



CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

Together with the Independent Auditors' Report

April 22, 2026

Electric Reliability Council of Texas, Inc.

Consolidated Financial Statements

As of and for the Years Ended
December 31, 2025 and 2024

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Independent Auditors' Report

To the Board of Directors and the Finance and Audit Committee of
Electric Reliability Council of Texas, Inc.

Opinion

We have audited the consolidated financial statements of the Electric Reliability Council of Texas, Inc. (ERCOT), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the ERCOT as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ERCOT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the ERCOT's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ERCOT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ERCOT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as identified in the Table of Contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, activities and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such consolidating information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Austin, Texas
April 22, 2026

Electric Reliability Council of Texas, Inc.

Consolidated Statements of Financial Position

	As of December 31	
	2025	2024
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 755,681	\$ 678,259
Securitization charges receivable, current	53,596	48,808
Accounts receivable	5,889	5,541
Unbilled revenue	5,773	6,034
Interest receivable	15,184	17,042
Restricted cash and cash equivalents, current	2,097,300	2,319,438
Short-term investments	1,220,713	1,212,062
Prepaid expenses and other current assets	48,192	43,180
Total current assets	<u>4,202,328</u>	<u>4,330,364</u>
Restricted cash equivalents, non-current	12,497	17,550
Long-term investments	640,808	542,902
Property and equipment, net	145,227	164,207
Systems under development	50,212	30,700
Securitization charges receivable, non-current	2,279,085	2,336,737
Right-of-use assets, net	710	840
Total assets	<u>\$ 7,330,867</u>	<u>\$ 7,423,300</u>

See accompanying notes to the consolidated financial statements



Electric Reliability Council of Texas, Inc.

Consolidated Statements of Financial Position (continued)

	As of December 31	
	2025	2024
	<i>(In Thousands)</i>	
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4,411	\$ 5,835
Accrued liabilities	103,812	97,747
Deferred revenue	10,621	12,049
Market settlement liabilities	1,491,774	1,509,221
Security deposits	2,024,669	2,245,935
Debt payable, current portion	58,133	57,209
Total current liabilities	<u>3,693,420</u>	<u>3,927,996</u>
Debt payable, less current portion:		
Principal	2,340,898	2,399,749
Less unamortized discount and debt issuance costs	15,322	14,443
Debt payable, less current portion and unamortized discount and debt issuance costs	<u>2,325,576</u>	<u>2,385,306</u>
Debt reserves, non-current	1,918	6,971
Long-term CRR liabilities	875,797	758,474
Other long-term liabilities	577	631
Total liabilities	<u>6,897,288</u>	<u>7,079,378</u>
Net assets without donor restrictions	433,579	343,922
Total liabilities and net assets	<u>\$ 7,330,867</u>	<u>\$ 7,423,300</u>

See accompanying notes to the consolidated financial statements

Electric Reliability Council of Texas, Inc.

Consolidated Statements of Activities

	Year Ended December 31	
	2025	2024
	<i>(In Thousands)</i>	
Operating revenues:		
System administration fees	\$ 308,232	\$ 291,756
Securitization charges fees	120,687	110,947
Other services revenue	17,998	17,369
Total operating revenues	<u>446,917</u>	<u>420,072</u>
Operating expenses:		
Salaries and related benefits	208,991	193,997
Hardware and software maintenance and licensing	47,277	43,604
Outside services	18,900	27,077
Facility and equipment costs	10,823	9,531
Depreciation and amortization	47,042	43,593
Other	14,082	12,243
Total operating expenses	<u>347,115</u>	<u>330,045</u>
Income from operations	99,802	90,027
Other income (expense):		
Investment return, net	111,380	116,751
Interest expense and debt issuance cost amortization	(121,466)	(113,260)
Non-operating (expense) income	(59)	8
Change in net assets without donor restrictions	<u>89,657</u>	<u>93,526</u>
Net assets without donor restrictions, beginning of year	343,922	250,396
Net assets without donor restrictions, end of year	<u>\$ 433,579</u>	<u>\$ 343,922</u>

See accompanying notes to the consolidated financial statements

Electric Reliability Council of Texas, Inc.

Consolidated Statements of Cash Flows

Year Ended December 31

2025

2024

(In Thousands)

Operating activities

Change in net assets without donor restrictions	\$	89,657	\$	93,526
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:				
Depreciation/amortization of assets		47,042		43,593
Amortization of right-of-use assets		278		293
Amortization of debt issuance costs and discount		878		841
Loss on extinguishment of debt		1,833		-
Amortization of bond investment (discount)		(47,716)		(57,806)
Unrealized (gains) losses on bond investments		(1,466)		5,344
Net loss on capital assets		83		-
Changes in operating assets and liabilities:				
Securitization charges receivable		56,628		53,024
Accounts receivable		(348)		102
Unbilled revenue		261		806
Interest receivable		564		1,109
Prepaid expenses and other current assets		(5,012)		(1,379)
Other long-term liabilities		(54)		(72)
Accounts payable		2,800		(7,652)
Accrued liabilities		6,678		8,261
Deferred revenue		(1,428)		3,047
Security deposits and reserves		(226,319)		701,075
Market settlement liabilities		(17,447)		103,533
Long-term CRR liabilities		117,323		(60,159)
Net cash provided by operating activities		24,235		887,486

See accompanying notes to the consolidated financial statements



Electric Reliability Council of Texas, Inc.

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31	
	2025	2024
	<i>(In Thousands)</i>	
Investing activities		
Purchase of investments	(1,520,375)	(1,317,695)
Proceeds from investments	1,463,000	1,377,675
Capital expenditures for property and equipment and systems under development	(55,104)	(48,631)
Net cash (used in) provided by investing activities	(112,479)	11,349
Financing activities		
Proceeds from debt issuance	379,072	-
Repayment of debt payable	(437,027)	(56,992)
Payment of debt issuance costs	(3,570)	(486)
Net cash (used in) financing activities	(61,525)	(57,478)
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(149,769)	841,357
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	3,015,247	2,173,890
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	\$ 2,865,478	\$ 3,015,247

See accompanying notes to the consolidated financial statements

Electric Reliability Council of Texas, Inc.

Consolidated Statements of Cash Flows (continued)

	As of and for the Year Ended December 31	
	2025	2024
	<i>(In Thousands)</i>	
Supplemental information		
Cash paid for interest	\$ 117,724	\$ 113,156
Reconciliation of cash, cash equivalents, and restricted cash and cash equivalents to the Statements of Financial Position		
Cash and cash equivalents	\$ 755,681	\$ 678,259
Restricted cash and cash equivalents, current	2,097,300	2,319,438
Restricted cash equivalents, non-current	12,497	17,550
Total cash, cash equivalents, and restricted cash and cash equivalents	\$ 2,865,478	\$ 3,015,247
Supplemental disclosures of non-cash investing and financing activities		
Change in accrued capital expenditures	\$ 7,447	\$ (5,628)
Capitalized interest	\$ 798	\$ 610

See accompanying notes to the consolidated financial statements

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

1. Organization and Operations

The consolidated financial statements include the accounts of Electric Reliability Council of Texas, Inc. (ERCOT), Texas Electric Market Stabilization Funding M LLC (TEMSFM), and Texas Electric Market Stabilization Funding N LLC (TEMSFN), because ERCOT has both control and an economic interest in TEMSFM and TEMSFN.

Electric Reliability Council of Texas, Inc. (ERCOT)

ERCOT is a Texas, non-profit corporation. ERCOT functions as the independent system operator for its reliability region, which comprises about 90% of the electrical load in Texas. The ERCOT region has more than 104,850 expected megawatts of available capacity for the summer peak demand period.

The Public Utility Commission of Texas (PUCT) has primary jurisdictional authority over ERCOT, which is responsible for ensuring the adequacy and reliability of electricity across the state's main interconnected power grid and for operating and settling the electricity markets it administers. ERCOT's market rules and operations are carried out in accordance with its Protocols filed with the PUCT. The ERCOT electric service region is contained completely within the borders of Texas, and it has only a few direct current ties across state lines to import or export power with neighboring reliability regions. ERCOT has no synchronous connections (alternating current) across state lines. As a result, ERCOT is considered "intrastate" and does not fall under the jurisdiction of the Federal Energy Regulatory Commission except for reliability issues under the provisions of the Federal Energy Policy Act of 2005.

