Single Model	\$1M-\$2M	\$1M-\$2M





**Date:** June 13, 2023  
**To:** Board of Directors  
**From:** Bill Flores, Finance and Audit (F&A) Committee Chair  
**Subject:** 2024-2025 Budget and Fee

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** June 20, 2023

**Item No.:** 11.1

**Issue:**

Electric Reliability Council of Texas, Inc. (ERCOT) must have a Board of Directors (Board)-approved budget per its Bylaws.

**Background/History:**

**Public Utility Commission of Texas (PUCT) Substantive Rule 25.363, ERCOT Budget and Fees**

P.U.C. SUBST. R. 25.363(e) provides that the ERCOT budget (Budget) and any change in the system administration fee are subject to review and approval by the PUCT. P.U.C. SUBST. R. 25.363(d) further specifies that the review and approval of a proposed Budget, or a proceeding to authorize and set the range for the amount of the fee is not a contested case.

P.U.C. SUBST. R. 25.363(e) provides that, prior to submission of the Budget for Board approval, ERCOT shall consult with PUCT staff in connection with the development of the Budget and provide PUCT staff with information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt.

**PUCT Order**

On December 2, 2021, PUCT issued an Order in Docket No. 38533 approving ERCOT's 2022-2023 Biennial Budget. The Order also requires ERCOT to submit its proposed 2024-2025 biennial budget no later than September 1, 2023.

**ERCOT Bylaws**

Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the ERCOT Bylaws require that the Board approve the Budget.

**ERCOT Board Policies and Procedures**

Section 3.3 of the Board Policies and Procedures provides as follows:

The CEO or the CEO's designee will present to the Board by October of each year when the Budget is to be approved, or at such other time as directed by the Board, a Budget to carry out the Board's directives for the

following year or longer as directed by the Board. The Budget will include projections of ERCOT's overall financial performance and financing plans, and describe the services, projects, programs, and the associated revenues and expenditures for the next fiscal year. Adoption of the Budget by the Board and as approved by the PUCT authorizes the CEO to complete work plans and make associated expenditures as provided for in accordance with the Budget.

#### F&A Committee Charter

Section (IV)(C)(1) of the Finance & Audit Committee Charter states:

At least annually, the Committee shall:

- a. Review staff's proposed budget for the following year(s);
- b. Review staff's recommendation of the amount and type of financing needed, both revenue and debt financing, to support the proposed budget and meet the Company's liquidity needs; and
- c. Following the Committee's review of the above items, recommend to the Board, a proposed budget and associated financing plan for the following year(s).

The F&A Committee is expected to recommend Board approval of ERCOT's recommended 2024-2025 Biennial Budget at the Board's June 20, 2023 meeting.

#### Key Factors Influencing Issue:

- ERCOT requires approval of the Budget by the Board and the PUCT for funding to enable ERCOT to fulfill its statutory functions as an independent organization as required by Section 39.151(a) of the Public Utility Regulatory Act (PURA). For instance, ERCOT must have adequate funds and staff in 2024 and 2025 to:
  - Maintain compliance with the Financial Corporate Standard and associated financial performance measures as approved by the Board;
  - Address ERCOT's Strategic Objectives:
    - Strategic Objective 1: Be an industry leader for grid reliability and resilience,
    - Strategic Objective 2: Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices, and
    - Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission; and
  - Fund independent market monitoring, PURA, and North American Electric Reliability Corporation (NERC) compliance functions.
- In the fourth quarter of 2022 and the first two quarters of 2023, ERCOT staff discussed financial assumptions, methodologies, schedules, and a system



administration fee rate relating to the 2024-2025 Biennial Budget with PUCT staff designated by the PUCT Executive Director.

- ERCOT staff will present its recommended 2024-2025 Biennial Budget to the F&A Committee on June 19, 2023.
- The Budget recommended by ERCOT staff will require an increase in the ERCOT system administration fee rate from \$0.555 to \$0.710 per megawatt-hour effective January 1, 2024.

**Conclusion/Recommendation:**

ERCOT staff recommends, and the F&A Committee is expected to recommend, that the Board:

- Approve the recommended 2024-2025 Biennial Budget as set forth in **Attachment A**, which includes \$424,027,936 and \$426,184,988 total spending authorization for operating expenses, project spending, and debt service obligations for 2024 and 2025, respectively;
- Approve the recommended increase to the ERCOT system administration fee rate from \$0.555 to \$0.710 per megawatt-hour effective January 1, 2024 as set forth in **Attachment B**; and
- Authorize ERCOT Legal to file the Board-approved 2024-2025 Biennial Budget for approval by the PUCT, pursuant to P.U.C. SUBST. R. 25.363(d).



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

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to accept the recommendations of ERCOT staff and the Finance and Audit (F&A) Committee that the Board approve the ERCOT recommended 2024-2025 Biennial Budget (Budget), which includes operating expenses, project spending, and debt service obligations;

WHEREAS, Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc., approved on December 20, 2022 (Bylaws), requires that the Board approve the Budget;

WHEREAS, ERCOT staff discussed financial assumptions, methodologies and schedules relating to the Budget in a public meeting with the F&A Committee, and consulted with the staff of the Public Utility Commission of Texas (PUCT) regarding development of the Budget;

WHEREAS, ERCOT staff presented its recommended 2024-2025 Biennial Budget, which includes a total spending authorization of \$424,027,936 and \$426,184,988 respectively; and

WHEREAS, the Budget recommended by ERCOT staff will require an increase in the ERCOT system administration fee rate from \$0.555 to \$0.710 per megawatt-hour effective January 1, 2024;

THEREFORE, BE IT RESOLVED, that the Board hereby:

- Approves the recommended 2024-2025 Biennial Budget as set forth in **Attachment A**, which includes \$424,027,936 and \$426,184,988 total spending authorization for operating expenses, project spending, and debt service obligations for 2024 and 2025, respectively; and
- Approves the request for a recommended increase to the ERCOT system administration fee rate from \$0.555 to \$0.710 per megawatt-hour effective January 1, 2024 as set forth in **Attachment B**; and
- Authorizes ERCOT Legal to file the Board-approved 2024-2025 Biennial Budget for approval by the PUCT, pursuant to P.U.C. SUBST. R. 25.363(d).





**CORPORATE SECRETARY'S CERTIFICATE**

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its June 20, 2023 meeting, the Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of June, 2023.

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Jonathan M. Levine  
Assistant Corporate Secretary

**Attachment A**

ERCOT

Fiscal Years 2024-2025 Budget Request

(\$ in Millions)

Sources and Uses				2024	2025	2026	2027	2028	2029
	2022	2023	2023	Request	Request	Projection	Projection	Projection	Projection
	Actual	Budget	Forecast						
1 System Administration Fee Revenue	\$ 239.2	\$ 240.9	\$ 241.2	\$ 330.1	\$ 340.8	\$ 350.9	\$ 360.9	\$ 397.6	\$ 401.4
2* Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
3 Interest Income	25.0	0.0	77.4	49.8	39.8	39.8	39.8	39.8	39.8
4 Other Revenues	8.6	20.5	16.4	18.0	18.0	18.9	19.9	20.9	21.9
5 CRR Borrowings	23.7	5.1	-	-	-	-	-	-	-
6 Decrease in Cash Balance	6.9	-	-	-	-	-	28.4	-	-
<b>7 Total Sources</b>	<b>\$ 325.2</b>	<b>\$ 287.0</b>	<b>\$ 359.7</b>	<b>\$ 424.0</b>	<b>\$ 426.2</b>	<b>\$ 438.8</b>	<b>\$ 479.7</b>	<b>\$ 490.8</b>	<b>\$ 497.4</b>
8 Department Expenditures	\$ 218.3	\$ 231.5	\$ 260.7	\$ 315.1	\$ 331.2	\$ 350.8	\$ 371.4	\$ 393.3	\$ 416.5
9 Project Expenditures	54.0	27.1	34.7	37.5	33.0	35.5	72.8	45.0	37.0
10 Market Design Project	-	2.4	2.4	21.6	17.2	8.0	-	-	-
11 MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-
12* Reliability Organization Assessment	21.8	20.5	24.8	26.2	27.7	29.2	30.8	32.6	34.4
13 Debt Service	5.1	5.5	5.4	5.4	5.2	5.1	4.7	4.5	4.4
14 Investment in SPE M & N	10.6	-	-	-	-	-	-	-	-
15 Repayment of CRR Borrowings	-	-	23.7	-	-	-	-	-	-
16 Increase in Cash Balance	-	-	8.0	18.3	11.9	10.2	-	15.5	5.2
<b>17 Total Uses</b>	<b>\$ 325.2</b>	<b>\$ 287.0</b>	<b>\$ 359.7</b>	<b>\$ 424.0</b>	<b>\$ 426.2</b>	<b>\$ 438.8</b>	<b>\$ 479.7</b>	<b>\$ 490.8</b>	<b>\$ 497.4</b>

\* Reliability Organization Assessment is a pass-through collected on behalf of the Texas Regional Entity; it is not set by ERCOT.

Schedule may not foot due to rounding.

**Attachment B**

ERCOT

Fiscal Years 2024-2025 Budget Request

(\$ in Millions)

Budget Summary										
Line	2022 Actual	2023 Budget	2023 Forecast	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection	
1	<b>System Administration Fee Rate (SAF)</b>	\$ 0.555	\$ 0.555	\$ 0.555	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.710	\$ 0.770	\$ 0.770
2	Energy Consumption (TWh)	431.0	434.0	434.5	465.0	480.0	494.3	508.3	516.4	521.2
2A	Year over Year %	9.6%	0.7%	0.8%	7.0%	3.2%	3.0%	2.8%	1.6%	0.9%
3	<b>System Administration Fee Revenue</b>	\$ 239.2	\$ 240.9	\$ 241.2	\$ 330.1	\$ 340.8	\$ 350.9	\$ 360.9	\$ 397.6	\$ 401.4
4	Department Net Expenditures	\$ 209.7	\$ 211.1	\$ 244.3	\$ 297.1	\$ 313.3	\$ 331.9	\$ 351.6	\$ 372.5	\$ 394.6
4A	Year over Year %	11.0%	0.6%	16.5%	21.6%	5.4%	5.9%	5.9%	5.9%	5.9%
5	Project Expenditures	54.0	27.1	34.7	37.5	33.0	35.5	72.8	45.0	37.0
6	Market Design Project	-	2.4	2.4	21.6	17.2	8.0	-	-	-
7	MET Center Replacement Project	15.4	-	-	-	-	-	-	-	-
8	<b>Total Net Expenditures</b>	\$ 279.1	\$ 240.5	\$ 281.4	\$ 356.2	\$ 363.5	\$ 375.4	\$ 424.3	\$ 417.5	\$ 431.6
9	<b>Net Available Before Non-Operating</b>	\$ (39.9)	\$ 0.3	\$ (40.3)	\$ (26.1)	\$ (22.6)	\$ (24.4)	\$ (63.4)	\$ (19.8)	\$ (30.2)
10	Debt Service	\$ (5.1)	\$ (5.5)	\$ (5.4)	\$ (5.4)	\$ (5.2)	\$ (5.1)	\$ (4.7)	\$ (4.5)	\$ (4.4)
11	Interest Income	25.0	0.0	77.4	49.8	39.8	39.8	39.8	39.8	39.8
11A	Interest Rate %	1.51%	0.01%	3.72%	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%
12	Investment in SPE M & N	(10.6)	-	-	-	-	-	-	-	-
13	<b>Non-Operating Sources &amp; Uses</b>	\$ 9.3	\$ (5.5)	\$ 72.0	\$ 44.4	\$ 34.6	\$ 34.6	\$ 35.1	\$ 35.3	\$ 35.4
14	<b>Net Available</b>	\$ (30.6)	\$ (5.1)	\$ 31.7	\$ 18.3	\$ 11.9	\$ 10.2	\$ (28.4)	\$ 15.5	\$ 5.2
<b>Year-End Balances: Notes Payable, CRR Borrowings, Cash, and CRR Fund</b>										
15	Notes Payable Balance	\$ 39.0	\$ 35.0	\$ 35.0	\$ 31.0	\$ 27.0	\$ 23.0	\$ 19.0	\$ 15.0	\$ 11.0
16	CRR Borrowings Balance	\$ 23.7	\$ 28.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17	Cash Balance	\$ -	\$ -	\$ 8.0	\$ 26.3	\$ 38.2	\$ 48.4	\$ 20.0	\$ 35.5	\$ 40.6
18	CRR Fund Balance	\$ 1,973.6	\$ 997.3	\$ 2,021.6	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0	\$ 2,000.0

Schedule may not foot due to rounding.

