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Results of Examination and Independent Report from the Service Auditor

Alexis Kennedy, Partner and Melanie Tull, Director
Weaver and Tidwell, LLP
ERCOT Finance and Audit Committee Meeting
December 8, 2025

Discussion Topics

1. SOC Examination Overview
2. Audit Approach
3. Auditor Independence

SOC Examination Overview

SOC 1 Examination Overview

- Governing Standard and Guidance:
  - AICPA
  - Statement on Standards for Attestation (SSAE)
    - No. 18
    - No. 21
    - No. 23
  - Controls at service organizations that are relevant to user entities' internal control over financial reporting

SOC 1 Examination Overview

- Scope:
  - ERCOT's Settlements and Billing Operations
  - Supporting applications and systems
  - For the period October 1, 2024 through September 30, 2025
  - 22 Control Objectives and 116 Controls
  - Subservice Organizations
    - Microsoft Corporation
      - Entra ID
    - Rimilia Holdings Limited
      - Blackline Accounts Receivable Automation (ARA)

SOC 1 Examination Overview

- Examination Phases
  - Documentation Collection
    - June through September 2025
  - Control Testing
    - July through September 2025
  - Reporting
    - September through November 2025
- Results
  - Unmodified Opinion
  - No Reportable Exceptions for the 2025 Examination

Audit Approach

Audit Approach

- Audit Team Composition
  - Engagement Quality Risk Reviewer
  - Partner
  - Director
  - Supervisor and Associates
- Risk-Based Approach
  - Emphasis and Focus on Risk to User Entities’ Financial Reporting
  - Key controls defined by ERCOT directly tie to those risks.

