

**The Finance and Audit (F&A) Committee is
expected to consider
F&A Committee Agenda Item 7:**

***Recommendation regarding 2026-2027
Budget and Fee***

at its meeting on June 23, 2025.

**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 23-24, 2025.**

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



Item 7: Recommendation regarding 2026-2027 Budget and Fee

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

Finance and Audit Committee Meeting

ERCOT Public

June 23, 2025

Recommendation regarding 2026-2027 Budget and Fee F&A Committee Request

- **Purpose**

- ERCOT Bylaws (Section 4.10 – Duties and 10.3 – Budget) state that it is the duty of the ERCOT Board of Directors (Board) to approve the budget
- The Finance & Audit (F&A) Committee Charter states that the Committee shall recommend to the Board a proposed budget and associated financing plan

- **Key Takeaways**

- ERCOT staff requests a vote from the F&A Committee to recommend that the Board approve staff's recommended 2026-2027 Biennial Budget, including the System Administration Fee (SAF) rate and the total authorized spending for 2026 and 2027
- Management's recommendation includes:
 - Expenditure and headcount increases to address known and estimated requirements
 - Total uses of funds of \$485.9 million in 2026 and \$585.0 million in 2027
 - Conservative energy forecast of 519.0 TWhs in 2026 and 584.5 TWhs in 2027
 - Reduced SAF rate from current \$0.63 per MWh to \$0.61 per MWh for 2026-2027
 - Interest income of \$66.3 million in 2026 and \$42.7 million in 2027
 - No use of Congestion Revenue Right (CRR) Auction Receipts for funding

Recommendation regarding 2026-2027 Budget and Fee Agenda

1. System Administration Fee Rate Options Summary
2. 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
3. Value Stream Investments and Outcomes
4. Risks to Meeting the 2026-2027 Management Recommended Budget
5. Appendices

1. System Administration Fee Rate Options Summary

Recommendation regarding 2026-2027 Budget and Fee System Administration Fee Rate Options

\$ in Millions, except rates

Line	2024 Actual	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection	2032 Projection	2033 Projection	
1 Base Scenario: Rate Increase 1/1/2026 (Rate Projected in 24/25 Budget) with Current Forecasts for 2025-2033											
2	Year over year % fee increase		17.5%		4.1%						
3	8 Year CAGR		3.7%								
4	System Administration Fee Rate	\$ 0.630	\$ 0.630	\$ 0.740	\$ 0.740	\$ 0.770	\$ 0.770	\$ 0.770	\$ 0.770	\$ 0.770	
5	(CRR Borrowings Balance)/Cash Balance	\$ 168.6	\$ 224.7	\$ 250.9	\$ 211.5	\$ 291.2	\$ 411.0	\$ 549.9	\$ 688.1	\$ 805.5	\$ 864.7
6 Option 1: Rate Change starting 1/1/2026 through end of 2031, then Rate Increase to reach approximately \$50M Cash Balance by end of 2033											
7	Year over year % fee increase		-3.2%		9.8%						
8	8 Year CAGR		1.2%								
9	System Administration Fee Rate	\$ 0.630	\$ 0.630	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.670	\$ 0.670
10	(CRR Borrowings Balance)/Cash Balance	\$ 168.6	\$ 224.7	\$ 183.4	\$ 68.0	\$ 41.0	\$ 40.7	\$ 50.9	\$ 53.1	\$ 82.3	\$ 51.2
11 Option 2: Two-Year Rate Changes starting 1/1/2026 to reach approximately \$75M Cash Balance by end of 2029, 2031, and 2033											
12	Year over year % fee increase		-3.2%		3.3%		-3.2%		9.8%		
13	8 Year CAGR		1.2%								
14	System Administration Fee Rate	\$ 0.630	\$ 0.630	\$ 0.610	\$ 0.610	\$ 0.630	\$ 0.630	\$ 0.610	\$ 0.610	\$ 0.670	\$ 0.670
15	(CRR Borrowings Balance)/Cash Balance	\$ 168.6	\$ 224.7	\$ 183.4	\$ 68.0	\$ 54.3	\$ 69.0	\$ 79.3	\$ 81.4	\$ 110.6	\$ 79.5
16 Option 3: Four-Year Rate Changes 1/1/2026 to reach approximately \$75M Cash Balance by end of 2033											
17	Year over year % fee increase		-3.2%		6.6%						
18	8 Year CAGR		1.2%								
19	System Administration Fee Rate	\$ 0.630	\$ 0.630	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.650	\$ 0.650	\$ 0.650	\$ 0.650
20	(CRR Borrowings Balance)/Cash Balance	\$ 168.6	\$ 224.7	\$ 183.4	\$ 68.0	\$ 41.0	\$ 40.7	\$ 83.1	\$ 119.2	\$ 130.8	\$ 81.6
21 Option 4: Two-Year Rate Changes starting 1/1/2026 to reach approximately \$50M Cash Balance by end of 2029, 2031, and 2033											
22	Year over year % fee increase		-3.2%		1.6%		1.6%		1.6%		
23	8 Year CAGR		1.2%								
24	System Administration Fee Rate	\$ 0.630	\$ 0.630	\$ 0.610	\$ 0.610	\$ 0.620	\$ 0.620	\$ 0.630	\$ 0.630	\$ 0.640	\$ 0.640
25	(CRR Borrowings Balance)/Cash Balance	\$ 168.6	\$ 224.7	\$ 183.4	\$ 68.0	\$ 47.6	\$ 54.8	\$ 81.2	\$ 100.3	\$ 103.0	\$ 44.8

Key Takeaway: Management recommends option 1: Decrease SAF rate to \$0.61/MWh

- Maintains intergenerational equity
- Balances adequate liquidity against energy forecast uncertainties



2. 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 2026-2027 Budget and Fee Management Recommended Budget Summary – Option 1

\$ in Millions, except rates

Budget Summary										
Line	2024	2025	2025	2026	2027	2028	2029	2030	2031	
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection	
1	System Administration Fee Rate (SAF) \$	0.630	\$ 0.630	\$ 0.630	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610
2	Energy Consumption (TWh)	463.1	480.0	491.3	519.0	584.5	667.4	750.6	804.2	849.9
2A	Year over Year %	3.9%	3.7%	6.1%	5.6%	12.6%	14.2%	12.5%	7.1%	5.7%
3	System Administration Fee Revenue \$	291.8	\$ 302.4	\$ 309.5	\$ 316.6	\$ 356.6	\$ 407.1	\$ 457.9	\$ 490.5	\$ 518.4
4	Department Net Expenditures	\$ 266.4	\$ 303.8	\$ 287.4	\$ 356.6	\$ 387.3	\$ 413.8	\$ 442.1	\$ 472.4	\$ 504.9
4A	Year over Year %	13.3%	14.0%	7.9%	24.1%	8.6%	6.8%	6.8%	6.9%	6.9%
5	Project Expenditures	45.0	29.4	29.4	48.7	84.3	51.5	47.3	39.0	42.5
6	Market Design Project	12.2	20.8	20.8	0.9	1.7	-	-	-	-
7	Taylor Office Transformation	0.0	10.4	10.4	13.7	37.1	-	-	-	-
8	Total Net Expenditures \$	323.6	\$ 364.3	\$ 348.0	\$ 419.9	\$ 510.5	\$ 465.3	\$ 489.3	\$ 511.4	\$ 547.4
9	Net Available Before Non-Operating \$	(31.9)	\$ (61.9)	\$ (38.5)	\$ (103.3)	\$ (153.9)	\$ (58.2)	\$ (31.4)	\$ (20.9)	\$ (29.0)
10	Debt Service	\$ (5.3)	\$ (4.4)	\$ (4.2)	\$ (4.2)	\$ (4.2)	\$ (4.2)	\$ (4.2)	\$ (4.2)	\$ (4.2)
11	Interest Income	114.2	39.8	98.8	66.3	42.7	35.4	35.4	35.4	35.4
12	Non-Operating Sources & Uses \$	108.9	\$ 35.4	\$ 94.6	\$ 62.0	\$ 38.5	\$ 31.1	\$ 31.1	\$ 31.1	\$ 31.1
13	Net Available \$	77.0	\$ (26.5)	\$ 56.1	\$ (41.3)	\$ (115.4)	\$ (27.0)	\$ (0.3)	\$ 10.3	\$ 2.1
Year-End Balances: Notes Payable, CRR Borrowings, Cash, and CRR Fund										
14	Notes Payable Balance	\$ 31.0	\$ 27.0	\$ 27.0	\$ 23.0	\$ 19.0	\$ 15.0	\$ 11.0	\$ 7.0	\$ 3.0
15	CRR Borrowings Balance	\$ -	\$ 1.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Cash Balance	\$ 168.6	\$ -	\$ 224.7	\$ 183.4	\$ 68.0	\$ 41.0	\$ 40.7	\$ 50.9	\$ 53.1
17	CRR Fund Balance	\$ 2,169.1	\$ 2,000.0	\$ 2,128.9	\$ 2,100.0	\$ 2,100.0	\$ 2,100.0	\$ 2,100.0	\$ 2,100.0	\$ 2,100.0

Schedule may not foot due to rounding.



Key Takeaway: The management recommended option 1 projects a \$68.0 M cash balance at the end of 2027.

Recommendation regarding 2026-2027 Budget and Fee Management Recommended Sources and Uses Summary – Option 1

\$ in Millions

Sources and Uses											
	2024	2025	2025	2026	2027	2028	2029	2030	2031		
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection		
1 System Administration Fee Revenue	\$ 291.8	\$ 302.4	\$ 309.5	\$ 316.6	\$ 356.6	\$ 407.1	\$ 457.9	\$ 490.5	\$ 518.4		
2* Reliability Organization Assessment	28.3	27.7	27.7	29.2	30.8	32.6	34.4	36.3	38.3		
3 Interest Income	114.2	39.8	98.8	66.3	42.7	35.4	35.4	35.4	35.4		
4 Other Revenues	19.0	18.0	22.0	32.5	39.5	43.3	47.5	52.1	57.1		
5 CRR Borrowings	-	1.2	-	-	-	-	-	-	-		
6 Decrease in Cash Balance	-	25.3	-	41.3	115.4	27.0	0.3	-	-		
7 Total Sources	\$ 453.3	\$ 414.3	\$ 457.9	\$ 485.9	\$ 585.0	\$ 545.4	\$ 575.4	\$ 614.3	\$ 649.3		
8 Department Expenditures	\$ 285.4	\$ 321.8	\$ 309.4	\$ 389.1	\$ 426.9	\$ 457.1	\$ 489.6	\$ 524.5	\$ 562.1		
9 Project Expenditures	45.0	29.4	29.4	48.7	84.3	51.5	47.3	39.0	42.5		
10 Market Design Project	12.2	20.8	20.8	0.9	1.7	-	-	-	-		
11 Taylor Office Transformation	0.0	10.4	10.4	13.7	37.1	-	-	-	-		
12* Reliability Organization Assessment	28.3	27.7	27.7	29.2	30.8	32.6	34.4	36.3	38.3		
13 Debt Service	5.3	4.4	4.2	4.2	4.2	4.2	4.2	4.2	4.2		
14 Repayment of CRR Borrowings	-	-	-	-	-	-	-	-	-		
15 Increase in Cash Balance	77.0	-	56.1	-	-	-	-	10.3	2.1		
16 Total Uses	\$ 453.3	\$ 414.3	\$ 457.9	\$ 485.9	\$ 585.0	\$ 545.4	\$ 575.4	\$ 614.3	\$ 649.3		

* 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 16 provides ERCOT’s total requested spending authority for 2026-2027.



Recommendation regarding 2026-2027 Budget and Fee Management Recommended Revenue Trends – Option 1

\$ in Millions

Line	Revenues	2025				2026		2027		2028		2029		2030		2031	
		Budget		Forecast		Request		Request		Projection		Projection		Projection		Projection	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1	System Administration Fee (SAF)	\$ 302.4	94.4%	\$ 309.5	93.4%	\$ 316.6	90.7%	\$ 356.6	90.0%	\$ 407.1	90.4%	\$ 457.9	90.6%	\$ 490.5	90.4%	\$ 518.4	90.1%
2	User Fees																
3	Interconnection	6.2	1.9%	9.7	2.9%	15.5	4.5%	20.6	5.2%	22.6	5.0%	24.9	4.9%	27.4	5.0%	30.1	5.2%
4	Weatherization Inspection	4.5	1.4%	5.4	1.6%	8.1	2.3%	9.7	2.4%	10.6	2.4%	11.7	2.3%	12.9	2.4%	14.2	2.5%
5	Wide Area Network (WAN)	4.5	1.4%	3.7	1.1%	5.9	1.7%	6.3	1.6%	6.9	1.5%	7.6	1.5%	8.3	1.5%	9.2	1.6%
6	Training	0.7	0.2%	0.6	0.2%	0.6	0.2%	0.6	0.1%	0.6	0.1%	0.7	0.1%	0.8	0.1%	0.8	0.1%
7	Registration/Application	0.1	0.0%	0.5	0.1%	0.5	0.2%	0.6	0.1%	0.6	0.1%	0.7	0.1%	0.8	0.1%	0.8	0.1%
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%	0.4	0.1%
9	User Fees Total	16.3	5.1%	20.2	6.1%	\$ 30.9	8.9%	\$ 37.9	9.6%	41.7	9.3%	45.9	9.1%	50.5	9.3%	55.5	9.6%
10	Other Revenues																
11	SPE Servicing and Administration	1.7	0.5%	1.7	0.5%	1.6	0.5%	1.6	0.4%	1.6	0.4%	1.6	0.3%	1.6	0.3%	1.6	0.3%
12	Miscellaneous	-	0.0%	0.0	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
13	Total Revenues	\$ 320.4	100.0%	\$ 331.5	100.0%	\$ 349.1	100.0%	\$ 396.1	100.0%	\$ 450.4	100.0%	\$ 505.4	100.0%	\$ 542.6	100.0%	\$ 575.6	100.0%

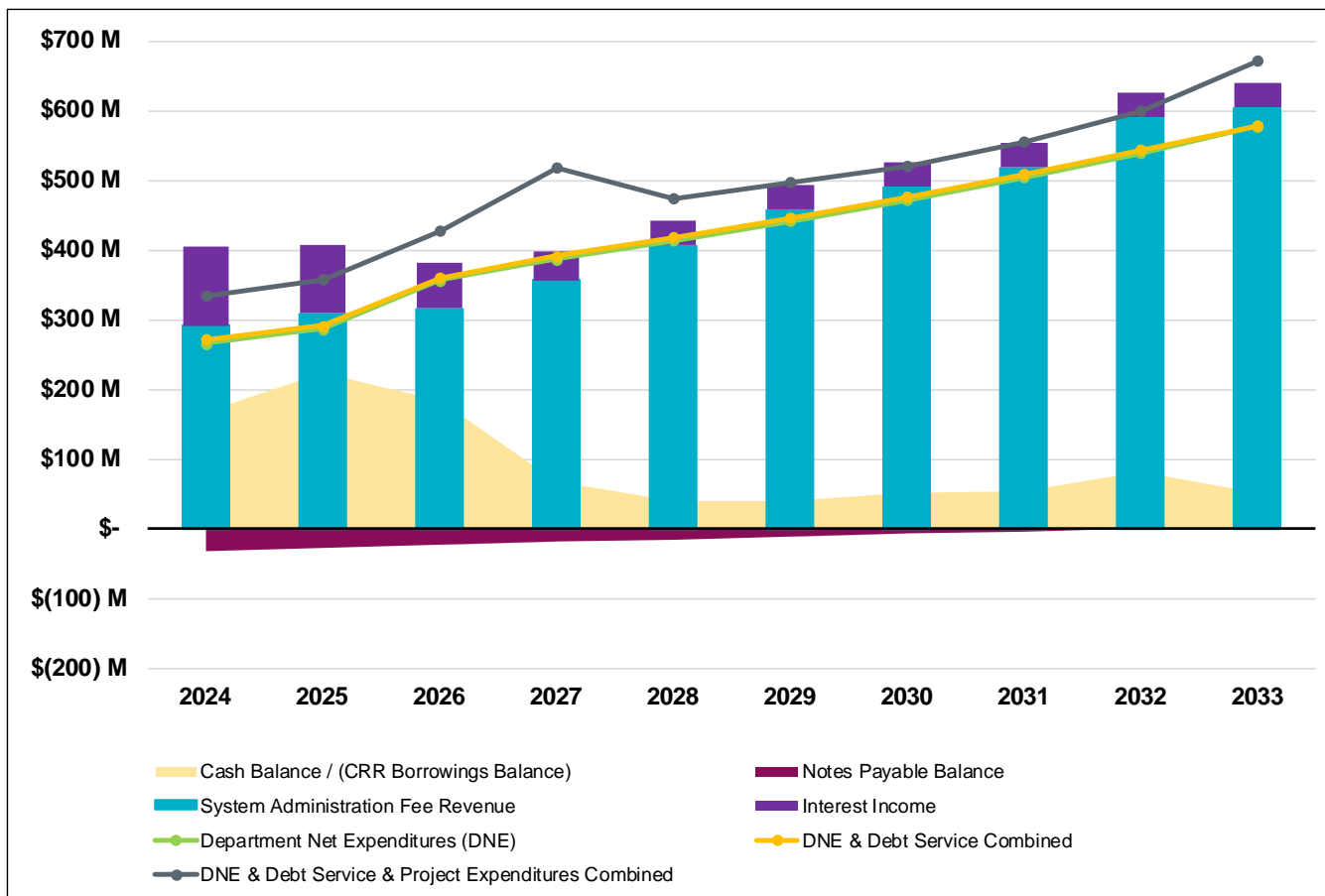
Interconnection includes Generation Interconnection Requests (GINR), Full Interconnection Studies (FIS), and Large Load Integration (LLI) studies

Schedule may not foot due to rounding

Key Takeaway: The System Administration Fee is projected to provide over 90% of ERCOT's revenues, the next largest source is about 5%.



Recommendation regarding 2026-2027 Budget and Fee Management Recommended Budget Projections – Option 1



Key Takeaway: By reducing the SAF rate for 2026 and 2027, we expect to utilize the current cash balance and under-collect those years. Based on 2025 energy forecast, ERCOT expects to maintain the SAF rate beyond 2027.



