



## **Item 6: Committee Charter Update**

*Jonathan Levine*

Assistant General Counsel and Assistant Corporate Secretary

*Kim Rainwater*

Corporate Counsel

Reliability and Markets Committee Meeting

ERCOT Public

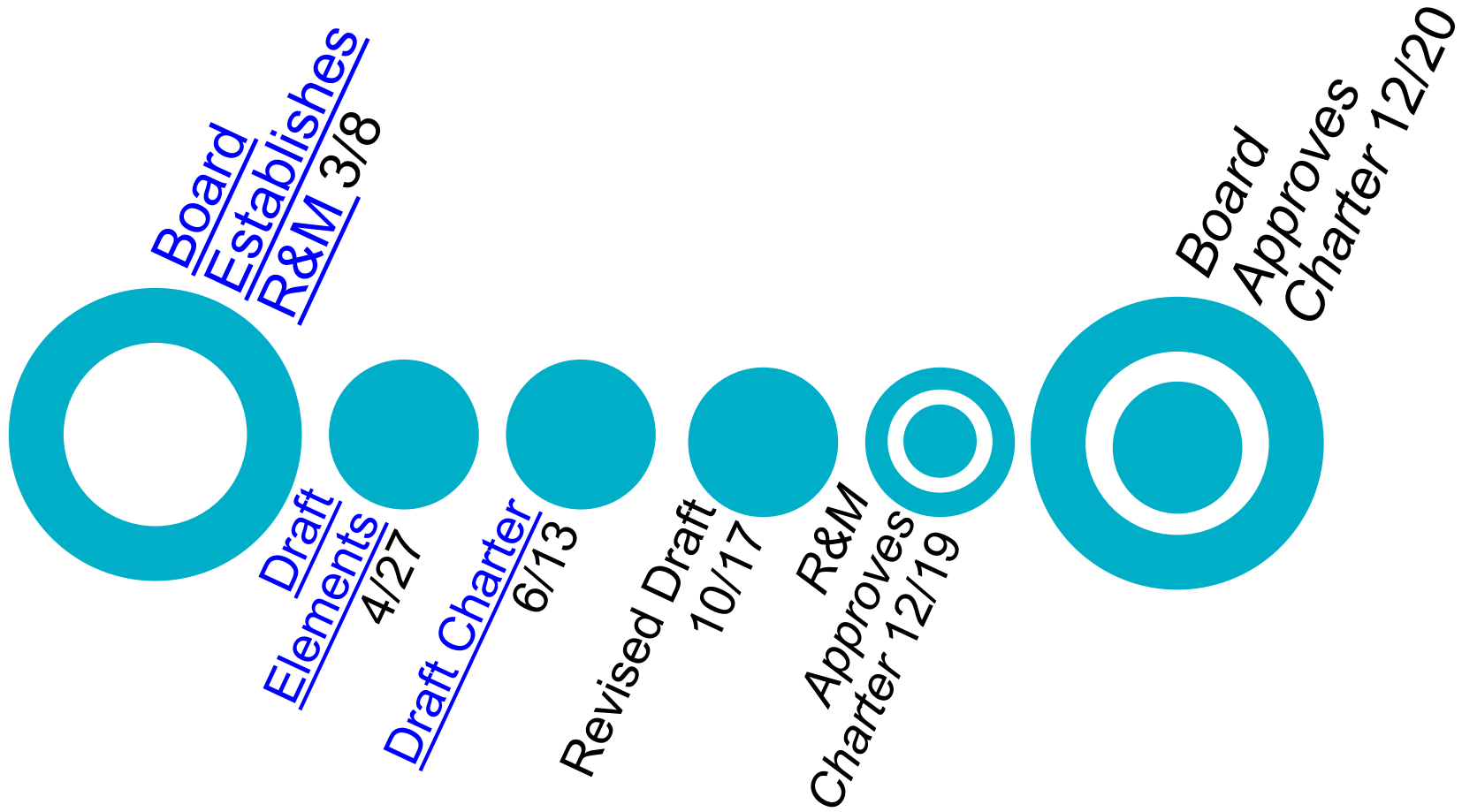
October 17, 2022

# Reliability and Markets Committee Request

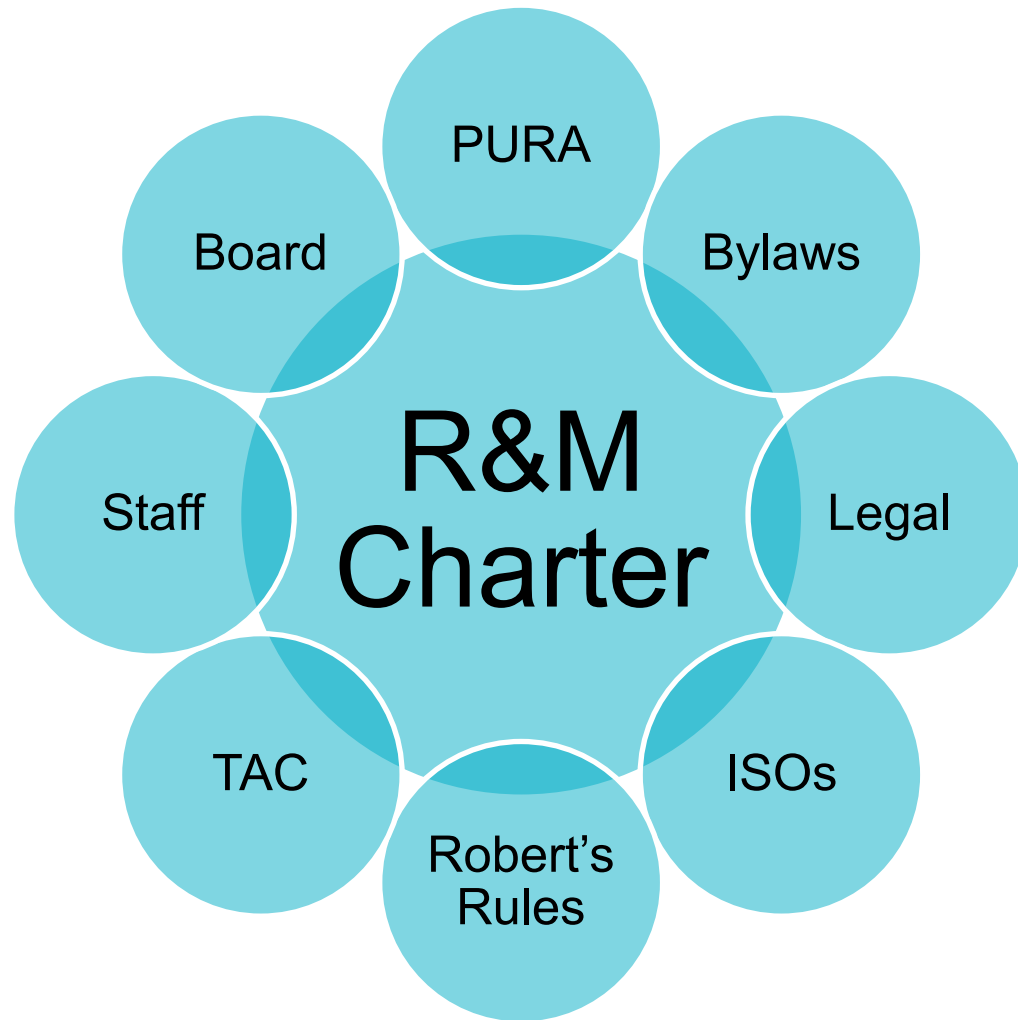
Why this is being presented today:

- Provide an overview of the latest draft Committee Charter (clean and redline drafts attached)
- Request Committee feedback by November 17, 2022
- Future Committee Action: Anticipated Committee and Board votes on Committee Charter during the next regular meetings scheduled for December 19-20, 2022

# 2022 Committee Charter Timeline and Targets



# Charter Sources



# Revised Draft Charter Sections

Draft Section	Topic	Revised Draft Change
I.	Purpose	No Change
II.	Members	No Change
III.	Chair and Secretary	No Change
IV.	Duties and Responsibilities	<b>Next Slide</b>
V.	Authority	No Change
VI.	Meetings	No Change

*\*The revised draft includes minor formatting changes throughout*

# Revised Section IV Duties and Responsibilities

Draft Section	Topic	Revised Draft Change
IV(A)(5)	Reports the Committee may consider	Transitioned most considerations to duties in relevant subsections of IV(B)
IV(B)(1)	Requests to Revise Reliability and Market Rules	Section added. *Includes hearing appeals of TAC decisions (option to recommend to the Board) and reviewing priority revision requests (recommendation to Board)
IV(B)(2)	Operations and Transmission Planning	Added review and recommendation to the Board of Tier 1 projects
IV(B)(3)(a)	Commercial Markets	New section title. Added pilot projects review and recommendation to Board
IV(B)(4)(b)-(d)	Market Credit	*Replaced Credit Work Group with staff reporting to Committee
VI(B)(5)(b)-(c)	Technology and Projects	New section title. Added review of significant projects

*\*Tentative provisions from TAC Structural Review progress to date*



**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 regional agency and federal agency reports related to grid reliability, encompassing matters such as physical security, cybersecurity, operational maintenance agreements, and supply chain.
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. Requests to Revise Reliability and Markets Rules**

- a. The Committee's oversight of processing of requests to revise reliability, markets, and market credit rules, guides, other binding documents, and system change requests shall include regular review of the inventory of open revision requests and aging.
- b. The Committee shall hear appeals of decisions of the Technical Advisory Committee. The Committee may make recommendations to the Board about the appeals.
- c. The Committee shall review and make a recommendation to the Board regarding priority revision requests.

### **2. Operations and Transmission Planning**

- a. The Committee's assessment and mitigation of risks to grid operations and transmission planning shall include to review and make a recommendation to the Board regarding any Tier 1 transmission projects the Company submits to the Board for endorsement.
- b. The Committee shall review Company reports regarding transmission system planning and grid operations, including generation interconnection, weatherization, and load integration.