Attachment C

Statement of ERCOT Chief Executive Officer Summarizing ERCOT's  
2024/2025 Biennial Budget and System Administration Fee



“independent organization” designated to serve as the ISO for the ERCOT power region, ERCOT is responsible for ensuring:

1. Access to the transmission and distribution systems for all buyers and sellers of electricity on nondiscriminatory terms;
2. The reliability and adequacy of the regional electrical network;
3. That information relating to a customer's choice of retail electric provider is conveyed in a timely manner to the persons who need that information; and
4. That electricity production and delivery are accurately accounted for among the generators and wholesale buyers and sellers in the region.<sup>1</sup>

The composition of the ERCOT Board is mandated by PURA,<sup>2</sup> as is the Commission's oversight role.<sup>3</sup> The members of the ERCOT Board and the dates of their terms are identified in the schedules as Work Paper 1 in Attachment D, ERCOT 2024/2025 Biennial Budget Schedules and Work Papers. The identification of ERCOT's Board members is as of the date of this filing.

ERCOT's actions in furtherance of its statutory mission are subject to the oversight and review of the Commission. In addition, ERCOT is responsible for ensuring compliance with federal electric reliability standards, pursuant to the Federal Power Act. For federal reliability standards, ERCOT is accountable to the Texas Reliability Entity (TRE), the North American Electric Reliability Corporation (NERC), and the Federal Energy Regulatory Commission (FERC). Regarding compliance with state reliability rules, including the ERCOT Protocols, pursuant to Commission order of November 2022, ERCOT acts as the Reliability Monitor for the Texas power grid by gathering and analyzing data to meet monitoring obligations required by 16 Tex. Admin. Code (TAC) § 25.503(k).

Effective June 9, 2023, Texas Government Code § 411.1183 authorized ERCOT to obtain from the Texas Department of Public Safety (DPS) any criminal history or other information maintained by the department on applicants for employment at or access to systems that affect the security of the electric grid. Also effective June 9, 2023, new PURA subsection 39.151 (g-7) mandates ERCOT identify all roles in ERCOT that are critical to security of the electric grid and before hiring a person for such position to obtain criminal history and any other necessary background information. NERC Critical Infrastructure Protection (CIP) Standard CIP-004-03 requires seven-year criminal record checks for personnel who have authorized cyber access or authorized unescorted physical access to Critical Cyber Assets. In practice, ERCOT conducts background checks every seven years for all employees and may now include supplemental information from DPS.

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<sup>1</sup> PURA § 39.151(a)(1)-(4).

<sup>2</sup> See PURA § 39.151(g) & (g-1).

<sup>3</sup> See PURA § 39.151(c)-(f), (g-1), (g-6) & (i). The Commission's oversight of ERCOT is further detailed in Chapter 25, Subchapter O, Division 2 (Independent Organizations) of 16 Tex. Admin. Code (TAC), and in 16 TAC § 22.251 of the P.U.C. Procedural Rules (Review of Electric Reliability Council of Texas (ERCOT) Conduct).

## High-Level Overview: ERCOT's Proposed 2024/2025 Biennial Budget

### Spending Authorization

ERCOT's proposed 2024/2025 biennial budget authorizes total spending for operating expenses, project spending, and debt service obligations in the amounts of \$424,027,936 for ERCOT's fiscal year 2024, and \$426,184,988 for ERCOT's fiscal year 2025.

The budget proposal includes funds to address ERCOT's strategic objectives; compliance with ERCOT's financial corporate standard and associated financial metrics approved by the Board; funding for the Independent Market Monitor; and Reliability Monitor compliance functions. The debt service coverage ratio in the proposed budget is projected to be adequate to meet ERCOT's 1.10:1.00 targeted ratio, and the liquidity ratio is projected to be adequate to meet ERCOT's targeted minimum level of liquidity which factors in: 1) six months of forecasted redistribution of Congestion Revenue Right (CRR) Auction receipts, 2) six months of all forecasted interest and mandatory principal payments on outstanding indebtedness, other than principal payments reasonably expected to be refinanced, 3) two months of average cash operating and maintenance expenses, net of projected administration fee receipts, and 4) two months of budgeted project expenditures.

ERCOT is also responsible for budgeting to fund the operations of the NERC Electric Reliability Organization (ERO). Funding for NERC/ERO operations is a pass-through fee that is not used to fund ERCOT operations. A total of \$53.9 million of ERCOT's proposed 2024/2025 biennial budget will be used to fund the NERC/ERO for 2024 and 2025.

### Revenue Sources

ERCOT's proposed 2024/2025 biennial budget includes system administration fee requirements of \$330.1 million in 2024, and \$340.8 million in 2025. This requires an increase in the system administration fee from a rate of \$0.555 per MWh to \$0.710 per MWh effective January 1, 2024, which would be the first increase to the fee rate since 2016 and would represent a compound annual growth rate of 3.1% across the eight years since the last rate increase. The Board and ERCOT management are acutely aware that the consumers of Texas fund ERCOT, and that ERCOT must remain focused on running an effective but efficient organization that not only meets, but exceeds the performance expectations of those ERCOT serves.

The Commission's rules<sup>4</sup> permit the Board to approve user fees for specific services provided by ERCOT to Market Participants and the public. These user fees are included in the ERCOT Fee Schedule that is maintained along with the ERCOT Protocols. While user fees do not recover a large portion of ERCOT's revenue requirement (user fees are expected to generate \$16.3 million in 2024 and \$16.3 million in 2025), ERCOT regularly reviews user fees to ensure the recovery of appropriate costs. ERCOT may recommend other user fee changes to the Board while the 2024/2025 ERCOT biennial budget is in effect. In addition to these existing user fees, revenues for servicing and administering ERCOT's two Special Purpose Entity subsidiaries established for

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<sup>4</sup> See 16 TAC § 25.363(g).

the PURA Chapter 39 Subchapters M and N securitizations are anticipated to be \$1.7 million for each of ERCOT fiscal years 2024 and 2025.

ERCOT’s proposed 2024/2025 biennial budget anticipates \$49.8 million in interest income for 2024 and \$39.8 million in interest income for 2025. The increase from the 2022/2023 biennial budget is primarily due to a corresponding increase in interest rates combined with an assumed investment balance of \$2 billion in CRR funds. Potential risks to ERCOT’s 2024/2025 budget proposal include lower-than-projected interest income rates and a lower-than-projected CRR fund balance.

<b>Sources and Uses Summary Table</b>		
	<b>2024 Board Approved Amount (S in millions)</b>	<b>2025 Board Approved Amount (S in millions)</b>
<b>Sources</b>		
System Administration Fee Revenues	\$330.1	\$340.8
Reliability Organization Assessment	26.2	27.7
Interest Income	49.8	39.8
Other Revenues	<u>18.0</u>	<u>18.0</u>
<b>Total Sources</b>	<b>\$424.0</b>	<b>\$426.2</b>
<b>Uses</b>		
Department Expenditures	\$315.1	\$ 331.2
Project Expenditures	37.5	33.0
Market Design Project	21.6	17.2
Reliability Organization Assessment	26.2	27.7
Debt Service	5.4	5.2
Increase in Cash Balance	<u>18.3</u>	<u>11.9</u>
<b>Total Uses</b>	<b>\$424.0</b>	<b>\$426.2</b>
<i>Schedule may not total due to rounding</i>		

### **Mission and Driving Forces**

ERCOT’s mission and driving forces are detailed in its 2024 - 2028 Strategic Plan, which is included in ERCOT’s 2024/2025 Biennial Budget and System Administration Fee Submission as Attachment E, *ERCOT 2024 – 2028 Strategic Plan*.

Incremental increases in the proposed 2024/2025 budget from the 2022/2023 budget reflect multiple factors impacting the electric industry in the ERCOT region. The ERCOT region has witnessed significant changes in its resource mix and regulatory environment. The Texas grid is more complex, dynamic, and diverse than ever before, and the pace of growth and change is accelerating. In the past few years, the ERCOT region’s growth has included active Market Participants increasing from 1,800-plus to over 3,100-plus; generating units, including Private Use Networks, increasing from 650-plus to 1,100-plus; miles of high-voltage transmission increasing from 46,500-plus to 52,700-plus; and the annual amount of endorsed transmission projects increasing from \$1.3 billion to \$3.3 billion. The types of industry participants also continue to evolve. Over the last decade, wind and solar generation has increased, and we have seen the development of energy storage. ERCOT now also works with different types of participants, such as large loads and distributed energy resources.



Federal and state statutory and regulatory activities since Winter Storm Uri continue to require substantial dedication of resources to support grid reliability and resilience, particularly in response to extreme weather events. These changes have focused on enhancing communication, strengthening weatherization standards, and implementing measures to ensure system stability. Overall, the ERCOT region has experienced a dynamic transformation, embracing new energy sources while striving to enhance the reliability of its power infrastructure. Projects deferred in prior years need to be restored to continue ERCOT's reliability-first approach to operations and execute an overall market plan that includes Real-Time Co-optimization (RTC). A greater investment in ERCOT's people must be prioritized for ERCOT to compete for talent among employers in a tight job market and to manage talent in a way that advances ERCOT's mission, vision, and strategic objectives. Finally, ERCOT faces increased litigation and regulatory costs.

### **Budget Drivers for 2024/2025**

In its presentations to the ERCOT Board, and in its consultation meetings with Commission staff, ERCOT has identified, with stakeholder input, three ERCOT Board-approved objectives and high-level priorities that correspond to the three Strategic Objectives in ERCOT's 2024 – 2028 Strategic Plan and budget-request drivers for 2024/2025 as follows:

1. Be an industry leader for grid reliability and resilience;
2. Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers; and
3. Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission.

Additional details regarding ERCOT's strategic objectives and priority issues are included in the 2024-2028 Strategic Plan in [Attachment E](#).

