

PROPOSED REVISIONS TO ERCOT EMPLOYEE ETHICS AGREEMENT

PURPOSE

The proposed revisions are intended to: accommodate on-line completion; clarify permissible ownership interest in ERCOT suppliers and market participants; clarify when services for a Market Participant create a conflict; place emphasis on compliance with antitrust laws and acceptable use standards; add references to the *Antitrust Compliance Corporate Standard* and *Acceptable Use Corporate Standard*; and update confidentiality provisions pertaining to Texas RE .

SUMMARY OF CHANGES

- The form has been reformatted to accommodate on-line completion by adding text boxes and a checkbox for employee agreement to the terms of the Ethics Agreement.
- The definition of Confidential Information has been expanded to specifically reference the Texas RE and additional restrictions on disclosure of Texas RE information added.
- Provisions pertaining to conflicts arising from interests in a Supplier are stated separately from those arising from interests in a Market Participant.
- The prohibition against concurrent services to ERCOT and to any other entity doing business with ERCOT is more broadly stated to required disclosure of all concurrent services rather than those situations where the employee's objectivity might be compromised.
- A separately stated requirement for compliance with anti-trust laws has been added.
- A separately stated requirement for compliance with the Acceptable Use Corporate Standard has been added.

MARKED CHANGES

Only substantive changes are marked on the attached draft. Formatting changes and information that has been relocated are not marked.

EMPLOYEE ETHICS AGREEMENT

Employees of Electric Reliability Council of Texas, Inc. ("ERCOT") must conduct ERCOT's business ~~legally~~, with integrity and total objectivity toward ERCOT, all ERCOT Members and Market Participants (as listed on ERCOT's public website), and the Texas Regional Entity ("Texas RE"), ~~and in compliance with all applicable laws, rules, and regulations, NERC Rules of Procedure, ERCOT Protocols, and ERCOT corporate standards, policies and operating procedures and this Employee Ethics Agreement.~~ ERCOT will not tolerate fraud, misconduct or ~~abuse-violations~~ of the Employee Ethics Agreement or Code of Conduct.

Confidential Information

Employees who receive Confidential Information in the course of their employment must maintain the confidentiality of such Confidential Information and must take reasonable actions and precautions to prevent unauthorized disclosure of same.

"Confidential Information" means all information marked "Confidential" or defined as "Confidential Information" in Section 1500 of the NERC Rules of Procedure and all information defined as "Protected Information" in Section 1.3 of the ERCOT Protocols, and specifically includes all documents, knowledge, electronic, tangible or intangible information provided which is or includes any of the following:

- Information, technical data or know-how which relates to the business, services or products of Texas RE, ERCOT, owners, operators and users of the bulk power system, including Registered Entities on NERC's Compliance Registry and ERCOT's Members and Market Participants, or any of their consultants or vendors, which was developed or acquired by that business and which is proprietary or competitively or commercially sensitive;
- Critical Energy Infrastructure information;
- Personnel information that identifies or could be used to identify a specific individual or reveals personnel, financial, medical, or other personal information;
- Work papers, including any records produced for or created in the course of an evaluation or audit;
- Investigative files, including any records produced for or created during the course of an investigation;
- Cyber Security Incident information; or
- Information contained on any Texas RE server or in any email sent or received by any Texas RE employee.

Any employee providing services to the Texas RE must strictly comply with the NERC Rules of Procedure governing the protection and non-disclosure of information that may be privileged, confidential or proprietary, or may constitute critical energy infrastructure information. You may communicate regarding Confidential Information of the Texas RE only with Texas RE employees and with ERCOT service providers who have signed a Texas RE Confidentiality Agreement.

Conflicts of Interest

~~ERCOT e~~Employees must conduct ERCOT's business ~~with total objectivity and without~~ free from the any influence ~~from of any~~ Conflicting of interest of the employee or any of the following ("Related Parties"): the employee's immediate family (parents and stepparents, children and stepchildren, siblings and stepsiblings); the employee's spouse or domestic partner; and household members (including roommates). ~~and must avoid situations in which their personal or financial interests conflict or appear to conflict with the interests of ERCOT or an ERCOT Market Participant. "Conflicts of Interest" include, but are not limited to, situations where an employee or his/her spouse, dependent or a member of his/her household or immediate family (i.e. father, mother, children and siblings); Any circumstance which might influence or appear to influence the employee to promote the interest of himself or a Related Party or to provide undue benefit to a Supplier or Market Participant must be disclosed so ERCOT management can evaluate the potential Conflict of Interest. "Conflicts of Interest" are defined in CS 5.18, Conflict of Interest Corporate Standard. Examples include, but are not limited to:~~

