



Date: December 12, 2022
To: ERCOT Board of Directors
From: Peggy Heeg, Human Resources and Governance (HR&G) Committee Chairman
Chad V. Seely, ERCOT Vice President, General Counsel and Corporate Secretary
Subject: Proposed Amendments to the Board Policies and Procedures

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: December 20, 2019

Item No.: 12.2

Issue:

Whether the Board should approve amendments to the ERCOT Board Policies and Procedures, to be effective immediately.

Background/History:

Board Policies and Procedures Review and Revision Process; Senate Bill 2 Changes to ERCOT Governance

Section 11.1 of the Board Policies and Procedures provides, in part: “The Board may amend this document at any time by a vote that complies with Bylaws requirements.”

On June 8, 2021, Texas Governor Greg Abbott signed Texas Senate Bill 2 (SB 2) into law. SB 2 amended the Public Utility Regulatory Act (PURA) to make significant changes to ERCOT's governance. Among the main changes, SB 2 modified the composition of the Board from a 16-member hybrid structure that included Market Segment Directors representing different Segments of the ERCOT market to an 11-member independent structure with no Market Segment Directors. In addition, under SB 2, aside from three *ex officio* Director positions, Directors are now selected by a newly created ERCOT board selection committee (Selection Committee). Prior to the implementation of SB 2, Unaffiliated Directors were selected by the Board's Nominating Committee, elected by the Corporate Members, and approved by the Commission.

On October 12, 2021, the Board transitioned from the pre-SB 2 hybrid structure to the SB 2 independent structure. The SB 2 independent Board became fully constituted on January 1, 2022, upon the start of the terms of the final two Directors selected by the Selection Committee. Since then, the Board has been reviewing its governance procedures and documents and considering whether changes may be necessary in furtherance of SB 2 or otherwise in the best interests of ERCOT.

The Human Resources & Governance (HR&G) Committee has reviewed the Board Policies and Procedures and provided feedback to ERCOT staff. Based on that feedback, ERCOT staff has prepared an amended Board Policies and Procedures for

the consideration of the HR&G Committee and Board. The HR&G Committee is expected to review the amended Board Policies and Procedures at its meeting on December 19, 2022, and is expected to recommend that the Board approve the amended Board Policies and Procedures.

Proposed Amendments to the Board Policies and Procedures

As proposed, the Board Policies and Procedures would be amended to:

- Remove language that is duplicative of or sufficiently covered by language in the Bylaws, such as meeting logistics and procedures, and Board member expense reimbursement;
- Require that the Board review and provide input on, rather than approve, ERCOT staff's annual goals;
- Remove language that no longer applies post-SB 2, such as references to Segment Directors and Alternates, and align existing language with changes to PURA made by SB 2;
- Move compensation rates for Board members and the Residential Consumer Technical Advisory Committee (TAC) Representative to an appendix;
- Add requirements for the Board in the event ERCOT is decertified as the independent organization for the ERCOT Region;
- Align Member right-of-inspection rules with the Texas Business Organizations Code;
- Add a requirement for Board members selected by the ERCOT Board Selection Committee to provide notice when seeking an additional term;
- Align language regarding who may take action to appeal a TAC action or oppose a TAC or ERCOT staff recommendation with Protocol Section 21;
- Remove the requirement that the Board Policies and Procedures be approved at or before the annual Strategic Planning Meeting; and
- Make several non-substantive administrative changes.

Redline and clean versions of the Bylaws illustrating the incorporation of these amendments are attached hereto as **Attachments A** and **B**, respectively.

Key Factors Influencing Issue:

- The Board may amend the Board Policies and Procedures, pursuant to Section 10.1 thereof, at any time by a vote that complies with Bylaws requirements.
- The HR&G Committee has reviewed the Board Policies and Procedures and has recommended changes that are in furtherance of SB 2 or otherwise in ERCOT's best interest.

Conclusion/Recommendation:

The HR&G Committee is expected to recommend that the Board approve the proposed amendments to the Board Policies and Procedures, effective upon approval by the Board.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, at its meeting on December 19, 2022, the Human Resources and Governance (HR&G) Committee of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) recommended approval of amendments to the Board Policies and Procedures consistent with the document appended to this resolution and incorporated as **Attachment A** hereto; and

WHEREAS, after due consideration of the alternatives, the Board deems it desirable and in the best interest of ERCOT to approve the amendments to the Board Policies and Procedures as recommended by the HR&G Committee;

THEREFORE, BE IT RESOLVED, that the amendments to the Board Policies and Procedures are approved consistent with **Attachment A**, to be effective immediately, and ERCOT Legal is hereby authorized to judiciously correct any scrivener's errors (such as, clerical, typographical, spelling, formatting, numbering or drafting errors) in the amendments or Board Policies and Procedures as needed to reflect intended meaning accurately.

CORPORATE SECRETARY'S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its December 20, 2022 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of December, 2022.

Jonathan M. Levine
Assistant Corporate Secretary

Board Policies and Procedures
Amended Effective ~~April 9, 2019~~ December 20, 2022
By the ERCOT Board of Directors

Table of Contents

I.	Meeting Procedures	2
II.	Responsibilities, Qualifications, and Compensation of the Board of Directors	32
III.	Delegation of Authority to the Chief Executive Officer	65
IV.	Procedure for the Sale of ERCOT Assets	75
V.	<u>Procedures for Decertification of ERCOT as the Independent System Operator, Termination or Liquidation of ERCOT</u>	76
VI.	Procedure by Which a Member May Examine and Copy the Corporate Financial Books and Records of ERCOT	86
VII.	Procedures for the Selection of New Board Members, Board Chair and Vice Chair, and TAC Representatives <u>and Director Term Expiration</u>	96
VIII.	Procedures for Participation by Parties Requesting to Advocate For or Against Specific Voting Items before the Board <u>Opposing Actions Recommended by TAC or ERCOT Staff</u>	118
IX.	Board Policy on Approval of User Fees	103
X.	Procedure for Determination of Member Affiliate Relationship <u>for Membership</u>	103
XI.	Review and Reaffirmation	114
	<u>Appendix A: Board and Residential Consumer TAC Representative Compensation</u>	12

Formatted: Font: (Default) Arial, 9 pt

Formatted: Position: Horizontal: 7.22", Relative to: Page, Vertical: -0.01", Relative to: Paragraph

Formatted: Font: (Default) Arial, 9 pt

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial, 9 pt

Formatted: Left, Tab stops: 3.25", Centered + 6.5", Right + Not at 3" + 6"

Preamble: Definitions

0.1 The Definitions included in the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc. (the "Bylaws") are incorporated by reference.