Compared to ERCOT's approved 2023 budget,<sup>5</sup> the 2024 budget request represents an increase in total department net expenditures and project expenditures of \$115.6 million and includes 171 incremental employee positions. Of the \$115.6 million increase, \$24.8 million (21.5%) is tied to Strategic Objective 1, \$44.5 million (38.5%) is tied to Strategic Objective 2, and \$46.3 million (40.0%) is tied to Strategic Objective 3. Department net expenditures represent department expenditures net of department revenues such as user fees and securitization fees, which serve as funding sources for those expenditures. Incremental department revenues reduce the system administration fee revenues that otherwise would be required to fund incremental department expenditures. It is important to note that the \$46.3 million tied to Strategic Objective 3 includes the incremental costs from the 2023 budget to the 2024 budget request that are associated with changes in the average compensation for all 2023 budgeted employee positions, regardless of the employee's role. Full details regarding increases in department net expenditures

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<sup>5</sup> Throughout this section of the CEO statement, references to increases or decreases are to the 2024 budget request as compared to ERCOT's approved 2023 budget.

and projects are included in the 2024/2025 biennial budget presentation made by ERCOT staff at the June 19, 2023 F&A Committee meeting ([Attachment B](#)).

Strategic Objective 1: Be an industry leader for grid reliability and resilience

For ERCOT to be an industry leader for grid reliability and resilience, ERCOT's 2024/2025 budget proposal contemplates incremental department net expenditures and project expenditures of \$24.8 million with an incremental 114 employee positions. Of those 114 positions, 58 are in Systems Planning & Weatherization, 42 are in System Operations, six are in General Counsel, five are in the Chief Information Office, and three are in the Chief Administrative Office.

The incremental costs and positions are required as a result of ever-increasing complexities, volumes, and requirements. There are several drivers for the increases. They include: (1) growth in interconnection requests and reviews; (2) mandated inspections of generation and transmission facilities; (3) increased number and MWh of Large Flexible Loads (LFLs), Energy Storage Resources (ESRs), and Inverter Based Resources (IBRs); (4) continued growth in renewable resources; and (5) new responsibilities for monitoring compliance with state reliability rules.

While incremental employee positions are required for drivers like interconnection requests and mandated inspections, the related incremental costs are at least partially offset by user fees. Similarly, ERCOT's new responsibilities for monitoring compliance with state reliability rules require incremental employee positions; however, the costs of a third-party providing those services was previously included in the 2022/2023 budget. In situations like these, the incremental employee positions for these activities do not result in a similar incremental department net expenditure request, thus minimizing the impact on the system administration fee request. Full details regarding increases in department net expenditures and projects required for ERCOT to be an industry leader for grid reliability and resilience are included in the 2024/2025 biennial budget presentation in [Attachment B](#).

Strategic Objective 2: Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers

To enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers, ERCOT's 2024/2025 budget proposal includes incremental department net expenditures and project expenditures of \$44.5 million with an incremental 29 employee positions. Of those 29 positions, 13 are in Commercial Operations, eight are in the Chief Information Office, and eight are in the Chief Administrative Office.

The majority of the Strategic Objective 2 incremental department net expenditures and project expenditures are project driven, with the largest two components being (1) high-profile market design projects, such as those required by House Bill 1500 of the 88th Texas Legislature and those featured in the overall market plan discussed at the Commission, which include Dispatchable Reliability Reserve Service (DRRS), Real-Time Co-optimization (RTC), the Performance Credit Mechanism (PCM), the Market Management System (MMS), and the Firm

Fuel Supply Service (FFSS); and (2) the addition of a second iTest environment necessary to efficiently facilitate change.

The remaining incremental costs and employee positions are primarily driven by an increase in the complexity and volume of work including: (1) securitization; (2) CRR long-term auctions; and (3) the increasing size and activity of the wholesale and retail markets. Full details regarding increases in department net expenditures and projects required to enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers are included in the 2024/2025 biennial budget presentation in Attachment B.

Strategic Objective 3: Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission

To advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission, ERCOT's 2024/2025 budget proposal includes incremental department net expenditures and project expenditures of \$46.3 million with an incremental 28 employee positions. Of those 28 positions, 11 are in the Chief Information Office, eight are in General Counsel, seven are in the Chief Administrative Office, and two are in Public Affairs.

The majority of the Strategic Objective 3 incremental department net expenditures and project expenditures are to address recruitment, attrition management, and compensation adjustments for competitiveness. As noted previously, average compensation variances for all 2023 budgeted positions are included in Strategic Objective 3, regardless of the employee's department or function.

Additional key incremental costs and employee positions include resources for improving communications, engaging in grid innovation research and collaboratives, and providing support for lawsuits, disputes, and regulatory requirements. Full details regarding increases in department net expenditures and projects required to advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission are included in the 2024/2025 biennial budget presentation in Attachment B.

### **Conclusion**

ERCOT will provide additional information, as requested, to facilitate the Commission's review of ERCOT's 2024/2025 Biennial Budget and System Administration Fee Submission. ERCOT respectfully requests that the review process conclude by November 15, 2023, to allow a Market Notice to all Market Participants 45 days in advance of the change to the system administration fee rate at the beginning of ERCOT's fiscal year on January 1, 2024.

Pablo Vegas  
ERCOT President & Chief Executive Officer

Attachment D

ERCOT 2024/2025 Biennial Budget Schedules and Work Papers

Electric Reliability Council of Texas, Inc. (ERCOT)  
Fiscal Year 2024-2025 Budget Request  
Schedule 1: Method of Finance (\$ in Millions)

Line	Method of Finance	2022 Actual		2023 Budget		2024 Request		2025 Request		2026 Projection		2027 Projection		2028 Projection		2029 Projection	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1	System Administration Fee	\$ 239.2	74%	\$ 240.9	84%	\$ 330.1	78%	\$ 340.8	80%	\$ 350.9	80%	\$ 360.9	75%	\$ 397.6	81%	\$ 401.4	81%
2	Reliability Organization Assessment Fee	21.8	7%	20.5	7%	26.2	6%	27.7	6%	29.2	7%	30.8	6%	32.6	7%	34.4	7%
3	Interest Income	25.0	8%	0.0	0%	49.8	12%	39.8	9%	39.8	9%	39.8	8%	39.8	8%	39.8	8%
4	<u>Other Revenues</u>																
5	Weatherization Inspection Fee	0.9	0%	10.6	4%	4.4	1%	4.5	1%	4.8	1%	5.0	1%	5.3	1%	5.6	1%
6	Generation Interconnection Study Fee	2.6	1%	5.5	2%	6.2	1%	6.2	1%	6.6	2%	7.0	1%	7.4	1%	7.8	2%
7	Private Wide-Area Network Fee	3.1	1%	3.4	1%	4.6	1%	4.5	1%	4.8	1%	5.0	1%	5.3	1%	5.6	1%
8	SPE M & N Admin and Servicing Fee	1.3	0%	-	0%	1.7	0%	1.7	0%	1.7	0%	1.7	0%	1.7	0%	1.7	0%
9	Blackstart Training Fee	0.2	0%	0.4	0%	0.5	0%	0.5	0%	0.5	0%	0.5	0%	0.5	0%	0.6	0%
10	Membership Dues	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%
11	Operations Training Seminar Fee	-	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%
12	Market Participant Registration Fee	0.1	0%	0.1	0%	0.1	0%	0.1	0%	0.1	0%	0.1	0%	0.1	0%	0.1	0%
13	Cyber Monitoring Fee	0.0	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
14	Other Miscellaneous	0.0	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
15	Sub-Total Other Revenues	\$ 8.6	3%	\$ 20.5	7%	\$ 18.0	4%	\$ 18.0	4%	\$ 18.9	4%	\$ 19.9	4%	\$ 20.9	4%	\$ 21.9	4%
16																	
17	CRR Borrowings	23.7	7%	5.1	2%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
18	Decrease in Cash Balance	6.9	2%	-	0%	-	0%	-	0%	-	0%	28.4	6%	-	0%	-	0%
19	Total - ERCOT	\$ 325.2	100%	\$ 287.0	100%	\$ 424.0	100%	\$ 426.2	100%	\$ 438.8	100%	\$ 479.7	100%	\$ 490.8	100%	\$ 497.4	100%

Schedule may not foot due to rounding

Note: Certain prior year amounts have been reclassified for consistency with the current presentation. These reclassifications had no effect on the reported results of operations.

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2024-2025 Budget Request**  
**Schedule 2: Summary by Object of Expense (\$ in Millions)**

Line	Object of Expense	2022 Actual	2023 Budget	2024 Request	2025 Request	2026 Projection	2027 Projection	2028 Projection	2029 Projection
1	Salaries & Wages	\$ 97.7	\$ 102.6	\$ 136.8	\$ 146.6	\$ 155.5	\$ 164.9	\$ 174.9	\$ 185.5
2	Other Personnel Costs	34.1	36.7	65.5	71.9	76.2	80.8	85.7	90.9
3	Professional Fees & Services	26.5	22.2	37.5	36.0	38.0	40.1	42.4	44.7
4	Fuels & Lubricants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Consumable Supplies	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3
6	Utilities	5.0	5.3	7.3	6.9	7.3	7.7	8.1	8.6
7	Travel	0.5	0.8	2.0	2.1	2.3	2.4	2.5	2.7
8	Rent - Building	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
9	Rent - Machine & Other	12.7	10.7	14.4	15.0	15.8	16.7	17.6	18.6
10	Debt Service	4.7	4.9	4.7	4.4	4.3	3.9	3.6	3.5
11	Other Operating Expenses	60.8	72.3	74.9	78.6	82.9	87.5	92.4	97.5
12	Capital Expenditures	72.4	31.0	62.1	52.3	45.7	75.1	47.5	39.6
13	Sub-Total Objects of Expense	\$ 314.6	\$ 287.0	\$ 405.7	\$ 414.3	\$ 428.6	\$ 479.7	\$ 475.4	\$ 492.3
14									
15	Investment in SPE M & N	10.6	-	-	-	-	-	-	-
16	Repayment of CRR Borrowings	-	-	-	-	-	-	-	-
17	Increase in Cash Balance	-	-	18.3	11.9	10.2	-	15.5	5.2
18									
19	Total - ERCOT	\$ 325.2	\$ 287.0	\$ 424.0	\$ 426.2	\$ 438.8	\$ 479.7	\$ 490.8	\$ 497.4

Schedule may not foot due to rounding

Note: Certain prior year amounts have been reclassified for consistency with the current presentation. These reclassifications had no effect on the reported results of operations.