Recommendation regarding 2026-2027 Budget and Fee Management Recommended Financial Ratios – Option 1

Debt Service Coverage Ratio				2026	2027	2028	2029	2030	2031
	2024	2025	2025	2026	2027	2028	2029	2030	2031
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
1 Revenues									
2 System Administration Fee Revenue	\$ 291.8	\$ 302.4	\$ 309.5	\$ 316.6	\$ 356.6	\$ 407.1	\$ 457.9	\$ 490.5	\$ 518.4
3 Reliability Organization Assessment	28.3	27.7	27.7	29.2	30.8	32.6	34.4	36.3	38.3
4 Interest Income	114.2	39.8	98.8	66.3	42.7	35.4	35.4	35.4	35.4
5 Other Revenues	19.0	18.0	22.0	32.5	39.5	43.3	47.5	52.1	57.1
6 Total Revenues	\$ 453.3	\$ 387.8	\$ 457.9	\$ 444.6	\$ 469.6	\$ 518.3	\$ 575.1	\$ 614.3	\$ 649.3
7 Less: Non-Project Expenditures									
8 Department Expenditures	285.4	321.8	309.4	389.1	426.9	457.1	489.6	524.5	562.1
9 Reliability Organization Assessment	28.3	27.7	27.7	29.2	30.8	32.6	34.4	36.3	38.3
10 Net Revenues Available for Debt Service	\$ 139.6	\$ 38.4	\$ 120.8	\$ 26.2	\$ 11.9	\$ 28.7	\$ 51.2	\$ 53.5	\$ 48.9
11 Interest Expense	1.3	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
12 Principal Payment	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
13 Total Debt Service	\$ 5.3	\$ 4.4	\$ 4.2	\$ 4.2	\$ 4.2	\$ 4.2	\$ 4.2	\$ 4.2	\$ 4.2
14 Calculated Debt Service Coverage Ratio	26.2	8.8	28.9	6.2	2.8	6.8	12.1	12.6	11.6
Liquidity Ratio									
	2024	2025	2025	2026	2027	2028	2029	2030	2031
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
15 Department Expenditures (2 Month Average)	\$ 47.6	\$ 53.6	\$ 51.6	\$ 64.9	\$ 71.1	\$ 76.2	\$ 81.6	\$ 87.4	\$ 93.7
16 Debt Service (6 Month Average)	2.7	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1
17 Project Expenditures (2 Month Average)	9.5	10.1	10.1	10.5	20.5	8.6	7.9	6.5	7.1
18 Targeted Minimum Level of Liquidity	\$ 59.8	\$ 65.9	\$ 63.7	\$ 77.5	\$ 93.8	\$ 86.9	\$ 91.6	\$ 96.0	\$ 102.9
19 Undrawn Borrowing Capacity	\$ 100.0	\$ 100.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0	\$ 150.0
20 Liquidity Ratio	1.7	1.5	2.4	1.9	1.6	1.7	1.6	1.6	1.5

Schedule may not foot due to rounding

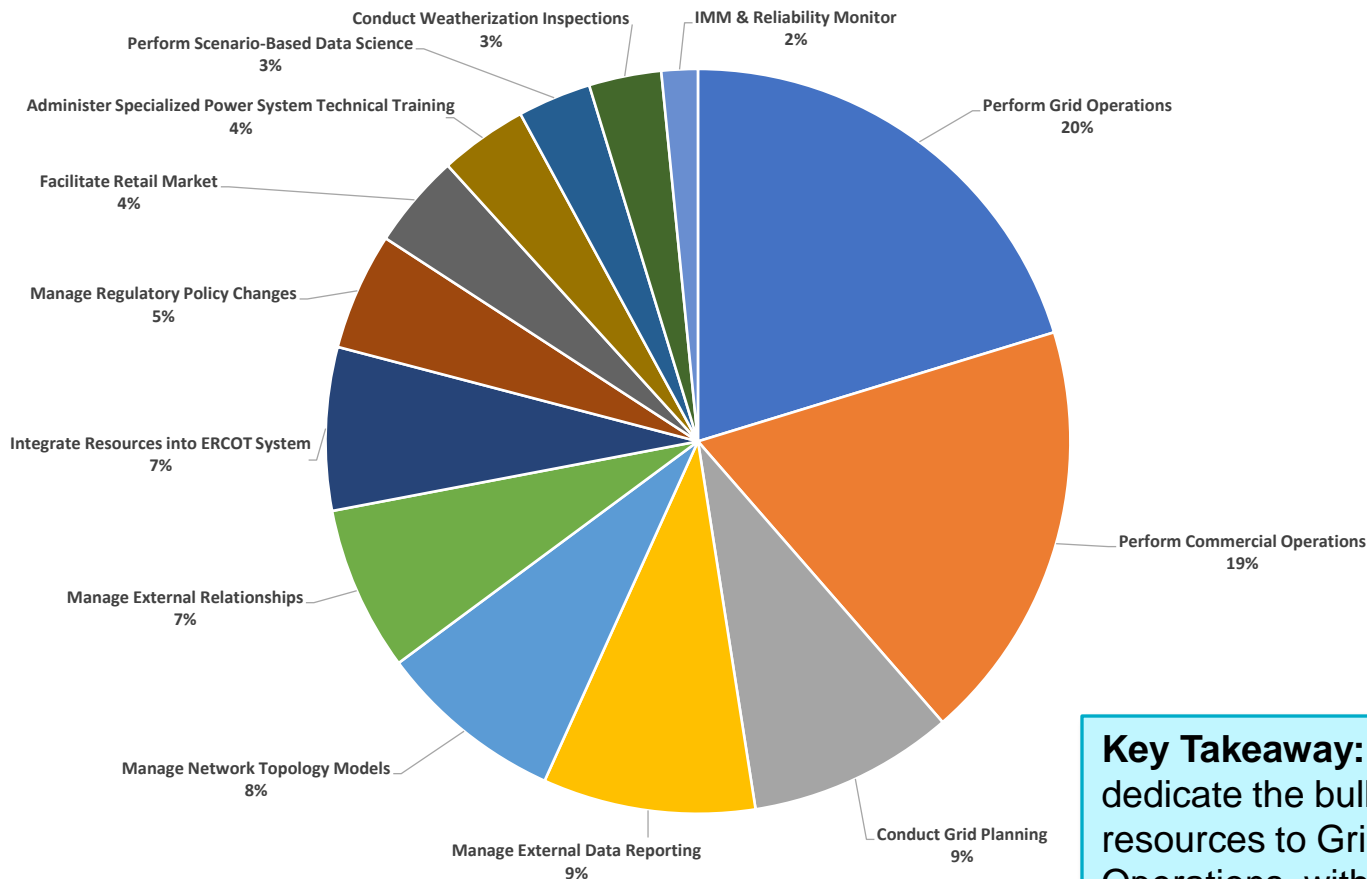
Key Takeaways:

- 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



3. Value Stream Investments and Outcomes

Recommendation regarding 2026-2027 Budget and Fee Value Stream Investments



Key Takeaway: ERCOT continues to dedicate the bulk of our time and resources to Grid and Commercial Operations, with heavy emphasis on Planning, Modeling and External Data Reporting and Relationship Management.



Recommendation regarding 2026-2027 Budget and Fee Outcomes

- Increasing support for reliable growth within the ERCOT grid
- Investing in Grid Transformation, Reliability, Interconnection, and Market systems to bring improvements sooner
- Providing thorough, in-depth, and timely analysis that will provide insights and enhance decision-making for ERCOT stakeholders
- Enhancing Market Participant communication and support across the organization, from registration to interconnection to implementing revision requests and reliability standards
- Managing reliable addition and operation of Large Loads
- Enhancing Market facing operations, including expanded Reliability Monitoring functions, compliance and monitoring, integrating and supporting high volume of new small generation data, and enhanced communications
- Improvements and investments in demand response forecasting and price responsive demand, accelerating patching cadence and expanding threat operations to improve security posture, as well as ongoing and expanded hardware and software base costs, cloud, data analytics and AI technology enabling our operations



4. Risks to Meeting the 2026-2027 Recommended Budget

- Sensitivity Analyses
 - Energy Growth and Interest Income Rate
 - Department Net Expenditure Growth and Energy Growth
 - Department Net Expenditure Growth and Interest Income Rate
 - CRR Funding Balance and Interest Income Rates
- Risks Summary and Mitigation

Recommendation regarding 2026-2027 Budget and Fee

Sensitivity Analyses: Energy Growth and Interest Income Rate

Impact of Variances on Projected 2027 Cash Balance

\$ in Millions, except rates

		CAGR for Two Year Energy Growth (2026-2027)						
		4.50%	6.00%	7.50%	9.08%	10.50%	12.00%	13.50%
Average Annual Interest Rate (2026-2027)	1.00%	\$ (46.4)	\$ (32.0)	\$ (17.5)	\$ (2.0)	\$ 12.1	\$ 27.0	\$ 42.1
	1.50%	\$ (25.3)	\$ (10.9)	\$ 3.6	\$ 19.1	\$ 33.2	\$ 48.1	\$ 63.2
	2.00%	\$ (4.2)	\$ 10.2	\$ 24.7	\$ 40.2	\$ 54.2	\$ 69.2	\$ 84.3
	2.66%	\$ 23.6	\$ 38.0	\$ 52.5	\$ 68.0	\$ 82.0	\$ 97.0	\$ 112.1
	3.00%	\$ 37.9	\$ 52.4	\$ 66.9	\$ 82.4	\$ 96.4	\$ 111.4	\$ 126.5
	3.50%	\$ 59.0	\$ 73.5	\$ 88.0	\$ 103.5	\$ 117.5	\$ 132.5	\$ 147.6
	4.00%	\$ 80.1	\$ 94.6	\$ 109.1	\$ 124.6	\$ 138.6	\$ 153.6	\$ 168.7

Key Takeaway: Realized interest income and energy growth forecasts are highly impactful to liquidity and future SAF rate requests.



Recommendation regarding 2026-2027 Budget and Fee

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

\$ in Millions, except rates

		CAGR for Two Year Department Net Expenditures (2026-2027)							
		17.50%	17.00%	16.50%	16.09%	15.50%	15.00%	14.50%	
CAGR for Two Year Energy Growth (2026-2027)	4.50%	\$ 10.0	\$ 14.8	\$ 19.6	\$ 23.6	\$ 29.1	\$ 33.9	\$ 38.6	
	6.00%	\$ 24.4	\$ 29.2	\$ 34.0	\$ 38.0	\$ 43.6	\$ 48.3	\$ 53.0	
	7.50%	\$ 39.0	\$ 43.8	\$ 48.6	\$ 52.5	\$ 58.1	\$ 62.9	\$ 67.6	
	9.08%	\$ 54.4	\$ 59.3	\$ 64.0	\$ 68.0	\$ 73.6	\$ 78.3	\$ 83.1	
	10.50%	\$ 68.5	\$ 73.3	\$ 78.1	\$ 82.0	\$ 87.6	\$ 92.4	\$ 97.1	
	12.00%	\$ 83.5	\$ 88.3	\$ 93.1	\$ 97.0	\$ 102.6	\$ 107.4	\$ 112.1	
	13.50%	\$ 98.6	\$ 103.4	\$ 108.2	\$ 112.1	\$ 117.7	\$ 122.5	\$ 127.2	

Key Takeaway: Deviations from energy forecast may materially change 2027 cash balance.



Recommendation regarding 2026-2027 Budget and Fee

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

\$ in Millions, except rates

		CAGR for Two Year Department Net Expenditures (2026-2027)							
		17.50%	17.00%	16.50%	16.09%	15.50%	15.00%	14.50%	
Average Annual Interest Rate (2026-2027)	1.00%	\$ (15.5)	\$ (10.7)	\$ (5.9)	\$ (2.0)	\$ 3.6	\$ 8.3	\$ 13.1	
	1.50%	\$ 5.5	\$ 10.4	\$ 15.1	\$ 19.1	\$ 24.7	\$ 29.4	\$ 34.2	
	2.00%	\$ 26.6	\$ 31.5	\$ 36.2	\$ 40.2	\$ 45.8	\$ 50.5	\$ 55.3	
	2.66%	\$ 54.4	\$ 59.3	\$ 64.0	\$ 68.0	\$ 73.6	\$ 78.3	\$ 83.1	
	3.00%	\$ 68.8	\$ 73.6	\$ 78.4	\$ 82.4	\$ 88.0	\$ 92.7	\$ 97.5	
	3.50%	\$ 89.9	\$ 94.7	\$ 99.5	\$ 103.5	\$ 109.1	\$ 113.8	\$ 118.6	
	4.00%	\$ 111.0	\$ 115.8	\$ 120.6	\$ 124.6	\$ 130.2	\$ 134.9	\$ 139.7	

Key Takeaway: Interest rate deviations may materially change 2027 cash balance.



Recommendation regarding 2026-2027 Budget and Fee

Sensitivity Analyses: CRR Funding Balance and Interest Income Rate

Impact of Variances on Projected 2027 Cash Balance

\$ in Millions, except rates

		Average Annual CRR Funding Balance (2026-2027)									
		\$ 1,800.0	\$ 1,900.0	\$ 2,000.0	\$ 2,100.0	\$ 2,200.0	\$ 2,300.0	\$ 2,400.0			
Average Annual Interest Rate (2026-2027)	1.00%	\$ (7.7)	\$ (5.7)	\$ (3.7)	\$ (1.7)	\$ 0.3	\$ 2.3	\$ 4.3			
	1.50%	\$ 10.3	\$ 13.3	\$ 16.3	\$ 19.3	\$ 22.3	\$ 25.3	\$ 28.3			
	2.00%	\$ 28.3	\$ 32.3	\$ 36.3	\$ 40.3	\$ 44.3	\$ 48.3	\$ 52.3			
	2.66%	\$ 52.1	\$ 57.4	\$ 62.7	\$ 68.0	\$ 73.3	\$ 78.6	\$ 84.0			
	3.00%	\$ 64.3	\$ 70.3	\$ 76.3	\$ 82.3	\$ 88.3	\$ 94.3	\$ 100.3			
	3.50%	\$ 82.3	\$ 89.3	\$ 96.3	\$ 103.3	\$ 110.3	\$ 117.3	\$ 124.3			
	4.00%	\$ 100.3	\$ 108.3	\$ 116.3	\$ 124.3	\$ 132.3	\$ 140.3	\$ 148.3			

Key Takeaway: Unanticipated lower-than-projected CRR funding balance and/or lower-than-projected interest income rates will reduce 2027 cash balance.



Recommendation regarding 2026-2027 Budget and Fee Risks Summary and Mitigation

Potential Risks

- Lower-than-Projected Energy Growth
- Lower-than-Projected Interest Income Rate
- Lower-than-Projected CRR Funding Balance
- Higher-than-Projected Inflation
- New Costs

Mitigation Responses

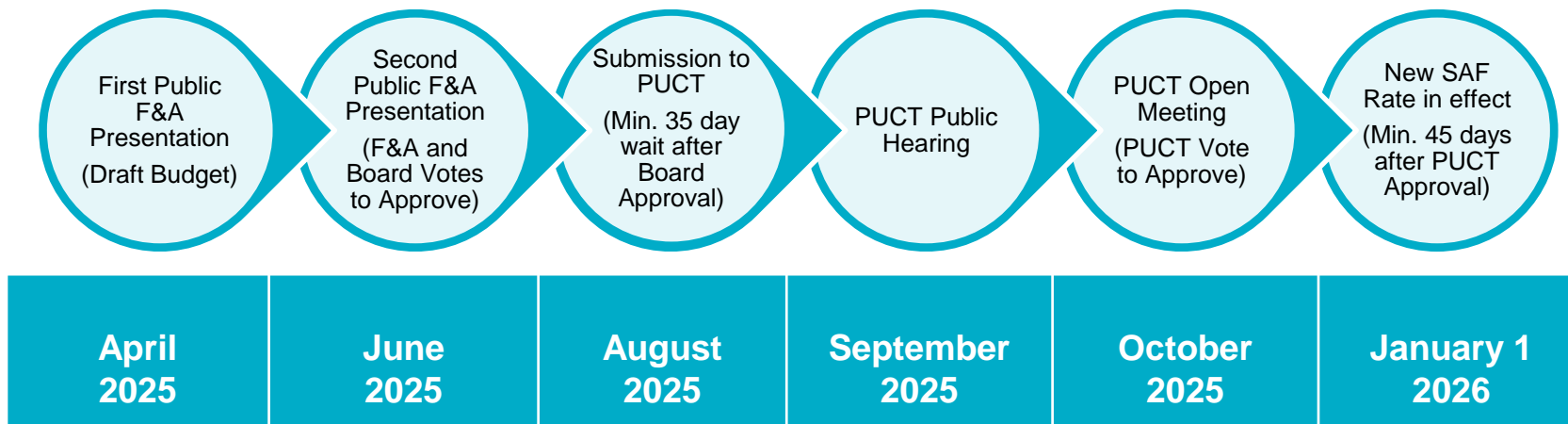
- Increase Debt and/or ERCOT, Inc.'s Use of CRR Funds
- Reduce Department Net Expenditures (e.g., operational efficiencies)
- Reduce Project Expenditures
- Increase Fees

5. Appendices

- Approval Timeline and Budget Overview
- Budget Drivers, Metrics, Incremental Employees, and Incremental Dollars by Office
- Corporate-Level Budget Drivers
 - Expenditures
 - Revenues
 - Interest Income
 - Debt Strategy
- Expenditures by Office and Spend Type
- Project Expenditures

Approval Timeline and Budget Overview

Recommendation regarding 2026-2027 Budget and Fee Approval Timeline

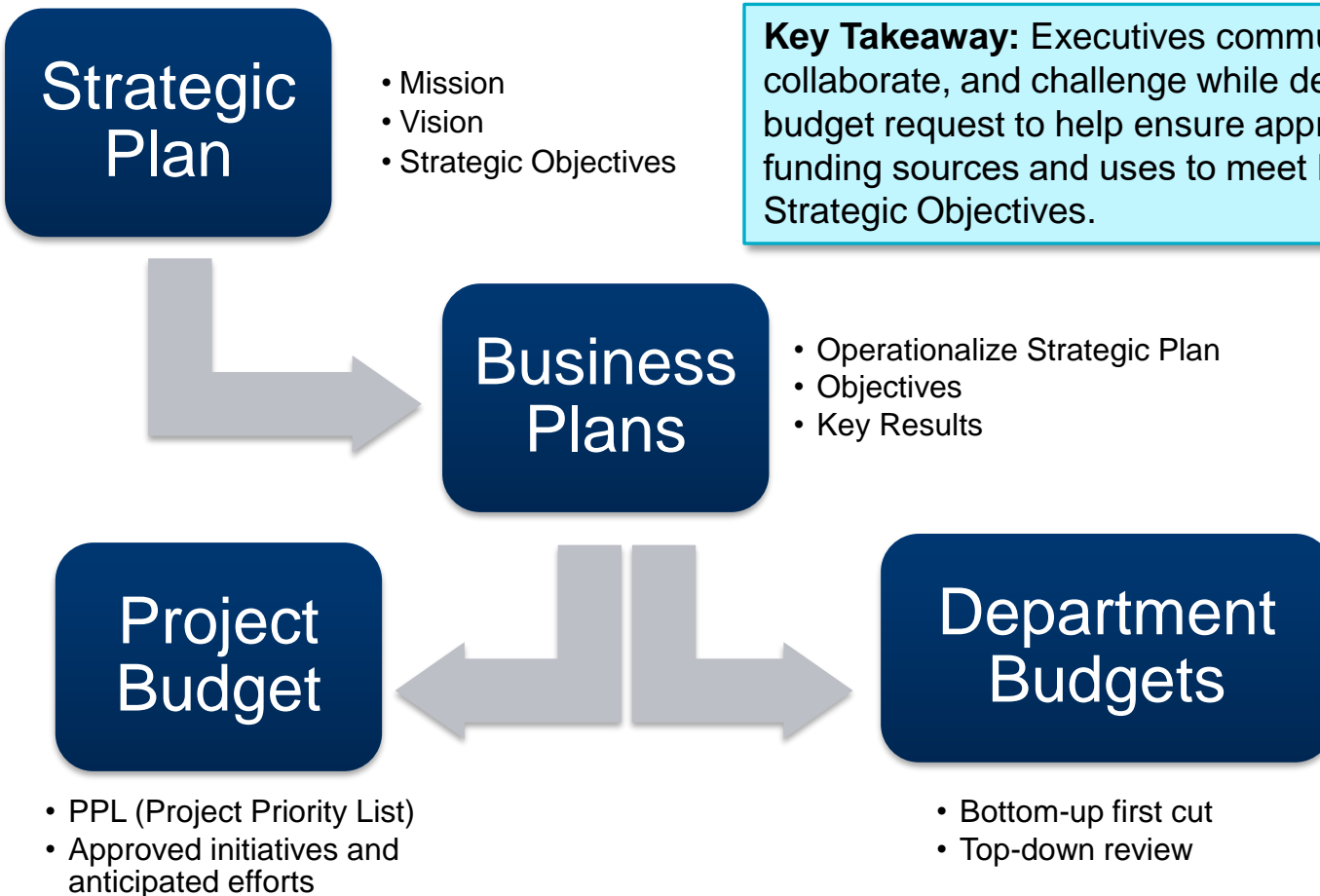


Key Takeaway:

In order for the System Administration Fee (SAF) rate to decrease effective January 1, 2026, as recommended by ERCOT management, Public Utility Commission of Texas (PUCT) approval must take place at least 45 days prior to January 1, 2026. Board approval is needed at the June 2025 Board meeting to facilitate that timing.

