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## **Item 5.3: Review and Ratification of Credit Work Group Charter**

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Director, Credit

Finance & Audit Committee  
ERCOT Public  
February 10, 2014

# Review and Ratification of Credit Work Group Charter

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- The Credit Work Group (CWG) Charter requires that:  
  
“This Charter shall be reviewed and ratified at least annually by the F&A Committee.”
- The CWG Charter was last reviewed and ratified by the F&A Committee at its March 18, 2013 meeting.
- The CWG reviewed and approved the existing CWG Charter without modification at its January 22, 2014 meeting.
- The CWG Charter has been provided for reference.

ERCOT staff respectfully recommends that the F&A Committee ratify the CWG's approval of the existing CWG Charter without modification.

**<Vote>**



## **Electric Reliability Council of Texas, Inc.**

### **ERCOT Credit Work Group Charter**

#### **I. Purpose and Authority**

The Electric Reliability Council of Texas, Inc. (ERCOT) Board of Directors (Board) established the ERCOT Credit Work Group (CWG) as a group of credit professionals to help ensure that appropriate procedures are implemented to mitigate credit risk in the ERCOT Region in a manner that is fair and equitable to all Market Participants.<sup>1</sup>

The CWG will review all sections of the ERCOT Protocols that impact creditworthiness requirements or collateral calculations and provide recommendations to the Finance and Audit Committee of the Board (the F&A Committee), with a copy to the Chair and Vice Chair of the Technical Advisory Committee (TAC). The CWG will provide comments to the TAC subcommittees when Nodal Protocol Revision Requests (NPRRs) or other actions have credit implications.

#### **II. Reporting Relationships**

- The CWG reports to the F&A Committee of the Board as a working group and is not a subcommittee of either the Board or TAC.

#### **III. ERCOT Credit Work Group Functions**

The functions of the CWG include, but are not limited to:

- Providing input on credit matters as requested by the F&A Committee or by TAC or TAC subcommittees

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<sup>1</sup> Capitalized terms used in this document shall have the meanings ascribed to them in the ERCOT Protocols unless otherwise noted.

- Providing input regarding NPRRs that impact credit in accordance with this Charter and Board approved credit policies
- Providing input regarding the ERCOT Creditworthiness Standards

In addition, the CWG may, from time-to-time, make recommendations to existing or proposed systems, projects, plans, ERCOT Protocols and policies and procedures of ERCOT impacting credit issues.

The CWG shall not engage in any activities that conflict with or violate ERCOT Protocols or the ERCOT Employee Ethics Agreement.

The CWG shall at all times comply with the Antitrust Guidelines for Members of ERCOT Committees, Subcommittees and Working Groups.

The CWG shall not have direct responsibility or authority over ERCOT staff. Although the CWG will recommend courses of action, the responsibility for implementation of policies or procedures shall rest with ERCOT staff.

In carrying out its responsibilities, the CWG shall be guided by industry best practices.

#### **IV. Credit Work Group Administration**

Each Member of ERCOT may designate one employee that meets the Qualifications Guidelines for Credit Work Group Membership as a voting member to participate in the activities and attend meetings of the CWG. An Entity and its affiliates that are Members of ERCOT shall have no more than one voting member. The Consumer representatives on the Board may each designate one person that meets the Qualifications Guidelines for Credit Work Group Membership, as a voting member to participate in the activities and attend meetings of the CWG.

All designations of CWG members must be sent to ERCOT's Credit Manager.

The Chair and Vice-Chair of the CWG shall be elected annually by the CWG membership and confirmed by vote of the F&A Committee. If the Chair or Vice-Chair steps down during his or her term, the CWG will hold

a special election to fill the vacant position within 60 days and the vote will be confirmed by the F&A Committee.

The CWG Chair shall report at least semi-annually to the F&A Committee regarding the state of credit practice within ERCOT. In addition, the CWG Chair shall notify the F&A Committee Chair of significant credit issues as they arise.

In order to discharge its responsibilities, the CWG may form temporary or *ad hoc* task forces. The CWG Chair, with CWG approval, shall appoint the chair for each task force for a term of one year or the duration of the task force whichever is less. Each task force chair may serve in that role for no more than two consecutive one year terms. The CWG shall direct these task forces and make assignments as necessary.

All task forces are responsible for reporting planned activities/projects and results to the CWG for review. All task force actions are subject to CWG review.

## **V. Meetings**

### ***A. Quorum***

In order to take action, a quorum must be present. At least one CWG member from four of the seven market Segments listed below must be present (including participation by telephone) at a meeting to constitute a quorum: Independent REPs (and Aggregators), Independent Generators, Independent Power Marketers, Municipals, Cooperatives, Investor Owned Utilities, and Consumers.

Each CWG member or CWG member's company represented on CWG may designate, in writing, an Alternate Representative or proxy who may attend meetings and vote on the CWG member's behalf. Alternate Representatives must be employees of the same company as the CWG member designating them or may be agents with a contractual obligation to represent the interest of the company designating them. Alternative Representatives count toward establishing a quorum at a CWG meeting; proxies do not. If a CWG member wishes to designate an Alternate Representative or proxy, the CWG member must send to ERCOT notification of the designation of such Alternative Representative or proxy

in advance of any meeting and the designation shall be valid for the time period designated by the CWG member.

