

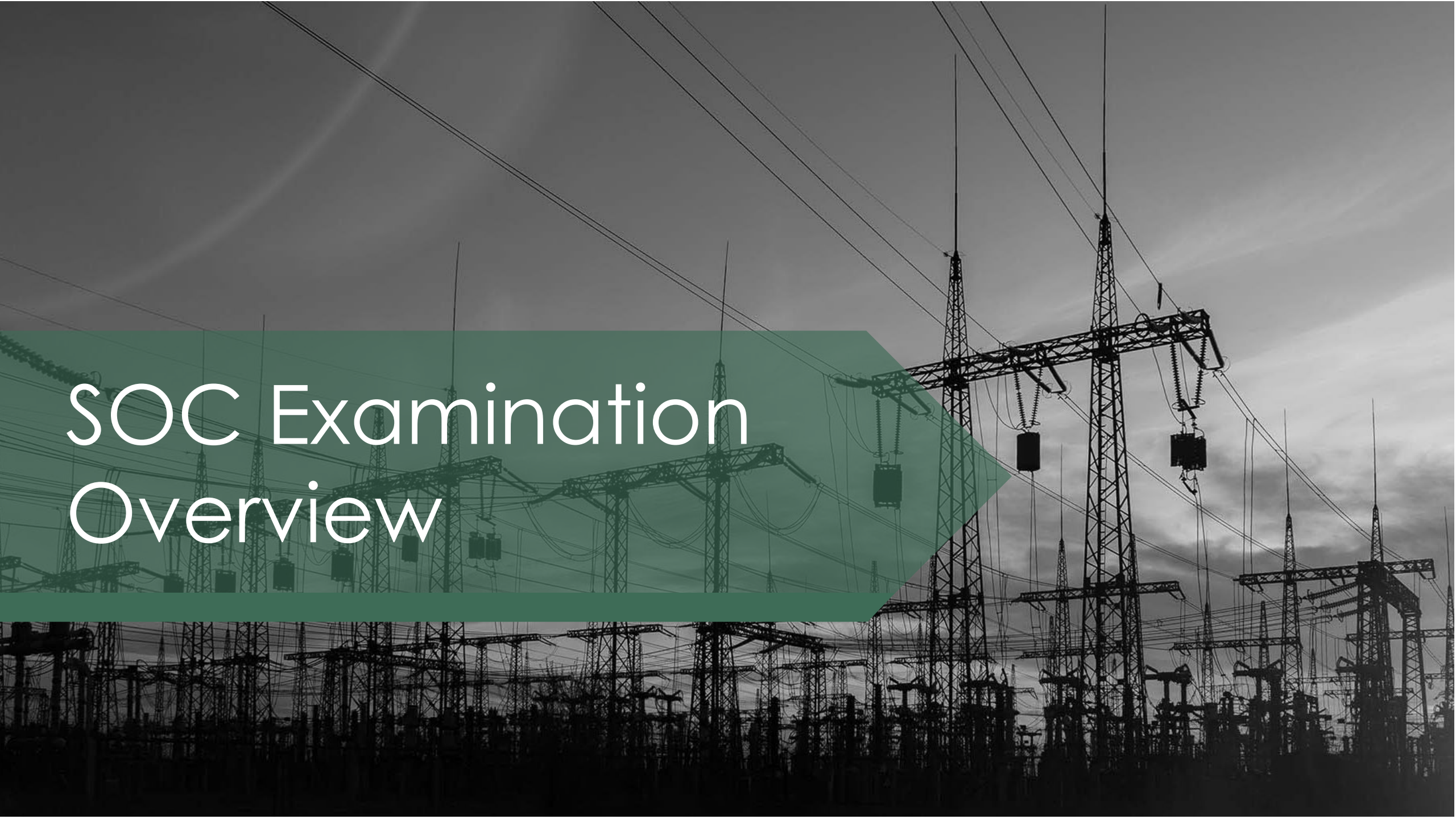


Results of Examination and Independent Report from the Service Auditor

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Weaver and Tidwell, LLP
ERCOT Finance and Audit Committee Meeting
December 2, 2024