I. Meeting Procedures

~~1.1 Meeting Schedule. Board meetings are normally held on the third Tuesday of the month when the Board is scheduled to meet, but may be moved or held by agreement of the Board, provided that the Board shall meet at least quarterly consistent with the Bylaws.~~

~~1.2 Meeting Notice. Notice of each full Board meeting with the Board agenda shall be given consistent with the Bylaws.~~

~~1.3.1 Board Agenda Items. A Director is entitled to place matters the Director reasonably considers important on the Board agenda if notification of such matters and background materials are received by the Secretary of the Corporation no later than 5 p.m. eleven days before the date of the Board meeting (e.g., normally on the Friday before the second Tuesday of the month during which the Board is scheduled to meet). ERCOT Members and Market Participants, with permission of the Chair, may request that matters be placed on the Board agenda if notification of such matters and background materials are received by the Secretary of the Corporation no later than 5 p.m. eleven days before the date of the Board meeting (e.g., normally on the Friday before the second Tuesday of the month during which the Board is scheduled to meet).~~

~~1.4 Board Packet. When a Board agenda contemplates the Board taking specific actions, ERCOT staff will provide Directors a "Board Packet" with all appropriate information at least seven (7) days prior to the meeting to allow study of and reflection on the issue raised. If such information is not available seven (7) days in advance of the meeting, ERCOT staff shall send information to the Directors as soon as such information is reasonably available. Information that ERCOT staff provides to the Directors which is not "sensitive" (as described in Section 4.6(e) of the Bylaws) must also be made available electronically to the public on the Internet, along with the agenda of the meeting. A Director may request that the Board defer action if he or she requires additional information or additional time to review appropriate information.~~

~~1.5 Minutes. Minutes shall be kept for all meetings of the full Board, Board Committees, TAG and TAG subcommittees. Such minutes, except those which are held in Executive Session, shall be posted on ERCOT's website for at least one year following the date of the meeting. ERCOT shall maintain a permanent record~~

Formatted: Indent: Left: 0", Hanging: 0.5", Outline numbered + Level: 2 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0" + Indent at: 0.25"

Formatted: Indent: Left: 0", Hanging: 0.5", Outline numbered + Level: 2 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0" + Indent at: 0.25"

~~of the minutes of full Board meetings. ERCOT shall maintain records of meetings of TAC and TAC subcommittees for five years.~~

~~4.61.2~~ Executive Session. The Board may meet in Executive Session for purposes consistent with governing law and with the Bylaws. The notice for Executive Session discussion items may be worded such that the sensitive nature of the item is not compromised or disclosed. Except for acting to approve the minutes of prior Executive Sessions, the Board shall emerge from Executive Session before voting or taking any action on any Executive Session noticed items or based on Executive Session discussions.

II. Responsibilities, Qualifications, and Compensation of the Board of Directors

2.1 Annual Goals and Objectives. ~~In keeping with its fiduciary duties to ERCOT, t~~he Board shall establish the overall direction and ~~affirm~~review and provide input on the annual goals and objectives developed by ERCOT staff. The Board shall review such goals and objectives on an ongoing basis, and may issue policies and resolutions setting forth direction of ERCOT management actions to attain such goals and objectives. ~~The Board's primary responsibility is to ensure that ERCOT maintains reliability and operates in a fair, efficient and non-discriminatory manner. The Board is also responsible for overseeing ERCOT's administration of the ERCOT Protocols. The Board oversees the major functions of ERCOT: open access to the transmission grid on nondiscriminatory terms, system reliability and adequacy, and the retail and wholesale electric markets.~~

2.2 Duties. The Board shall faithfully discharge its duties by conducting its affairs in a highly ethical and sound business manner. The Board, collectively and severally, will not direct the policies and actions of ERCOT from perspectives of private gain or personal advantage.

2.3 Chief Executive Officer and Management. Subject to applicable approval by the Public Utility Commission of Texas ("PUCT"), the Board shall retain a Chief Executive Officer ("CEO") with the capabilities to execute Board policies. The Board delegates to the CEO all general powers and duties necessary to accomplish ERCOT's purpose, goals, and objectives as established by the Board, except for those specifically reserved to the Board by the Bylaws or herein. The CEO and management are required to supply Directors with sufficient information to keep Directors properly informed about the business and affairs of ERCOT.

2.4 Matters Reserved for Board Approval. Except for and subject to those matters which require PUCT approval or are mandated by the PUCT without Board approval, the Board expressly reserves the following matters for Board approval:

2.4.1 Those matters reserved by the Bylaws.

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

2.4.2 Approval of the initiation of any non-routine filing that seeks regulatory action by a regulatory agency; provided that emergency situations may require immediate regulatory filings to protect the interests of ERCOT and may be filed by the General Counsel in its reasonable discretion without prior approval of the Board if there is concurrence of the CEO, General Counsel, the Chair and Vice Chair of the Board for such filing, and provided that the Board is notified as soon as practicable.

2.4.3 Initiation of any lawsuit; provided that emergency situations may require immediate legal action including the initiation of a lawsuit to protect the interests of ERCOT. Such a lawsuit may be initiated by the General Counsel without prior approval of the Board if there is concurrence of the CEO, General Counsel, the Chair and Vice Chair of the Board for such filing, and provided that the Board is notified as soon as practicable and the Board subsequently ratifies the filing.

2.4.4 Approval of the purchase of goods or services for ERCOT's use, or of a contract for such purchase, with a value of over one million dollars (\$1,000,000.00) if such purchase or contract is not contemplated in ERCOT's Board-approved Budget. With regard to this section, exceptions for such approval are as follows:

2.4.4.1- PUCT-Directed Goods or Services. If ERCOT is directed, required or ordered to purchase goods or services by contract or otherwise by the PUCT, no Board approval is required.

Formatted: Indent: Left: 1", Hanging: 0.63"

2.4.4.2- Emergency Business-Continuity Purchases. If ERCOT needs to make emergency purchases up to five million dollars (\$5,000,000.00) which are necessary to meet business continuity or other immediate needs that, if not met, may result in an interruption to ERCOT's normal business, such purchases may be made according to ERCOT's procedures without seeking prior approval; however, ratification of such purchases must ~~be sought~~occur at the next Board meeting.

Formatted: Indent: Left: 1", Hanging: 0.63"

2.4.5 Approval of the sale or pledge of any ERCOT assets valued in excess of one million dollars (\$1,000,000.00).

2.4.6 Establishment of any line of credit, loans, or other forms of indebtedness in the name of ERCOT exceeding one million dollars (\$1,000,000.00).

~~2.5 CEO Delegations. The Board shall exercise reasonable diligence to ensure that the delegations to the CEO provided in this policy statement are properly implemented. The Board will articulate clear and coherent goals and statements of its expectations through its policies and the adoption of the Budget. The CEO is responsible for fulfilling these commitments and managing the organization.~~

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

2.6.2.5 Individual Director Duties. Each Director shall, individually, have the following duties:

2.6.12.5.1 Attend ~~all~~ regular, special and urgent meetings of the Board when notified, unless circumstances prevent the Director from attending. ~~If attendance is not possible, Bylaws procedures for Segment Alternates, Proxies and Alternate Representatives shall be followed.~~

~~2.6.2 Participate in the selection of the members of all committees and subcommittees of the Board represented by his or her particular Market Segment.~~

2.6.32.5.2 Not disclose ~~the~~ confidential information of ERCOT to unauthorized people.

2.6.42.5.3 Handle any actual or potential conflict of interest in accordance with Public Utility Regulatory Act ("PURA") Section 39.1512 and Bylaws Section 9.2.

2.6.52.5.4 Consistent with the fiduciary duty of care in overseeing, monitoring, and supervising the affairs of ERCOT, prepare for and participate ~~to the best of his or her ability~~ in determination of policy and other matters coming before the Board.

~~2.6.6 Set policy and make decisions in the best interest of the ERCOT organization and the ERCOT market.~~

2.6.72.5.5 Upon joining the Board and annually thereafter, sign the ERCOT Director Ethics Agreement.

2.7.2.6 Director Qualifications. Each Director shall meet the following qualifications:

2.6.1 Have a willingness to serve ~~the Membership of~~ ERCOT and to commit the time and resources necessary to carry out the duties of a Director.