ERCOT is governed by a Board of Directors composed of twelve directors (nine voting and three non-voting). Eight of the voting directors are selected by a statutorily created ERCOT board selection committee and may not have a fiduciary duty or assets in the electricity market for the ERCOT region. The remaining voting director is an ex officio director, the Public Counsel. The three non-voting directors are also ex officio, that is, the Chair of the PUCT, an annually rotating Commissioner of the PUCT, and ERCOT's Chief Executive Officer.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

1. Organization and Operations (continued)

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

As a result of Winter Storm Uri, extraordinary prices in the wholesale electricity market caused some wholesale market participants to default on their payment obligations to ERCOT for power under the ERCOT Nodal Protocols. As a result of these payment defaults, ERCOT was unable to fully settle obligations to certain wholesale market participants who were due payments from ERCOT for the power they produced during the storm. To address these problems, the Texas Legislature during the 87th legislative session enacted two bills that authorized financing mechanisms to provide funds to pay market participants who were previously short-paid and provide liquidity to market participants. One of these bills, House Bill 4492, added Subchapters M and N to chapter 39 of Public Utility Regulatory Act (PURA) and each provided authority for a financing mechanism to address different aspects of the extraordinary costs incurred due to Winter Storm Uri, with Subchapter M authorizing up to \$800,000 and Subchapter N authorizing up to \$2,100,000, plus reasonable costs.

On October 14, 2021, the PUCT approved ERCOT's application for a Debt Obligation Order (The Sub M Order) under PURA § 39.603 (Subchapter M) and issued The Sub M Order. The Sub M Order approves the default balance in an aggregate amount of up to \$800,000; approves the assessment of default charges to all wholesale market participants except those expressly exempted by PURA, in an amount sufficient to ensure the recovery of amounts expected to be necessary to timely provide all payments of debt service and other required amounts and charges in connection with the issuance of debt obligations; authorizes the issuance of Texas Market Stabilization M bonds in one or more series in an aggregate amount of up to \$800,000 for the payment of the default balance; and approves the financing or securitization of default charges and the creation of default property.

On October 13, 2021, the PUCT approved ERCOT's application for a separate Debt Obligation Order (The Sub N Order) under PURA § 39.653 (Subchapter N) and issued The Sub N Order. The Sub N Order approves the uplift balance up to \$2,100,000, plus reasonable costs; approves Texas Market Stabilization N bonds to be issued through a special purpose entity to finance the uplift balance; and approves the securitization of uplift charges and the creation of uplift property.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

1. Organization and Operations (continued)

Texas Electric Market Stabilization Funding M LLC (TEMSFM)

TEMSFM is a Delaware limited liability company with ERCOT as its sole member, and a disregarded entity for tax purposes. It was incorporated on October 27, 2021, for the limited purpose of (a) imposing, collecting, and receiving default charges and acquiring default property and related assets to support its obligations under the Texas Market Stabilization M bonds, (b) issuing Texas Market Stabilization M bonds in one or more series, and (c) performing other activities relating thereto or otherwise authorized by The Sub M Order.

On November 12, 2021, TEMSFM issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021 (M Bonds, Series 2021), pursuant to The Sub M Order, which were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts (see Note 7). ERCOT is the servicer and administrator of the Texas Market Stabilization M bonds, Series 2021.

On August 14, 2025, TEMSFM issued \$379,100 of Texas Stabilization M Bonds, Series 2025 (M Bonds, Series 2025), to refinance the unpaid balance due on M Bonds, Series 2021 (see Note 7). ERCOT is the servicer and administrator of M Bonds, Series 2025. The bonds were offered in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and outside the United States to entities which are not “U.S. persons” as defined in, and in compliance with, regulations under the Securities Act. The bonds will not be registered under the Securities Act or any state securities or “Blue Sky” laws and were offered and sold in reliance upon exemption from the registration requirements of the Securities Act and such laws.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

1. Organization and Operations (continued)

Texas Electric Market Stabilization Funding N LLC (TEMSFN)

TEMSFN is a Delaware limited liability company with ERCOT as its sole member, and a disregarded entity for tax purposes. It was incorporated on December 2, 2021, for the limited purpose of (a) imposing, collecting, and receiving uplift charges and acquiring uplift property and related assets to support its obligations under the Texas Market Stabilization N bonds, (b) issuing Texas Market Stabilization N bonds in one or more series, and (c) performing other activities relating thereto or otherwise authorized by The Sub N Order.

On June 15, 2022, TEMSFN issued \$2,115,700 of Texas Market Stabilization N Bonds, Series 2022, pursuant to The Sub N Order (see Note 7). ERCOT is the servicer and administrator of the Texas Market Stabilization N Bonds, Series 2022. Neither TEMSFN nor ERCOT is an asset-backed issuer and the bonds are not asset-backed securities as such terms are defined by the Securities and Exchange Commission (SEC) in Item 1101 of Regulation AB. The bonds were offered in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and outside the United States to entities which are not “U.S. persons” as defined in, and in compliance with, regulations under the Securities Act. The bonds will not be registered under the Securities Act or any state securities or “Blue Sky” laws and were offered and sold in reliance upon exemption from the registration requirements of the Securities Act and such laws.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of ERCOT, TEMSFM and TEMSFN because ERCOT has both control and an economic interest in TEMSFM and TEMSFN. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Company.

Method of Accounting

The accompanying consolidated financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those that are not subject to donor restrictions or stipulations and that may be expendable for any purpose in performing the Company's objectives. Accordingly, net assets of the Company and changes therein are classified and reported as net assets without donor restrictions. The Company has no net assets with donor restrictions.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities of the consolidated financial statements and reported amounts of revenues, expenses, and capital expenditures during the reporting period. Actual results could differ from those estimates.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. Cash and cash equivalents consist primarily of amounts held by ERCOT on behalf of market participants for congestion management funds and payments of settlement obligations (as described in Note 2 – Market Settlement Liabilities); and ERCOT capital contribution held by TEMSFM.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of deposits in banks and money market investment accounts with original maturities of 90 days or less. ERCOT's restricted cash and cash equivalents, current, primarily represent amounts received for security deposits from ERCOT's market participants.

TEMSFM's restricted cash and cash equivalents, current, consist of security deposits from ERCOT's market participants subject to Subchapter M, and payments collected from securitization charges receivable. Restricted cash equivalents, non-current, consist of reserves pledged as collateral for the payment of the Texas Market Stabilization M Bonds, Series 2021 and M Bonds, Series 2025.

TEMSFN's restricted cash and cash equivalents, current, consist of security deposits from ERCOT's market participants subject to Subchapter N, and payments collected from securitization charges receivable. Restricted cash equivalents, non-current, consists of capital contribution from ERCOT.

ERCOT's capital contribution in TEMSFN, and payments collected from securitization charges receivable for TEMSFM and TEMSFN, are deposited to trust accounts held by their indenture trustee, respectively, as collateral to ensure timely payment of debt principal and interest. The trustees shall have sole dominion and exclusive control over all money collected from securitization charges receivable.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Restricted Cash and Cash Equivalents (continued)

As of December 31, restricted cash and cash equivalents consist of below:

	2025			
	ERCOT	TEMSFM	TEMSFN	Total
Security Deposits	\$ 2,002,220	\$ 17,584	\$ 4,865	\$ 2,024,669
Payments collected from securitization charges receivable	726	11,550	60,175	72,451
Interest income from ERCOT capital contribution Restricted cash and cash equivalent, current	-	-	180	180
Capital contribution from ERCOT	2,002,946	29,134	65,220	2,097,300
Reserve for supplemental capital Restricted cash equivalent, non-current	-	1,918	-	1,918
Total	\$ 2,002,946	\$ 31,052	\$ 75,799	\$ 2,109,797

	2024			
	ERCOT	TEMSFM	TEMSFN	Total
Security Deposits	\$ 2,226,348	\$ 15,712	\$ 3,875	\$ 2,245,935
Payments collected from securitization charges receivable	1,125	10,955	61,202	73,282
Interest income from ERCOT capital contribution Restricted cash and cash equivalent, current	-	-	221	221
Capital contribution from ERCOT	2,227,473	26,667	65,298	2,319,438
Reserve for debt service Restricted cash equivalent, non-current	-	4,084	-	4,084
Reserve for supplemental capital	-	2,887	-	2,887
Total	\$ 2,227,473	\$ 33,638	\$ 75,877	\$ 2,336,988

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Custodial Credit Risk

The Company maintains cash balances at financial institutions, which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits and are exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned. The Company has not experienced, nor does it anticipate, any losses with respect to such cash deposits.

Receivable and Revenue Recognition

Revenue is measured based on a consideration specified in a contract with a customer, and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a service to a customer.