Recommendation regarding 2026-2027 Budget and Fee

Overview of the Budget Process



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers, Metrics, Incremental Employees, and Incremental Dollars by Office (2025 Budget vs 2026 Request)

- Summary by Office.....Slide 26
- Chief Information Office.....Slides 27-29
- Chief Operations Office
 - System Planning & Weatherization.....Slides 30-34
 - System Operations.....Slides 35-37
 - Commercial Operations.....Slides 38-40
- General Counsel.....Slides 41-42
- Chief Financial Office.....Slides 43-44
- Human Resources.....Slides 45-47

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Incremental Dollars & Employees by Office

2025 Budget vs 2026 Request

\$ in Millions

Line		Total		Strategic Objective 1		Strategic Objective 2		Strategic Objective 3		Other	
		Dollars	Employees	Dollars	Employees	Dollars	Employees	Dollars	Employees	Dollars	Employees
1	Chief Information Office	\$ 52.1	46	\$ 5.5	17	\$ 4.2	8	\$ 8.7	3	\$ 33.7	18
2	Chief Operations Office	(5.1)	72	4.0	15	1.6	7	0.4	2	(11.1)	48
3	General Counsel	1.7	19	0.3	1	-	0	0.1	7	1.3	11
4	Chief Financial Office	2.2	9	0.2	0	(0.6)	5	0.1	2	2.6	2
5	Human Resources	2.7	4	-	0	-	0	2.6	4	0.1	0
6	Chief Executive Office	1.9	1	0.2	1	-	0	1.6	0	0.1	0
7	Totals	\$ 55.5	151	\$ 10.1	34	\$ 5.1	20	\$ 13.5	18	\$ 26.8	79

Schedule may not foot due to rounding

Key Takeaways:

- The \$55.5 M increase includes 151 incremental employee positions, representing a 14.8% increase from the 2025 budgeted employee positions of 1,021 to the 2026 requested employee positions of 1,172.
- 79 (50.3%) of the 151 incremental employee positions are primarily in support of growth within mandatory, regulatory, and base operations functions.
- Some incremental employee positions are funded outside of the System Administration Fee.



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers – 2025 Budget vs 2026 Request: Chief Information Office

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
1	Common infrastructure – RTC+B decommission	2024-2025 – RTC + B consumed \$6.2M HW/SW	2026 – RTC + B returning \$5.5M HW/SW	0	\$ 5.5
2	Grid transformation support, data and analytics, and other new projects	N/A	Resources to support new initiatives	0	\$ 3.6
3	Virtualization license model change	666K	4850K	0	\$ 3.0
4	Hardware/Software inflation assumption	2024: 10%	9.30%	0	\$ 2.5
5	Storage organic growth	\$1.25M	Based on actual spend in 2023-2024 to account for the approximate 25% storage growth	0	\$ 2.3
6	Accelerated Patching Frequency	90+days - mean time to patch infrastructure	60+days - mean time to patch infrastructure	10	\$ 2.3
7	A/V refresh for TCC4 and boardrooms	N/A	One time tech refresh	0	\$ 1.6
8	Grid Transformation - Research engagements and external collaborations	2025: 700k	2026: 2.2M, 2027: 2.4M	0	\$ 1.5
9	Data Analytics platform and AI laboratory		No explicit AI labs or democratized Analytics	2	\$ 1.1
10	Adoption of cloud technologies and cloud operations	N/A	New initiative	4	\$ 0.9
11	Networking, data center and control room tech refreshes	N/A	One time tech refresh	0	\$ 0.8
12	General employee support	2025 Request: 1,021 employee positions	2026 Request: 1,166 employee positions	7	\$ 0.7
13	Test Data and Test Environment Management		2nd iTest only set up in EOY 2025	2	\$ 0.7
14	Enhanced Security Function	Provide proactive security to mitigate risks in a fluid threat environment	Changes in threat profile, new security postures	0	\$ 0.5
15	Building a specialized Enterprise Trust, Safety, and Risk team	N/A	To proactively monitor, apply threat mitigations, and foster organizational trust	5	\$ 0.5
16	Threat Intel Platform	Ad hoc manual process currently	Optimizes threat intel feeds into a single platform, increasing efficiencies and reducing error.	0	\$ 0.3
17	Lifecycle management for building equipment	Currently ad hoc with inefficiencies, this will manage building equipment to replace or upgrade components prior to end of life ensuring system redundancies are never compromised.	Streamline process to replace components prior to degradation	0	\$ 0.3
18	Increased Cyber staffing demands	N/A	Increased use cloud technology, use of containers, multi-tiered domains, etc. have increased need for Cyber staff support	3	\$ 0.3
19	# Virtual machines (Reliability)	2024: 904	Current 955. Estimated 1204 EOY	3	\$ 0.3

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Chief Information Office

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
20	# Projects (SO 2.2, enterprise-wide change)	2024: 95 to 115 (SO 2.2, enterprise-wide change)	90-120 2024 actual: 99 2025 projection: 119 (54 active project carryover + 65 candidate roadmap projects) 26/27 projection: assume similar to 2024/2025 (currently ~150 candidate roadmap projects across 26/27)	3	\$ 0.3
21	Advance Grid Transformation initiatives with Optimization, AI & ML Techniques in power systems, IBR expert, Distribution system expert	N/A	New department	3	\$ 0.3
22	Expand ERCOT, Inc.'s position as a leading industry expert by increasing external collaboration and knowledge transfer	Wasn't needed due to pandemic WFH	Needed for renting meeting space, as we've outgrown current RTO space.	0	\$ 0.2
23	Test Automation for quality improvements	Manual testing	Increased automation	2	\$ 0.2
24	Expanding security training to ERCOT market	We have had budget for GridEx years prior, this adds non-GridEx year training as well	Enhance security for ERCOT and MPs	0	\$ 0.1
25	Concurrent projects requiring PMO staff (SO 2.2, enterprise-wide change)	2024: ~55 (SO 2.2, enterprise-wide change)	2024 actual: ~58 on average 2025+ projection: 55-65	1	\$ 0.1
26	Congestion Revenue Rights Support		No designated GMS support person for CRR	1	\$ 0.1
27	Expand Quality Control of IT processes		No explicit IT process quality measure	1	\$ 0.1

Line		2025 Budget vs 2026 Request			Strategic Objectives			
		2025 Budget	2026 Request	2026 Request	1	2	3	Other
1	Department Labor	\$ 73.9	\$ 77.3	\$ 3.4	\$ 0.5	\$ 0.5	\$ 0.4	\$ 2.1
2	Department Non-Labor	67.1	98.1	31.0	7.6	3.2	5.4	14.7
3	Department Revenues	(4.5)	(5.9)	(1.4)	-	-	-	(1.4)
4	Total Department Net Expenditures	\$ 136.5	\$ 169.5	\$ 33.0	\$ 8.1	\$ 3.7	\$ 5.8	\$ 15.4
5	Project Expenditures	26.6	45.7	19.1	(2.6)	0.5	2.9	18.2
6	Total DNE and Project Expenditures	\$ 163.1	\$ 215.1	\$ 52.1	\$ 5.5	\$ 4.2	\$ 8.7	\$ 33.7
7	Employees	404	450	46	17	8	3	18



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Chief Information Office

Efficiencies/Savings since last budget cycle:

- EMS upgrade project under-budget by \$1M
- Data Center upgrade under-budget by about \$4M
- Process efficiencies by connecting disconnected applications to Active Directory
- Process efficiencies by using Service Management tool for weatherization and other process automations
- Test Automation improvements
- Hardware technology consolidation by eliminating legacy hardware resulting in \$1.56M annual savings
- 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

Deferred from prior budget cycle:

- Investments in AI and Data Analytics
- Investments in leveraging cloud technologies beyond Software as a Service
- Long-term trained contractor conversions
- Facility equipment replacements
- Vehicle replacement
- T3 Roof replacement
- T1/T2 facility improvements

Items previously cut in this cycle:

- Insourcing Mobile App development
- Minimized support staff for Data and Analytics Platform
- 2 Grid Transformation positions transferred to COO teams
- T1 parking lot – additional egress

Planned improvements and risk management

- Accelerated Patching frequency
- Adoption of cloud technologies and operations to leverage compute power beyond in-house data center
- Productivity improvements using Generative AI
- Investment in Data Analytics platform and incubation lab for AI projects
- Expand Quality Control of IT Processes (currently focused only on software development)
- Execute the proof of concepts to validate the concepts and assumptions before full-scale implementation
- Create white papers to define the problems and potential solutions
- Create research papers to understand the solution space for our challenges
- Engage with broader Research & Innovation ecosystem for knowledge sharing
- Chiller replacements, Taylor Facility Remodel, Data Center Power/Cooling Redesign (in Projects), Creation of an Enterprise Trust, Safety, and Risk Team to mitigate both internal and external risks to ERCOT
- Identity and Access Management Redesign
- Data Warehouse Redesign for storage optimization

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Chief Operations Office: System Planning & Weatherization

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
1	MW of Energy Storage Resources (ESRs) MW of Solar MW of Wind # of Inverter-Based Resources (IBRs)	2023 ESR: 5,090 MW; 2024: 10,017 MW 2023 Solar: 22,153 MW; 2024: 29,148 MW 2023 Wind: 38,694 MW; 2024: 39,470 MW 2023: 600 IBRs 2024: 672 IBRs 2025: 797 IBRs	2027 ESR: 27,528 MW 2027 Solar: 57,561 MW 2027 Wind: 42,958 MW 2026: 939 IBRs 2027: 1,001 IBRs	5	\$ 1.4
2	# of new transmission projects recommended as result of RTP analysis	2021: 67 projects 2022: 89 projects 2023: 173 projects 2024: 274 projects	2025: Estimate >300 2026: Estimate >300 2027: Estimate >300	5	\$ 1.1
3	# of Tier 1 and Tier 2 Regional Planning Group (RPG) projects	2021: 4 2022: 5 2023: 8 2024: 20	2025: Estimate 28 2026: Estimate >35 2027: Estimate >40	7	\$ 1.0
4	# of Generation Resources on system	2024: 1,300 Generation Resources 2025: Estimated 1,430 Generation Resources	2026: Estimated 1,570 Generation Resources 2027: Estimated 1,640 Generation Resources	2	\$ 0.6
5	# of MWs of Large Load Additions to future Planning cases	2022: ~9 GW 2023: ~9 GW 2024: ~58 GW	2025: Large Load additions expected to increase; will be updated after receive TDSP latest forecasts for 2031.	3	\$ 0.6
6	Reliability Assessments per new Reliability Standard Rules, §25.508; Incorporate Probabilistic Modeling for System Planning using System Simulation Models	Not Applicable	2025/2026/2027 New: Reliability Assessment Preparation Projects using System Simulation Software (energy risk modeling, transmission planning and modeling, and capacity expansion modeling): • Supply Deliverability Analysis • Continuous weather event modeling improvement based on new event characteristics • Zonal Model Development and Maintenance • Reliability Assessment Model Prototyping and Dry Runs (2025 only) • Modeling Assumptions Report/Public Review (2025 only) 2025/2026/2027 New: Acquisition, implementation and management of generator availability system software 2026 New: Reliability Assessment for forecast years 2026 and 2029	1	\$ 0.4
7	# of Large Loads requests	2024: 88 new separate projects; 46,392 MW requested	Projected Annual New Large Load Project Requests 2025: 114 2026: 149 2027: 193	2	\$ 0.4



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Chief Operations Office: System Planning & Weatherization

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
8	# of Resource Adequacy Reports and North-America Electric Reliability Corporation (NERC)/Federal Energy Regulatory Commission (FERC) data requests per year	2024 = 20 reports and data requests <ul style="list-style-type: none"> • 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 	<p>New 2025/2026:</p> <ul style="list-style-type: none"> • Expansion of LTRA to include (1) multiple reliability metric information (similar to PUCT Reliability Standard), (2) more detailed probabilistic risk assessment information, and (3) more energy reliability risk assessment information • Texas Reliability Entity–Increased coordination and energy risk modeling support for conducting "independent" energy assessments (new NERC requirement for their Regional Entities) <p>New 2027: 4 seasonal energy reliability assessments per upcoming new NERC Standard BAL-007-02</p> <p>2025/2026/2027 = 21 reports and data requests</p> <ul style="list-style-type: none"> • 12 Monthly Outlook for Resource Adequacy (MORA) • 3 Capacity, Demand and Reserves (CDR) reports • 5 NERC annual/seasonal assessments (New NERC Probabilistic Assessment: Changed from Biennial to Annual) • 1 New FERC annual metrics submissions 	0.5	\$ 0.4
9	# of Model Changes / year	2024: 4,272 Model Changes / year 2025: Estimated 4,728 Model Changes / year	2026: Estimated 5,100 Model Changes / year 2027: Estimated 5,400 Model Changes / year	2	\$ 0.4
10	# of Other Periodic Reports; Internal/External Information Requests	2024 = 67 reports <ul style="list-style-type: none"> • 12 Monthly Generator Interconnection Status (GIS) Reports • 12 Co-located Energy Identification Reports • 12 Monthly Demand & Energy Reports • 24 Monthly Installed Annual/Planned Monthly Capacity Trends Reports • 2 Seasonal Drought Risk Assessment Reports • 4 Quarterly Unregistered Distributed Generation Reports • 1 Annual Unregistered Distributed Generation Report 	<p>2025 = 71 reports</p> <ul style="list-style-type: none"> • 12 Monthly Generator Interconnection Status (GIS) Reports • 12 Co-located Energy Identification Reports • 12 Monthly Demand & Energy Reports • 24 Monthly Installed Annual/Planned Monthly Capacity Trends Reports • 4 Quarterly Decommissioned Resource Reports (New) • 2 Seasonal Drought Risk Assessment Reports • 4 Quarterly Unregistered Distributed Generation Reports • 1 Annual Unregistered Distributed Generation Report <p>2026 = 54 reports</p> <ul style="list-style-type: none"> • Same 2026 reports with: <ul style="list-style-type: none"> -- 12 fewer Battery Reports (integrated into GIS reports) -- 5 fewer Unregistered Distributed Generation reports <p>2027 = 54 reports (same as 2026)</p>	0.5	\$ 0.1



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Chief Operations Office: System Planning & Weatherization

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
11	# of Data Elements in Network Model Management System (NMMS)	2024: ~5.3 million Data Elements 2025: ~6.1 million Data Elements	2026: Estimated 6.5 million Data Elements 2027: Estimated 7 million Data Elements	1	\$ 0.1
12	# of Generation Interconnection Requests # of Full Interconnect Study (FIS) Reviews # of Sub-synchronous Resonance (SSR) Topology Screenings	2024: 836 Generation Interconnection Requests 2022: 219 FIS reviews 2024: 476 FIS Reviews 2022: 537 SSR screenings 2024: 616 SSR screenings	2025: 1006 Generation Interconnection Requests 2026: 1210 Generation Interconnection Requests 2027: 1456 Generation Interconnection Requests 2025: 640 FIS reviews 2026: 770 FIS reviews 2027: 927 FIS reviews 2025: 676 SSR screenings 2026: 743 SSR screenings 2027: 817 SSR screenings	8	\$ (2.2)
13	# of Declarations of Weather Preparedness to evaluate, # PUC mandated inspections of Resource and Transmission facilities	2023: 994 Declarations received, Min mandated inspections: 415 Resource & 188 TSP (698 & 488 completed) 2024: 1134 Declarations received, Min mandated inspections: 466 Resource & 195 TSP (783 & 489 completed) 2025: 1200 Estimated Declarations, Estimated Min mandated inspections: 534 Resource & 202 TSP	2026: Estimated 1300 Declarations, Estimated Min mandated inspections: 613 Resource & 209 TSP 2027: Estimated 1400 Declarations, Estimated Min mandated inspections: 704 Resource & 216 TSP	2	\$ (1.2)
14	# of criteria used to justify new Transmission projects	1. Reliability 2. Production cost 3. Congestion reduction 4. Resiliency	1. Reliability 2. Production cost 3. Congestion reduction 4. Resiliency 5. Multi-value criteria	0	\$ -

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Chief Operations Office: System Planning & Weatherization

Line	2025 Budget	2026 Request	2025 Budget vs 2026 Request	Strategic Objectives			Other	
				1	2	3		
1	Department Labor	\$ 30.2	\$ 36.3	\$ 6.1	\$ 0.3	\$ 0.2	\$ 0.3	\$ 5.3
2	Department Non-Labor	4.8	11.2	6.4	1.1	0.2	0.0	5.1
3	Department Revenues	(10.7)	(23.6)	(12.9)	-	-	-	(12.9)
4	Total Department Net Expenditures	\$ 24.2	\$ 23.8	\$ (0.4)	\$ 1.5	\$ 0.4	\$ 0.3	\$ (2.6)
5	Project Expenditures	4.1	5.8	1.6	1.4	-	-	0.2
6	Total DNE and Project Expenditures	\$ 28.4	\$ 29.6	\$ 1.2	\$ 2.9	\$ 0.4	\$ 0.3	\$ (2.3)
7	Employees	147	186	39	6	0	1	33



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Chief Operations Office: System Planning & Weatherization

Efficiencies/Savings since last budget cycle:

- Approximately doubled number of user developed Planning tools to streamline processes
- Resource Adequacy developed three automated tools (including a Cognos report) to support the MORA report, replacing manual data query/processing procedures
- Terminated a data/news service, saving \$41k/year
- Negotiated a contracted rate to reduce cost of vehicle rentals for Weatherization Inspectors
- Negotiated improved hotel rates in key cities to reduce lodging costs of Weatherization Inspectors
- Executed new weatherization inspection service contracts to phase out lower performing or more expensive alternatives
- Initiated process improvement to reduce Network Model team effort and time for creating Control Room one-line diagrams
- Initiated RIOO quality improvement roadmap to reduce workarounds, streamline processes, and improve tool capabilities

Deferred from prior budget cycle:

- N/A at this time

Items previously cut in this cycle:

- 5 employee positions
 - 3 Planning Engineers
 - 2 Model Engineers

Planned improvements and risk management:

- Implement NOGRR245 Inverter Based Resource voltage ride-through requirements
- Resource adequacy assessment reports to highlight future needs
- Collection of Distributed Generation model information

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Chief Operations Office: System Operations

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
1	Complexity of forecasting	2025: projected 74,000 MWh renewables; >5 GWh price responsive demand, Electric Vehicles (EVs), Distributed Energy Resources (DERs), etc.	2026 projection: 89.9 GW renewables, 23.9GW ESRs, increasing price responsive loads, EVs, DERs and rapid growth in Large Loads; addition of capability to do price forecasting	6	\$ 2.6
2	Changes to Ancillary Services (AS) Methodology	N/A	Make changes noted in PUCT AS Study	2	\$ 0.5
3	# of Stability Limits	2023: 19 GTCs	2024: 22 GTCs + increase in complexity due to large load lack of ride through	3	\$ 0.2
4	Replace positions temporarily transferred due to prioritized needs	N/A	N/A	2	\$ 0.2
5	# modeled Transmission Elements	2024: ~5.3 million Data Elements 2025: ~6.1 million Data Elements	2026: Estimated 6.5 million Data Elements 2027: Estimated 7 million Data Elements	3	\$ 0.2
6	MWh of Energy Storage Resources (ESRs)	2025: 8,500 MWh	2026 projection: 23.9 GW ESRs	1	\$ 0.1
7	# of Inverter-Based Resources (IBRs)	2023: 600 IBRs	2024: 762 IBRs (Feb MORA)	1	\$ 0.1
8	Fuel/emissions tracking	2024: tracking fuel constraints, and tracking emissions limits due to Cross-State Air Pollution Rule (CSAPR)	Same plus addition of TOP-002-R8 requirement	1	\$ 0.1
9	Transmission Congestion	2022: \$1.1B congestion rent for top 10 elements	2023: \$794M congestion rent for top 10 elements	1	\$ 0.1
10	# of event analyses needed, presentations and data requests	Ability to do near-miss analyses and support data requests in a timely manner	Same plus 12 LL lack of ride-through events this year	1	\$ 0.1
11	# of outages coordinated	2022: 171k outages; Growing at ~4% per year	2023: 184k outages (8.6% increase)	1	\$ 0.1
12	# Large Flexible Loads (LFLs)	2022: 2,100 MWh LFLs 2025: projecting 21,000 MWh LFLs	2026 projection: 35GW LFLs	1	\$ 0.1



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Chief Operations Office: System Operations

Line		2025 Budget vs 2026 Request			Strategic Objectives				Other
		2025 Budget	2026 Request	2026 Request	1	2	3		
1	Department Labor	\$ 38.5	\$ 42.3	\$ 3.8	\$ 0.3	\$ 0.1	\$ 0.1	\$ 3.3	
2	Department Non-Labor	2.5	5.0	2.5	0.8	-	0.2	1.5	
3	Department Revenues	(0.7)	(0.6)	0.2	-	-	-	0.2	
4	Total Department Net Expenditures	\$ 40.3	\$ 46.7	\$ 6.4	\$ 1.1	\$ 0.1	\$ 0.2	\$ 4.9	
5	Project Expenditures	3.7	4.5	0.8	(0.4)	-	-	1.2	
6	Total DNE and Project Expenditures	\$ 43.9	\$ 51.1	\$ 7.2	\$ 0.7	\$ 0.1	\$ 0.2	\$ 6.2	
7	Employees	175	201	26	8	2	1	14	



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Chief Operations Office: System Operations

Efficiencies/Savings since last budget cycle:

- Moved positions to Planning to allow implementation of critical NOGRR 245

Deferred from prior budget cycle:

- Forecasting of commitment/dispatch/prices for use in forecasting price-sensitive demand
- Additional outage coordination to support increased size of grid
- Oversight and strategy for improved use of phasor measurement units
- Implementation of black start improvement initiatives
- Limited number of engineers to support IBR ride-through rules under development

Items previously cut in this cycle:

- 2 Power System Engineers - Eliminated capability to implement planned improvements and NERC recommendations to Black Start process
- 1 Power System Engineer - Reduced capability to conduct fuel security assessments based on Protocol Sections 3.24 and 3.25 and include environmental restrictions in operational studies
- 1 Power System Engineer - Reduced capability for operational price-sensitive demand forecasting
- 2 Power System Engineers - Reduced operations support NOGRR 245 implementation

Planned improvements and risk management:

- Forecasting of commitment/dispatch/prices for use in forecasting price-sensitive demand
- Additional outage coordination to support increased size of grid
- Oversight and strategy for improved use of phasor measurement units
- Additional stability analyses for IBRs and Large Loads
- Probabilistic analysis and other improvements for AS quantities
- Improved forecasting of price-sensitive demand, other demand response, battery charging, EVs, etc.