2.6.2 Be willing to work cooperatively ~~with ERCOT Members.~~

~~2.6.3 For Market Segment Directors, possess significant electric energy related work experience in a senior or executive management level in the Market Segment he or she represents, and meet employment qualifications as required by the Bylaws.~~

2.6.42.6.3 Meet/Maintain all qualifications defined by the Bylaws or required by ~~the PUCT or Texas or other governing law.~~

2.8 Compensation and Expense Reimbursement for Unaffiliated Directors.

~~2.8.12.7 Unaffiliated Director Compensation for Selected Directors. Each Unaffiliated Director will receive the following: Compensation for Directors selected by the State of Texas' ERCOT Board Selection Committee pursuant to PURA Sections 39.151(g-1)(4) shall be paid in the amounts set forth in Appendix A, in equal monthly installments.~~

Formatted: Indent: Hanging: 0.5", Outline numbered + Level: 2 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Tab after: 0.5" + Indent at: 0.5", Tab stops: Not at 0.5"

~~2.8.1.1 Annual Retainer. The Annual Retainer shall be \$87,000 and shall cover a full calendar year (January to December) and shall be paid to each Unaffiliated Director in equal monthly installments of \$7,250.~~

~~2.8.1.2 Board Committee Chair Compensation. Each Unaffiliated Director who serves as the Chair of a Committee of the Board shall be paid \$5,600 in addition to the Annual Retainer.~~

~~2.8.1.3 Board Vice Chair Compensation. Each Unaffiliated Director who serves as the Vice Chair of the Board shall be paid \$7,500 in addition to the Annual Retainer.~~

~~2.8.1.4 Board Chair Compensation. Each Unaffiliated Director who serves as the Chair of the Board shall be paid \$12,800 per year, in addition to the Annual Retainer.~~

2.8.2 Expense Reimbursement. Any Director may be reimbursed for all reasonable Board-related expenses.

~~2.8.2.1 Affiliated Directors. Affiliated Directors are generally expected to be reimbursed by their employers. Unaffiliated Directors, and Affiliated Directors who may receive limited reimbursement from time to time, shall comply with the ERCOT Business Expense Reimbursement Corporate Standard.~~

Formatted: Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Tab after: 1" + Indent at: 1"

~~2.8.2.2 Business Expense Reimbursement. General Counsel shall provide Directors with the Business Expense Reimbursement Corporate Standard and a summary thereof, upon new Directors joining the Board and also whenever modifications are made to the Standard.~~

2.72.8 Compensation and Expense Reimbursement for Residential Consumer TAC Representative.

~~2.6.12.8.1 Retainer, Meeting Fees and Compensation Cap. Compensation for the Residential Consumer TAC Representative shall be as follows: (i) a retainer of \$1,500 per month; and (ii) \$500 per TAC or other standing or special TAC subcommittee meeting actually attended. Total compensation~~

Formatted: Normal, Indent: Hanging: 0.5", Outline numbered + Level: 2 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Tab after: 0.5" + Indent at: 0.5", Tab stops: Not at 0.5"

Formatted: Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Tab after: 1" + Indent at: 1", Don't adjust space between Latin and Asian text, Don't adjust space between Asian text and numbers

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

~~for the Residential Consumer TAC Representative shall not exceed \$3,000 per month paid in monthly installments in the amounts set forth in Appendix A.~~

2.6.22.8.2 Business Expense Reimbursement. The Residential Consumer TAC Representative shall be eligible for reimbursement of reasonable business expenses associated with attending meetings of TAC or other standing or special TAC subcommittee meeting actually attended, but shall comply with the ERCOT Business Expense Reimbursement Corporate Standard.

Formatted: Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Tab after: 1" + Indent at: 1", Don't adjust space between Latin and Asian text, Don't adjust space between Asian text and numbers

III. Delegation of Authority to the Chief Executive Officer

3.1 CEO Responsibility and Authority. ~~€The Board shall exercise reasonable diligence to ensure that the CEO carries out ERCOT's business activities~~ consistent with the goals, objectives, policies, and specific directions of the Board, and the Bylaws, ~~the CEO is responsible for carrying out the business activities of ERCOT.~~ The CEO shall have the authority to execute contracts and agreements, establish lines of credit, and take all other lawful actions, as ~~he~~they may deem expedient and proper in conducting the business of ERCOT, except as set forth in Section 2.4.4 or as otherwise may be limited by the Board.

3.2 CEO Delegation to Officers and Employees. The CEO may delegate ~~his~~their authority to other ERCOT officers or employees in ~~his~~the CEO's discretion, except as limited by the Board. The CEO shall issue appropriate management procedures setting forth the direction of staff management and other employee actions to fulfill the goals, objectives, policies and other directions of the Board.

3.3 Budget. The CEO or the CEO's designee will present to the Board by October of each year when the Budget is to be approved, or at such other time as directed by the Board, a Budget to carry out the Board's directives for the following year or longer as directed by the Board. The Budget will include projections of ERCOT's overall financial performance and financing plans, and describe the services, projects, programs, and the associated revenues and expenditures for the next fiscal year. Adoption of the Budget by the Board and as approved by the PUCT authorizes the CEO to complete work plans and make associated expenditures as provided for in accordance with the Budget.

3.4 Information for the Board. The CEO is responsible for bringing policy matters to the attention of the Board when its current policies give inadequate direction for ERCOT operations or leave ERCOT at a disadvantage because of changing conditions. The CEO will provide thorough, well-organized information to the Board in a timely manner. Communications to the Board will be made forthrightly and with candor in the evaluation of the conduct of business and operations of ERCOT. In the discretion of the CEO, significant contracts, agreements, or other major decisions may be brought to the Board for specific approval. In coordination

Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial

with the General Counsel, the CEO shall represent ERCOT in communicating the position and interests of ERCOT to legislative bodies.

3.5 **Internal Controls.** Consistent with the Board's guidance and the ERCOT Internal Control Management Program, the CEO will approve and enforce appropriate policies, standards and procedures for ERCOT, to ensure adequate internal controls for ERCOT business and operations.

IV. Procedure for the Sale of ERCOT Assets

4.1 **Sale of Assets.** Personal property that is no longer necessary, convenient or of beneficial use to the business of ERCOT, and that has a fair market value of one million dollars (\$1,000,000.00) or less may be sold, transferred, auctioned, or conveyed by the CEO for its fair market value. ERCOT shall use revenues from the sale of its property to offset ERCOT expenses.

V. Procedures for Decertification of ERCOT as the Independent System Operator, Termination or Liquidation of ERCOT

Formatted: Indent: Left: 0", Hanging: 0.5"

5.1 Decertification. In the event that ERCOT is no longer certified by the PUCT to operate as the independent organization for the ERCOT power region, the Board shall ensure, including through compliance with PUCT Substantive Rules and any PUCT orders, the transfer to its successor organization of assets and liabilities in a way that the functions of the independent organization continue to be provided reliably and without interruption.

Formatted: Font: (Default) Arial, 12 pt

5.1.2 Termination or Liquidation. Upon termination or liquidation of ERCOT, the Board shall, consistent with applicable federal and state regulatory requirements, liquidate ERCOT, and dispose of its property and assets, in the manner required by its governing documents and Texas law applicable to non-profit corporations.