A. Performance Obligations

System administration services - As the independent system operator for the region, ERCOT provides a variety of services to Texas electricity market participants. ERCOT schedules power on an electric grid that connects more than 55,000 miles of transmission lines and 1,460 generation units, performs financial settlement for the competitive wholesale bulk-power market, and administers retail switching for more than 8 million premises in competitive choice areas. These services are performed to fulfill ERCOT's primary responsibilities which are maintaining system reliability, facilitating competitive wholesale and retail markets, and ensuring open access to transmission. ERCOT identifies a single performance obligation from these services which are considered a series of distinct services under the revenue standard. Revenue from system administration services, called the system administration fee (SAF) is recognized when services are performed over time. SAF is collected from electric service providers operating within the ERCOT region. This fee is charged pursuant to the ERCOT Nodal Protocols and as approved by both the ERCOT board of directors and the PUCT. It is based on actual volume consumption. Services are billed each business day and are generally due 2 business days after the invoice date. Amounts not yet billed are accrued and presented as unbilled revenue on the consolidated statements of financial position.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

The SAF was 63.0 cents per megawatt hour of adjusted metered load in both 2025 and 2024. It is structured to provide funding for ERCOT's core operations and related services.

Securitization charges fees – As described in Note 1 Organization and Operations, TEMSFM is established to finance the default balance under The Sub M Order through Texas Market Stabilization M bonds, Series 2021 and Series 2025 refinancing of previously issued Series 2021, and performs other activities relating thereto or otherwise authorized by The Sub M Order. TEMSFM has the rights to impose, collect, and receive default charges along with the other rights arising under The Sub M Order. As the issuer of Texas Market Stabilization M bonds, Series 2021 and Series 2025 refinancing of previously issued Series 2021, TEMSFM has the performance obligations to maintain and service the bonds. Ongoing expenses associated with the performance obligations are recovered through securitization charges fees revenue. Wholesale market participants, except those expressly exempted by PURA, are billed and payments are collected monthly on a pro rata basis in amounts sufficient to ensure the recovery of default charges receivable and ongoing expenses. Revenue is recognized over time when related services are provided, and related expenses are incurred.

As described in Note 1 Organization and Operations, TEMSFN is approved to finance the uplift balance under The Sub N Order through Texas Market Stabilization N Bonds, Series 2022 and performs other activities relating thereto or otherwise authorized by The Sub N Order. TEMSFN has the rights to impose, collect, and receive uplift charges along with the other rights arising under The Sub N Order. As the issuer of Texas Market Stabilization N Bonds, Series 2022, TEMSFN has the performance obligations to maintain and service the bonds. Ongoing expenses associated with the performance obligations are recovered through securitization charges fees revenue. Responsible Qualified Scheduling Entities (QSEs) representing obligated Load Serving Entities (LSEs) within the ERCOT wholesale market are billed daily on a load ratio share basis in an amount sufficient to ensure the recovery of uplift charges receivable and ongoing expenses. Each securitization invoice payment is due by 5:00pm on the second bank business day after the invoice date. Revenue is recognized over time when related services are provided and related expenses are incurred.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

Other services - ERCOT offers or is required to provide its participants other services, including connectivity to ERCOT's grid studies, wide-area network usage (WAN), weatherization inspection, training for market participants, membership, and other miscellaneous services.

- 1) *Connectivity to ERCOT's grid studies* – Entities who propose new or updated generation resources to connect into the ERCOT grid are required to submit Generator Interconnection or Modification Request (GIM) to ERCOT. ERCOT coordinates studies on the request with relevant Transmission Service Providers and the entity. GIM fees are paid together with the requests and are deferred in the consolidated statements of financial position, and are recognized as revenue over time when services are provided.
- 2) *WAN* – ERCOT provides, in accordance with its reasonable discretion and control, the design, engineering, procurement, and installation of the equipment and facilities necessary to interconnect market participants' data transfer systems to ERCOT's data network and facilities for the sole purpose of transferring data between ERCOT and market participants. Revenue is recognized when services are provided over time. ERCOT bills market participants monthly based on actual costs incurred by ERCOT that are the responsibility of market participants. Payment term is net 30 days.
- 3) *Weatherization Inspection* – Pursuant to Senate Bill 3 (SB3) and PUC Substantive Rule 25.55, Weather Emergency Preparedness, ERCOT is required to perform new weatherization tasks, including conducting inspections of generation resources and transmission facilities. Costs relating to the SB3 weatherization inspections for 2025 and 2024 are recovered by weatherization inspection fees revenue which is recognized when inspection services are provided.
- 4) *Training for market participants* – ERCOT offers Operator Training and Black Start Training to market participants. Training fees are received during training registration and are recognized as revenue when trainings are completed.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

- 5) *Membership* – Applicants pay annual membership dues to apply for ERCOT membership. Membership dues are deferred, and revenue is recognized over the membership period.
- 6) *Other miscellaneous services* – ERCOT provides other miscellaneous services such as studies of operational issues, development of certain revisions to market rules and associated changes to IT systems. Revenue related to these services is recognized as the services are performed over time.

Reliability organization pass-through – The North American Electric Reliability Corporation (NERC) invoices ERCOT for reliability functions performed by NERC and its delegated Texas Reliability Entity, Inc. In turn, ERCOT collects payment from market participants for this Electric Reliability Organization (ERO) billing. The ERO billing is based on actual NERC funding, and ERCOT collects this payment and remits it to NERC on a quarterly basis. ERO billing amount was \$29,940 and \$27,689 in 2025 and 2024, respectively. No revenue is recognized as there is no consideration to earn during this ERO billing pass-through.

B. Disaggregation of Revenue

The following table illustrates the disaggregation disclosure by service types and timing of revenue recognition.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

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2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

<u>Service Types</u>	<u>Services</u> <u>transferred over</u> <u>time</u>	<u>Services</u> <u>transferred</u> <u>at a point in time</u>	<u>2025 Total</u>
System administration	\$ 308,232	\$ -	\$ 308,232
Securitization Charges fees	120,687	-	120,687
Connectivity to ERCOT's grid studies	8,351	-	8,351
WAN	4,105	-	4,105
Weatherization inspection	-	4,066	4,066
Training for market participants	-	650	650
Membership	321	-	321
Other miscellaneous services	505	-	505
Total	<u>\$ 442,201</u>	<u>\$ 4,716</u>	<u>\$ 446,917</u>

<u>Service Types</u>	<u>Services</u> <u>transferred over</u> <u>time</u>	<u>Services</u> <u>transferred</u> <u>at a point in time</u>	<u>2024 Total</u>
System administration	\$ 291,756	\$ -	\$ 291,756
Securitization Charges fees	110,947	-	110,947
Connectivity to ERCOT's grid studies	6,757	-	6,757
Weatherization inspection	-	5,237	5,237
WAN	3,724	-	3,724
Training for market participants	-	682	682
Membership	328	-	328
Other miscellaneous services	641	-	641
Total	<u>\$ 414,153</u>	<u>\$ 5,919</u>	<u>\$ 420,072</u>

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
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2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

C. Contract Balances

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers at December 31.

	2025	2024	2023
Receivables-current	\$ 59,485	\$ 54,349	\$ 56,964
Receivables-non-current	2,279,085	2,336,737	2,388,484
Contract assets	5,773	6,034	6,840
Contract liabilities	10,621	12,049	9,002

Receivables-current include accounts receivable and securitization charges receivable, current.

Receivables-non-current are comprised solely of securitization charges receivable, non-current, and are represented that way on the consolidated statements of financial position.

Contract assets relate to the Company's rights to consideration for services provided but not billed for system administration and weatherization inspection. The contract assets are transferred to the receivables when invoices are billed.

Non-contract related receivables on the consolidated statements of financial position include \$15,184 and \$17,042 interest receivable on December 31, 2025 and 2024, respectively.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
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2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

Contract liabilities relate to advance consideration received from customers for various services to be provided, including connectivity to ERCOT's grid studies, membership, and advances of proceeds from securitization bonds to support upgrades to ERCOT's billing systems necessary to support ERCOT's requirements as servicer of TEMSFM and TEMSFN. As of December 31, 2025 and 2024, the balances are \$10,621 and \$12,049, respectively, and reported in deferred revenue on the consolidated statements of financial position.

Revenues are recognized when performance obligations are satisfied.