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Chief Operations Office: Commercial Operations

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
1	Increase in need for market analysis		Additional analysis to support positions and educate stakeholders, regulators, legislators, and board members. Expect several add hoc reports and presentations each year including one-pagers, PowerPoint presentations, and targeted reports.	4	\$ 0.9
2	Increase in complexity, volume, and speed of work	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) CRR long-term auction sequence support, 4) restore full team of 6 DAM engineers to maintain shift work, training, and testing duties.	Increased volume of day-to-day-work and deliverables relating to 1) additional generation resources and meters, 2) additional non-traditional loads including crypto-mining, data centers, and hydrogen, 3) increased volume of CRR transactions, 4) thought leadership and advocacy for market evolution activities, and 5) need for market to achieve long-term resource adequacy.	2	\$ 0.4
3	Enhance coordination of demand response programs to meet resource adequacy needs with growing loads		Manual process relying on experts	1	\$ 0.1

Line		2025 Budget vs 2026 Request			Strategic Objectives				
		2025 Budget	2026 Request	2026 Request	1	2	3	Other	
1	Department Labor	\$ 23.3	\$ 24.0	\$ 0.7	\$ 0.0	\$ 0.1	\$ -	\$ 0.6	
2	Department Non-Labor	1.0	2.3	1.3	0.2	0.4	0.0	0.8	
3	Department Revenues	-	-	-	-	-	-	-	
4	Total Department Net Expenditures	\$ 24.3	\$ 26.3	\$ 2.0	\$ 0.2	\$ 0.4	\$ 0.0	\$ 1.4	
5	Project Expenditures	20.9	2.9	(18.0)	0.1	0.5	-	(18.6)	
6	Total DNE and Project Expenditures	\$ 45.2	\$ 29.2	\$ (16.0)	\$ 0.3	\$ 0.9	\$ 0.0	\$ (17.2)	
7	Employees	111	118	7	1	5	0	1	



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Chief Operations Office: Commercial Operations

Efficiencies/Savings since last budget cycle:

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

Deferred from prior budget cycle:

- Increase quantitative capabilities to enhance analytics and messaging to proactively support initiatives (4 FTEs)
- Manage increased workload and loss of experienced technical knowledge, support cross-training to address single points of failure, and promote succession capabilities in settlements (2 FTEs)
- Increase coordination of demand response among various departments to enhance programs (1 FTE)
- Consulting services

Items previously cut in this cycle:

- Trend analysis tool modernization (2 FTEs)
- Market pricing scenario tool (2 FTEs)
- Shadow system modernization (1 FTE)
- Validation tool expansion into data aggregation (1 FTE)

Planned improvements and risk management:

- Succession planning
- Cross-training
- Consulting engagements

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: General Counsel

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
1	Lawsuits, including bankruptcies, and Alternative Disputes Resolutions (ADRs)	Multitude of lawsuits and ADRs post Winter Storm Uri event	Successful litigation strategy has greatly decreased litigation profile. However, disputes may occur from new initiatives such as NOGRR245 reliability analysis and post-RTC implementation	0	\$ (2.0)
2	Increased Market Participant Registrations	Growing number of Market Participants and diversity has continued with grid transformation initiatives	Continue high level of customer service for Market Participants as registration increases	1	\$ (0.4)
3	Information Governance (IG)	The document portal serves as a central employee communication tool with outdated sites, inconsistent branding, and limited search functionality	Enhance IG program for enterprise-wide management. Modernize the document portal sites, expand IG coordinator network, promote cultural change, map data, and improve incident response	0	\$ (0.1)
4	Enhanced Board and Stakeholder Engagement Initiatives	One on one engagements with TAC and TAC Subcommittee Representatives with Board Members	Increase stakeholder engagements with Board and training opportunities	2	\$ 0.6
5	Increased Compliance Scope and Complexity from Regulatory Requirements	Mapping of current Protocol regulatory requirements to accountable owners and internal controls	Expansion of all federal and state requirements to mapping of accountable owners and internal controls development	3	\$ 0.4
6	Improve External Communications	Reorganized Communications department to better meet vastly increased public/legislative expectations	Continue to expand communication channels and content to focus on educating key stakeholders about ERCOT grid	1	\$ 0.3
7	Enhance Audio Visual Capabilities and Skills	Use outside vendor for web conferencing and employment engagements	Bring in-house audio video capability to run Board, stakeholder and employee events. Create new communication platforms to educate stakeholders about ERCOT grid	3	\$ 0.2
8	ERCOT Reliability Monitor (ERM) Monitoring	Over 300 Incident Reviews have been opened since inception. Backlog has occurred due to insufficient Compliance and Legal resources	Anticipate increased monitoring of ERCOT & Market Participants (MPs) compliance with state reliability rules, and expansion of audits	2	\$ 0.2
9	Employee Development Program	Aging workforce combined with the time/difficulty associated with hiring and training new Account Managers	Facilitate continuity of service	2	\$ 0.2
10	Increased Federal and State Regulatory Requirements	Grid transformation initiatives at federal and state level have resulted in more policy and legal analysis	Continued trend in grid transformation initiatives is expected with increased federal and state regulatory requirements	1	\$ 0.2
11	NERC CIP013 and Texas LSIPA Requirements for Contracts	Supplier contracts: 581 Licensing SCRМ Terms Reviews: 206	Supplier contracts: 668 Licensing SCRМ Terms Reviews: 260	1	\$ 0.1
12	Improve Internal Communications	Dated content and design, inconsistent branding standards, limited analytics, and search functionality. IG standards lacking and no labels for content retention and security classification	Enhance website and document portal environments. Dedicate more resources to internal communications	2	\$ 0.1

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: General Counsel

Line		2025 Budget	2026 Request	2025 Budget vs 2026 Request	Strategic Objectives			Other
					1	2	3	
1	Department Labor	\$ 25.7	\$ 28.6	\$ 2.9	\$ 0.3	\$ -	\$ 0.9	\$ 1.7
2	Department Non-Labor	8.2	7.0	(1.3)	(0.0)	-	(0.2)	(1.1)
3	Department Revenues	(0.3)	(0.8)	(0.5)	-	-	-	(0.5)
4	Total Department Net Expenditures	\$ 33.6	\$ 34.8	\$ 1.1	\$ 0.3	\$ -	\$ 0.7	\$ 0.2
5	Project Expenditures	3.5	4.1	0.6	-	-	(0.6)	1.2
6	Total DNE and Project Expenditures	\$ 37.1	\$ 38.9	\$ 1.7	\$ 0.3	\$ -	\$ 0.1	\$ 1.3
7	Employees	111	130	19	1	0	7	11

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: General Counsel

Efficiencies/Savings since last budget cycle:

- Initiated targeted Market Participant registration automation projects for LSIPA attestations and other forms
- Investigating use of AI in connection with legal contract preparation and review
- Reduced outside services due to successful litigation strategy

Deferred from prior budget cycle:

- Client Services FTEs
- Compliance FTEs

Items previously cut in this cycle:

- Digital Content Management FTE
- Multiple Compliance FTEs for Governance & Risk tool expansion and Critical Infrastructure Protection (CIP)
- Legal FTE

Planned improvements and risk management:

- Information Governance (IG) Custodian network for document portal data content management
- Full automation of Market Participant registration processes
- Expansion of Governance & Risk tool framework to manage policies, controls and risk assessments
- Increased federal and state regulatory requirements
- Compliance work/life balance and FTEs reaching retirement age

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Chief Financial Office

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
1	Improve operational effectiveness, identify quality improvements and efficiencies, reduce risk and errors, right size ERCOT	No formal quality program or quantitative risk measurement process	Implement quality program and quantify risk management	4	\$ 1.0
2	Required by Public Utility Commission (PUC) with PUC/ERCOT/Potomac tri-party agreement for Independent Market Monitor (IMM) services	2024 contract amount: \$5,100,000	2027 contract amount: \$5,670,000	0	\$ 0.8
3	Right size cyber risk insurance premiums	ERCOT uses comparisons when determining risks and policies	ERCOT will quantify the risk and align the policies to the exposure	0	\$ 0.7
4	Organizational growth	2023 actual headcount: 890 employees	2027 requested headcount: 1,174 employees	1	\$ 0.4
5	Supply chain management	2024 purchase orders: \$143M New regulatory requirements (cyber and trade laws)	2026 purchase orders: \$180M-\$200M Progressive transactional increases and new regulatory requirements planned for third party risk management	1	\$ 0.3
6	Negotiated tax savings	Actual 2022 property tax assessment: \$1.8M	Negotiated 2023 property tax assessment: \$1.7M	0	\$ (1.0)

Line		2025 Budget vs 2026 Request			Strategic Objectives			
		2025 Budget	2026 Request	2026 Request	1	2	3	Other
1	Department Labor	\$ 11.1	\$ 12.5	\$ 1.4	\$ 0.1	\$ 0.6	\$ 0.0	\$ 0.7
2	Department Non-Labor	15.9	17.9	2.1	0.1	0.1	0.0	1.9
3	Department Revenues	(1.7)	(1.6)	0.0	-	-	-	0.0
4	Total Department Net Expenditures	\$ 25.3	\$ 28.9	\$ 3.5	\$ 0.2	\$ 0.7	\$ 0.1	\$ 2.6
5	Project Expenditures	1.7	0.4	(1.3)	-	(1.3)	-	-
6	Total DNE and Project Expenditures	\$ 27.1	\$ 29.2	\$ 2.2	\$ 0.2	\$ (0.6)	\$ 0.1	\$ 2.6
7	Employees	47	56	9	0	5	2	2



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Chief Financial Office

Efficiencies/Savings since last budget cycle:

- Streamlined month end close and production of Financial Statements, expanding use of existing applications features and expanding capabilities and use cases through novel approaches.
- Implemented material time saving tax compliance software
- Implemented an accounts receivable solution matching market invoices to payments at a 96% auto rate, reducing risk for the Treasury team of incorrect application of payments
- Automated Treasury manual processes to streamline data flow between several departments and reduced the risk of error
- Repurposed positions to support new efforts in enterprise risk and enterprise quality
- Optimized insurance costs by leveraging sovereign immunity status in negotiations

Deferred from prior budget cycle:

- Backfilling of Enterprise Architect Principal position to support filling of enterprise risk management position
- Additional supply chain management position to support increasing volume and compliance requirements

Items previously cut in this cycle:

- 2 employee positions (1 ERM analyst, 1 Treasury Accounting)

Planned improvements and risk management:

- Development of ERCOT Enterprise Quality and Continuous Improvement function, including quality training programs
- Continue to evolve the new ERM framework maturity and processes to support quantification and mitigation tracking
- Implement a financial source of truth to continue to reduce Treasury operational complexities

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Human Resources

Line	Principal Budget Drivers	Baseline Metric	Current Metric	Incremental Employees	Incremental Dollars
1	All Strategic Plan initiatives tie to HR from ensuring the appropriate staffing levels, upskilling existing talent to be ready for current and future state, and offering innovative and impactful programs that elevate ERCOT as an employer of choice.	More stable and larger labor pool. Historically, employees remained at their employer for a longer duration.	Labor shortage has driven huge competition in the talent pool and strategic plan has enhanced the focus on the Employee Experience and program offerings. Tenure at employers is trending lower than in previous years. ERCOT talent is highly sought after by other employers due to the innovative and complex work we are doing.	1	\$ 1.1
2	Additional compensation components plus compensation is critical for recruiting and retention across the company	Less Complex Compensation Administration pre-Winter Storm Uri	Complex Compensation Administration post Winter Storm Uri: Analyze Executive compensation annually, Board compensation reviews, and new Incentive Programs (STI and LTI)	1	\$ 0.7
3	Increased headcount in the last 4 years creates tremendous challenges to continue to effectively support the business and maintain high level of HR support.	2024 Budget: 1,014 FTEs 2025 Budget: 1,021 FTEs	2026 Request: 1,166 FTEs 2027 Request: 1,174 FTEs	1	\$ 0.4
4	The rapidly changing environment of ERCOT's work and need for us to be continually dynamic necessitates the need for a Change Management Analyst to strategically enact change with minimal disruption to the business.	More static grid and less regulatory demands	More types of work being assumed to meet the increasing complexity of the grid. There are regulatory demands creating new work. ERCOT is continually changing our organizational structures to continually make ERCOT more operationally efficient.	1	\$ 0.4
5	Ways-of-Working and HR expansion	Budgeted to pay remote workers during the budget planning process. We intended to allocate the money reimburse employees to come onsite for ERCOT functions and trainings to maintain operational effectiveness and company culture. We also planned to rely heavily on external resources for staffing and programs.	We no longer need to pay remote workers to come on site because our remote posture has changed. Because we have hired additional HR SMEs, we are not having to rely on external resources for staffing support and employee programs.	0	\$ (0.2)



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers - 2025 Budget vs 2026 Request: Human Resources

Line		2025 Budget	2026 Request	2025 Budget vs 2026 Request	Strategic Objectives			Other
					1	2	3	
1	Department Labor	\$ 7.3	\$ 10.0	\$ 2.7	\$ -	\$ -	\$ 2.6	\$ 0.1
2	Department Non-Labor	6.0	5.9	(0.0)	-	-	(0.0)	(0.0)
3	Department Revenues	-	-	-	-	-	-	-
4	Total Department Net Expenditures	\$ 13.3	\$ 16.0	\$ 2.7	\$ -	\$ -	\$ 2.6	\$ 0.1
5	Project Expenditures	-	-	-	-	-	-	-
6	Total DNE and Project Expenditures	\$ 13.3	\$ 16.0	\$ 2.7	\$ -	\$ -	\$ 2.6	\$ 0.1
7	Employees	21	25	4	0	0	4	0



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Human Resources

Efficiencies/Savings since last budget cycle:

- Repurposed current HR employee positions to enable us to expand roles on the team
- Increased sourcing abilities via direct hire placement and staffing agencies
- Expanded university relationships to increase talent pool for energy industry positions
- Added software to automate HR processes
- Analyzed processes and enacted change to elevate efficiencies
- Brought professional development training within ERCOT versus utilizing external consultants

Deferred from prior budget cycle:

- 1 employee position (Compensation HR professional)
- Software for additional HR programs

Items previously cut in this cycle:

- 1 employee position (Benefits HR professional)

Planned improvements and risk management:

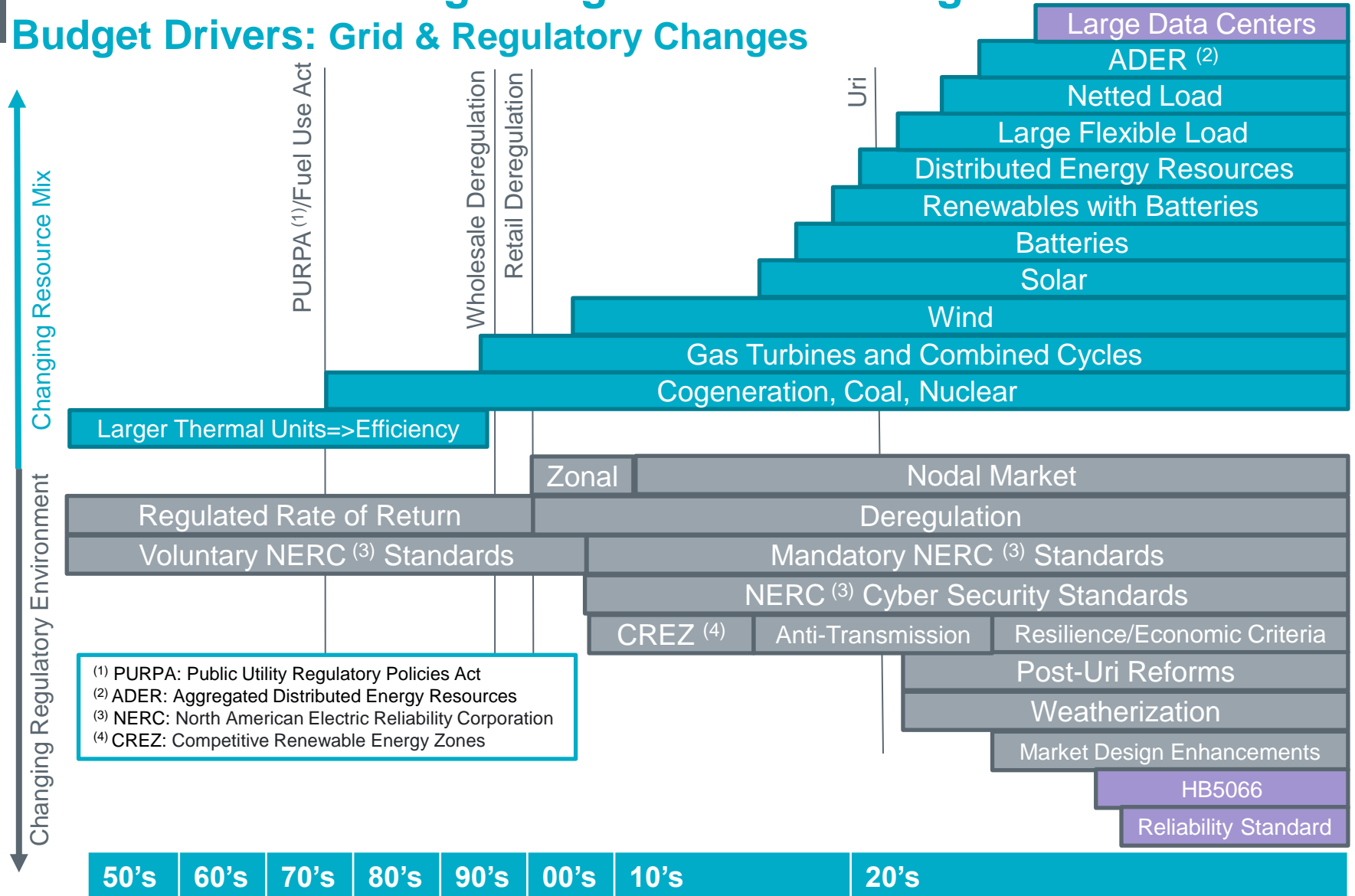
- 1 employee position (Change Management HR professional)
- Increase in professional development programs
- Expansion of succession talent pool and development planning
- Change in department's organizational structure to create operational efficiencies
- Expanding workforce planning activities to support business performance
- Increasing management training for consistent performance management