Formatted: Indent: Left: 0.5", No bullets or numbering

VI. Procedure by Which a Member May Examine and Copy the Corporate Financial Books and Records of ERCOT

6.1 **Member Right of Inspection.** ~~Every Member shall have the right at any reasonable time to inspect ERCOT's corporate financial books and records of account subject to the following Procedures:~~ A Member, on written demand stating the purpose of the demand, may examine and copy at the Member's expense, in person or by agent, accountant, or attorney, at a mutually agreeable time and for a proper purpose, the books and records of ERCOT relevant to that purpose. Such written demand shall be provided to ERCOT's General Counsel for evaluation. If necessary to protect the confidential information of ERCOT, other Members, Market Participants, or vendors or prospective vendors of goods and services to ERCOT, a Member requesting examination of ERCOT's books and records may be required to sign a confidentiality and non-disclosure agreement before examining and copying such information. The procedures shall include policies

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

~~that provide reasonable protection against the unnecessary disclosure of information, including but not limited to information regarding individual employees, including their compensation, except in connection with the enforcement of a tariff, contract or applicable law, consistent with the ERCOT Protocols and ERCOT's policies regarding Confidential Information, including but not limited to information regarding individual employees, including their compensation.~~

~~6.1.1 The Member representative must be acting upon the authority of the Member, as evidenced in writing by the representative designated and listed in ERCOT's records for that Member.~~

~~6.1.2 The writing must state a legitimate business purpose for the inspection and identify the documents the Member desires to inspect.~~

~~6.1.3 The writing must state the date and time of the inspection, such date and time to be no less than 10 days after ERCOT receives the request and shall be during ERCOT's normal business hours.~~

~~6.1.4 If the information requested is determined to be Confidential Information of ERCOT, ERCOT shall require the Member to sign a Confidentiality and Non-Disclosure Agreement in a form acceptable to ERCOT. Non-public information relating to individual ERCOT employees, including compensation, shall not be subject to disclosure. ERCOT retains the right to withhold information that is confidential by law or by contract.~~

~~6.1.5 If the information requested is determined to be Confidential Information of an ERCOT Member, ERCOT shall not disclose such information except as provided in the ERCOT Protocols.~~

~~6.1.6 If Confidential Information is requested by the Member or a Market Participant who provided ERCOT the information, ERCOT shall provide copies of such information to the Member or Market Participant, or its designee upon written authorization by the Member or Market Participant.~~

~~6.2 Prohibition against Dissemination of Confidential Information. No Member shall use or disseminate any information obtained as a result of any such inspection in its capacity as a Member, for his or her own personal gain, to the detriment of ERCOT or its staff, or to the detriment of any competitors of any Entity with which the Member is affiliated, except in connection with the enforcement of a tariff, contract or applicable law and consistent with the Protocols and ERCOT's policy regarding Confidential Information.~~

VII. Procedures for the Selection of ~~New Board Members, Board Chair and Vice Chair, and TAC Representatives and Director Term Expiration~~

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

7.1 ~~Annual Meeting and Record Date.~~ At least two months prior to the Annual Meeting ~~of the Corporate Members,~~ the ~~ERCOT~~ Board will set the date and location for the Annual Meeting. The Record Date for determining the Corporate Members entitled to notice of and representation at the Annual Meeting is set forth in the Bylaws.

7.2 ~~Elections of TAC Representatives, Market Segment Directors and Segment Alternates.~~ For TAC Representatives, ~~Market Segment Directors and Segment Alternates, as appropriate,~~ to be elected by their respective Market Segments, one of two procedures shall apply: (a) ERCOT will provide all Corporate Members of the Segment or ~~S~~subsegment with advance notice that the Segment or ~~S~~subsegment will be holding the election, and follow-up notice of election results; or (b) ERCOT will directly facilitate the election according to the following procedures:

7.2.1 On the next business day after the Record Date, ERCOT will send a list of all the Members in each Segment or ~~S~~subsegment, by membership level (*i.e.*, Corporate, Associate or Adjunct) to ERCOT Members.

7.2.2 ERCOT will request that Corporate Members of each Segment or ~~S~~subsegment nominate ~~Directors, Segment Alternates, as appropriate, and~~ TAC Representatives and forward their nominations to ERCOT.

7.2.3 With the nominations provided, ERCOT will then create and provide ballots to Corporate Members for return to ERCOT.

7.2.4 ERCOT will facilitate a meeting of the Segment or ~~S~~subsegment to assist in the nomination and election process if requested.

7.2.5 Only Corporate Members may participate in the election of ~~Directors, Segment Alternates, as appropriate, and~~ TAC Representatives for the Segment or ~~S~~subsegment in which they are members.

7.2.6 Each seat shall be filled by the person receiving the most votes (proxies allowed) of eligible Corporate Members.

~~7.3 Selection and Election of Unaffiliated Directors. For Unaffiliated Directors, subject to applicable law, statute or PUCT rule, the following procedures shall apply:~~

~~7.3.1 All new Unaffiliated Directors shall be selected in accordance with the process established in the Bylaws.~~

~~7.3.2 Six months prior to the expiration of an Unaffiliated Director's term, such Director shall indicate whether he or she wishes to remain on the Board for another term (if applicable). If the Unaffiliated Director desires to remain on the Board, the Nominating Committee will vote on whether such Unaffiliated Director may be nominated again for the Board.~~

Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial

~~7.3.3 If an Unaffiliated Director elects to leave the Board or, due to the upcoming expiration of an Unaffiliated Director, the Nominating Committee otherwise elects to seek potentially a new Unaffiliated Director, the Nominating Committee shall retain an executive search firm to begin the candidate selection process, pursuant to the Bylaws.~~

~~7.3.4 Where feasible, elections for Unaffiliated Directors will be held and approval by the PUCT sought within a timeframe that will allow such Directors to be seated on the Board so as to avoid or minimize the length of Unaffiliated Director vacancies on the Board.~~

7.47.3 Appointment of Residential Consumer TAC Representatives. Notwithstanding Section 7.2, for the Residential Consumer ~~S~~subsegment, the Public Counsel for the Office of Public Utility Counsel shall appoint Residential Consumer TAC Representative(s). ERCOT will assist, if requested, in providing potential candidates for such seats. The Public ~~Utility~~Counsel shall identify their appointees to ERCOT at least one week prior to the Annual Meeting. ERCOT will notify new Consumer appointees of the information necessary to attend the Annual Meeting.

7.57.4 Facilitation of Election. If a Segment is unable to elect a ~~Director, Segment Alternate, as appropriate, or~~TAC Representative at least two weeks prior to the Annual Meeting, ERCOT will notice a meeting of the Segment to facilitate the election.

7.67.5 Election Results and Confirmation. Prior to the Annual Meeting ~~of Corporate Members~~, ERCOT will determine the results of ~~the~~TAC Representative elections. At the Annual Meeting, the new ~~Directors, Segment Alternates and~~TAC Representatives will be announced ~~and confirmed~~. The new ~~Directors, Segment Alternates and~~TAC Representatives will be seated according to their elected terms.

7.77.6 Election and Terms of Board Chair and Vice Chair. ~~The Board shall elect the Board Chair and Vice Chair pursuant to the Bylaws. The Board Chair and Vice Chair shall be elected to serve in their positions until their respective successors are elected in the following year to avoid any break in service of Board leadership.~~Expiration of Director Terms. For Directors selected by the ERCOT Board Selection Committee, six months prior to the expiration of a Director's term, such Director shall indicate whether he or she wishes to remain on the Board for another term (if applicable) by notifying ERCOT's General Counsel. Upon receipt of such notice, ERCOT's General Counsel will notify the PUCT Chair and/or the ERCOT Board Selection Committee.

