



## Item 4: Overview of ERCOT Corporate Governance – REVISED

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# Overview of ERCOT Corporate Governance

- Overview of Independent System Operators and Regional Transmission Organizations
- ERCOT Governance Rules
- ERCOT Board Committee Structure
  - Present Structure
  - Past Committees
- Board Committee Structures at Other ISOs/RTOs
- State Participation with Board at Other ISOs/RTOs
- Membership
- ERCOT Stakeholder Process
- Stakeholder Processes at Other ISOs/RTOs
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# Overview of Independent System Operators and Regional Transmission Organizations

# What is ERCOT?

ERCOT is the **independent organization** certified by the PUCT in 2000 to perform the four functions required by PURA for the ERCOT region:

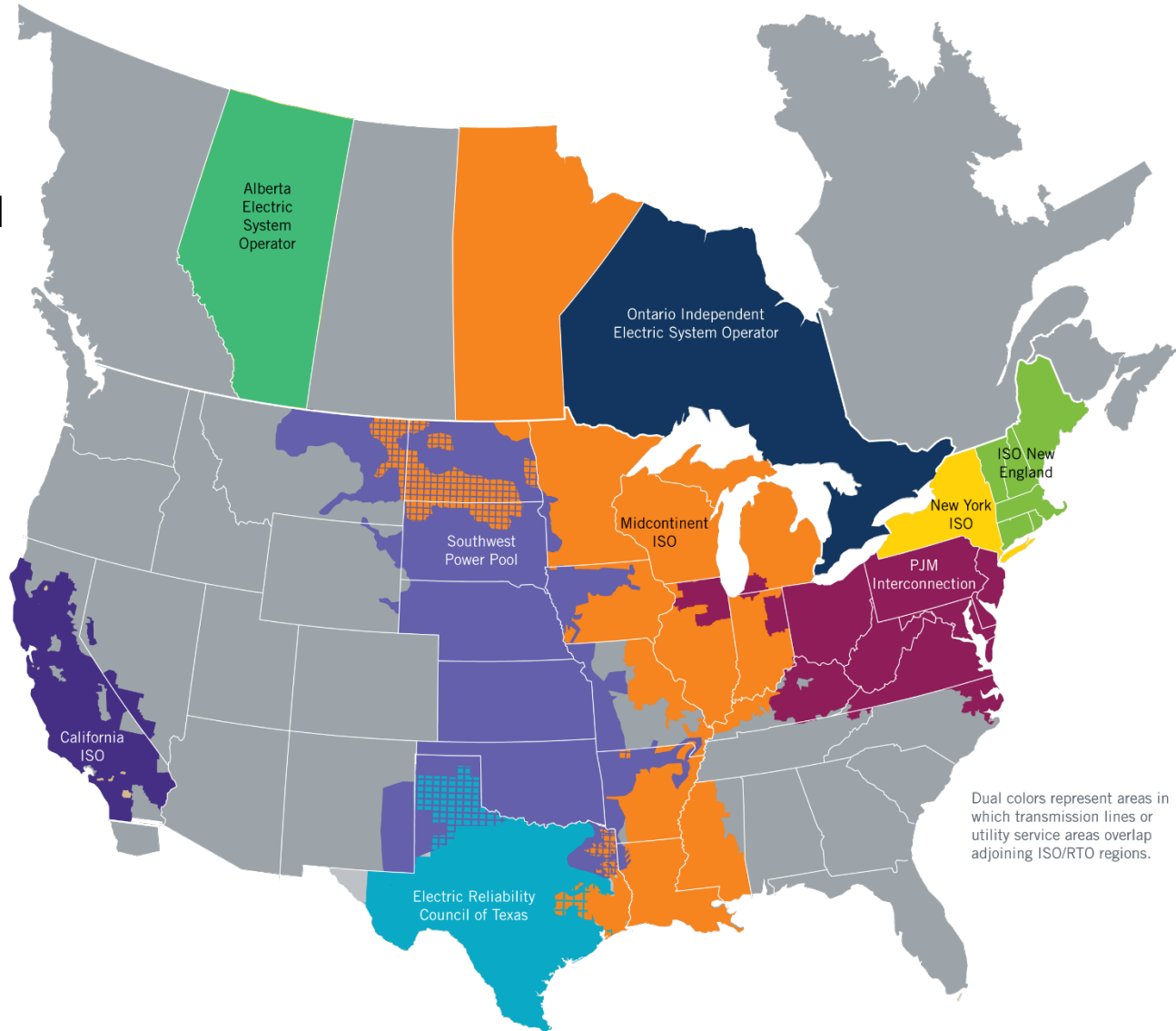
- **System reliability**
- **Competitive wholesale market**
- **Open access to transmission**
- **Competitive retail market**



PURA Section 39.151(b) defines independent organization as “[a]n **independent system operator** or other person that is sufficiently independent of any producer or seller of electricity that its decisions will not be unduly influenced by any producer or seller.”

# ISOs and RTOs

- ERCOT is one of nine **independent system operators (ISOs)** and **regional transmission organizations (RTOs)** in the U.S. and Canada.
- ISOs/RTOs operate the bulk electric systems that together account for about two-thirds of electric consumers in the U.S. and more than half of consumers in Canada.



# What is an ISO or RTO?

**Independent System Operator:** Coordinates, controls, and monitors an electric grid, sometimes within a single state and sometimes multi-state

- California Independent System Operator (CAISO)
- Electric Reliability Council of Texas, Inc. (ERCOT)
- ISO New England (ISO-NE)
- New York Independent System Operator (NYISO)

**Regional Transmission Organization:** Similar responsibilities, usually over a larger multi-state area, with greater responsibility for the transmission network

- Midcontinent Independent System Operator (MISO)
- PJM Interconnection (PJM)
- Southwest Power Pool (SPP)

The portions of this presentation comparing ERCOT with other ISOs and RTOs focus only on organizations operating in the United States. Two additional ISOs, Alberta Electric System Operator (AESO) and Independent Electricity System Operator (IESO), operate in Canada.



# What is an ISO or RTO?

## ISOs and RTOs:

- Do not own generation or transmission assets
- Provide non-discriminatory access to transmission
- Coordinate power generation, dispatch and transmission
- Ensure safety and reliability of the system
- Independently operate the regional electric markets



# ISO/RTO Governance: Common Characteristics

All ISOs and RTOs in the United States:

- Are governed by a **board of directors**
- Require that board members have **independence** from market participants
- Have some form of **membership**
- Have some sort of **stakeholder process** to provide members and other stakeholders an opportunity to engage ISO/RTO leadership



# ISO/RTO Governance: Differences

The following vary among ISOs/RTOs in the United States:

- Board and stakeholder committee structures
- Board member terms and term limits; age limitations (if any); skill/experience requirements
- Board quorum and voting requirements
- Board meeting frequency
- Open vs. closed meetings (not all ISO/RTO boards are subject to open meeting requirements)
- Means for stakeholders to engage the Board
- Membership sectors/segments

# ISO/RTO Governance: Board Comparison

	<b>ERCOT</b>	<b>CAISO</b>	<b>ISO-NE</b>	<b>MISO</b>	<b>NYISO</b>	<b>PJM</b>	<b>SPP</b>
<b>No. of Directors</b>	<b>11</b> (9 voting)	5 (5 voting)	10 (9 voting)	10 (10 voting)	10 (9 voting)	10 (9 voting)	10 (10 voting)
<b>Term (yrs)</b>	<b>3</b>	3	3	3	4	3	3
<b>Term Limit</b>	<b>3</b>	3	3	3 (consecutive)	3	5	None
<b>Age Limit</b>	<b>None</b>	None	70	None	75	75	None
<b>In-Region Preference</b>	<b>Yes</b>	No	Yes	No	Yes	No	No
<b>Selection Method</b>	<b>Appointed by ERCOT Board Selection Committee</b>	Nominated by governor of California and confirmed by state Senate	Nominated by Joint Nominating Committee (board and stakeholders) and elected by majority of directors then in office	Slate provided by Nominating Committee (board and stakeholders), candidate nominated by board and elected by members	Elected by majority vote of Board members then in office; assisted by stakeholder Management Committee	Nominated by Nominating Committee (board and stakeholders) and elected by members	Nominated by Corporate Governance Committee (President, board chair, stakeholders) and elected by members
<b>Skills or Experience Required (# that must meet)</b>	<b>Corporate leadership and cross-section of industry skills (8)</b>	Corporate leadership and cross-section of industry skills (5)	Cross-section of industry skills including consumer advocacy/retail rate regulation (6); electric industry (3)	Corporate leadership (6); 1 each: elec. Ops, sys. Planning, markets	Corporate leadership or cross-section of industry skills (6); electric industry (3)	Corporate leadership or cross-section of industry skills (4); 1 each: T-util. ops, elec. ops & sys planning, markets	Corporate leadership or cross-section of industry skills (9)

# ISO/RTO Governance: Board Comparison (cont.)

	<b>ERCOT</b>	<b>CAISO</b>	<b>ISO-NE</b>	<b>MISO</b>	<b>NYISO</b>	<b>PJM</b>	<b>SPP</b>
<b>Number of Meetings in 2021</b>	13	16	12	4	12	5	5
<b>Number of Meetings in 2020</b>	6	10	8	4	12	6	5
<b>Type of Meetings</b>	Open	Open	Closed	Open	Closed	Closed	Open
<b>Quorum</b>	50% of directors	2/3 of directors	Majority of elected directors	Majority of directors	6 directors	Majority of elected directors	Majority of directors plus one
<b>Threshold for Action</b> (may vary for specific matters)	2/3 Eligible Voting Directors + 50% total Seated Directors	Majority	Majority	Majority	Majority	Majority	Majority



