



MEMORANDUM

To: Reliability and Markets (R&M) Committee
From: Chad V. Seely, ERCOT Vice President, General Counsel and Corporate Secretary
Date: June 13, 2022
Re: Item 4 Review Draft Committee Charter

The ERCOT Board of Directors (Board) established the R&M Committee (Committee) on March 8, 2022. As such and with consideration of discussions between the Committee and ERCOT staff responsible for reliability and market functions, ERCOT Legal staff submit the initial draft charter set forth in **Attachment A** to facilitate the Committee's work, especially regarding reflecting the Committee's duties and responsibilities.

To further develop the draft charter's organization and detail regarding the Committee's oversight of operations and transmission planning; market operations; market credit; and project implementation, including technology, ERCOT Legal staff recommends further Committee discussion and feedback regarding topics that include the following:

- Interaction between the Committee and the Technical Advisory Committee (TAC), with consideration of ongoing discussions around identifying opportunities to improve;
- Committee review of the Independent Market Monitor (IMM) annual State of the Market report, such as whether staff analysis could support or expand upon review of the IMM report by the Board;
- Committee review of regular market reports, including the Seasonal Assessment of Resource Adequacy (SARA) and the Capacity, Demand and Reserve report (CDR); and
- Regular, periodic, or as needed Committee functions, such as reviewing Tier 1 transmission projects, reviewing any wholesale market price corrections, reviewing recommendations from the North American Electric Reliability Corporation (NERC), and responsibilities related to overseeing market credit re-assigned from the Board's Finance and Audit (F&A) Committee.

The draft charter is formatted consistent with concurrent proposals to revise the charters of the Board's Human Resources and Governance Committee and F&A Committee, including recognition of the Board's authority to appoint committee

chairs. Similar to other charters associated with board committees, the draft R&M Committee Charter proposes review at least annually by the R&M Committee to assess the adequacy of the Committee's charter and recommend any proposed changes to the Board.

We look forward to discussing this matter at the June 20, 2022 Committee meeting.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
DRAFT RELIABILITY AND MARKETS COMMITTEE CHARTER

I. Committee Purpose

The Reliability and Markets Committee (the “Committee”) of the Board of Directors (“Board”) (individually a “Director” and collectively the “Board”) of Electric Reliability Council of Texas, Inc. (“ERCOT” or the “Company”) shall be responsible for the review of core Independent System Operator (“ISO”) functions of the Company and such other functions as the Board, from time to time, may delegate to the Committee.

The Committee’s oversight extends to the functions described in the *Duties and Responsibilities* section of this Charter and includes the power, described in the *Committee Authority* section, to execute those duties and responsibilities as the Committee deems appropriate to further the Committee’s purposes.

II. Committee Membership

A. Committee Member Qualifications

1. The Board shall confirm the Committee’s membership (“Committee Members”) based on candidates’ combined expertise and experience to facilitate the Committee’s execution of the *Duties and Responsibilities* section of this Charter.
2. Committee Members are expected to prepare for and attend meetings of the Committee.

B. Committee Member Terms

1. A Committee Member shall serve on the Committee until whichever of the following first occurs:
 - a. The Committee Member’s service as a Board Director terminates;
 - b. The Board, with or without cause, removes the Committee Member from the Committee; or
 - c. The Committee Member resigns from the Committee.

III. Committee Chair and Secretary

A. Committee Chair

1. The Board shall designate a Committee Member, who shall not be the Chief Executive Officer (“CEO”) of ERCOT, as the Committee Chair.
2. The Committee Chair shall have the following duties:
 - a. Manage meetings and meeting frequency;
 - b. Manage and facilitate the Committee’s work; and

- c. Enlist the necessary assistance of other Committee Members to accomplish the Committee's purpose, duties, and responsibilities.
3. The Committee Chair's authority includes the following:
 - a. Unlimited access to ERCOT's management and information for purposes of conducting the functions of the Committee; and
 - b. Authority to establish such other rules as may from time to time be necessary and proper for the conduct of the Committee.

B. Committee Secretary

1. The Committee shall designate a secretary ("Committee Secretary"), who may be a Committee Member or employee of ERCOT.

IV. Committee Duties and Responsibilities

A. Committee Oversight Function

1. The Committee's function is one of oversight, recognizing that the Company's management is responsible for preparing the Company's documents, plans, programs, filings, and agreements.
2. In adopting this Charter, the Board acknowledges that the Committee Members are not employees of the Company and are not providing any expert or special assurance as to the Company's documents, plans, programs, filings, and agreements.
3. Each Committee Member shall be entitled to rely on the integrity and expertise of those providing information to the Committee, including both staff and persons the Committee or the Company retains in relation to the Committee's performance of its duties and responsibilities, absent actual knowledge to the contrary.
4. In performing its duties and responsibilities, the Committee's general considerations shall include sound governance principles and industry trends.
5. In performing its duties and responsibilities, the Committee's considerations specific to ERCOT may include the following:
 - a. The Company's compliance with orders of the Public Utility Commission of Texas;
 - b. Recommendations of the Federal Energy Regulatory Commission ("FERC"), the North American Electric Reliability Corporation ("NERC"), and the NERC regional entity for the ERCOT Region ("NERC Regional Entity");