VIII. Procedures for Participation by Parties Opposing Actions Recommended by TAC or ERCOT Staff

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

8.1 Procedural Situations Addressed by this Section TAC Appeals, TAC Recommendation Oppositions, and ERCOT Recommendation Oppositions. Any ERCOT Member, Market Participant, PUCT ~~Staff~~, ~~Texas RE Staff~~ the Reliability Monitor (as defined in ERCOT Protocol Section 2.1), the Independent Market Monitor (as defined in ERCOT Protocol Section 2.1), the North American Electric Reliability Corporation Regional Entity (as defined in ERCOT Protocol Section 2.1), or ERCOT may: (a) appeal a TAC action to reject, defer, remand or refer a matter that would have proceeded to the Board for consideration had it been recommended for approval by TAC, and requires a TAC recommendation as part of the approval process, directly to the ~~ERCOT~~ Board (“TAC Appeal”); or (b) submit written comments requesting a Board action to reject, defer, remand, or refer a matter that is before the Board for consideration, and requires a TAC recommendation as part of the approval process (“TAC Recommendation Opposition”); or (c) submit written comments opposing a voting item recommended by ERCOT staff that does not require a TAC recommendation prior to Board action (“ERCOT Recommendation Opposition”). Board consideration of TAC Appeals and TAC or ERCOT Recommendation Oppositions will be conducted pursuant to the process and timelines provided in this Section VIII.

8.2 Advance Notice of TAC Appeals, TAC Recommendation Oppositions, or ERCOT Recommendation Oppositions. It is the policy of the Board that important arguments and information relating to a TAC Appeal or a TAC or ERCOT Recommendation Opposition be available to the Board in writing far enough in advance to enable informed decisions on such matters. The Board, ~~and its members,~~ may discount arguments and information that are provided out of time and/or that were not provided to TAC.

8.3 Procedural Timeline for TAC Actions Not Designated as Urgent. Written notice of TAC Appeals or TAC Recommendation Oppositions on matters that have not been granted ~~U~~urgent status as part of the TAC review and recommendation process or that the Board Chair or Vice-Chair or a PUCI Commissioner designates as urgent must be submitted to ERCOT’s General Counsel within ten (10) Business Days after the date of the TAC action which serves as the basis for the TAC Appeal or ~~C~~omments on TAC Recommendation. The Board will hear such matter at the next regularly-scheduled Board meeting that is at least ten (10) Business Days after the date of the TAC Appeal or TAC Recommendation Opposition. The following deadlines will apply to the parties involved:

8.3.1 The TAC Chair or Vice-Chair shall designate a TAC Advocate to defend the TAC action at least eight (8) Business Days before the Board meeting.

8.3.2 ERCOT shall post notice of the TAC Appeal or TAC Recommendation Opposition, and identify the TAC Advocate on the ERCOT website, and notify TAC of the same, at least seven (7) Business Days before the Board meeting.

Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial

8.3.3 The party appealing or contesting the TAC recommendation and the TAC Advocate must, and any other interested Entity may, provide a position statement, with or without supporting data, to ERCOT's General Counsel at least six (6) Business Days before the Board meeting.

8.3.4 ERCOT will distribute all timely position statements to the Board in the Board Packet as described in Section 1.2 above.

The Board Chair or Vice-Chair may override any deadline in this Section 8.3 for good cause shown.

8.4 Expedited Procedural Timeline for Urgent TAC Actions. Notwithstanding Section 8.3, an expedited process shall apply to TAC Appeals or TAC Recommendation Oppositions of: (a) TAC actions related to decisions on items designated as Urgent; or (b) any other TAC action that the Board Chair or Vice-Chair or a PUC Commissioner designates as urgent. Written notice of such TAC Appeals or TAC Recommendation Oppositions must be submitted to ERCOT's General Counsel within forty-eight (48) hours after the end of the relevant TAC meeting and those TAC Appeals or TAC Recommendation Oppositions shall be heard at the next Board meeting, and the TAC Chair and Vice-Chair shall work with ERCOT's General Counsel to preserve the intent of Sections 8.2 and 8.3 above as fully as possible, given that such matters will be heard on less than ten Business Days' notice.

8.5 Procedural Timeline for ERCOT Recommendation Oppositions. The process for ERCOT Recommendation Oppositions applies to situations in which the Board agenda includes a voting item that does not require a TAC recommendation before it comes before the Board for a vote. If a party seeks Board consideration of its comments opposing an ERCOT Recommendation for Board action, and requests that ERCOT include the comments in the Board Packet, the party must provide written notice to ERCOT's General Counsel at least ten (10) Business Days before the date of the Board meeting where the issue will be on the agenda and submit its comments with ERCOT's General Counsel at least eight (8) days before the date of the Board meeting where the issue will be on the agenda. If a party seeks to submit comments after the Board ~~Packet has~~meeting materials have been delivered to Board members, the timing of the publication and distribution of the comments (as well as of any comments supporting the ERCOT Recommendation) will be at the discretion of the Board Chair or Vice-Chair.

IX. Board Policy on Approval of User Fees

9.1 User Fees Approval Process. The Board may authorize ERCOT to charge reasonable user fees for services provided by ERCOT to any Market Participant or other Entity. A new user fee must be approved by the Board pursuant to the Revision Request process set forth in Section 21 of the ERCOT Protocols. User

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

fees charged by ERCOT must be identified in the ERCOT Fee Schedule included in the ERCOT Protocols.

9.2 New User Fee Criteria. The Board retains the full authority to adopt user fees for services provided by ERCOT, including fees currently included in the ERCOT Protocols, but establishes the following policy guidelines for establishing user fees which are not currently included in the ERCOT Protocols:

9.2.1 Material Impact. A new user fee should produce revenue in excess of \$1,000,000.00 annually, or materially improve ERCOT operations.

9.2.2 Incremental Revenues. The revenues recovered by a new user fee should be incremental to revenue recovered through the System Administration Fee.

9.2.3 Limited Beneficiaries. A new user fee should be for a service that benefits a relatively few discrete Market Segments or Market Participants rather than providing general benefit to most Market Segments or Market Participants.

X. Procedure for Determination of Affiliate Relationship for Membership

10.1 Membership Applicant Procedure. Any applicant for Membership (“Membership Applicant”) shall follow the procedure in this section to request Board determination of whether entities are Affiliates of one another for the purpose of determining Member Segment and voting rights pursuant to the definition of “Affiliate” in the Bylaws (Article 2, Paragraph 1).

10.2 Verified Letter or Affidavit. The Membership Applicant shall send to the Board Chair with a copy to ~~the~~ERCOT's General Counsel either (1) a letter verified by an authorized representative of the Membership Applicant or (2) an affidavit executed by an authorized representative of the Membership Applicant, requesting Board determination of Affiliate relationship for purposes of the definition of “Affiliate.”. The verified letter or affidavit must provide sufficient facts of relevant corporate relationships of the Membership Applicant to allow for the Board’s review of corporate relationships in consideration of the definition of “Affiliate.”.

10.3 Deadline for Submission. The Membership Applicant must send the verified letter or affidavit to be received no later than the submission date for the Board Packet materials for the Board meeting preceding the Membership application deadline for the following Membership year.

