



**PUCT PROJECT NO. 38533**

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

**ERCOT’S 2026/2027 BIENNIAL BUDGET AND**  
**SYSTEM ADMINISTRATION FEE SUBMISSION**

COMES NOW, Electric Reliability Council of Texas, Inc. (ERCOT) and files its *2026/2027 Biennial Budget and System Administration Fee Submission*, pursuant to 16 Tex. Admin. Code (TAC) § 25.363(d)<sup>1</sup> and the Commission’s *Order Approving ERCOT’s 2024-2025 Biennial Budget and Authorizing the System Administration Fee (2024/2025 Order)*,<sup>2</sup> for review and to request approval by the Public Utility Commission of Texas (Commission). The 2026/2027 ERCOT biennial budget included in this submission contemplates a change in the ERCOT system administration fee rate, which ERCOT plans to reduce from \$0.63 per megawatt hour (MWh) to \$0.61 per MWh for ERCOT fiscal years 2026 and 2027.

For the reasons discussed in this submission, ERCOT also requests, pursuant to 16 TAC § 25.363(a)(4),<sup>3</sup> Commission approval to secure an accordion option for ERCOT’s revolving line of credit and requests, pursuant to 16 TAC § 25.363(d), Commission approval to discontinue the requirement, as per the Commission’s previous order approving the ERCOT budget, to annually report to the Commission on Federal Energy Regulatory Commission (FERC) performance metrics for federally-regulated Regional Transmission Operators / Independent System Operators (RTOs / ISOs) as applicable to ERCOT.

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<sup>1</sup> 16 TAC § 25.363(d) provides, “Budget Submission. ERCOT shall submit its proposed budget for commission review as specified in the commission order approving its previous budget.”

<sup>2</sup> *PUC Review of ERCOT Budget*, Project No. 38533, Order Approving ERCOT’s 2024 to 2025 Biennial Budget and Authorizing the System Administration Fee (Nov. 15, 2023) (2024/2025 Order).

<sup>3</sup> 16 TAC § 25.363(a)(4) provides, “ERCOT shall not incur debt, defer scheduled principal repayments of debt, or refinance existing debt without commission approval. ERCOT shall seek approval of any loan or agreement to provide a line of credit from a bank or other institution, the issuance of bonds or notes, and any arrangements that would permit it to issue bonds or permit the issuance of bonds on its behalf at a later date.”

## I. Commission Jurisdiction

The Commission has jurisdiction over this matter pursuant to Section 39.151 of the Public Utility Regulatory Act (PURA).<sup>4</sup> PURA § 39.151(d-1) and (e) require ERCOT to submit its proposed budget to the Commission and requires the Commission to set the range of the system administration fee after approving the budget.<sup>5</sup>

## II. Procedural Requirements

ERCOT's annual budget and any change in the system administration fee are subject to review by the Commission either annually or biennially, at the Commission's discretion.<sup>6</sup> Before submitting the proposed budget to the ERCOT Board of Directors (Board) for its approval, ERCOT must consult with commission staff designated by the executive director in connection with development of the budget and provide information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt.<sup>7</sup> The Board's decision on the budget can be contested at the Commission within thirty-five (35) days.<sup>8</sup>

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<sup>4</sup> Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016.

<sup>5</sup> See *CPS Energy v. Electric Reliability Council of Texas*, 671 S.W.3d 605, 624 (Tex. June 23, 2023). "ERCOT must submit its proposed annual budget to the PUC, which can 'approve, disapprove, or modify any item' in it. ERCOT is authorized to charge a system administration fee, but only after the PUC approves its budget and sets the fee range," citing PURA § 39.151(d-1) and (e).

<sup>6</sup> 16 TAC § 25.363(e) provides, "Commission review and action. The ERCOT annual budget and any change in the system administration fee are subject to review by the commission either annually or biennially, at the commission's discretion."

<sup>7</sup> 16 TAC § 25.363(e) provides, "Prior to the submission of a proposed budget or change in the system administration fee to the governing board for its approval, ERCOT shall consult with commission staff designated by the executive director in connection with the development of the budget and shall provide to the staff information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt."

<sup>8</sup> 16 TAC § 22.251(d) provides, "Formal complaint. (1) A formal complaint must be filed within 35 days of the ERCOT conduct that is the subject of the complaint, except as otherwise provided in this subsection." A party may also file a request for alternative dispute resolution (ADR) under Section 20 of the ERCOT Protocols to contest ERCOT decisions. ERCOT would not expect a party contesting the budget to file for ADR rather than appealing to the Commission under 16 TAC § 22.251, but ERCOT notes for the record that no party filed an ADR contesting the ERCOT Board's approval of the 2026/2027 ERCOT biennial budget and system administration fee.

After expiration of the time for appeals, ERCOT files the board-approved budget with the Commission.<sup>9</sup> The Commission must provide public notice and a reasonable opportunity to comment on the budget proposal, while recognizing the proceedings are not a contested case.<sup>10</sup> Following approval of the budget, the Commission must authorize ERCOT to charge a system administration fee within a range that is reasonable and competitively neutral to fund ERCOT's budget, and any change to the fee approved by the Commission must be noticed through standard market processes at least 45 days before implementation.<sup>11</sup>

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

The application for budget approval must include all information necessary for the Commission to evaluate the proposal and must be submitted as specified in the Commission order approving ERCOT's previous budget.<sup>12</sup> ERCOT must also submit performance measures that track ERCOT's operations.<sup>13</sup> In addition to this pleading, ERCOT has included in its *2026/2027 Biennial Budget and System Administration Fee Submission*, the following information to evaluate

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<sup>9</sup> 16 TAC § 25.363(e) provides, "ERCOT shall file with the commission its board-approved budget, budget strategies, and staffing needs, with a justification for all expenses, capital outlays, additional debt, and staffing requirements."

<sup>10</sup> 16 TAC § 25.363(d) provides, "The commission shall provide public notice of ERCOT's proposed budget and allow a reasonable opportunity for the public to comment on the ERCOT's proposed budget. The review and approval of a proposed budget or a proceeding to authorize and set the range for the amount of the fee under this section is not a contested case for purposes of Chapter 2001 of the Texas Government Code."

<sup>11</sup> 16 TAC § 25.363(e) provides, "After approving ERCOT's budget, the commission shall authorize ERCOT to charge a system administration fee, within a range determined by the commission, that is reasonable and competitively neutral to fund ERCOT's budget. ERCOT shall closely match actual revenues generated by the system administration fee and other sources of revenue with revenue necessary to fund the budget, taking into account the effect of a fee change on market participants and consumers, to ensure that the budget year does not end with a surplus or insufficient funds. Any change to the fee approved by the commission or made during the course of an annual or biennial budget cycle will be noticed through standard market processes at least 45 days before implementation."

<sup>12</sup> 16 TAC § 25.363(d) provides, "Budget Submission. ERCOT shall submit its proposed budget for commission review as specified in the commission order approving its previous budget. As part of its application for approval of its proposed budget, ERCOT shall include all information necessary for the commission to evaluate the proposed budget, including all information required under this section."

<sup>13</sup> 16 TAC § 25.363(f) provides, "Performance measures. ERCOT shall develop proposed performance measures to track its operations. Such measures shall be submitted for commission review and approval at the time ERCOT submits its proposed budget. ERCOT shall provide an explanation for any performance measure whose value for any of the preceding three calendar years was not within 5% of the commission-approved target. The commission will review ERCOT's performance as part of the budget review process."

the budget proposal and a system administration fee rate that is reasonable and competitively neutral to fund ERCOT's budget:

- A. ERCOT Board resolution approving proposed 2026/2027 biennial budget and system administration fee;
- B. ERCOT staff presentations of the 2026/2027 biennial budget and system administration fee to the Finance and Audit (F&A) Committee of the ERCOT Board and to the ERCOT Board on June 23-24, 2025;
- C. Statement of ERCOT Chief Executive Officer summarizing ERCOT's 2026/2027 biennial budget and system administration fee;
- D. ERCOT 2026/2027 biennial budget schedules and work papers;
- E. ERCOT 2024 to 2028 Strategic Plan;
- F. ERCOT report on key performance indicators for 2024; and
- G. ERCOT Board Resolution Approving Renewal of the Revolving Line of Credit.

### **B. Consultation with Commission Staff**

In preparing the 2026/2027 biennial budget for ERCOT Board approval in June 2025, ERCOT and Commission staff began holding regular meetings as early as July 2024. ERCOT provided Commission Staff with information regarding ERCOT's 2026/2027 budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt. Between the consultation meetings, ERCOT staff responded to informal information requests from Commission staff regarding particular budget categories. To ERCOT's knowledge, it has responded to all the requests or concerns raised by Commission staff in the consultation process.

Conforming to prior Commission staff recommendations, ERCOT continues to utilize a format for structuring the budget filed with the Commission that includes the key components of the Legislative Appropriations Request (LAR) utilized by the Texas Legislative Budget Board. ERCOT has organized its budget schedules to conform to the LAR format to the extent possible and has prepared a summary statement from ERCOT's Chief Executive Officer similar to the LAR "Administrator's Statement." Commission staff requested that ERCOT file a biennial, rather than annual, budget for review beginning with the 2014/2015 budget cycle. As stated and pursuant to

the 2024/2025 Order, ERCOT has organized its 2026/2027 biennial budget schedules to resemble the LAR format.

**C. ERCOT Board Approval of 2026/2027 Biennial Budget and System Administration Fee**

The ERCOT Board approved the proposed 2026/2027 ERCOT biennial budget and system administration fee at its meeting on June 23-24, 2025. The ERCOT Board adopted the 2026/2027 biennial budget recommendations of ERCOT staff and the ERCOT Board’s F&A Committee, which included identification of operating expenses, project spending, and debt service obligations. The F&A Committee discussed the development of the 2026/2027 ERCOT biennial budget in public meetings held in the second quarter of 2025.<sup>14</sup> A copy of the June 23-24, 2025, ERCOT Board resolution approving the 2026/2027 ERCOT biennial budget is included in this submission as Attachment A. The 2026/2027 biennial budget presentation made by ERCOT staff at the June 23, 2025, F&A Committee meeting is included as Attachment B, for which a recommendation for ERCOT Board approval was made by the F&A Committee at the June 23-24, 2025, ERCOT Board meeting.

The ERCOT Board’s decision to approve the 2026/2027 ERCOT biennial budget and system administration fee was not appealed by any party to the Commission. The 35-day appeal period expired on July 29, 2025, and no party has contested the ERCOT Board’s approval of the 2026/2027 ERCOT biennial budget and system administration fee, which has a proposed effective date of the beginning of ERCOT’s new fiscal year on January 1, 2026.

**III. The ERCOT 2026/2027 Biennial Budget and System Administration Fee Proposal**

In its 2026/2027 biennial budget and system administration fee proposal, ERCOT seeks to implement a sustainable financial plan that meets ERCOT’s technology and business requirements, while also reducing the current system administration fee rate from \$0.63 per MWh to \$0.61 per MWh for ERCOT fiscal years 2026 and 2027. The proposed biennial budget approved

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<sup>14</sup> The F&A Committee agendas and budget presentation materials are available at: [http://www.ercot.com/committees/board/finance\\_audit/](http://www.ercot.com/committees/board/finance_audit/).

by the ERCOT Board includes \$485,866,258 for ERCOT's fiscal year 2026 and \$585,041,573 for ERCOT's fiscal year 2027 in total spending authorization for operating expenses, project spending, and debt service obligations. ERCOT's proposed 2026/2027 biennial budget includes \$66.3 million in interest income in 2026 and \$42.7 million in interest income in 2027. It is ERCOT management's intention that the \$0.61 per MWh system administration fee rate will remain in effect through the 2026/2027 biennium. ERCOT management is committed to promptly notifying the Commission and market participants of developments that would materially impact ERCOT's ability to operate within its requested budget and system administration fee structure.

In considering possible changes to the system administration fee rate, ERCOT seeks to maintain intergenerational equity between spending and benefits, balanced against providing predictable fee changes.

#### **IV. Budget Drivers for 2026/2027**

In its presentations to the ERCOT Board, and in its consultation meetings with Commission staff, ERCOT has identified three budget request drivers for 2026/2027 as follows:

1. Significant growth in forecast energy use in the ERCOT power region;
2. Incorporation of key initiatives and new demands; and
3. Compliance with the ERCOT Board's debt strategy guidance.

#### **Reduction of System Administration Fee Relative to Approved 2024/2025 Biennial Budget**

ERCOT proposes to reduce the current system administration fee rate from \$0.63 per MWh to \$0.61 per MWh and expects to maintain the reduced system administration fee rate of \$0.61 per MWh through the 2027 budget year. Relative to the 2026/2027 amounts projected in the approved 2024/2025 biennial budget, ERCOT is balancing adequate liquidity against energy forecast uncertainties. The ERCOT region continues to experience significantly above average growth in new load alongside an increasing number of small generation interconnections.

## Incorporation of Key Initiatives and New Demands

For another budget driver, ERCOT has incorporated key initiatives and new grid and regulatory demands. ERCOT will incorporate its strategic plan objectives by enhancing operating capabilities to maintain reliability of an increasingly complex system, improving information exchange to facilitate collaborative interaction, advancing competitive solutions for a changing industry, and optimizing use of ERCOT's resources to provide consistent high-value services.

New demands placed upon ERCOT include regulatory requirements, protocol and planning revisions, enhancing Market-facing operations, and increased information technology (IT) support costs. In regard to regulatory requirements, new demands include increased costs associated with improvements and investments in demand response forecasting and price responsive demand, and increasing support for reliable growth within the ERCOT grid. Anticipated protocol and planning revisions include managing reliable addition and operation of Large Loads and providing thorough, in-depth, and timely analysis that will yield insights and enhance decision-making for ERCOT stakeholders. Enhancing Market-facing operations includes Market Participant communication and support across the organization, from registration to interconnection to implementing revision requests and reliability standards, expanded Reliability Monitoring functions, compliance and monitoring, integrating and supporting a high volume of new small generation data, and enhanced communications. Increased IT costs encompass incremental investments in Grid Transformation, reliability, interconnection, and Market systems to bring improvements sooner, accelerating patching cadence and expanding threat operations to improve security capabilities, as well as ongoing and expanded hardware and software base costs, cloud, data analytics, and AI technology enabling our operations.

Moreover, legislative requirements arising from the 89th Texas Legislative Regular Session created new requirements for ERCOT, with some items still pending resolution at the time of this budget submission.

## Compliance with the ERCOT Board's Debt Strategy Guidance

The final budget driver is ERCOT's obligation to comply with the ERCOT Board's debt strategy guidance. In order to maintain compliance with this strategy, ERCOT will maintain or improve ERCOT's long-term financial integrity by managing outstanding debt and liquidity requirements. ERCOT will maintain stable, fair and predictable fees by using debt matching



appropriately. In addition, ERCOT will provide lowest cost to system administration fee-payers by using the lowest cost debt that is available and appropriate.

ERCOT management has improved operational efficiency through a variety of initiatives. Examples of efficiency savings ERCOT has implemented to help offset costs of new demands include the following:

- (1) The project to upgrade the system for Energy management was completed on budget at \$17 million, \$2 million below the peak budget. It was delivered two weeks ahead of the approved go-live date, and six months ahead of the original target and technology end-of-life.
- (2) The Data Center 5 Refresh (DC5) program was completed at \$60 million, \$1 million below the approved budget and more than \$4 million below the peak budget. It was delivered in 5 years, within the projected range from 2020, and ahead of the technology end-of-life date.
- (3) Information Technology (IT) collaborated with the Identity Access Management Team to automate the conversion of 600 disconnected entitlements for the system for Energy management, 200 for the Oracle database, 160 for the Siebel application, and reduced disconnected Cognos entitlements by over 85% through consolidation. Reducing disconnected entitlements leads to more efficient operations, stronger security, compliance support, improved user experience, and faster service.
- (4) Declaration of Weather Preparedness (DoWP) documents were moved out of DocuSign and into the ServiceNow database to issue Notices of Inspection (NOI) through automated workflows rather than by email. At the same time, we moved communications between Weatherization staff and Market Participants out of email and into the ServiceNow database using Work Orders and weatherization support cases (wSUP). Effectively, all critical correspondence, all DoWPs, all NOIs, and all IRs are now largely automated on the ServiceNow platform eliminating the need for 1 to 2 Full-Time Employees that would otherwise be required to manage the processes while simultaneously improving the data quality.

ERCOT continues to streamline its processes for low-risk, low-cost projects, thereby reducing complexity and staff time and delivering to the market and other users faster. ERCOT management will actively continue to seek these types of opportunities for improved operational efficiency throughout the 2026/2027 biennial budget years.

ERCOT requests the Commission approve a \$25 million accordion line of credit on ERCOT's existing \$100 million revolving line of credit and \$25 million accordion option. ERCOT's initial revolving \$125 million line of credit with JPMorgan Chase Bank, NA (JPMorgan) was executed in June 2012, set to expire in December 2013, and was subsequently amended for two years in 2013, 2015, and 2017. In 2019, the revolver was amended to \$100 million for five years.

As shown in *Attachment G*, the Board on December 3, 2024, authorized ERCOT staff to extend the \$100 million revolving line of credit that was set to mature on December 31, 2024, to December 31, 2029, and with Commission approval to include a \$25 million accordion with the option to increase another \$25 million. The benefit of an accordion is the cost saving on additional unused fees for a higher commitment balance, when borrowings are not present. If approved by the Commission, the additional \$25 million authorization enables ERCOT access to the full \$150 million capacity while only paying fees equal to the lower balance of the fully committed \$100 million.

#### **VI. Request to Discontinue Reporting on Federal Energy Regulatory Commission (FERC) Performance Metrics required by the 2024/2025 Order**

The 2024/2025 Order required ERCOT to annually report to the Commission performance measures or metrics as applicable to ERCOT used by the Federal Energy Regulatory Commission (FERC) to track the operations and markets performance of other Regional Transmission Organizations / Independent System Operators (RTOs / ISOs). In 2024, ERCOT reported 16 of the 29 FERC Common Metrics. ERCOT reviewed the 16 reported metrics and found the following: 10 metrics duplicate other ERCOT reports; 3 metrics are under consideration; and 3 metrics can be reported: EEA Level 1 or Higher; Reliability Must-Run Contract Usage; and Fuel-Adjusted Wholesale Energy Price. For the 3 metrics that can be reported, most reference data is available in existing ERCOT information products. ERCOT requests the Commission discontinue the annual filing to the Commission because this reporting largely duplicates information available in existing ERCOT reports, resulting in added work without added performance-management benefits.

## VII. Conclusion

ERCOT's 2026/2027 Biennial Budget and System Administration Fee Submission, and the consultation process with Commission staff prior to seeking ERCOT Board approval of its biennial budget and system administration fee, conform to the requirements for approval of the ERCOT budget included in 16 TAC § 25.363(d) and the 2024/2025 Order. ERCOT respectfully requests that, prior to Friday, November 14, 2025, the Commission take the actions necessary to approve the 2026/2027 ERCOT biennial budget and authorize the proposed decrease of the current system administration fee rate from \$0.63 per MWh to \$0.61 per MWh for ERCOT's fiscal years 2026 and 2027.

Respectfully Submitted,

/s/ Chad V. Seely

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ATTORNEYS FOR ELECTRIC RELIABILITY  
COUNCIL OF TEXAS, INC.

**DOCKET NO. 38533**

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

**[PROPOSED] ORDER APPROVING ERCOT’S 2026/2027 BIENNIAL BUDGET AND  
AUTHORIZING THE SYSTEM ADMINISTRATION FEE**

The Public Utility Commission of Texas approves the 2026/2027 biennial budget for Electric Reliability Council of Texas, Inc. (ERCOT) and issues instructions for the submission of ERCOT’s 2028/2029 budget in accordance with Public Utility Regulatory Act (PURA)<sup>1</sup> § 39.151 and 16 Texas Administrative Code (TAC) § 25.363(d).

The Commission also approves ERCOT to secure an accordion option for its revolving line of credit and to discontinue the requirement, as per the Commission’s previous order approving the 2024/2025 ERCOT budget, to annually report to the Commission on Federal Energy Regulatory Commission (FERC) performance metrics for federally-regulated Regional Transmission Operators / Independent System Operators (RTOs / ISOs) as applicable to ERCOT.

**I. Background**

ERCOT is the independent organization designated to serve as the independent system operator for the ERCOT power region.<sup>2</sup> It is a Texas non-profit corporation operating as a tax-exempt organization under section 501(c)(4) of the Internal Revenue Code.<sup>3</sup>

The approval of ERCOT’s budget is governed by 16 TAC § 25.363, which provides that ERCOT’s annual budget and any change in the system administration fee are subject to review by the Commission. PURA authorizes the Commission to approve ERCOT’s budget and system administration fee and to order ERCOT to operate under biennial budgets.<sup>4</sup> Additionally, PURA provides that neither the Commission’s process for the review and approval of ERCOT’s budget nor a proceeding to authorize and set the range for the system administration fee constitutes a

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<sup>1</sup> Public Utility Regulatory Act, Tex. Util. Code §§ 11.001–66.016 (PURA).

