



Item 6: Review Commission-Ordered Operating Budget Reconciliation

Richard Scheel
Controller

Finance and Audit Committee Meeting

ERCOT Public
August 19, 2024

Overview

- **Purpose**

- To provide the Finance and Audit (F&A) Committee an opportunity to examine and provide comments on ERCOT's future fulfillment of the Public Utility Commission of Texas (PUC) ordered operating budget reconciliation

- **Voting Items / Requests**

- No action is requested of the F&A Committee or Board; for discussion only

Key Takeaways

- The PUC Order approving ERCOT's 2024 to 2025 biennial budget and authorizing the system administration fee orders ERCOT to file an operating budget reconciliation in Project 38533 for the twelve months ending June 30, 2024 by September 1, 2024
- ERCOT's twelve months ending June 30, 2024 actual revenues net of expenditures were \$111.0 million favorable to budget, driven by interest income being favorable by \$96.5 million and by system administration fee revenue being favorable by \$8.3 million
 - ERCOT's six months ending December 31, 2023 actual revenues net of expenditures were \$57.5 million favorable to budget, driven by interest income being favorable by \$68.7 million and system administration fee revenue being favorable by \$8.7 million; there was a partial offset for total net expenditures being unfavorable by \$(20.1) million
 - ERCOT's six months ending June 30, 24 actual revenues net of expenditures were \$53.5 million favorable to budget, driven by interest income being favorable by \$27.9 million and total net expenditures being favorable by \$25.9 million

Review Commission-Ordered Operating Budget Reconciliation: For the Twelve Months Ending June 30, 2024 (\$ in Millions) – Consolidated View

Budget Summary					
Line		Budget	Actual	\$ Variance	% Variance
1	Energy Consumption (TWh)	448.8	463.9	15.1	3.4%
2	System Administration Fee Revenue	\$ 265.6	\$ 274.0	\$ 8.3	3.1%
3	Department Net Expenditures	\$ 250.3	\$ 246.3	\$ 4.1	1.6%
4	Project Expenditures	32.3	37.8	(5.5)	-17.1%
5	Market Design Project	12.0	4.7	7.3	60.9%
6	Total Net Expenditures	\$ 294.6	\$ 288.8	\$ 5.8	2.0%
7	Net Available Before Non-Operating	\$ (29.0)	\$ (14.8)	\$ 14.2	-48.9%
8	Debt Service	\$ (5.5)	\$ (5.2)	\$ 0.3	-5.7%
9	Interest Income	24.9	121.4	96.5	>100%
10	Non-Operating Sources & Uses	\$ 19.4	\$ 116.2	\$ 96.8	>100%
11	Net Available	\$ (9.7)	\$ 101.4	\$ 111.0	>100%

Schedule may not foot due to rounding.

Key Takeaway: The twelve months ending June 30, 2024 results are a net available amount of \$101.4 M versus a budgeted amount of \$(9.7) M, a \$111.0 M favorable variance

Review Commission-Ordered Operating Budget Reconciliation: For the Twelve Months Ending June 30, 2024 (\$ in Millions) – Semi-Annual View

Budget Summary		For the Six Months Ending December 31, 2023				For the Six Months Ending June 30, 2024			
Line		Budget	Actual	\$ Variance	% Variance	Budget	Actual	\$ Variance	% Variance
1	Energy Consumption (TWh)	228.2	243.9	15.7	6.9%	220.6	220.0	(0.6)	-0.3%
2	System Administration Fee Revenue	\$ 126.6	\$ 135.4	\$ 8.7	6.9%	\$ 139.0	\$ 138.6	\$ (0.4)	-0.3%
3	Department Net Expenditures	\$ 105.6	\$ 118.6	\$ (13.0)	-12.3%	\$ 144.8	\$ 127.7	\$ 17.0	11.8%
4	Project Expenditures	13.5	21.3	(7.7)	-57.1%	18.8	16.5	2.2	11.8%
5	Market Design Project	1.2	0.5	0.7	54.5%	10.8	4.1	6.7	61.6%
6	Total Net Expenditures	\$ 120.3	\$ 140.4	\$ (20.1)	-16.7%	\$ 174.3	\$ 148.4	\$ 25.9	14.9%
7	Net Available Before Non-Operating	\$ 6.3	\$ (5.1)	\$ (11.4)	>100%	\$ (35.3)	\$ (9.8)	\$ 25.6	-72.4%
8	Debt Service	\$ (2.8)	\$ (2.6)	\$ 0.2	-7.1%	\$ (2.7)	\$ (2.6)	\$ 0.1	-4.2%
9	Interest Income	0.0	68.7	68.7	>100%	24.9	52.7	27.9	>100%
10	Non-Operating Sources & Uses	\$ (2.8)	\$ 66.1	\$ 68.9	>100%	\$ 22.2	\$ 50.1	\$ 28.0	>100%
11	Net Available	\$ 3.5	\$ 61.0	\$ 57.5	>100%	\$ (13.2)	\$ 40.4	\$ 53.5	>100%