Electric Reliability Council of Texas, Inc. (ERCOT)  
 Fiscal Year 2024-2025 Budget Request  
 Schedule 3: Summary by Object of Expense-Exceptional Requests (\$ in Millions)

Line	Object of Expense	2022 Actual	2023 Budget	2024 Baseline Budget	Exceptional Request #1		Exceptional Request #2		Exceptional Request #3		Total	
					\$	\$ Per MWh	\$	\$ Per MWh	\$	\$ Per MWh	\$	\$ Per MWh
1	Salaries & Wages	\$ 97.7	\$ 102.6	\$ 102.6	\$ 11.6	\$ 0.027	\$ 3.6	\$ 0.008	\$ 19.0	\$ 0.044	\$ 136.8	\$ 0.315
2	Other Personnel Costs	34.1	36.7	36.7	9.7	0.022	3.0	0.007	16.1	0.037	65.5	0.151
3	Professional Fees & Services	26.5	22.2	22.2	5.7	0.013	1.6	0.004	8.0	0.018	37.5	0.086
4	Fuels & Lubricants	0.0	0.0	0.0	0.0	-	-	-	-	-	0.0	0.000
5	Consumable Supplies	0.1	0.2	0.2	0.0	-	0.0	-	0.0	-	0.2	0.001
6	Utilities	5.0	5.3	5.3	2.0	0.005	(0.0)	-	-	-	7.3	0.017
7	Travel	0.5	0.8	0.8	0.8	0.002	0.2	0.001	0.2	0.001	2.0	0.005
8	Rent - Building	0.2	0.2	0.2	0.1	0.000	-	-	-	-	0.2	0.001
9	Rent - Machine & Other	12.7	10.7	10.7	2.4	0.005	1.2	0.003	0.1	0.000	14.4	0.033
10	Debt Service	4.7	4.9	4.9	-	-	(0.3)	(0.001)	-	-	4.7	0.011
11	Other Operating Expenses	60.8	72.3	72.3	(1.2)	(0.003)	1.8	0.004	2.0	0.005	74.9	0.173
12	Capital Expenditures	72.4	31.0	31.0	(4.7)	(0.011)	35.0	0.081	0.8	0.002	62.1	0.143
13	Total - ERCOT	\$ 314.6	\$ 287.0	\$ 287.0	\$ 26.3	\$ 0.061	\$ 46.1	\$ 0.106	\$ 46.3	\$ 0.107	\$ 405.7	\$ 0.935

Increase in Cash Balance	18.3
Total Uses	\$ 424.0

<b>Exceptional Request for ERCOT Strategic Objective 1 (SO1) [\$26.3 M]</b>	
<b>- Be an industry leader for grid reliability and resilience</b>	
Increase in Department Net Expenditures & Project Expenditures	\$ 24.8
Less: Decrease in Department Revenues	4.2
Increase in Department & Project Expenditures	\$ 20.6
Increase in Reliability Organization Assessment (ERO) Revenue	5.7
Increase in Expenditures (Above)	\$ 26.3
<b>Exceptional Request for ERCOT Strategic Objective 2 (SO2) [\$46.1 M]</b>	
<b>- Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers</b>	
Increase in Department Net Expenditures & Project Expenditures	\$ 44.5
Less: Increase in Department Revenues	(1.7)
Increase in Expenditures (Above)	\$ 46.1
<b>Exceptional Request for ERCOT Strategic Objective 3 (SO3) [\$46.3 M]</b>	
<b>- Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission</b>	

<b>2023 Budgeted SAF Rate</b>	<b>\$ 0.5550</b>
Exceptional Requests (Included Above)	0.2736
Increase of ERO Revenue in SO1 (\$5.7 M)	(0.0131)
Increase of Department Revenues in SO2 (\$1.7 M)	(0.0038)
Decrease of Department Revenues in SO1 (\$4.2 M)	0.0096
Increase in Interest Income (\$49.7 M)	(0.1146)
Higher Energy Consumption (31 TWhs)	(0.0507)
CRR Borrowings (\$5.1 M)	0.0119
Increase in Cash Balance (\$18.3 M)	0.0421
<b>2024 Requested SAF Rate</b>	<b>\$ 0.7100</b>

Schedules may not foot due to rounding

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

**Fiscal Year 2024-2025 Budget Request**

**Workpaper 1: 2023 Board Of Directors**

Line	Role	Director	Director Type	Year Director Term Began
1	Chair of ERCOT Board of Directors	Paul Foster	Voting	2021
2	Vice Chair of ERCOT Board of Directors, Chair of Finance & Audit Committee	Bill Flores	Voting	2021
3	Member of Finance & Audit Committee, Member of Reliability & Markets Committee	Carlos Aguilar	Voting	2021
4	Director	Linda Capuano	Voting	2023
5	Member of Finance & Audit Committee, Member of Reliability & Markets Committee	Julie England	Voting	2022
6	Chair of Reliability & Markets Committee, Member of Finance & Audit Committee	Robert "Bob" Flexon	Voting	2021
7	Chair of Human Resources & Governance Committee, Member of Finance & Audit Committee	Peggy Heeg	Voting	2022
8	Public Counsel for Office of Public Utility Counsel, Member of Reliability & Markets Committee, Member of Human Resources & Governance Committee	Courtney Hjaltnan	Voting	2022
9	Interim Chair of PUCT	Kathleen Jackson	Non-Voting	2023
10	Member of Reliability & Markets Committee, Member of Human Resources & Governance Committee	John Swanson	Voting	2021
11	President and CEO of ERCOT	Pablo Vegas	Non-Voting	2022

Notes:  
 The Electric Reliability Council of Texas, Inc. (ERCOT) Board of Directors (Board) selects ERCOT's Chief Executive Officer (CEO), sets overall goals, and guides our direction. The board oversees major functions of ERCOT: open access to the transmission grid on nondiscriminatory terms, system reliability and adequacy, and the retail and wholesale electric markets. The 11-member board consists of eight directors who are appointed by the State of Texas' ERCOT Board Selection Committee and who are required by law to not have fiduciary duty or assets in the electricity market for the ERCOT Region, and three *ex officio* members: the CEO of ERCOT (non-voting), the Public Counsel of the Office of Public Utility Counsel (OPUC), and the Chair of the Public Utility Commission of Texas (PUCT) (non-voting). All board members are Texas residents.

The identification of ERCOT's Directors and their corresponding roles are as of the date of ERCOT's 2024/2025 biennial budget submission. However, additional Directors to rotate annually are anticipated in 2024 and 2025 due to amendments to Public Utility Regulatory Act Section 39.151 to become effective September 1, 2023 and requiring the presiding officer of the PUCT to designate a Commissioner to serve a term as a Director on the ERCOT Board. Additionally, Director roles may change based on combined expertise and experience to facilitate Board work.



**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2024-2025 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

Line	ABEST Object	ABEST Object Description	ERCOT Spend Category	ERCOT Account Summary
1	1001	Salaries & Wages	Payroll - Salaries & Wages	Salaries
2	1001	Salaries & Wages	Overtime Pay	Salaries
3	1001	Salaries & Wages	Vacation Liability	Salaries
4	1002	Other Personnel Costs	401K Match	Benefits & Taxes
5	1002	Other Personnel Costs	Dental Insurance	Benefits & Taxes
6	1002	Other Personnel Costs	Health Insurance	Benefits & Taxes
7	1002	Other Personnel Costs	Health Savings Account - Employer Cost	Benefits & Taxes
8	1002	Other Personnel Costs	Life Premiums	Benefits & Taxes
9	1002	Other Personnel Costs	Long-Term Care	Benefits & Taxes
10	1002	Other Personnel Costs	Payroll Taxes - Federal	Benefits & Taxes
11	1002	Other Personnel Costs	Payroll Taxes - Medicare	Benefits & Taxes
12	1002	Other Personnel Costs	Payroll Taxes - Social Security	Benefits & Taxes
13	1002	Other Personnel Costs	Payroll Taxes - State Unemployment Insurance	Benefits & Taxes
14	1002	Other Personnel Costs	PBO Interest Cost	Benefits & Taxes
15	1002	Other Personnel Costs	PBO Service Cost	Benefits & Taxes
16	1002	Other Personnel Costs	Pension Contributions	Benefits & Taxes
17	1002	Other Personnel Costs	Roth IRA Match	Benefits & Taxes
18	1002	Other Personnel Costs	Short-Term Disability	Benefits & Taxes
19	1002	Other Personnel Costs	Health & Wellness Expense	Other Expenses
20	1002	Other Personnel Costs	Board Retainer	Outside Services
21	1002	Other Personnel Costs	Awards	Salaries
22	1002	Other Personnel Costs	Bonus (Referral, Sign On)	Salaries
23	1002	Other Personnel Costs	Executive Incentive Target	Salaries
24	1002	Other Personnel Costs	Long Term Incentive	Salaries
25	1002	Other Personnel Costs	Severance Pay	Salaries
26	1002	Other Personnel Costs	Short Term Incentive	Salaries
27	1002	Other Personnel Costs	Retention	Salaries
28	* 75% to 1001 25% to 1002	Salaries & Wages Other Personnel Costs	Contra Labor for Projects	Project Funded Labor
29	* 75% to 1001 25% to 1002	Salaries & Wages Other Personnel Costs	Vacancy	Vacancy

Note:  
\* The "Contra Labor for Projects" spend category is a credit which is allocated at 75% to the 1001-Salaries & Wages ABEST object and 25% to the 1002-Other Personnel Costs ABEST object.

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2024-2025 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

ABEST				
Line	Object	ABEST Object Description	ERCOT Spend Category	ERCOT Account Summary
30	2001	Professional Fees & Services	Software Services	HW/SW License & Maintenance
31	2001	Professional Fees & Services	Audit Services	Outside Services
32	2001	Professional Fees & Services	Consulting Services	Outside Services
33	2001	Professional Fees & Services	Contingent Labor	Outside Services
34	2001	Professional Fees & Services	Immigration Services	Outside Services
35	2001	Professional Fees & Services	Legal Services	Outside Services
36	2001	Professional Fees & Services	Professional Services	Outside Services
37	2001	Professional Fees & Services	Professional Services - Research/Studies	Outside Services
38	2001	Professional Fees & Services	Professional Services - Training	Outside Services
39	2002	Fuels & Lubricants	Fuel Oil	Utility, Maintenance & Facility
40	2003	Consumable Supplies	Janitorial Supplies	Materials, Supplies & Equipment
41	2003	Consumable Supplies	Office Supplies	Materials, Supplies & Equipment
42	2003	Consumable Supplies	Uniforms/Gear	Materials, Supplies & Equipment
43	2004	Utilities	Remote System Access	Employee Expenses
44	2004	Utilities	Wireless PC Card	Employee Expenses
45	2004	Utilities	Data Center Connectivity	Utility, Maintenance & Facility
46	2004	Utilities	Electricity	Utility, Maintenance & Facility
47	2004	Utilities	Fiber Lease	Utility, Maintenance & Facility
48	2004	Utilities	Frame Relay	Utility, Maintenance & Facility
49	2004	Utilities	Internet Service	Utility, Maintenance & Facility
50	2004	Utilities	Telephone	Utility, Maintenance & Facility
51	2004	Utilities	Water/Gas/Sewer/Trash	Utility, Maintenance & Facility
52	2004	Utilities	Wide Area Network (WAN) Reimbursable Costs	Utility, Maintenance & Facility
53	2005	Travel	Airfare	Employee Expenses
54	2005	Travel	Business Meals	Employee Expenses
55	2005	Travel	Car Rental	Employee Expenses
56	2005	Travel	Gasoline	Employee Expenses
57	2005	Travel	Ground Transportation	Employee Expenses
58	2005	Travel	Lodging	Employee Expenses
59	2005	Travel	Mileage Reimbursement	Employee Expenses
60	2005	Travel	Parking	Employee Expenses
61	2005	Travel	Personal Meals	Employee Expenses
62	2005	Travel	Other Employee Expense	Employee Expenses
63	2005	Travel	Board Non-Taxable Expenses	Outside Services
64	2006	Rent - Building	Office Lease	Utility, Maintenance & Facility
65	2006	Rent - Building	Office Rent	Utility, Maintenance & Facility
66	2006	Rent - Building	Storage Rental	Utility, Maintenance & Facility

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2024-2025 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