<sup>2</sup> See PURA §§ 39.151–158.

<sup>3</sup> 26 U.S. Code § 501(c)(4).

<sup>4</sup> See PURA § 39.151(d-1) and (e).

contested case proceeding.<sup>5</sup> As part of the order approving ERCOT's 2024/2025 budget, the Commission also instructed ERCOT to file its proposed budget for fiscal years 2026/2027 and provide specific information to facilitate the Commission's consideration thereof, no later than September 1, 2025.<sup>6</sup>

In accordance with 16 TAC § 25.363(e), ERCOT staff consulted with members of Commission Staff designated by the executive director regarding the development of ERCOT's budget and provided information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses, capital items, and proposals to incur additional debt. Beginning in July 2024, ERCOT and Commission Staff began discussing ERCOT's 2026/2027 budget and system administration fee in preparation for approval of the budget and fee by the ERCOT board of directors in June 2025.

On August 28, 2025, ERCOT filed in this project its proposed 2026/2027 budget and system administration fee, along with supporting documentation.<sup>7</sup> On September 12, 2025, the Commission filed a notice of hearing on ERCOT's proposed 2026/2027 budget and system administration fee.<sup>8</sup> On October 7, 2025, the Commission held a public hearing regarding ERCOT's proposed 2026/2027 budget and system administration fee. ERCOT provided a brief overview of its proposed budget. No other person provided comments.

The Commission considered ERCOT's proposed 2026/2027 budget and system administration fee at an open meeting held on November 6, 2025.

## II. Summary of ERCOT's Proposed 2026/2027 Budget and Fee

The proposed 2026/2027 budget approved by the ERCOT board includes \$485,866,258 million for fiscal year 2026 and \$585,041,573 million for fiscal year 2027 in total spending

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<sup>5</sup> See PURA § 39.151(e-1).

<sup>6</sup> *PUC Review of ERCOT Budget*, Project No. 38533, Order Approving ERCOT's 2024 to 2025 Biennial Budget and Authorizing the System Administration Fee (Nov. 15, 2023) (2024/2025 Order).

<sup>7</sup> *PUC Review of ERCOT Budget*, Project No. 38533, ERCOT's 2026/2027 Biennial Budget and System Administration Fee Submission (Aug. 28, 2025).

<sup>8</sup> 44 Tex. Reg. 5444 (Sept. 12, 2025); see also, Project No. 38533, Notice of Public Hearing on Proposed ERCOT Budget for 2020-2021 and Request for Comments (Sept. 12, 2025).

authorization for operating expenses, project spending, and debt service obligations. The 2026/2027 budget will be funded through a system administration fee of \$0.61 per MWh, which is reduced from the \$0.63 per MWh rate that was approved by the Commission in 2023 as part of the 2024/2025 ERCOT budget review.<sup>9</sup>

In its proposed 2026/2027 biennial budget and system administration fee filing, ERCOT stated that its overall rationale supporting the budget and fee is “to implement a sustainable financial plan that meets ERCOT’s technology and business requirements, while also decreasing the current system administration fee rate from \$0.63 per MWh to \$0.61 per MWh for ERCOT fiscal years 2026 and 2027.”<sup>10</sup> ERCOT presented the following three factors influencing its budget request:

1. Significant growth in forecast energy use in the ERCOT power region;
2. Incorporation of key initiatives and new demands; and
3. Compliance with the ERCOT board’s debt strategy guidance.<sup>11</sup>

#### **A. Reduction of System Administration Fee Rate**

ERCOT stated that its strategy relative to the 2024/2025 budget includes reducing the current system administration fee of \$0.63 per MWh to \$0.61 per MWh through the 2027 budget year, with projections for \$66.3 million in interest income in 2026 and \$42.7 million in interest income in 2027.

#### **B. Incorporating Key Initiatives and New Demands**

ERCOT stated that it has incorporated key initiatives and new demands into its budget, including its strategic plan objectives, by enhancing operating capabilities to maintain reliability of an increasingly complex system, improving information exchange to facilitate collaborative interaction, advancing competitive solutions for a changing industry, and optimizing use of ERCOT’s resources to provide consistent high-value services. The budget proposed by ERCOT

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<sup>9</sup> *PUC Review of ERCOT Budget*, Project No. 38533, Order Approving ERCOT’s 2024 to 2025 Biennial Budget and Authorizing the System Administration Fee (Nov. 15, 2023) (2024/2025 Order).

<sup>10</sup> *PUC Review of ERCOT Budget*, Project No. 38533, ERCOT’s 2026 to 2027 Biennial Budget and System Administration Fee Submission (Aug. 28, 2025).

<sup>11</sup> *Id.*

also addresses the new demands placed upon ERCOT including regulatory requirements, protocol and planning revisions, enhancing Market-facing operations, and increased information technology (IT) support costs. With regard to regulatory requirements, ERCOT's proposed budget anticipates increased costs associated with improvements and investments in demand response forecasting and price responsive demand, and increasing support for reliable growth within the ERCOT grid. In addition, the presented budget reflects ERCOT's expectations of protocol and planning revisions, including managing reliable addition and operation of Large Loads and providing thorough, in-depth, and timely analysis that will yield insights and enhance decision-making for ERCOT stakeholders. Market-facing operations include Market Participant communication, from registration to interconnection to implementing revision requests and reliability standards, expanded Reliability Monitoring functions, compliance and monitoring, integrating and supporting a high volume of new small generation data, and enhanced communications. Increased IT costs include incremental investments in Grid Transformation, reliability, interconnection, and Market systems to bring improvements sooner, accelerating patching cadence and expanding threat operations to improve security capabilities, as well as ongoing and expanded hardware and software base costs, cloud, data analytics, and AI technology enabling our operations. Legislative requirements arising from the 89th Texas Legislative Regular Session created new requirements for ERCOT, with some items still pending resolution at the time of this budget submission.

### **C. Complying with the ERCOT Board's Debt Strategy**

ERCOT reports that in order to fulfill its obligation to comply with the board's debt strategy guidance, ERCOT will maintain or improve ERCOT's long-term financial integrity by continuing to decrease outstanding debt and increase liquidity. ERCOT states that it will maintain stable, fair and predictable fee changes by using debt matching appropriately. In addition, ERCOT will provide lowest cost to system administration fee-payers by using the lowest cost debt that is available and appropriate.

The Commission has reviewed ERCOT's request, submitted pursuant to 16 TAC § 25.363(a)(4), that the Commission approve a \$25 million line of credit on ERCOT's existing \$100 million revolving line of credit and \$25 million accordion option. The Commission approves the request considering the following facts: ERCOT's initial revolving \$125 million line of credit with

JPMorgan Chase Bank, NA (JPMorgan) was executed in June 2012, set to expire in December 2013, and was subsequently amended for two years in 2013, 2015, and 2017. In 2019, the revolver was amended to \$100 million for five years.

The Board of Directors on December 3, 2024, authorized ERCOT staff to extend the \$100 million revolving line of credit that was set to mature on December 31, 2024, to December 31, 2029, and with Commission approval to include a \$25 million accordion with the option to increase another \$25 million.

The benefit of an accordion is cost saving on additional unused fees for a higher commitment balance, when borrowings are not present. ERCOT would retain access to the full \$125-\$150 million capacity but pays fees equal to the lower balance of the fully committed \$100 million. To support the independent organization's realization of these benefits for the ERCOT power region, the Commission approves ERCOT's request related to the revolver.

### **III. Approval of ERCOT's 2026–2027 Biennial Budget and Authorization of System Administration Fee**

Commission Staff consulted with ERCOT regarding the development of ERCOT's proposed 2026/2027 budget and system administration fee. ERCOT provided Commission Staff with information regarding ERCOT's 2026/2027 budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt. Commission Staff reviewed ERCOT's proposed 2026/2027 budget and recommended that the Commission approve ERCOT's proposed 2026/2027 budget, which includes a system administration fee of \$0.61 per MWh.

The Commission has reviewed ERCOT's proposed 2026/2027 budget, and based on the foregoing facts, approves ERCOT's proposed 2026/2027 budget and authorizes ERCOT to the system administration fee rate of \$0.61 per MWh, as proposed by ERCOT in its August 28, 2025 filing, to become effective at the beginning of ERCOT's new fiscal year on January 1, 2026.

### **IV. Approval of ERCOT's Request to Discontinue Reporting on Federal Energy Regulatory Commission (FERC) Performance Metrics**

The 2024/2025 Order required ERCOT to annually report to the Commission performance measures or metrics as applicable to ERCOT used by FERC to track the operations and markets



performance of other RTOs / ISOs. The Commission has reviewed ERCOT's request to discontinue the requirement for the annual report and approves the request based upon ERCOT's assertion of the following facts: In 2024, ERCOT reported 16 of the 29 FERC Common Metrics. ERCOT reviewed the 16 reported metrics and found the following: 10 metrics duplicate other ERCOT reports; 3 metrics are under consideration; and 3 metrics can be reported: EEA Level 1 or Higher; Reliability Must-Run Contract Usage; and Fuel-Adjusted Wholesale Energy Price. For the 3 metrics that can be reported, most referenced data is available in existing ERCOT information products. The Commission agrees that largely duplicating information available in existing ERCOT reports would result in added work without added performance-management benefits.

#### **VI. Instructions for Submission of ERCOT's Proposed 2028/2029 Budget**

To ensure sufficient time for review, public comment, and consideration by the Commission, ERCOT shall file its proposed budget for fiscal years 2028/2029 no later than September 1, 2027. However, this deadline can be altered, for good cause, by the Commission Staff designated by the executive director.<sup>12</sup> If the deadline is altered, Commission Staff shall file a document in this project with the new deadline by which ERCOT must file its proposed 2028/2029 budget.

ERCOT's proposed 2028/2029 biennial budget submission should resemble the legislative-appropriation-request methodology utilized by the Legislative Budget Board and the governor's Budget and Planning Division; therefore, ERCOT shall provide a proposed 2028/2029 budget that contains total baseline expenditures equal to ERCOT's Commission-approved 2026 and 2027 total revenue requirements, excluding favorable financial variances realized in 2025 for budget year 2026, and in 2026 for budget year 2027. ERCOT may request increases to the total baseline expenditure amounts for 2026 and 2027 by providing a detailed explanation for each specific exceptional expenditure item. The detailed explanation for an exceptional expenditure item must include the proposed increased revenue requirement and proposed fee increase that would be necessary to fund these items. The requirements set forth above do not in any way limit

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<sup>12</sup> 16. TAC § 25.363(d).

the ability of Commission Staff to request additional information, including schedules, from ERCOT pursuant to PURA § 39.151(e).

**Signed at Austin, Texas the \_\_\_\_\_ day of November 2025.**

**PUBLIC UTILITY COMMISSION OF TEXAS**

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**THOMAS J. GLEESON, CHAIRMAN**

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**KATHLEEN JACKSON, COMMISSIONER**

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**COURTNEY K. HJALTMAN, COMMISSIONER**

Attachment A

ERCOT Board Resolution Approving Proposed 2026/2027 Biennial  
Budget and System Administration Fee



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

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to accept the recommendations of ERCOT staff and the Finance and Audit (F&A) Committee that the Board approve the ERCOT recommended 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 October 12, 2021 (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;
- 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 unanimous voice vote with no abstentions.

IN WITNESS WHEREOF, I have hereunto set my hand this 20<sup>th</sup> day of August 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	-	-	
<b>7 Total Sources</b>	<b>\$ 453.3</b>	<b>\$ 414.3</b>	<b>\$ 457.9</b>	<b>\$ 485.9</b>	<b>\$ 585.0</b>	<b>\$ 545.4</b>	<b>\$ 575.4</b>	<b>\$ 614.3</b>	<b>\$ 649.3</b>	
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	
<b>16 Total Uses</b>	<b>\$ 453.3</b>	<b>\$ 414.3</b>	<b>\$ 457.9</b>	<b>\$ 485.9</b>	<b>\$ 585.0</b>	<b>\$ 545.4</b>	<b>\$ 575.4</b>	<b>\$ 614.3</b>	<b>\$ 649.3</b>	

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

Schedule may not foot due to rounding.

Attachment B - 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	<b>System Administration Fee Rate (SAF)</b>	\$ 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	<b>System Administration Fee Revenue</b>	\$ 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	<b>Total Net Expenditures</b>	\$ 323.6	\$ 364.3	\$ 348.0	\$ 419.9	\$ 510.5	\$ 465.3	\$ 489.3	\$ 511.4	\$ 547.4
9	<b>Net Available Before Non-Operating</b>	\$ (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	<b>Non-Operating Sources &amp; Uses</b>	\$ 108.9	\$ 35.4	\$ 94.6	\$ 62.0	\$ 38.5	\$ 31.1	\$ 31.1	\$ 31.1	\$ 31.1
13	<b>Net Available</b>	\$ 77.0	\$ (26.5)	\$ 56.1	\$ (41.3)	\$ (115.4)	\$ (27.0)	\$ (0.3)	\$ 10.3	\$ 2.1
<b>Year-End Balances: Notes Payable, CRR Borrowings, Cash, and CRR Fund</b>										
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.

## Attachment B

ERCOT Staff Presentation of the 2026/2027 Budget and System  
Administration Fee to the  
Finance and Audit Committee and the  
ERCOT Board of Directors on June 23-24, 2025





**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**

*Richard L. Scheel, CPA*  
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

# Recommendation regarding 2026-2027 Budget and Fee

## 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
<b>1 Base Scenario: Rate Increase 1/1/2026 (Rate Projected in 24/25 Budget) with Current Forecasts for 2025-2033</b>										
2				17.5%		4.1%				
3				3.7%						
4										
5										
6										
7										
8										
9										
10										
<b>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</b>										
7				-3.2%					9.8%	
8				1.2%						
9										
10										
<b>11 Option 2: Two-Year Rate Changes starting 1/1/2026 to reach approximately \$75M Cash Balance by end of 2029, 2031, and 2033</b>										
12				-3.2%		3.3%		-3.2%		9.8%
13				1.2%						
14										
15										
<b>16 Option 3: Four-Year Rate Changes 1/1/2026 to reach approximately \$75M Cash Balance by end of 2033</b>										
17				-3.2%				6.6%		
18				1.2%						
19										
20										
<b>21 Option 4: Two-Year Rate Changes starting 1/1/2026 to reach approximately \$50M Cash Balance by end of 2029, 2031, and 2033</b>										
22				-3.2%		1.6%		1.6%		1.6%
23				1.2%						
24										
25										

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

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



# Recommendation regarding 2026-2027 Budget and Fee

## 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 Actual	2025 Budget	2025 Forecast	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection	
1	<b>System Administration Fee Rate (SAF) \$</b>	<b>0.630</b>	<b>\$ 0.630</b>	<b>\$ 0.630</b>	<b>\$ 0.610</b>	<b>\$ 0.610</b>	<b>\$ 0.610</b>	<b>\$ 0.610</b>	<b>\$ 0.610</b>	
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	<b>System Administration Fee Revenue \$</b>	<b>291.8</b>	<b>\$ 302.4</b>	<b>\$ 309.5</b>	<b>\$ 316.6</b>	<b>\$ 356.6</b>	<b>\$ 407.1</b>	<b>\$ 457.9</b>	<b>\$ 490.5</b>	<b>\$ 518.4</b>
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	<b>Total Net Expenditures \$</b>	<b>323.6</b>	<b>\$ 364.3</b>	<b>\$ 348.0</b>	<b>\$ 419.9</b>	<b>\$ 510.5</b>	<b>\$ 465.3</b>	<b>\$ 489.3</b>	<b>\$ 511.4</b>	<b>\$ 547.4</b>
9	<b>Net Available Before Non-Operating \$</b>	<b>(31.9)</b>	<b>\$ (61.9)</b>	<b>\$ (38.5)</b>	<b>\$ (103.3)</b>	<b>\$ (153.9)</b>	<b>\$ (58.2)</b>	<b>\$ (31.4)</b>	<b>\$ (20.9)</b>	<b>\$ (29.0)</b>
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	<b>Non-Operating Sources &amp; Uses \$</b>	<b>108.9</b>	<b>\$ 35.4</b>	<b>\$ 94.6</b>	<b>\$ 62.0</b>	<b>\$ 38.5</b>	<b>\$ 31.1</b>	<b>\$ 31.1</b>	<b>\$ 31.1</b>	<b>\$ 31.1</b>
13	<b>Net Available \$</b>	<b>77.0</b>	<b>\$ (26.5)</b>	<b>\$ 56.1</b>	<b>\$ (41.3)</b>	<b>\$ (115.4)</b>	<b>\$ (27.0)</b>	<b>\$ (0.3)</b>	<b>\$ 10.3</b>	<b>\$ 2.1</b>
<b>Year-End Balances: Notes Payable, CRR Borrowings, Cash, and CRR Fund</b>										
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	-	-
<b>7 Total Sources</b>	<b>\$ 453.3</b>	<b>\$ 414.3</b>	<b>\$ 457.9</b>	<b>\$ 485.9</b>	<b>\$ 585.0</b>	<b>\$ 545.4</b>	<b>\$ 575.4</b>	<b>\$ 614.3</b>	<b>\$ 649.3</b>
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
<b>16 Total Uses</b>	<b>\$ 453.3</b>	<b>\$ 414.3</b>	<b>\$ 457.9</b>	<b>\$ 485.9</b>	<b>\$ 585.0</b>	<b>\$ 545.4</b>	<b>\$ 575.4</b>	<b>\$ 614.3</b>	<b>\$ 649.3</b>

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

Schedule may not foot due to rounding.

**Key Takeaway:** In addition to the SAF rate, the PUCT approves ERCOT's total authorized spend. Line 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

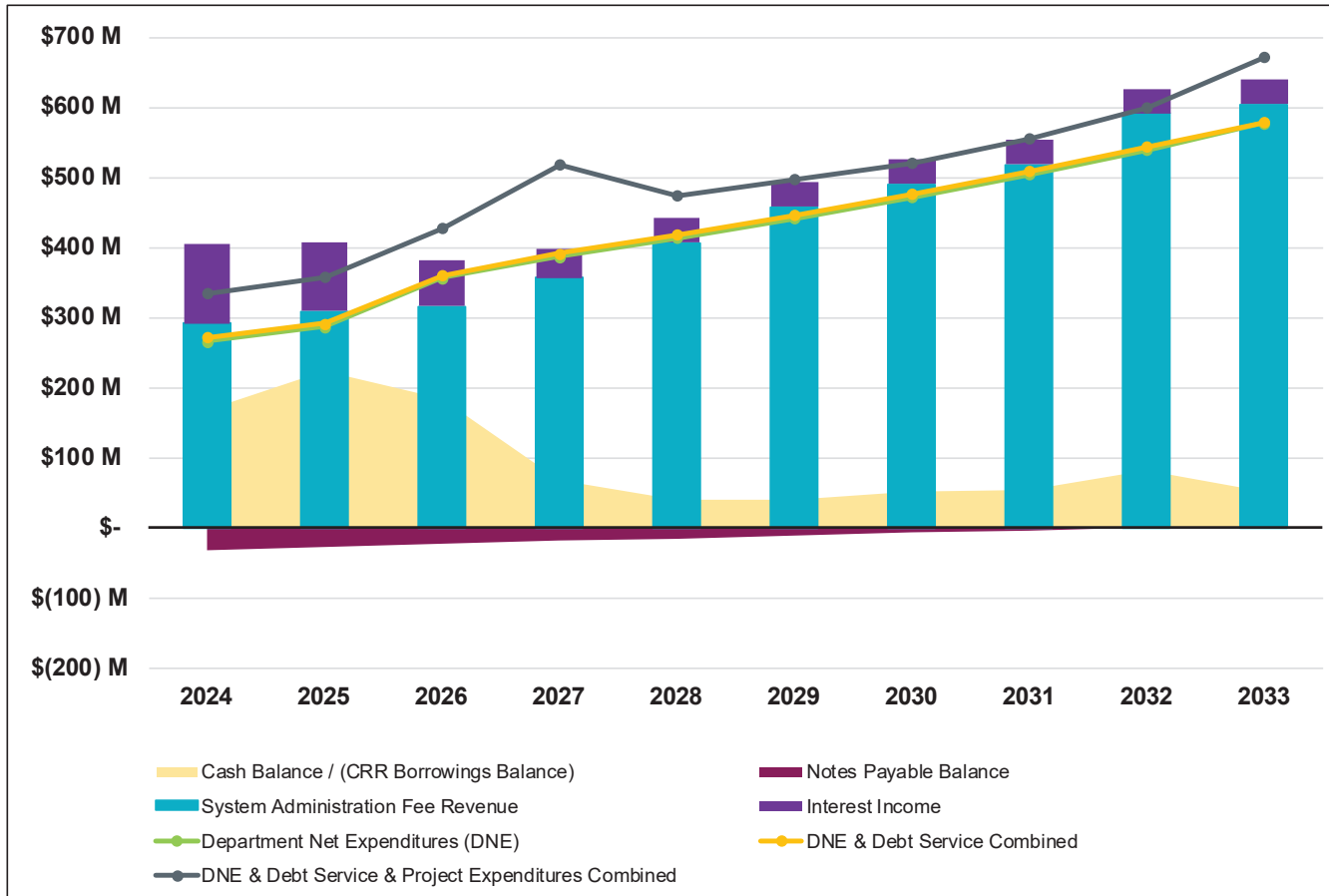
Line	Revenues	2025				2026		2027		2028		2029		2030		2031	
		Budget		Forecast		Request		Request		Projection		Projection		Projection			
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%		
1	<b>System Administration Fee (SAF)</b>	\$ 302.4	94.4%	\$ 309.5	93.4%	\$ 316.6	90.7%	\$ 356.6	90.0%	\$ 407.1	90.4%	\$ 457.9	90.6%	\$ 490.5	90.4%	\$ 518.4	90.1%
2	<b>User Fees</b>																
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	<b>User Fees Total</b>	<b>16.3</b>	<b>5.1%</b>	<b>20.2</b>	<b>6.1%</b>	<b>\$ 30.9</b>	<b>8.9%</b>	<b>\$ 37.9</b>	<b>9.6%</b>	<b>41.7</b>	<b>9.3%</b>	<b>45.9</b>	<b>9.1%</b>	<b>50.5</b>	<b>9.3%</b>	<b>55.5</b>	<b>9.6%</b>
10	<b>Other Revenues</b>																
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	<b>Total Revenues</b>	<b>\$ 320.4</b>	<b>100.0%</b>	<b>\$ 331.5</b>	<b>100.0%</b>	<b>\$ 349.1</b>	<b>100.0%</b>	<b>\$ 396.1</b>	<b>100.0%</b>	<b>\$ 450.4</b>	<b>100.0%</b>	<b>\$ 505.4</b>	<b>100.0%</b>	<b>\$ 542.6</b>	<b>100.0%</b>	<b>\$ 575.6</b>	<b>100.0%</b>