# ERCOT Governance Rules

# Foundations of ERCOT Governance: Rules

## Legislation

Public Utility Regulatory Act (PURA)  
Texas Business Organizations Code (TBOC) ch. 22, Nonprofit Corporations

## PUCT Substantive Rules

### MARKETS & OPERATIONS

#### ERCOT Protocols

Market Guides

Other Binding Documents (OBDs)

### CORPORATE & MEMBERSHIP GOVERNANCE

#### ERCOT Bylaws

Board Policies &  
Procedures

TAC Procedures

Committee  
Charters

Subcommittee  
Charters/  
Procedures



# Impact of Senate Bill 2 on Governance Rules

- Senate Bill (SB) 2 made several changes to PURA that impact ERCOT governance
  - PUCT Substantive Rules still need to be amended to align
  - ERCOT Bylaws were amended October 12, 2021, but further changes may be needed or desired
  - F&A Committee and HR&G Committee Charters need to be amended
  - Board Policies & Procedures need to be amended
  - On market rules side, Protocol Section 21 and corresponding Market Guide sections need to be amended to reflect changes to approval process in SB 2 (after PUCT rules are amended)

# ERCOT Bylaws: Framework of Board Governance

PURA, TBOC ch. 22 and the PUCT Substantive Rules establish guidelines for ERCOT Board structure and function, but the key details are in the ERCOT Bylaws

## Typical Bylaws Amendment Process (several months between proposal and final approval)



# ERCOT Board Committee Structure

Present Structure



# ERCOT Board: Basics

## Composition (PURA § 39.151): 11 total Directors

- Must reside in Texas; may not be a legislator

Voting								Non-Voting		
Ind. Director	Ind. Director	Ind. Director	Ind. Director	Ind. Director	Ind. Director	Ind. Director	Ind. Director	OPUC Public Counsel	ERCOT CEO	PUCT Chair
Independent (selected by Board Selection Committee)								<i>Ex Officio</i>		

## Meetings:

- At least quarterly (Bylaws § 4.6(a))
  - Recent past practice: six regularly scheduled meetings per year
- Open to the public (General Session); webcast; advance notice (PURA § 39.1511)
  - May only meet either on short notice or via telephonic (remote) means to consider urgent matters
- Noticed as Open Meetings of Public Utility Commission of Texas



# Governance Rules: Committee Foundations

## Board member Committees

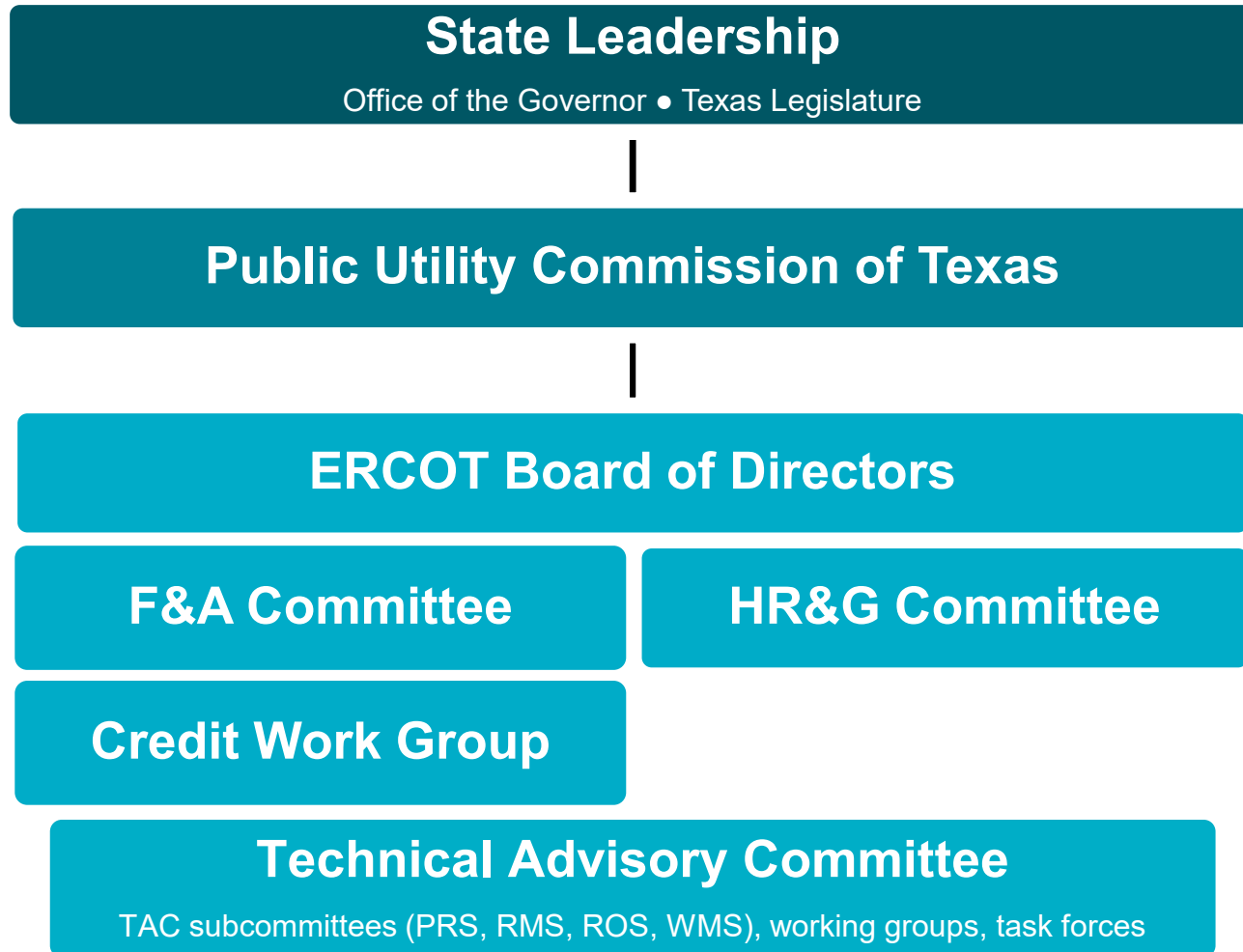
- **TBOC § 22.219(a)**: “The board of directors of a corporation ... may designate and appoint one or more committees ....”
- **Bylaws § 4.8**: “The Board ... may appoint subcommittees as it deems necessary and appropriate to conduct the business of ERCOT.”
  - HR&G Committee established by Board vote in 2001
  - F&A Committee established by Board vote in 2001 (had been in existence previously, then was re-established)

## Stakeholder Committees and Subcommittees

- **Bylaws Art. 5** establishes TAC, and **Art. 3** grants Corporate and Associate Members the right to sit on TAC and its subcommittees. **Bylaws § 4.8** requires the Board to confirm the Representatives of TAC.
- **Bylaws § 5.2**: “TAC shall have the authority to create subcommittees, task forces and study groups.”
- **TAC Procedures § V(G)**: “There shall be four standing TAC subcommittees with representatives as follows: [RMS, ROS, WMS and PRS].”



# ERCOT Governance and Structure



# Committee Charters

- The Board formally delegates specific duties to each Committee through a Committee Charter. Each Charter specifically designates:
  - The Committee’s purpose
  - Membership and qualifications
  - The Committee’s authority
  - Quorum and action requirements
  - Duties and responsibilities
  - Meeting requirements
  - Requirement for minutes
  - Annual self-evaluation
- Each Charter is reviewed and approved by the Committee and the Board annually (typically first meetings of the year)

