



Item 5.1: Requirements for Annual Audit of Financial Statements

Sean Taylor

Vice President and Chief Financial Officer

Urgent Board of Directors Meeting

ERCOT Public

April 14, 2020

Requirements for Annual Audit of Financial Statements

ERCOT Bylaws Requirement

- Each year, the ERCOT Board must select a qualified public accounting firm (Auditor) to audit the financial statements of ERCOT.

ERCOT Protocol Requirement (§ 1.4.2 in pertinent part)

- “For audits performed by an Appointed Firm, the ERCOT F&A Committee shall directly approve the initiation, scheduling, and reporting of such audits or make recommendations to the ERCOT Board.”

Finance & Audit Committee Charter Requirement

- “Based on its review and discussions with management, the Chief Audit Executive and the independent auditor, the Committee shall provide a recommendation to the Board whether the Company’s financial statements audit report should be accepted.”
- However, the Charter further provides: “The duties and responsibilities are set forth [herein] as a guide to the Committee with the understanding that the Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law, and by the Company’s Articles of Incorporation and Bylaws.” Pursuant to the Bylaws, the Board retains the ultimate approval authority over this matter. Given the extraordinary circumstances with the current COVID-19 state of emergency, the Board will consider and vote on the acceptance of the Financial Statements Audit Report (which is expected to be issued with an unmodified, or “clean,” audit opinion) at its April 14, 2020 Urgent Board Meeting without recommendation from the Committee.

<VOTE> following presentation