Corporate-Level Budget Drivers

- Expenditures
- Revenues
- Interest Income
- Debt Strategy

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Grid & Regulatory Changes



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Expenditures - Assumptions

Primary Expenditure Assumptions

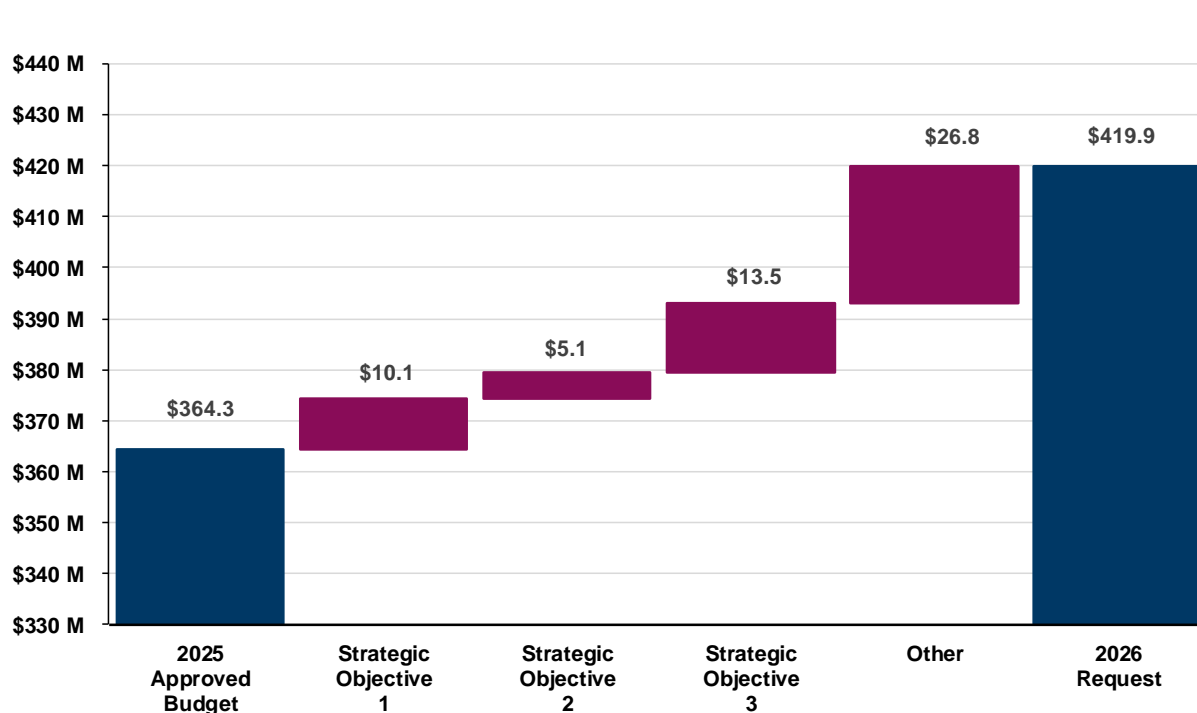
1. Labor
 - Defined needs based on known and future estimated work
 - Filled positions use current salaries; vacant positions use pay grade mid-points
 - Annual increases for merit and promotions
 - Vacancy savings incorporated
2. Non-Labor
 - Zero-based budgeting with top-down management review
 - Projections estimated using ERCOT Compound Annual Growth Rate (CAGR)
3. Project Expenditures
 - Developed from roadmaps and prioritization review
 - Includes current estimates for Market Design efforts
 - DC6 Data Center Refresh to begin 2026
4. Identified department and project expenditures by primary strategic objective, where applicable
5. Financial Key Performance Indicator (KPI) is that actual spend be within +/- 3% of budget



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Department Net Expenditures & Project Expenditures

2025 Budget vs 2026 Request



Key Takeaway: ERCOT continues to devote resources to achieving Strategic Objectives while supporting ongoing growth in demand for base operations.

Chart may not foot due to rounding

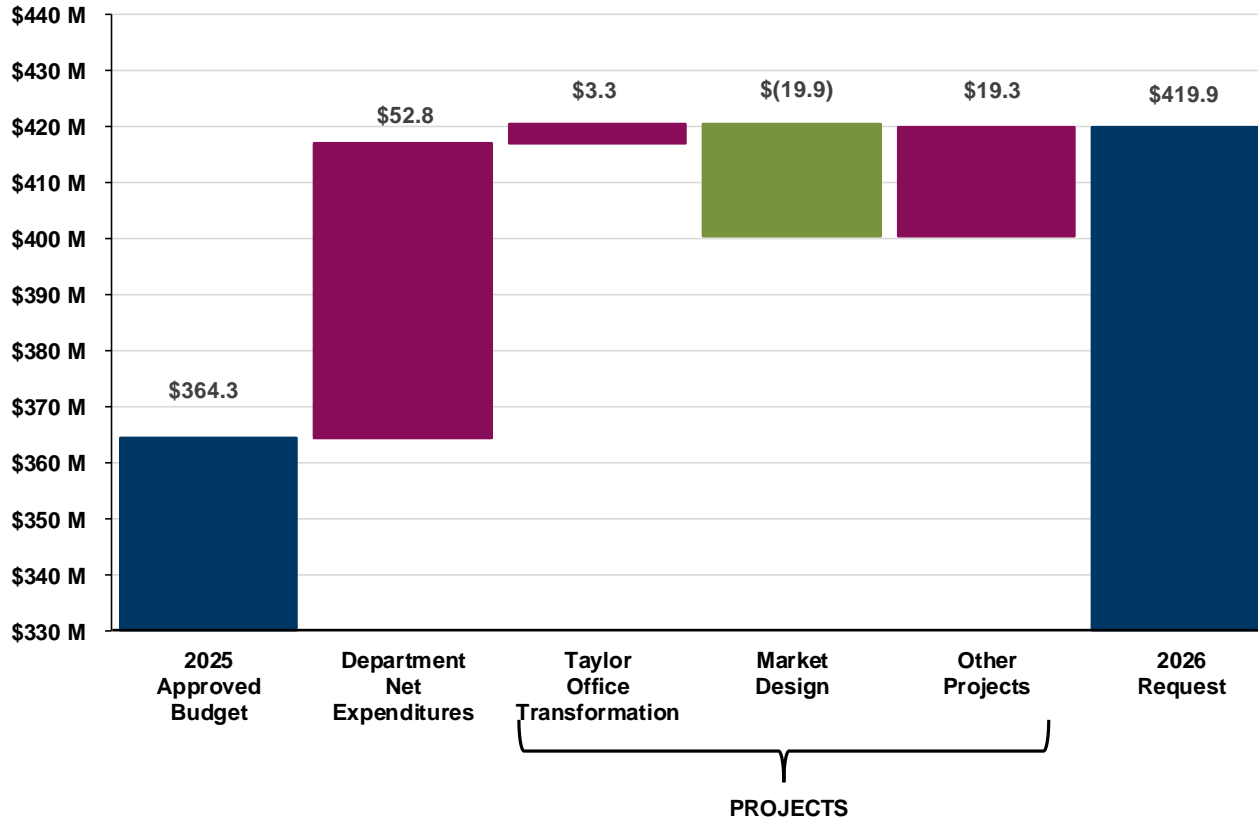
- Strategic Objective 1: Be an industry leader for grid reliability and resilience
- Strategic Objective 2: Enhance the ERCOT region’s economic competitiveness with respect to trends in wholesale power rates and retail electricity prices
- Strategic Objective 3: Advance ERCOT, Inc. as an independent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



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Department Net Expenditures & Project Expenditures - 2025 Budget vs 2026 Request

\$ in Millions



Key Takeaway:
 Total Department Net Expenditures and Project Expenditures increase \$55.5 M (16.0%) from the 2025 Budget to the 2026 Request.

Chart may not foot due to rounding



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Projects At Least \$1 Million for 2026 and 2027 Combined

\$ in Millions

Line	Office	Project Name	2026 Request	2027 Request	2026-2027 Total	Appendix Line Number
1	Chief Information Office	DC6 Data Center Refresh	\$ 3.2	\$ 58.8	\$ 62.0	133
2	Chief Information Office	Data Center Power Upgrade	7.6	5.3	12.9	134
3	Chief Operations Office	EMS Upgrade 2028	0.3	3.3	3.6	102
4	Chief Operations Office	Dispatchable Reliability Reserve Service (DRRS) - NPPRR1235	1.8	1.7	3.5	136
5	Chief Information Office	Tertiary Fiber Path	3.0	-	3.0	37
6	Chief Operations Office	RTC-B Grid & Markets	3.0	-	3.0	137
7	Chief Information Office	Content Management System Replacement	2.0	0.0	2.0	103
8	Chief Information Office	CMDB & Change Management	2.0	-	2.0	38
9	Chief Operations Office	NMMS IMM Schema upgrade to CIM 16	1.8	(0.2)	1.6	104
10	General Counsel	Document Portal Migration - Phase 2	1.6	-	1.6	39
11	Chief Information Office	MMS/OS Refresh 2026	0.5	0.8	1.3	105
12	Chief Operations Office	NOGRR215 Limit Use of Remedial Action Schemes	0.0	1.1	1.1	3
13	Chief Information Office	Security Project #1	0.6	0.4	1.1	1
14	Chief Information Office	Taylor Office Transformation	13.7	37.1	50.8	N/A
Subtotal			\$ 41.0	\$ 108.3	\$ 149.3	
Other Projects			\$ 22.3	\$ 14.9	\$ 37.1	
Total Projects			\$ 63.3	\$ 123.1	\$ 186.4	

Schedule may not foot due to rounding

Key Takeaway: Fourteen projects have spend greater than \$1.0 M projected for 2026-2027, representing 80.1% of the total project spend for the two years. DC6 Data Center Refresh is projected to be 33.2% of the total project spend for 2026-2027.



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Revenues - Assumptions

Primary Revenue Assumptions

1. Fee Strategy
 - Seek to maintain stable, fair, and predictable fees
2. SAF Energy Forecast
 - Modifies the ERCOT Adjusted Load Forecast (LF) as follows:
 - Contracts discounted 20% to account for behind-the-meter load
 - Non-crypto data center contracts discounted 50%
 - Officer letters discounted 80%
 - Implementation dates for contracts delayed 365 days
3. User Fees
 - 2026-2027 requests are based on management estimates of activity
 - 2028-2031 projections are grown by CAGR

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Revenue Trends

\$ in Millions

Line	Revenues	2021 Actual		2022 Actual		2023 Actual		2024 Actual		2025			
		\$	%	\$	%	\$	%	\$	%	Budget		Forecast	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1	System Administration Fee (SAF)	\$ 218.3	95.1%	\$ 239.2	96.5%	\$ 247.5	94.5%	\$ 291.8	93.9%	\$ 302.4	94.4%	\$ 309.5	93.4%
2	User Fees												
3	Interconnection	3.2	1.4%	2.6	1.1%	4.6	1.7%	6.8	2.2%	6.2	1.9%	9.7	2.9%
4	Weatherization Inspection	2.7	1.2%	0.9	0.4%	4.6	1.8%	5.2	1.7%	4.5	1.4%	5.4	1.6%
5	Wide Area Network (WAN)	4.7	2.0%	3.1	1.3%	2.5	0.9%	3.7	1.2%	4.5	1.4%	3.7	1.1%
6	Training	0.3	0.1%	0.2	0.1%	0.5	0.2%	0.7	0.2%	0.7	0.2%	0.6	0.2%
7	Registration/Application	0.1	0.0%	0.1	0.0%	0.2	0.1%	0.4	0.1%	0.1	0.0%	0.5	0.1%
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	User Fees Total	11.3	4.9%	7.2	2.9%	12.6	4.8%	17.2	5.5%	16.3	5.1%	20.2	6.1%
10	Other Revenues												
11	SPE Servicing and Administration	0.1	0.0%	1.3	0.5%	1.8	0.7%	1.8	0.6%	1.7	0.5%	1.7	0.5%
12	Miscellaneous	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	-	0.0%	0.0	0.0%
13	Total Revenues	\$ 229.7	100.0%	\$ 247.8	100.0%	\$ 262.0	100.0%	\$ 310.8	100.0%	\$ 320.4	100.0%	\$ 331.5	100.0%

Interconnection includes Generation Interconnection Requests (GINR), Full Interconnection Studies (FIS), and Large Load Integration (LLI) studies

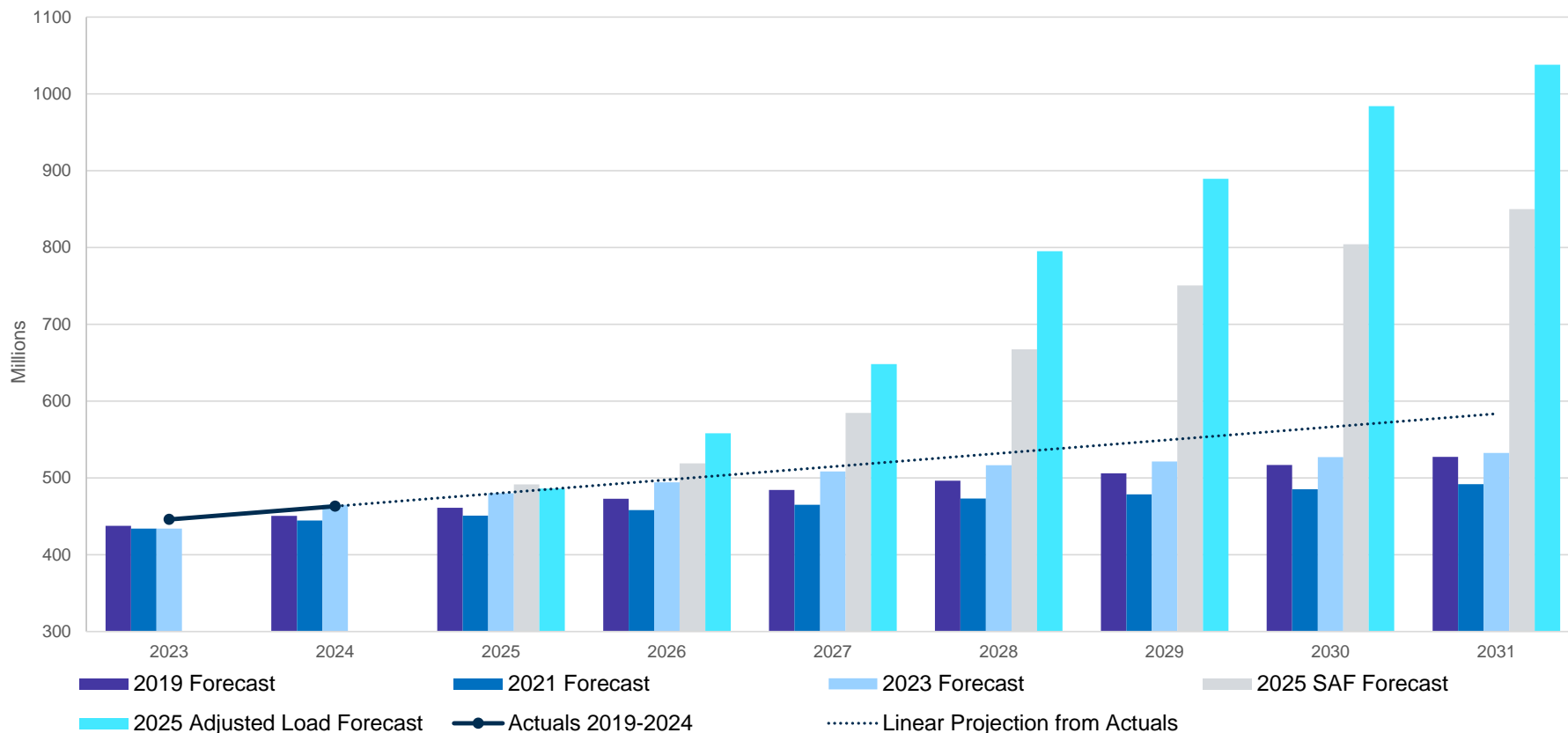
Schedule may not foot due to rounding

Key Takeaway: The System Administration Fee has provided over 90% of ERCOT's revenues, the next largest source has been less than 3%.



Review Proposed 2026-2027 Biennial Budget

Budget Drivers: Revenues - Energy Forecast for Budget Assumptions



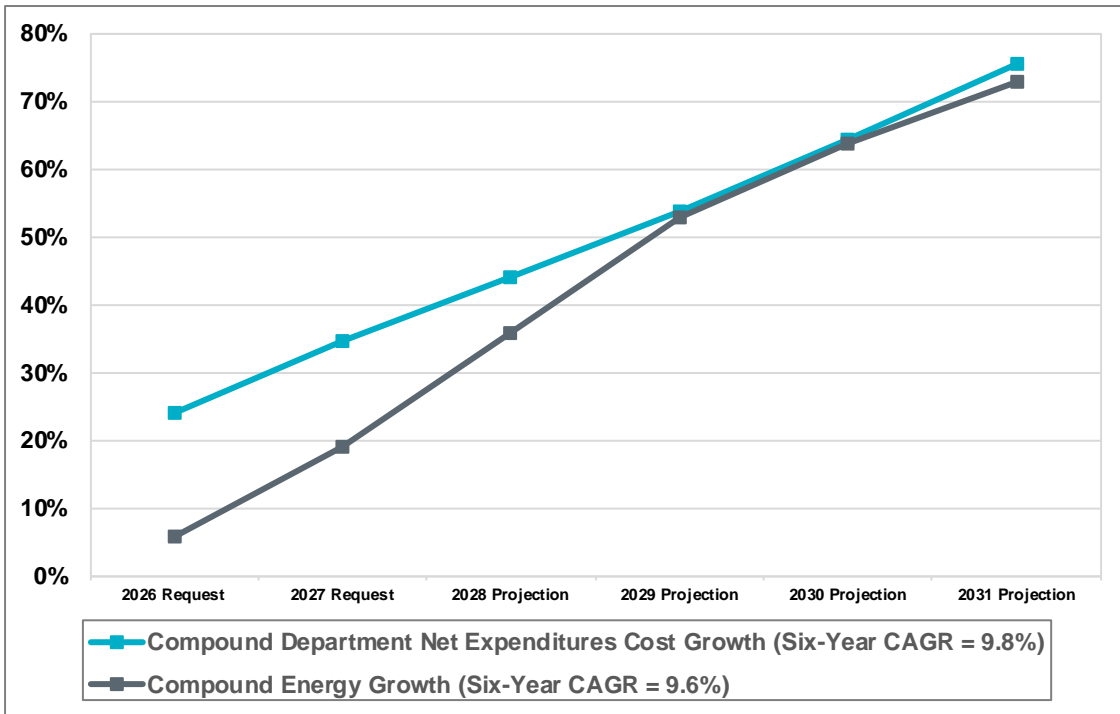
Key Takeaway: Energy forecasts made in 2019, 2021, and 2023 show a consistent band of forecast energy between 2026 and 2031. The 2025 SAF energy forecast and ERCOT Adjusted LF diverge as load forecasts increased materially in the ERCOT area.