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- c. Reports from the Company's staff regarding transmission system planning and grid operations, including generation interconnection, load integration, and the Company's Seasonal Assessment of Resource Adequacy ("SARA") and Capacity, Demand and Reserve ("CDR") reports;
 - d. Reports from the Company's staff responsible for commercial operations, including market credit, status and performance of ancillary services, and Congestion Revenue Rights;
 - e. Reports from the Company's staff responsible for compliance related to operations and planning reliability standards approved by NERC's Board of Trustees or the NERC Regional Entity;
 - f. Reports from the Company's staff responsible for projects implementation, including applications the Company uses, the Company's service providers, and technology opportunities;
 - g. The Independent Market Monitor's State of the Market report; and
 - h. Recommendations of the Technical Advisory Committee and the Credit Work Group.
6. Committee duties and responsibilities are set forth below as a guide to the Committee with the understanding that the Board may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law, and by the Company's Certificate of Formation and Bylaws.

B. Committee's Reliability and Markets Duties and Responsibilities

1. Operations and Transmission Planning

- a. The Committee's assessment and mitigation of risks to grid operations and transmission planning shall include review of any Tier 1 transmission projects the Company submits to the Board for endorsement.

2. Market Operations

- a. The Committee's assessment and mitigation of risks to the design, structure, and performance of ERCOT's competitive wholesale and retail electric markets shall include review of any wholesale market price corrections that ERCOT submits to the Board for approval.

3. Market Credit

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- a. Annually, the Committee shall review the Company's Market Credit Risk Corporate Standard and may, as needed, recommend to the Board any proposed changes to the previously approved standard.
- b. Annually, the Committee shall review the Credit Work Group's charter and qualifications and guidelines for membership and may recommend changes.
- c. Annually, the Committee shall vote on whether to confirm the Chair and Vice Chair elected by the Credit Work Group.
- d. At least semi-annually, the Committee shall review the Credit Work Group's reports about the state of credit practice within ERCOT and may make recommendations to the Board.
- e. In reviewing Items 1 through 4 above, the Committee will consider the decisions and recommendations of Company Executives, of the Credit Work Group, and of the Technical Advisory Committee in light of the following:
 - i. Appropriateness of credit practices and creditworthiness standards established for market participants;
 - ii. Compliance with existing creditworthiness standards by market participants;
 - iii. Compliance with credit-related Protocols and market rules; and
 - iv. Development of appropriate methods to evaluate and mitigate credit risk.

4. Project Implementation, including Technology

- a. Annually, the Committee shall review the Company's Strategic Plan against implementation and technology of projects related to reliability, markets, and market credit.

V. Committee Authority

1. Power to Investigate

- a. The Committee is empowered to investigate any matter relating to its duties and responsibilities, with full access to all books, records, facilities, and personnel of the Company and the power to retain compensation consultants, independent counsel, or other consultants or experts for this purpose.
- b. All employees are directed to cooperate as requested by the Committee or any of its Committee Members for Committee purposes.
- c. The Committee may request any officer or employee of the Company or the Company's consultants or outside counsel to attend a meeting

of the Committee to advise the Committee in carrying out its responsibilities.

2. Appointment of Workgroups or Task Forces

- a. The Committee may appoint workgroups or task forces to investigate issues defined by the Committee. Members of such workgroups or task forces need not be Board members. Such workgroups or task forces shall have no authority to bind the Committee, the Board, or the Company.

VI. Committee Meetings

1. Meeting Agendas and Timing

- a. The Committee Chair, in consultation with the Board Chair and the Company's Corporate Secretary or delegated ERCOT staff, shall develop the agenda, frequency, and length of meetings.

2. Participation and Voting

- a. Board members who are not Committee Members (including alternate representatives, as set forth in the bylaws) may attend and participate in all Committee meetings, but may not vote on Committee matters, except that an alternate representative for a Director who is a Committee Member may vote in the absence of the Director.
- b. Annually, the Committee shall approve a Committee charter and conduct a Committee self-evaluation.

3. Quorum and Committee Action

- a. At all meetings of the Committee, fifty percent (50%) of the Committee Members shall constitute a quorum for the transaction of business.
- b. At any meeting at which a quorum exists, the act of a majority of the Committee Members present shall be the act of the Committee.
- c. For the purposes of voting, Committee Members who recuse themselves from voting on an issue shall not be counted as present for that vote.

4. Meeting Minutes

- a. The Committee Secretary shall prepare or cause to be prepared the minutes of each meeting and file such minutes with the corporate records of the Company.