Line	ABEST Object	ABEST Object Description	ERCOT Spend Category	ERCOT Account Summary
67	2007	Rent - Machine & Other	Software as a Service (SAAS)	HW/SW License & Maintenance
68	2007	Rent - Machine & Other	Software License Renewable	HW/SW License & Maintenance
69	2007	Rent - Machine & Other	Equipment Rental	Materials, Supplies & Equipment
70	2007	Rent - Machine & Other	Equipment Lease	Utility, Maintenance & Facility
71	2007	Rent - Machine & Other	Lease Expense - Other	Utility, Maintenance & Facility
72	2007	Rent - Machine & Other	Miscellaneous Rental	Utility, Maintenance & Facility
73	2008	Debt Service	Debt Principal	Debt Service
74	2008	Debt Service	Fees & Interest Expense	Debt Service
75	2009	Other Operating Expenses	Bank Fees	Debt Service
76	2009	Other Operating Expenses	Professional Dues	Employee Expenses
77	2009	Other Operating Expenses	Registration Fees	Employee Expenses
78	2009	Other Operating Expenses	College Education Reimbursement	Employee Expenses
79	2009	Other Operating Expenses	Communications Allowance	Employee Expenses
80	2009	Other Operating Expenses	Hardware Support & Maintenance	HW/SW License & Maintenance
81	2009	Other Operating Expenses	Information Technology Hardware	HW/SW License & Maintenance
82	2009	Other Operating Expenses	Information Technology Peripheral	HW/SW License & Maintenance
83	2009	Other Operating Expenses	Software License Perpetual	HW/SW License & Maintenance
84	2009	Other Operating Expenses	Software Maintenance	HW/SW License & Maintenance
85	2009	Other Operating Expenses	Insurance Premiums	Insurance
86	2009	Other Operating Expenses	Equipment & Tools	Materials, Supplies & Equipment
87	2009	Other Operating Expenses	Equipment Maintenance	Materials, Supplies & Equipment
88	2009	Other Operating Expenses	Furniture & Equipment	Materials, Supplies & Equipment
89	2009	Other Operating Expenses	Vehicle Maintenance	Materials, Supplies & Equipment
90	2009	Other Operating Expenses	Black Start Training	Other Expenses
91	2009	Other Operating Expenses	Company Dues	Other Expenses
92	2009	Other Operating Expenses	Corporate Events	Other Expenses
93	2009	Other Operating Expenses	Discounts Taken	Other Expenses
94	2009	Other Operating Expenses	Employment Screening	Other Expenses
95	2009	Other Operating Expenses	ERO Assessment	Other Expenses
96	2009	Other Operating Expenses	Job Posting	Other Expenses
97	2009	Other Operating Expenses	Late Fee Payment	Other Expenses
98	2009	Other Operating Expenses	Legal Claims & Settlements	Other Expenses
99	2009	Other Operating Expenses	Market Meetings	Other Expenses
100	2009	Other Operating Expenses	Media	Other Expenses
101	2009	Other Operating Expenses	Miscellaneous Expense	Other Expenses
102	2009	Other Operating Expenses	Moving Expenses	Other Expenses
103	2009	Other Operating Expenses	Operator Training Seminar	Other Expenses
104	2009	Other Operating Expenses	Postage & Shipping	Other Expenses

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2024-2025 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

ABEST				
Line	Object	ABEST Object Description	ERCOT Spend Category	ERCOT Account Summary
105	2009	Other Operating Expenses	Printing & Copying Services	Other Expenses
106	2009	Other Operating Expenses	Publications	Other Expenses
107	2009	Other Operating Expenses	Recruiting Expense	Other Expenses
108	2009	Other Operating Expenses	Reward/Recognition-NonMonetary	Other Expenses
109	2009	Other Operating Expenses	Subscriptions - Data Services	Other Expenses
110	2009	Other Operating Expenses	Subscriptions - Training	Other Expenses
111	2009	Other Operating Expenses	Temp-to-Hire Fees	Other Expenses
112	2009	Other Operating Expenses	Write Off Adjustments	Other Expenses
113	2009	Other Operating Expenses	Security Services	Outside Services
114	2009	Other Operating Expenses	Relocation Benefit	Salaries
115	2009	Other Operating Expenses	Building Maintenance	Utility, Maintenance & Facility
116	2009	Other Operating Expenses	Building Systems Maintenance	Utility, Maintenance & Facility
117	2009	Other Operating Expenses	Conferencing	Utility, Maintenance & Facility
118	2009	Other Operating Expenses	Custodial Service	Utility, Maintenance & Facility
119	2009	Other Operating Expenses	Grounds Maintenance	Utility, Maintenance & Facility
120	2009	Other Operating Expenses	Leaschold	Utility, Maintenance & Facility
121	2009	Other Operating Expenses	Miscellaneous Facility Services	Utility, Maintenance & Facility
122	2009	Other Operating Expenses	Network Telecom	Utility, Maintenance & Facility
123	2009	Other Operating Expenses	Property Tax	Utility, Maintenance & Facility
124	5000	Capital Expenditures	Common Infrastructure Expenditures	Minor Capital & Common Infrastructure
125	5000	Capital Expenditures	Minor Capital Expenditures	Minor Capital & Common Infrastructure
126	5000	Capital Expenditures	Capital Expenditures	Project Expenditures

Attachment E

ERCOT 2024 – 2028 Strategic Plan



# STRATEGIC PLAN

2024-2028

*ercot* 

# CEO STATEMENT



**Pablo Vegas**  
President and CEO of ERCOT

As the grid operator serving the majority of Texans, ERCOT is at the forefront of the energy transition. As we manage and operate through today's grid challenges, we will continue to lead the way by delivering a reliable, resilient, and affordable grid to Texans.

The power industry is evolving, and so must we. Our long-term Strategic Plan defines our roadmap for the next five years, illuminating a path that will solidify our position of being the premier grid and market operator in the country and make ERCOT the global standard in energy innovation.

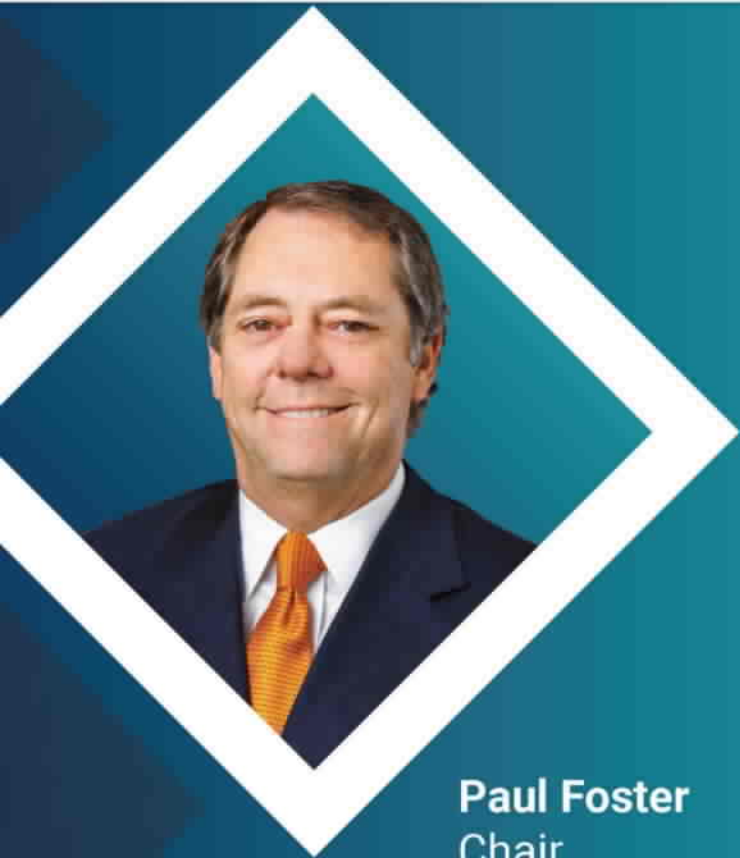
As the leading fully deregulated energy market in the United States, ERCOT has responded to a significantly changing energy landscape by adapting and evolving our grid operations to meet the continued rising demand of the world's 9th largest economy.

ERCOT has a history of leading the way. From the deployment of the country's largest wind generation supply to the fastest adoption of solar generation and battery storage, ERCOT is positioned to continue leading the way for energy resource innovation.

Our next steps are critical. With energy markets changing rapidly, appropriate planning and new management techniques are required to maintain reliable and flexible grid operations. Innovative technologies and tools are needed as we develop new metrics and methods to address resource adequacy challenges now and in the future. We remain committed to our efforts to improve operations as we meet emerging challenges.

Texas is accustomed to being a leader. With momentum on our side, and by working together, we will continue to lead the energy transition by delivering a reliable, resilient, and affordable grid to all Texans.

**Pablo Vegas**  
President and Chief Executive Officer  
Electric Reliability Council of Texas



**Paul Foster**  
Chair

As our industry faces dynamic changes, ERCOT must continue to be an industry leader in innovation and reliability. As the Chairman of the ERCOT Board of Directors, I can assure Texas that the Board and ERCOT are evolving and making adjustments that will enable the grid to meet the demands of a growing population and economy. Working together, our task is to provide a grid that is both reliable and resilient – now and in the future.

The 2024-2028 Strategic Plan lays out the strategy to make ERCOT the grid of the future and to continue to be a leader in our industry. Our new direction will allow us to better focus on the daily demands of the grid, while putting an emphasis on implementing necessary long-term strategies.

We have a tremendous responsibility to provide Texans with a reliable and resilient grid now, and in the future, and we are committed to this responsibility.



**Paul Foster**  
Chairman of the ERCOT Board of Directors

**2023**

**1,873+**

active market participants that generate, move, buy, sell, or use wholesale electricity

**1,100+**

generating units, including PUNs

**52,700+**

miles of high-voltage transmission

**\$3.3 billion**

transmission projects endorsed in 2022

**2019**

**1,800+**

active market participants that generate, move, buy, sell, or use wholesale electricity

**650+**

generating units, including PUNs

**46,500+**

miles of high-voltage transmission

**\$1.3 billion**

transmission projects endorsed in 2019

**Quick Facts from 2019-2023**



# ABOUT ERCOT

Founded in 1970, ERCOT is an independent, not-for-profit organization responsible for overseeing the reliable and safe transmission of electricity over the power grid serving most of Texas.

As the Independent System Operator (ISO) since 1996, ERCOT has been the broker between competitive wholesale power buyers and sellers. In 1999, the Texas Legislature restructured the Texas electric market by unbundling the investor-owned utilities and creating retail customer choice in those areas. ERCOT was assigned four primary responsibilities:

- » System reliability – planning and operations
- » Wholesale market settlement for electricity production and delivery
- » Retail registration process for customer choice
- » Open access to transmission

ERCOT provided the platform upon which Texas' electric utility industry made the transition to retail competition on January 1, 2002. Today, ERCOT manages the flow of electric power to more than 26 million Texas customers – representing about 90 percent of the state's electric load. As the ISO for the region, ERCOT schedules power on an electric grid that connects more than 52,700 miles of transmission lines and 1,100+ generation units. It also performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for more than 8 million premises in competitive choice areas.

ERCOT is a membership-based 501(c)(4) nonprofit corporation, governed by a 12-member Board of Directors and subject to oversight by the Public Utility Commission of Texas (PUC) and the Texas Legislature. Its members include consumers, cooperatives, generators, power marketers, retail electric providers, investor-owned electric utilities, transmission and distribution providers, and municipally-owned electric utilities.