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	<b>Revenues</b>									
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	<b>Total Revenues</b>	<b>\$ 453.3</b>	<b>\$ 387.8</b>	<b>\$ 457.9</b>	<b>\$ 444.6</b>	<b>\$ 469.6</b>	<b>\$ 518.3</b>	<b>\$ 575.1</b>	<b>\$ 614.3</b>	<b>\$ 649.3</b>
7	<b>Less: Non-Project Expenditures</b>									
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	<b>Net Revenues Available for Debt Service</b>	<b>\$ 139.6</b>	<b>\$ 38.4</b>	<b>\$ 120.8</b>	<b>\$ 26.2</b>	<b>\$ 11.9</b>	<b>\$ 28.7</b>	<b>\$ 51.2</b>	<b>\$ 53.5</b>	<b>\$ 48.9</b>
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	<b>Total Debt Service</b>	<b>\$ 5.3</b>	<b>\$ 4.4</b>	<b>\$ 4.2</b>	<b>\$ 4.2</b>	<b>\$ 4.2</b>	<b>\$ 4.2</b>	<b>\$ 4.2</b>	<b>\$ 4.2</b>	<b>\$ 4.2</b>
14	<b>Calculated Debt Service Coverage Ratio</b>	<b>26.2</b>	<b>8.8</b>	<b>28.9</b>	<b>6.2</b>	<b>2.8</b>	<b>6.8</b>	<b>12.1</b>	<b>12.6</b>	<b>11.6</b>
<b>Liquidity Ratio</b>										
	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	<b>Targeted Minimum Level of Liquidity</b>	<b>\$ 59.8</b>	<b>\$ 65.9</b>	<b>\$ 63.7</b>	<b>\$ 77.5</b>	<b>\$ 93.8</b>	<b>\$ 86.9</b>	<b>\$ 91.6</b>	<b>\$ 96.0</b>	<b>\$ 102.9</b>
19	<b>Undrawn Borrowing Capacity</b>	<b>\$ 100.0</b>	<b>\$ 100.0</b>	<b>\$ 150.0</b>	<b>\$ 150.0</b>	<b>\$ 150.0</b>	<b>\$ 150.0</b>	<b>\$ 150.0</b>	<b>\$ 150.0</b>	<b>\$ 150.0</b>
20	<b>Liquidity Ratio</b>	<b>1.7</b>	<b>1.5</b>	<b>2.4</b>	<b>1.9</b>	<b>1.6</b>	<b>1.7</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>

Schedule may not foot due to rounding

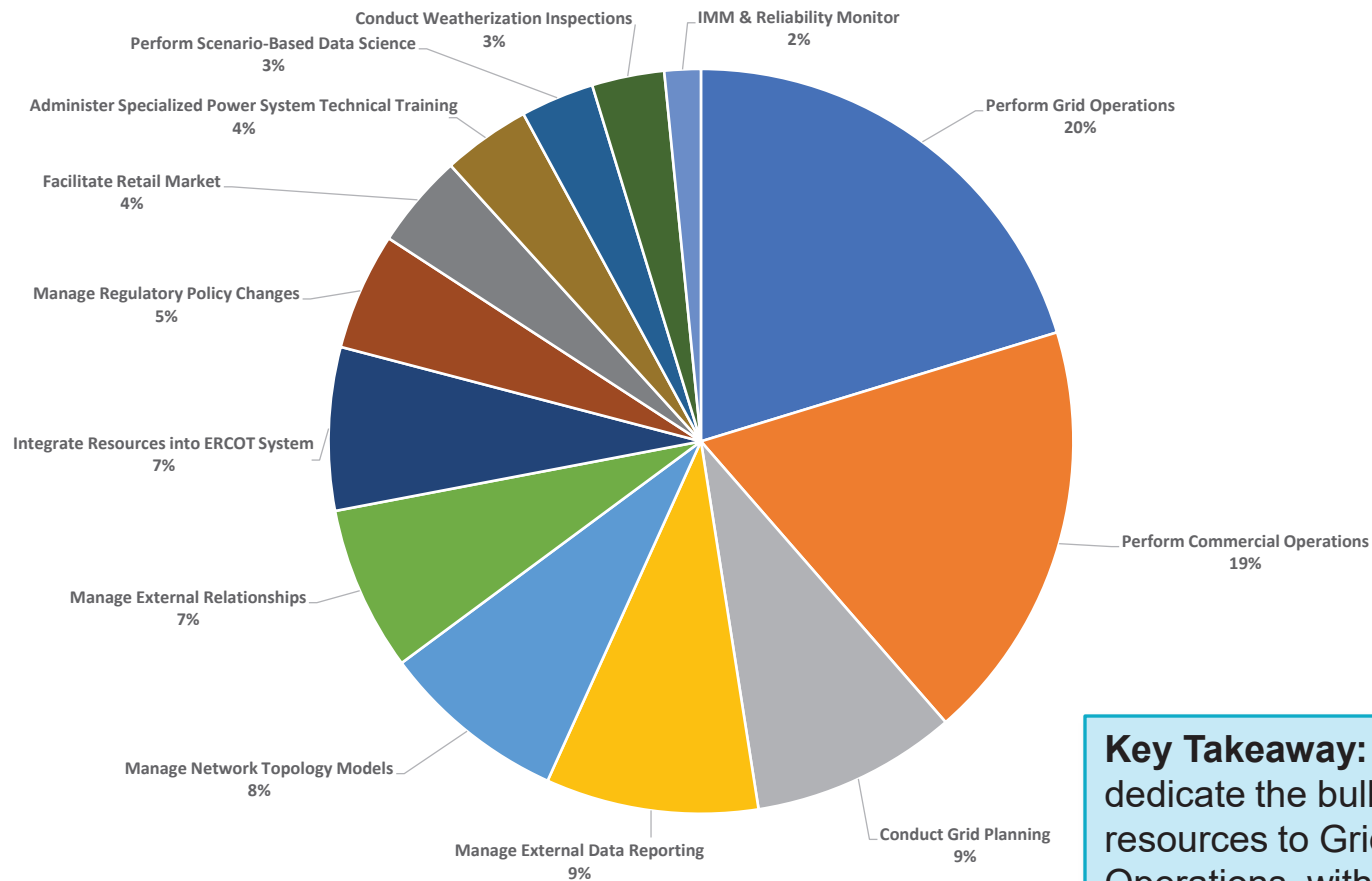
## Key Takeaways:

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

# Recommendation regarding 2026-2027 Budget and Fee

## 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

## Recommendation regarding 2026-2027 Budget and Fee

### 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	<b>\$ 68.0</b>	\$ 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	<b>\$ 68.0</b>	\$ 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	\$ <b>68.0</b>	\$ 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	<b>\$ 68.0</b>	\$ 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

# Recommendation regarding 2026-2027 Budget and Fee

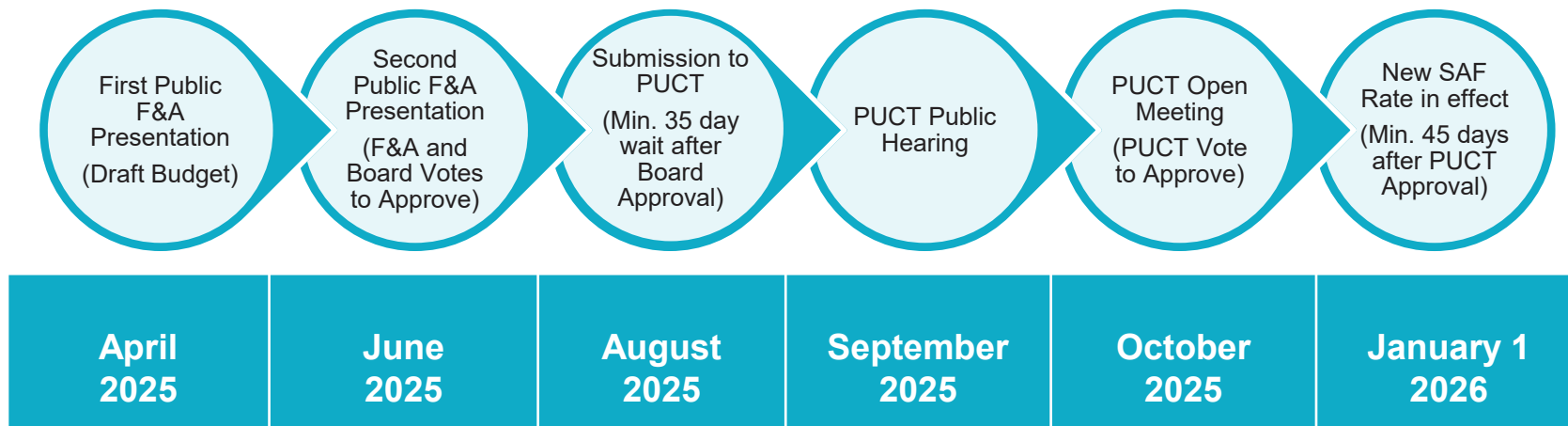
## 5. Appendices

- 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

# Recommendation regarding 2026-2027 Budget and Fee

## Approval Timeline and Budget Overview

# Recommendation regarding 2026-2027 Budget and Fee Approval Timeline



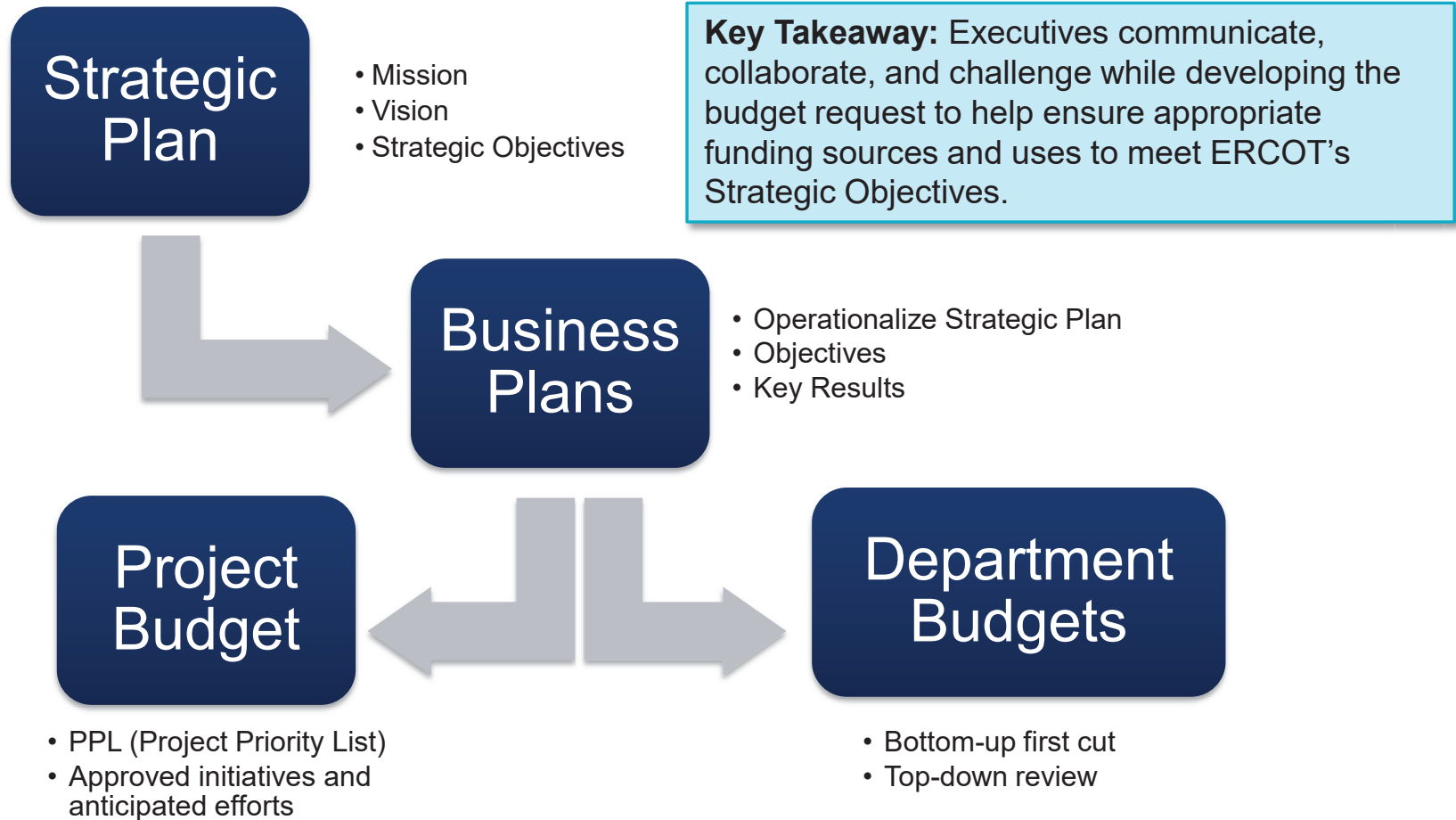
## Key Takeaway:

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	<b>Totals</b>	<b>\$ 55.5</b>	<b>151</b>	<b>\$ 10.1</b>	<b>34</b>	<b>\$ 5.1</b>	<b>20</b>	<b>\$ 13.5</b>	<b>18</b>	<b>\$ 26.8</b>	<b>79</b>

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	<b>Total Department Net Expenditures</b>	<b>\$ 136.5</b>	<b>\$ 169.5</b>	<b>\$ 33.0</b>	<b>\$ 8.1</b>	<b>\$ 3.7</b>	<b>\$ 5.8</b>	<b>\$ 15.4</b>
5	Project Expenditures	26.6	45.7	19.1	(2.6)	0.5	2.9	18.2
6	<b>Total DNE and Project Expenditures</b>	<b>\$ 163.1</b>	<b>\$ 215.1</b>	<b>\$ 52.1</b>	<b>\$ 5.5</b>	<b>\$ 4.2</b>	<b>\$ 8.7</b>	<b>\$ 33.7</b>
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"> <li>• 12 Monthly Resource Assessments (MORA) with Probability metrics (replaces the 4 SARAs per year)</li> <li>• 4 Capacity, Demand and Reserves Reports (CDR)</li> <li>• 4 NERC Assessments requiring cumulative 60% more time for compliance</li> </ul>	<p>New 2025/2026:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Texas Reliability Entity–Increased coordination and energy risk modeling support for conducting "independent" energy assessments (new NERC requirement for their Regional Entities)</li> </ul> <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"> <li>• 12 Monthly Outlook for Resource Adequacy (MORA)</li> <li>• 3 Capacity, Demand and Reserves (CDR) reports</li> <li>• 5 NERC annual/seasonal assessments (New NERC Probabilistic Assessment: Changed from Biennial to Annual)</li> <li>• 1 New FERC annual metrics submissions</li> </ul>	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"> <li>• 12 Monthly Generator Interconnection Status (GIS) Reports</li> <li>• 12 Co-located Energy Identification Reports</li> <li>• 12 Monthly Demand &amp; Energy Reports</li> <li>• 24 Monthly Installed Annual/Planned Monthly Capacity Trends Reports</li> <li>• 2 Seasonal Drought Risk Assessment Reports</li> <li>• 4 Quarterly Unregistered Distributed Generation Reports</li> <li>• 1 Annual Unregistered Distributed Generation Report</li> </ul>	<p>2025 = 71 reports</p> <ul style="list-style-type: none"> <li>• 12 Monthly Generator Interconnection Status (GIS) Reports</li> <li>• 12 Co-located Energy Identification Reports</li> <li>• 12 Monthly Demand &amp; Energy Reports</li> <li>• 24 Monthly Installed Annual/Planned Monthly Capacity Trends Reports</li> <li>• 4 Quarterly Decommissioned Resource Reports (New)</li> <li>• 2 Seasonal Drought Risk Assessment Reports</li> <li>• 4 Quarterly Unregistered Distributed Generation Reports</li> <li>• 1 Annual Unregistered Distributed Generation Report</li> </ul> <p>2026 = 54 reports</p> <ul style="list-style-type: none"> <li>• Same 2026 reports with: <ul style="list-style-type: none"> <li>– 12 fewer Battery Reports (integrated into GIS reports)</li> <li>– 5 fewer Unregistered Distributed Generation reports</li> </ul> </li> </ul> <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 vs 2026 Request			Strategic Objectives			
		2025 Budget	2026 Request	2026 Request	1	2	3	Other
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	<b>Total Department Net Expenditures</b>	<b>\$ 24.2</b>	<b>\$ 23.8</b>	<b>\$ (0.4)</b>	<b>\$ 1.5</b>	<b>\$ 0.4</b>	<b>\$ 0.3</b>	<b>\$ (2.6)</b>
5	Project Expenditures	4.1	5.8	1.6	1.4	-	-	0.2
6	<b>Total DNE and Project Expenditures</b>	<b>\$ 28.4</b>	<b>\$ 29.6</b>	<b>\$ 1.2</b>	<b>\$ 2.9</b>	<b>\$ 0.4</b>	<b>\$ 0.3</b>	<b>\$ (2.3)</b>
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	2026 Request	2025 Budget vs 2026 Request	Strategic Objectives				Other
					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	<b>Total Department Net Expenditures</b>	<b>\$ 40.3</b>	<b>\$ 46.7</b>	<b>\$ 6.4</b>	<b>\$ 1.1</b>	<b>\$ 0.1</b>	<b>\$ 0.2</b>	<b>\$ 4.9</b>	
5	Project Expenditures	3.7	4.5	0.8	(0.4)	-	-	1.2	
6	<b>Total DNE and Project Expenditures</b>	<b>\$ 43.9</b>	<b>\$ 51.1</b>	<b>\$ 7.2</b>	<b>\$ 0.7</b>	<b>\$ 0.1</b>	<b>\$ 0.2</b>	<b>\$ 6.2</b>	
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	<b>Total Department Net Expenditures</b>	<b>\$ 24.3</b>	<b>\$ 26.3</b>	<b>\$ 2.0</b>	<b>\$ 0.2</b>	<b>\$ 0.4</b>	<b>\$ 0.0</b>	<b>\$ 1.4</b>	
5	Project Expenditures	20.9	2.9	(18.0)	0.1	0.5	-	(18.6)	
6	<b>Total DNE and Project Expenditures</b>	<b>\$ 45.2</b>	<b>\$ 29.2</b>	<b>\$ (16.0)</b>	<b>\$ 0.3</b>	<b>\$ 0.9</b>	<b>\$ 0.0</b>	<b>\$ (17.2)</b>	
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 SCRMs Terms Reviews: 206	Supplier contracts: 668 Licensing SCRMs 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	<b>Total Department Net Expenditures</b>	<b>\$ 33.6</b>	<b>\$ 34.8</b>	<b>\$ 1.1</b>	<b>\$ 0.3</b>	<b>\$ -</b>	<b>\$ 0.7</b>	<b>\$ 0.2</b>
5	Project Expenditures	3.5	4.1	0.6	-	-	(0.6)	1.2
6	<b>Total DNE and Project Expenditures</b>	<b>\$ 37.1</b>	<b>\$ 38.9</b>	<b>\$ 1.7</b>	<b>\$ 0.3</b>	<b>\$ -</b>	<b>\$ 0.1</b>	<b>\$ 1.3</b>
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	<b>Total Department Net Expenditures</b>	<b>\$ 25.3</b>	<b>\$ 28.9</b>	<b>\$ 3.5</b>	<b>\$ 0.2</b>	<b>\$ 0.7</b>	<b>\$ 0.1</b>	<b>\$ 2.6</b>
5	Project Expenditures	1.7	0.4	(1.3)	-	(1.3)	-	-
6	<b>Total DNE and Project Expenditures</b>	<b>\$ 27.1</b>	<b>\$ 29.2</b>	<b>\$ 2.2</b>	<b>\$ 0.2</b>	<b>\$ (0.6)</b>	<b>\$ 0.1</b>	<b>\$ 2.6</b>
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	<b>Total Department Net Expenditures</b>	<b>\$ 13.3</b>	<b>\$ 16.0</b>	<b>\$ 2.7</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2.6</b>	<b>\$ 0.1</b>
5	Project Expenditures	-	-	-	-	-	-	-
6	<b>Total DNE and Project Expenditures</b>	<b>\$ 13.3</b>	<b>\$ 16.0</b>	<b>\$ 2.7</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2.6</b>	<b>\$ 0.1</b>
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