# Committee Membership

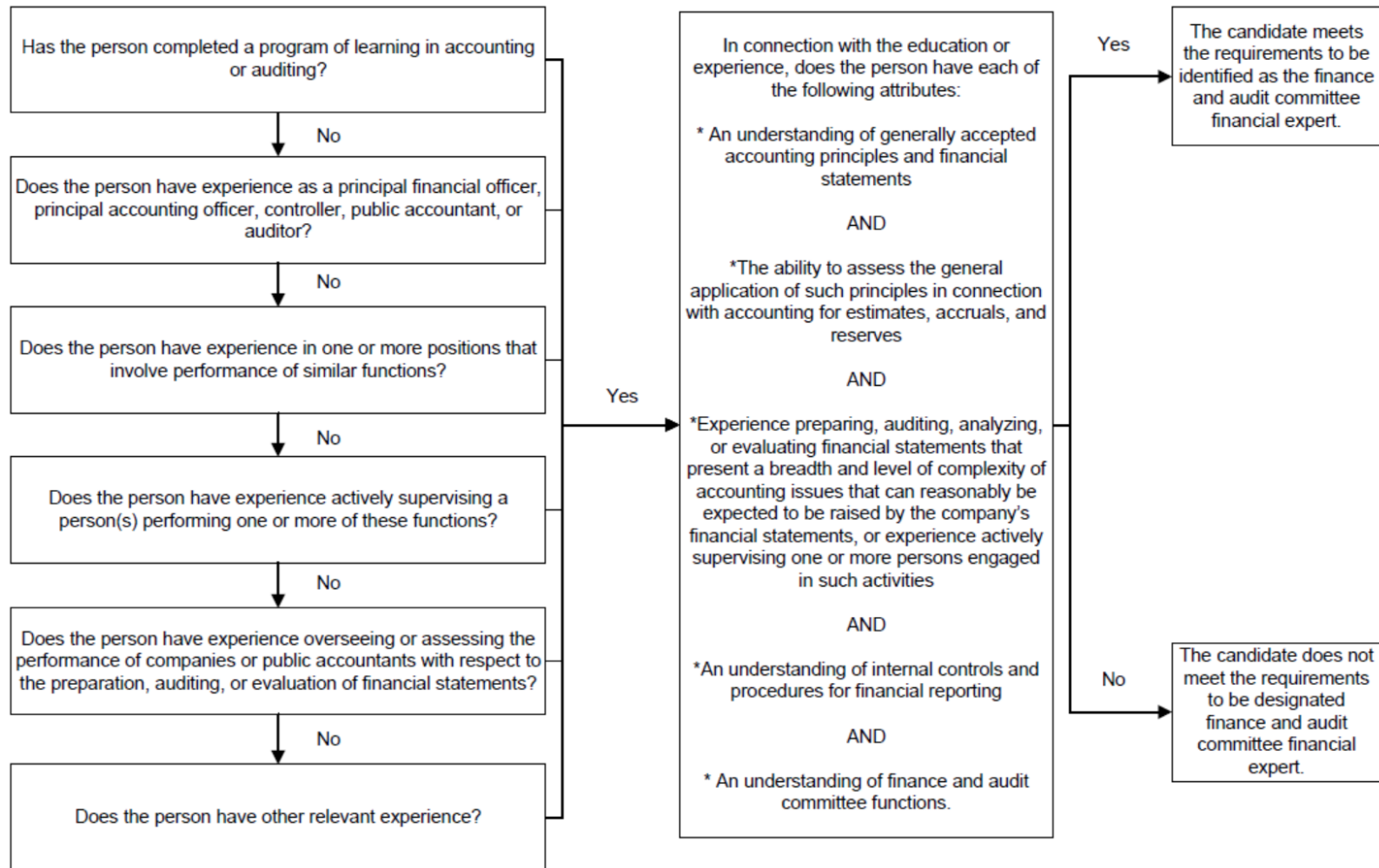
- The F&A and HR&G Committee Charters each provide that Board members may choose which Committee to join
- If there is an imbalance between the number of F&A and HR&G Committee members, the Board Chair will help align the members prior to the first meetings of the year
- F&A Committee has additional requirements for members and the Committee Chair (covered later)
- The Committee Charters currently have outdated language regarding composition requirements
  - F&A Committee must be comprised of at least five Board members, including at least two Market Segment Directors and at least two Unaffiliated (Independent) Directors
  - HR&G Committee must be comprised of at least two Market Segment Directors and at least two Independent Directors

# Finance and Audit Committee: Specific Requirements

Current requirements under the F&A Committee Charter:

- At least one Committee member must be designated a “financial expert”
- Each Committee member must be able to read and understand fundamental financial statements
- Committee Chair, elected by Committee members, may not be the ERCOT CEO and must have accounting or related financial management expertise

# F&A Committee – “Financial Expert” Designation Flowchart



# F&A Committee: Scope of Responsibility

- The Committee considers only the matters delegated to it by the Board as outlined in the F&A Committee Charter
  - Oversee the development of and adherence to a **Company budget**
  - Provide recommendations to the Board for **financing Company needs**, including both debt and revenue financing
  - Review and make recommendations to the Board regarding **investment and financial guidelines** for the Company
  - Evaluate the adequacy and effectiveness of the Company's **risk assessment and mitigation policies and practices**
  - Review and make recommendations to the Board regarding **credit** standards, procedures, governance, ERCOT Protocols and other market rules which impact credit risk
  - Ensure that the Company's **financial statements** are timely **audited** by qualified accountants who are independent
  - Assist the Board in fulfilling its oversight responsibility with respect to the Company's maintenance of an effective **internal audit** function
  - Establish and maintain procedures for the receipt (including anonymous submission), retention and treatment of **complaints** regarding accounting, internal controls, and auditing
  - Perform such other duties and responsibilities enumerated in and consistent with the Charter
  - Other matters as assigned by the Board



# F&A Committee: Routine Year

<b>FEB</b>	<p>Elect Chair and Vice Chair and designate Committee Secretary</p> <p>Approve/review: F&amp;A Committee, Internal Audit and Credit Work Group Charters; corporate standards and policies on finance, investments, credit</p> <p>Approve annual Committee Education Plan</p> <p>Receive report on forecast adequacy of budgeted System Admin. Fee</p> <p>Receive Certification of Internal Controls</p> <p>Review list of financial institutions that are Market Participants</p>
<b>APR</b>	<p>Receive independence report from financial auditors</p> <p>Recommend to Board selection of independent financial auditor</p> <p>Recommend to Board whether to accept financial statement audit report</p> <p>Receive report on budget assumptions (biennially)</p>
<b>JUN</b>	<p>Recommend to Board whether to approve budget and System Admin. Fee (biennially)</p>
<b>AUG</b>	<p>Receive independence report from 401(k) Savings Plan auditor</p> <p>Recommend to Board selection of 401(k) Savings Plan auditor</p> <p>Recommend to Board whether to accept 401(k) Savings Plan audit report</p>
<b>OCT</b>	<p>Undertake annual Committee self-evaluation</p> <p>Review draft Internal Audit Plan</p>
<b>DEC</b>	<p>Review and discuss results of Committee self-evaluation</p> <p>Review and approve Internal Audit Plan</p> <p>Review performance of Chief Audit Executive</p> <p>Receive independence report from SOC auditor</p> <p>Recommend to Board selection of SOC auditor</p> <p>Recommend to Board whether to accept SOC audit report</p>

At each meeting, the Committee receives reports on:

- Financial performance
- Investments
- Credit Work Group
- EthicsPoint
- Internal Audit status
- Future agenda items

At three meetings a year, the Committee is presented an educational topic, with the full Board encouraged to attend

Periodically, the Committee meets privately with internal and external auditors

Other matters are presented as needed or desired



# HR&G Committee: Scope of Responsibility

- The Committee considers only those matters delegated to it by the Board as outlined in the HR&G Committee Charter
  - Human Resources Matters
  - Governance Matters
  - External Affairs Matters
  - Other Matters as Assigned by the Board (*e.g.*, Strategic Planning)

# HR&G Committee: Routine Year

FEB	<ul style="list-style-type: none"> <li>Elect Chair and Vice Chair and designate Committee Secretary</li> <li>Review and approve HR&amp;G Committee Charter</li> <li>Recommend to Board election of CEO and ratification of officers</li> <li>Receive a report on Board training opportunities</li> <li>Review Board meeting calendar for next year</li> </ul>	<p>At each meeting, the Committee receives a report on HR operations</p> <p>Four meetings a year, the Committee receives a report on KPIs</p> <p>Other matters are presented as needed or desired</p>
APR	<ul style="list-style-type: none"> <li>Review ERCOT's employee benefit strategy</li> <li>Receive annual report from the ERCOT Retirement Plan Committee</li> <li>Review ERCOT governing documents</li> <li>Recommend to Board its meeting calendar for next year</li> </ul>	
JUN	<ul style="list-style-type: none"> <li>Review ethics agreement forms for Directors and ERCOT employees</li> </ul>	
AUG	<ul style="list-style-type: none"> <li>Review 401(k) Savings Plan audit report (no vote; F&amp;A Committee recommends whether Board should accept)</li> </ul>	
OCT	<ul style="list-style-type: none"> <li>Undertake annual Committee self-evaluation</li> <li>Consult with CEO and advise Board on succession plan for CEO direct reports or other key employees</li> <li>Receive report on organizational succession planning</li> <li>Review Independent Director compensation (at least every three years)</li> <li>Review and provide guidance on ERCOT's five-year strategic plan</li> <li>Review ERCOT governmental relations efforts (at least every other year)</li> </ul>	
DEC	<ul style="list-style-type: none"> <li>Review and discuss results of Committee self-evaluation</li> <li>Review CEO recommendations for direct report compensation levels</li> <li>Review executive compensation</li> <li>Evaluate overall compensation programs and strategies (at least every other year)</li> <li>Review ERCOT KPIs or other goals and objectives</li> <li>Review Board governance structure (at least every three years)</li> </ul>	



# ERCOT Board Committee Structure

Past Committees

# Past ERCOT Board Committees

- Two current Board Committees (F&A, HR&G).
- Bylaws also establish a standing **Nominating Committee** for Unaffiliated (Independent) Director candidate identification and nomination, but with SB 2 granting Board selection authority to the ERCOT Board Selection Committee, the Nominating Committee has effectively been retired.
- Other ERCOT Board committees (past 20 years):
  - **Joint Subcommittee of the Board and of the Nominating Committee relating to Unaffiliated Director and CEO Searches** and **Subcommittee for Unaffiliated Director Searches**: Advised on director and/or CEO searches. Active in 2010 (former) and 2011 (latter).
  - **Special Nodal Program Committee**: Assisted and advised the Board with respect to oversight of the implementation of the ERCOT Nodal Market. Active 2008-2010.
  - **Special Board Committee**: Assisted in review of audit and litigation activities and developed recommendations to the Board following discovery of accounting irregularities in 2004. Active 2004-2005.