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Revenues

2026-2031 Department Net Expenditures Cost Growth versus Energy Growth



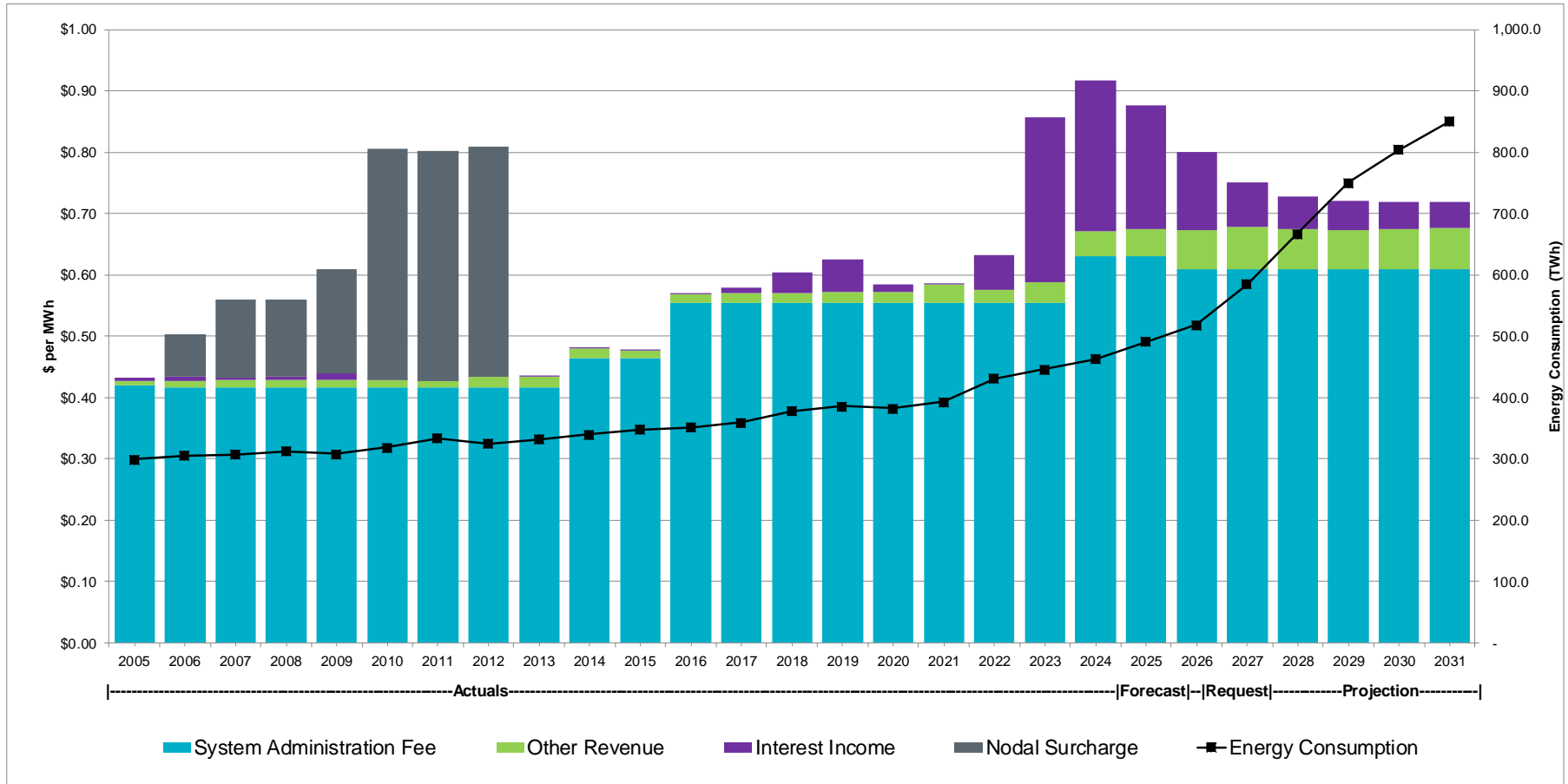
The System Administration Fee is how ERCOT recovers the vast majority of costs and is charged based on MWh of energy.

ERCOT's Department Net Expenditures are projected to grow at a lower rate than energy growth.

Key Takeaway: Periodic System Administration Fee rate changes are expected due to energy growth rate versus Department Net Expenditures growth rate.

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Revenue Trends and Projections



Note: Reliability Organization Assessment excluded



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Interest Income - Assumptions

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 \$2.1 billion in Congestion Revenue Rights fund balance
3. Interest rate assumptions based on Treasury forward curve less 50 basis points for 2026 and less 100 basis points for 2027 through 2031
4. Interest rates by year
 - 2025: 4.48%
 - 2026: 3.22%
 - 2027: 2.10%
 - 2028-2031: 1.75%

Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Interest Income

Interest Income Impact on System Administration Fee Rate

\$ in Millions, except rates

		Average Annual CRR Funding Balance (2026-2027)									
		\$ 1,800.0	\$ 1,900.0	\$ 2,000.0	\$ 2,100.0	\$ 2,200.0	\$ 2,300.0	\$ 2,400.0			
Average Annual Interest Rate (2026-2027)	1.00%	\$ (7.7)	\$ (5.7)	\$ (3.7)	\$ (1.7)	\$ 0.3	\$ 2.3	\$ 4.3			
	1.50%	\$ 10.3	\$ 13.3	\$ 16.3	\$ 19.3	\$ 22.3	\$ 25.3	\$ 28.3			
	2.00%	\$ 28.3	\$ 32.3	\$ 36.3	\$ 40.3	\$ 44.3	\$ 48.3	\$ 52.3			
	2.66%	\$ 52.1	\$ 57.4	\$ 62.7	\$ 68.0	\$ 73.3	\$ 78.6	\$ 84.0			
	3.00%	\$ 64.3	\$ 70.3	\$ 76.3	\$ 82.3	\$ 88.3	\$ 94.3	\$ 100.3			
	3.50%	\$ 82.3	\$ 89.3	\$ 96.3	\$ 103.3	\$ 110.3	\$ 117.3	\$ 124.3			
	4.00%	\$ 100.3	\$ 108.3	\$ 116.3	\$ 124.3	\$ 132.3	\$ 140.3	\$ 148.3			

Key Takeaway: Every 1% change in the average interest rate from 2026-2027 is approximately equal to a \$0.04 change in the System Administration Fee rate



Recommendation regarding 2026-2027 Budget and Fee

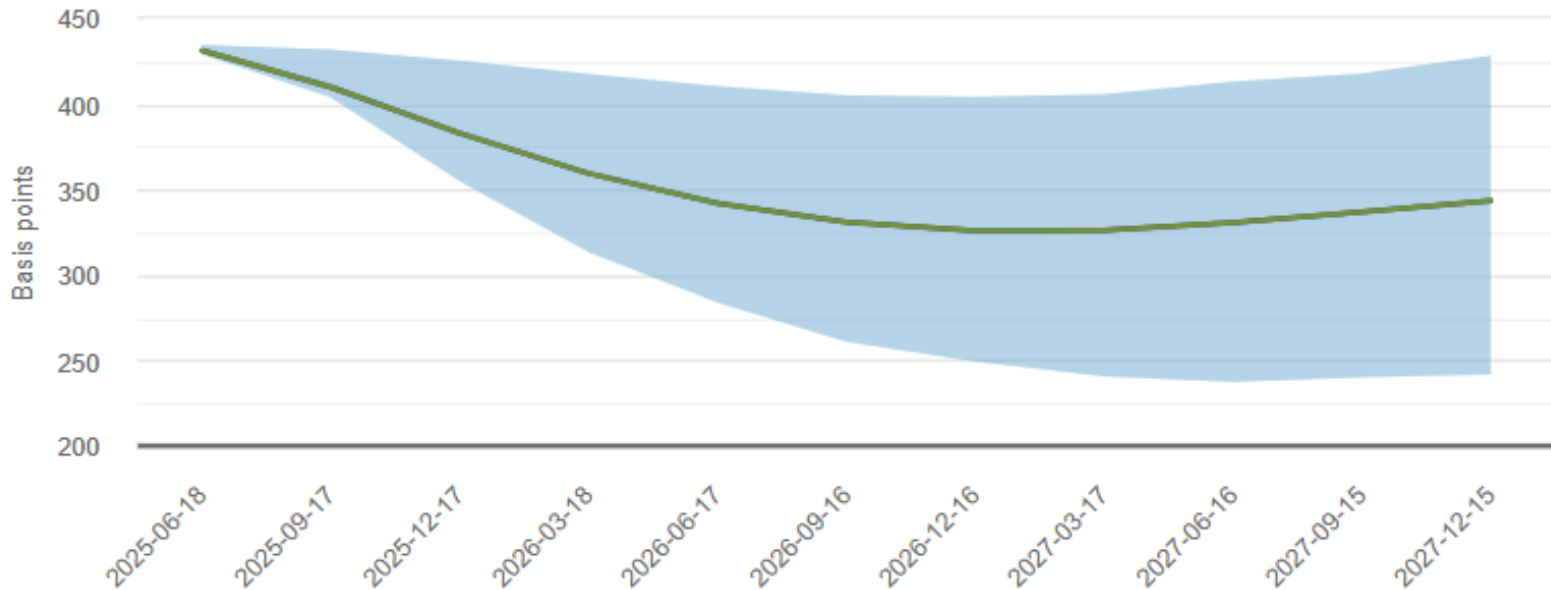
Budget Drivers: Interest Income

The Expected Three-Month Average SOFR Path

Current target range: 425 - 450 basis points

Source: Atlanta Fed (as of 5/29/25)

<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 2026-2027 Budget and Fee

Budget Drivers: Interest Income

FED FUND FUTURES												
ZQM5	ZQN5	ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6
95.6738	95.6825	95.7475	95.8175	95.9275	96.0500	96.1675	96.2425	96.3375	96.3900	96.4725	96.5425	96.5850

CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES						
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450
6/18/2025	0.00 %	0.00 %	0.00 %	0.00 %	4.39 %	95.61 %
7/30/2025	0.00 %	0.00 %	0.00 %	0.00 %	31.26 %	68.74 %
9/17/2025	0.00 %	0.00 %	0.00 %	0.00 %	99.88 %	0.12 %
10/29/2025	0.00 %	0.00 %	0.00 %	52.26 %	47.74 %	0.00 %
12/10/2025	0.00 %	0.00 %	25.18 %	74.82 %	0.00 %	0.00 %
1/28/2026	0.00 %	0.00 %	67.26 %	32.74 %	0.00 %	0.00 %
3/18/2026	0.00 %	20.29 %	79.71 %	0.00 %	0.00 %	0.00 %
4/29/2026	0.00 %	49.26 %	50.74 %	0.00 %	0.00 %	0.00 %
6/17/2026	0.00 %	89.81 %	10.19 %	0.00 %	0.00 %	0.00 %
7/29/2026	12.26 %	87.74 %	0.00 %	0.00 %	0.00 %	0.00 %
9/16/2026	36.97 %	63.03 %	0.00 %	0.00 %	0.00 %	0.00 %
10/28/2026	50.26 %	49.74 %	0.00 %	0.00 %	0.00 %	0.00 %
12/9/2026	58.71 %	41.29 %	0.00 %	0.00 %	0.00 %	0.00 %

Source: CME Group (as of 6/4/25)
<https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>

Key Takeaway: Market expectations point to declining interest rates in the coming years and are not entirely aligned with Fed forecasts.

The Fedwatch tool's "Aggregated" view compares the rates implied by CME's Fed Funds futures with the current target rate range as set by the Federal Reserve. As such, it provides a view into the cumulative number of hikes or cuts that the market is pricing by a certain point in the future. This is provided in addition to the traditional "Conditional" view of probabilities, familiar to long-term users of the FedWatch tool.

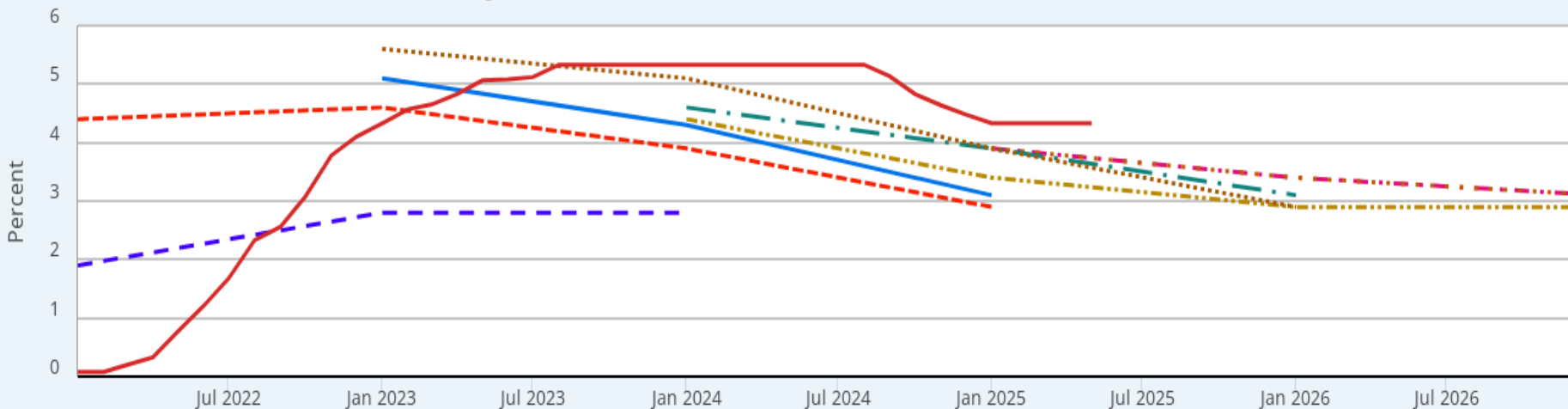


Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Interest Income – Federal Funds Rate History

ALFRED

- FOMC Summary of Economic Projections for the Fed Funds Rate, Median Vintage: 2025-06-04
- FOMC Summary of Economic Projections for the Fed Funds Rate, Median Vintage: 2025-03-24
- FOMC Summary of Economic Projections for the Fed Funds Rate, Median Vintage: 2024-09-18
- FOMC Summary of Economic Projections for the Fed Funds Rate, Median Vintage: 2024-03-20
- FOMC Summary of Economic Projections for the Fed Funds Rate, Median Vintage: 2023-09-20
- FOMC Summary of Economic Projections for the Fed Funds Rate, Median Vintage: 2023-03-22
- FOMC Summary of Economic Projections for the Fed Funds Rate, Median Vintage: 2022-09-21
- FOMC Summary of Economic Projections for the Fed Funds Rate, Median Vintage: 2022-03-16
- Federal Funds Effective Rate Vintage: 2025-06-02



Sources: Board of Governors of the Federal Reserve System (US); Federal Reserve Bank of St. Louis; U.S. Federal Open Market Committee via ALFRED®

Shaded areas indicate U.S. recessions.

myf.red/g/1Jrjq

Key Takeaway: FOMC forecasts of Fed Funds Rate are not historically reliable predictors of future interest rates, which informs ERCOT’s conservative approach to interest income forecasts.



Recommendation regarding 2026-2027 Budget and Fee

Budget Drivers: Debt Strategy - Assumptions

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
 - CRR Auction Receipts may be used to fund ERCOT operations up to the undrawn borrowing capacity under credit facilities, currently \$125 million
 - Option to extend facilities to \$150 million with PUC approval

Recommendation regarding 2026-2027 Budget and Fee

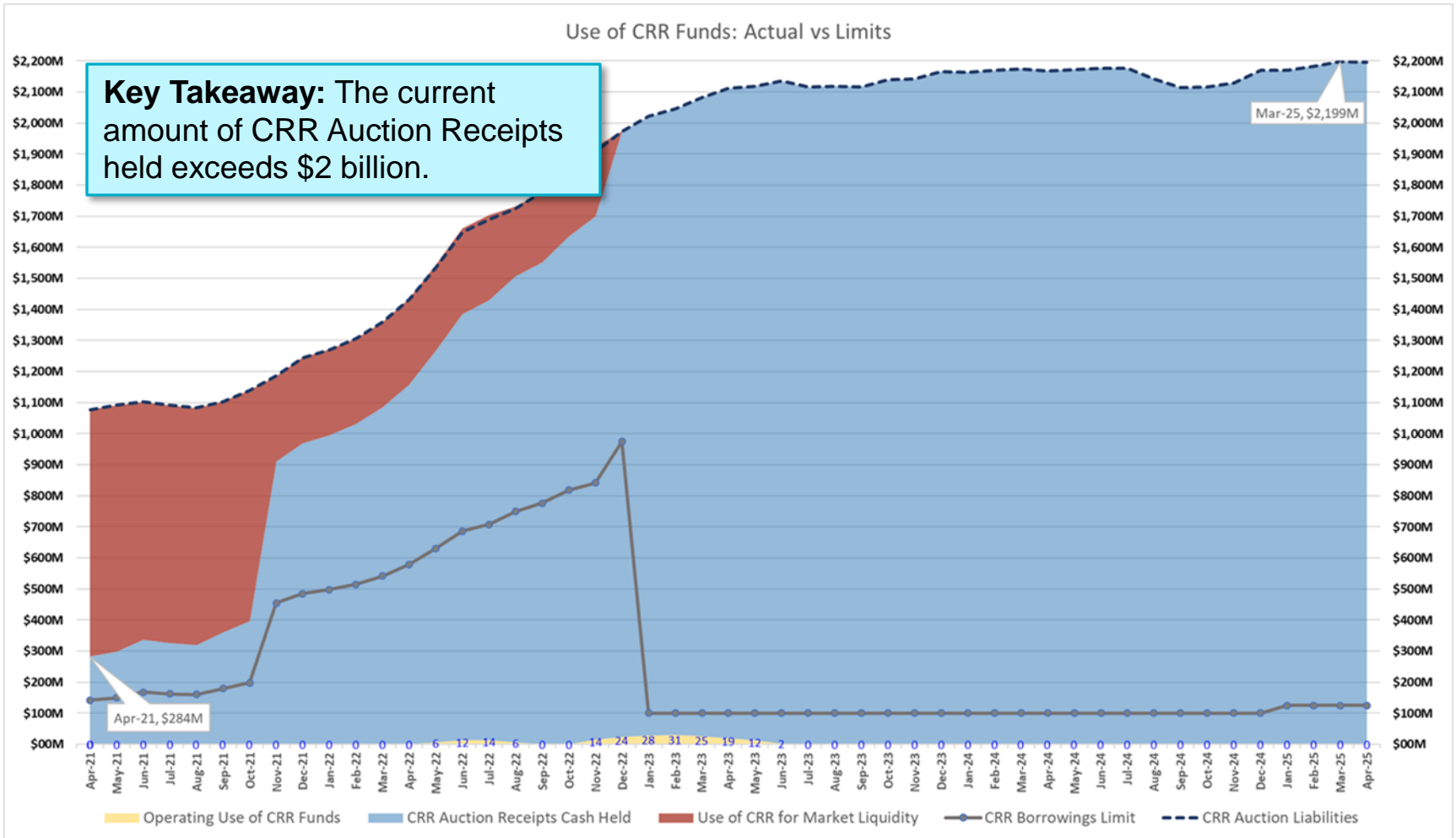
Budget Drivers: Debt Strategy

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 2026-2027 Budget and Fee

Budget Drivers: Debt Strategy



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



Recommendation regarding 2026-2027 Budget and Fee

Expenditures by Office and Spend Type

Recommendation regarding 2026-2027 Budget and Fee

Department Net Expenditures by Spend Type and Project Expenditures

\$ in Millions

ERCOT

Line	2024 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection
1 Salaries	\$ 162.3	\$ 186.7	\$ 178.8	224.40	\$ 239.5	\$ 253.8	\$ 269.1	\$ 285.2	\$ 302.3
2 Benefits & Taxes	46.8	56.2	54.0	67.66	72.6	77.0	81.6	86.5	91.7
3 Project Funded Labor	(18.0)	(19.4)	(20.1)	(22.6)	(22.5)	(24.7)	(27.2)	(29.9)	(32.9)
4 Vacancy	-	(7.3)	-	(29.04)	(9.3)	(10.2)	(11.3)	(12.4)	(13.6)
5 Department Labor	\$ 191.1	\$ 216.3	\$ 212.6	\$ 240.4	\$ 280.3	\$ 295.8	\$ 312.2	\$ 329.4	\$ 347.5
6 Materials, Supplies & Equipment	0.8	1.0	1.0	1.27	1.2	1.3	1.4	1.6	1.7
7 HW/SW License & Maintenance	39.7	42.7	41.1	54.11	57.7	63.5	69.8	76.8	84.5
8 Outside Services	26.1	30.7	26.2	47.71	49.4	54.3	59.8	65.7	72.3
9 Utility, Maintenance & Facility	8.7	13.7	12.6	13.62	14.2	15.6	17.2	18.9	20.8
10 Employee Expenses	2.5	4.2	3.8	4.55	4.8	5.3	5.8	6.4	7.0
11 Insurance	5.4	5.7	5.6	6.39	7.0	7.7	8.4	9.3	10.2
12 Other Expenses	4.2	5.5	5.2	8.08	8.1	8.9	9.8	10.8	11.9
13 Department Expense	\$ 278.7	\$ 319.6	\$ 308.1	\$ 376.2	\$ 422.7	\$ 452.5	\$ 484.5	\$ 518.9	\$ 555.9
14 Minor Capital & Common Infrastructure	6.8	2.1	1.3	12.99	4.2	4.6	5.1	5.6	6.1
15 Subtotal - Department Expenditures	\$ 285.4	\$ 321.8	\$ 309.4	\$ 389.1	\$ 426.9	\$ 457.1	\$ 489.6	\$ 524.5	\$ 562.1
16									
17 Department Revenues	\$ (19.0)	\$ (18.0)	\$ (22.0)	\$ (32.5)	\$ (39.5)	\$ (43.3)	\$ (47.5)	\$ (52.1)	\$ (57.1)
18									
19 Total Department Net Expenditures	\$ 266.4	\$ 303.8	\$ 287.4	\$ 356.6	\$ 387.3	\$ 413.8	\$ 442.1	\$ 472.4	\$ 504.9
20									
21 Project Expenditures	45.0	29.4	29.4	48.7	84.3	51.5	47.3	39.0	42.5
22 Market Design Project	12.2	20.8	20.8	0.9	1.7	-	-	-	-
23 Taylor Office Transformation	0.0	10.4	10.4	13.7	37.1	-	-	-	-
24 Total Project Expenditures	\$ 57.2	\$ 60.6	\$ 60.6	\$ 63.3	\$ 123.1	\$ 51.5	\$ 47.3	\$ 39.0	\$ 42.5
25									
26 Total Expenditures	\$ 323.6	\$ 364.3	\$ 348.0	\$ 419.9	\$ 510.5	\$ 465.3	\$ 489.3	\$ 511.4	\$ 547.4

Schedule may not foot due to rounding.