XI. Review and Reaffirmation

11.1 Review and Reaffirmation. The Board may amend this document at any time ~~by a vote that complies with Bylaws requirements~~, but at a minimum the Policies and Procedures

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

Formatted: Font: (Default) Arial

shall be reviewed and reaffirmed annually, ~~at or before the annual Strategic Planning Meeting.~~

Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial
Formatted: Font: (Default) Arial

Appendix A

Board and Residential Consumer TAC Representative Compensation

<u>Role</u>	<u>Base Compensation</u>	<u>Added Compensation</u>
<u>Selected Director</u>	<u>\$87,000 per year</u>	--
<u>Board Chair</u>	--	<u>\$12,800 per year</u>
<u>Board Vice Chair</u>	--	<u>\$7,500 per year</u>
<u>Board Committee Chair</u>	--	<u>\$5,600 per year</u>
<u>Residential Consumer TAC Representative</u>	<u>\$3,000 per year/month</u>	<u>\$500 per meeting for up to 3 TAC or TAC subcommittee meetings per month</u>

**Board Policies and Procedures
Amended Effective December 20, 2022
By the ERCOT Board of Directors**

Table of Contents

I.	Meeting Procedures	2
II.	Responsibilities, Qualifications, and Compensation of the Board of Directors	2
III.	Delegation of Authority to the Chief Executive Officer	5
IV.	Procedure for the Sale of ERCOT Assets	5
V.	Procedures for Decertification of ERCOT as the Independent System Operator, Termination or Liquidation of ERCOT	6
VI.	Procedure by Which a Member May Examine and Copy the Corporate Financial Books and Records of ERCOT	6
VII.	Procedures for the Selection of TAC Representatives and Director Term Expiration	6
VIII.	Procedures for Participation by Parties Opposing Actions Recommended by TAC or ERCOT Staff	8
IX.	Board Policy on Approval of User Fees	10
X.	Procedure for Determination of Affiliate Relationship for Membership	10
XI.	Review and Reaffirmation	11
	Appendix A: Board and Residential Consumer TAC Representative Compensation	12

Preamble: Definitions

- 0.1 The Definitions included in the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc. (the “Bylaws”) are incorporated by reference.

I. Meeting Procedures

- 1.1 Board Agenda Items. A Director is entitled to place matters the Director reasonably considers important on the Board agenda if notification of such matters and background materials are received by the Secretary of the Corporation no later than 5 p.m. eleven days before the date of the Board meeting.
- 1.2 Executive Session. The Board may meet in Executive Session for purposes consistent with governing law and with the Bylaws. The notice for Executive Session discussion items may be worded such that the sensitive nature of the item is not compromised or disclosed. Except for acting to approve the minutes of prior Executive Sessions, the Board shall emerge from Executive Session before voting or taking any action on any Executive Session noticed items or based on Executive Session discussions.

II. Responsibilities, Qualifications, and Compensation of the Board of Directors

- 2.1 Annual Goals and Objectives. The Board shall establish the overall direction and review and provide input on the annual goals and objectives developed by ERCOT staff. The Board shall review such goals and objectives on an ongoing basis, and may issue policies and resolutions setting forth direction of ERCOT management actions to attain such goals and objectives. The Board oversees the major functions of ERCOT: open access to the transmission grid on nondiscriminatory terms, system reliability and adequacy, and the retail and wholesale electric markets.
- 2.2 Duties. The Board shall faithfully discharge its duties by conducting its affairs in a highly ethical and sound business manner. The Board, collectively and severally, will not direct the policies and actions of ERCOT from perspectives of private gain or personal advantage.
- 2.3 Chief Executive Officer and Management. Subject to applicable approval by the Public Utility Commission of Texas (“PUCT”), the Board shall retain a Chief Executive Officer (“CEO”) with the capabilities to execute Board policies. The Board delegates to the CEO all general powers and duties necessary to accomplish ERCOT’s purpose, goals, and objectives as established by the Board, except for those specifically reserved to the Board by the Bylaws or herein. The CEO and management are required to supply Directors with sufficient information to keep Directors properly informed about the business and affairs of ERCOT.

2.4 Matters Reserved for Board Approval. Except for and subject to those matters which require PUCT approval or are mandated by the PUCT without Board approval, the Board expressly reserves the following matters for Board approval:

2.4.1 Those matters reserved by the Bylaws.

2.4.2 Approval of the initiation of any non-routine filing that seeks regulatory action by a regulatory agency; provided that emergency situations may require immediate regulatory filings to protect the interests of ERCOT and may be filed by the General Counsel in its reasonable discretion without prior approval of the Board if there is concurrence of the CEO, General Counsel, the Chair and Vice Chair of the Board for such filing, and provided that the Board is notified as soon as practicable.

2.4.3 Initiation of any lawsuit; provided that emergency situations may require immediate legal action including the initiation of a lawsuit to protect the interests of ERCOT. Such a lawsuit may be initiated by the General Counsel without prior approval of the Board if there is concurrence of the CEO, General Counsel, the Chair and Vice Chair of the Board for such filing, and provided that the Board is notified as soon as practicable and the Board subsequently ratifies the filing.

2.4.4 Approval of the purchase of goods or services for ERCOT's use, or of a contract for such purchase, with a value of over one million dollars (\$1,000,000.00) if such purchase or contract is not contemplated in ERCOT's Board-approved Budget. With regard to this section, exceptions for such approval are as follows:

2.4.4.1 PUCT-Directed Goods or Services. If ERCOT is directed, required or ordered to purchase goods or services by contract or otherwise by the PUCT, no Board approval is required.

2.4.4.2 Emergency Business-Continuity Purchases. If ERCOT needs to make emergency purchases up to five million dollars (\$5,000,000.00) which are necessary to meet business continuity or other immediate needs that, if not met, may result in an interruption to ERCOT's normal business, such purchases may be made according to ERCOT's procedures without seeking prior approval; however, ratification of such purchases must occur at the next Board meeting.

2.4.5 Approval of the sale or pledge of any ERCOT assets valued in excess of one million dollars (\$1,000,000.00).

2.4.6 Establishment of any line of credit, loans, or other forms of indebtedness in the name of ERCOT exceeding one million dollars (\$1,000,000.00).

- 2.5 Individual Director Duties. Each Director shall, individually, have the following duties:
- 2.5.1 Attend regular, special and urgent meetings of the Board when notified, unless circumstances prevent the Director from attending.
 - 2.5.2 Not disclose confidential information of ERCOT to unauthorized people.
 - 2.5.3 Handle any actual or potential conflict of interest in accordance with Public Utility Regulatory Act (“PURA”) Section 39.1512 and Bylaws Section 9.2.
 - 2.5.4 Consistent with the fiduciary duty of care in overseeing, monitoring, and supervising the affairs of ERCOT, prepare for and participate in determination of policy and other matters coming before the Board.
 - 2.5.5 Upon joining the Board and annually thereafter, sign the ERCOT Director Ethics Agreement.
- 2.6 Director Qualifications. Each Director shall meet the following qualifications:
- 2.6.1 Have a willingness to serve ERCOT and to commit the time and resources necessary to carry out the duties of a Director.
 - 2.6.2 Be willing to work cooperatively.
 - 2.6.3 Maintain all qualifications defined by the Bylaws or required by law.
- 2.7 Compensation for Directors. Compensation for Directors selected by the State of Texas’ ERCOT Board Selection Committee pursuant to PURA Sections 39.151(g-1)(4) shall be paid in the amounts set forth in Appendix A, in equal monthly installments.
- 2.8 Compensation and Expense Reimbursement for Residential Consumer TAC Representative.
- 2.8.1 Compensation. Compensation for the Residential Consumer TAC Representative shall be paid in monthly installments in the amounts set forth in Appendix A.
 - 2.8.2 Business Expense Reimbursement. The Residential Consumer TAC Representative shall be eligible for reimbursement of reasonable business expenses associated with attending meetings of TAC or other standing or special TAC subcommittee meeting actually attended, but shall comply with the ERCOT Business Expense Reimbursement Corporate Standard.