D. Significant Judgements

The Company recognizes revenues from system administration, securitization charges fees, WAN, connectivity to ERCOT's grid studies, membership, and other miscellaneous services over time, as the Company determines that customers simultaneously receive and consume the benefits provided by the Company's performances. Revenue from system administration is recognized over time using output method which is based on actual load volume consumption. Revenues from securitization charges fees, WAN, and other miscellaneous services are recognized over time using cost-based input method, which is based on actual incurred costs of the services provided by the Company. Revenues from connectivity to ERCOT's grid studies and membership are recognized over time on a straight-line basis, as the Company determines that customers benefit from connectivity to ERCOT's grid studies and membership services throughout the service contract period, and the best measure of progress toward complete satisfaction of the performance obligation over time is a time-based straight-line measure.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
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2. Summary of Significant Accounting Policies (continued)

Receivable and Revenue Recognition (continued)

The Company recognizes revenues from weatherization inspection and training from market participants at a point of time. The Company determines that customers receive the benefits from the services when the Company's performance obligations are satisfied, which are when weatherization inspection is completed, and training to market participants is provided.

The Company has no significant continuing obligation, and collection is reasonably assured. The Company does not maintain credit losses accounts as it does not believe it has a material risk of loss associated with lack of collection.

Investments

Investments consist of US Treasury bonds and bills, and are recorded at fair value on the consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities, and consists of interest and unrealized capital gains and losses, less external investment expenses.

Investments are made by investment advisors whose performance is monitored by ERCOT's Investment Officers. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that the investment policies and guidelines are prudent for the long-term welfare of ERCOT.

Prepaid Expenses and Other Current Assets

Prepaid expenses consist of amounts paid in advance for items that had not yet occurred as of the end of fiscal year. Prepaid expenses are amortized in the periods when items occur. Other current assets primarily include the non-vested portion of former employees' 401K accounts.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
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2. Summary of Significant Accounting Policies (continued)

Prepaid Expenses and Other Current Assets (continued)

The balances at December 31 are as following:

	2025	2024
Prepaid expenses	\$ 47,927	\$ 43,047
Other current assets	265	133
Total prepaid expenses and other current assets	<u>\$ 48,192</u>	<u>\$ 43,180</u>

Property and Equipment

Property and equipment additions over \$5 are recorded at cost. They consist primarily of computer equipment, software, and buildings for operations. Depreciation is computed on the straight-line method over the estimated life of the asset. The cost of betterments to, or replacement of, property and equipment is capitalized. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in non-operating income (expense) in the consolidated statements of activities for the period. There is \$83 and \$0 loss, respectively, recognized in 2025 and 2024, related to property and equipment. Repairs and maintenance costs are expensed when incurred.

ERCOT's depreciable lives (in years) for property and equipment are as follows:

Asset Category	Depreciable Life
Computer hardware	3
Software	5
Vehicles	5
Furniture and equipment	7
Mechanical building components	10
Buildings and improvements	Up to 30
Finance lease right-of-use assets	30
Leasehold improvements	Lesser of useful life or respective lease term

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Systems Under Development

ERCOT continues to develop the information systems and grid operating systems that are being used in its operations. Direct costs and related indirect and interest costs incurred to develop or obtain these systems during the application development stage are capitalized. Such costs are expensed when incurred during the preliminary project stage. Internal costs and contract expenditures not related directly to the development of systems, and related testing activities, are expensed as incurred. Costs from completed projects are transferred to property and equipment when the systems are placed in service.

Impairment

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment exists, it is measured as the difference between the net book value of the asset and its estimated fair value. Impairment is computed by comparing the expected future cash flows, undiscounted and before interest, to the carrying value of the asset.

There is no impairment loss in 2025 and 2024, respectively.

Interest Capitalization

Interest is capitalized in connection with the construction of major software systems, buildings, and improvements. The capitalized interest is recorded as part of the asset to which it relates and is amortized or depreciated over the asset's estimated useful life. During 2025 and 2024, capitalized interest costs were \$798 and \$610, respectively.

Market Settlement Liabilities

Market settlement liabilities primarily represent two types of funds held on behalf of the ERCOT market: congestion management funds and payments of settlement obligations. Market participant settlement obligations amounts are collected and redistributed by ERCOT in the normal course of managing the settlement of ERCOT's markets. Such settlement obligations are generally held before distribution to the market in accordance with timetables set forth in ERCOT Nodal Protocols.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
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2. Summary of Significant Accounting Policies (continued)

Market Settlement Liabilities (continued)

ERCOT manages a congestion revenue rights (CRR) program that includes monthly auctions and auctions for longer than one month. ERCOT collects and holds the proceeds from the auctions until the proceeds are distributed according to provisions of the ERCOT Nodal Protocols. ERCOT's Financial Corporate Standard, adopted by the Board of Directors, includes a provision that a certain portion of the funds held as a result of CRR auctions may be used to fund ERCOT working capital and capital expenditure needs within certain guidelines.

ERCOT acts as the central counter-party for transactions in the ERCOT wholesale market between buyers and sellers, and ERCOT must maintain revenue neutrality in serving this market function. Because ERCOT acts only as the clearinghouse through which funds are exchanged between buyers and sellers in the ERCOT wholesale market, when an ERCOT market participant with a payment obligation "short pays" an invoice, the result is that ERCOT market participants that are due payments from those "short paid" invoices cannot be paid in full. ERCOT is a non-recourse entity for settlement of market participant "short payments" – meaning ERCOT does not take on the financial obligation. Per ERCOT Nodal Protocol Section 9.19.1(1), the "Default Uplift Invoice" process must be used by ERCOT

to collect outstanding "short pay amounts for all Settlement Invoices in a month," in order to fully pay the ERCOT market participants that are due payments but have been "short paid." By Protocol, ERCOT's fees are paid from market receipts as a first priority before any market obligations are paid, and ERCOT bears no liability from market participant "short payments."

Market settlement liabilities consist of the following at December 31:

	2025	2024
Short-term CRR auction funds	\$ 1,407,320	\$1,410,591
Settlement obligations	84,454	98,630
Total current market settlement liabilities	1,491,774	1,509,221
Long-term CRR auction funds	875,797	758,474
Total market settlement liabilities	\$ 2,367,571	\$2,267,695

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Security Deposits and Reserves

Market participants not meeting certain creditworthiness standards referenced in ERCOT Nodal Protocols must maintain a means of security with the Company in order to mitigate market credit risk. Market participants have discretion in the means of security, such as corporate guaranties, letters of credit, surety bonds, or cash security deposits provided the market participants remain in compliance with ERCOT Nodal Protocols. The Company is required to remit interest earned on security deposits to market participants.

In addition, a portion of the proceeds from Texas Market Stabilization M Bonds, Series 2021 issuance, and from M Bonds, Series 2025 issuance refinancing of previous issued Series 2021, were reserved for debt service and supplemental capital that is pledged as collateral for the payment of the Texas Market Stabilization M Bonds, Series 2021 and M Bonds, Series 2025, respectively.

Cash security deposits are classified as restricted cash and cash equivalents, current; debt reserves are classified as restricted cash equivalents, non-current, on the consolidated statements of financial position. See Note 2 Restricted Cash and Cash Equivalents. The balance of cash security deposits and reserves is \$2,026,587 and \$2,252,906 at December 31, 2025 and 2024, respectively.

Accrued Liabilities

Accrued liabilities are expenses that the Company has incurred but hasn't yet been billed for. As of December 31, the accrued liabilities consist of the amounts shown in the table below:

	2025	2024
Debt interest payable	\$ 47,867	\$ 46,036
Salaries, benefits and payroll taxes	39,139	28,411
Accrued fees liabilities	16,806	23,300
	\$ 103,812	\$ 97,747

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Income Taxes

ERCOT is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(4), and TEMSFM and TEMSFN are classified as disregarded entities for tax purposes. ERCOT is also exempt from state income taxes. Accordingly, no provision for income taxes or uncertain tax positions has been reflected in the consolidated financial statements.

Debt Issuance Costs

The Company capitalizes issuance costs related to debt. The amounts are presented as a direct deduction from the debt liability, and amortized over the life of the debt.

Operating Income

The Company presents operating income (loss) as a measure of financial performance on the consolidated statement of activities. Operating income (loss) includes all revenues and expenses that are an integral part of the Company's programs and supporting activities and that are expected to recur on an annual basis.

Operating revenues include program service fees, securitization charge fees, and other revenues earned in the course of the Company's ongoing activities.

Operating expenses include program services and supporting services expenses incurred in carrying out the Company's mission.

The following items are excluded from operating income (loss) and are reported as nonoperating activities:

- Non-recurring or unusual items, including gains or losses on property and equipment
- Other items not considered part of ongoing operations, as determined by management

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Operating Income (Continued)

The Company's definition of operating income (loss) is consistently applied from period to period and is intended to reflect the results of activities that are central to the Company's mission and ongoing operations.