### **3. Commercial Markets**

- a. The Committee's assessment and mitigation of risks shall include to review and make a recommendation to the Board regarding any pilot projects the Company submits to the Board for endorsement.
- b. Annually, the Committee shall review ERCOT staff's response to the Independent Market Monitor's State of the Market report.
- c. The Committee shall review wholesale market price corrections that the Company submits to the Board for approval.
- d. The Committee shall review Company reports regarding the design, structure, and performance of ERCOT's competitive retail and wholesale electric markets, including performance of ancillary services and Congestion Revenue Rights.

### **4. Market Credit**

- 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. The Committee shall help ensure that appropriate procedures are implemented to mitigate credit risk in the ERCOT Region in a manner that is fair and equitable to all Market Participants.
- c. The Committee shall receive Company reports on all sections of the ERCOT Protocols that impact creditworthiness requirements or collateral calculations and may provide recommendations to the Board.
- d. The Committee shall regularly receive Company reports on the state of credit practice within ERCOT and notify the Board of significant credit issues as they arise.

5. Technology and Projects

- a. The Committee shall review the Company's annual strategic plan for technology, including applications the Company uses, the Company's service providers, and technology opportunities.
- b. The Committee shall regularly review implementation of significant technology projects associated with reliability and markets changes under consideration for approval.
- c. The Committee shall regularly review significant projects previously approved to evaluate implementation progress to date compared to approved and forecasted cost and implementation timeline.

**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.

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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**

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**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.

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  - 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**

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**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

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- 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**

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**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: regional agency and federal agency reports related to grid reliability, encompassing matters such as physical security, cybersecurity, operational maintenance agreements, and supply chain.

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- 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~~

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~~(“NERC”), and the NERC regional entity for the ERCOT Region (“NERC Regional Entity”);~~

- ~~e. 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. Requests to Revise Reliability and Markets Rules

- a. The Committee’s oversight of processing of requests to revise reliability, markets, and market credit rules, guides, other binding documents, and system change requests shall include regular review of the inventory of open revision requests and aging.
- b. The Committee shall hear appeals of decisions of the Technical Advisory Committee. The Committee may make recommendations to the Board about the appeals.
- c. The Committee shall review and make a recommendation to the Board regarding priority revision requests.

1-2. Operations and Transmission Planning

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

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2. Market Operations

- b. The Committee shall review Company reports regarding transmission system planning and grid operations, including generation interconnection, weatherization, and load integration.

3. Commercial Markets

- 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 review and make a recommendation to the Board regarding any pilot projects the Company submits to the Board for endorsement.

- b. Annually, the Committee shall review ERCOT staff's response to the Independent Market Monitor's State of the Market report.

- a-c. The Committee shall review wholesale market price corrections that ~~ERCOT~~ the Company submits to the Board for approval.

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- d. The Committee shall review Company reports regarding the design, structure, and performance of ERCOT's competitive retail and wholesale electric markets, including performance of ancillary services and Congestion Revenue Rights.

3.4. Market Credit

- 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.

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- b. ~~Annually, the Committee shall review the Credit Work Group's charter and qualifications and guidelines for membership and may recommend changes.~~

- e. ~~Annually, the Committee shall vote on whether to confirm the Chair and Vice Chair elected by the Credit Work Group.~~

- b. At least semi-annually, the The Committee shall help ensure that appropriate procedures are implemented to mitigate credit risk in the ERCOT Region in a manner that is fair and equitable to all Market Participants.

- c. The Committee shall receive Company reports on all sections of the ERCOT Protocols that impact creditworthiness requirements or

- collateral calculations and may provide recommendations to the Board.
- ~~d. The Committee shall review the Credit Work Group's regularly receive Company reports about on the state of credit practice within ERCOT and may make recommendations to notify 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.d. Compliance with significant credit related Protocols and market rules; and issues as they arise.~~
    - ~~iv. Development of appropriate methods to evaluate and mitigate credit risk.~~~~

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Project Implementation, including  
4.5. Technology and Projects

- ~~a. Annually, the The Committee shall review the Company's Strategic Plan against annual strategic plan for technology, including applications the Company uses, the Company's service providers, and technology opportunities.~~
- ~~b. The Committee shall regularly review implementation and of significant technology of projects related to associated with reliability, and markets, and market credit changes under consideration for approval.~~
- ~~c. The Committee shall regularly review significant projects previously approved to evaluate implementation progress to date compared to approved and forecasted cost and implementation timeline.~~

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**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.

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- 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.

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## 2. Appointment of Workgroups or Task Forces

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- 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.

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## VI. Committee Meetings

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### 1. Meeting Agendas and Timing

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### 2. Participation and Voting

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- b. Annually, the Committee shall approve a Committee charter and conduct a Committee self-evaluation.

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### 3. Quorum and Committee Action

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- a. At all meetings of the Committee, fifty percent (50%) of the Committee Members shall constitute a quorum for the transaction of business.

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- 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.

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- 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.

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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.

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