# Board Committee Structures at Other ISOs/RTOs

# Board Committees: Other ISOs/RTOs

	<b>ERCOT</b>	<b>CAISO</b>	<b>ISO-NE</b>	<b>MISO</b>	<b>NYISO</b>	<b>PJM</b>	<b>SPP</b>
<b>Number of Committees</b>	2	4	5	7	4	8	7
<b>Names</b>	<ul style="list-style-type: none"> <li>- Finance &amp; Audit</li> <li>- Human Resources &amp; Governance</li> </ul>	<ul style="list-style-type: none"> <li>- Audit</li> <li>- Market Surveillance</li> <li>- Energy Imbalance Market Governing Body</li> </ul>	<ul style="list-style-type: none"> <li>- Audit &amp; Finance</li> <li>- Comp. &amp; Human Resources</li> <li>- Markets</li> <li>- Nominating &amp; Governance</li> <li>- System Planning &amp; Reliability</li> </ul>	<ul style="list-style-type: none"> <li>- Audit &amp; Finance</li> <li>- Corp. Governance &amp; Strategic Planning</li> <li>- Human Resources</li> <li>- Technology</li> <li>- Markets</li> <li>- System Planning</li> <li>- Nominating</li> </ul>	<ul style="list-style-type: none"> <li>- Audit &amp; Compliance</li> <li>- Commerce &amp; Comp.</li> <li>- Governance</li> <li>- Reliability &amp; Markets</li> </ul>	<ul style="list-style-type: none"> <li>- Audit</li> <li>- Reliability</li> <li>- Competitive Markets</li> <li>- Governance</li> <li>- Human Resources</li> <li>- Regulatory</li> <li>- Finance</li> <li>- Nominating</li> </ul>	<ul style="list-style-type: none"> <li>- Membership</li> <li>- Markets &amp; Operations Policy</li> <li>- Strategic Planning</li> <li>- Human Resources</li> <li>- Oversight</li> <li>- Finance</li> <li>- Corp. Governance</li> </ul>

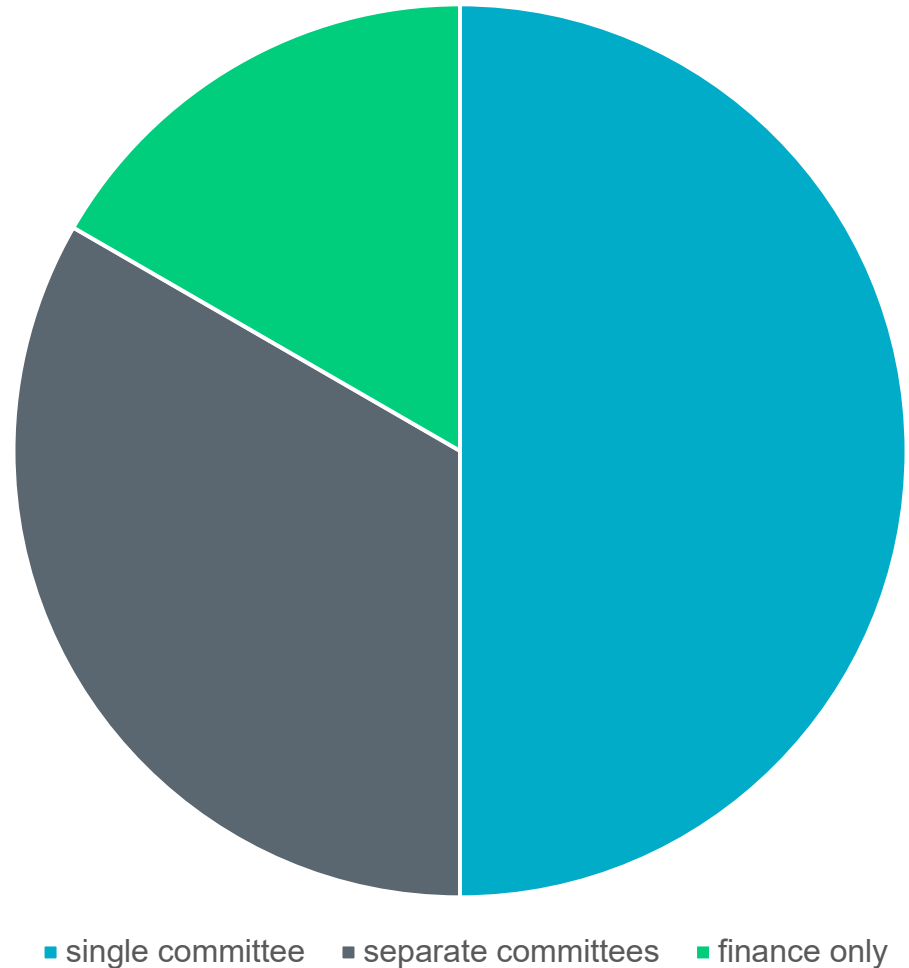
- **Range:** 2-8
- **Average:** 5.3



# Committees on Finance and Audit: Other ISOs/RTOs

Of the six other U.S. ISOs/RTOs:

- Three have a single committee on finance and audit (CAISO, ISO-NE, MISO)
- Two have a separate finance committee and audit committee (NYISO, PJM)
- One has only a finance committee (SPP)

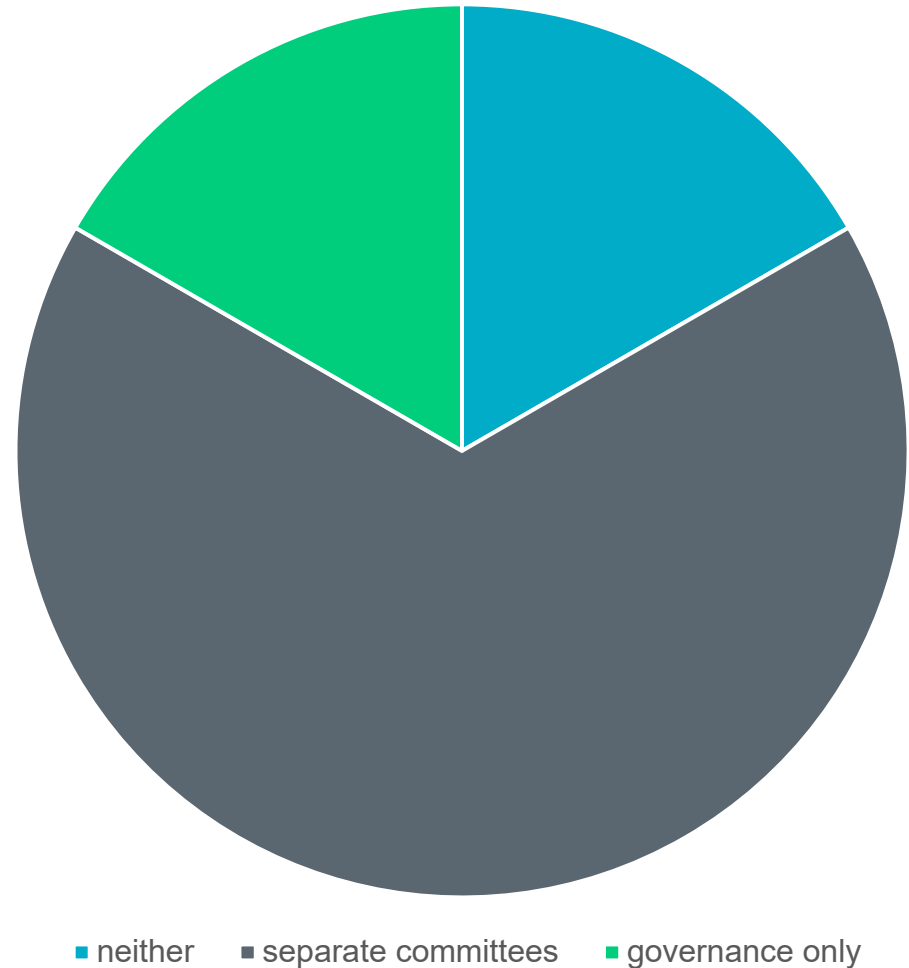




# Committees on HR and Governance: Other ISOs/RTOs

Of the six other U.S. ISOs/RTOs:

- Four have a separate human resources committee and governance committee (ISO-NE, MISO, PJM, SPP)
- One has only a governance committee (NYISO)
- One has neither (CAISO)



# Other Board Committees at Other ISOs/RTOs

Aside from audit, finance, governance and human resources, the following are some of the committees at other U.S. ISOs and RTOs:

- **Markets:** Market issues and market monitoring processes
  - CAISO: Market Surveillance Committee
  - ISO-NE: Board Markets Committee
  - MISO: Markets Committee
  - NYISO: Markets and Reliability Committee (scope also includes system operations and planning)
  - PJM: Competitive Markets Committee
- **System Operations, Planning, Reliability:** Operations, planning and/or reliability issues
  - ISO-NE: System Planning and Reliability Committee (scope also includes compliance)
  - MISO: System Planning Committee
  - NYISO: Markets and Reliability Committee (scope also includes markets)
  - PJM: Reliability and Security Committee (scope also includes security)



# Other Board Committees at Other ISOs/RTOs (cont.)

- **Regulatory, Oversight:** Regulatory policies
  - PJM: Regulatory Committee
  - SPP: Oversight Committee
- **Others:**
  - MISO Technology Committee: Monitors and evaluates MISO's procurement and management of technology systems
  - SPP Strategic Planning Committee: Responsible for the development and recommendation of strategic direction for SPP
- **Stakeholder representation on Board Committees:**
  - At two of the six other U.S. ISOs/RTOs, stakeholders are represented on certain Board committees:
    - PJM: Finance Committee
    - SPP: Corporate Governance, Finance, Human Resources, and Strategic Planning Committees

# State Participation with Board at Other ISOs/RTOs

# State Participation with Boards

ERCOT is the only U.S. ISO/RTO on which a state commission member sits as a board member. State commission participation at the board level varies among other U.S. ISOs and RTOs.

	<b>ERCOT</b>	<b>CAISO</b>	<b>ISO-NE</b>	<b>MISO</b>	<b>NYISO</b>	<b>PJM</b>	<b>SPP</b>
<b>State Participation at Board Meetings</b>	<p>PUCT Chair is <i>ex officio</i>, non-voting board member.</p> <p>Board meetings are considered PUCT Open Meetings.</p>	State commission can participate fully.	Board meetings private; NECPUC and NESCO meet with board twice per year, and two board members serve as board liaisons with each state commission.	State commissions can participate fully. Org. of MISO States (OMS) provides update at each MISO board meeting.	State commission can participate fully.	State commissions can participate in general session.	State commissions can participate fully.