Accounting for the Effects of Regulation

The Company is subject to the provisions of the FASB in accounting for the effects of rate regulation. These provisions require regulated entities, in appropriate circumstances, to establish regulatory assets and/or liabilities, and thereby defer the statements of activities impact of certain revenues and charges because it is probable they will be recovered or repaid in future periods. The Company does not have any regulatory assets or liabilities as of December 31, 2025 and 2024.

3. Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

4. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	2025	2024
Cash, cash equivalents, and restricted cash, cash equivalents, net of security deposits and reserves	\$ 838,891	\$ 762,341
Securitization charges receivable, current	53,596	52,572
Accounts receivable	5,889	5,541
Unbilled revenue	5,773	6,034
Interest receivable, net	9,368	9,932
Short-term investments	1,220,713	1,212,062
Total	\$ 2,134,230	\$ 2,048,482

The balance of interest receivable on the consolidated statement of financial position as of December 31, 2025 and 2024 is \$15,184 and \$17,042, respectively, which includes \$5,816 and \$7,110 interest receivable from security deposits investment that the Company is required to remit to the market participants. This portion is not included in the financial assets available for general expenditures.

As part of the Company's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, ERCOT invests cash in excess of daily requirements in short-term investments and money market funds. To help manage unanticipated liquidity needs, ERCOT has committed a line of credit in the amount of \$150,000, which it could draw upon (see Note 7 Debt Payable)

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
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5. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in pricing the asset or liability. The use of observable inputs is maximized where available and the use of unobservable inputs is minimized for fair value measurement. In a three-tier fair value hierarchy, which prioritizes inputs to valuation techniques used for fair value measurement, the following levels were established for each input:

- Level 1 valuations use quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 valuations use inputs, other than those included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 valuations use unobservable inputs for the asset or liability. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The input may reflect the assumptions of the reporting entity of what a market participant would use in pricing an asset or liability.

In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

The Company invests in U.S. government obligations which are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The Company invests in money market mutual funds that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient. These investments are not classified within the fair value hierarchy.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

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5. Fair Value Measurement (continued)

The following tables present assets measured at fair value on a recurring basis, except those measured at NAV per share as a practical expedient, as of December 31:

	2025			
	Total	Level 1	Level 2	Level 3
Assets				
US Treasury Bonds and Bills				
Short-term investments	\$ 1,220,713	\$ -	\$ 1,220,713	\$ -
Long-term investments	640,808	-	640,808	-
Total assets at fair value	<u>\$ 1,861,521</u>	<u>\$ -</u>	<u>\$ 1,861,521</u>	<u>\$ -</u>

	2024			
	Total	Level 1	Level 2	Level 3
Assets				
US Treasury Bonds and Bills				
Short-term investments	\$ 1,212,062	\$ -	\$ 1,212,062	\$ -
Long-term investments	542,902	-	542,902	-
Total assets at fair value	<u>\$ 1,754,964</u>	<u>\$ -</u>	<u>\$ 1,754,964</u>	<u>\$ -</u>

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

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5. Fair Value Measurement (continued)

Investments in money market mutual funds that are measured at fair value using NAV per share as a practical expedient are as follows at December 31, 2025 and 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
December 31, 2025				
Cash equivalents	\$ 754,474	None	Daily	None
Restricted cash equivalents, current	2,095,722	None	Daily	None
Restricted cash equivalents, non-current	12,497	None	Daily	None
Total assets at fair value	<u>\$ 2,862,693</u>			
 December 31, 2024				
Cash equivalents	\$ 677,093	None	Daily	None
Restricted cash equivalents, current	2,316,319	None	Daily	None
Restricted cash equivalents, non-current	17,550	None	Daily	None
Total assets at fair value	<u>\$ 3,010,962</u>			

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

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6. Property and Equipment

Property and equipment consist of the following at December 31:

	2025	2024
Depreciable:		
Software	\$ 829,863	\$ 814,464
Building and improvements	114,115	114,027
Computer hardware and equipment	126,289	139,150
Furniture and fixtures	38,642	39,219
Vehicles	363	286
Non-depreciable:		
Land	2,242	2,242
Construction in progress	9,774	44
	1,121,288	1,109,432
Accumulated depreciation	(976,061)	(945,225)
Total property and equipment, net	145,227	164,207
Systems under development	50,212	30,700
Total	\$ 195,439	\$ 194,907

7. Debt Payable

The Company's consolidated debt payable consists of the following:

	2025	2024
3.00% Senior Notes	\$ 27,000	\$ 31,000
Texas Market Stabilization M Bonds, Series 2021	-	388,522
Texas Market Stabilization M Bonds, Series 2025	379,100	-
Texas Market Stabilization N Bonds, Series 2022	1,992,931	2,037,436
Total	\$ 2,399,031	\$ 2,456,958

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

7. Debt Payable (continued)

Revolving Line of Credit

ERCOT has one revolving line of credit with JPMorgan Chase Bank that was entered into in June 2012, and amended in subsequent years when it expired. This facility is primarily used for short-term working capital needs, had a maximum amount of available credit of \$100,000 before the amendment on December 31, 2024. After the amendment, the line of credit has an addition of an accordion feature which allows ERCOT to increase the line of credit up to \$150,000. As of December 31, 2025 and 2024, there was no debt outstanding under this line of credit.

The interest rate on this facility is based on the Secured Overnight Financing Rate (SOFR), or other rate as described in the debt agreements. The contractual rate of interest on the revolving line of credit's outstanding balance was 4.72% and 5.48% at December 31, 2025 and 2024, respectively. Additionally, at December 31, 2025, ERCOT pays a commitment fee of 0.15% on the unused portion of the \$100,000 revolving credit facility. ERCOT incurred commitment fees totaling \$152 in both 2025 and 2024, in connection with its debt facilities. The revolving line of credit has several debt covenants, the most restrictive of which limits ERCOT's indebtedness. At December 31, 2025 and 2024, the revolving line of credit had unamortized debt issuance costs of \$6 and \$8, respectively.

3.00% Senior Notes

On October 31, 2012, ERCOT issued \$80,000 in senior notes through a private placement. These notes bear interest at 3.00% and are due in equal quarterly principal payments beginning in December 2012 through September 2032. The private placement has several covenants, the most restrictive of which limits ERCOT's indebtedness. At December 31, 2025 and 2024, there were \$27,000 and \$31,000 outstanding senior notes, respectively and, \$90 and \$104 of unamortized debt issuance costs, respectively.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

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7. Debt Payable (continued)

Texas Market Stabilization M Bonds, Series 2021

On November 12, 2021, TEMSFM issued \$800,000 of Texas Market Stabilization M Bonds, Series 2021, pursuant to The Sub M Order (see Note 1 Organization and Operations). The bonds were sold to the Texas Treasury Safekeeping Trust Company, which was incorporated by the Texas Comptroller of Public Accounts. The bonds proceeds were allocated to first pay upfront costs, then to pay amounts owed to ERCOT by competitive wholesale market participants, and finally to use the rest to replenish CRR auction funds temporarily used by ERCOT to reduce the short payments to wholesale market participants due to Winter Storm Uri. The bonds are payable out of default charges to all wholesale market participants except those expressly exempted by PURA. The bonds have target scheduled final maturities of approximately 28 years and legal final maturities not exceeding 30 years from the date of issuance. The interest rate is calculated by using the rate determined by the Municipal Market Data Municipal Electric Index, as published by Refinitiv TM3, based on the credit rating of ERCOT, plus 2.5%. The interest rate is fixed at 2.97% for the first 3 years, after January 31, 2025, the interest rate was reset to 6.07% based on the aforementioned calculation. Payments of the bonds are semi-annual, beginning August 1, 2022. On December 31, 2024, the unamortized debt issuance costs were \$1,881.

Texas Market Stabilization M Bonds, Series 2025

On August 14, 2025, the Company issued \$379,100 M Bonds, Series 2025, to refinance the unpaid balance of \$379,817 due on M Bonds, Series 2021. The bonds have target scheduled final maturities of approximately 24 years and legal final maturities not exceeding 26 years from the date of issuance. The interest rate is 5.147%. On December 31, 2025 and 2024, the unamortized debt issuance costs were \$4,148 and \$654, respectively. On December 31, 2025, the unamortized bond discounts were \$28.