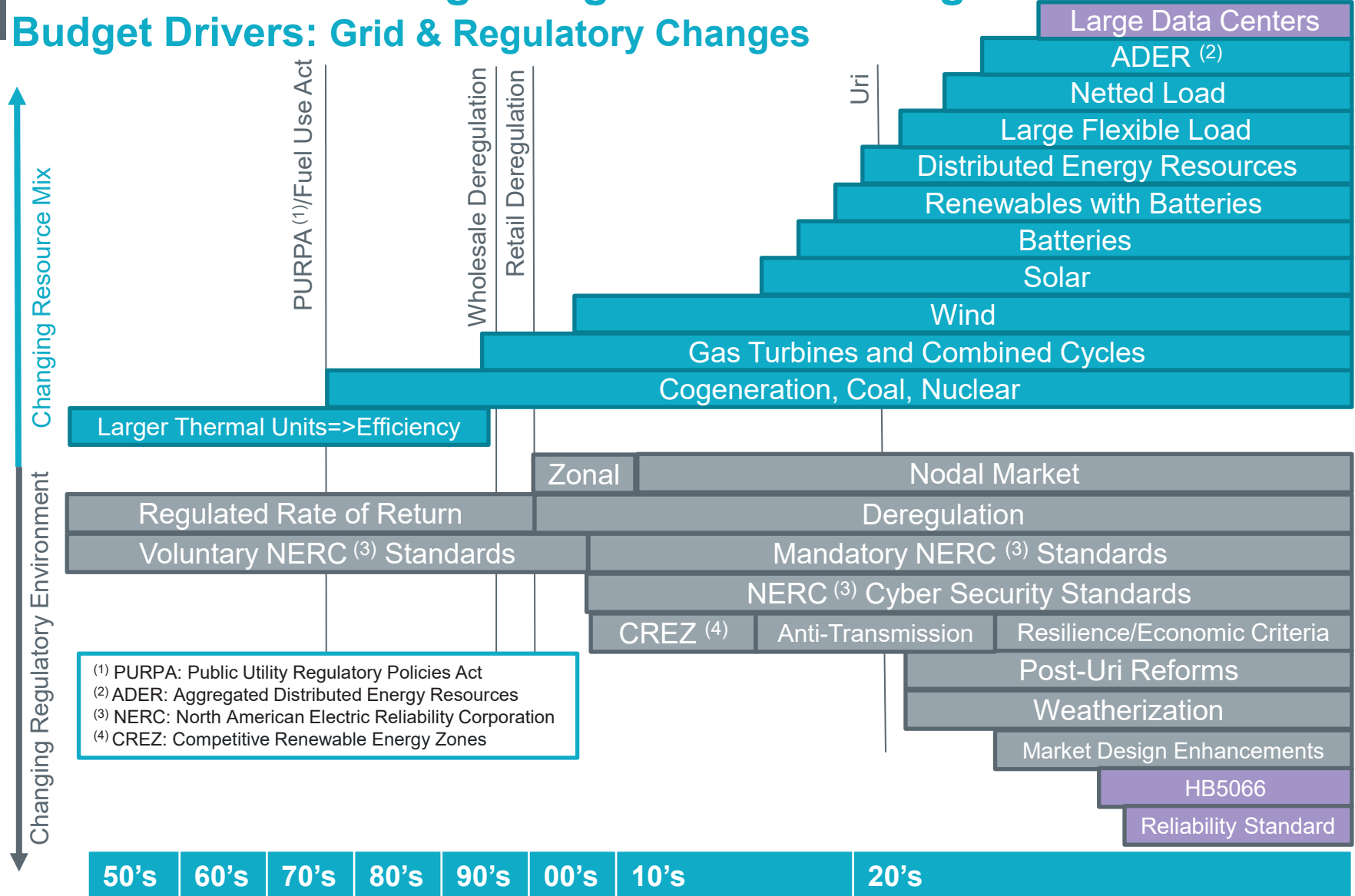
# Recommendation regarding 2026-2027 Budget and Fee

## 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

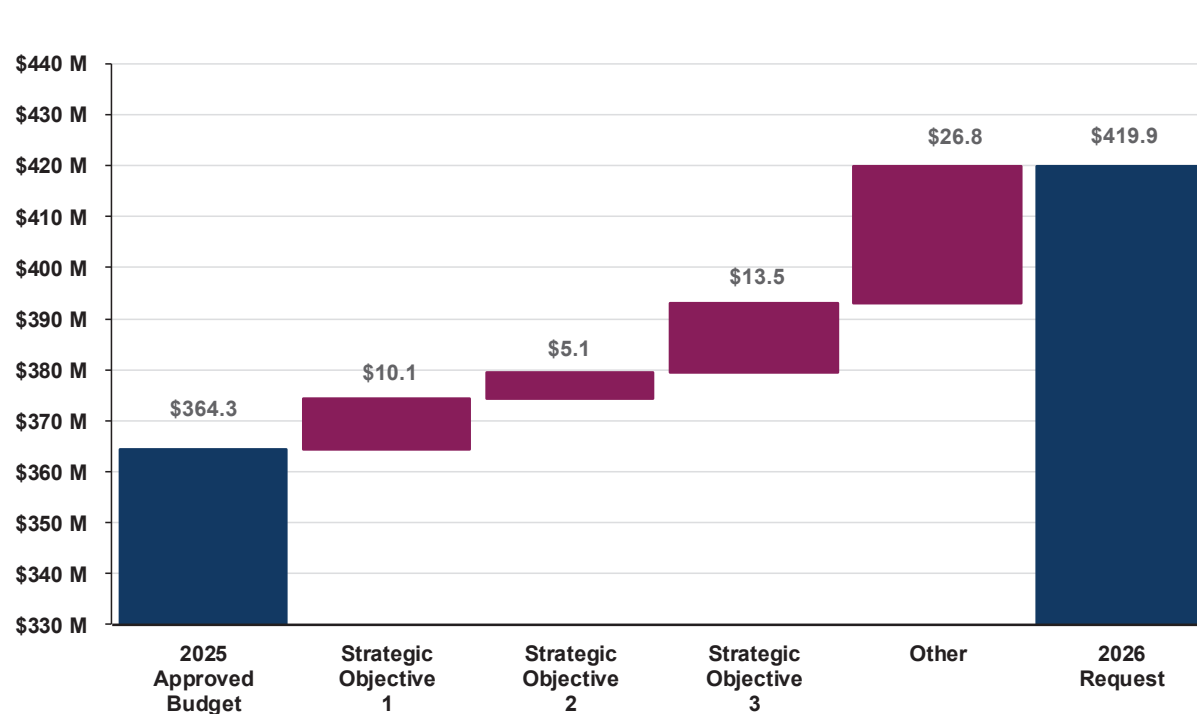
### Primary Expenditure Assumptions

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

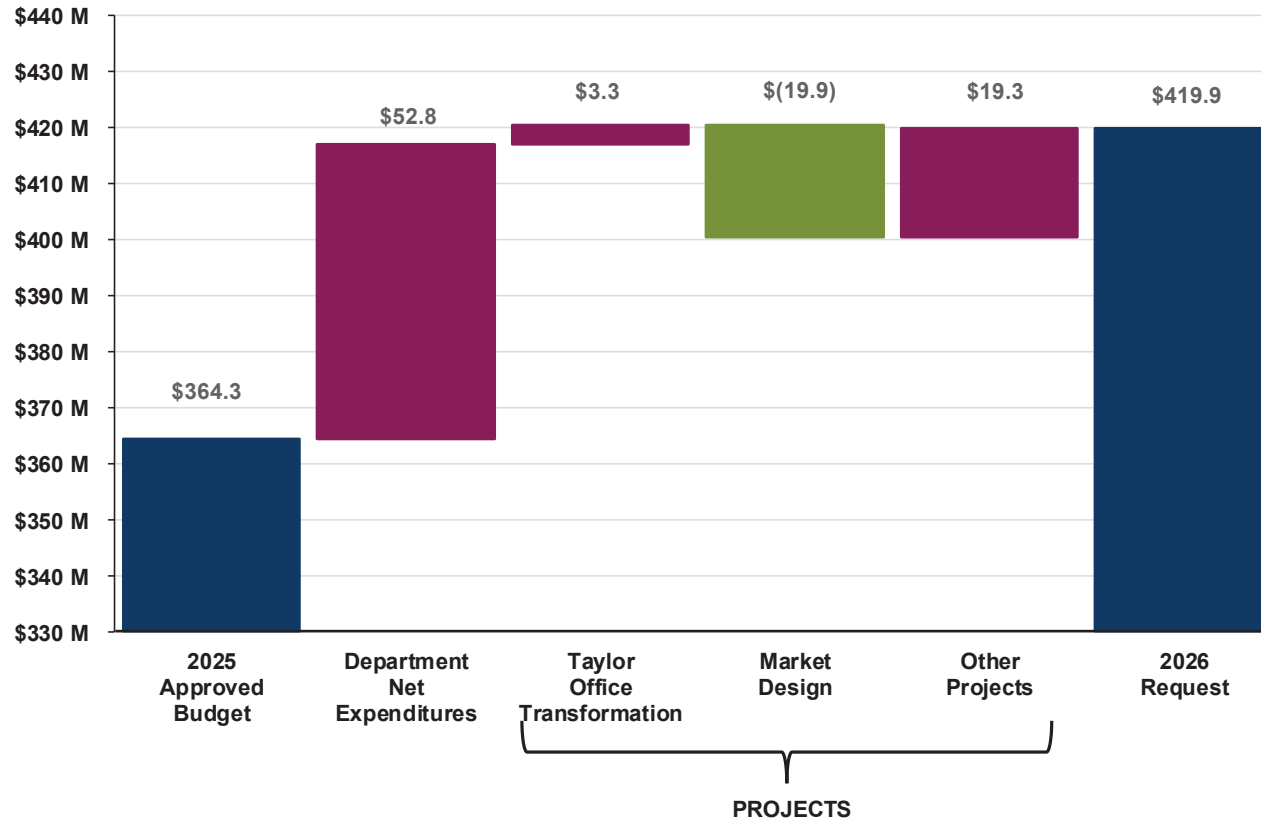
- Strategic Objective 1: Be an industry leader for grid reliability and resilience
- Strategic Objective 2: Enhance the ERCOT region’s economic competitiveness with respect to trends in wholesale power rates and retail electricity prices
- Strategic Objective 3: Advance ERCOT, Inc. as an independent 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) - NPPR1235	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	<b>System Administration Fee (SAF)</b>	\$ 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	<b>User Fees</b>												
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	<b>User Fees Total</b>	<b>11.3</b>	<b>4.9%</b>	<b>7.2</b>	<b>2.9%</b>	<b>12.6</b>	<b>4.8%</b>	<b>17.2</b>	<b>5.5%</b>	<b>16.3</b>	<b>5.1%</b>	<b>20.2</b>	<b>6.1%</b>
10	<b>Other Revenues</b>												
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	<b>Total Revenues</b>	<b>\$ 229.7</b>	<b>100.0%</b>	<b>\$ 247.8</b>	<b>100.0%</b>	<b>\$ 262.0</b>	<b>100.0%</b>	<b>\$ 310.8</b>	<b>100.0%</b>	<b>\$ 320.4</b>	<b>100.0%</b>	<b>\$ 331.5</b>	<b>100.0%</b>

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

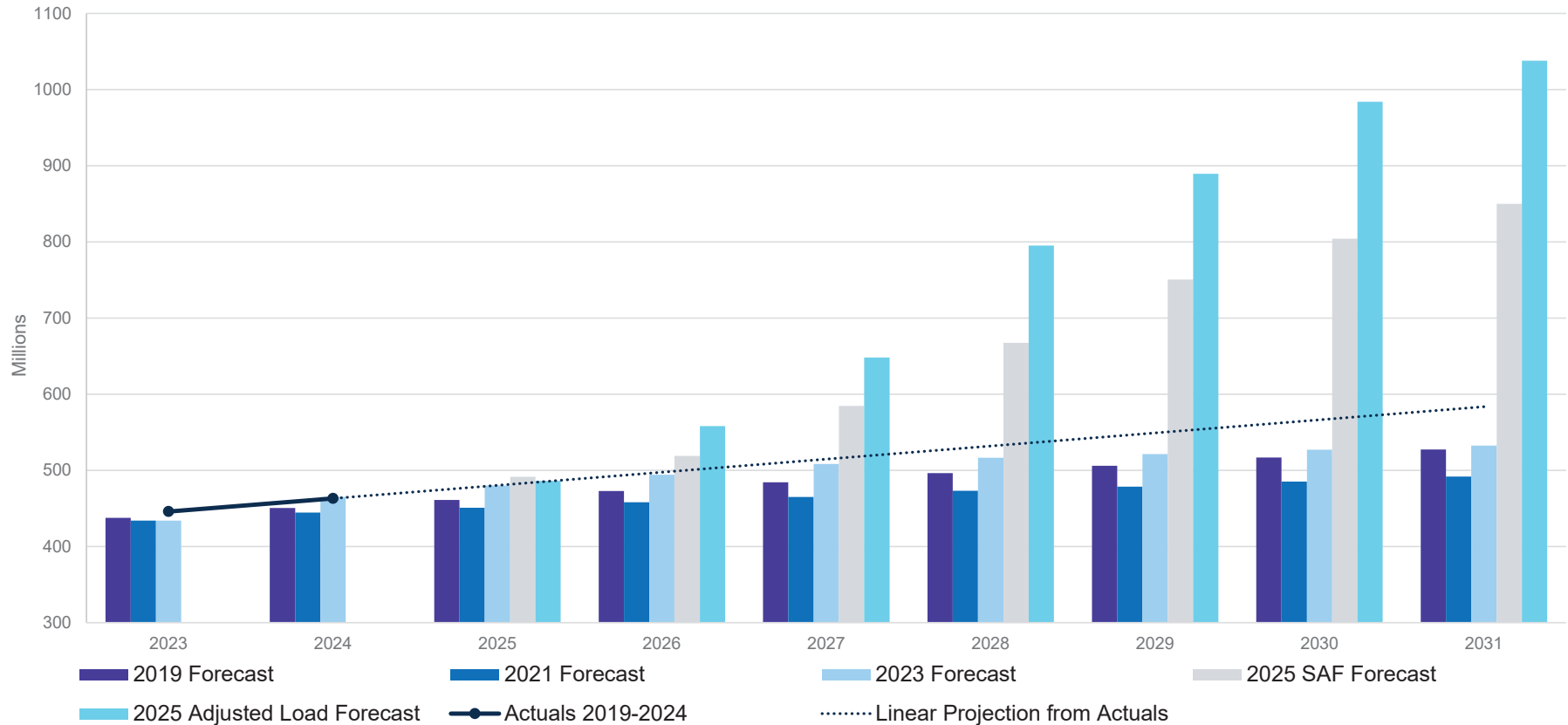
Schedule may not foot due to rounding

**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

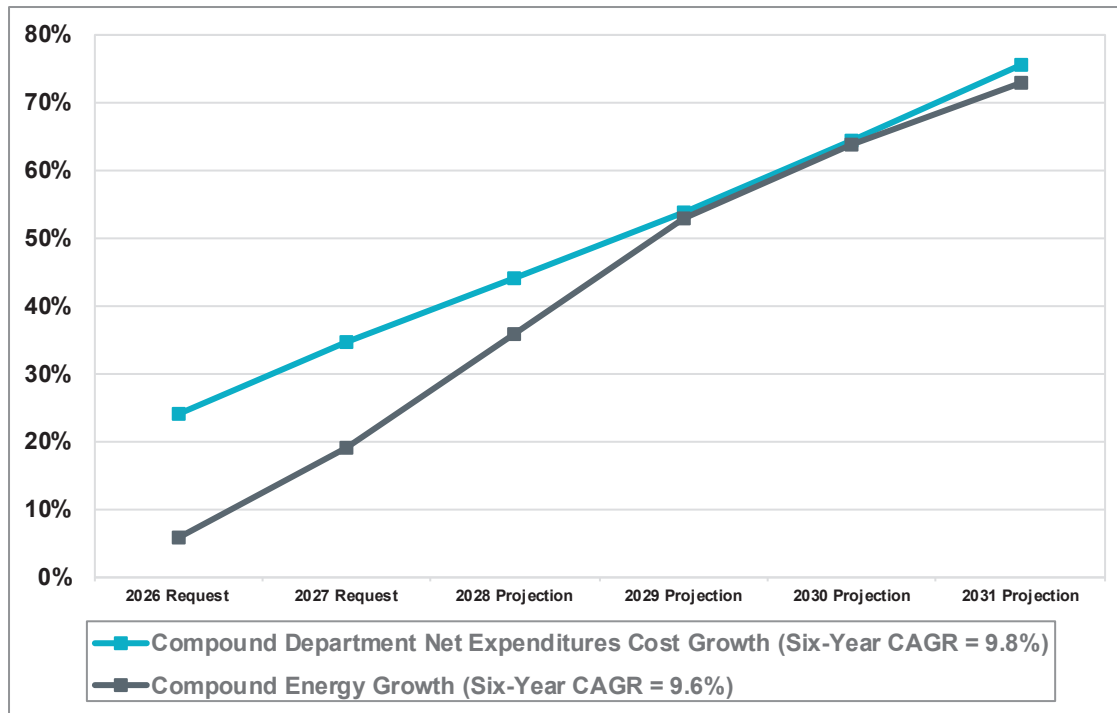


**Key Takeaway:** Energy forecasts made in 2019, 2021, and 2023 show a consistent band of forecast energy between 2026 and 2031. The 2025 SAF energy forecast and ERCOT Adjusted LF diverge as load forecasts increased materially in the ERCOT area.

# Recommendation regarding 2026-2027 Budget and Fee

## Budget Drivers: Revenues

### 2026-2031 Department Net Expenditures Cost Growth versus Energy Growth



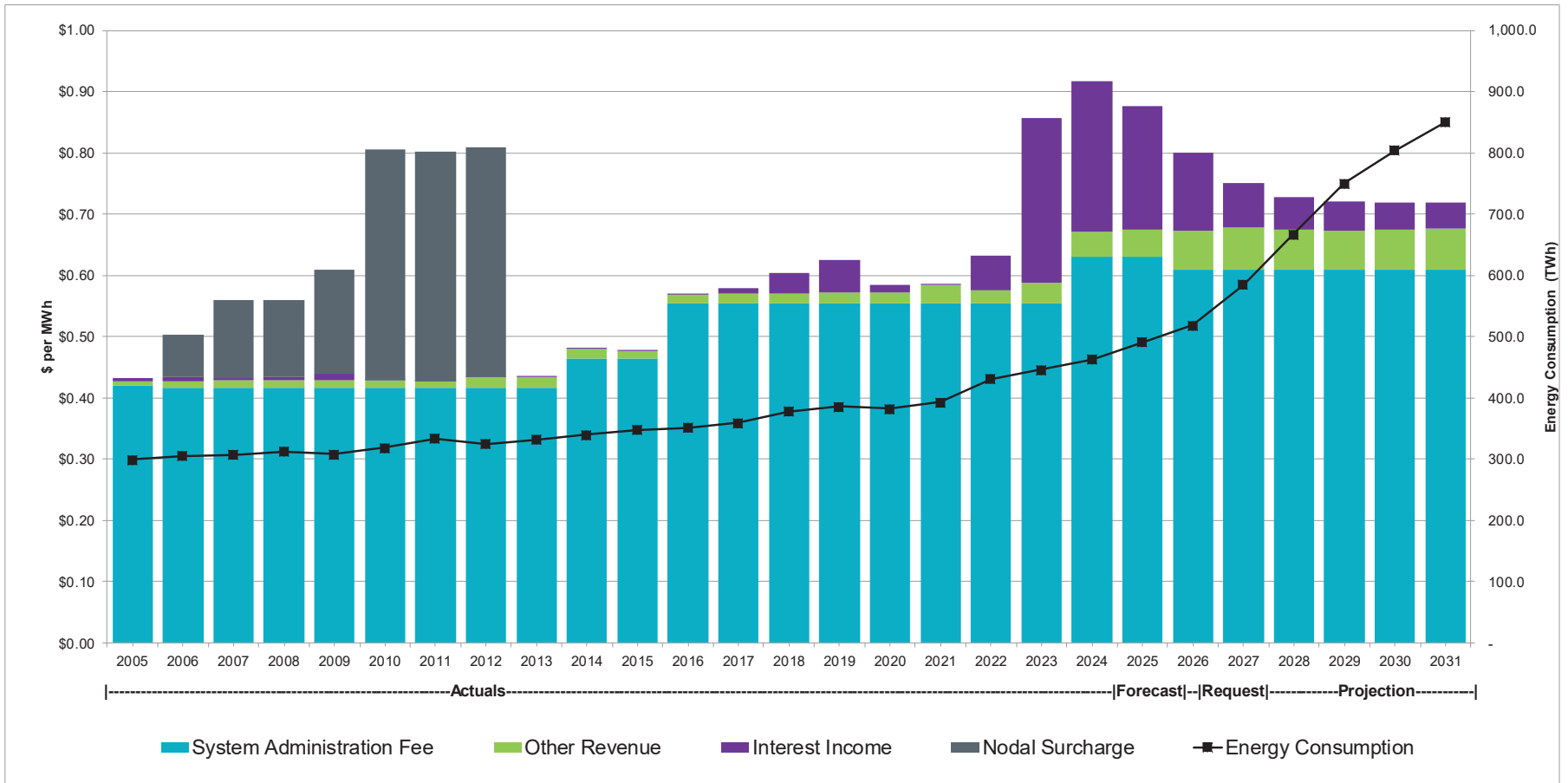
The System Administration Fee is how ERCOT recovers the vast majority of costs and is charged based on MWh of energy.

