



MEMORANDUM

To: Finance and Audit (F&A) Committee
From: Chad V. Seely, ERCOT Vice President, General Counsel and
Corporate Secretary
Date: April 5, 2021 – Revised April 12, 2021
Re: Item 2 - Committee Membership

F&A Committee Charter Requirement for Committee Membership and Qualification

The F&A Committee Charter (effective February 9, 2021) provides for “Membership and Qualification” as follows:

Committee Composition, Committee Member Qualifications; and Term

The Board members shall decide from among themselves who shall participate in the Committee. The Committee shall be comprised of at least five Board members, at least three of which are from Market Segments and two or more of which must be Unaffiliated Board members. Each Committee Member must be able to read and understand fundamental financial statements, including the balance sheet, income statement and cash flow statement. Each Committee Member shall also meet any experience requirements as may be established from time to time by the Board. The term of Committee Members shall be for not more than one year.

Election of Committee Chair; and Chair Qualifications

The Chair of the Committee shall be elected through a majority vote of the Committee Members. The Committee Chair shall not be the CEO of the Company and shall have accounting or related financial management expertise.

Committee Membership

Attached is the current 2021 Committee Membership.

As of February 25, 2021, no Unaffiliated Directors have served on the ERCOT Board of Directors (Board). Accordingly, the F&A Committee Charter requirement that the Committee be comprised of at least two Unaffiliated Directors has not been satisfied since February 25, 2021.

Due to the power outages which occurred in the ERCOT Region during the recent event of Winter Storm Uri in mid-February 2021, the Texas Governor declared the reform of ERCOT as an emergency item for the current 87th Texas Legislature Regular Session (Session).



Accordingly, ERCOT's corporate governance has been the subject of recent Legislative hearings. For this reason, ERCOT Legal recommends the F&A Committee Charter should not be modified until the Legislature provides final guidance on ERCOT's Board composition and corporate governance, presumably by the end of the Session.

On March 10, 2021, ERCOT apprised the Public Utility Commission of Texas (PUCT) of the state of ERCOT's corporate governance in its filing in Project No. 51878 titled "*Notice of Electric Reliability Council of Texas, Inc. Regarding Corporate Governance Status and Expected Vacancy of Chief Executive Officer Position.*" At this time, the ERCOT Board is not able to satisfy the F&A Committee Charter composition requirements, but ERCOT Legal recommends that the F&A Committee continue to meet and operate in order to fulfill the remaining requirements as the risk of not doing so creates a greater risk to ERCOT and its corporate governance.

2021 FINANCE & AUDIT COMMITTEE

Nick Fehrenbach (Jennifer Richie)
Kevin Gresham (Steven Schleimer)
Tom Hancock (Ian Taylor)
Shannon McClendon (Jim Brown*)
Julie Parsley (Mike Kezar)