# Membership

# Who are Members of Non-Profit Corporations?

- ERCOT is a Texas non-profit corporation
  - With **members**
  - Without capital stock
- Section 1.002(53)(B) of the Texas Business Organizations Code defines a “member” of a non-profit corporation as “a person who has membership rights in the nonprofit corporation under its governing documents”
- Members of a nonprofit corporation can be analogized to shareholders of a for-profit corporation, but without ownership rights or stock
- Bylaws Art. 2 § 19: A member must be “approved by ERCOT to meet the applicable membership qualifications described in Sections 3.1 and 3.2 of [the] Bylaws, or the member’s appointed representative, as the context so requires”

# ERCOT Membership Qualifications

Bylaws § 3.1: Members must qualify in one of the following segments as defined in Article 2 (ERCOT must define market segments pursuant to PUCT Substantive Rules):

- (1) Cooperative
- (2) Independent Generator
- (3) Independent Power Marketer (IPM)
- (4) Independent Retail Electric Provider (IREP)
- (5) Investor-Owned Utility (IOU)
- (6) Municipal
- (7) Consumer in one of three subsegments:
  - (i) Commercial (which is further divided into Large and Small Commercial Consumer)
  - (ii) Industrial
  - (iii) Residential

Except for the Consumer Segment, Members must have an actual financial interest in the retail or wholesale electric market in the ERCOT Region and be able to do business in one of these markets. A Member must maintain its registration or certification by the PUCT to the extent that it is required to do so by statute or PUCT rule.





# ERCOT Membership Types

Three types of Membership: Corporate, Associate, and Adjunct

TYPE	RIGHTS		
	May vote on matters submitted to general Membership (amendments to Bylaws, Certificate of Formation)	May serve on TAC and subcommittees	May vote at PRS
<b>Corporate</b>	YES	YES	YES
<b>Associate</b>	NO	YES	YES
<b>Adjunct</b>	NO	NO	YES

# Membership and Segments: Other ISOs/RTOs

- All other U.S. ISOs and RTOs have members or work with a separate membership organization (e.g., the New England Power Pool, or NEPOOL, with ISO-NE)
  - In each case, membership is divided into “segments” or “sectors”
- The number of segments, how they are established, and how they are defined varies among U.S. ISOs/RTOs
  - Number Range: 5-11
  - Average: 7.1
- The role of segments varies as well
  - CAISO: Unlike other ISOs/RTOs, sectors are not relevant to the stakeholder process, but are used in the CAISO Board selection process
- Weighting of segments for voting in the stakeholder process varies, with equal weights assigned to segments in some ISOs/RTOs and different weights assigned to segments in others

# Membership: Other ISOs/RTOs

	<b>ERCOT</b>	<b>CAISO</b>	<b>ISO-NE</b>	<b>MISO</b>	<b>NYISO</b>	<b>PJM</b>	<b>SPP</b>
<b>Number of Market Segments</b>	7	6	6 (plus non-voting stakeholders*)	10 (7 member, 3 non)	5	5 (plus non-voting stakeholders*)	11
<b>Market Segment Names</b> (some segments may be divided into sub-segments)	<ul style="list-style-type: none"> <li>- Coops</li> <li>- Independent Gens.</li> <li>- IPMs</li> <li>- IREPs</li> <li>- IOUs</li> <li>- Munis</li> <li>- Consumers</li> </ul>	<ul style="list-style-type: none"> <li>- Participating Trans. Owners</li> <li>- End-Users and Load-Serving Entities</li> <li>- Public Interest Groups</li> <li>- Gens., Marketers, and Other Energy Providers</li> <li>- Publicly-Owned Utils.</li> <li>- External Entities</li> </ul>	<ul style="list-style-type: none"> <li>- Gen. Trans. Publicly Owned Entity</li> <li>- End User</li> <li>- Supplier</li> <li>- Alt. Resources</li> </ul> <p>* Non-NEPOOL members (parties to the Participants Agreement but not the NEPOOL Agreement) only have voting rights as to Participants Agreement amendments</p>	<p>Member:</p> <ul style="list-style-type: none"> <li>- Trans.-Dependent Utils.</li> <li>- Ind. Power Producers and Exempt Wholesale Gen.</li> <li>- Power Marketers and Brokers</li> <li>- Elig. End-Use Custs.</li> <li>- Coordinating Members</li> <li>- Competitive Trans. Developers</li> <li>- Trans. Owners</li> </ul> <p>Non-Member:</p> <ul style="list-style-type: none"> <li>- State Reg. Authorities</li> <li>- Public Consumer Advocates</li> <li>- Enviro./Other</li> </ul>	<ul style="list-style-type: none"> <li>- Gen. Owners</li> <li>- Public Power/Enviro. Parties</li> <li>- Trans. Owners</li> <li>- End-Use Custs.</li> <li>- Other Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>- Gen. Owners</li> <li>- Other Suppliers</li> <li>- Trans. Owners</li> <li>- Elec. Distributors</li> <li>- End-Use Custs.</li> </ul> <p>*Non-voting stakeholders (e.g., FERC, state commissions), can participate in the stakeholder process, and reps from FERC and other agencies can serve as <i>ex officio</i> non-voting member on key committees</p>	<ul style="list-style-type: none"> <li>- Coops</li> <li>- Alt. Power/Public Interest Groups</li> <li>- Fed. Power Marketing Agencies</li> <li>- Ind. Power Producers/Marketers</li> <li>- Ind. Trans. Cos.</li> <li>- Investor-owned Utils.</li> <li>- Lg. Retail Customers</li> <li>- Sm. Retail Customers</li> <li>- Munis</li> <li>- St. Power Agencies</li> <li>- SPP Contract Participants</li> </ul>

# ERCOT Stakeholder Process

# ERCOT Stakeholder Committee Structure

In addition to the Board's subcommittees that consist of Board members, the **Technical Advisory Committee (TAC)** is a stakeholder body comprised of ERCOT Members that reports to the Board.

- Rules regarding TAC membership, functions and meetings are set forth in Article 5 of the ERCOT Bylaws. Additional rules are contained in the Technical Advisory Committee Procedures.
- The TAC shall make recommendations to the Board as it deems appropriate or as required by the Board and perform any other duties as directed by the Board. TAC shall have the authority to create subcommittees, task forces and work groups, as it deems necessary to conduct the business of TAC.
- The TAC reviews all Revision Requests and recommends the priority of projects.

# TAC Composition

- Per Bylaws, 30 total TAC members (“TAC Representatives”) comprised of ERCOT Members from each Market Segment

SEGMENT	SEATS	SELECTION
Cooperative	4 each	Elected by Segment
Independent Generator		
Independent Power Marketer		
Independent REP		
Investor-Owned Utility		
Municipal		
Consumer	--	
Industrial	2	Elected by Industrial subsegment
Small Commercial	1	Elected by Small Commercial subsegment
Large Commercial	1	Elected by Large Commercial subsegment
Residential	1	Appointed by Public Counsel
Public Counsel designee	1	Appointed by Public Counsel

# TAC Subcommittees

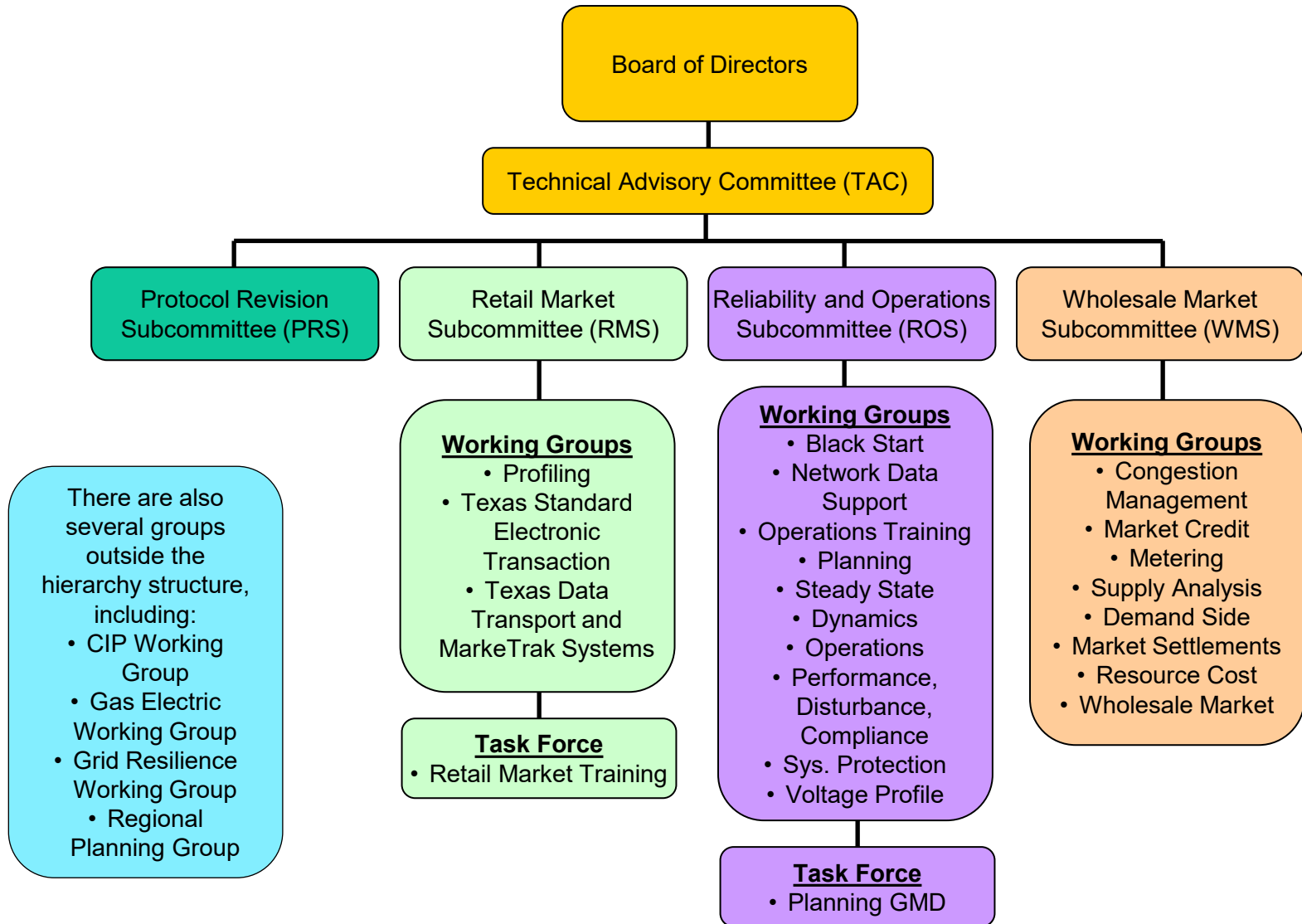
- The TAC is assisted by four standing subcommittees as well as numerous working groups and task forces.
- The standing subcommittees include:
  - Protocol Revision Subcommittee (PRS)
  - Retail Market Subcommittee (RMS)
  - Reliability Operations Subcommittee (ROS)
  - Wholesale Market Subcommittee (WMS)
- Each TAC Representative (other than the Residential Consumer Representative at TAC) or subcommittee member must be an employee or agent of an ERCOT Member.