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	\$ <b>68.0</b>	\$ 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

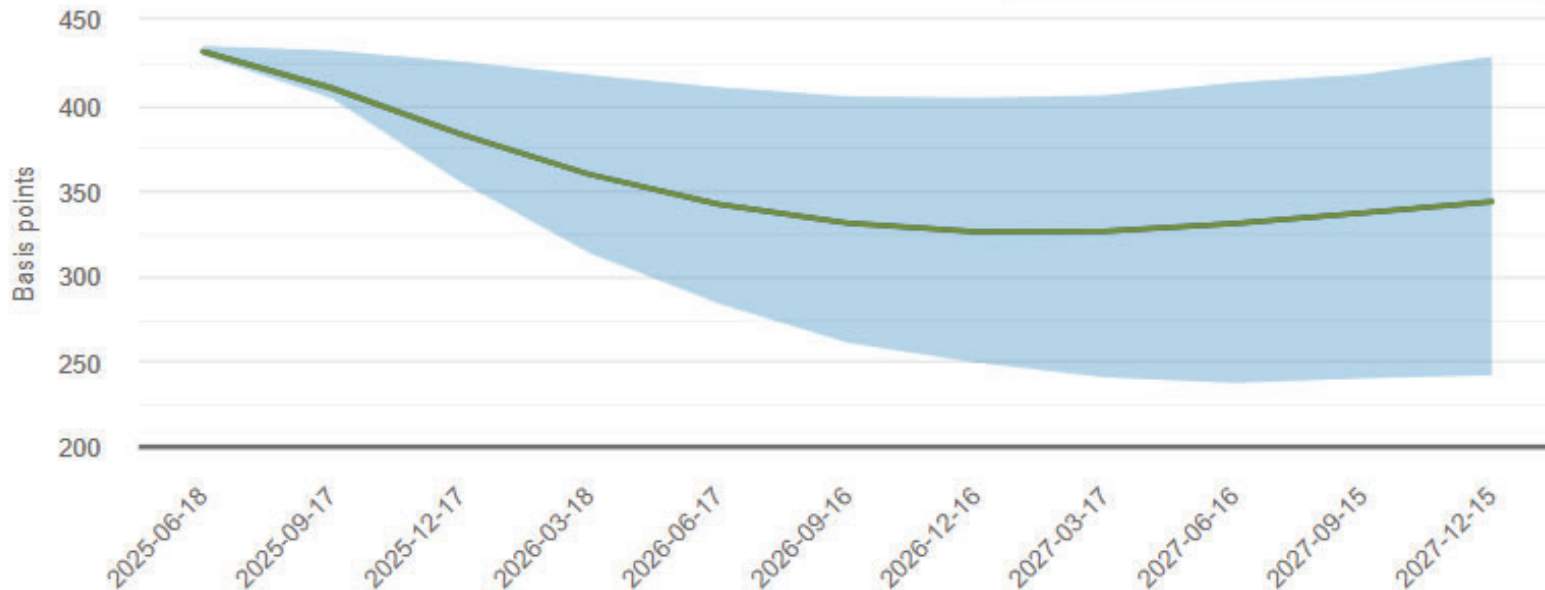
## Budget Drivers: Interest Income

### 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 %

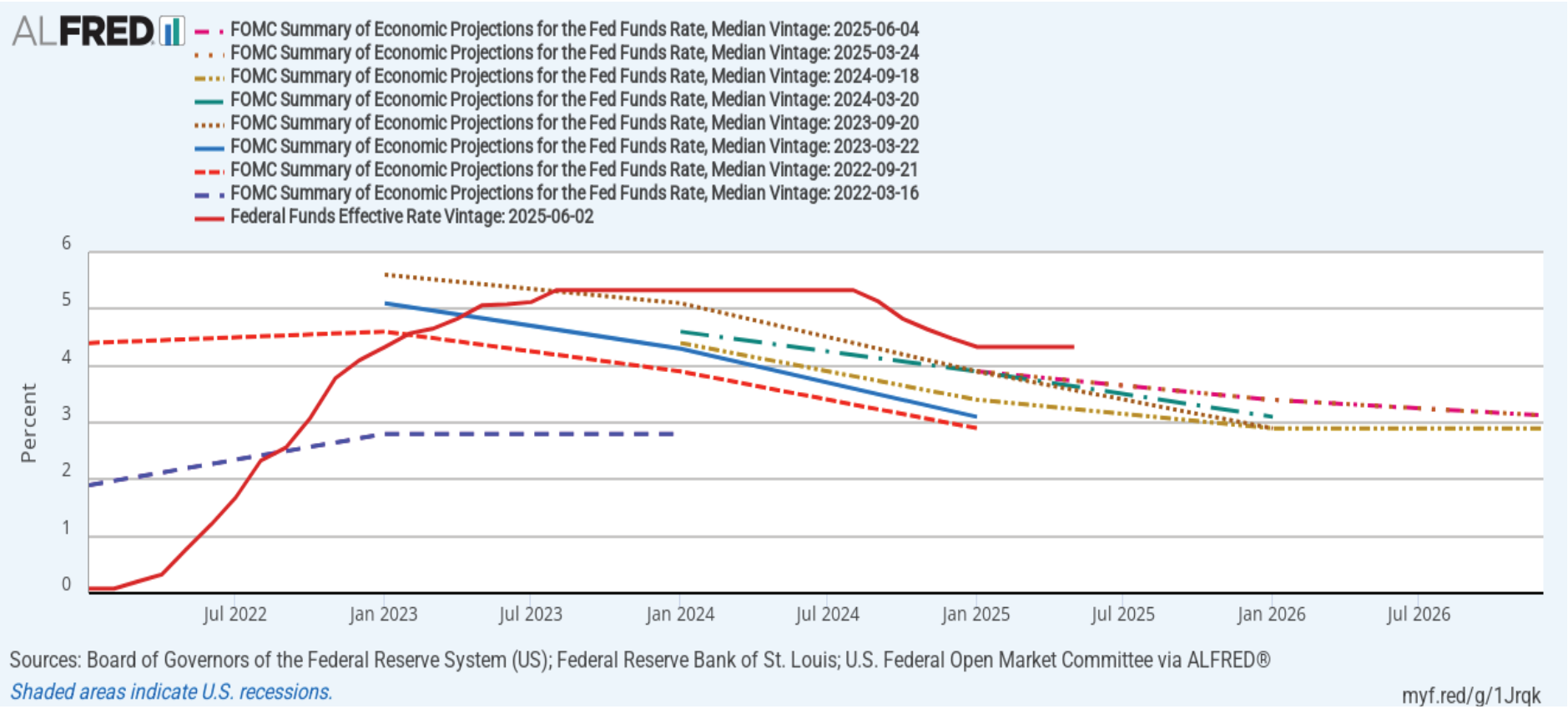
**Source: CME Group (as of 6/4/25)**  
<https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>

**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



**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

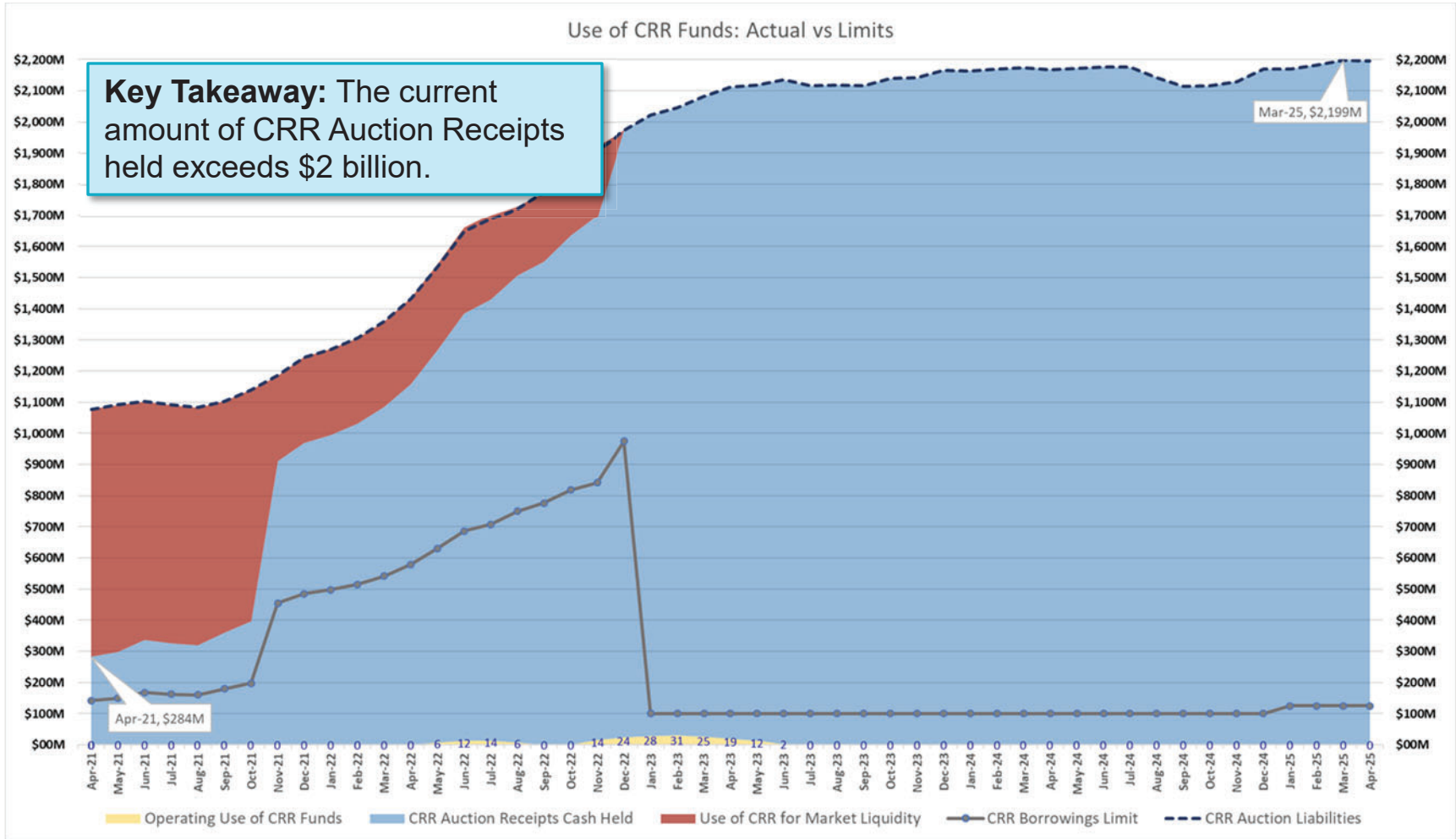
## Budget Drivers: Debt Strategy

### 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 <b>Department Labor</b>	<b>\$ 191.1</b>	<b>\$ 216.3</b>	<b>\$ 212.6</b>	<b>\$ 240.4</b>	<b>\$ 280.3</b>	<b>\$ 295.8</b>	<b>\$ 312.2</b>	<b>\$ 329.4</b>	<b>\$ 347.5</b>
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 <b>Department Expense</b>	<b>\$ 278.7</b>	<b>\$ 319.6</b>	<b>\$ 308.1</b>	<b>\$ 376.2</b>	<b>\$ 422.7</b>	<b>\$ 452.5</b>	<b>\$ 484.5</b>	<b>\$ 518.9</b>	<b>\$ 555.9</b>
14 Minor Capital & Common Infrastructure	6.8	2.1	1.3	12.99	4.2	4.6	5.1	5.6	6.1
15 <b>Subtotal - Department Expenditures</b>	<b>\$ 285.4</b>	<b>\$ 321.8</b>	<b>\$ 309.4</b>	<b>\$ 389.1</b>	<b>\$ 426.9</b>	<b>\$ 457.1</b>	<b>\$ 489.6</b>	<b>\$ 524.5</b>	<b>\$ 562.1</b>
16									
17 <b>Department Revenues</b>	<b>\$ (19.0)</b>	<b>\$ (18.0)</b>	<b>\$ (22.0)</b>	<b>\$ (32.5)</b>	<b>\$ (39.5)</b>	<b>\$ (43.3)</b>	<b>\$ (47.5)</b>	<b>\$ (52.1)</b>	<b>\$ (57.1)</b>
18									
19 <b>Total Department Net Expenditures</b>	<b>\$ 266.4</b>	<b>\$ 303.8</b>	<b>\$ 287.4</b>	<b>\$ 356.6</b>	<b>\$ 387.3</b>	<b>\$ 413.8</b>	<b>\$ 442.1</b>	<b>\$ 472.4</b>	<b>\$ 504.9</b>
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 <b>Total Project Expenditures</b>	<b>\$ 57.2</b>	<b>\$ 60.6</b>	<b>\$ 60.6</b>	<b>\$ 63.3</b>	<b>\$ 123.1</b>	<b>\$ 51.5</b>	<b>\$ 47.3</b>	<b>\$ 39.0</b>	<b>\$ 42.5</b>
25									
26 <b>Total Expenditures</b>	<b>\$ 323.6</b>	<b>\$ 364.3</b>	<b>\$ 348.0</b>	<b>\$ 419.9</b>	<b>\$ 510.5</b>	<b>\$ 465.3</b>	<b>\$ 489.3</b>	<b>\$ 511.4</b>	<b>\$ 547.4</b>

Schedule may not foot due to rounding.



# Recommendation regarding 2026-2027 Budget and Fee

## Department Net Expenditures by Office

\$ in Millions

Department Net Expenditures				2026	2027	2028	2029	2030	2031	
Line	2024 Actual	2025 Budget	2025 Forecast	Request	Request	Projection	Projection	Projection	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	<b>Total Department Net Expenditures</b>	<b>\$ 266.4</b>	<b>\$ 303.8</b>	<b>\$ 287.4</b>	<b>\$ 356.6</b>	<b>\$ 387.3</b>	<b>\$ 413.8</b>	<b>\$ 442.1</b>	<b>\$ 472.4</b>	<b>\$ 504.9</b>

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)
<b>5 Department Labor</b>	<b>\$ 66.7</b>	<b>\$ 73.9</b>	<b>\$ 72.6</b>	<b>\$ 77.3</b>	<b>\$ 91.6</b>	<b>\$ 96.1</b>	<b>\$ 100.8</b>	<b>\$ 105.7</b>	<b>\$ 110.8</b>
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
<b>13 Department Expense</b>	<b>\$ 122.5</b>	<b>\$ 139.0</b>	<b>\$ 139.0</b>	<b>\$ 163.1</b>	<b>\$ 182.1</b>	<b>\$ 195.7</b>	<b>\$ 210.4</b>	<b>\$ 226.2</b>	<b>\$ 243.4</b>
14 Minor Capital & Common Infrastructure	6.3	1.990	1.2	12.26	4.2	4.6	5.1	5.6	6.1
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 128.8</b>	<b>\$ 141.0</b>	<b>\$ 140.2</b>	<b>\$ 175.4</b>	<b>\$ 186.3</b>	<b>\$ 200.3</b>	<b>\$ 215.5</b>	<b>\$ 231.8</b>	<b>\$ 249.5</b>
16									
<b>17* Department Revenues</b>	<b>\$ (3.7)</b>	<b>\$ (4.5)</b>	<b>\$ (3.7)</b>	<b>\$ (5.9)</b>	<b>\$ (6.3)</b>	<b>\$ (6.9)</b>	<b>\$ (7.6)</b>	<b>\$ (8.3)</b>	<b>\$ (9.2)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 125.0</b>	<b>\$ 136.5</b>	<b>\$ 136.5</b>	<b>\$ 169.5</b>	<b>\$ 180.1</b>	<b>\$ 193.5</b>	<b>\$ 207.9</b>	<b>\$ 223.5</b>	<b>\$ 240.3</b>

\* 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)
<b>5 Department Labor</b>	<b>\$ 78.7</b>	<b>\$ 92.2</b>	<b>\$ 90.6</b>	<b>\$ 104.1</b>	<b>\$ 120.9</b>	<b>\$ 127.9</b>	<b>\$ 135.4</b>	<b>\$ 143.2</b>	<b>\$ 151.5</b>
6 Materials, Supplies & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 HW/SW License & Maintenance	0.1	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
<b>13 Department Expense</b>	<b>\$ 87.6</b>	<b>\$ 100.5</b>	<b>\$ 100.3</b>	<b>\$ 123.0</b>	<b>\$ 140.7</b>	<b>\$ 149.7</b>	<b>\$ 159.3</b>	<b>\$ 169.5</b>	<b>\$ 180.5</b>
14 Minor Capital & Common Infrastructure	0.5	0.0	0.0	0.7	-	-	-	-	-
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 88.1</b>	<b>\$ 100.5</b>	<b>\$ 100.3</b>	<b>\$ 123.7</b>	<b>\$ 140.7</b>	<b>\$ 149.7</b>	<b>\$ 159.3</b>	<b>\$ 169.5</b>	<b>\$ 180.5</b>
16									
<b>17* Department Revenues</b>	<b>\$ (12.7)</b>	<b>\$ (11.5)</b>	<b>\$ (15.8)</b>	<b>\$ (24.2)</b>	<b>\$ (30.8)</b>	<b>\$ (33.9)</b>	<b>\$ (37.3)</b>	<b>\$ (41.0)</b>	<b>\$ (45.1)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 75.4</b>	<b>\$ 89.0</b>	<b>\$ 84.5</b>	<b>\$ 99.5</b>	<b>\$ 109.8</b>	<b>\$ 115.8</b>	<b>\$ 122.0</b>	<b>\$ 128.5</b>	<b>\$ 135.3</b>

\* 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 <b>Department Labor</b>	<b>\$ 23.0</b>	<b>\$ 25.7</b>	<b>\$ 25.0</b>	<b>\$ 28.6</b>	<b>\$ 33.2</b>	<b>\$ 35.2</b>	<b>\$ 37.2</b>	<b>\$ 39.4</b>	<b>\$ 41.7</b>
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 <b>Department Expense</b>	<b>\$ 28.6</b>	<b>\$ 33.8</b>	<b>\$ 24.7</b>	<b>\$ 35.5</b>	<b>\$ 40.2</b>	<b>\$ 42.8</b>	<b>\$ 45.7</b>	<b>\$ 48.7</b>	<b>\$ 51.9</b>
14 Minor Capital & Common Infrastructure	-	0.1	0.1	-	-	-	-	-	-
15 <b>Subtotal - Department Expenditures</b>	<b>\$ 28.6</b>	<b>\$ 33.9</b>	<b>\$ 24.8</b>	<b>\$ 35.5</b>	<b>\$ 40.2</b>	<b>\$ 42.8</b>	<b>\$ 45.7</b>	<b>\$ 48.7</b>	<b>\$ 51.9</b>
16									
17* <b>Department Revenues</b>	<b>\$ (0.8)</b>	<b>\$ (0.3)</b>	<b>\$ (0.8)</b>	<b>\$ (0.8)</b>	<b>\$ (0.8)</b>	<b>\$ (0.9)</b>	<b>\$ (1.0)</b>	<b>\$ (1.1)</b>	<b>\$ (1.2)</b>
18									
19 <b>Total Department Net Expenditures</b>	<b>\$ 27.8</b>	<b>\$ 33.6</b>	<b>\$ 24.0</b>	<b>\$ 34.8</b>	<b>\$ 39.3</b>	<b>\$ 41.9</b>	<b>\$ 44.6</b>	<b>\$ 47.6</b>	<b>\$ 50.7</b>