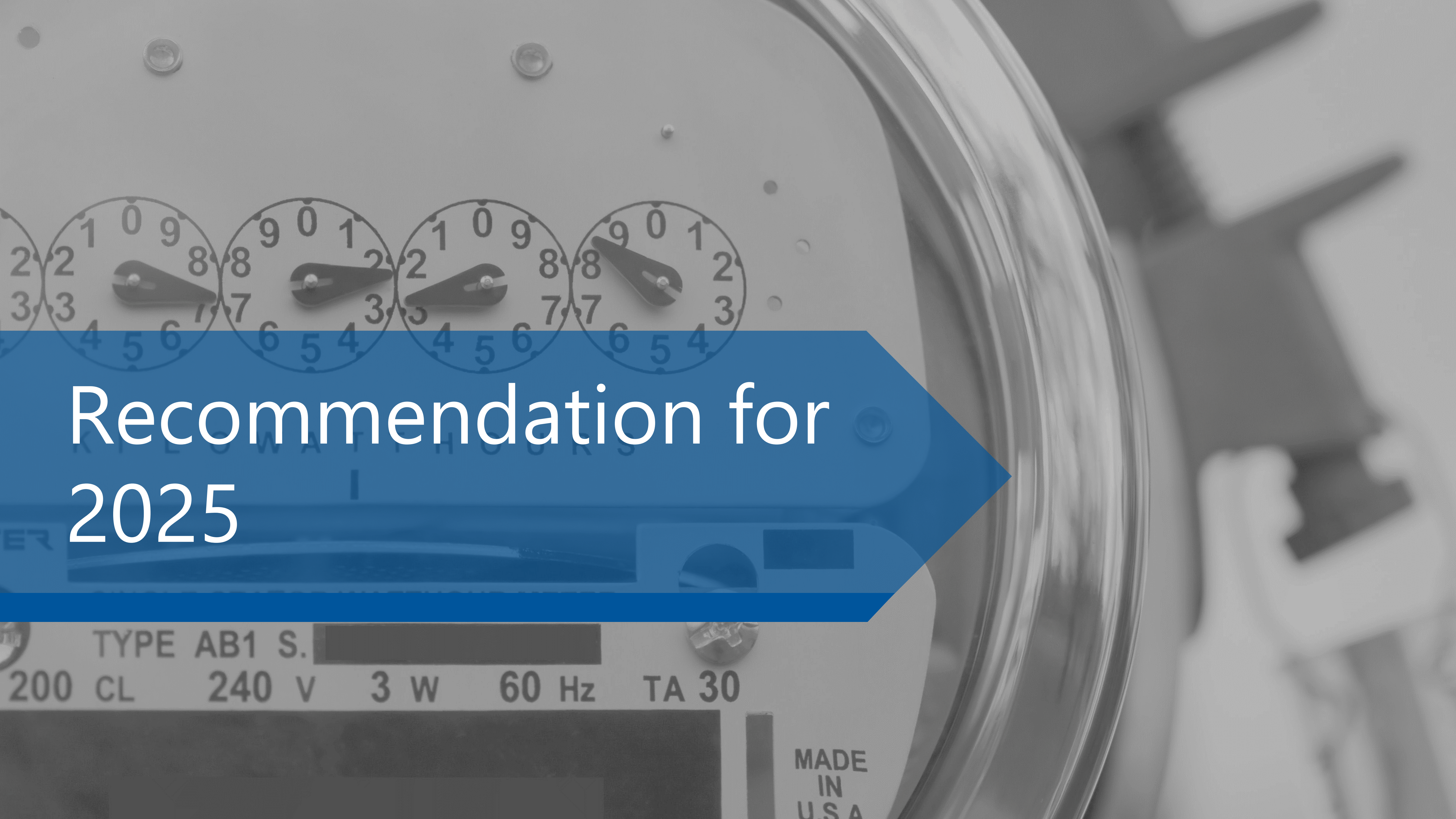
Audit Approach

- Application and System Scoping
  - ERCOT scoped into the SOC 1 examination applications and systems that directly impact internal controls over financial reporting as it relates to the user entities.
- Control Testing Approach
  - Design Walkthrough and Control Testing
  - Operating Effectiveness Control Testing
    - Combination of following procedures:
      - Inquiry
      - Observation
      - Inspection of documents/records and configurations
      - Reperformance on transactional controls
  - Sampling in Accordance with AICPA's AU-C Section 530 (Appendix A)

Audit Approach

- Quality Assurance Process
  - Testing procedures and SOC 1 report are reviewed by the supervisor, director, partner and engagement quality risk reviewer.

Recommendation for 2025



Recommendation

- Evaluate processes related to settlement and billing operations system to reaffirm critical and key control points with process owners.

Auditor Independence

AICPA Code of Professional Conduct - Independence Rule: “A member in public practice shall be independent in the performance of professional services as required by standards promulgated by bodies designated by Council.”

Audit Independence

- Policies and procedures implemented by Weaver related to Independence.
  - Independence training for all professional personnel every three years and new hires are expected to complete independence training within one week of being hired, as covered in the Relevant Ethical Requirements QC policy and procedures.
  - All applicable personnel (whether they be full time, part time, seasonal, contract, or otherwise) are required to complete the independence confirmation form when hired (and annually thereafter), which establishes their familiarity with the Firm’s relevant policy and procedures on ethical requirements, particularly with regard to independence.

Audit Independence

- Policies and procedures implemented by Weaver related to Independence.
  - The adequacy of the Firm’s quality control system for our accounting and auditing practice and our compliance with that system are independently evaluated every three years through a peer review conducted under the requirements and guidance of the AICPA’s National Peer Review Committee. The resultant peer review report is publicly available.

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Appendix A

Sampling in Accordance with AICPA's AU-C Section 530

Large Populations

	Number of Expected or Actual Deviations			
Planned Assessed Level of Control Risk	0	1	2	3
Low	40	60	*	*
Moderate	25	40	60	60
Slightly Below Maximum	*	25	25	40
Maximum	*	*	*	*

Sampling in Accordance with AICPA’s AU-C Section 530

Small Populations

Control Frequency and Population Size	Sample Size
Quarterly (4)	2
Monthly (12)	2-4
Semimonthly (24)	3-8
Weekly (52)	5-9