## How ERCOT is funded

The PUC has authorized ERCOT to charge the ERCOT System Administration Fee to fund its budget. As ERCOT is not included in the State of Texas General Appropriations Act and is not a part of the state's budget, this fee is ERCOT's primary source of revenue. ERCOT converts the fee into a charge to each Qualified Scheduling Entity using the formula set forth in the ERCOT Protocols, which is based on actual volume consumption of electricity. A typical residential consumer will pay less than a \$1 per month through this fee. ERCOT submits a biennial budget to its Board and, ultimately, the PUC for final approval.

## Vision



Lead with independent insight on the future of electricity reliability, markets, and technology in Texas in order to facilitate grid and market change for the benefit of all stakeholders.

## Mission



We serve the public by ensuring a reliable grid, efficient electricity markets, open access, and retail choice.



**Scan here  
to learn more  
about ERCOT**



# ERCOT CORE VALUES



# STRATEGIC PLANNING

ERCOT began developing its 2024-2028 Strategic Plan in early 2023. Working sessions were held to identify drivers and risks and refine the most critical aspects used to shape ERCOT's strategies.

The Board and stakeholders provided feedback through Board meetings and Market Segment review sessions.

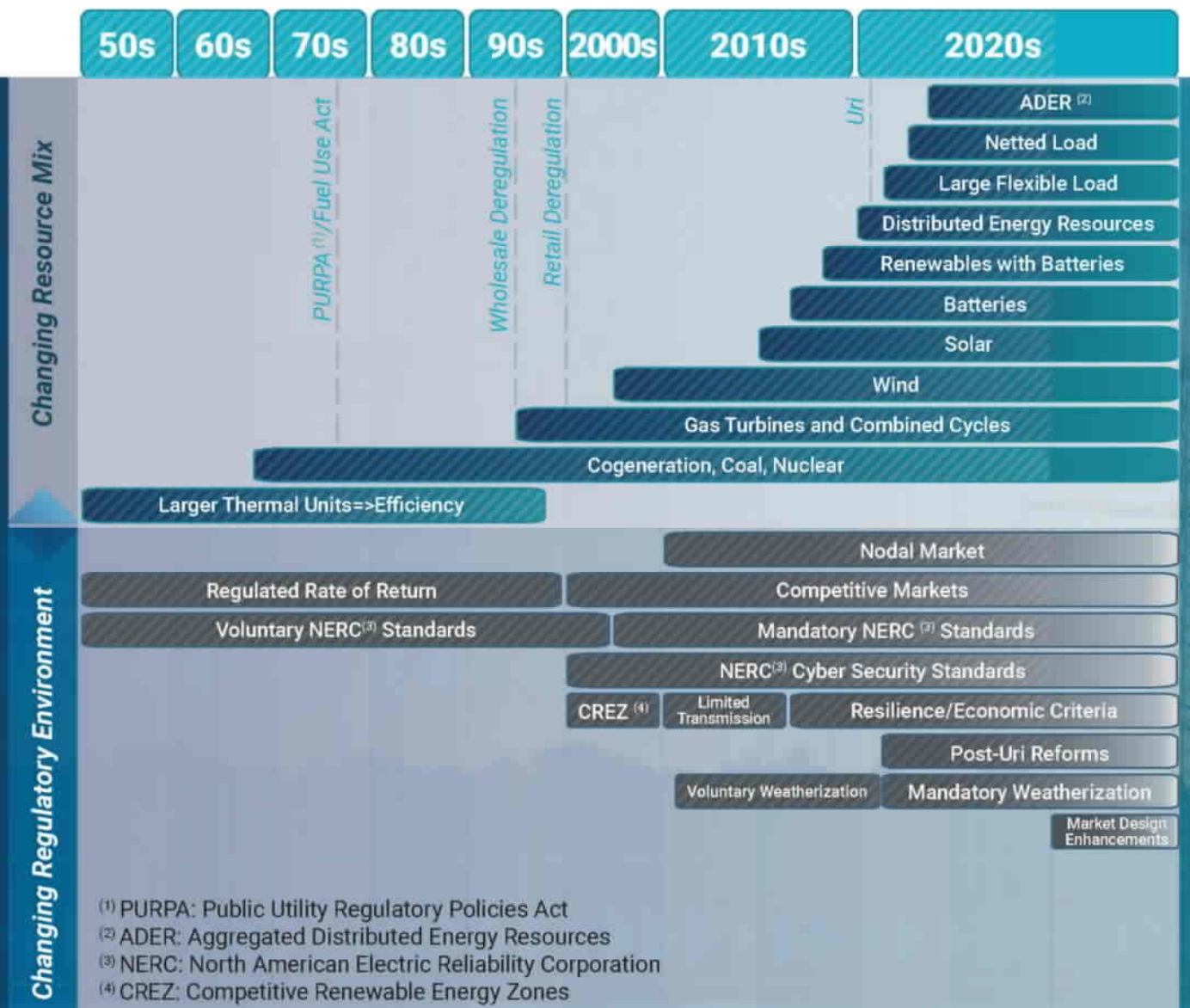
The process was facilitated internally by ERCOT's Enterprise Risk Management and Strategic Analysis team.

ERCOT will continually review its strategy to quickly adapt to the rapidly changing environment in which it operates.



# DRIVERS OF CHANGE

The ERCOT region has witnessed significant changes in its resource mix and regulatory environment. One notable trend has been the evolution of the types and numbers of participants that ERCOT interacts with. Over the last decade, wind and solar generation has increased as well as the development of energy storage. The participants have grown and evolved as well and now include large flexible loads and distributed energy resources. In terms of regulations, ERCOT has undergone reforms aimed at improving grid reliability and resilience, particularly in response to extreme weather events. These changes have focused on enhancing communication, strengthening weatherization standards, and implementing measures to ensure system stability. Overall, the ERCOT region has experienced a dynamic transformation, embracing new energy sources while striving to enhance the reliability of its power infrastructure.



# KEY STRATEGIC DRIVERS

## *Grid modernization and complexity*

The electric grid is experiencing change at a rate much higher than seen in the past. This is evaluated in terms of the changing resource mix, the types of demand that are connecting to the grid, and the level of regulatory compliance. Many recent regulations at the state and federal levels have come in response to system events and have required expeditious implementation.

Historically, supply and demand grew at predictable rates, which led to a steady pace of change in the electric industry. Driven by public policies, economics, and technological innovations, the pace of change has accelerated such that modeling, rules and regulations, and analytical tools and methods have struggled to keep up.

The ERCOT system is evolving towards having the nation's highest penetration of wind and solar resources with a relatively static level of thermal dispatchable generation. This change will result in increased stability limitations, increased modeling complexity, decreased system inertia, and increased volatility. New and alternative technologies, such as grid-forming inverters and synchronous condensers, are needed to keep the grid stable in the future. Additionally, there are uncertainties with respect to distribution-connected resources, battery energy storage systems, and large flexible loads, both from a stability modeling and market-based behavior perspective.

These challenges require ERCOT to proactively model these changes and anticipate reliability issues and market design implications associated with the changing resource mix. As the grid evolves, ERCOT and the broader industry will need to increase their capabilities to meet the rapidly changing needs of the system and customers.

## *Changing distribution system and operational impacts*

Generation on the distribution system has been increasing exponentially. There are visibility challenges to ERCOT regarding load and supply resources on the distribution system. Changes on the distribution system influence the transmission system, which creates technical challenges for mapping and modeling. The future of how distribution system operations and transmission control centers will work together is unclear. However, the potential to leverage distribution resources for grid reliability, efficiency, and resiliency makes further research critical to determine how to best optimize those networks.

## *Market design and behavior changes*

The PUC and the Texas Legislature establish policy and rules for the ERCOT market. ERCOT must be prepared to participate, evaluate, and implement market design changes, ensuring that market outcomes reflect design intentions.

## *Reputation, public perception, and trust of ERCOT, Inc.*

ERCOT has experienced increased awareness and criticism in the wake of Winter Storm Uri. ERCOT is committed to upholding its mission, instilling the trust of Texans, and continuing to attract and retain the best talent to execute on its strategies.

# KEY STRATEGIC DRIVERS

## *Technological advancement*

While the grid is rapidly changing, there is a corresponding advancement in digitalization and the convergence of operational technology (OT) and information technology (IT). ERCOT will have to adapt and innovate on the tools, technologies, and processes to support the grid transformation. There are more sensors and devices that are on the edge of the grid that provide vast amounts of data, such as thermostats, appliances, home battery systems, electric vehicle chargers, etc., that could be used by grid operators. Handling the exponential growth of data requires investments not only in cloud-based technologies but also in data analytics, leveraging the advancements in computation and artificial intelligence and machine learning (AI/ML). The use of AI/ML has led to significant advances in several industries, and it is not hard to anticipate using AI as a co-pilot for grid operators. The next iteration of data centers will be a hybrid between cloud and on-premise, ensuring scalability and security. To ensure delivery of quality software products, ERCOT will need to leverage advancements in software development, continuous deployment, and test automation.

## *Cyber and physical security vulnerabilities*

Cyberattacks continue to be a significant threat to all organizations, including those in our industry. As the sophistication and volume of cyberattacks continues to rise, the ongoing focus on cybersecurity is critical. Likewise, the uptick in physical security attacks to grid equipment demands closer monitoring and engagement with public safety authorities. ERCOT continuously evaluates and implements improvements to keep our systems, facilities, and resources protected against these threats.

## *Changing workforce dynamics and increasing competition for talent*

The workforce and workplace have changed rapidly in recent years as a result of the pandemic and shrinking labor pool. Expectations have changed regarding how and where people work. ERCOT has adapted to these changes. ERCOT will keep an informed perspective regarding how the future of work continues to shift and change over time. In addition, companies and people continue to move to Texas at an unprecedented rate. The increased competition for talent has changed the way ERCOT will recruit, retain, and develop talent in the coming years.

# STRATEGIC OBJECTIVES

Our strategic objectives are clear. First, to position ourselves as an industry leader for grid reliability and resilience, safeguarding the consistent delivery of power to our stakeholders. Second, we aim to enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices, thereby benefitting both consumers and businesses. Finally, we are committed to advancing ERCOT, Inc. as an independent leading industry expert and an employer of choice, cultivating a culture of innovation, investing in our talented workforce, and instilling a strong sense of purpose in fulfilling our critical mission.