Schedule may not foot due to rounding.

Key Takeaways:

- The six months ending December 31, 2023 results are a net available amount of \$61.0 M versus a budgeted amount of \$3.5 M, a \$57.5 M favorable variance
- The six months ending June 30, 2024 results are a net available amount of \$40.4 M versus a budgeted amount of \$(13.2) M, a \$53.5 M favorable variance

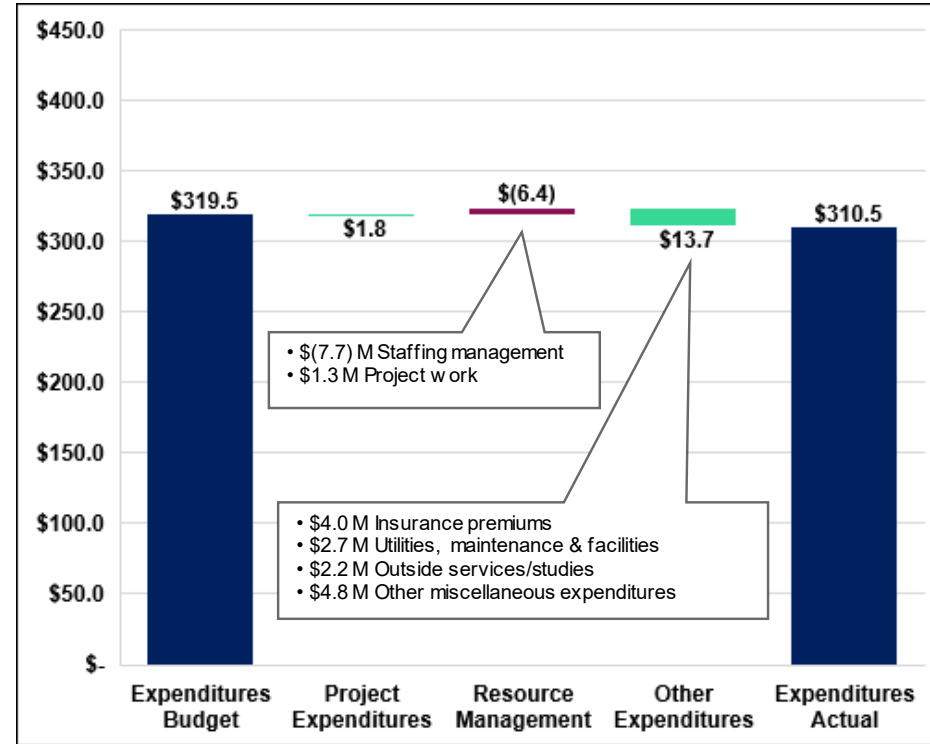
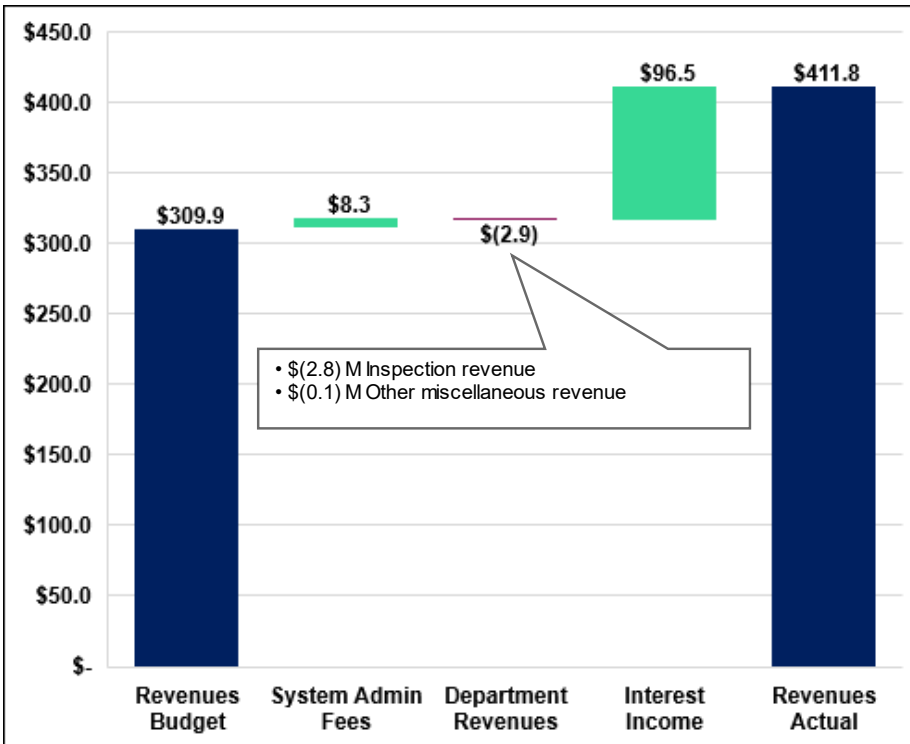