### ***B. Meeting Schedule and Notification***

The CWG shall meet at least quarterly to review credit policy. In addition, the CWG shall meet as needed to address issues as they arise such as NPRRs. Meeting notices and agendas shall be sent to the CWG distribution list and posted on the ERCOT website at least one (1) week prior to the CWG meeting unless an urgent condition requires shorter notice. If the CWG Chair or Vice Chair has declared a meeting urgent, meeting notices shall be sent to the distribution list and posted on the ERCOT website and shall clearly identify the condition requiring the shorter notice. Except in cases of urgent matters, all agenda items requiring a vote of CWG must be published at least one week prior to the meeting at which the vote will take place. In the case of an urgent matter, all agenda items requiring a vote of CWG shall be published as soon as possible prior to the meeting at which the vote will take place and the circumstances causing the urgency shall be clearly identified. All CWG meetings may be attended by any interested observer. Call-in numbers will be provided for those persons wishing to attend via telephone. CWG members may participate in the meeting and vote via telephone. If third-party confidential information is presented during a meeting, all persons except for CWG members may be excluded from the portion of the meeting at which such confidential information is discussed. Confidential information will not be presented to CWG members participating by telephone.

### ***C. Voting***

**Votes:** At all meetings, each Segment shall have one (1) vote. CWG members present at the meeting (including participation via telephone) and participating in the vote shall receive an equal fraction of its Segment's vote.

**Abstentions:** In the event that a CWG member abstains from a vote, the Segment vote shall be allocated equally among the CWG members casting a vote.

**Voting:** In matters determined by the CWG Chair to require a vote of CWG or when any CWG member requests a vote on an issue, each CWG member shall have one (1) vote except that a CWG member holding a

valid proxy for another CWG member shall have one (1) vote plus one vote for each proxy held. A motion passes when (A) a majority of the aggregate of the fractional Segment votes are: (i) affirmative, and (ii) a minimum total of three (3) and (B) a minimum of 67% of voting individuals meet Qualification guidelines.

Any dissenting party shall have the right to request time to present its position to the F&A Committee if such dissenting party chooses to do so.

**E-mail Voting:** An e-mail vote is permitted provided a Notification is distributed to the CWG distribution list. A Notification must include a detailed description of the issue or proposition on which the vote will occur. A request for an e-mail vote shall be initiated only by the CWG Chair or Vice Chair. A quorum of CWG members must participate in the e-mail vote.

Participation requires casting a vote or abstaining. Votes shall be submitted to ERCOT for tallying by the close of two (2) Business Days after ERCOT staff circulates the Notification of the vote. Votes are tallied in the same manner as a regular meeting. The final tally shall be distributed to the CWG distribution list and posted on the ERCOT MIS Public Area.

#### ***D. Conduct of Meetings***

The CWG Chair, or Vice-Chair in the Chair's absence, shall preside at all meetings and is responsible for preparation of agendas. In the absence of the CWG Chair or Vice-Chair, another CWG member shall preside at the meeting. The CWG members shall be guided by Robert's Rules of Order in the conduct of CWG meetings. ERCOT staff shall be responsible for recording minutes of CWG meetings and distributing and posting on the ERCOT MIS Public Area the minutes and other communications to all CWG members and any other parties who express an interest in receiving such information. ERCOT staff shall endeavor to distribute and post the draft minutes of each meeting with materials being distributed for the next meeting. Generally, at the beginning of a CWG meeting, the minutes of the prior meeting shall be reviewed and approved by CWG.

CWG members and Alternate Representatives must meet the qualifications as identified on the attached Qualifications Guidelines for Credit Work



Group Membership. The F&A Committee shall review the requirements for membership in the CWG annually.

This Charter shall be reviewed and ratified at least annually by the F&A Committee.

### **Additional Questions on the ERCOT Credit Work Group**

For additional questions on ERCOT's Credit Work Group and creditworthiness requirements, please contact the ERCOT Credit Manager, Vanessa Spells at (512) 225-7014 or by email at [vspells@ercot.com](mailto:vspells@ercot.com).

## **Qualification Guidelines for Credit Work Group Membership**

Other than a CWG member appointed by a Consumer Board member, each CWG member must be an employee of a Member of ERCOT (as defined in the ERCOT By-laws) in good standing. All CWG members and Alternate Representatives representing a Member must be actively engaged in or responsible for the credit activities of such Member.

All CWG members and Alternate Representatives must have experience in at least one or more of the following fields:

- Risk management (preferably credit risk management)
- Credit management and analysis
- Development and/or execution of credit risk policies and procedures
- Establishment and control of credit limits and terms
- Finance and/or loan administration
- Credit ratings analysis
- Commercial credit analysis
- Financial analysis

CWG members are encouraged to be active participants on the CWG.