**1**

*Be an industry leader for grid reliability and resilience*

**2**

*Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers*

**3**

*Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission*

# PRIORITY ISSUES



## *Be an industry leader for grid reliability and resilience*

- 1.1** Anticipate and rapidly respond to changes in market, operational, and planning needs
- 1.2** Facilitate the reliable market operation of new and existing generation and load resources at both the transmission and distribution level
- 1.3** Develop and implement a long-term transmission strategy meeting Texas' policy objectives
- 1.4** Lead the development of cost-effective changes to regulations or standards impacting the ERCOT grid
- 1.5** Advance ERCOT, Inc.'s resiliency, security, business continuity, and disaster management capabilities



## *Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers*

- 2.1** Advocate and support efficient markets while delivering on reliability and resiliency expectations
- 2.2** Evolve toward more organizational agility and improved quality assurance so ERCOT, Inc. can implement changes efficiently and effectively to manage a rapidly changing energy environment
- 2.3** Promote innovation, continuous improvement, and transparent data-driven decision making



## *Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission*

- 3.1** Cultivate a highly skilled workforce creating a rewarding work environment and driving success for the organization
- 3.2** Implement a workforce and learning strategy creating greater capacity for developing internal expertise and thought leadership
- 3.3** Strengthen ERCOT, Inc.'s culture by improving internal communications and enhancing employee experience
- 3.4** Continue building credibility and trust with all stakeholders through proactive and transparent communications of policy objectives, grid and market conditions, and organizational achievements
- 3.5** Expand ERCOT, Inc.'s position as a leading industry expert by increasing external collaboration and leveraging knowledge transfer



# STRATEGIC OBJECTIVE 1

## *Be an industry leader for grid reliability and resilience*

### **1.1 Anticipate and rapidly respond to changes in market, operational, and planning needs**

The ERCOT system and power market are continuously changing as new technologies are adopted, economic growth drives new demand, extreme conditions become more normal, and the behaviors and expectations of market participants and end-use consumers evolve. As the independent organization whose charges include ensuring reliability and adequacy of the regional grid and non-discriminatory access to the market for all buyers and sellers, ERCOT, Inc. must proactively identify and prepare for these changes to serve customers.

To achieve this goal, ERCOT, Inc. will develop processes, tools, and resources to anticipate and evaluate the impacts of these changes on its market, operational, and planning functions. ERCOT will undertake initiatives like gathering newly important types of information and incorporating new critical conditions within operational and planning studies. It will improve market simulations and market-driven forecasting as well as modeling and analysis of system disturbances exacerbated by inverter-based resources. It will develop a roadmap for addressing increasing stability challenges. By undertaking these types of initiatives, ERCOT, Inc. will continue to position itself to anticipate and rapidly respond to changes in market, operational, and planning needs.

### **1.2 Facilitate the reliable market operation of new and existing generation and load resources at both the transmission and distribution level**

The variety of new resource types that are entering the ERCOT System continues to increase. Some end-use consumers of electricity are varying their demand in response to electricity prices more frequently and more quickly than in the past, and these large variances in demand pose challenges for maintaining the voltage and stability of the grid. Additionally, ERCOT, Inc. has observed increasing interest in the development of utility-scale solar resources, energy storage resources, and distributed energy resources, including the aggregation of small, distributed energy resources. ERCOT, Inc. must work towards implementing appropriate technical requirements and market-driven incentives to maintain reliable operations while incorporating these new resource types into its system and markets. ERCOT, Inc. will need to evolve its processes and tools to adequately study and monitor the impacts to the ERCOT system of these new resources. To the extent legal or regulatory changes are needed, ERCOT, Inc. should serve as a source of facts and expertise for lawmakers and regulators regarding these challenges and the options for resolving them.

### **1.3 Develop and implement a long-term transmission strategy that meets Texas' policy objectives**

ERCOT, Inc. should collaborate with the PUC on a proactive and holistic strategy to ensure robust transmission infrastructure is ready and available to promptly deliver power from utility-scale generation to loads and load centers in a reliable, economic, and resilient manner. There needs to be a comprehensive and longer-term strategy with the PUC and utilities to speed up the transmission planning and development process. This will entail proposing policy options to the PUC and then implementing their recommendations.

### **1.4 Lead the development of cost-effective changes to regulations or standards impacting the ERCOT grid**

ERCOT, Inc. has a wealth of expertise on operational and market matters that are independent of the competing financial interests of the various stakeholder entities and groups. The organization should strive to be considered a trusted advisor, providing facts, context, and considerations for policy makers. To the extent ERCOT, Inc. identifies operational or market benefits or concerns with proposed laws, rules, or regulations, ERCOT, Inc. should inform the decision makers, so that they benefit from ERCOT's expert opinions.

### **1.5 Advance ERCOT, Inc.'s resiliency, security, business continuity, and disaster management capabilities**

Improving organizational resiliency, security, business continuity, and disaster management capability is crucial in today's dynamic and unpredictable environment. ERCOT, Inc.'s core functions are vital to the public interest. Because ERCOT, Inc. must ensure it always does its work well, including in times of crisis, it must have robust business continuity and disaster management programs. These include being prepared for increased occurrences of extreme weather, cyber or physical attacks, and failures by other entities that could impact ERCOT, Inc.'s ability to carry out its duties. This has implications not only for its facilities and its own crisis operations, but also for managing the bulk power system in times of extreme weather, attack, or other external threats. By improving organizational resiliency, business continuity, and disaster management capability, ERCOT, Inc. is better equipping itself to be able to thrive in today's rapidly changing landscape.

# STRATEGIC OBJECTIVE 2

*Enhance the ERCOT region's economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers*

## **2.1 Advocate and support efficient markets while delivering on reliability and resiliency expectations**

While reliability is the organization's primary objective, costs should always be considered. ERCOT, Inc. will strive to identify and champion market outcomes and solutions that result in the most competitive wholesale power rates and retail electric prices without compromising reliability or resilience. When deciding among multiple market outcomes and solutions options that equally impact reliability and resilience, ERCOT, Inc. will choose the most cost-competitive option. In support of continuous improvement, ERCOT will evaluate reliability and market efficiency outcomes post- implementation to determine if goals were achieved.

## **2.2 Evolve toward more organizational agility and improved quality assurance so ERCOT, Inc. can implement changes efficiently and effectively to manage a rapidly changing energy environment**

Organizational agility is critical in today's fast-changing environment. It is becoming increasingly important for ERCOT, Inc. to be more agile and quickly respond to, and benefit from, change. Agility refers to ERCOT, Inc.'s ability to adapt to external and internal needs, improve efficiency, and lead change. Agility requires a stable platform that does not change while many things are changing around it. This involves being both stable and dynamic on structure, process, systems, and people. ERCOT, Inc. will evaluate and improve internal processes and tools to be able to change more quickly. It will also invest in enterprise change management and quality assurance to help ensure any additional flexibility does not adversely impact reliability or resilience.

## **2.3 Promote innovation, continuous improvement, and transparent data-driven decision making**

Innovation is one of ERCOT, Inc.'s core values, and promoting it has never been more critical to organizational success than it is now. ERCOT, Inc. will leverage technology innovation to streamline systems and efficiently achieve goals by implementing the latest technologies, automating manual processes, reducing errors, and optimizing resources. Embracing modern technology allows ERCOT, Inc. to continue to deliver on its mission and meet evolving stakeholder needs.

Decisions driving ERCOT, Inc.'s success should be supported by sound underlying data, and the volume of that data is growing at a rate of 25% per year. To improve transparency and make decision-making information more easily accessible, ERCOT, Inc. will modernize its data architecture, data engineering, and data analytics practices. That will help the organization be able to establish single sources of truth for market, operational, and financial data. Advancing data accessibility and analytics is crucial to gain insights and make data-driven decisions.

# STRATEGIC OBJECTIVE 3

*Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission*

## **3.1 Cultivate a highly skilled workforce, creating a rewarding work environment and driving success for the organization**

ERCOT, Inc. will prioritize the development of internal skills and create more growth opportunities within the organization. By focusing on enhancing the abilities of its employees, it can cultivate a highly skilled workforce that will create a rewarding work environment and drive success for the organization. To achieve this goal, ERCOT, Inc. will evaluate skillset gaps and implement a plan to provide its employees with the necessary tools and resources to develop their skills and expertise. ERCOT, Inc. will also establish mentorship programs and cross-functional training initiatives to foster a culture of continuous learning and growth. Additionally, it will create a system for identifying high-potential employees and provide them with targeted development opportunities to help them reach their full potential within the company.

## **3.2 Implement a workforce and learning strategy, creating greater capacity for developing internal expertise and thought leadership**

In a time of significant change, ERCOT, Inc. will develop a staffing strategy to continually align its workforce with its objectives. ERCOT, Inc. will continue to work to optimize its talent, which is its greatest asset, so that it can achieve its objectives, anticipate future needs, attract and retain top talent, increase employee engagement and job satisfaction, and improve overall business performance. These efforts will include, but are not limited to, improving its recruiting efforts, developing a resource plan for strategic initiatives, improving enterprise staffing forecasting and planning, and creating a greater capacity for thought leadership and innovation.

## **3.3 Strengthen ERCOT, Inc.'s culture by improving internal communications and enhancing employee experience**

Strengthening company culture is crucial for ERCOT, Inc. to adapt to the changing environment, attract and retain top talent, and achieve its objectives. Additionally, the organization will showcase the cutting-edge work and thought leadership

from people within the organization. From the day you start at ERCOT, Inc., it should be apparent that it is a great place to belong and work on important mission-driven work.

Internally, ERCOT, Inc. will implement a comprehensive communications program that will engage, inform, and unite employees. It is important that employees feel proud to work at ERCOT, Inc.

## **3.4 Continue building credibility and trust with all stakeholders through proactive and transparent communications of policy objectives, grid and market conditions, and organizational achievements**

Externally, ERCOT, Inc. continues to rebuild trust and improve its overall reputation by communicating clear and reliable information on grid conditions with all stakeholders, including state leaders, market participants, industry representatives, media, and general public. ERCOT, Inc. will work to establish its leaders as resources for the media, legislators, and other government officials. Effective, two-way communication helps build trust and credibility and helps mitigate crisis situations. Investing in improving external communications is a strategic priority as ERCOT, Inc. continues to establish strong relationships with its external stakeholders.

## **3.5 Expand ERCOT, Inc.'s position as a leading industry expert by increasing external collaboration and knowledge transfer**

Increasing collaboration and knowledge transfer is critical for ERCOT, Inc. to strengthen its position as a leading industry expert and broaden perspectives. By increasing collaboration and leveraging industry experts, ERCOT, Inc. can tap into a greater knowledge base and keep up to date with the latest trends and innovations. This can lead to more informed decision-making, increased innovation, and improved overall performance. Additionally, by fostering collaboration within the organization, ERCOT, Inc. can encourage enterprise teamwork and idea sharing. This can create a more inclusive and supportive workplace culture, leading to higher employee engagement and job satisfaction. Therefore, increasing collaboration and leveraging outside expertise is an essential strategy for ERCOT, Inc. to achieve its mission.

# PLAN CONCLUSION

ERCOT's Strategic Plan sets forth a bold and transformative roadmap, aligning our efforts with the evolving energy landscape and the needs of our consumers. We will hold a steadfast commitment to grid reliability and resilience in an everchanging world. By enhancing economic competitiveness, we aim to provide accessible and affordable electricity to our consumers. As we nurture a culture of innovation and invest in our people, ERCOT will solidify its position as a leading industry expert and employer of choice, dedicated to serving our mission with passion and purpose.

To measure Strategic Plan progress, ERCOT will utilize a combination of key performance indicators, objectives and key results, and measures of success. Metrics will be tailored to each strategic objective, allowing us to track grid reliability and resilience through measures like system performance and forecast accuracy. Economic competitiveness will be assessed by analyzing trends in wholesale power rates and retail electric prices relative to other areas in the United States. Advancement as an industry expert and employer of choice will be monitored through employee engagement metrics and retention rates. Regular progress reviews and data analysis will ensure effective tracking of our Strategic Plan's implementation and guide us towards successful outcomes.

Together, we embrace the challenges and opportunities ahead, driving forward with a focus on balance, flexibility, and innovation for the ERCOT region and beyond. Through collaboration and partnering with our stakeholders, we will accomplish our strategic objectives and continue to be at the forefront of shaping a brighter tomorrow.