The Company recognized \$1,833 in expense when paying off M Bonds, Series 2021, from the balance of unamortized debt issuance costs. The expense is recorded in interest expense and amortization of debt issuance cost on the consolidated statements of activities.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

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7. Debt Payable (continued)

Texas Market Stabilization M Bonds, Series 2025 (continued)

Under PURA § 39.603(i), the Texas Market Stabilization M Bonds, Series 2021 and Series 2025 refinancing of previously issued Series 2021 authorized to be issued under The Sub M Order are a nonrecourse debt secured solely by the default charges created by The Sub M Order and explicitly assessed to repay the Texas Market Stabilization M Bonds, Series 2021 and Series 2025 (including the default property as well as earnings from the investment and reinvestment of default charges). The Texas Market Stabilization M Bonds, Series 2021 and Series 2025 authorized to be issued under The Sub M Order and PURA § 39.603 do not create a personal liability for ERCOT.

Texas Market Stabilization N Bonds, Series 2022

On June 15, 2022, TEMSFN issued \$2,115,700 of Texas Market Stabilization N Bonds, Series 2022, tranches A-1, A-2, A-3 and A-4, pursuant to The Sub N Order (see Note 1 Organization and Operations). The bonds proceeds were allocated to first pay upfront costs, before payout to finance the ERCOT wholesale market.

The bonds have target scheduled final payment dates ranging from approximately 12 years to 28 years and final maturities not exceeding 30 years from the date of issuance. Payments of the bonds are semi-annual, beginning February 1, 2023. On December 31, 2025 and 2024, the unamortized debt issuance costs were \$10,918 and \$11,657, respectively, and unamortized bond discounts were \$132 and \$140, respectively.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

7. Debt Payable (continued)

Texas Market Stabilization N Bonds, Series 2022 (continued)

As of December 31, 2025, the bonds comprise each tranche as following:

Tranche	Principal Amount Offered	Scheduled		Interest Rate	Outstanding Principal	Unamortized Bond Discount	Unamortized Debt Issuance Cost
		Final Payment Date	Final Maturity Date				
A-1	\$ 600,000	8/1/2034	8/1/2036	4.265%	\$ 477,231	\$ 6	\$ 2,718
A-2	600,000	2/1/2042	2/1/2044	4.966%	600,000	47	3,146
A-3	457,900	8/1/2046	8/1/2048	5.057%	457,900	39	2,500
A-4	457,800	2/1/2050	2/1/2052	5.167%	457,800	40	2,554
Total	\$ 2,115,700				\$ 1,992,931	\$ 132	\$ 10,918

Under PURA § 39.653(h), the Texas Market Stabilization N Bonds, Series 2022 authorized to be issued under The Sub N Order are a nonrecourse debt secured solely by the uplift charges created by The Sub N Order and explicitly assessed to repay the Texas Market Stabilization N Bonds, Series 2022 (including the uplift property as well as earnings from the investment and reinvestment of uplift charges). The Texas Market Stabilization N Bonds, Series 2022 authorized to be issued under The Sub N Order and PURA § 39.653 do not create a personal liability for ERCOT.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

7. Debt Payable (continued)

Future Maturities

Future maturities of the debt payable are as follows:

	3.00% Senior Notes	Texas Market Stabilization M Bonds, Series 2025	Texas Market Stabilization N Bonds, Series 2022	Total
Year Ending December 31:				
2026	\$ 4,000	\$ 7,785	\$ 46,348	\$ 58,133
2027	4,000	8,502	48,269	60,771
2028	4,000	8,963	50,269	63,232
2029	4,000	9,449	52,352	65,801
2030	4,000	9,961	54,522	68,483
Thereafter through 2050	7,000	334,440	1,741,171	2,082,611
	\$ 27,000	\$ 379,100	\$ 1,992,931	\$ 2,399,031

8. Expenses by Nature and Function

The consolidated financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Depreciation is allocated based on ratio of each function's operating expenses to the total operating expenses. Interest expense is allocated based on project efforts. Other expenses are recorded in the cost centers where the expenses are incurred, and reported in the functions that the cost centers belong to.

The tables below present expenses by both their nature and function for years ended December 31, 2025 and 2024, respectively.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

8. Expenses by Nature and Function (continued)

	2025		
	Program Services	Management and General	Total
Salaries and related benefits	\$ 170,686	\$ 59,837	\$ 230,523
Hardware and software maintenance and licensing	44,293	2,984	47,277
Outside services	16,944	1,956	18,900
Facility and equipment costs	5,060	5,763	10,823
Depreciation and amortization	34,753	12,289	47,042
Other	5,032	9,050	14,082
Subtotal expenses by function	276,768	91,879	368,647
Less capitalized labor expense included on the consolidated statement of financial position	(20,311)	(1,221)	(21,532)
Total operating expenses included on the consolidated statement of activities	\$ 256,457	\$ 90,658	\$ 347,115
Interest expense	\$ 122,009	\$ 255	\$ 122,264
Less capitalized interest expense included on the consolidated statement of financial position	(798)	-	(798)
Total interest expense included on the consolidated statement of activities	\$ 121,211	\$ 255	\$ 121,466
Total operating and interest expenses included on the consolidated statement of activities	\$ 377,668	\$ 90,913	\$ 468,581

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

8. Expenses by Nature and Function (continued)

	2024		
	Program Services	Management and General	Total
Salaries and related benefits	\$ 155,033	\$ 54,143	\$ 209,176
Hardware and software maintenance and licensing	40,834	2,770	43,604
Outside services	17,723	9,354	27,077
Facility and equipment costs	4,578	4,953	9,531
Depreciation and amortization	31,670	11,923	43,593
Other	4,434	7,809	12,243
Subtotal expenses by function	254,272	90,952	345,224
Less capitalized labor expense included on the consolidated statement of financial position	(14,498)	(681)	(15,179)
Total operating expenses included on the consolidated statement of activities	\$ 239,774	\$ 90,271	\$ 330,045
Interest expense	\$ 112,546	\$ 1,324	\$ 113,870
Less capitalized interest expense included on the consolidated statement of financial position	(610)	-	(610)
Total interest expense included on the consolidated statement of activities	\$ 111,936	\$ 1,324	\$ 113,260
Total operating and interest expenses included on the consolidated statement of activities	\$ 351,710	\$ 91,595	\$ 443,305

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

9. Employee Benefit Plans

Defined Contribution Plan

ERCOT sponsors the ERCOT Defined Contribution 401(k) Savings Plan (the 401(k) Plan), which is subject to the provisions of the Employee Retirement Income Security Act of 1974. The 401(k) Plan utilizes a third-party administrator. Employees must be 21 years of age to be eligible to participate.

ERCOT matches 75% of the employee's contribution up to 6% of eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the ERCOT match of 75% after five years. In addition, ERCOT contributes 10% of a participant's eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the ERCOT contributions of 10% after three years. Employer contributions to the 401(k) Plan are summarized in the table below:

	2025	2024
10% of the employee's compensation	\$ 16,180	\$ 14,162
75% of the employee's contribution up to 6%	6,705	5,885
Total employer contributions	<u>\$ 22,885</u>	<u>\$ 20,047</u>

Health Insurance Reserve

ERCOT provides a self-insured group health plan to its employees and pays for all health claims. Incurred-but-not-reported claims liability is accrued. On December 31, 2025 and 2024, the liability is \$1,247 and \$871, respectively, and included in accrued liability on the consolidated statements of financial position.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

10. Leases

ERCOT has non-cancelable operating leases for office and telecommunication equipment. The terms of ERCOT's leases require monthly payments and expire in varying dates ranging from 2026 through 2035. All of the operating leases are fixed lease payments. ERCOT elected the practical expedient not to separate lease and non-lease components for the office facilities and office equipment leases. Most leases include options to renew, with renewal terms that can extend the lease term from 2 to 5 years. The exercise of lease renewal options is at ERCOT's sole discretion. The amounts of the right-of-use assets and lease liabilities are mostly measured based on current expectations of not exercising the available renewal options. The existing leases are not subject to any restrictions or covenants which preclude ERCOT's ability to obtain financing or enter into additional leases.

ERCOT has an accounting policy for short-term leases, of which lease payments are recorded as an expense on a straight-line basis over the lease term.