Recommendation regarding 2026-2027 Budget and Fee

Department Net Expenditures by Office

\$ in Millions

Department Net Expenditures										
Line	2024 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection	
1	Chief Information Office	\$ 125.0	\$ 136.5	\$ 136.5	\$ 169.5	\$ 180.1	\$ 193.5	\$ 207.9	\$ 223.5	\$ 240.3
2	Chief Operations Office	75.4	89.0	84.5	99.5	109.8	115.8	122.0	128.5	135.3
3	General Counsel	27.8	33.6	24.0	34.8	39.3	41.9	44.6	47.6	50.7
4	Chief Financial Office	22.1	25.3	24.2	28.9	31.6	34.3	37.2	40.5	43.9
5	Human Resources	8.6	13.3	12.4	16.0	17.4	18.7	20.1	21.5	23.1
6	Chief Executive Office	7.4	6.1	5.9	8.0	9.1	9.7	10.2	10.8	11.5
7	Total Department Net Expenditures	\$ 266.4	\$ 303.8	\$ 287.4	\$ 356.6	\$ 387.3	\$ 413.8	\$ 442.1	\$ 472.4	\$ 504.9

Notes:

- Chief Information Office includes the IT Dev Ops & Grid Transformation and Chief Information Security offices
- Chief Operations Office includes the System Operations, Commercial Operations, and System Planning & Weatherization offices
- General Counsel office includes the Legal & Compliance and Public Affairs offices and Internal Audit
- Chief Financial Office includes the Enterprise Risk & Strategy office
- Schedule may not foot due to rounding

Schedule may not foot due to rounding



Recommendation regarding 2026-2027 Budget and Fee

Department Net Expenditures by Office by Spend Type

\$ in Millions

Chief Information Office

Line		2024 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection
1	Salaries	\$ 64.0	72.328	\$ 68.4	83.26	\$ 88.5	\$ 93.8	\$ 99.4	\$ 105.4	\$ 111.7
2	Benefits & Taxes	18.8	22.010	21.3	25.50	27.2	28.9	30.6	32.4	34.4
3	Project Funded Labor	(16.0)	(17.6)	(17.0)	(20.6)	(20.6)	(22.7)	(25.0)	(27.5)	(30.2)
4	Vacancy	-	(2.830)	-	(10.88)	(3.5)	(3.8)	(4.2)	(4.6)	(5.1)
5	Department Labor	\$ 66.7	\$ 73.9	\$ 72.6	\$ 77.3	\$ 91.6	\$ 96.1	\$ 100.8	\$ 105.7	\$ 110.8
6	Materials, Supplies & Equipment	0.7	0.875	0.9	1.19	1.1	1.2	1.3	1.5	1.6
7	HW/SW License & Maintenance	39.3	42.184	40.5	53.72	57.6	63.3	69.7	76.6	84.3
8	Outside Services	6.9	8.644	11.5	16.27	16.6	18.3	20.1	22.1	24.4
9	Utility, Maintenance & Facility	7.0	10.695	10.9	11.66	12.1	13.4	14.7	16.2	17.8
10	Employee Expenses	0.9	1.473	1.4	1.53	1.6	1.8	2.0	2.1	2.4
11	Insurance	-	-	-	-	-	-	-	-	-
12	Other Expenses	0.8	1.195	1.2	1.45	1.5	1.6	1.8	2.0	2.1
13	Department Expense	\$ 122.5	\$ 139.0	\$ 139.0	\$ 163.1	\$ 182.1	\$ 195.7	\$ 210.4	\$ 226.2	\$ 243.4
14	Minor Capital & Common Infrastructure	6.3	1.990	1.2	12.26	4.2	4.6	5.1	5.6	6.1
15	Subtotal - Department Expenditures	\$ 128.8	\$ 141.0	\$ 140.2	\$ 175.4	\$ 186.3	\$ 200.3	\$ 215.5	\$ 231.8	\$ 249.5
16										
17*	Department Revenues	\$ (3.7)	\$ (4.5)	\$ (3.7)	\$ (5.9)	\$ (6.3)	\$ (6.9)	\$ (7.6)	\$ (8.3)	\$ (9.2)
18										
19	Total Department Net Expenditures	\$ 125.0	\$ 136.5	\$ 136.5	\$ 169.5	\$ 180.1	\$ 193.5	\$ 207.9	\$ 223.5	\$ 240.3

* Private Wide-Area Network Fees

Schedule may not foot due to rounding.



Recommendation regarding 2026-2027 Budget and Fee

Department Net Expenditures by Office by Spend Type

\$ in Millions

Chief Operations Office

Line	2024 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection
1 Salaries	\$ 62.1	\$ 74.0	\$ 71.1	\$ 89.7	\$ 96.3	\$ 102.1	\$ 108.2	\$ 114.7	\$ 121.6
2 Benefits & Taxes	18.2	22.9	22.3	27.9	30.1	31.9	33.8	35.8	37.9
3 Project Funded Labor	(1.7)	(1.7)	(2.8)	(1.9)	(1.7)	(1.9)	(2.1)	(2.3)	(2.5)
4 Vacancy	-	(2.9)	-	(11.6)	(3.7)	(4.1)	(4.5)	(5.0)	(5.5)
5 Department Labor	\$ 78.7	\$ 92.2	\$ 90.6	\$ 104.1	\$ 120.9	\$ 127.9	\$ 135.4	\$ 143.2	\$ 151.5
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	0.1	0.1	0.2	0.2	-	-	-	-	-
8 Outside Services	6.0	4.8	6.0	13.6	14.7	16.2	17.8	19.6	21.6
9 Utility, Maintenance & Facility	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10 Employee Expenses	1.0	1.7	1.6	1.8	1.9	2.1	2.3	2.6	2.8
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	1.9	1.6	1.9	3.2	3.1	3.4	3.7	4.1	4.5
13 Department Expense	\$ 87.6	\$ 100.5	\$ 100.3	\$ 123.0	\$ 140.7	\$ 149.7	\$ 159.3	\$ 169.5	\$ 180.5
14 Minor Capital & Common Infrastructure	0.5	0.0	0.0	0.7	-	-	-	-	-
15 Subtotal - Department Expenditures	\$ 88.1	\$ 100.5	\$ 100.3	\$ 123.7	\$ 140.7	\$ 149.7	\$ 159.3	\$ 169.5	\$ 180.5
16									
17* Department Revenues	\$ (12.7)	\$ (11.5)	\$ (15.8)	\$ (24.2)	\$ (30.8)	\$ (33.9)	\$ (37.3)	\$ (41.0)	\$ (45.1)
18									
19 Total Department Net Expenditures	\$ 75.4	\$ 89.0	\$ 84.5	\$ 99.5	\$ 109.8	\$ 115.8	\$ 122.0	\$ 128.5	\$ 135.3

* Generation Interconnection Study Fees, Weatherization Inspection Fees, Operations Training Seminar Registration Fees, & Blackstart Training Registration Fees

Schedule may not foot due to rounding.



Recommendation regarding 2026-2027 Budget and Fee

Department Net Expenditures by Office by Spend Type

\$ in Millions

General Counsel

Line	2024 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection
1 Salaries	\$ 18.1	\$ 20.4	\$ 19.4	\$ 24.4	\$ 26.3	\$ 27.9	\$ 29.6	\$ 31.3	\$ 33.2
2 Benefits & Taxes	5.1	6.2	5.9	7.4	8.0	8.5	9.0	9.6	10.1
3 Project Funded Labor	(0.2)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
4 Vacancy	-	(0.8)	-	(3.2)	(1.0)	(1.1)	(1.2)	(1.4)	(1.5)
5 Department Labor	\$ 23.0	\$ 25.7	\$ 25.0	\$ 28.6	\$ 33.2	\$ 35.2	\$ 37.2	\$ 39.4	\$ 41.7
6 Materials, Supplies & Equipment	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
7 HW/SW License & Maintenance	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
8 Outside Services	4.6	7.3	(1.0)	5.8	5.8	6.4	7.0	7.7	8.5
9 Utility, Maintenance & Facility	(0.0)	-	0.0	-	-	-	-	-	-
10 Employee Expenses	0.2	0.4	0.3	0.5	0.5	0.5	0.6	0.7	0.7
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	0.6	0.2	0.2	0.5	0.5	0.6	0.6	0.7	0.8
13 Department Expense	\$ 28.6	\$ 33.8	\$ 24.7	\$ 35.5	\$ 40.2	\$ 42.8	\$ 45.7	\$ 48.7	\$ 51.9
14 Minor Capital & Common Infrastructure	-	0.1	0.1	-	-	-	-	-	-
15 Subtotal - Department Expenditures	\$ 28.6	\$ 33.9	\$ 24.8	\$ 35.5	\$ 40.2	\$ 42.8	\$ 45.7	\$ 48.7	\$ 51.9
16									
17* Department Revenues	\$ (0.8)	\$ (0.3)	\$ (0.8)	\$ (0.8)	\$ (0.8)	\$ (0.9)	\$ (1.0)	\$ (1.1)	\$ (1.2)
18									
19 Total Department Net Expenditures	\$ 27.8	\$ 33.6	\$ 24.0	\$ 34.8	\$ 39.3	\$ 41.9	\$ 44.6	\$ 47.6	\$ 50.7

* Market Participant Registration Fees and Membership Dues

Schedule may not foot due to rounding.



Recommendation regarding 2026-2027 Budget and Fee

Department Net Expenditures by Office by Spend Type

\$ in Millions

Chief Financial Office

Line	2024 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection
1 Salaries	\$ 7.8	\$ 8.8	\$ 8.2	\$ 10.7	\$ 11.4	\$ 12.1	\$ 12.8	\$ 13.6	\$ 14.4
2 Benefits & Taxes	2.2	2.6	2.4	3.2	3.5	3.7	3.9	4.1	4.4
3 Project Funded Labor	(0.1)	-	(0.1)	(0.0)	-	-	-	-	-
4 Vacancy	-	(0.3)	-	(1.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.7)
5 Department Labor	\$ 9.9	\$ 11.1	\$ 10.6	\$ 12.5	\$ 14.4	\$ 15.3	\$ 16.1	\$ 17.1	\$ 18.1
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	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8 Outside Services	6.7	6.1	6.9	8.4	8.5	9.3	10.3	11.3	12.4
9 Utility, Maintenance & Facility	1.7	3.0	1.7	2.0	2.1	2.3	2.5	2.7	3.0
10 Employee Expenses	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4
11 Insurance	5.4	5.7	5.6	6.4	7.0	7.7	8.4	9.3	10.2
12 Other Expenses	0.1	0.9	0.9	0.9	1.0	1.1	1.2	1.4	1.5
13 Department Expense	\$ 24.0	\$ 27.0	\$ 25.9	\$ 30.5	\$ 33.2	\$ 35.9	\$ 38.8	\$ 42.1	\$ 45.6
14 Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
15 Subtotal - Department Expenditures	\$ 24.0	\$ 27.0	\$ 25.9	\$ 30.5	\$ 33.2	\$ 35.9	\$ 38.8	\$ 42.1	\$ 45.6
16									
17* Department Revenues	\$ (1.9)	\$ (1.7)	\$ (1.8)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)
18									
19 Total Department Net Expenditures	\$ 22.1	\$ 25.3	\$ 24.2	\$ 28.9	\$ 31.6	\$ 34.3	\$ 37.2	\$ 40.5	\$ 43.9

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

Schedule may not foot due to rounding.



Recommendation regarding 2026-2027 Budget and Fee

Department Net Expenditures by Office by Spend Type

\$ in Millions

Human Resources

Line	2024 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection
1 Salaries	\$ 4.9	\$ 6.1	\$ 6.5	\$ 9.1	\$ 9.5	\$ 10.0	\$ 10.6	\$ 11.3	\$ 12.0
2 Benefits & Taxes	1.1	1.4	1.5	2.0	2.2	2.3	2.4	2.6	2.7
3 Project Funded Labor	(0.0)	-	-	-	-	-	-	-	-
4 Vacancy	-	(0.2)	-	(1.1)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)
Department Labor	\$ 6.0	\$ 7.3	\$ 8.0	\$ 10.0	\$ 11.3	\$ 12.0	\$ 12.7	\$ 13.4	\$ 14.2
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	0.2	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
8 Outside Services	1.5	3.8	2.8	3.6	3.7	4.1	4.5	5.0	5.5
9 Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
10 Employee Expenses	0.1	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5
11 Insurance	-	-	-	-	-	-	-	-	-
12 Other Expenses	0.8	1.7	1.0	1.9	2.0	2.2	2.4	2.7	2.9
Department Expense	\$ 8.6	\$ 13.3	\$ 12.4	\$ 16.0	\$ 17.4	\$ 18.7	\$ 20.1	\$ 21.5	\$ 23.1
14 Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
Subtotal - Department Expenditures	\$ 8.6	\$ 13.3	\$ 12.4	\$ 16.0	\$ 17.4	\$ 18.7	\$ 20.1	\$ 21.5	\$ 23.1
16									
Department Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18									
Total Department Net Expenditures	\$ 8.6	\$ 13.3	\$ 12.4	\$ 16.0	\$ 17.4	\$ 18.7	\$ 20.1	\$ 21.5	\$ 23.1

Schedule may not foot due to rounding.



Recommendation regarding 2026-2027 Budget and Fee

Project Expenditures

Recommendation regarding 2026-2027 Budget and Fee Project Summary by Project Type

\$ in Millions

Project Expenditures										
Line		2024 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection
1	Regulatory	\$ 2.3	\$ -	\$ 0.1	\$ 1.4	\$ 1.2	\$ 3.2	\$ 3.0	\$ 2.4	\$ 2.7
2	Revision Requests	2.8	1.3	1.3	3.3	4.2	6.2	5.7	4.7	5.1
3	Internal Enhancements	16.5	23.7	18.8	22.9	6.1	13.0	11.9	9.8	10.7
4	Software Technical Health	18.0	2.7	8.6	10.2	8.6	11.8	10.8	8.9	9.7
5	IT Infrastructure	5.5	1.7	0.5	10.8	64.3	17.3	15.9	13.1	14.3
6	Market Design Project	12.2	20.8	20.8	0.9	1.7	-	-	-	-
7	Taylor Office Transformation	0.0	10.4	10.4	13.7	37.1	-	-	-	-
8	Total Project Expenditures	\$ 57.2	\$ 60.6	\$ 60.6	\$ 63.3	\$ 123.1	\$ 51.5	\$ 47.3	\$ 39.0	\$ 42.5

Schedule may not foot due to rounding



Recommendation regarding 2026-2027 Budget and Fee Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
1	Regulatory	Security Project #1	\$500k-\$1M	\$250k-\$500k
2	Regulatory	Additional Funds: Regulatory	\$500k-\$1M	\$500k-\$1M

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
3	Revision Requests	NOGRR215 Limit Use of Remedial Action Schemes	<\$50k	\$1M-\$2M
4	Revision Requests	NPRR1171 Requirements for DGRs and DESRs on Circuits Subject to Load Shedding	\$250k-\$500k	\$100k-\$250k
5	Revision Requests	SCR818 Phase 2 Changes to Incorporate GIC Modeling Data into Existing Modeling Applications	\$250k-\$500k	<\$50k
6	Revision Requests	NPRR1213 Allow DGRs and DESRs on Circuits Subject to Load Shed to Provide ECRS and Clarify Language Regarding DGRs and DESRs Providing Non-Spin	\$100k-\$250k	\$100k-\$250k
7	Revision Requests	NPRR941 Create a Lower Rio Grande Valley Hub	-	\$250k-\$500k
8	Revision Requests	NPRR1023 Change to CRR Repossession Process	-	\$250k-\$500k
9	Revision Requests	NPRR879 SCED Base Point Base Point Deviation and Performance Evaluation Changes for IRRs that Carry Ancillary Services	\$100k-\$250k	\$50k-\$100k
10	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	\$250k-\$500k	<\$50k
11	Revision Requests	NPRR936 CRR Account Holder Limits	\$100k-\$250k	<\$50k
12	Revision Requests	SCR825 ERCOT Voice Communications Aggregation	\$50k-\$100k	\$100k-\$250k
13	Revision Requests	NPRR1019 Pricing and Settlement Changes for Switchable Generation Resources (SWGRs) Instructed to Switch to ERCOT	\$100k-\$250k	\$50k-\$100k
14	Revision Requests	NPRR826 Mitigated Offer Caps for RMR Resources	-	\$100k-\$250k
15	Revision Requests	RRGRR028 Transformer Impedance Clarifications	\$100k-\$250k	-
16	Revision Requests	NPRR1091 Changes to Address Market Impacts of Additional Non-Spin Procurement	\$100k-\$250k	\$50k-\$100k
17	Revision Requests	NPRR1077 Extension of Self-Limiting Facility Concept to Settlement Only Generators (SOGs) and Telemetry Requirements for SOGs	\$50k-\$100k	\$50k-\$100k



Recommendation regarding 2026-2027 Budget and Fee Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
18	Revision Requests	SCR820 Operator Real-Time Messaging During Emergency	\$100k-\$250k	-
19	Revision Requests	NPRR1105 Option to Deploy Distribution Voltage Reduction Measures Prior to Energy Emergency Alert (EEA) - Phase 2	\$100k-\$250k	-
20	Revision Requests	NPRR825 Require ERCOT to Issue a DC Tie Curtailment Notice Prior to Curtailing any DC Tie Load	-	\$100k-\$250k
21	Revision Requests	NPRR1004 Load Distribution Factor Process Update	\$50k-\$100k	-
22	Revision Requests	NOGRR226 Addition of Supplemental UFLS Stages	\$50k-\$100k	-
23	Revision Requests	NPRR1201 Limitations on Resettlement Timeline and Default Uplift Exposure Adjustments	-	\$50k-\$100k
24	Revision Requests	NPRR1128 Allow FFR Procurement up to FFR Limit Without Proration	\$50k-\$100k	-
25	Revision Requests	SCR805 Provide Early Access to Certain 60-Day Reports to TSPs Upon Request	\$50k-\$100k	-
26	Revision Requests	NPRR1208 Creation of Invoice Report	\$50k-\$100k	-
27	Revision Requests	NPRR825 Require ERCOT to Issue a DC Tie Curtailment Notice Prior to Curtailing any DC Tie Load	<\$50k	<\$50k
28	Revision Requests	NPRR918 Validation for PTP Obligations with Links to an Option	-	<\$50k
29	Revision Requests	NPRR1182 Inclusion of Controllable Load Resources and Energy Storage Resources in the Constraint Competitiveness Test Process	-	<\$50k
30	Revision Requests	NPRR1035 DC Tie Schedules Protected Information Expiry and Posting	<\$50k	-
31	Revision Requests	NPRR1140 Recovering Fuel Costs for Generation Above LSL During RUC-Committed Hours	-	<\$50k
32	Revision Requests	NPRR1057 Modification to Real-Time Hub Price Formulas for Fully De-Energized Hubs	-	<\$50k
33	Revision Requests	SCR810 EMS System Change to Count DC Ties towards the 2 Percent Constraint Activation Criterion	-	<\$50k
34	Revision Requests	NPRR975 Load Forecast Model Transparency	-	<\$50k
35	Revision Requests	NPRR841 Real-Time Adjustments to Day-Ahead Make Whole Payments due to Ancillary Services Infeasibility Charges	-	<\$50k
36	Revision Requests	Additional Funds: Revision Requests	\$500k-\$1M	\$1M-\$2M

