



**Date:** December 12, 2022  
**To:** ERCOT Board of Directors  
**From:** Bob Flexon, Reliability and Markets (R&M) Committee Chair  
**Subject:** Retirement of Credit Work Group

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** December 20, 2022

**Item No.:** 13.2

**Issue:**

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should retire the Credit Work Group.

**Background/History:**

On August 17, 2004, the Board established the Credit Work Group. As stated in the ERCOT Credit Work Group Charter, “[the Board] established the ERCOT Credit Work Group (CWG) as a group of credit professionals to 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.” Responsibility for oversight of the Credit Work Group was delegated to the Finance and Audit (F&A) Committee.

On March 8, 2022, the Board established the R&M Committee to oversee core Independent System Operator (ISO) functions, such as markets, including market credit oversight. In establishing the committee, the Board, with the F&A Committee’s consent, recommended that oversight of the Credit Work Group be shifted from the F&A Committee to the R&M Committee. On June 20-21, 2022, the F&A Committee recommended approval of, and the Board approved, a revised F&A Committee charter that removed market credit oversight responsibilities.

In subsequent discussions, the R&M Committee reached consensus that ERCOT staff, rather than the Credit Work Group, should report on market credit issues to the R&M Committee while maintaining the opportunity for Market Participants to raise market credit issues during the regular TAC report to the Board, and that the Credit Work Group should be retired or moved under TAC’s authority. ERCOT staff historically prepared the market-credit reports to the F&A Committee required by the ERCOT Credit Work Group Charter. Credit Work Group leadership would then present those same reports to the Board. It would be more transparent for ERCOT staff to present the reports to the relevant Board committee (now the R&M Committee). On December 19-20, 2022, the R&M Committee is expected recommend approval of, and the Board is expected to approve, an R&M Committee charter that includes market credit oversight responsibility, with ERCOT staff regularly reporting on market credit issues directly to the R&M Committee.

Meanwhile, in May 2022, Peggy Heeg, Chair of the Human Resources and

Governance Committee, and I met with TAC leadership regarding TAC's review of its structure and procedures, including possible realignment of the Credit Work Group to report to TAC or a TAC subcommittee, rather than the R&M Committee, and to incorporating the existing Market Credit Working Group, a subgroup of TAC's Wholesale Market Subcommittee, into the Credit Work Group. Following discussions among stakeholders, at its September 28, 2022 meeting, TAC endorsed a governance structure with Credit Work Group reporting directly to TAC and the development of a process to assimilate stakeholder feedback on market credit issues through TAC's reports to the R&M Committee and the Board. TAC leadership presented this plan at the October 17, 2022 R&M Committee meeting.

**Key Factors Influencing Issue:**

- The Board established the Credit Work Group and should take action through a Board vote if it desires to disband the Credit Work Group.
- The R&M Committee has expressed consensus that ERCOT staff, rather than the Credit Work Group, should report on market credit issues directly to the R&M Committee.
- TAC has endorsed a governance structure with the Credit Work Group reporting directly to TAC or a TAC subcommittee.
- Pursuant to Section 5.2 of the Bylaws, TAC may raise market-credit issues to the Board.
- At least one credit-rating agency has indicated no anticipation of negative impact on the company's credit ratings were the Board to retire the Credit Work Group upon the bases stated herein.

**Conclusion/Recommendation:**

The R&M Committee is expected to recommend that the Board retire the Credit Work Group.



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

WHEREAS, on August 17, 2004, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) established the Credit Work Group as a group of credit professionals to 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;

WHEREAS, on March 8, 2022, the Board established the Reliability and Markets (R&M) Committee to oversee core Independent System Operator functions, such as markets, including market credit oversight, and delegated oversight of the Credit Work Group to shift from the F&A Committee to the R&M Committee;

WHEREAS, on December 19, 2022, the R&M Committee recommended that the Board retire the Credit Work Group, which is expected to be re-chartered to report directly to the Technical Advisory Committee (TAC) or a TAC subcommittee;

WHEREAS, pursuant to Section 5.2 of the Bylaws, TAC may raise market credit issues to the Board; and

WHEREAS, after due consideration of the alternatives, the Board deems it desirable and in the best interest of ERCOT to retire the Credit Work Group as recommended by the R&M Committee;

THEREFORE, BE IT RESOLVED, that the Board hereby retires the Credit Work Group.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Jonathan 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 Levine  
Assistant Corporate Secretary