Review Commission-Ordered Operating Budget Reconciliation: For the Twelve Months Ending June 30, 2024 (\$ in Millions) – Consolidated View

Net Available for the Twelve Months Ending June 30, 2024 Actual to Budget = \$111.0 M

Revenues Actual
Variance to Budget = \$102.0 M [32.9%]

Expenditures Actual
Variance to Budget = \$9.0 M [2.8%]



Charts may not foot due to rounding.

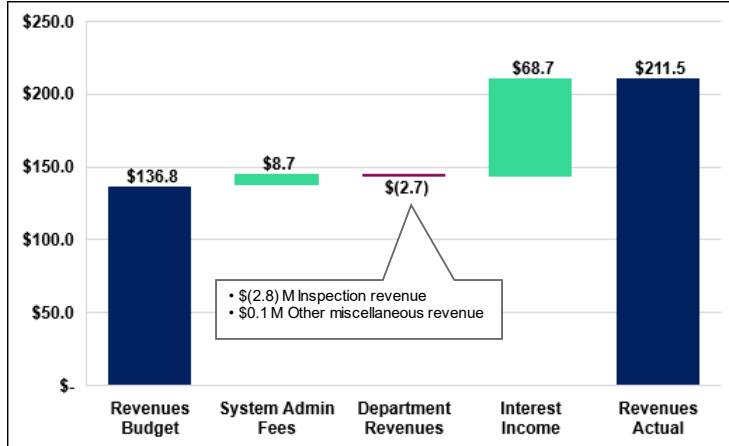
Key Takeaway: The twelve months ending June 30, 2024 results are a net available amount of \$101.4 M versus a budgeted amount of \$(9.7) M, a \$111.0 M favorable variance