III. Delegation of Authority to the Chief Executive Officer

- 3.1 CEO Responsibility and Authority. The Board shall exercise reasonable diligence to ensure that the CEO carries out ERCOT's business activities consistent with the goals, objectives, policies, and specific directions of the Board and the Bylaws. The CEO shall have the authority to execute contracts and agreements, establish lines of credit, and take all other lawful actions, as they may deem expedient and proper in conducting the business of ERCOT, except as set forth in Section 2.4.4 or as otherwise may be limited by the Board.
- 3.2 CEO Delegation to Officers and Employees. The CEO may delegate their authority to other ERCOT officers or employees in the CEO's discretion, except as limited by the Board. The CEO shall issue appropriate management procedures setting forth the direction of staff management and other employee actions to fulfill the goals, objectives, policies and other directions of the Board.
- 3.3 Budget. The CEO or the CEO's designee will present to the Board by October of each year when the Budget is to be approved, or at such other time as directed by the Board, a Budget to carry out the Board's directives for the following year or longer as directed by the Board. The Budget will include projections of ERCOT's overall financial performance and financing plans, and describe the services, projects, programs, and the associated revenues and expenditures for the next fiscal year. Adoption of the Budget by the Board and as approved by the PUCT authorizes the CEO to complete work plans and make associated expenditures as provided for in accordance with the Budget.
- 3.4 Information for the Board. The CEO is responsible for bringing policy matters to the attention of the Board when its current policies give inadequate direction for ERCOT operations or leave ERCOT at a disadvantage because of changing conditions. The CEO will provide thorough, well-organized information to the Board in a timely manner. Communications to the Board will be made forthrightly and with candor in the evaluation of the conduct of business and operations of ERCOT. In the discretion of the CEO, significant contracts, agreements, or other major decisions may be brought to the Board for specific approval. In coordination with the General Counsel, the CEO shall represent ERCOT in communicating the position and interests of ERCOT to legislative bodies.
- 3.5 Internal Controls. Consistent with the Board's guidance and the ERCOT Internal Control Management Program, the CEO will approve and enforce appropriate policies, standards and procedures for ERCOT, to ensure adequate internal controls for ERCOT business and operations.

IV. Procedure for the Sale of ERCOT Assets

- 4.1 Sale of Assets. Personal property that is no longer necessary, convenient or of beneficial use to the business of ERCOT, and that has a fair market value of one

million dollars (\$1,000,000.00) or less may be sold, transferred, auctioned, or conveyed by the CEO for its fair market value. ERCOT shall use revenues from the sale of its property to offset ERCOT expenses.

V. Procedures for Decertification of ERCOT as the Independent System Operator, Termination or Liquidation of ERCOT

5.1 Decertification. In the event that ERCOT is no longer certified by the PUCT to operate as the independent organization for the ERCOT power region, the Board shall ensure, including through compliance with PUCT Substantive Rules and any PUCT orders, the transfer to its successor organization of assets and liabilities in a way that the functions of the independent organization continue to be provided reliably and without interruption.

5.2 Termination or Liquidation. Upon termination or liquidation of ERCOT, the Board shall, consistent with applicable federal and state regulatory requirements, liquidate ERCOT, and dispose of its property and assets, in the manner required by its governing documents and Texas law applicable to non-profit corporations.

VI. Procedure by Which a Member May Examine and Copy the Corporate Financial Books and Records of ERCOT

6.1 Member Right of Inspection. A Member, on written demand stating the purpose of the demand, may examine and copy at the Member's expense, in person or by agent, accountant, or attorney, at a mutually agreeable time and for a proper purpose, the books and records of ERCOT relevant to that purpose. Such written demand shall be provided to ERCOT's General Counsel for evaluation. If necessary to protect the confidential information of ERCOT, other Members, Market Participants, or vendors or prospective vendors of goods and services to ERCOT, a Member requesting examination of ERCOT's books and records may be required to sign a confidentiality and non-disclosure agreement before examining and copying such information. The procedures shall include policies that provide reasonable protection against the unnecessary disclosure of information, including but not limited to information regarding individual employees, including their compensation, except in connection with the enforcement of a tariff, contract or applicable law, consistent with the ERCOT Protocols and ERCOT's policies regarding confidential information.

VII. Procedures for the Selection of TAC Representatives and Director Term Expiration

7.1 Annual Meeting and Record Date. At least two months prior to the Annual Meeting, the Board will set the date and location for the Annual Meeting. The Record Date for determining the Corporate Members entitled to notice of and representation at the Annual Meeting is set forth in the Bylaws.

- 7.2 Election of TAC Representatives. For TAC Representatives, to be elected by their respective Market Segments, one of two procedures shall apply: (a) ERCOT will provide all Corporate Members of the Segment or subsegment with advance notice that the Segment or subsegment will be holding the election, and follow-up notice of election results; or (b) ERCOT will directly facilitate the election according to the following procedures:
- 7.2.1 On the next business day after the Record Date, ERCOT will send a list of all the Members in each Segment or subsegment, by membership level (*i.e.*, Corporate, Associate or Adjunct) to ERCOT Members.
 - 7.2.2 ERCOT will request that Corporate Members of each Segment or subsegment nominate TAC Representatives and forward their nominations to ERCOT.
 - 7.2.3 With the nominations provided, ERCOT will then create and provide ballots to Corporate Members for return to ERCOT.
 - 7.2.4 ERCOT will facilitate a meeting of the Segment or subsegment to assist in the nomination and election process if requested.
 - 7.2.5 Only Corporate Members may participate in the election of TAC Representatives for the Segment or subsegment in which they are members.
 - 7.2.6 Each seat shall be filled by the person receiving the most votes (proxies allowed) of eligible Corporate Members.
- 7.3 Appointment of Residential Consumer TAC Representatives. Notwithstanding Section 7.2, for the Residential Consumer subsegment, the Public Counsel for the Office of Public Utility Counsel shall appoint Residential Consumer TAC Representative(s). ERCOT will assist, if requested, in providing potential candidates for such seats. The Public Counsel shall identify their appointees to ERCOT at least one week prior to the Annual Meeting. ERCOT will notify new Consumer appointees of the information necessary to attend the Annual Meeting.
- 7.4 Facilitation of Election. If a Segment is unable to elect a TAC Representative at least two weeks prior to the Annual Meeting, ERCOT will notice a meeting of the Segment to facilitate the election.
- 7.5 Election Results and Confirmation. Prior to the Annual Meeting, ERCOT will determine the results of TAC Representative elections. At the Annual Meeting, the new TAC Representatives will be announced. The new TAC Representatives will be seated according to their elected terms.

- 7.6 Expiration of Director Terms. For Directors selected by the ERCOT Board Selection Committee, six months prior to the expiration of a Director's term, such Director shall indicate whether he or she wishes to remain on the Board for another term (if applicable) by notifying ERCOT's General Counsel. Upon receipt of such notice, ERCOT's General Counsel will notify the PUCT Chair and/or the ERCOT Board Selection Committee.