Because the rate implicit in the leases was not readily determinable, ERCOT used a risk-free discount rate for all operating and finance leases.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

*As of and for the Years Ended
 December 31, 2025 and 2024*

10. Leases (continued)

Lease costs and related information as December 31 are as follows:

	2025	2024
Lease cost		
Operating lease cost	\$ 320	\$ 352
Short-term lease cost	88	5
Total lease cost	\$ 408	\$ 357
Other information		
Cash paid for amounts included in the measurement of lease liabilities	\$ 177	\$ 235
Operating cash flows from operating leases	\$ 177	\$ 235
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 15	\$ 196
Weighted-average remaining lease term-operating leases	4.86 years	4.9 years
Weighted-average discount rate-operating leases	3.00%	2.96%

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

10. Leases (continued)

Amounts recognized as right-of-use assets related to operating leases are reported in right-of-use assets, while related lease liabilities are included in accrued liabilities and other long-term liabilities.

As of December 31, right-of-use assets and lease liabilities related to operating leases were as follows:

	2025	2024
Right-of-use assets	\$ 710	\$ 840
Total operating lease right-of-use assets	<u>\$ 710</u>	<u>\$ 840</u>
Accrued liabilities	\$ 175	\$ 194
Other long-term liabilities	443	479
Total operating lease liabilities	<u>\$ 618</u>	<u>\$ 673</u>

The following table presents the future undiscounted maturities of operating leases at December 31, 2025 and for each of the next five years and thereafter:

2026	\$ 180
2027	152
2028	101
2029	103
2030	37
Thereafter	79
Total lease payments	<u>\$ 652</u>
Less imputed interest	<u>(34)</u>
Lease liabilities recognized	<u>\$ 618</u>

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

11. Concentrations

ERCOT provides reliability and market services to market participants. ERCOT settles the costs of these services by passing through the costs of such services from the providers to the users of such services. In the event that a market participant is unable to make payment on its market obligations, ERCOT Nodal Protocols stipulate that the amount of the default is to be allocated to other market participants based on their market activity and define the allocation mechanism. In order to limit the risks associated with such occurrences, ERCOT requires a cash security deposit, letter of credit, corporate guaranty, or surety bond from market participants that do not meet certain credit standards. Credit risk related to trade receivables associated with ERCOT's fees is substantially mitigated by the fact that, by Protocol, ERCOT's fees are paid from market receipts as a first priority before any market obligations are paid.

ERCOT's fee revenue is driven by the demand for electricity rather than the number of market participants. In the event that any market participant representing load ceased to operate, another market participant representing load would assume the role in response to the demand for electricity. As such, ERCOT believes its exposure to a material reduction in revenues associated with the loss of any market participant is limited.

TEMSFM and TEMSFN securitization charges receivable and securitization charge fees revenue are decided by the amounts needed to cover the principal, interest, and other debt related expenses of the Texas Market Stabilization M Bonds, Series 2021, and Series 2025 and Texas Market Stabilization N Bonds, Series 2022, respectively, rather than the number of market participants that are subject to Subchapter M and N. Under Subchapter M, wholesale market participants, except those expressly exempted by PURA, are billed and payments are collected monthly on a pro rata basis. Under Subchapter N, responsible QSEs representing obligated LSEs within the ERCOT wholesale market are billed daily on a load ratio share basis. The billing amounts are sufficient to ensure the recovery of securitization charges receivable and ongoing expenses. Cash security deposit or letter of credit from market participants that do not meet certain credit standards is required to mitigate the risk that a market participant is not able to make payment. TEMSFM and TEMSFN believe that they do not have a material concentration risk.

Electric Reliability Council of Texas, Inc.

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

As of and for the Years Ended
December 31, 2025 and 2024

12. Contingencies

The Company is party to regulatory and legal proceedings that management considers to be normal actions to which an enterprise of its size and nature might be subject. ERCOT expects favorable outcomes and does not anticipate such proceedings will have a material impact on ERCOT's financial condition, results of operations, or cash flows in the next twelve months or thereafter.

13. Subsequent Events

The Company has evaluated material subsequent events through April 22, 2026, the date the Company's consolidated financial statements is available to be issued. The Company is not aware of any material subsequent events.

Electric Reliability Council of Texas, Inc.
Supplementary Information
December 31, 2025 and 2024

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information

	December 31, 2025				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Assets					
Current assets:					
Cash and cash equivalents	\$ 751,613	\$ 4,068	\$ -	\$ -	\$ 755,681
Securitization charges receivable, current	-	7,413	46,183	-	53,596
Accounts receivable	5,889	-	-	-	5,889
Unbilled revenue	6,370	-	-	(597)	5,773
Interest receivable	14,858	106	220	-	15,184
Receivable from intercompany	321	-	726	(1,047)	-
Restricted cash and cash equivalents, current	2,002,946	29,134	65,220	-	2,097,300
Short-term investments	1,220,713	-	-	-	1,220,713
Prepaid expenses and other current assets	48,192	-	-	-	48,192
Total current assets	4,050,902	40,721	112,349	(1,644)	4,202,328
Restricted cash equivalents, non-current	-	1,918	10,579	-	12,497
Long-term investments	655,387	-	-	(14,579)	640,808
Property and equipment, net	145,227	-	-	-	145,227
Systems under development	50,212	-	-	-	50,212
Securitization charges receivable, non-current	-	363,537	1,915,548	-	2,279,085
Right-of-use assets, net	710	-	-	-	710
Total assets	\$ 4,902,438	\$ 406,176	\$ 2,038,476	\$ (16,223)	\$ 7,330,867

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information (continued)

	December 31, 2025				Consolidated
	ERCOT	TEMSFM	TEMSFN	Eliminations	
	<i>(In Thousands)</i>				
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 4,408	\$ 3	\$ -	\$ -	\$ 4,411
Accrued liabilities	55,832	7,526	40,454	-	103,812
Payable to intercompany	726	221	697	(1,644)	-
Deferred revenue	10,621	-	-	-	10,621
Market settlement liabilities	1,491,774	-	-	-	1,491,774
Security deposits	2,002,220	17,584	4,865	-	2,024,669
Debt payable, current portion	4,000	7,785	46,348	-	58,133
Total current liabilities	3,569,581	33,119	92,364	(1,644)	3,693,420
Debt payable, less current portion:					
Principal	23,000	371,315	1,946,583	-	2,340,898
Less unamortized discount and debt issuance costs	96	4,176	11,050	-	15,322
Debt payable less current portion and unamortized discount and debt issuance costs	22,904	367,139	1,935,533	-	2,325,576
Debt reserves, non-current	-	1,918	-	-	1,918
Long-term CRR liabilities	875,797	-	-	-	875,797
Other long-term liabilities	577	-	-	-	577
Total liabilities	4,468,859	402,176	2,027,897	(1,644)	6,897,288
Net assets without donor restrictions	433,579	4,000	10,579	(14,579)	433,579
Total liabilities and net assets	\$ 4,902,438	\$ 406,176	\$ 2,038,476	\$ (16,223)	\$ 7,330,867

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information (continued)

	December 31, 2024				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Assets					
Current assets:					
Cash and cash equivalents	\$ 674,176	\$ 4,083	\$ -	\$ -	\$ 678,259
Securitization charges receivable, current	-	5,914	42,894	-	48,808
Accounts receivable	5,541	-	-	-	5,541
Unbilled revenue	6,725	-	-	(691)	6,034
Interest receivable	16,647	133	262	-	17,042
Receivable from intercompany	1,008	-	1,125	(2,133)	-
Restricted cash and cash equivalents, current	2,227,473	26,667	65,298	-	2,319,438
Short-term investments	1,212,062	-	-	-	1,212,062
Prepaid expenses and other current assets	43,180	-	-	-	43,180
Total current assets	4,186,812	36,797	109,579	(2,824)	4,330,364
Restricted cash equivalents, non-current	-	6,971	10,579	-	17,550
Long-term investments	557,481	-	-	(14,579)	542,902
Property and equipment, net	164,207	-	-	-	164,207
Systems under development	30,700	-	-	-	30,700
Securitization charges receivable, non-current	-	374,796	1,961,941	-	2,336,737
Right-of-use assets, net	840	-	-	-	840
Total assets	\$ 4,940,040	\$ 418,564	\$ 2,082,099	\$ (17,403)	\$ 7,423,300

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Financial Position Information (continued)