1. **Interest in Supplier** - The employee or a Related Party has a financial interest, including employment or ownership, in a Supplier currently doing business with ERCOT or in a Supplier that seeks to do business with ERCOT, if that employee has any influence over the selection of the Supplier or is involving in managing or otherwise directing the ERCOT-Supplier relationship in any way. However, the following interests in a Supplier are **not** considered conflicts of interest:
 - (a) ownership of less than one percent (1%) of the publicly-traded equity securities of a Supplier, the securities are held as an investment, and the employee or Related Party does not have representation on the Supplier's board of directors (or equivalent governing body), and does not exercise influence over the entity's day-to-day management decisions;
 - (b) ownership of mutual funds holding securities of the Supplier.
2. **Interest in Market Participant** – The employee or a Related Party has a financial interest, including ownership or employment, in a Market Participant, **except for** ownership of mutual funds holding securities of the Market Participant.
3. **Conflicting Services** – The employee or a Related Party performs concurrent services for ERCOT and for Market Participants, Suppliers or other entities that have a business relationship with ERCOT.
4. **Personal Benefit** – An ERCOT business decision will result in personal gain or loss to the employee or a Related Party, other than gains or losses common to all employees and their Related Parties.

An employee who becomes aware of a potential or actual Conflict of Interest must immediately inform the Legal Department to allow ERCOT officers to evaluate the situation. After full disclosure by the employee, ERCOT officers may agree to conditions that appropriately limit any potential influence from a Conflict of Interest.

Securities Laws

Employees may not trade in securities of third-parties (such as Suppliers) if, because of their position with ERCOT, they have access to material non-public information about that third-party.

Anti-trust Laws

Employees must abide by the ERCOT *Antitrust Compliance Corporate Standard* (CS 1.10) and all applicable anti-trust laws.

Acceptable Use of ERCOT Assets

Employees must abide by the ERCOT *Acceptable Use Corporate Standard* (CS 7.1) and must refrain from using ERCOT equipment, networks, tools and premises for purposes other than the conduct of ERCOT business.

Non-Solicitation

In consideration for receiving ERCOT's Confidential Information, employees shall not, while employed by ERCOT and for a period of one year from the date of separation of employment with ERCOT, either directly or indirectly solicit, induce or encourage any ERCOT employee or consultant to either terminate employment or contract with ERCOT or accept employment with any other entity. The term "solicit, induce or encourage" includes, but is not limited to, initiating communications with an ERCOT employee relating to possible employment, offering bonuses or additional compensation or referring ERCOT employees to personnel, recruiters or other agents.

Reporting Questions or Concerns

Any employee with concerns or questions about these requirements and prohibitions should contact the Legal Department or file an anonymous report through EthicsPoint (www.ethicspoint.com or 1-866-384-4277) or other available ERCOT anonymous reporting tool, if any.

Disclosure of Conflicts

After reviewing the ERCOT Code of Conduct and Employee Ethics Agreement, I wish to disclose the following potential conflict(s) of interest:

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Check this box if you have no conflicts of interest to report.

Potential Conflicts of Interest:

Name: Relationship to Employee:

Description of Potential Conflict:

Potential Conflicts of Interest:

Name: Relationship to Employee:

Description of Potential Conflict:

Other Disclosure(s) [Please include any disclosures relating to CS 5.14.7, *Driving on Company Business Corporate Standard*]:

Employee Agreement

By ~~signing~~checking the box below, I confirm and acknowledge that:

(i) I have read and understand the requirements of the ERCOT Code of Conduct, this Employee Ethics Agreement, ~~all ERCOT Corporate Standards including, but not limited to, the Antitrust Compliance Corporate Standard (CS 1.10), the Fraud Prevention and Whistleblower Corporate Standard (CS 5.38), the Acceptable Use Corporate Standard (CS 7.1), and the ERCOT Employee Corporate Standard Manual (CS 5.1-5.42)~~ and agree to comply with same;

(ii) I agree to be bound by and comply with all ~~requirements~~applicable laws, rules and regulations, all ERCOT standards, policies, procedures and Protocols and the NERC Rules of Procedure.

(iii) I agree to maintain the confidentiality of all Confidential Information and to communicate regarding the Texas RE's Confidential information only with Texas RE employees and ERCOT service providers that I have confirmed have signed a Texas RE Confidentiality Agreement; and

(iv) If I have signed any previous ERCOT Ethics Agreement, I further confirm that I have complied with those requirements since the date of such previous Ethics Agreement(s); and

(v) I have made complete disclosure herein of any potential Conflict of Interest involving me or my Related Parties; and

(vi) If I become aware of a Conflict of Interest involving me or my Related Parties, or if any information I disclosed herein changes, I will promptly notify the Legal Department in writing and

(vii) I will be subject to disciplinary action, termination, injunction and/or all other available legal or equitable remedies for any violations of applicable laws, rules, and regulations, NERC Rules of Procedure, ERCOT Protocols, ERCOT corporate standards, policies and operation procedures and this Employee Ethics Agreement, whether my violation is intentional or careless.

☐ **I agree to the foregoing terms.**

NOTE: The completed form will be maintained in your Human Resources record.