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Attachment F

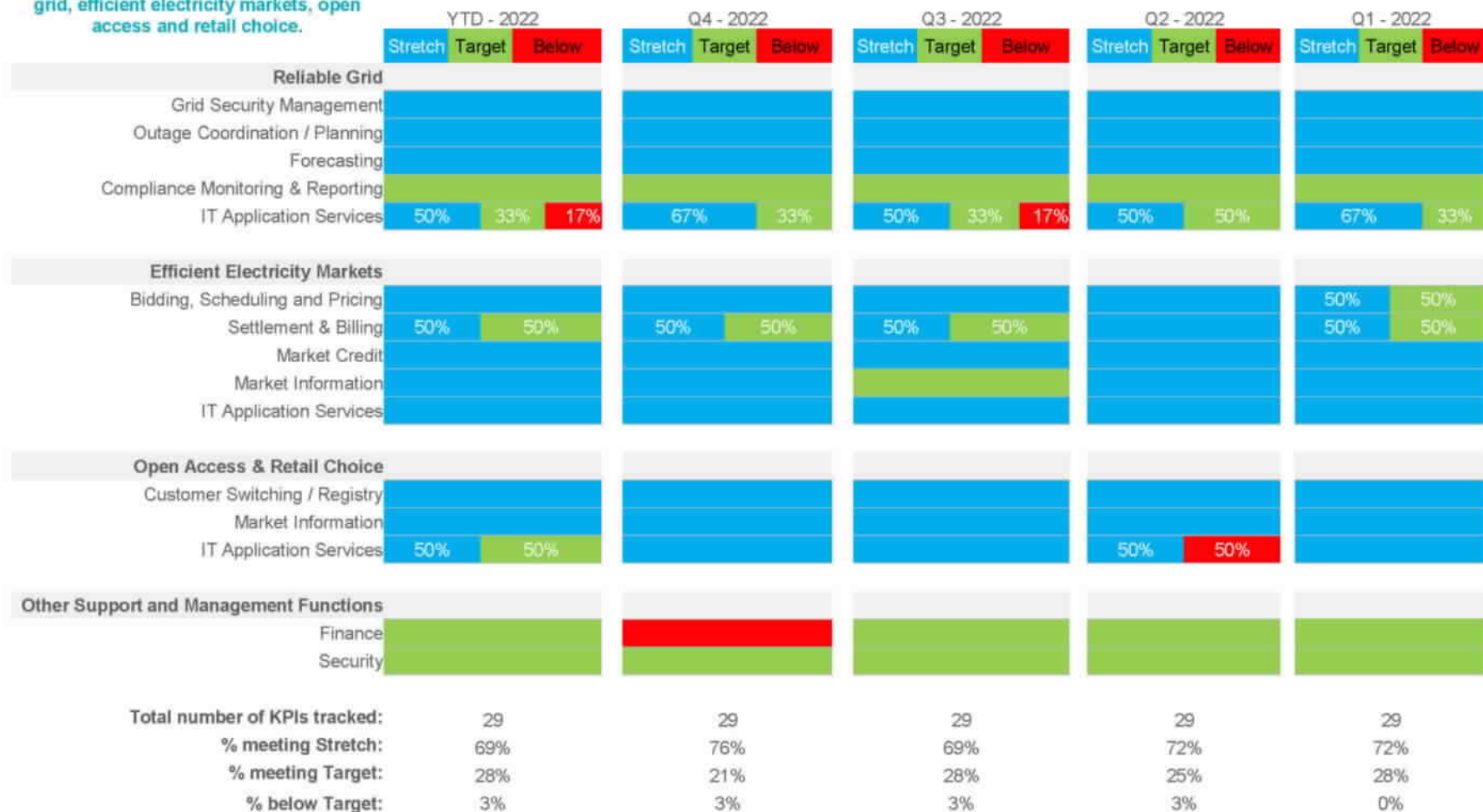
2022 ERCOT Key Performance Indicators



## 2022 Key Performance Indicators (KPIs)

# Q1-Q4 2022 Key Performance Indicator (KPI) Summary

We serve the public by ensuring a reliable grid, efficient electricity markets, open access and retail choice.





## Q1-Q4 2022 KPI Detail – Reliable Grid

KPI ID	KPI Description	2022 Target Performance	2022 Stretch Performance	2022 YTD	Q4	Q3	Q2	Q1
Grid Security Management								
RG 1	Control Performance Standard 1 (CPS1) frequency control performance (rolling 12 month CPS1 score)	> 140	> 150	All scores greater than 150	Oct-172.76%, Nov-172.97%, Dec-173.42%	Jul-172.50%, Aug-172.21%, Sep-172.45%	April-172.25%, May-172.65%, June-172.67%	Jan-169.60%, Feb-171.30%, March-171.65%
RG 2	Interconnection Reliability Operating Limit (IROL) exceedance limitations	None longer than 20 minutes	None longer than 10 minutes	No Exceedences	No Exceedences	No Exceedences	No Exceedences	No Exceedences
Outage Coordination / Planning								
RG 3	Outage Coordination performance: requests approved or denied within timeline and with mitigation plans developed if required	97%	99%	99.77%	99.85%	99.56%	99.90%	99.74%
Forecasting								
RG 4	Operations Load Forecast performance - Mean Average Percent Error (MAPE): monthly average day ahead load forecasts used for DRUC MAPE	All less than 4.0%	All less than 3.5%	All less than 3.5%	3.09%	2.09%	2.78%	3.19%
RG 5	Wind forecast performance - MAPE based on installed wind capacity: monthly average day ahead wind forecasts used for DRUC MAPE	All less than 10%	All less than 8%	All less than 8%	Oct-2.9%, Nov-3.2%, Dec-3.6%	Jul-2.90%, Aug-3.10%, Sep-2.60%	April-3.93%, May-4.51%, June-3.93%	Jan-3.60%, Feb-5.20%, March-3.30%
RG 6	Solar forecast performance - MAPE based on installed solar capacity: monthly average day ahead solar forecasts used for DRUC MAPE.	All less than 15%	All less than 10%	All less than 10%	Oct-3.77%, Nov-3.03%, Dec-3.23%	Jul-3.30%, Aug-3.47%, Sep-2.73%	April-4.47%, May-4.76%, June-4.24%	Jan-4.61%, Feb-4.91%, March-5.41%

RG7 is intentionally left blank.

## Q1-Q4 2022 KPI Detail – Reliable Grid

KPI ID	KPI Description	2022 Target Performance	2022 Stretch Performance	2022 YTD	Q4	Q3	Q2	Q1
Compliance Monitoring & Reporting								
RG 8	Achieve compliance with SOC controls	No exceptions found in a SOC audit	N/A	SOC audit for 2022 was completed with an unqualified opinion and no exceptions	SOC audit for 2022 was completed with an unqualified opinion and no exceptions	74% of controls have been tested; no exceptions noted to date.	Controls reviewed by new auditor; testing in progress.	Testing has not yet started for the SOC audit
IT Application Services								
RG 9	Energy Management System Tier 1 Aggregate Availability	All Tier 1 systems meet or exceed defined SLAs (99.90%)	N/A	100%	100%	100%	100%	100%
RG 10	Energy Management System Tier 2 Aggregate Availability	Achieve 99.9% availability for 10 of 11 Tier 2 systems	Achieve 99.9% availability for all Tier 2 systems	100%	100%	100%	100%	100%
RG 11	Security Constrained Economic Dispatch (SCED) Availability	99.95%	100%	99.99%	100%	99.96%	99.99%	100%
RG 12	Security Constrained Economic Dispatch (SCED): number of unplanned outages greater than 30 consecutive minutes (per quarter)	Zero	N/A	One	Zero	One	Zero	Zero
RG 13	Outage Scheduler Availability	99%	99.5%	100%	100%	100%	100%	100%
RG 14	Network Model Management System (NMMS) Availability	99%	99.5%	100%	100%	100%	100%	100%

# Q1-Q4 2022 KPI Detail – Efficient Electricity Markets

KPI ID	KPI Description	2022 Target Performance	2022 Stretch Performance	2022 YTD	Q4	Q3	Q2	Q1
<b>Bidding, Scheduling and Pricing</b>								
EM 1	DAM quality of solution as measured with price corrections: percent of hourly prices requiring DAM price correction	1-3 % of time	< 1 % of time	0.30%	0.14%	0.00%	0.00%	1.10%
EM 2	SCED solution is solved and posted: percent of 15-minute Settlement Interval prices where price corrections are performed. This measure includes corrections from routine work (e.g., database loads and site failover)	0.25% - 1%	<0.25%	0.04%	0.02%	0.15%	0.00%	0.00%
<b>Settlement &amp; Billing</b>								
EM 3	Achieve timely settlements per Protocol defined timelines	99%	100%	100%	100%	100%	100%	100%
EM 4	Perform accurate settlements as measured by the percent of statements/invoices that do not require a correction as a result of an error in the settlement and billing systems or processes	98%	99.9%	99.72%	99.85%	99.67%	100%	99.35%
<b>Market Credit</b>								
EM 5	Credit reports are correct and posted in a timely manner	98%	100%	100%	100%	100%	100%	100%
<b>Market Information</b>								
EM 6	Wholesale extracts available per Protocol timelines	98%	99%	99.89%	99.99%	99.70%	99.99%	99.90%
<b>IT Application Services</b>								
EM 7	Congestion Revenue Rights (CRR) Availability	99%	99.5%	100%	100%	100%	100%	100%
EM 8	Market Management System Aggregate Availability	99%	99.5%	100%	100%	100%	100%	100%

## Q1-Q4 2022 KPI Detail – Open Access & Retail Choice

KPI ID	KPI Description	2022 Target Performance	2022 Stretch Performance	2022 YTD	Q4	Q3	Q2	Q1
<b>Customer Switching / Registry</b>								
OARC 1	Conduct retail transaction processing per Protocol timelines	98%	99%	99.99%	99.99%	99.99%	99.99%	99.99%
OARC 2	End use customer switch notifications processed per PUCT rules	99%	100%	100%	100%	100%	100%	100%
<b>Market Information</b>								
OARC 3	Retail extracts available per Protocol timelines	98%	99%	100%	100%	100%	100%	100%
<b>IT Application Services</b>								
OARC 4	Retail Processing Availability - Business Hours	99.90%	99.95%	99.92%	100%	100%	99.68%	100%
OARC 5	Market Information System (MIS) Availability	99%	99.5%	99.88%	99.67%	99.95%	99.92%	99.97%

# Q1-Q4 2022 KPI Detail – Other Support & Management Functions

KPI ID	KPI Description	2022 Target Performance	2022 Stretch Performance	2022 YTD	Q4	Q3	Q2	Q1
Finance								
OSM 1	Manage spending to be equal to or less than the board-approved expenditure budget	Zero or favorable variance	N/A	3.0%	-28.4%	17.1%	7.7%	12.4%
Security								
OSM 2	Maintain ERCOT ISO's security posture against cyber security threats as defined in the Security Incident Response Plan	Zero externally reportable cyber security incidents	N/A	Zero	Zero	Zero	Zero	Zero
OSM 3	Maintain ERCOT ISO's security posture against physical security threats as defined in the Security Incident Response Plan	Zero externally reportable physical security incidents	N/A	Zero	Zero	Zero	Zero	Zero