



To: Finance & Audit (F&A) Committee
From: Jonathan Levine, ERCOT Corporate Counsel
Date: December 5, 2016
Re: Item 7 – Annual Committee Self-Evaluation Survey Results

At the October 11, 2016 F&A Committee meeting, Committee members were encouraged to complete and submit the Annual Committee Self-Evaluation Survey.

Attached are the Annual Self-Evaluation Survey results for the Committee's consideration.

ERCOT Finance & Audit Committee Annual Self-Evaluation (2016)		Yes	No	Not Sure	Comments
1.	Does the committee have the appropriate number of members? The committee should not be so large that: <ul style="list-style-type: none"> ▪ its ability to operate efficiently and effectively is reduced ▪ members' ability to raise issues is hampered ▪ it is difficult to get a quorum when a time-sensitive issue arises 	5			The committee size allows for a healthy diversity of experience, which benefits the Board without limiting its effectiveness.
2.	Committee members demonstrate their objectivity during meetings through behaviors such as driving agendas, rigorous probing of issues, consulting with other parties, and hiring experts, as necessary.	5			Members with more financial expertise are more engaged than other members.
3.	Differences of opinion on issues are resolved to the satisfaction of the committee.	5			The committee encourages robust discussion where there are differences of opinion and does come to resolution.
4.	Committee members challenge the Chair as appropriate.	5			
5.	The committee charter is used as a document to guide the committee in its efforts, and to help guide the committee's agenda.	5			
6.	Committee members are financially literate, and the committee has determined that it has adequate financial expertise in accordance with its charter.	5			Due to makeup of ERCOT board, not all members are financial experts, but here is more than adequate financial expertise on the committee.
7.	Committee members participate in some form of continuing education to stay abreast of changes in the financial accounting and reporting, regulatory and ethics areas.	4		1	The majority of the committee members attend the continuing education sessions offered by ERCOT and may also attend other continuing education sessions on their own.
8.	The committee understands how the organization's performance compares with its budgetary targets and its peers, and how management plans to address any unfavorable variances.	5			I would like to see more peer comparisons (fees, debt, employees per MW, etc.).

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9.	The committee discusses the initial selection of or changes in significant accounting policies used in developing the financial statements, the reason for and impact of any changes in policy, and reasons alternative treatments were not adopted.	5			
10.	The committee discusses significant, complex, or unusual transactions with management and the external auditors.	5			When we have them, which is not often.
11.	The committee understands which areas represent high risk for material misstatement of the financial statements, and discusses assumptions and approaches used with management and the external auditors.	5			
12.	The committee forms its own view of the risk of material misstatement due to fraud, discusses with management and the external auditors their views on the risk of material misstatement due to fraud, and is comfortable that any differences in views can be reconciled.	5			When we have risks of material misstatement, which has been rare.
13.	The committee fully understands significant changes in financial statements from prior years and from budget, and is provided with sufficient, reliable evidence to support variances.	5			
14.	The committee commits sufficient time to review, discuss, and consider the financial statements.	5			
15.	The committee makes optimum use of the meeting time allotted.	5			
16.	The committee meets with financial management to discuss results reported before finalization.	5			
17.	Committee members have a clear understanding of ERCOT's debt structure and cash management practices.	5			
18.	Committee members receive sufficient details regarding long-term financial planning.	5			Advance note of potential changes and large future budget items is better than in the past.

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19.	The committee makes appropriate use of the Credit Work Group and other workgroups or task forces to investigate issues defined by the committee.	5			
20.	The committee engages outside experts as appropriate.	5			Although, I believe the committee would engage outside experts if needed, I cannot recall our actually doing that in recent history. We are fortunate to have internal financial staff that can handle most issues.
21.	The organization's financial reporting processes are stronger as a result of management's interactions with the committee.	5			
22.	The committee understands and agrees with the board on which categories of internal control it oversees. Categories include: <ul style="list-style-type: none"> ▪ Integrity of financial reporting ▪ Compliance with laws and regulations ▪ Operational efficiency and effectiveness 	5			
23.	The committee and the board concur with any changes to the committee's internal control oversight mandate.	5			
24.	The committee understands the current high-risk areas in the categories of controls it oversees, as well as how management addresses those areas.	5			
25.	The committee is cognizant of the line between oversight and management, and endeavors to respect that line.	5			
26.	The committee conducts executive sessions in a manner that offers a "safe haven" to the individual, while at the same time asking tough and necessary questions, evaluating the answers, and pursuing issues that might arise to a satisfactory resolution.	5			
27.	The committee does its part to ensure the objectivity of the internal audit team.	5			

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28.	The committee provides constructive feedback to the chief audit executive at least annually.	5			
29.	The committee receives sufficient detail regarding material issues and complaints brought forward which relate to the company's fraud, ethics or accounting practices.	5			
30.	The committee has developed the scope of work to be done by the independent auditor and by the internal audit department based upon a reasoned review of the risks or exposures to the company.	5			
31.	The committee communicates at an appropriate level of detail when informing the Board of its actions.	5			
32.	Committee members receive clear and succinct agendas and supporting written material sufficiently prior to scheduled meetings.	5			
33.	Committee members have adequate opportunities to discuss issues and ask questions.	5			
34.	The frequency of committee meetings is appropriate for the responsibilities assigned to the committee.	5			
35.	Meeting facilities and presentation materials are effective for the conduct of committee activities.	5			
36.	The committee is efficient and value adding.	5			
37.	Please add additional comments, questions and suggestions here.	5			<p>I do not have any additional comments or suggestions.</p> <p>Need to replace the Chair's financial and IT expertise on the committee.</p> <p>The F&A Committee and HR&G Committee continue to meet concurrently at staggered times. The result is that HR&G member</p>

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					<p>can only sit in on a portion of the F&A Committee meeting and F&A members cannot observe any of the HR&G Committee. As a possible alternative, it may be possible to have F&A continue to meet at 1 p.m. with the open portion of the meeting at the beginning of the agenda. If HR&G would delay their start to 3 p.m. and hold the executive session portion first, it may be possible for board members to attend the entirety of the open portion of both committee meetings as only the executive sessions would overlap and then only with full agendas.</p> <p>The committee is performing well and is always looking to make sure it addresses issues which arise due to changes in the industry or organization. The desire of the committee members to introduce new issues for review by management and itself is a definite strength.</p> <p>I think the committee is working well.</p>