\* 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)
<b>5 Department Labor</b>	<b>\$ 9.9</b>	<b>\$ 11.1</b>	<b>\$ 10.6</b>	<b>\$ 12.5</b>	<b>\$ 14.4</b>	<b>\$ 15.3</b>	<b>\$ 16.1</b>	<b>\$ 17.1</b>	<b>\$ 18.1</b>
6 Materials, Supplies & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 HW/SW License & Maintenance	0.1	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
<b>13 Department Expense</b>	<b>\$ 24.0</b>	<b>\$ 27.0</b>	<b>\$ 25.9</b>	<b>\$ 30.5</b>	<b>\$ 33.2</b>	<b>\$ 35.9</b>	<b>\$ 38.8</b>	<b>\$ 42.1</b>	<b>\$ 45.6</b>
14 Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>15 Subtotal - Department Expenditures</b>	<b>\$ 24.0</b>	<b>\$ 27.0</b>	<b>\$ 25.9</b>	<b>\$ 30.5</b>	<b>\$ 33.2</b>	<b>\$ 35.9</b>	<b>\$ 38.8</b>	<b>\$ 42.1</b>	<b>\$ 45.6</b>
16									
<b>17* Department Revenues</b>	<b>\$ (1.9)</b>	<b>\$ (1.7)</b>	<b>\$ (1.8)</b>	<b>\$ (1.6)</b>	<b>\$ (1.6)</b>	<b>\$ (1.6)</b>	<b>\$ (1.6)</b>	<b>\$ (1.6)</b>	<b>\$ (1.6)</b>
18									
<b>19 Total Department Net Expenditures</b>	<b>\$ 22.1</b>	<b>\$ 25.3</b>	<b>\$ 24.2</b>	<b>\$ 28.9</b>	<b>\$ 31.6</b>	<b>\$ 34.3</b>	<b>\$ 37.2</b>	<b>\$ 40.5</b>	<b>\$ 43.9</b>

\* 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)
<b>Department Labor</b>	<b>\$ 6.0</b>	<b>\$ 7.3</b>	<b>\$ 8.0</b>	<b>\$ 10.0</b>	<b>\$ 11.3</b>	<b>\$ 12.0</b>	<b>\$ 12.7</b>	<b>\$ 13.4</b>	<b>\$ 14.2</b>
6 Materials, Supplies & Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 HW/SW License & Maintenance	0.2	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
<b>Department Expense</b>	<b>\$ 8.6</b>	<b>\$ 13.3</b>	<b>\$ 12.4</b>	<b>\$ 16.0</b>	<b>\$ 17.4</b>	<b>\$ 18.7</b>	<b>\$ 20.1</b>	<b>\$ 21.5</b>	<b>\$ 23.1</b>
14 Minor Capital & Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>Subtotal - Department Expenditures</b>	<b>\$ 8.6</b>	<b>\$ 13.3</b>	<b>\$ 12.4</b>	<b>\$ 16.0</b>	<b>\$ 17.4</b>	<b>\$ 18.7</b>	<b>\$ 20.1</b>	<b>\$ 21.5</b>	<b>\$ 23.1</b>
16									
<b>Department Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
18									
<b>Total Department Net Expenditures</b>	<b>\$ 8.6</b>	<b>\$ 13.3</b>	<b>\$ 12.4</b>	<b>\$ 16.0</b>	<b>\$ 17.4</b>	<b>\$ 18.7</b>	<b>\$ 20.1</b>	<b>\$ 21.5</b>	<b>\$ 23.1</b>

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	<b>Total Project Expenditures</b>	<b>\$ 57.2</b>	<b>\$ 60.6</b>	<b>\$ 60.6</b>	<b>\$ 63.3</b>	<b>\$ 123.1</b>	<b>\$ 51.5</b>	<b>\$ 47.3</b>	<b>\$ 39.0</b>	<b>\$ 42.5</b>

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	-	-
<b>7 Total Sources</b>	<b>\$ 453.3</b>	<b>\$ 414.3</b>	<b>\$ 457.9</b>	<b>\$ 485.9</b>	<b>\$ 585.0</b>	<b>\$ 545.4</b>	<b>\$ 575.4</b>	<b>\$ 614.3</b>	<b>\$ 649.3</b>
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
<b>16 Total Uses</b>	<b>\$ 453.3</b>	<b>\$ 414.3</b>	<b>\$ 457.9</b>	<b>\$ 485.9</b>	<b>\$ 585.0</b>	<b>\$ 545.4</b>	<b>\$ 575.4</b>	<b>\$ 614.3</b>	<b>\$ 649.3</b>

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

Schedule may not foot due to rounding.

**Attachment B - 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	<b>System Administration Fee Rate (SAF) \$</b>	<b>0.630</b>	<b>\$ 0.630</b>	<b>\$ 0.630</b>	<b>\$ 0.610</b>	<b>\$ 0.610</b>	<b>\$ 0.610</b>	<b>\$ 0.610</b>	<b>\$ 0.610</b>	
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	<b>System Administration Fee Revenue \$</b>	<b>291.8</b>	<b>\$ 302.4</b>	<b>\$ 309.5</b>	<b>\$ 316.6</b>	<b>\$ 356.6</b>	<b>\$ 407.1</b>	<b>\$ 457.9</b>	<b>\$ 490.5</b>	<b>\$ 518.4</b>
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	<b>Total Net Expenditures \$</b>	<b>323.6</b>	<b>\$ 364.3</b>	<b>\$ 348.0</b>	<b>\$ 419.9</b>	<b>\$ 510.5</b>	<b>\$ 465.3</b>	<b>\$ 489.3</b>	<b>\$ 511.4</b>	<b>\$ 547.4</b>
9	<b>Net Available Before Non-Operating \$</b>	<b>(31.9)</b>	<b>\$ (61.9)</b>	<b>\$ (38.5)</b>	<b>\$ (103.3)</b>	<b>\$ (153.9)</b>	<b>\$ (58.2)</b>	<b>\$ (31.4)</b>	<b>\$ (20.9)</b>	<b>\$ (29.0)</b>
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	<b>Non-Operating Sources &amp; Uses \$</b>	<b>108.9</b>	<b>\$ 35.4</b>	<b>\$ 94.6</b>	<b>\$ 62.0</b>	<b>\$ 38.5</b>	<b>\$ 31.1</b>	<b>\$ 31.1</b>	<b>\$ 31.1</b>	<b>\$ 31.1</b>
13	<b>Net Available \$</b>	<b>77.0</b>	<b>\$ (26.5)</b>	<b>\$ 56.1</b>	<b>\$ (41.3)</b>	<b>\$ (115.4)</b>	<b>\$ (27.0)</b>	<b>\$ (0.3)</b>	<b>\$ 10.3</b>	<b>\$ 2.1</b>
<b>Year-End Balances: Notes Payable, CRR Borrowings, Cash, and CRR Fund</b>										
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.

## Attachment C

### Statement of ERCOT Chief Executive Officer Summarizing ERCOT's 2026/2027 Biennial Budget and System Administration Fee

**PROJECT NO. 38533**

**PUC REVIEW OF ERCOT BUDGET**

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§  
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**PUBLIC UTILITY COMMISSION**

**OF TEXAS**

**STATEMENT OF ERCOT CHIEF EXECUTIVE OFFICER SUMMARIZING  
ERCOT's 2026/2027 BIENNIAL BUDGET AND SYSTEM ADMINISTRATION FEE**

**Introduction**

Electric Reliability Council of Texas, Inc. (ERCOT) presents a 2026/2027 biennial budget that contemplates decreasing ERCOT's current system administration fee (*i.e.*, ERCOT's primary funding source) rate from \$0.63 per megawatt hour (MWh) to \$0.61 per MWh for years 2026 and 2027.

The following information is presented for the consideration of the Public Utility Commission of Texas (Commission), in a format modeled on the "Administrator's Statement" utilized by Texas state agencies in their Legislative Appropriations Requests. In addition to this statement, ERCOT has filed with the Commission the supporting documentation required by Commission rules or otherwise requested by Commission staff. ERCOT management and its Board of Directors (Board) are thankful that the development of the ERCOT Board-approved 2026/2027 biennial budget and system administration fee was the result of a productive collaboration with Commission staff.

ERCOT is prepared to provide additional information at the Commission's request.

**ERCOT Overview**

ERCOT manages the flow of electric power to more than 27 million Texas customers, representing approximately 90 percent of the state's electric load. As the independent system operator (ISO) for the region, ERCOT schedules power on an electric grid that connects more than 54,100 miles of transmission lines and 1,250 generation units. ERCOT also performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for 8 million premises in competitive choice areas.

ERCOT is a membership-based, Texas non-profit corporation, operating as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code. ERCOT's core duties are delineated in Section 39.151 of the Texas Public Utility Regulatory Act (PURA). As the "independent organization" designated to serve as the ISO for the ERCOT power region, ERCOT is responsible for ensuring:

1. Access to the transmission and distribution systems for all buyers and sellers of electricity on nondiscriminatory terms;
2. The reliability and adequacy of the regional electrical network;

3. That information relating to a customer's choice of retail electric provider is conveyed in a timely manner to the people who need that information; and
4. That electricity production and delivery are accurately accounted for among the generators and wholesale buyers and sellers in the region.<sup>1</sup>

ERCOT's actions in furtherance of its statutory mission are subject to the oversight and review of the Commission. In addition, ERCOT is responsible for ensuring compliance with federal electric reliability standards, pursuant to the Federal Power Act. For federal reliability standards, ERCOT is accountable to the Texas Reliability Entity (TRE), the North American Electric Reliability Corporation (NERC), and the Federal Energy Regulatory Commission (FERC).

ERCOT is governed by a board of directors, the composition of which is mandated by PURA,<sup>2</sup> as is the Commission's oversight role.<sup>3</sup> The members of the ERCOT Board and the dates of their terms are identified in the schedules as Work Paper 1 in Attachment D, ERCOT 2026/2027 Biennial Budget Schedules and Work Papers. The identification of ERCOT's Board members is as of the date of this filing. However, it is anticipated that to align ERCOT governance with PURA,<sup>4</sup> the ERCOT Board Selection Committee<sup>5</sup> will select and seat two new Directors in currently vacant seats seven and eight.

## **High-Level Overview: ERCOT's Proposed 2026/2027 Biennial Budget**

### Spending Authorization

ERCOT's proposed 2026/2027 biennial budget authorizes total spending for operating expenses, project spending, and debt service in the amounts of \$485.9 million for 2026, and \$585.0 million for 2027.

As documented in the materials filed with this application, ERCOT management and staff are dedicated to running efficient operations. As part of its overarching operations strategy, ERCOT proactively optimizes the use of ERCOT's resources to continuously provide high-value services. In considering possible changes to the system administration fee rate, ERCOT seeks to maintain intergenerational equity between spending and benefits, balanced against providing predictable fee changes. Management has taken focused measures to control and cut expenses across the organization. Nevertheless, as described below under "Budget Drivers for 2026/2027," ERCOT faces several factors that drive the need for increased funding in the 2026/2027 biennium.

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<sup>1</sup> PURA § 39.151(a)(1)-(4).

<sup>2</sup> See PURA § 39.151(g).

<sup>3</sup> See PURA § 39.151(c)-(f). The Commission's oversight of ERCOT is further detailed in Chapter 25, Subchapter O, Division 2 (Independent Organizations) of the 16 Tex. Admin. Code (TAC), and in 16 TAC § 22.251 – 22.252 of the P.U.C. Procedural Rules.

<sup>4</sup> See PURA § 39.151(g)-(g-1).

<sup>5</sup> See PURA § 39.1513.

ERCOT is also responsible for budgeting to fund the operations of the NERC Electric Reliability Organization (ERO). Funding for NERC/ERO operations is a pass-through fee that is not used to fund ERCOT operations. A total of \$60 million of ERCOT's proposed 2026/2027 biennial budget will be used to fund the NERC/ERO for 2026 and 2027.

### Revenue Sources

ERCOT's proposed 2026/2027 biennial budget includes system administration fee requirements of \$316.6 million in 2026, and \$356.6 million in 2027. The proposed biennial budget allows ERCOT to reduce the system administration fee rate from \$0.63 per MWh to \$0.61 per MWh in fiscal years 2026 and 2027. The Board and ERCOT management are acutely aware that the electric consumers of Texas fund ERCOT, and that ERCOT must remain focused on running a lean but effective organization that not only meets but exceeds the performance expectations of those ERCOT serves but also anticipates the rapidly changing needs of the grid over the next several years.

Commission rules<sup>6</sup> permit the Board to approve user fees for specific services provided by ERCOT to Market Participants and the public. These user fees are included in the ERCOT Fee Schedule that is maintained along with the ERCOT Protocols. User fees recover a small portion of ERCOT's required revenue (user fees are expected to generate \$30.9 million in 2026 and \$37.9 million in 2027), and ERCOT regularly reviews these fees for appropriate cost recovery. ERCOT may recommend other user fee changes to the Board while the 2026/2027 biennial budget is in effect.

ERCOT's proposed 2026/2027 biennial budget includes \$66.3 million in interest income in 2026 and \$42.7 million in interest income in 2027.

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<sup>6</sup> See 16 TAC § 25.363(g).



<b><u>Sources and Uses Summary Table</u></b>		
	<b>2026 Board Approved Amount (<u>\$ in millions</u>)</b>	<b>2027 Board Approved Amount (<u>\$ in millions</u>)</b>
<b><u>Sources</u></b>		
System Administration Fee Revenues	\$316.6	\$356.6
Reliability Organization Assessment	29.2	30.8
Interest Income	66.3	42.7
Other Revenues	32.5	39.5
CRR Borrowings	0.0	0.0
Decrease in Cash Balance	<u>41.3</u>	<u>115.4</u>
<b>Total Sources</b>	<b>\$485.9</b>	<b>\$585.0</b>
<b><u>Uses</u></b>		
Department Expenditures	\$389.1	\$ 426.9
Project Expenditures	48.7	84.3
Market Design Project	0.9	1.7
Taylor Office Transformation Project	13.7	37.1
Reliability Organization Assessment	29.2	30.8
Debt Service	<u>4.2</u>	<u>4.2</u>
<b>Total Uses</b>	<b>\$485.9</b>	<b>\$585.0</b>

### **Mission and Driving Forces**

ERCOT’s mission and driving forces are detailed in its 2024 - 2028 Strategic Plan, which is included in ERCOT’s 2026/2027 Biennial Budget and System Administration Fee Submission as Attachment E, *ERCOT 2024 – 2028 Strategic Plan*.

### **Budget Drivers for 2026/2027**

In its presentations to the ERCOT Board, and in its consultation meetings with Commission staff, ERCOT has identified three budget request drivers for 2026/2027 as follows:

1. Significant growth in forecast energy use in the ERCOT power region;
2. Incorporation of key initiatives and new demands; and
3. Compliance with the ERCOT Board’s debt strategy guidance.

### **Reduction of System Administration Fee Relative to Approved 2024/2025 Biennial Budget**

ERCOT proposes to reduce the current system administration fee rate from \$0.63 per MWh to \$0.61 per MWh and expects to maintain the reduced system administration fee rate of \$0.61 per MWh through the 2027 budget year. To achieve this reduction relative to the approved 2024/2025 biennial budget, ERCOT is balancing adequate liquidity against energy forecast uncertainties.

## Incorporation of Key Initiatives and New Demands

For another budget driver, ERCOT has incorporated key initiatives and new demands and expects to recognize efficiency savings to help offset cost increases of these new demands. ERCOT will incorporate its strategic plan objectives by enhancing operating capabilities to maintain reliability of an increasingly complex system, improving information exchange to facilitate collaborative interaction, advancing competitive solutions for a changing industry, and optimizing use of ERCOT's resources to provide consistent high-value services.

New demands placed upon ERCOT include regulatory requirements, protocol and planning revisions, and increased information technology (IT) support costs for new or enhanced services, including enhanced cybersecurity capabilities. More specifically, these demands include incremental investments in Grid Transformation, reliability, interconnection, and Market systems improvements, accelerated patching, expanded threat operations, and ongoing hardware and software costs, cloud, data analytics, and AI technology. Regulatory requirements involve improvements in demand response forecasting and price responsive demand, and supporting reliable growth within the ERCOT grid. Protocol and planning revisions include managing Large Loads and providing timely analysis for ERCOT stakeholders. Enhancing Market-facing operations involves Market Participant communication and support, expanded Reliability Monitoring, compliance, and integrating new small generation data.

Additionally, legislative requirements arising from the 89th Texas Legislative Regular Session created new requirements for ERCOT, with some items still pending resolution at the time of this budget submission.

## Compliance with the ERCOT Board's Debt Strategy Guidance

The final budget driver is ERCOT's obligation to comply with the Board's debt strategy guidance. In order to maintain compliance with this strategy, ERCOT will maintain or improve ERCOT's long-term financial integrity by managing outstanding debt and liquidity requirements. ERCOT will maintain stable, fair and predictable fees by using debt matching appropriately. In addition, ERCOT will provide lowest cost to system administration fee-payers by using the lowest cost debt that is available and appropriate.

As an ongoing effort to reduce the current system administration fee level, ERCOT management continues to seek areas of opportunity to improve operational efficiency. Examples of efficiency savings ERCOT has implemented or is implementing to help offset costs of new demands include the following:

- (1) The project to upgrade the system for Energy management was completed on budget and was delivered six months ahead of the original target and technology end-of-life.
- (2) The Data Center 5 Refresh (DC5) program was completed \$1 million below the approved budget and more than \$4 million below the peak budget.
- (3) Information Technology (IT) and the Identity Access Management Team collaborated to automate the conversion of more than 950 disconnected entitlements combined for the

system for Energy management, Oracle databases, and the Siebel application, to achieve more efficient operations, stronger security, compliance support, improved user experience, and faster service.

- (4) We transferred all critical correspondence between Weatherization staff and Market Participants to the ServiceNow platform to automate workflows, which simultaneously improves quality and eliminates the need for 1 to 2 Full-Time Employees that would otherwise be required to manage the processes.

In addition to the budget and system administration fee rate, ERCOT's petition includes a request for the Commission to approve a \$25 million accordion line of credit on ERCOT's existing \$100 million revolving line of credit and \$25 million accordion option. The Commission in 2012 originally authorized \$125 million, and the benefit of an accordion is the cost saving on additional unused fees for a higher commitment balance, when borrowings are not present. If approved by the Commission, the additional \$25 million authorization enables ERCOT access to the full \$150 million capacity while only paying fees equal to the lower balance of the fully committed \$100 million.

#### Additional Request

Additionally, ERCOT's petition requests the Commission discontinue the requirement from the 2024/2025 Order to annually report to the Commission performance measures as applicable to ERCOT used by FERC to track the operations and market performance of other Regional Transmission Operators / ISOs. This reporting largely duplicates information available in existing ERCOT reports, resulting in added work without added performance-management benefits.

#### **Conclusion**

ERCOT will provide additional information, as requested, to facilitate the Commission's review of ERCOT's 2026/2027 Biennial Budget and System Administration Fee Submission. ERCOT respectfully requests that the review process conclude by Friday, November 14, 2025, to allow ERCOT to implement the proposed 2026/2027 biennial budget and system administration fee beginning January 1, 2026.

Pablo Vegas  
ERCOT President and Chief Executive Officer

Attachment D

ERCOT 2026/2027 Biennial Budget Schedules and Work Papers

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

**Fiscal Year 2026-2027 Budget Request**

**Workpaper 1: 2025 Board Of Directors**

<b>Line</b>	<b>Role</b>	<b>Director</b>	<b>Director Type</b>	<b>Year Director Term Began</b>
1	Chair of ERCOT Board of Directors, Chair of Finance & Audit Committee, Member of Human Resources and Governance Committee	Bill Flores	Voting	2024 (Second Term)
2	Vice Chair of ERCOT Board of Directors, Chair of Human Resources and Governance Committee	Peggy Heeg	Voting	2025 (Second Term)
3	Director, Member of Finance and Audit Committee, Member of Technology and Security Committee	Julie England	Voting	2025 (Second Term)
4	Director, Chair of Technology and Security Committee	John Swainson	Voting	2024 (Second Term)
5	Director, Member of Human Resources and Governance Committee	Linda Capuano	Voting	2023 (First Term)
6	Director	Bill Mohl	Voting	2025 (First Term)
7	Vacant			
8	Vacant			
9	Public Counsel for Office of Public Utility Counsel, Member of Finance and Audit Committee	Benjamin "Ben" Barkley	Voting	2024
10	Chair of PUCT	Thomas Gleeson	Non-Voting	2024
11	Commissioner	Kathleen Jackson	Non-Voting	2025
12	President and CEO of ERCOT	Pablo Vegas	Non-Voting	2022

Notes:  
 The Electric Reliability Council of Texas, Inc. (ERCOT) Board of Directors (Board) selects ERCOT’s Chief Executive Officer (CEO), sets overall goals, and guides our direction. The board oversees major functions of ERCOT: open access to the transmission grid on nondiscriminatory terms, system reliability and adequacy, and the retail and wholesale electric markets. The 12-member board consists of eight directors (voting) who are appointed by the State of Texas’ ERCOT Board Selection Committee and who are required by law to not have fiduciary duty or assets in the electricity market for the ERCOT Region, and four *ex officio* members: the Chair of the Public Utility Commission of Texas (PUCT) (non-voting), a Commissioner designated by the PUCT Chair, to rotate annually (non-voting), the Public Counsel of the Office of Public Utility Counsel (OPUC) (voting), and the CEO of ERCOT (non-voting). All board members are Texas residents.