	December 31, 2024				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 5,831	\$ 4	\$ -	\$ -	\$ 5,835
Accrued liabilities	51,550	4,936	41,261	-	97,747
Payable to intercompany	1,125	954	745	(2,824)	-
Deferred revenue	12,049	-	-	-	12,049
Market settlement liabilities	1,509,221	-	-	-	1,509,221
Security deposits	2,226,348	15,712	3,875	-	2,245,935
Debt payable, current portion	4,000	8,705	44,504	-	57,209
Total current liabilities	3,810,124	30,311	90,385	(2,824)	3,927,996
Debt payable, less current portion:					
Principal	27,000	379,817	1,992,932	-	2,399,749
Less unamortized discount and debt issuance costs	111	2,535	11,797	-	14,443
Debt payable less current portion and unamortized discount and debt issuance costs	26,889	377,282	1,981,135	-	2,385,306
Debt reserves, non-current	-	6,971	-	-	6,971
Long-term CRR liabilities	758,474	-	-	-	758,474
Other long-term liabilities	631	-	-	-	631
Total liabilities	4,596,118	414,564	2,071,520	(2,824)	7,079,378
Net assets without donor restrictions	343,922	4,000	10,579	(14,579)	343,922
Total liabilities and net assets	\$ 4,940,040	\$ 418,564	\$ 2,082,099	\$ (17,403)	\$ 7,423,300

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Activities Information

	December 31, 2025				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Operating revenues					
System administration fees	\$ 308,232	\$ -	\$ -	\$ -	\$ 308,232
Securitization charges fees	-	22,647	98,040	-	120,687
Other services revenue	19,562	-	-	(1,564)	17,998
Total operating revenues	327,794	22,647	98,040	(1,564)	446,917
Operating expenses					
Salaries and related benefits	208,991	-	-	-	208,991
Hardware and software maintenance and licensing	47,276	-	1	-	47,277
Outside services	18,772	467	1,225	(1,564)	18,900
Facility and equipment costs	10,823	-	-	-	10,823
Depreciation	47,042	-	-	-	47,042
Other	14,082	-	-	-	14,082
Total operating expenses	346,986	467	1,226	(1,564)	347,115
(Loss) income from operations	(19,192)	22,180	96,814	-	99,802
Other income (expense)					
Investment return, net	109,163	685	1,532	-	111,380
Interest expense and debt issuance cost amortization	(255)	(22,865)	(98,346)	-	(121,466)
Non-operating expense	(59)	-	-	-	(59)
Change in net assets without donor restrictions	89,657	-	-	-	89,657
Net assets without donor restrictions, beginning of year	343,922	4,000	10,579	(14,579)	343,922
Net assets without donor restrictions, end of year	\$ 433,579	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 433,579

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Activities Information (continued)

	December 31, 2024				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Operating revenues					
System administration fees	\$ 291,756	\$ -	\$ -	\$ -	\$ 291,756
Securitization charges fees	-	11,503	99,444	-	110,947
Other services revenue	19,027	-	-	(1,658)	17,369
Total operating revenues	310,783	11,503	99,444	(1,658)	420,072
Operating expenses					
Salaries and related benefits	193,997	-	-	-	193,997
Hardware and software maintenance and licensing	43,603	-	1	-	43,604
Outside services	27,191	413	1,131	(1,658)	27,077
Facility and equipment costs	9,531	-	-	-	9,531
Depreciation	43,593	-	-	-	43,593
Other	12,243	-	-	-	12,243
Total operating expenses	330,158	413	1,132	(1,658)	330,045
(Loss) income from operations	(19,375)	11,090	98,312	-	90,027
Other income (expense)					
Investment return, net	114,217	628	1,906	-	116,751
Interest expense and debt issuance cost amortization	(1,324)	(11,718)	(100,218)	-	(113,260)
Non-operating income	8	-	-	-	8
Change in net assets without donor restrictions	93,526	-	-	-	93,526
Net assets without donor restrictions, beginning of year	250,396	4,000	10,579	(14,579)	250,396
Net assets without donor restrictions, end of year	\$ 343,922	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 343,922

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information

	December 31, 2025				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Operating activities:					
Change in net assets without donor restrictions	\$ 89,657	\$ -	\$ -	\$ -	\$ 89,657
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	47,042	-	-	-	47,042
Amortization of right-of-use assets	278	-	-	-	278
Amortization of discount & debt issuance costs	15	116	747	-	878
Loss on extinguishment of debt	-	1,833	-	-	1,833
Amortization of bond investments discount	(47,716)	-	-	-	(47,716)
Unrealized (gain) on bond investments	(1,466)	-	-	-	(1,466)
Net loss on capital assets	83	-	-	-	83
Changes in operating assets and liabilities:					
Securitization charges receivable	-	9,760	43,503	(399)	52,864
Accounts receivable	(348)	-	-	-	(348)
Unbilled revenue	355	-	-	(94)	261
Interest receivable	513	(12)	(3)	66	564
Receivable from intercompany	687	-	-	(687)	-
Prepaid expenses and other assets	(5,012)	-	-	-	(5,012)
Other long-term liabilities	(54)	-	-	-	(54)
Accounts payable	2,801	(1)	-	-	2,800
Accrued liabilities	8,633	2,619	(810)	-	10,442
Payable to intercompany	(399)	(93)	-	492	-
Deferred revenue	(1,428)	-	-	-	(1,428)
Security deposits and reserves	(224,128)	(3,181)	990	-	(226,319)
Market settlement liabilities	(17,447)	-	-	-	(17,447)
Long-term CRR liabilities	117,323	-	-	-	117,323
Net cash (used in) provided by operating activities	(30,611)	11,041	44,427	(622)	24,235



Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information (continued)

	December 31, 2025				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Investing activities:					
Purchase of investments	(1,520,375)	-	-	-	(1,520,375)
Proceeds from investments	1,463,000	-	-	-	1,463,000
Capital expenditures for property and equipment and systems under development	(55,104)	-	-	-	(55,104)
Net cash (used in) investing activities	(112,479)	-	-	-	(112,479)
Financing activities:					
Proceeds from debt issuance	-	379,072	-	-	379,072
Repayment of debt payable	(4,000)	(388,522)	(44,505)	-	(437,027)
Payment of debt issuance costs	-	(4,192)	-	622	(3,570)
Net cash (used in) provided by financing activities	(4,000)	(13,642)	(44,505)	622	(61,525)
Net (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(147,090)	(2,601)	(78)	-	(149,769)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,901,649	37,721	75,877	-	3,015,247
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	\$ 2,754,559	\$ 35,120	\$ 75,799	-	\$ 2,865,478

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information

	December 31, 2024				Consolidated
	ERCOT	TEMSFM	TEMSFN	Eliminations	
	<i>(In Thousands)</i>				
Operating activities:					
Change in net assets without donor restrictions	\$ 93,526	\$ -	\$ -	\$ -	\$ 93,526
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	43,593	-	-	-	43,593
Amortization of right-of-use assets	293	-	-	-	293
Amortization of discount & debt issuance costs	17	77	747	-	841
Amortization of bond investment discount	(57,806)	-	-	-	(57,806)
Unrealized loss on bond investments	5,344	-	-	-	5,344
Changes in operating assets and liabilities:					
Securitization charges receivable	-	11,196	42,659	403	54,258
Accounts receivable	102	-	-	-	102
Unbilled revenue	806	-	-	-	806
Interest receivable	1,044	-	39	26	1,109
Receivable from intercompany	(458)	-	-	458	-
Prepaid expenses and other assets	(1,379)	-	-	-	(1,379)
Other long-term liabilities	(72)	-	-	-	(72)
Accounts payable	(7,652)	-	-	-	(7,652)
Accrued liabilities	8,014	(229)	(758)	-	7,027
Payable to intercompany	403	3	(5)	(401)	-
Deferred revenue	3,047	-	-	-	3,047
Security deposits and reserves	698,417	2,115	543	-	701,075
Market settlement liabilities	103,533	-	-	-	103,533
Long-term CRR liabilities	(60,159)	-	-	-	(60,159)
Net cash provided by operating activities	830,613	13,162	43,225	486	887,486

Electric Reliability Council of Texas, Inc.

Consolidating Statements of Cash Flow Information (continued)

	December 31, 2024				
	ERCOT	TEMSFM	TEMSFN	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Investing activities:					
Purchase of investments	(1,317,695)	-	-	-	(1,317,695)
Proceeds from investments	1,377,675	-	-	-	1,377,675
Capital expenditures for property and equipment and systems under development	(48,631)	-	-	-	(48,631)
Net cash provided by investing activities	11,349	-	-	-	11,349
Financing activities:					
Repayment of debt payable	(4,000)	(10,260)	(42,732)	-	(56,992)
Payment of debt issuance costs	-	-	-	(486)	(486)
Net cash (used in) financing activities	(4,000)	(10,260)	(42,732)	(486)	(57,478)
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	837,962	2,902	493	-	841,357
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,063,687	34,819	75,384	-	2,173,890
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	\$ 2,901,649	\$ 37,721	\$ 75,877	\$ -	\$ 3,015,247