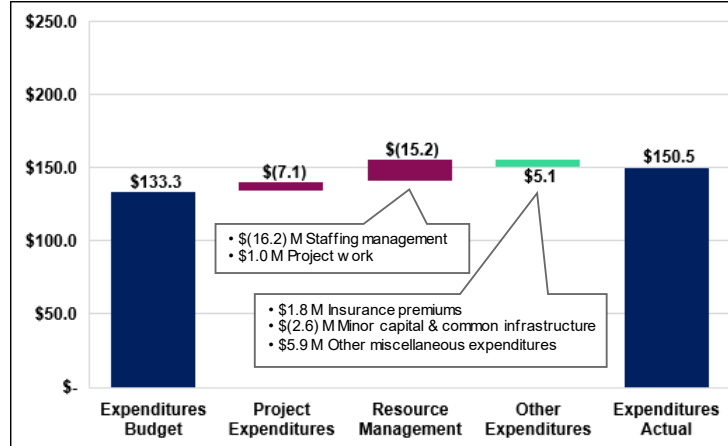
Review Commission-Ordered Operating Budget Reconciliation: For the Twelve Months Ending June 30, 2024 (\$ in Millions) – Semi-Annual View

Net Available for the Twelve Months Ending June 30, 2024 Actual to Budget = \$111.0 M

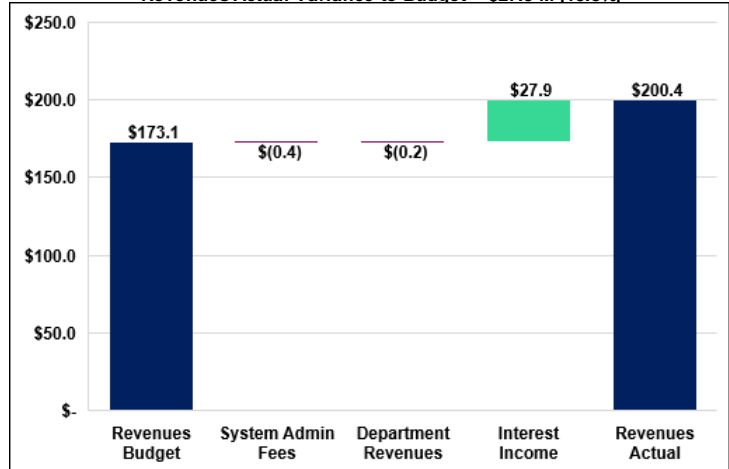
For the Six Months Ending December 31, 2023
Revenues Actual Variance to Budget = \$74.7 M [54.6%]



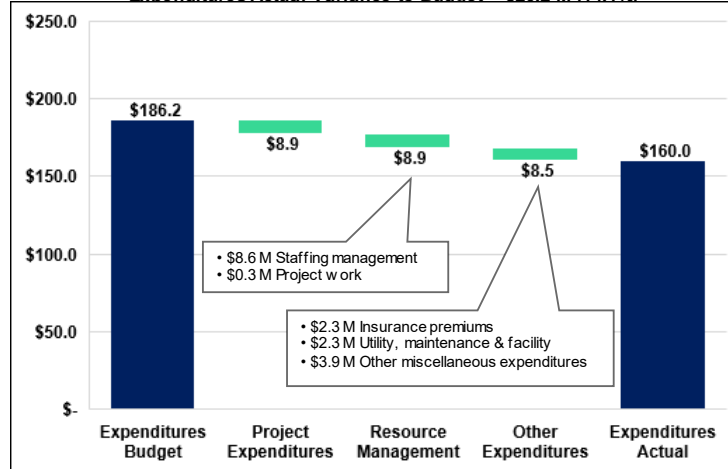
For the Six Months Ending December 31, 2023
Expenditures Actual Variance to Budget = \$(17.2) M [-12.9%]



For the Six Months Ending June 30, 2024
Revenues Actual Variance to Budget = \$27.3 M [15.8%]



For the Six Months Ending June 30, 2024
Expenditures Actual Variance to Budget = \$26.2 M [14.1%]



Key Takeaways:

- The six months ending December 31, 2023 results are a net available amount of \$61.0 M versus a budgeted amount of \$3.5 M, a \$57.5 M favorable variance
- The six months ending June 30, 2024 results are a net available amount of \$40.4 M versus a budgeted amount of \$(13.2) M, a \$53.5 M favorable variance

Charts may not foot due to rounding.