Discussion Topics

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



SOC Examination Overview

SOC 1 Examination Overview

◀ Governing Standard and Guidance:

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

◀ Scope:

- ERCOT's Settlements and Billing Operations
- Supporting applications and systems
- For the period October 1, 2023 through September 30, 2024
- 22 Control Objectives and 117 Controls
 - 4 New Controls – Treasury Management System - BlackLine

SOC 1 Examination Overview

◁ Examination Phases

- Documentation Collection
 - June through July 2024
- Control Testing
 - July through August 2024
- Reporting
 - September through November 2024

◁ Results

- Unmodified Opinion
- No Reportable Exceptions for the 2024 Examination



Audit Approach

Audit Approach

◁ Audit Team Composition

- Engagement Quality Risk Partner
- Partner
- Senior Manager
- Supervisor and Associates

◁ Risk-Based Approach

- Emphasis and Focus on Risk to User Entities' Financial Reporting
- Key controls defined by ERCOT directly tie to those risks, including the mapping of added and existing control points to complementary user entity controls specified by BlackLine.

Exhibit 1 – BlackLine CUECs

Control Objective	Control Number
<p>Organization and Administration - Each Client is responsible for documenting policies and procedures related to processes automated by BlackLine Accounts Receivable Automation.</p>	<p>N/A - SOC 2 Operational Consideration</p>
<p>Physical and Environmental Controls - Each Client is responsible for the physical access and environmental controls over their own computing resources, which includes workstations and networking equipment.</p>	<p>Physical: Control Objective 21 Environmental: N/A - SOC 2 Availability Consideration</p>
<p>Information Security - Ensuring the users of the BlackLine Accounts Receivable Automation service are appropriately authorized to access and process data. The Client is responsible for the creation & administration of users and defining the access privileges each user has.</p>	<p>Physical: Control Objective 20</p>
<p>Client Records - Clients are responsible for ensuring their accounting system of records is complete and maintained. Clients are responsible in ensuring the data is accurate and reconciles to other external data not provided by the BlackLine Accounts Receivable Automation services.</p>	<p>Control 17.05</p>

Exhibit 1 – BlackLine CUECs

BlackLine CUEC	ERCOT Mapping/Rationale
<p>Access - Safe and secure access to the data provided by the BlackLine Accounts Receivable Automation services. This is achieved using HTTPS only.</p>	<p>Control 20.12</p>
<p>Data Integration - The Client is responsible for the integrity and content of the data contained in the files transmitted to the BlackLine Accounts Receivable Automation platform. Adequate controls should be established for ensuring data integrity and compliance with applicable regulatory requirements.</p>	<p>Control 20.14</p>
<p>Data Transmission - Safe and secure transmission of data to the BlackLine Accounts Receivable Automation service. This is achieved using SFTP (Secure File Transfer Protocol).</p>	<p>Control 20.13</p>
<p>System Availability and Disaster Recovery - It is the responsibility of the Clients to notify BlackLine if they are experiencing problems or issues.</p>	<p>N/A - SOC 2 Availability Consideration</p>

Exhibit 2 – Added Controls Around BlackLine

Control Objective	Control Number	Control Activity Language
17 – Financial Transfer	17.05	Bank reconciliations are performed daily to confirm that payments in and out have been processed.
20 – Logical Security	20.12	HTTPS is used to access data provided by the BlackLine Accounts Receivable Automation Services.
20 – Logical Security	20.13	Encryption technology is used to transmit data to the BlackLine Accounts Receivable Automation Services.
20 – Logical Security	20.14	Access to modify secure connections related to the BlackLine Accounts Receivable Automation Services is restricted to authorized ERCOT personnel.
Workday integration related to bank reports for BlackLine is covered through existing controls in 18 – Scheduled Processing.		

Audit Approach

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

Audit Approach

- ◁ Quality Assurance Process
 - Testing procedures and SOC 1 report are reviewed by the senior associate, senior manager, partner and engagement quality risk partner.



Auditor Independence

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

Audit Independence

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

Audit Independence

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



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Appendix A

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

Large Populations

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

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

Small Populations

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