Recommendation regarding 2026-2027 Budget and Fee

Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
37	Internal Enhancements	Tertiary Fiber Path	\$2M-\$5M	-
38	Internal Enhancements	CMDB & Change Management	\$1M-\$2M	-
39	Internal Enhancements	Document Portal Migration - Phase 2	\$1M-\$2M	-
40	Internal Enhancements	ERCOT Website Redesign Implementation	\$500k-\$1M	-
41	Internal Enhancements	Enterprise Privileged Account Management Solution	\$50k-\$100k	\$500k-\$1M
42	Internal Enhancements	GridGeo Analysis/Playback	\$500k-\$1M	\$100k-\$250k
43	Internal Enhancements	GridGeo - Off-Site Training OTS	\$250k-\$500k	\$500k-\$1M
44	Internal Enhancements	Technology Reporting, Analysis, and Compliance Evidence (TRACE)	\$250k-\$500k	\$500k-\$1M
45	Internal Enhancements	Dynamic Ancillary Service Quantities	\$500k-\$1M	-
46	Internal Enhancements	Establish Dynamic Model Automatic Validation Process	\$250k-\$500k	\$250k-\$500k
47	Internal Enhancements	Settlement System Test Automation	\$250k-\$500k	\$100k-\$250k
48	Internal Enhancements	Automate DST Testing System Preparation and Data Cleanup	\$250k-\$500k	\$100k-\$250k
49	Internal Enhancements	Change RUC to Include Consideration of CLRs	\$100k-\$250k	\$250k-\$500k
50	Internal Enhancements	Public API Enhancements	\$250k-\$500k	-
51	Internal Enhancements	GridGeo Charting, Weather, and Other Improvements	\$250k-\$500k	-
52	Internal Enhancements	GridGeo - Additional Layers	-	\$250k-\$500k
53	Internal Enhancements	Current Day Reporting (CDR) Rewrite	\$100k-\$250k	\$100k-\$250k
54	Internal Enhancements	Reactive Power Coordination	\$100k-\$250k	\$100k-\$250k



Recommendation regarding 2026-2027 Budget and Fee Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
55	Internal Enhancements	Build a Second iTest environment (in Bastrop)	\$250k-\$500k	-
56	Internal Enhancements	RIOO Connectivity	\$250k-\$500k	-
57	Internal Enhancements	Security Project #3	\$250k-\$500k	\$50k-\$100k
58	Internal Enhancements	API 2.0 Secure & Cert. Data	\$250k-\$500k	\$50k-\$100k
59	Internal Enhancements	Self Service Password Management	-	\$250k-\$500k
60	Internal Enhancements	Asset Management	\$250k-\$500k	\$100k-\$250k
61	Internal Enhancements	Change RUC to Consider Fuel Restrictions and Emissions limitations	\$100k-\$250k	\$250k-\$500k
62	Internal Enhancements	Downstream Production Change (DPC) Process Improvement	\$250k-\$500k	-
63	Internal Enhancements	Event Management	\$100k-\$250k	\$100k-\$250k
64	Internal Enhancements	Treasury Single Source of Truth	\$250k-\$500k	-
65	Internal Enhancements	Intra-hour Peak Load/Minimum Renewables Change	\$100k-\$250k	<\$50k
66	Internal Enhancements	Tech Health - MarkeTrak API Rewrite	\$100k-\$250k	-
67	Internal Enhancements	Website Search as a Service	\$100k-\$250k	-
68	Internal Enhancements	Security Project #2	\$100k-\$250k	-
69	Internal Enhancements	Security Project #4	\$100k-\$250k	-
70	Internal Enhancements	Next Gen Market Participant Portal	\$100k-\$250k	-
71	Internal Enhancements	Online Creation Process Improvement	\$100k-\$250k	-
72	Internal Enhancements	Adequate Look-Ahead Studies for Co-located Generation & Loads	\$100k-\$250k	-
73	Internal Enhancements	Energy Optimization Tool	\$100k-\$250k	-



Recommendation regarding 2026-2027 Budget and Fee Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
74	Internal Enhancements	Content Management Upgrade and Modernize	\$100k-\$250k	-
75	Internal Enhancements	RIOO / Registration System Integration	\$100k-\$250k	-
76	Internal Enhancements	Access Management Improvements	\$100k-\$250k	-
77	Internal Enhancements	Middleware Replacement - Retail	\$100k-\$250k	-
78	Internal Enhancements	Patch Management	\$100k-\$250k	-
79	Internal Enhancements	Service Desk Now Assist	\$100k-\$250k	-
80	Internal Enhancements	Workplace Service Delivery	\$100k-\$250k	-
81	Internal Enhancements	Migrate Load Forecasts	\$100k-\$250k	-
82	Internal Enhancements	Public Dashboard Data & UIs	\$100k-\$250k	-
83	Internal Enhancements	Metadata Auto-Tagging	\$100k-\$250k	-
84	Internal Enhancements	Structured Data Lifecycle Management	\$100k-\$250k	-
85	Internal Enhancements	Settlements Resource Data Input Automation	\$100k-\$250k	\$50k-\$100k
86	Internal Enhancements	Cloud Based Backup Archives	\$100k-\$250k	\$50k-\$100k
87	Internal Enhancements	Transmission Planning and Analysis Tool Upgrade	\$100k-\$250k	\$50k-\$100k
88	Internal Enhancements	Federated Search	<\$50k	\$100k-\$250k
89	Internal Enhancements	CSM Phase 2 - MPs	\$100k-\$250k	-
90	Internal Enhancements	Outage Scheduler Enhancements	\$250k-\$500k	-
91	Internal Enhancements	Delivery Toolchain Optimization	\$100k-\$250k	-
92	Internal Enhancements	RIOO Repower Enhancements	\$100k-\$250k	-



Recommendation regarding 2026-2027 Budget and Fee

Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
93	Internal Enhancements	Capacity Management	\$50k-\$100k	-
94	Internal Enhancements	Security Project #5	\$50k-\$100k	-
95	Internal Enhancements	DSA Node Breaker	<\$50k	-
96	Internal Enhancements	Test Data Management	<\$50k	-
97	Internal Enhancements	Grid Planning in the Cloud	<\$50k	-
98	Internal Enhancements	Enterprise Software Integration Enhancements	<\$50k	-
99	Internal Enhancements	Application Deployment Process Improvements	<\$50k	-
100	Internal Enhancements	Cloud Foundations	<\$50k	-
101	Internal Enhancements	Additional Funds: Internal Enhancements	\$2M-\$5M	\$500k-\$1M

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
102	Software Technical Health	EMS Upgrade 2028	\$250k-\$500k	\$2M-\$5M
103	Software Technical Health	Content Management System Replacement	\$1M-\$2M	<\$50k
104	Software Technical Health	NMMS IMM Schema upgrade to CIM 16	\$1M-\$2M	-
105	Software Technical Health	MMS/OS Refresh 2026	\$500k-\$1M	\$500k-\$1M
106	Software Technical Health	Database #1 Upgrade	\$500k-\$1M	\$250k-\$500k
107	Software Technical Health	Tech Refresh - Registration / Operating System Migration and eScript Conversion	\$500k-\$1M	-
108	Software Technical Health	Database #2 Upgrade	\$500k-\$1M	-
109	Software Technical Health	MPIM MFA 2025	\$500k-\$1M	\$100k-\$250k
110	Software Technical Health	Tech Health – IAM	-	\$500k-\$1M
111	Software Technical Health	Database #3 Upgrade	-	\$500k-\$1M
112	Software Technical Health	Database #4 Upgrade	-	\$500k-\$1M



Recommendation regarding 2026-2027 Budget and Fee Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
113	Software Technical Health	CRR Tech Refresh 2026	\$250k-\$500k	\$100k-\$250k
114	Software Technical Health	Middleware Replacement - Grid	\$100k-\$250k	\$100k-\$250k
115	Software Technical Health	Next Generation Scanning Refresh	\$250k-\$500k	-
116	Software Technical Health	Automate Annual Access Reviews	\$250k-\$500k	\$100k-\$250k
117	Software Technical Health	GridGeo - Oracle	-	\$250k-\$500k
118	Software Technical Health	Datatrak User Interface Rewrite	\$50k-\$100k	\$250k-\$500k
119	Software Technical Health	Monitoring of Baselines	-	\$250k-\$500k
120	Software Technical Health	Split Registration System into Retail & Wholesale	\$100k-\$250k	\$50k-\$100k
121	Software Technical Health	NMMS Upgrade 2027	-	\$250k-\$500k
122	Software Technical Health	CMM Tech Health Upgrade	\$100k-\$250k	-
123	Software Technical Health	Tech Refresh - NDCRC	\$100k-\$250k	-
124	Software Technical Health	Middleware Replacement - Market Data Transparency	\$100k-\$250k	-
125	Software Technical Health	Retail UI & API Rewrite	\$100k-\$250k	-
126	Software Technical Health	EIS Tech Health 2025	\$100k-\$250k	-
127	Software Technical Health	Tech Health-Data Manager Upgrade	\$100k-\$250k	\$100k-\$250k
128	Software Technical Health	Process Management Tech Health Upgrade	-	\$100k-\$250k
129	Software Technical Health	Operating System 8 Upgrade	\$50k-\$100k	\$50k-\$100k
130	Software Technical Health	Tech Refresh SBM Upgrade 2026	\$100k-\$250k	-
131	Software Technical Health	Email Communication and Distribution Management	<\$50k	-
132	Software Technical Health	Policy Management Technical Health Improvements	<\$50k	-



Recommendation regarding 2026-2027 Budget and Fee

Project Expenditures: Project Priority List Details

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
133	IT Infrastructure	DC6 Data Center Refresh	\$2M-\$5M	>\$5M
134	IT Infrastructure	Data Center Power Upgrade	>\$5M	>\$5M
135	IT Infrastructure	WAN Router Upgrades	-	\$100k-\$250k

Line	Project Category	Project Name	2026 Request Range	2027 Request Range
136	Market Design Project	Dispatchable Reliability Reserve Service (DRRS) - NPPRR1235	\$1M-\$2M	\$1M-\$2M
137	Market Design Project	RTC-B Grid & Markets	\$2M-\$5M	-
138	Market Design Project	RTC-B Integration & Information	\$500k-\$1M	-
139	Market Design Project	RTC-B Commercial Applications	\$250k-\$500k	-
140	Market Design Project	RTC-B Program Control	-	-



Date: June 16, 2025
To: Board of Directors
From: Bill Flores, Finance and Audit (F&A) Committee Chairman
Subject: Acceptance, Adoption, and Approval of 2026-2027 Budget and Fee

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: June 23-24, 2025

Item No.: 14.1.2

Issue:

Electric Reliability Council of Texas, Inc. (ERCOT) must have a Board of Director (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 November 15, 2023, PUCT issued an Order in Docket No. 38533 approving ERCOT's 2024-2025 Biennial Budget. The Order also requires ERCOT to submit its proposed 2026-2027 biennial budget no later than September 1, 2025.

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 no later than 45 days prior to the PUCT's filing deadline 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. 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

The Duties and Responsibilities section of the Finance & Audit Committee Charter states in pertinent part:

- With respect to budget oversight, 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 2026-2027 Biennial Budget at the Board's June 24, 2025, 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 2026 and 2027 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 2024 and the first two quarters of 2025, ERCOT staff discussed financial assumptions, methodologies, schedules, and a system

administration fee rate relating to the 2026-2027 Biennial Budget with the PUCT staff, the PUCT Executive Director, and the Chair of the PUCT.

- ERCOT staff will present its recommended 2026-2027 Biennial Budget to the F&A Committee on June 23, 2025.
- The Budget recommended by ERCOT staff will recommend a decrease in the ERCOT system administration fee rate from \$0.630 to \$0.610 per megawatt-hour effective January 1, 2026.

Conclusion/Recommendation:

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

- Approve the recommended 2026-2027 Biennial Budget as set forth in **Attachment A**, which includes \$485,866,258 and \$585,041,573 total spending authorization for operating expenses, project spending, and debt service obligations for 2026 and 2027, respectively.
- Approve the recommended decrease to the ERCOT system administration fee rate from \$0.630 to \$0.610 per megawatt-hour effective January 1, 2026, as set forth in **Attachment B**; and
- Authorize ERCOT Legal to file the Board-approved 2026-2027 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 2026-2027 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 2026-2027 Biennial Budget, which includes a total spending authorization of \$485,866,258 and \$585,041,573 respectively; and

WHEREAS the Budget recommended by ERCOT staff will include a decrease in the ERCOT system administration fee rate from \$0.630 to \$0.610 per megawatt-hour effective January 1, 2026.

THEREFORE, BE IT RESOLVED, that the Board hereby:

- Approves the recommended 2026-2027 Biennial Budget as set forth in **Attachment A**, which includes \$485,866,258 and \$585,041,573 total spending authorization for operating expenses, project spending, and debt service obligations for 2026 and 2027, respectively; and
- Approves the request for a recommended decrease to the ERCOT system administration fee rate from \$0.630 to \$0.610 per megawatt-hour effective January 1, 2026, as set forth in **Attachment B**; and
- Authorizes ERCOT Legal to file the Board-approved 2026-2027 Biennial Budget for approval by the PUCT, pursuant to P.U.C. SUBST. R. 25.363(d).



CORPORATE SECRETARY'S CERTIFICATE

I, Brandon Gleason, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its June 23-24, 2025, meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of June 2025.

Brandon Gleason
Assistant Corporate Secretary

Attachment A - Replaced 06/21/2025

ERCOT

Fiscal Years 2026-2027 Budget Request

(\$ in Millions)

Sources and Uses										
	2024	2025	2025	2026	2027	2028	2029	2030	2031	
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection	
1 System Administration Fee Revenue	\$ 291.8	\$ 302.4	\$ 309.5	\$ 316.6	\$ 356.6	\$ 407.1	\$ 457.9	\$ 490.5	\$ 518.4	
2* Reliability Organization Assessment	28.3	27.7	27.7	29.2	30.8	32.6	34.4	36.3	38.3	
3 Interest Income	114.2	39.8	98.8	66.3	42.7	35.4	35.4	35.4	35.4	
4 Other Revenues	19.0	18.0	22.0	32.5	39.5	43.3	47.5	52.1	57.1	
5 CRR Borrowings	-	1.2	-	-	-	-	-	-	-	
6 Decrease in Cash Balance	-	25.3	-	41.3	115.4	27.0	0.3	-	-	
7 Total Sources	\$ 453.3	\$ 414.3	\$ 457.9	\$ 485.9	\$ 585.0	\$ 545.4	\$ 575.4	\$ 614.3	\$ 649.3	
8 Department Expenditures	\$ 285.4	\$ 321.8	\$ 309.4	\$ 389.1	\$ 426.9	\$ 457.1	\$ 489.6	\$ 524.5	\$ 562.1	
9 Project Expenditures	45.0	29.4	29.4	48.7	84.3	51.5	47.3	39.0	42.5	
10 Market Design Project	12.2	20.8	20.8	0.9	1.7	-	-	-	-	
11 Taylor Office Transformation	0.0	10.4	10.4	13.7	37.1	-	-	-	-	
12* Reliability Organization Assessment	28.3	27.7	27.7	29.2	30.8	32.6	34.4	36.3	38.3	
13 Debt Service	5.3	4.4	4.2	4.2	4.2	4.2	4.2	4.2	4.2	
14 Repayment of CRR Borrowings	-	-	-	-	-	-	-	-	-	
15 Increase in Cash Balance	77.0	-	56.1	-	-	-	-	10.3	2.1	
16 Total Uses	\$ 453.3	\$ 414.3	\$ 457.9	\$ 485.9	\$ 585.0	\$ 545.4	\$ 575.4	\$ 614.3	\$ 649.3	

* 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 - Replaced 06/21/2025

ERCOT

Fiscal Years 2026-2027 Budget Request

(\$ in Millions)

Budget Summary										
Line	2024 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection	
1	System Administration Fee Rate (SAF)	\$ 0.630	\$ 0.630	\$ 0.630	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610	\$ 0.610
2	Energy Consumption (TWh)	463.1	480.0	491.3	519.0	584.5	667.4	750.6	804.2	849.9
2A	Year over Year %	3.9%	3.7%	6.1%	5.6%	12.6%	14.2%	12.5%	7.1%	5.7%
3	System Administration Fee Revenue	\$ 291.8	\$ 302.4	\$ 309.5	\$ 316.6	\$ 356.6	\$ 407.1	\$ 457.9	\$ 490.5	\$ 518.4
4	Department Net Expenditures	\$ 266.4	\$ 303.8	\$ 287.4	\$ 356.6	\$ 387.3	\$ 413.8	\$ 442.1	\$ 472.4	\$ 504.9
4A	Year over Year %	13.3%	14.0%	7.9%	24.1%	8.6%	6.8%	6.8%	6.9%	6.9%
5	Project Expenditures	45.0	29.4	29.4	48.7	84.3	51.5	47.3	39.0	42.5
6	Market Design Project	12.2	20.8	20.8	0.9	1.7	-	-	-	-
7	Taylor Office Transformation	0.0	10.4	10.4	13.7	37.1	-	-	-	-
8	Total Net Expenditures	\$ 323.6	\$ 364.3	\$ 348.0	\$ 419.9	\$ 510.5	\$ 465.3	\$ 489.3	\$ 511.4	\$ 547.4
9	Net Available Before Non-Operating	\$ (31.9)	\$ (61.9)	\$ (38.5)	\$ (103.3)	\$ (153.9)	\$ (58.2)	\$ (31.4)	\$ (20.9)	\$ (29.0)
10	Debt Service	\$ (5.3)	\$ (4.4)	\$ (4.2)	\$ (4.2)	\$ (4.2)	\$ (4.2)	\$ (4.2)	\$ (4.2)	\$ (4.2)
11	Interest Income	114.2	39.8	98.8	66.3	42.7	35.4	35.4	35.4	35.4
12	Non-Operating Sources & Uses	\$ 108.9	\$ 35.4	\$ 94.6	\$ 62.0	\$ 38.5	\$ 31.1	\$ 31.1	\$ 31.1	\$ 31.1
13	Net Available	\$ 77.0	\$ (26.5)	\$ 56.1	\$ (41.3)	\$ (115.4)	\$ (27.0)	\$ (0.3)	\$ 10.3	\$ 2.1
Year-End Balances: Notes Payable, CRR Borrowings, Cash, and CRR Fund										
14	Notes Payable Balance	\$ 31.0	\$ 27.0	\$ 27.0	\$ 23.0	\$ 19.0	\$ 15.0	\$ 11.0	\$ 7.0	\$ 3.0
15	CRR Borrowings Balance	\$ -	\$ 1.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Cash Balance	\$ 168.6	\$ -	\$ 224.7	\$ 183.4	\$ 68.0	\$ 41.0	\$ 40.7	\$ 50.9	\$ 53.1
17	CRR Fund Balance	\$ 2,169.1	\$ 2,000.0	\$ 2,128.9	\$ 2,100.0	\$ 2,100.0	\$ 2,100.0	\$ 2,100.0	\$ 2,100.0	\$ 2,100.0

Schedule may not foot due to rounding.