The identification of ERCOT's Directors and their corresponding roles are as of the date of ERCOT's 2026/2027 biennial budget submission. Director roles may change based on combined expertise and experience to facilitate Board work.

Electric Reliability Council of Texas, Inc. (ERCOT)  
Fiscal Year 2026-2027 Budget Request  
Schedule 1: Method of Finance (\$ in Millions)

Line	Method of Finance	2024 Actual		2025 Budget		2026 Request		2027 Request		2028 Projection		2029 Projection		20230 Projection		2031 Projection	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1	System Administration Fee (SAF)	\$ 291.8	64%	\$ 302.4	73%	\$ 316.6	65%	\$ 356.6	61%	\$ 407.1	75%	\$ 457.9	80%	\$ 490.5	80%	\$ 518.4	80%
2	Reliability Organization Assessment Fee	28.3	6%	27.7	7%	29.2	6%	30.8	5%	32.6	6%	34.4	6%	36.3	6%	38.3	6%
3	Interest Income	114.2	25%	39.8	10%	66.3	14%	42.7	7%	35.4	6%	35.4	6%	35.4	6%	35.4	5%
4	<u>Other Revenues</u>																
5	Weatherization Inspection Fee	5.2	1%	4.5	1%	8.1	2%	9.7	2%	10.6	2%	11.7	2%	12.9	2%	14.2	2%
6	Interconnection Fee	6.8	1%	6.2	2%	15.5	3%	20.6	4%	22.6	4%	24.9	4%	27.4	4%	30.1	5%
7	Wide Area Network (WAN)	3.7	1%	4.5	1%	5.9	1%	6.3	1%	6.9	1%	7.6	1%	8.3	1%	9.2	1%
8	SPE Servicing and Administration	1.8	0%	1.7	0%	1.6	0%	1.6	0%	1.6	0%	1.6	0%	1.6	0%	1.6	0%
9	Blackstart Training Fee	0.5	0%	0.5	0%	0.4	0%	0.4	0%	0.4	0%	0.5	0%	0.5	0%	0.6	0%
10	Membership Dues	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.3	0%	0.4	0%
11	Operations Training Seminar Fee	0.2	0%	0.3	0%	0.2	0%	0.2	0%	0.2	0%	0.2	0%	0.2	0%	0.3	0%
12	Registration/Application Fee	0.4	0%	0.1	0%	0.5	0%	0.6	0%	0.6	0%	0.7	0%	0.8	0%	0.8	0%
13	Cyber Monitoring Fee	0.0	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
14	Miscellaneous	0.0	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
15	Sub-Total Other Revenues	\$ 19.0	4%	\$ 18.0	4%	\$ 32.5	7%	\$ 39.5	7%	\$ 43.3	8%	\$ 47.5	8%	\$ 52.1	8%	\$ 57.1	9%
16																	
17	CRR Borrowings	-	0%	1.2	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
18	Decrease in Cash Balance	-	0%	25.3	6%	41.3	8%	115.4	20%	27.0	5%	0.3	0%	-	0%	-	0%
19	Total - ERCOT	\$ 453.3	100%	\$ 414.3	100%	\$ 485.9	100%	\$ 585.0	100%	\$ 545.4	100%	\$ 575.4	100%	\$ 614.3	100%	\$ 649.3	100%

Schedule may not foot due to rounding

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

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2026-2027 Budget Request**  
**Schedule 2: Summary by Object of Expense (\$ in Millions)**

Line	Object of Expense	2024 Actual	2025 Budget	2026 Request	2027 Request	2028 Projection	2029 Projection	2030 Projection	2031 Projection
1	Salaries & Wages	\$ 130.3	\$ 145.2	\$ 153.31	\$ 181.1	\$ 191.1	\$ 201.5	\$ 212.4	\$ 223.9
2	Other Personnel Costs	61.3	71.6	87.4	99.5	105.2	111.3	117.6	124.4
3	Professional Fees & Services	27.7	33.9	51.7	53.7	59.1	65.0	71.5	78.6
4	Fuels & Lubricants	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
5	Consumable Supplies	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4
6	Utilities	5.3	6.9	8.7	9.2	10.2	11.2	12.3	13.5
7	Travel	1.3	2.1	1.8	2.1	2.3	2.6	2.8	3.1
8	Rent - Building	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.4
9	Rent - Machine & Other	20.1	15.0	27.1	29.8	32.8	36.1	39.7	43.6
10	Debt Service	4.6	4.4	4.2	4.2	4.2	4.2	4.2	4.2
11	Other Operating Expenses	61.3	72.0	74.9	77.4	83.8	90.6	98.1	106.3
12	Capital Expenditures	64.0	62.7	76.3	127.3	56.1	52.3	44.6	48.6
13	Sub-Total Objects of Expense	\$ 376.2	\$ 414.3	\$ 485.9	\$ 585.0	\$ 545.4	\$ 575.4	\$ 604.0	\$ 647.1
14									
15	Repayment of CRR Borrowings	-	-	-	-	-	-	-	-
16	Increase in Cash Balance	77.0	-	-	-	-	-	10.3	2.1
17									
18	Total - ERCOT	\$ 453.3	\$ 414.3	\$ 485.9	\$ 585.0	\$ 545.4	\$ 575.4	\$ 614.3	\$ 649.3

Schedule may not foot due to rounding

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

Electric Reliability Council of Texas, Inc. (ERCOT)

Fiscal Year 2026-2027 Budget Request

Schedule 3: Summary by Object of Expense-Exceptional Requests (\$ in Millions)

Line	Object of Expense	2024 Actual	2025 Budget	2026 Baseline Budget	Exceptional Request #1		Exceptional Request #2		Exceptional Request #3		Exceptional Request #4		Total	
					\$	\$ Per MWh	\$	\$ Per MWh	\$	\$ Per MWh	\$	\$ Per MWh	\$	\$ Per MWh
1	Salaries & Wages	\$ 130.3	\$ 145.2	\$ 145.2	\$ 0.1	\$ 0.000	\$ 0.4	\$ 0.001	\$ 0.2	\$ 0.000	\$ 7.4	\$ 0.016	\$ 153.3	\$ 0.319
2	Other Personnel Costs	61.3	71.6	71.6	1.6	0.003	1.2	0.003	4.7	0.010	8.2	0.017	87.4	0.182
3	Professional Fees & Services	27.7	33.9	33.9	5.4	0.011	2.4	0.005	1.6	0.003	8.3	0.017	51.7	0.108
4	Fuels & Lubricants	0.0	0.0	0.0	(0.0)	-	(0.0)	-	(0.0)	-	0.0	-	0.0	0.000
5	Consumable Supplies	0.2	0.3	0.3	(0.0)	(0.000)	(0.0)	-	(0.0)	-	0.1	0.000	0.3	0.001
6	Utilities	5.3	6.9	6.9	(0.2)	(0.000)	(0.1)	(0.000)	(0.1)	(0.000)	2.1	0.004	8.7	0.018
7	Travel	1.3	2.1	2.1	(0.1)	(0.000)	(0.0)	(0.000)	(0.0)	-	(0.2)	(0.000)	1.8	0.004
8	Rent - Building	0.2	0.2	0.2	(0.0)	(0.000)	(0.0)	-	(0.0)	-	0.1	0.000	0.2	0.001
9	Rent - Machine & Other	20.1	15.0	15.0	4.8	0.010	1.9	0.004	3.9	0.008	1.5	0.003	27.1	0.056
10	Debt Service	4.6	4.4	4.4	-	-	-	-	-	-	(0.1)	(0.000)	4.2	0.009
11	Other Operating Expenses	61.3	72.0	72.0	(1.9)	(0.004)	(1.0)	(0.002)	0.0	0.000	5.8	0.012	74.9	0.156
12	Capital Expenditures	64.0	62.7	62.7	0.5	0.001	0.4	0.001	3.2	0.007	9.6	0.020	76.3	0.159
13	Total - ERCOT	\$ 376.2	\$ 414.3	\$ 414.3	\$ 10.1	\$ 0.021	\$ 5.1	\$ 0.011	\$ 13.5	\$ 0.028	\$ 42.8	\$ 0.089	\$ 485.9	\$ 1.012

<b>Exceptional Request #1 for ERCOT Strategic Objective 1 [\$10.1 M]</b>
- Be an industry leader for grid reliability and resilience
<b>Exceptional Request #2 for ERCOT Strategic Objective 2 [\$5.1 M]</b>
- Enhance the ERCOT region’s economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers
<b>Exceptional Request #3 for ERCOT Strategic Objective 3 [\$13.5 M]</b>
- Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission
<b>Exceptional Request #4 for Mandatory and Other Spend [\$42.8 M]</b>
- Primarily in support of growth within mandatory, regulatory, and base operations functions. (Request excludes \$16.0 M for offsetting Department Revenues and ERO Revenues)

<b>2025 Budgeted SAF Rate</b>	<b>\$ 0.6300</b>
Exceptional Requests (Included Above)	0.1490
Increase in Interest Income (\$26.5 M)	(0.0552)
Higher Energy Consumption (39 TWhs)	(0.0495)
Increase of Department Revenues (\$14.6 M)	(0.0304)
Increase of ERO Revenue (\$1.5 M)	(0.0032)
Decrease in Cash Balance (\$16.0 M)	(0.0332)
Decrease in CRR Borrowings (\$1.2 M)	0.0025
<b>2026 Requested SAF Rate</b>	<b>\$ 0.6100</b>

Schedules may not foot due to rounding



**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2026-2027 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

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

Note:

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

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2026-2027 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

ABEST				
Line	Object	ABEST Object Description	ERCOT Spend Category	ERCOT Account Summary
25	2001	Professional Fees & Services	Software Services	HW/SW License & Maintenance
26	2001	Professional Fees & Services	Audit Services	Outside Services
27	2001	Professional Fees & Services	Consulting Services	Outside Services
28	2001	Professional Fees & Services	Contingent Labor	Outside Services
29	2001	Professional Fees & Services	Immigration Services	Outside Services
30	2001	Professional Fees & Services	Legal Services	Outside Services
31	2001	Professional Fees & Services	Professional Services	Outside Services
32	2001	Professional Fees & Services	Professional Services - Research/Studies	Outside Services
33	2001	Professional Fees & Services	Professional Services - Training	Outside Services
34	2002	Fuels & Lubricants	Fuel Oil	Utility, Maintenance & Facility
35	2003	Consumable Supplies	Janitorial Supplies	Materials, Supplies & Equipment
36	2003	Consumable Supplies	Office Supplies	Materials, Supplies & Equipment
37	2003	Consumable Supplies	Uniforms/Gear	Materials, Supplies & Equipment
38	2004	Utilities	Remote System Access	Employee Expenses
39	2004	Utilities	Wireless PC Card	Employee Expenses
40	2004	Utilities	Data Center Connectivity	Utility, Maintenance & Facility
41	2004	Utilities	Electricity	Utility, Maintenance & Facility
42	2004	Utilities	Fiber Lease	Utility, Maintenance & Facility
43	2004	Utilities	Frame Relay	Utility, Maintenance & Facility
44	2004	Utilities	Internet Service	Utility, Maintenance & Facility
45	2004	Utilities	Telephone	Utility, Maintenance & Facility
46	2004	Utilities	Water/Gas/Sewer/Trash	Utility, Maintenance & Facility
47	2004	Utilities	Wide Area Network (WAN) Reimbursable Costs	Utility, Maintenance & Facility
48	2005	Travel	Airfare	Employee Expenses
49	2005	Travel	Business Meals	Employee Expenses
50	2005	Travel	Car Rental	Employee Expenses
51	2005	Travel	Gasoline	Employee Expenses
52	2005	Travel	Ground Transportation	Employee Expenses
53	2005	Travel	Lodging	Employee Expenses
54	2005	Travel	Mileage Reimbursement	Employee Expenses
55	2005	Travel	Other Employee Expense	Employee Expenses
56	2005	Travel	Parking	Employee Expenses
57	2005	Travel	Personal Meals	Employee Expenses
58	2005	Travel	Board Non-Taxable Expenses	Outside Services

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2026-2027 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

ABEST				
Line	Object	ABEST Object Description	ERCOT Spend Category	ERCOT Account Summary
59	2006	Rent - Building	Office Lease	Utility, Maintenance & Facility
60	2006	Rent - Building	Office Rent	Utility, Maintenance & Facility
61	2006	Rent - Building	Storage Rental	Utility, Maintenance & Facility
62	2007	Rent - Machine & Other	Software as a Service (SAAS)	HW/SW License & Maintenance
63	2007	Rent - Machine & Other	Software License Renewable	HW/SW License & Maintenance
64	2007	Rent - Machine & Other	Equipment Rental	Materials, Supplies & Equipment
65	2007	Rent - Machine & Other	Equipment Lease	Utility, Maintenance & Facility
66	2007	Rent - Machine & Other	Lease Expense - Other	Utility, Maintenance & Facility
67	2007	Rent - Machine & Other	Miscellaneous Rental	Utility, Maintenance & Facility
68	2008	Debt Service	Debt Principal	Debt Service
69	2008	Debt Service	Fees & Interest Expense	Debt Service
70	2009	Other Operating Expenses	College Education Reimbursement	Employee Expenses
71	2009	Other Operating Expenses	Communications Allowance	Employee Expenses
72	2009	Other Operating Expenses	Emergency Response	Employee Expenses
73	2009	Other Operating Expenses	Professional Dues	Employee Expenses
74	2009	Other Operating Expenses	Registration Fees	Employee Expenses
75	2009	Other Operating Expenses	Hardware Support & Maintenance	HW/SW License & Maintenance
76	2009	Other Operating Expenses	Information Technology Hardware	HW/SW License & Maintenance
77	2009	Other Operating Expenses	Information Technology Peripheral	HW/SW License & Maintenance
78	2009	Other Operating Expenses	Software License Perpetual	HW/SW License & Maintenance
79	2009	Other Operating Expenses	Software Maintenance	HW/SW License & Maintenance
80	2009	Other Operating Expenses	Insurance Premiums	Insurance
81	2009	Other Operating Expenses	Equipment & Tools	Materials, Supplies & Equipment
82	2009	Other Operating Expenses	Equipment Maintenance	Materials, Supplies & Equipment
83	2009	Other Operating Expenses	Furniture & Equipment	Materials, Supplies & Equipment
84	2009	Other Operating Expenses	Vehicle Maintenance	Materials, Supplies & Equipment
85	2009	Other Operating Expenses	Bank Fees	Other Expenses
86	2009	Other Operating Expenses	Black Start Training	Other Expenses
87	2009	Other Operating Expenses	Company Dues	Other Expenses
88	2009	Other Operating Expenses	Corporate Events	Other Expenses
89	2009	Other Operating Expenses	Discounts Taken	Other Expenses
90	2009	Other Operating Expenses	Employment Screening	Other Expenses
91	2009	Other Operating Expenses	ERO Assessment	Other Expenses
92	2009	Other Operating Expenses	Job Posting	Other Expenses

**Electric Reliability Council of Texas, Inc. (ERCOT)**  
**Fiscal Year 2026-2027 Budget Request**  
**Workpaper 2: Object of Expense Mapping - ABEST to ERCOT**

ABEST				
Line	Object	ABEST Object Description	ERCOT Spend Category	ERCOT Account Summary
93	2009	Other Operating Expenses	Late Fee Payment	Other Expenses
94	2009	Other Operating Expenses	Legal Claims & Settlements	Other Expenses
95	2009	Other Operating Expenses	Market Meetings	Other Expenses
96	2009	Other Operating Expenses	Media	Other Expenses
97	2009	Other Operating Expenses	Miscellaneous Expense	Other Expenses
98	2009	Other Operating Expenses	Moving Expenses	Other Expenses
99	2009	Other Operating Expenses	Operator Training Seminar	Other Expenses
100	2009	Other Operating Expenses	Postage & Shipping	Other Expenses
101	2009	Other Operating Expenses	Printing & Copying Services	Other Expenses
102	2009	Other Operating Expenses	Publications	Other Expenses
103	2009	Other Operating Expenses	Recruiting Expense	Other Expenses
104	2009	Other Operating Expenses	Reward/Recognition-NonMonetary	Other Expenses
105	2009	Other Operating Expenses	Subscriptions - Data Services	Other Expenses
106	2009	Other Operating Expenses	Subscriptions - Integrated Data Services	Other Expenses
107	2009	Other Operating Expenses	Subscriptions - Training	Other Expenses
108	2009	Other Operating Expenses	Temp-to-Hire Fees	Other Expenses
109	2009	Other Operating Expenses	Write Off Adjustments	Other Expenses
110	2009	Other Operating Expenses	Security Services	Outside Services
111	2009	Other Operating Expenses	Relocation Benefit	Salaries
112	2009	Other Operating Expenses	Building Maintenance	Utility, Maintenance & Facility
113	2009	Other Operating Expenses	Building Systems Maintenance	Utility, Maintenance & Facility
114	2009	Other Operating Expenses	Conferencing	Utility, Maintenance & Facility
115	2009	Other Operating Expenses	Custodial Service	Utility, Maintenance & Facility
116	2009	Other Operating Expenses	Grounds Maintenance	Utility, Maintenance & Facility
117	2009	Other Operating Expenses	Leasehold	Utility, Maintenance & Facility
118	2009	Other Operating Expenses	Miscellaneous Facility Services	Utility, Maintenance & Facility
119	2009	Other Operating Expenses	Network Telecom	Utility, Maintenance & Facility
120	2009	Other Operating Expenses	Property Tax	Utility, Maintenance & Facility
121	5000	Capital Expenditures	Common Infrastructure Expenditures	Minor Capital & Common Infrastructure
122	5000	Capital Expenditures	Minor Capital Expenditures	Minor Capital & Common Infrastructure
123	5000	Capital Expenditures	Capital Expenditures	Project Expenditures

Attachment E

ERCOT 2024 – 2028 Strategic Plan



# STRATEGIC PLAN

2024-2028



# CEO STATEMENT



**Pablo Vegas**  
President and CEO of ERCOT

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

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

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

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

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

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

A handwritten signature of Pablo Vegas in a cursive script, rendered in a light blue color. The signature is placed above a small, light blue rectangular box.

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



**Paul Foster**  
Chair

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

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

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

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

**2023**

- 1,873+**  
active market participants that generate, move, buy, sell, or use wholesale electricity
- 1,100+**  
generating units, including PUNs
- 52,700+**  
miles of high-voltage transmission
- \$3.3 billion**  
transmission projects endorsed in 2022

**2019**

- 1,800+**  
active market participants that generate, move, buy, sell, or use wholesale electricity
- 650+**  
generating units, including PUNs
- 46,500+**  
miles of high-voltage transmission
- \$1.3 billion**  
transmission projects endorsed in 2019

**Quick Facts from 2019-2023**



# ABOUT ERCOT

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

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

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

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

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



## How ERCOT is funded

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

## Vision



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

## Mission



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



Scan here  
to learn more  
about ERCOT



# ERCOT CORE VALUES

***Be accountable.***

Take personal responsibility for doing the right things the right way.

***Be a leader.***

Develop a vision and ensure its successful completion.

***Be innovative.***

Engineer, operate, and implement creative solutions.

***Be trustworthy.***

Build confidence and consistency through reliability, truth, and ability.

***Be the best expert you can be.***

Develop and demonstrate respected skills and knowledge.