Review Commission-Ordered Operating Budget Reconciliation: For the Twelve Months Ending June 30, 2024 (\$ in Millions) – Consolidated View

Sources and Uses

Line		Budget	Actual	\$ Variance	% Variance
1	System Administration Fee Revenue	\$ 265.6	\$ 274.0	\$ 8.3	3.1%
2*	Reliability Organization Assessment	23.3	27.0	3.6	15.5%
3	Interest Income	24.9	121.4	96.5	>100%
4	Other Revenues	19.4	16.4	(2.9)	-15.0%
5	CRR Borrowings	-	-	-	0.0%
6	Decrease in Cash Balance	9.7	-	(9.7)	-100.0%
7	Total Sources	\$ 342.9	\$ 438.8	\$ 95.9	28.0%
8	Department Expenditures	\$ 269.7	\$ 262.7	\$ (7.0)	-2.6%
9	Project Expenditures	32.3	37.8	5.5	17.1%
10	Market Design Project	12.0	4.7	(7.3)	-60.9%
11*	Reliability Organization Assessment	23.3	27.0	3.6	15.5%
12	Debt Service	5.5	5.2	(0.3)	-5.7%
13	Repayment of CRR Borrowings	-	-	-	0.0%
14	Increase in Cash Balance	-	101.4	101.4	0.0%
15	Total Uses	\$ 342.9	\$ 438.8	\$ 95.9	28.0%

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

Schedule may not foot due to rounding.

Key Takeaway: The twelve months ending June 30, 2024 favorable net available of \$111.0 M results in a \$101.4 M increase in the cash balance versus the budgeted \$(9.7) M decrease in the cash balance



Review Commission-Ordered Operating Budget Reconciliation: For the Twelve Months Ending June 30, 2024 (\$ in Millions) – Semi-Annual View

Sources and Uses		For the Six Months Ending December 31, 2023				For the Six Months Ending June 30, 2024			
		Budget	Actual	\$ Variance	% Variance	Budget	Actual	\$ Variance	% Variance
1	System Administration Fee Revenue	\$ 126.6	\$ 135.4	\$ 8.7	6.9%	\$ 139.0	\$ 138.6	\$ (0.4)	-0.3%
2*	Reliability Organization Assessment	10.3	13.1	2.9	28.0%	13.1	13.8	0.8	5.7%
3	Interest Income	0.0	68.7	68.7	>100%	24.9	52.7	27.9	>100%
4	Other Revenues	10.1	7.4	(2.7)	-26.6%	9.2	9.0	(0.2)	-2.3%
5	CRR Borrowings	-	-	-	0.0%	-	-	-	0.0%
6	Decrease in Cash Balance	-	-	-	0.0%	13.2	-	(13.2)	-100.0%
7	Total Sources	\$ 147.0	\$ 224.6	\$ 77.5	52.7%	\$ 199.3	\$ 214.2	\$ 14.9	7.5%
8	Department Expenditures	\$ 115.7	\$ 126.0	\$ 10.3	8.9%	\$ 154.0	\$ 136.7	\$ (17.3)	-11.2%
9	Project Expenditures	13.5	21.3	7.7	57.1%	18.8	16.5	(2.2)	-11.8%
10	Market Design Project	1.2	0.5	(0.7)	-54.5%	10.8	4.1	(6.7)	-61.6%
11*	Reliability Organization Assessment	10.3	13.1	2.9	28.0%	13.1	13.8	0.8	5.7%
12	Debt Service	2.8	2.6	(0.2)	-7.1%	2.7	2.6	(0.1)	-4.2%
13	Repayment of CRR Borrowings	-	-	-	0.0%	-	-	-	0.0%
14	Increase in Cash Balance	3.5	61.0	57.5	>100%	-	40.4	40.4	0.0%
15	Total Uses	\$ 147.0	\$ 224.6	\$ 77.5	52.7%	\$ 199.3	\$ 214.2	\$ 14.9	7.5%

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

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Key Takeaways:

- The six months ending December 31, 2023 favorable net available of \$57.5 M results in a \$61.0 M increase in the cash balance versus the budgeted \$3.5 M increase in the cash balance
- The six months ending June 30, 2024 favorable net available of \$53.5 M results in a \$40.4 M increase in the cash balance versus the budgeted \$(13.2) M decrease in the cash balance