## TAC Subcommittees (cont.)

- PRS:** Responsible for reviewing and recommending action on Nodal Protocol Revision Requests (NPRRs) and System Change Requests (SCRs)
- RMS:** A forum for issue resolution on retail market matters directly affecting ERCOT and ERCOT Protocols; develops, reviews and maintains the Retail Market Guide and Load Profiling Guide
- ROS:** Reviews ERCOT reports and procedures related to the reliable operation of the ERCOT System; develops, reviews and maintains Nodal Operating Guide, Planning Guide, and Resource Registration Glossary
- WMS:** Reviews issues related to the operation of the wholesale market in the ERCOT Region; develops, reviews and maintains the Commercial Operations Market Guide, Settlement Metering Operating Guide, and Verifiable Cost Manual



# ERCOT Stakeholder Committee Structure



# TAC and Subcommittee Voting Structures

BODY	VOTING STYLE	AFFIRMATIVE VOTES REQUIRED FOR APPROVAL
TAC	By TAC Representative	(i) 2/3 Eligible Voting Representatives of TAC; and (ii) At least 50% of the total Seated Representatives
RMS ROS WMS	Segment Voting	(i) A majority (with certain exceptions) of the aggregate of the Fractional Segment Votes*; and (ii) A minimum total of 3 Segment Votes*  * Segment Vote per Segment = 1.0 (except Consumer Segment = 1.5 with 0.5 for each subsegment), divided into equal Fractional Segment Votes per subcommittee member
PRS	Segment Voting	(i) a majority (with certain exceptions) of the aggregate of the fractional Segment Votes*; and (ii) a minimum total of three Segment Votes*  * Segment Vote per Segment = 1.0, divided into equal fractional Segment Votes per Voting Entity (additional division by subsegment for Consumer Segment). Voting Entities = ERCOT Member (Corporate, Associate and Adjunct). <u>Members other than PRS Standing Representatives may vote.</u>

Additional details on voting are contained in the Technical Advisory Committee Procedures.

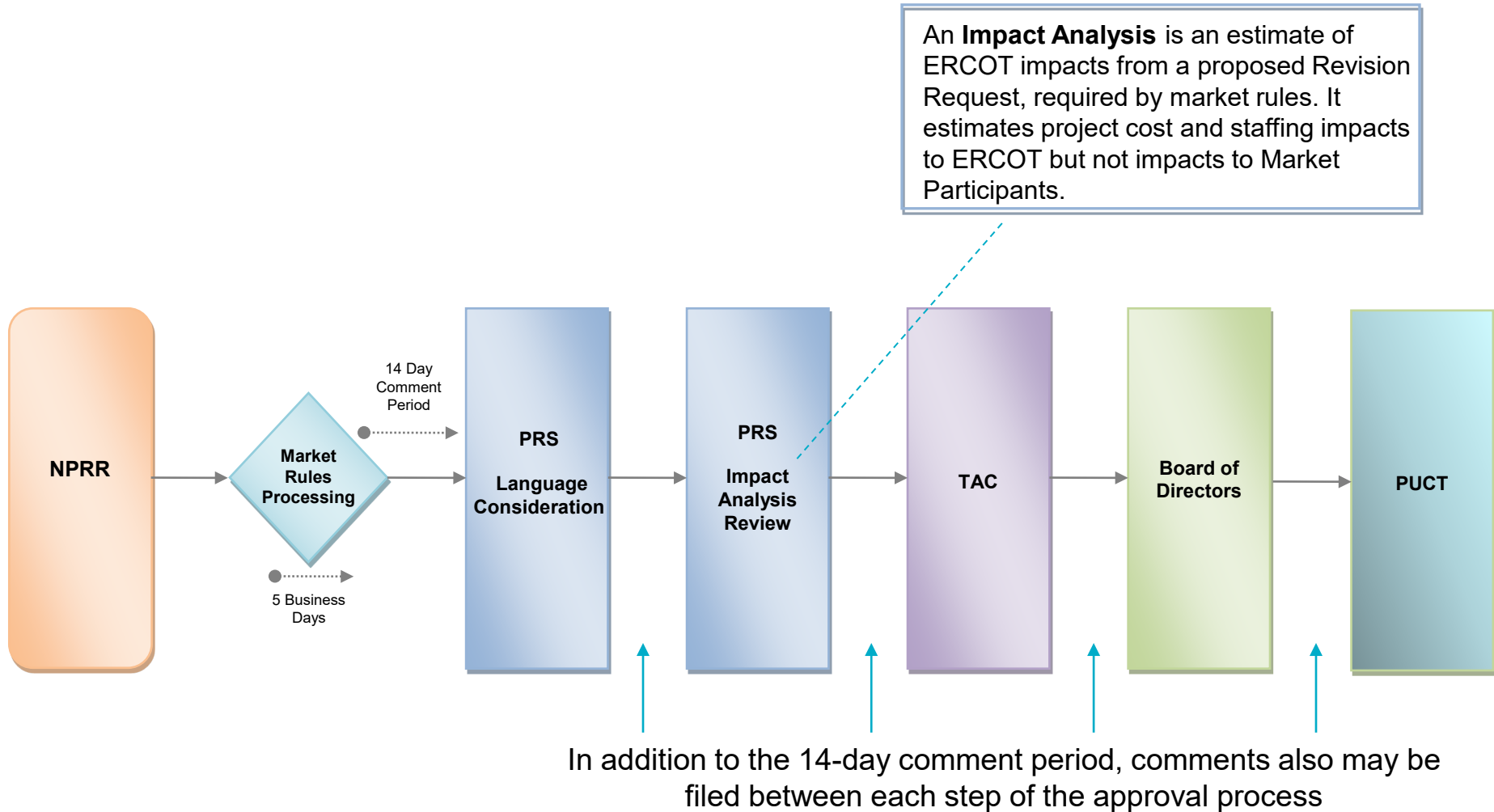
# Evaluation of TAC and Subcommittee Structure

- Annually TAC performs an evaluation of its existing structure and procedures
- Feedback is sought from stakeholders; subcommittees, working groups and task forces are asked to complete self-assessments to determine their necessity and efficiency
- Resulting recommendations are considered at a TAC meeting
- Following TAC consideration, TAC's recommendations are presented to the HR&G Committee (Board in 2021)

# Revision Request Process

- Protocol Section 21, Revision Request Process, governs how NPRRs and SCRs flow through the stakeholder process.
- Any Market Participant, ERCOT Member, Entity affected by the Texas electricity market, etc. may file an NPRR and/or SCR.
- Once an NPRR/SCR is posted, PRS shall consider the Revision Request at its next regularly scheduled PRS meeting after the end of a 14-day comment period.
  - During the 14-day comment period, any Entity may submit comments on the Revision Request. Comments submitted after the comment period may be considered at the discretion of PRS.
- Similar processes are dictated for Market Guide Revision Requests in the associated Market Guides, with RMS, ROS or WMS responsible for initial consideration of the Revision Request, rather than PRS.
  - The Board only considers a Market Guide Revision Request if it requires a project for implementation or it is directly related to an NPRR, PGRR or a Revision Request requiring a project for implementation; otherwise the Market Guide Revision Request proceeds directly from TAC to the PUCT for final approval.