VIII. Procedures for Participation by Parties Opposing Actions Recommended by TAC or ERCOT Staff

- 8.1 TAC Appeals, TAC Recommendation Oppositions, and ERCOT Recommendation Oppositions. Any ERCOT Member, Market Participant, PUCT staff, the Reliability Monitor (as defined in ERCOT Protocol Section 2.1), the Independent Market Monitor (as defined in ERCOT Protocol Section 2.1), the North American Electric Reliability Corporation Regional Entity (as defined in ERCOT Protocol Section 2.1), or ERCOT may: (a) appeal a TAC action to reject, defer, remand or refer a matter that would have proceeded to the Board for consideration had it been recommended for approval by TAC, and requires a TAC recommendation as part of the approval process, directly to the Board ("TAC Appeal"); or (b) submit written comments requesting a Board action to reject, defer, remand, or refer a matter that is before the Board for consideration, and requires a TAC recommendation as part of the approval process ("TAC Recommendation Opposition"); or (c) submit written comments opposing a voting item recommended by ERCOT staff that does not require a TAC recommendation prior to Board action ("ERCOT Recommendation Opposition"). Board consideration of TAC Appeals and TAC or ERCOT Recommendation Oppositions will be conducted pursuant to the process and timelines provided in this Section VIII.
- 8.2 Advance Notice of TAC Appeals, TAC Recommendation Oppositions, or ERCOT Recommendation Oppositions. It is the policy of the Board that important arguments and information relating to a TAC Appeal or a TAC or ERCOT Recommendation Opposition be available to the Board in writing far enough in advance to enable informed decisions on such matters. The Board may discount arguments and information that are provided out of time and/or that were not provided to TAC.
- 8.3 Procedural Timeline for TAC Actions Not Designated as Urgent. Written notice of TAC Appeals or TAC Recommendation Oppositions on matters that have not been granted urgent status as part of the TAC review and recommendation process or that the Board Chair or Vice Chair or a PUCT Commissioner designates as urgent must be submitted to ERCOT's General Counsel within ten (10) Business Days after the date of the TAC action which serves as the basis for the TAC Appeal or comments on TAC Recommendation. The Board will hear such matter at the next regularly-scheduled Board meeting that is at least ten (10) Business Days after the date of the TAC Appeal or TAC Recommendation Opposition. The following deadlines will apply to the parties involved:

- 8.3.1 The TAC Chair or Vice Chair shall designate a TAC Advocate to defend the TAC action at least eight (8) Business Days before the Board meeting.
- 8.3.2 ERCOT shall post notice of the TAC Appeal or TAC Recommendation Opposition, and identify the TAC Advocate on the ERCOT website, and notify TAC of the same, at least seven (7) Business Days before the Board meeting.
- 8.3.3 The party appealing or contesting the TAC recommendation and the TAC Advocate must, and any other interested Entity may, provide a position statement, with or without supporting data, to ERCOT's General Counsel at least six (6) Business Days before the Board meeting.
- 8.3.4 ERCOT will distribute all timely position statements to the Board in the Board Packet as described in Section 1.2 above.

The Board Chair or Vice Chair may override any deadline in this Section 8.3 for good cause shown.

- 8.4 Expedited Procedural Timeline for Urgent TAC Actions. Notwithstanding Section 8.3, an expedited process shall apply to TAC Appeals or TAC Recommendation Oppositions of: (a) TAC actions related to decisions on items designated as Urgent; or (b) any other TAC action that the Board Chair or Vice Chair or a PUC Commissioner designates as urgent. Written notice of such TAC Appeals or TAC Recommendation Oppositions must be submitted to ERCOT's General Counsel within forty-eight (48) hours after the end of the relevant TAC meeting and those TAC Appeals or TAC Recommendation Oppositions shall be heard at the next Board meeting, and the TAC Chair and Vice Chair shall work with ERCOT's General Counsel to preserve the intent of Sections 8.2 and 8.3 above as fully as possible, given that such matters will be heard on less than ten Business Days' notice.
- 8.5 Procedural Timeline for ERCOT Recommendation Oppositions. The process for ERCOT Recommendation Oppositions applies to situations in which the Board agenda includes a voting item that does not require a TAC recommendation before it comes before the Board for a vote. If a party seeks Board consideration of its comments opposing an ERCOT Recommendation for Board action, and requests that ERCOT include the comments in the Board Packet, the party must provide written notice to ERCOT's General Counsel at least ten (10) Business Days before the date of the Board meeting where the issue will be on the agenda and submit its comments with ERCOT's General Counsel at least eight (8) days before the date of the Board meeting where the issue will be on the agenda. If a party seeks to submit comments after the Board meeting materials have been delivered to Board members, the timing of the publication and distribution of the comments (as

well as of any comments supporting the ERCOT Recommendation) will be at the discretion of the Board Chair or Vice Chair.

IX. Board Policy on Approval of User Fees

- 9.1 User Fees Approval Process. The Board may authorize ERCOT to charge reasonable user fees for services provided by ERCOT to any Market Participant or other Entity. A new user fee must be approved by the Board pursuant to the Revision Request process set forth in Section 21 of the ERCOT Protocols. User fees charged by ERCOT must be identified in the ERCOT Fee Schedule included in the ERCOT Protocols.
- 9.2 New User Fee Criteria. The Board retains the full authority to adopt user fees for services provided by ERCOT, including fees currently included in the ERCOT Protocols, but establishes the following policy guidelines for establishing user fees which are not currently included in the ERCOT Protocols:
- 9.2.1 Material Impact. A new user fee should produce revenue in excess of \$1,000,000.00 annually, or materially improve ERCOT operations.
- 9.2.2 Incremental Revenues. The revenues recovered by a new user fee should be incremental to revenue recovered through the System Administration Fee.
- 9.2.3 Limited Beneficiaries. A new user fee should be for a service that benefits a relatively few discrete Market Segments or Market Participants rather than providing general benefit to most Market Segments or Market Participants.

X. Procedure for Determination of Affiliate Relationship for Membership

- 10.1 Membership Applicant Procedure. Any applicant for Membership (“Membership Applicant”) shall follow the procedure in this section to request Board determination of whether entities are Affiliates of one another for the purpose of determining Member Segment and voting rights pursuant to the definition of “Affiliate” in the Bylaws (Article 2, Paragraph 1).
- 10.2 Verified Letter or Affidavit. The Membership Applicant shall send to the Board Chair with a copy to ERCOT’s General Counsel either (1) a letter verified by an authorized representative of the Membership Applicant or (2) an affidavit executed by an authorized representative of the Membership Applicant, requesting Board determination of Affiliate relationship for purposes of the definition of “Affiliate.” The verified letter or affidavit must provide sufficient facts of relevant corporate relationships of the Membership Applicant to allow for the Board’s review of corporate relationships in consideration of the definition of “Affiliate.”

10.3 Deadline for Submission. The Membership Applicant must send the verified letter or affidavit to be received no later than the submission date for the Board materials for the Board meeting preceding the Membership application deadline for the following Membership year.

XI. Review and Reaffirmation

11.1 Review and Reaffirmation. The Board may amend this document at any time, but at a minimum the Policies and Procedures shall be reviewed and reaffirmed annually.

Board and Residential Consumer TAC Representative Compensation

Role	Base Compensation	Added Compensation
Selected Director	\$87,000 per year	--
Board Chair	--	\$12,800 per year
Board Vice Chair	--	\$7,500 per year
Board Committee Chair	--	\$5,600 per year
Residential Consumer TAC Representative	\$3,000 per month	\$500 per meeting for up to 3 TAC or TAC subcommittee meetings per month