Innovation



Leadership



Trust



Accountability



Expertise



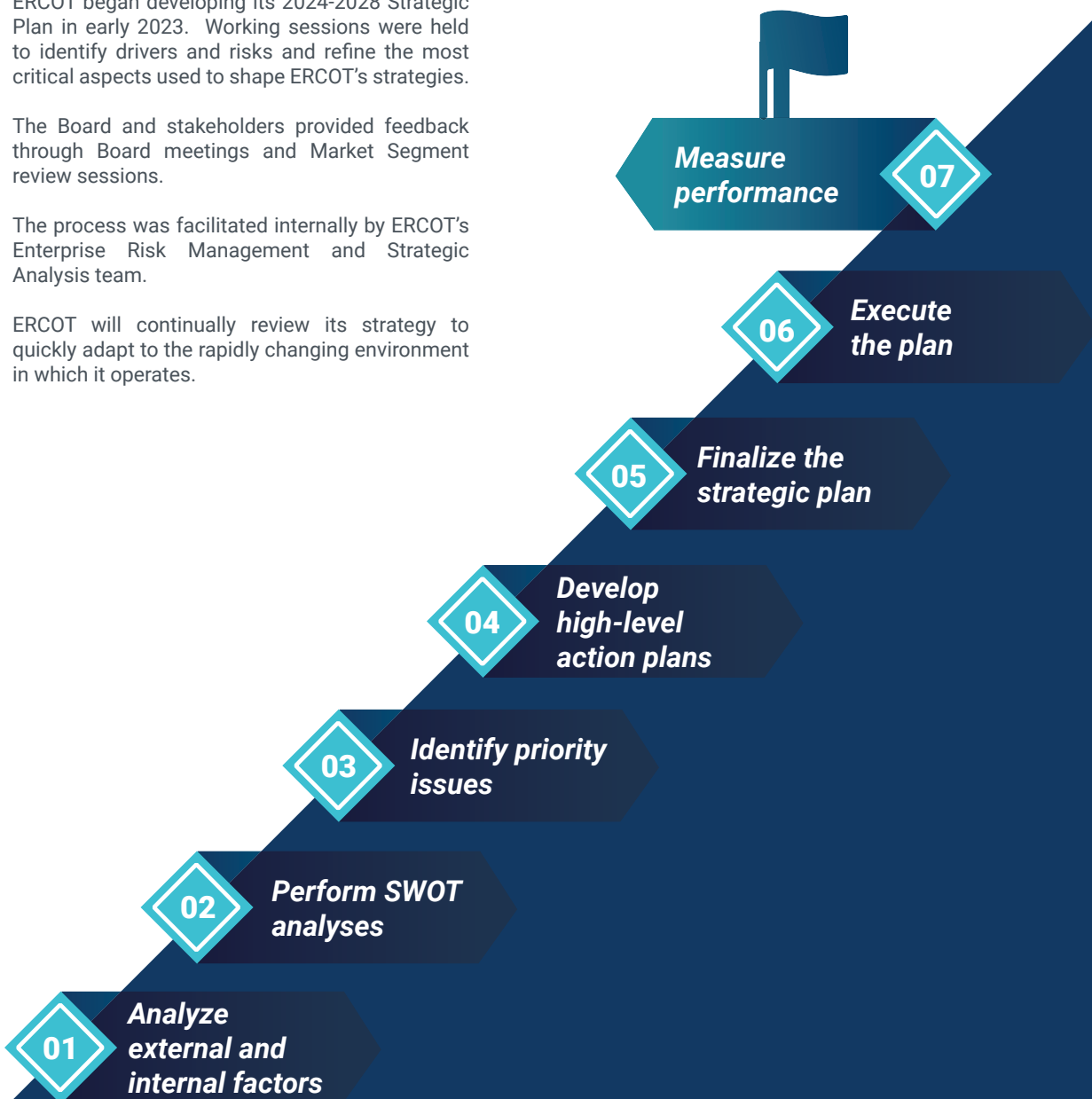
# STRATEGIC PLANNING

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

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

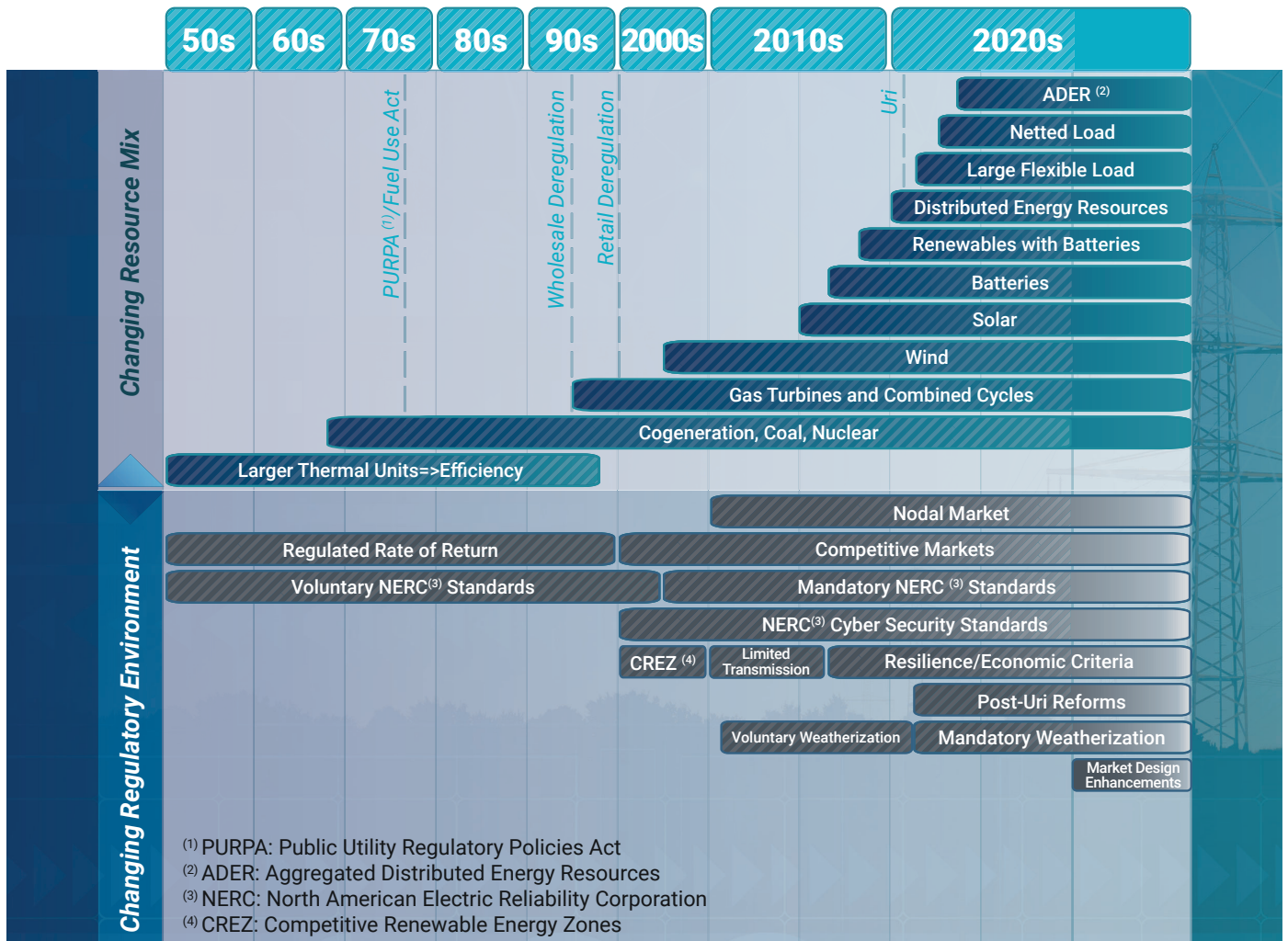
The process was facilitated internally by ERCOT's Enterprise Risk Management and Strategic Analysis team.

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



# DRIVERS OF CHANGE

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



# KEY STRATEGIC DRIVERS

## *Grid modernization and complexity*

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

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

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

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

## *Changing distribution system and operational impacts*

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

## *Market design and behavior changes*

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

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

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

# KEY STRATEGIC DRIVERS

## *Technological advancement*

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

## *Cyber and physical security vulnerabilities*

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

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

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

# STRATEGIC OBJECTIVES

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

**1**

*Be an industry leader for grid reliability and resilience*

**2**

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

**3**

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

# PRIORITY ISSUES



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

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



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

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



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

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



# STRATEGIC OBJECTIVE 1

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

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

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

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

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

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

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

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

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

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

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

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

# STRATEGIC OBJECTIVE 2

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

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

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

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

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

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

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

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

# STRATEGIC OBJECTIVE 3

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

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

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

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

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

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

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

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

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

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

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

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

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

# PLAN CONCLUSION

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

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

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






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## Attachment F

### 2024 ERCOT Key Performance Indicators



## 2024 Key Performance Indicators (KPIs)

# Q1-Q4 2024 Key Performance Indicator (KPI) Summary

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

	YTD - 2024		Q4 - 2024		Q3 - 2024		Q2 - 2024		Q1 - 2024	
	Target	Below	Target	Below	Target	Below	Target	Below	Target	Below
<b>Reliable Grid</b>										
Grid Security Management										
Forecasting										
Weatherization										
System Planning										
Transmission Connection Management										
Grid Reliability Systems Availability										
Real Time Market Availability										
Compliance Monitoring & Reporting										
<b>Efficient Electricity Markets</b>										
Bidding, Scheduling and Pricing	40%	60%			80%	20%	60%	40%	60%	40%
Day Ahead Market Availability										
<b>Open Access &amp; Retail Choice</b>										
Customer Switching / Registry										
Retail Choice Systems Availability										
<b>Other Support and Management Functions</b>										
Security										
Finance										
<b>Total number of KPIs tracked:</b>	20		20		20		20		20	
<b>% meeting Stretch:</b>	0%		5%		0%		0%		0%	
<b>% meeting Target:</b>	75%		95%		85%		85%		75%	
<b>% meeting Threshold:</b>	0%		0%		5%		0%		0%	
<b>% below Target:</b>	25%		0%		10%		15%		25%	

**Legend:** Meeting Stretch (Blue), Meeting Target (Green), Meeting Threshold (Purple), Below Target (Red)



# Q1-Q4 2024 KPI Detail – Reliable Grid

KPI ID	KPI Description	2024 Target Performance	2024 YTD	Q4	Q3	Q2	Q1
<b>Grid Security Management</b>							
1	Control Performance Standard 1 (CPS1) frequency control performance (rolling 12 month CPS1 score)	> 140	All scores greater than 140	Oct-175.45%, Nov-175.39%, Dec-175.51%	Jul-174.74%, Aug-174.94%, Sep-175.20%	April-174.72%, May-174.65%, June-174.85%	Jan-175.27%, Feb-175.05%, Mar-174.86%
2	Interconnection Reliability Operating Limit (IROL) exceedance limitations	None longer than 30 minutes	No Exceedences	No Exceedences	No Exceedences	No Exceedences	No Exceedences
<b>Forecasting</b>							
3	Operations Net Load Forecast Performance – Mean Absolute Error (MAE) in the Day-Ahead Net Load forecast (Load-Wind and Solar) for the month	Less than 3000 MW	Less than 3000 MW	Oct-1483, Nov-2517, Dec-1989	Jul-2106, Aug-1608, Sept-1474	April-1772, May-2449, June-1812	Jan-2437, Feb-2082, March-2063
<b>Weatherization</b>							
4	Number of generation and transmission Weatherization Inspections completed in order to stay on track to meet 25.55 requirements	100%	25.55 Inspections completed On-time	25.55 - Inspections Completed to Date for Generation Resources = 114 and for TSP Stations = 8	25.55 - Inspections Completed to Date for Generation Resources = 516 and for TSP Stations = 481	25.55 - Inspections Completed to Date for Generation Resources = 73 and for TSP Stations = 74	25.55 - Inspections Completed to Date for Generation Resources = 225 and for TSP Stations = 123
<b>System Planning</b>							
5	Regional Planning project Review Studies completed on time.	100% complete on time without errors that incorrectly state the results	Total of Twenty-eight (28) Regional Planning project Review/Studies completed on time without substantive error	Total of Seven (7) Regional Planning project Review/Studies completed on time without substantive error	Total of Nine (9) Regional Planning project Review/Studies completed on time without substantive error	Total of Seven (7) Regional Planning project Review/Studies completed on time without substantive error	Total of Five (5) Regional Planning project Review/Studies completed on time without substantive error
<b>Transmission Connection Management</b>							
6	Generation Interconnection Request (GIR) screening studies completed on time.	100% completed on time without errors that incorrectly state the results	8 screening studies were not completed on time	100%	2 screenings posted late in September 2024	100%	6 screenings posted late in February and March 2024
<b>Grid Reliability Systems Availability</b>							
13	Ensure availability of Grid Reliability Systems	EMS Tier 1 system availability should exceed 99.95%* *Excluding planned maintenance	100%	100%	100%	100%	100%
<b>Real Time Market Availability</b>							
14	Ensure availability of the Real Time Market System	Total accumulated missed SCED run time due to unplanned work should not be more than 4 hours (or 99.95 %) in calendar year	99.99%	100%	99.99%	100%	100%
<b>Compliance Monitoring &amp; Reporting</b>							
19	Achieve compliance with NERC standards and SOC controls	Potential violations are self-reported  Clean SOC audit opinion	Clean SOC audit opinion, which was presented to the F&A Committee in December. No NERC Reliability Standards Audit in 2024, only Spot-Check, which resulted in no violations other than self-reported items	Clean SOC audit opinion, which was presented to the F&A Committee in December	SOC content is under review by audit partners. No Expectations noted at this time	SOC Testing is unway and expected to complete at the end of August	SOC Testing has not yet begun

# Q1-Q4 2024 KPI Detail – Efficient Electricity Markets

KPI ID	KPI Description	2024 Target Performance	2024 YTD	Q4	Q3	Q2	Q1
<b>Bidding, Scheduling and Pricing</b>							
7	Market Operations: Deliver quality outcomes with Day Ahead Market (DAM)	Execute DAM such that Ancillary Services are procured for all days of the year and complete DAM by 14:30 for 90% of the days of the year	100% Ancillary Services procured; and completed DAM by 14:30	DAM has procured Ancillary Services and published by 14:30 for all days in Q4	DAM has procured Ancillary Services and published by 14:30 for all days in Q3	DAM has procured Ancillary Services and published by 14:30 for all days in Q2	DAM has procured Ancillary Services and published by 14:30 for all days in Q1
8	Market Operations: Deliver quality outcomes with Congestion Revenue Right (CRR) market execution	Meet all ERCOT responsibilities for the CRR Auction and Awards as described in Protocol Section 7.5.1(4) to 99%, which is represented by key auction milestones tracked in the publicly posted CRR Activity Calendar	99.5%	100%	100%	98%	100%
9	Market Performance Accuracy: Deliver accurate market results in Real-Time (RT) without price corrections	RT - SCED solutions are accurate as measured by posted 15-minute settlement interval prices are accurate and do not require price corrections 99% of yearly intervals*. Price corrections not performed due to materiality thresholds do not constitute an exemption, but routine maintenance periods are exempt.*Excluding planned maintenance	92.5%	99.4%	72.3%	99.2%	99.2%
10	Market Performance Accuracy: Deliver accurate market results in DAM without price corrections	DAM - hourly solutions are accurate as measured by 98% hours did not require a price correction. Materiality thresholds do not constitute an exemption	90.2%	100%	100%	100%	70.5%
11	Settlement accuracy and effectiveness	Achieve timely and accurate settlements metric of 99.25% as measured by settlement and billing processes meeting the protocol settlement timelines and statements and invoices being free from measurable settlement and billing system errors	97.69%	100%	100%	94.90%	95.33%
<b>Day Ahead Market Availability</b>							
15	Ensure availability of Day Ahead Market Systems	No more than 1 day that the Day Ahead Market (DAM) awards are published after 6 pm due to system unavailability	Zero	Zero	Zero	Zero	Zero

# Q1-Q4 2024 KPI Detail – Open Access & Retail Choice

KPI ID	KPI Description	2024 Target Performance	2024 YTD	Q4	Q3	Q2	Q1
<b>Customer Switching / Registry</b>							
12	Retail transaction effectiveness	Achieve timely and accurate metric of 99% as measured by the retail system transaction processing meeting protocol timelines, and retail system end-use customer switch notifications processed per PUCT rules.	99.97%	99.99%	99.95%	99.94%	99.99%
<b>Retail Choice Systems Availability</b>							
16	Systems Supporting Retail Choice Availability	Retail processing availability during business hours exceeds 99.9% and 99% during non-business hours* *Excluding planned maintenance	99.95% business hours 100.00% non-business hours	100.00% business hours 100.00% non-business hours	100.00% business hours 100.00% non-business hours	100.00% business hours 100.00% non-business hours	99.8% business hours 100.00% non-business hours

# Q1-Q4 2024 KPI Detail – Other Support & Management Functions

KPI ID	KPI Description	2024 Target Performance	2024 YTD	Q4	Q3	Q2	Q1
Security							
17	Maintain ERCOT ISO's security posture against cyber security threats by leveraging the NIST Cybersecurity Framework and responding to incidents per the respective Incident Response Plan	Zero externally reportable cyber or physical security compromises	Zero	Zero	Zero	Zero	Zero
18	Minimize the failure rate on Phishing training exercises	Failure rate at or below 3% average for the year	1.47%	Oct1-3.22%, Oct2-0.00%, Oct3-0.08%, Oct4-0.25%, Nov-0.94%, Dec-0.33%	July-0.33%, Aug-0.00%, Sept-0.34%	April-0.62%, May-0.52%, June-7.95%	Jan-2.03%, Feb-2.59%, March-2.82%
Finance							
20	Expenditures Budget Variance (Total of Department Expenditures and Project Expenditures)	Stretch: ± 2.0 % of budget Target: ± 3.0 % of budget Threshold: ± 5.0 % of budget Did Not Meet Threshold: ± >5.0 % of budget	8.6%	2.0%	4.6%	11.8%	16.6%

## Attachment G

### ERCOT Board Resolution Approving Renewal of the Revolving Line of Credit



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

WHEREAS, the \$100 million revolving line of credit with JPMorgan Chase Bank, NA (JPMorgan) is set to mature on December 31, 2024; and;

WHEREAS, upon the recommendation of staff of Electric Reliability Council of Texas, Inc. (ERCOT) and the Finance and Audit (F&A) Committee, and after due consideration of the alternatives, the Board of Directors (Board) of ERCOT deems it desirable and in the best interest of ERCOT to authorize and approve ERCOT staff to renew the \$100 million revolving line of credit including the \$25 million accordion with the option to increase another \$25 million with PUCT approval to a total of \$50 million accordion option with JPMorgan for a five-year term to expire in December 2029, on market terms and rates, to support Financial Corporate Standard requirements ("Proposed Revolver");

THEREFORE, BE IT RESOLVED, that ERCOT hereby authorizes and approves of the following:

- (1) ERCOT may renew the Proposed Revolver;
- (2) ERCOT may enter into the Proposed Revolver, and the Authorized Officers are each hereby severally authorized to determine and approve the terms, conditions, and consideration of such transactions and to execute and deliver in the name and on behalf of ERCOT, loan and other documentation evidencing and governing the Proposed Revolver, including without limitation, a commitment letter, fee letter, credit agreement(s), all related promissory notes, all other related loan documentation, all substantially in form and substance as shall be approved by the officer executing and delivering the same, such approval to be evidenced conclusively by such execution and delivery;
- (3) The obligations incurred upon such execution and delivery by ERCOT of the loan and other documentation evidencing and governing the Proposed Revolver shall be in all respects binding and enforceable obligations of ERCOT;
- (4) The Board severally designates, authorizes and empowers each of the Authorized Officers (acting together or individually) to perform or cause to be performed, in the name of ERCOT, all acts and deeds, to pay or cause to be paid, on behalf of ERCOT, all related costs and expenses and to make, execute, and deliver, or cause to be executed and delivered, all such other agreements, consents, approvals, orders, applications, requests, demands, directions, certificates, undertakings, supplements, instruments, documents, further assurances, or other communications of any kind,



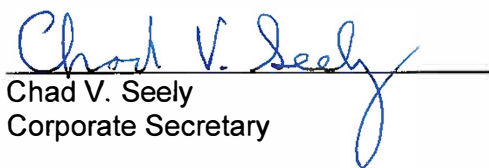
without the corporate seal of ERCOT or otherwise, on behalf of ERCOT or otherwise as he or she may deem necessary, appropriate, or advisable to comply with the intent of the foregoing resolutions or to comply with the requirements of the instruments approved and authorized by the foregoing resolutions, including but not limited to, the loan and other documents evidencing and governing the Proposed Revolver, and any other certificate, instrument, or document related thereto;

- (5) All acts and things whether heretofore or hereafter done or performed by any Authorized Officer of ERCOT which are in conformity with the intent and purposes of these resolutions, including but not limited to the execution and delivery of any and all agreements, amendments, supplements, instruments, documents or filings as may from time to time be required, such additional or specific authorizations shall be and the same are hereby in all respects ratified, confirmed, and approved and adopted as acts by ERCOT; and
- (6) The Corporate Secretary of ERCOT is hereby authorized and empowered to certify to the passage of the foregoing resolutions without the seal of ERCOT or otherwise.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Chad V. Seely, Corporate Secretary of ERCOT, do hereby certify that, at its December 3, 2024, meeting, the Board passed a motion approving the above Resolution by unanimous vote with no abstentions.

IN WITNESS WHEREOF, I have hereunto set my hand this 10<sup>th</sup> day of December, 2024.

  
Chad V. Seely  
Corporate Secretary