# Revision Request Process (cont.)



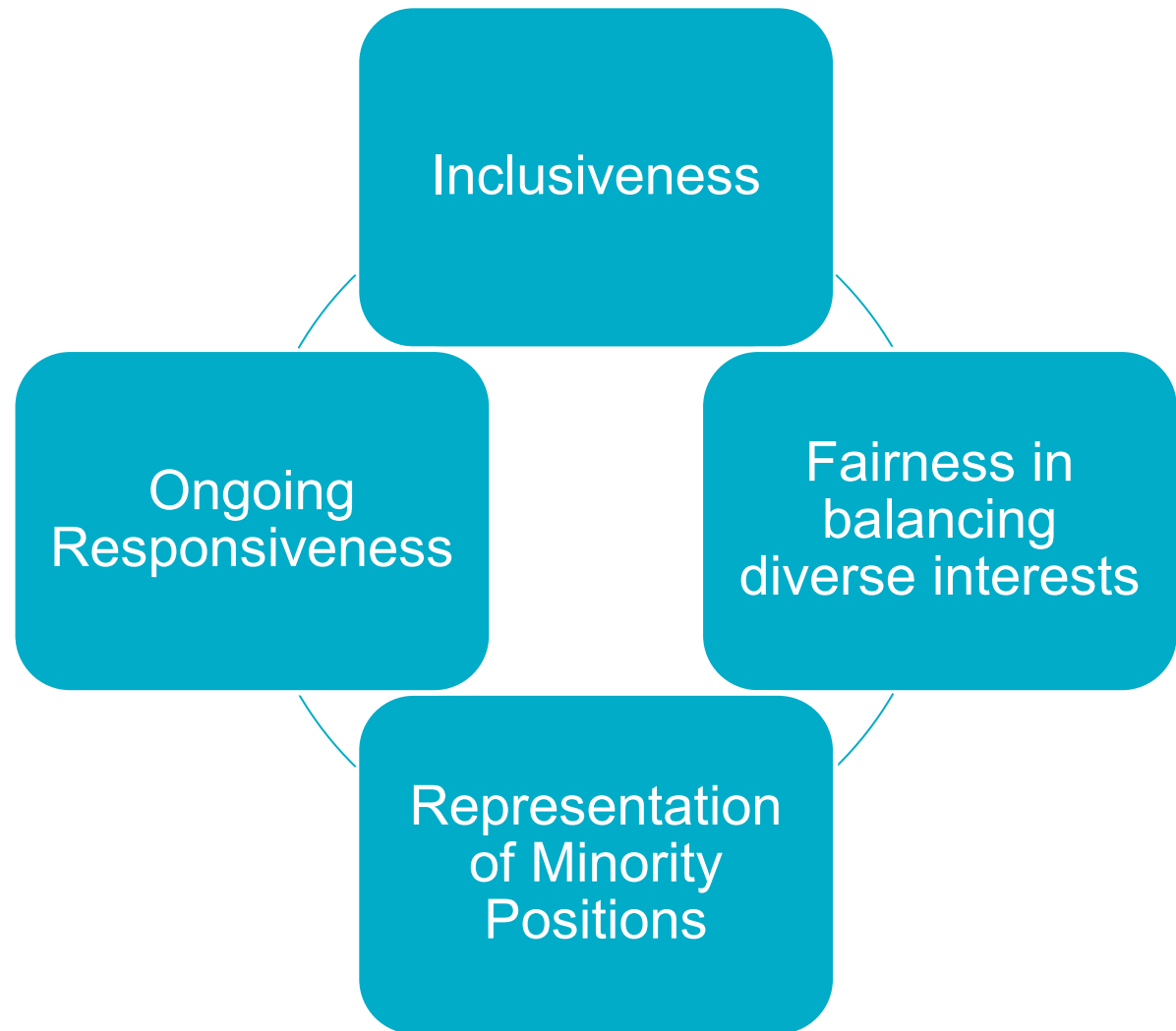
# Revision Request Process: Board Role

- Protocol/Guide Requirement: Upon issuance of a TAC Report and Impact Analysis to the Board, the Board shall review the TAC Report and the Impact Analysis at the next regularly scheduled meeting.
  - Because of 7-day notice requirement, Board meeting date changes may necessitate corresponding changes to dates of TAC or subcommittee meetings.
- The Board shall take action on the Revision Request to **recommend approval, reject, table, or remand to TAC**.
- If the Board recommends approval of changes to the Protocols, such changes shall be filed with the PUCT for final approval, upon which they are incorporated into the Protocols and posted on the ERCOT website.
- Any Revision Requests unanimously recommended for approval by TAC will be placed on the Consent Agenda but can be removed and discussed in full at the request of any Board Member.
- ERCOT staff reports on the impacts of Revision Requests on the Consent Agenda at each Board meeting.
- Any decision of the Board regarding a Revision Request may be appealed to the PUCT or other Governmental Authority.

# Stakeholder Processes at Other ISOs/RTOs

# FERC ISOs/RTO Governance Principles

FERC Order 719 (2008) required each ISO/RTO under its jurisdiction to evaluate and adjust their stakeholder processes based on four criteria for responsiveness to stakeholder concerns





# Stakeholder Committee Structures: Other ISOs/RTOs

Of the six other U.S. ISOs/RTOs:

- Five – all except CAISO – have a hierarchal committee structure composed of technical committees all reporting to a senior committee (like TAC at ERCOT) that provides input to the board.
- CAISO schedules regular meetings (open to the public – *i.e.*, any interested stakeholder) on market and system issues. Functions as a “separate committee for each topic.” Committees do not vote and only provide a recommendation, and CAISO reserves the right to make final decisions on what to present to the CAISO board.

# Stakeholder-Governance Models: Other ISOs/RTOs

## Three general models:

1. **Advisory-Only:** Stakeholders serve in an advisory role to board. Board has final decision on filing market rule changes with FERC (stakeholder can comment there).
2. **Shared Governance:** Market rule changes must receive stakeholder approval before being submitted to board.
3. **Government-Appointed Board:** Board has final decision on filing market rule changes with FERC; stakeholders provide input through less formal process.

# ISO/RTO Stakeholder Processes: Comparison

	<b>ERCOT</b>	<b>CAISO</b>	<b>ISO-NE</b>	<b>MISO</b>	<b>NYISO</b>	<b>PJM</b>	<b>SPP</b>
<b>Meetings Open to public</b>	Yes	Yes	No (except trans. planning)	Yes	Yes	Yes	Yes
<b>Board attendance at meetings</b>	None	None	1 member attends each Participants Committee meeting	All members expected to attend each Advisory Committee meeting	1 member attends each meeting of Mgmt. Committee and certain other committees	None	None
<b>Stakeholder-Governance Model</b>	Shared Governance	Gov't-Appointed Board	Advisory Only	Advisory Only	Shared Governance	Shared Governance	Advisory Only

- At all U.S. ISOs/RTOs including ERCOT, other than CAISO which does not have a voting stakeholder process, a supermajority is required for approval of a vote at the senior stakeholder committee
- At all except MISO and PJM, matters that are rejected can be appealed in some manner

# Other Stakeholder-Board Interactions

Aside from board member attendance at stakeholder committee meetings (ISO-NE, MISO, NYISO), certain ISOs/RTOs have other processes in place to facilitate direct stakeholder-board engagement:

- **ISO-NE:**

- ISO-NE board meets with members of each NEPOOL sector at least twice per year
- Board members attend Participants Committee meetings upon request
- ISO-NE board meets as needed with officers of the Participants Committee and member sectors

- **MISO:**

- MISO board members required to attend Advisory Committee meetings that include “hot topic” discussions; topic chosen by Committee members, up to four times per year (MISO board members are expected to use best efforts to attend all Advisory Committee meetings)
- Separate from the Advisory Committee’s regular monthly meetings, at least quarterly, two or more MISO Board members plus the MISO CEO facilitate meetings with the Advisory Committee
- An appointed MISO liaison and stakeholder relations officer facilitate additional board-stakeholder communications

# Other Stakeholder-Board Interactions (cont.)

- **NYISO:**

- Liaison Subcommittee, comprised of representatives from all sectors, meets with the NYISO board after the each regularly scheduled NYISO board meeting
- NYISO board can assign a director to participate as a non-voting member at standing committee meetings
- NYISO board must make all reasonable efforts to arrange an annual, day-long meeting with stakeholders

- **PJM:**

- Liaison Committee, comprised of representatives from all sectors, meets with the PJM board prior to each board meeting
- PJM board members are expected to attend annual Members Committee meeting plus one additional meeting each year
- PJM board schedules sector meetings once per year (at the discretion of the sector)
- PJM holds “General Sessions” on higher-level industry issues twice per year with members, the board and PJM staff

