



Item 4.1: Review of Requirements for Annual Audit of Financial Statements and Annual Servicer's Certificate

Leslie Swanson
Director Sr, Controller & Treasurer

Finance and Audit Committee Meeting

April 20, 2026

Purpose

Review of Requirements for Annual Audit of Financial Statements and Annual Servicer's Certificate

Voting Items

ERCOT staff recommends that the F&A Committee recommend that the Board of Directors (Board) accept:

- ERCOT's audited financials and Report on Audit of Consolidated Financial Statements for the Years Ended December 31, 2025 and 2024 as presented by Baker Tilly
- The Texas Electric Market Stabilization Funding M LLC (TEMSFM) and The Texas Electric Market Stabilization Funding N LLC (TEMSFN) audited financials and Report on Audit of Financial Statements for the Years Ended December 31, 2025 and 2024 as presented by Baker Tilly

Key Takeaways

- Vote in general session Item 8, following executive session
- Servicer's Annual Certificate of Compliance is presented for review and does not require Board action

Review of Requirements for Annual Audit of Financial Statements and Annual Servicer's Certificate

ERCOT Bylaws Requirement

- Each year, the Board must select a qualified independent public accounting firm (“Auditor”) to audit the financial statements of ERCOT

ERCOT Protocol Requirement (§ 1.4.2 in pertinent part)

- “For audits performed by an Appointed Firm, the ERCOT F&A Committee shall directly approve the initiation, scheduling, and reporting of such audits or make recommendations to the ERCOT Board”

Finance & Audit Committee Charter Requirement

- “Based on its review and discussions with management and the independent auditor, the Committee shall provide a recommendation to the Board whether the Company’s financial statements audit report should be accepted”

Key Takeaway: Expect to receive unmodified reports (clean opinions) for 2025 ERCOT, Inc. consolidated financial statements

Review of Requirements for Annual Audit of Financial Statements and Annual Servicer's Certificate

Amended and Restated Limited Liability Company Agreement of TEMSFM

- Section 1.07(h) that TEMSFM shall “maintain full books of accounts and records (financial or other) and financial statements ... and audited annually by an independent accounting firm ...”

Amended and Restated Limited Liability Company Agreement of TEMSFN

- Section 1.08(f) states that TEMSFN shall “maintain full books of accounts and records (financial or other) and financial statements ... and audited annually by an independent accounting firm ...”

ERCOT Servicing Agreement with TEMSFM and TEMSFN

- “The Servicer ... shall cause a firm of Independent certified public accountants ... to prepare annually ... on or before March 31 of each year ... a report regarding the Servicer's assessment of compliance with the servicing criteria set forth in” the Uplift Property Servicing Agreement
- Servicer's Annual Certificate of Compliance is presented for your review and does not require Board action

Key Takeaways:

- Expect to receive unmodified reports (clean opinions) for 2025 TEMSFM and TEMSFN financial statements
- ERCOT received the independent certified accountant's reports regarding the annual Servicer's assessment of compliance