# Questions?

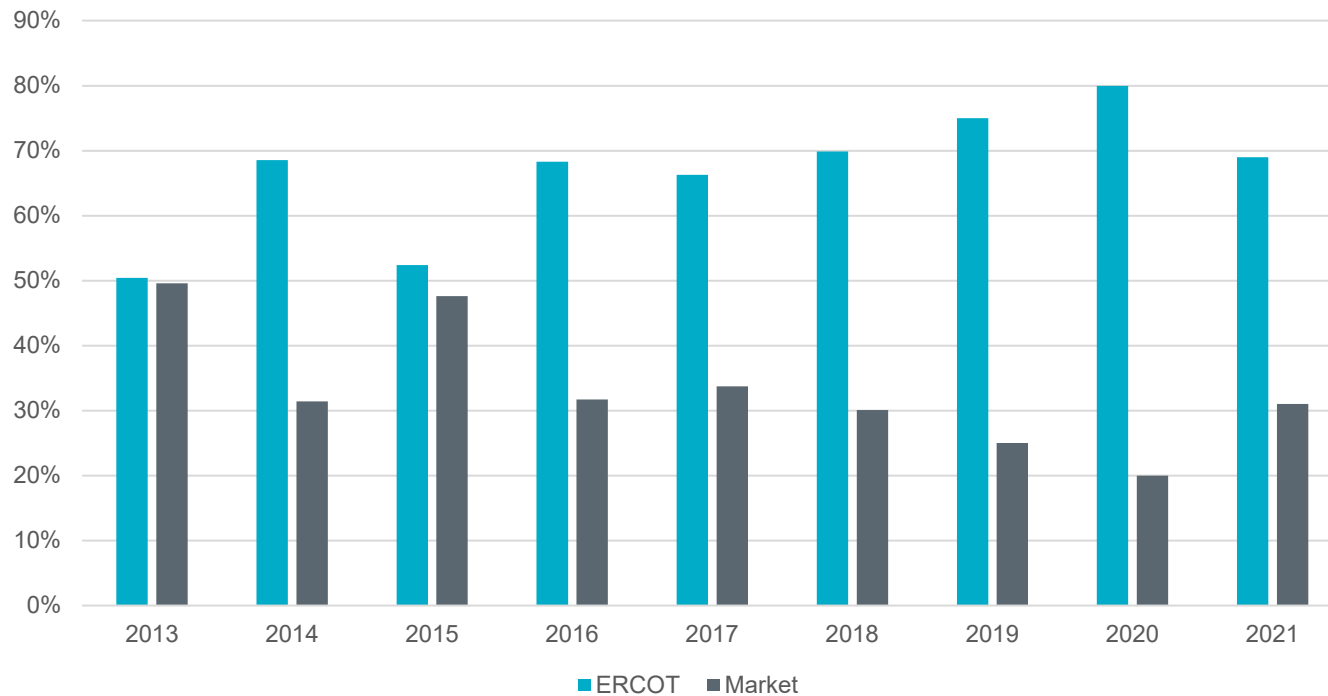


# Appendix A

## Revision Request Statistics

# Appendix A: Revision Request Statistics

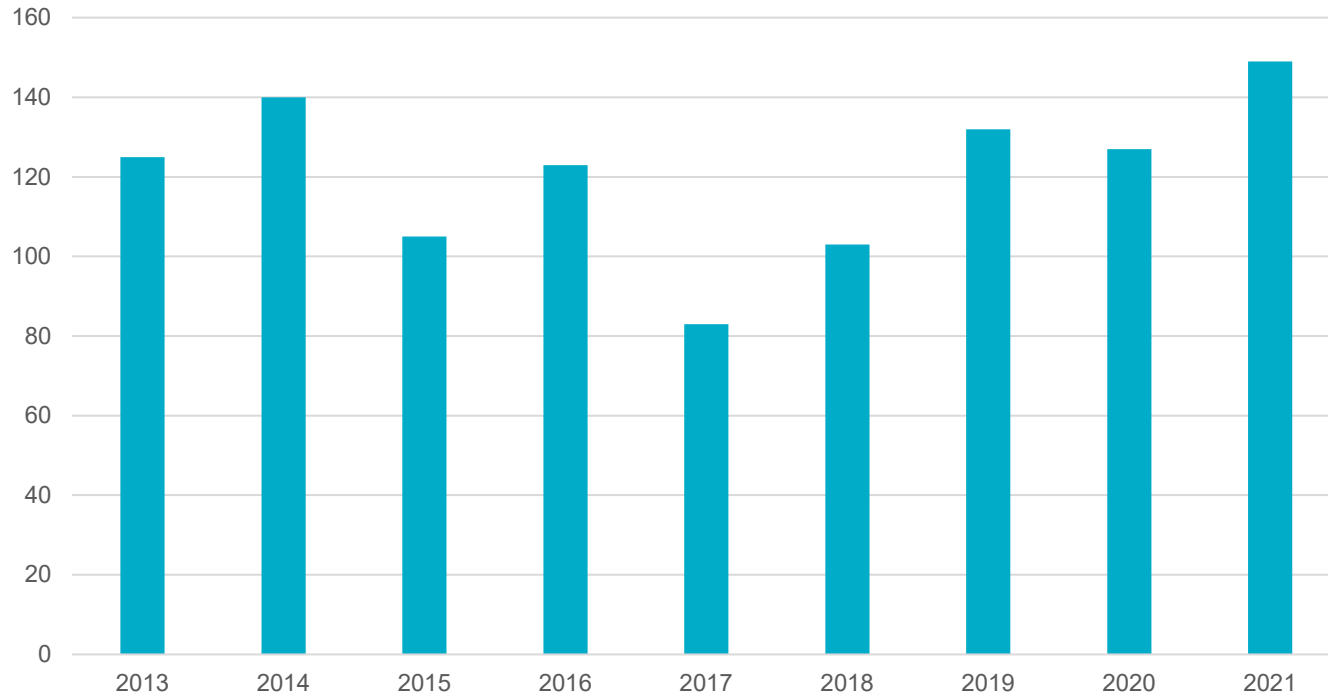
## ERCOT VS. MARKET SPONSORED REVISION REQUESTS (%)





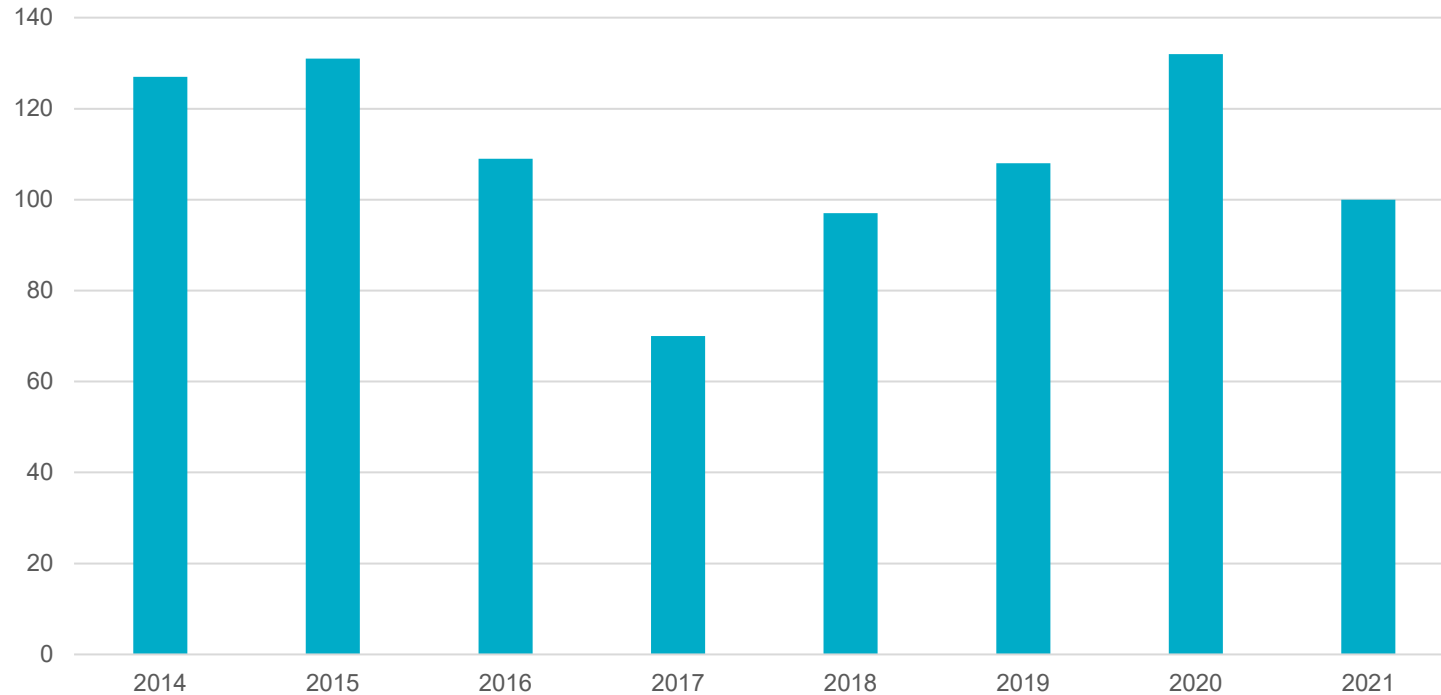
# Appendix A: Revision Request Statistics

## NEW REVISION REQUESTS



# Appendix A: Revision Request Statistics

## REVISION REQUESTS APPROVED



# Appendix B

## Sources and Further Reading

# Appendix B: Sources and Further Reading

## **ERCOT**

### ***Statutes and Regulations***

- [Public Utility Regulatory Act \(PURA\) 2021](#)
- [Senate Bill 2 \(2021\)](#)
- [PUCT Substantive Rule 25.362](#)
- [Texas Business Organizations Code ch. 22](#)

### ***Governing Documents***

- [Amended and Restated Bylaws of ERCOT \(Oct. 12, 2021\)](#)
- [Board Policies and Procedures \(Apr. 9, 2019\)](#)
- [Finance and Audit Committee Charter \(Feb. 9, 2021\)](#)
  - [Credit Work Group Charter \(Feb. 8, 2021\)](#)
  - [Internal Audit Charter \(Feb. 8, 2021\)](#)
- [Human Resources and Governance Committee Charter \(Feb. 9, 2021\)](#)
- [Technical Advisory Committee Procedures \(Sep. 1, 2021\)](#)



# Appendix B: Sources and Further Reading

## **GENERAL**

- [Governance Structure and Practices in the FERC Jurisdictional ISOs/RTOs \(Prepared for New England States Committee on Electricity\) \(Feb. 2021\), Exeter Associates Inc.](#)
- [R Street Policy Study No. 112, How the RTO Stakeholder Process Affects Market Efficiency \(Oct. 2017\)](#)
- [FERC ISOs and RTOs Dashboard](#)
- [Duke University Nicholas Institute RTOGov Project](#)

## **OTHER SPECIFIC ISOs/RTOs**

- [ISO-NE's Governance and Engagement with States \(Prepared for New England States Technical Session\) \(Feb. 2021\)](#)
- [MISO Corporate Governance Best Practices \(2016\)](#)
- [MISO Hot Topic Process](#)
- [NYISO Shared Governance presentation \(2018\)](#)
- [NYISO Governance: FAQ](#)
- [PJM Governance Fact Sheet \(2017\)](#)

