



Date: August 24, 2023
To: Board of Directors
From: Chad V. Seely, Senior Vice President, General Counsel and Corporate Secretary
Subject: Formation of Technology and Security Committee

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: August 31, 2023

Item No.: 8

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should establish a Technology and Security (T&S) Committee charged with oversight of ERCOT’s information technology and security functions.

Background/History:

Section 4.8 of the ERCOT Bylaws provides, in pertinent part: “The Board ... may appoint [committees] as it deems necessary and appropriate to conduct the business of ERCOT.”

At its meeting on March 7-8, 2022, the Board discussed its committee structure, including whether to form a single new Reliability and Markets Committee to oversee core Independent System Operator (ISO) functions, such as planning, markets, reliability and resilience as well as technology-related functions such as information technology and project delivery, or alternatively to form two new committees rather than one, with a Reliability and Markets (R&M) Committee for core ISO functions, and a separate Technology Committee for technology-related functions. Following discussion, the Board voted to form a single R&M Committee but agreed to continue to evaluate the Board’s overall committee structure going forward. Since then, the Board has operated with three committees: The R&M Committee, Finance and Audit (F&A) Committee, and Human Resources and Governance (HR&G) Committee. The Board has continued to be directly responsible for oversight of security-related functions.

Based on several months of experience operating with these three committees, in discussions in early 2023 as part of the Board’s ongoing review of its overall committee structure, the Board discussed forming a new T&S Committee. The T&S Committee would assume responsibility from the R&M Committee for oversight of technology-related functions, as well as physical and cyber security currently overseen directly by the Board, as reflected in the initial draft T&S Committee Charter attached hereto as **Attachment A**. Creating this new T&S Committee and assigning it some of the R&M Committee’s and Board’s existing duties will achieve a better balance of work among the Board’s committees and more practical overall governance structure.



If the Board votes to establish the T&S Committee at its August 31, 2023 meeting, Board leadership would work with Board members to assign members to the various committees and designate a T&S Committee Chair. The T&S Committee would hold its first meeting in October 2023, including a detailed review of the draft T&S Committee Charter in anticipation of T&S Committee and Board votes to approve a final T&S Committee Charter in December 2023.

Key Factors Influencing Issue:

- ERCOT Bylaws Section 4.8 requires Board approval for the appointment of a Board committee.
- Creation of a new T&S Committee will achieve a better balance of work among the Board's committees and more practical overall governance structure.

Conclusion/Recommendation:

ERCOT Legal recommends that the Board establish a new T&S Committee charged with oversight of information technology and security functions.



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

WHEREAS, Section 4.8 of the ERCOT Bylaws provides, in pertinent part: “The Board ... may appoint [committees] as it deems necessary and appropriate to conduct the business of ERCOT”; and

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to establish a committee of the Board to oversee technology and security functions, such as information technology, project delivery, and physical and cyber security;

THEREFORE, BE IT RESOLVED, that the Board hereby establishes and appoints a committee to be known as the Technology and Security Committee, which shall oversee technology and security functions, such as information technology, project delivery, and physical and cyber security, and perform such other functions required by law or otherwise as are necessary or appropriate to further the committee’s purposes or as may from time to time be delegated to the committee by the Board, and whose membership shall be decided upon by the Board leadership.

CORPORATE SECRETARY’S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its August 31, 2023 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of August, 2023.

Jonathan M. Levine
Assistant Corporate Secretary

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

I. Committee Purpose

The Technology and Security 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 oversight of the Company’s technology and security functions 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. 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 Technology and Security Duties and Responsibilities

1. Information Technology and Projects
 - a. The Committee shall review the Company's annual strategic plan for information technology, including applications the Company uses, the Company's service providers, and technology opportunities.
 - b. As needed, the Committee shall review other reports regarding budgeting and cost issues, including operational maintenance agreements and supply chain management.

- c. The Committee shall monitor and evaluate procurement and management of critical technology systems.
- d. The Committee shall review implementation of significant technology projects and initiatives.
- e. The Committee shall regularly review significant projects previously approved to evaluate costs and timeline versus forecast.

2. Physical Security and Cybersecurity

- a. The Committee shall regularly review Company reports, including material risks and incidents, and provide advice to the Board regarding risk management of security.
- b. As needed, the Committee shall review other reports, including legal, regulatory, or contractual trends and recent developments in physical security and cybersecurity, and provide advice to the Board.

V. Committee Authority

A. Power to Investigate

1. 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, independent counsel, or other consultants or experts for this purpose.
2. All employees are directed to cooperate as requested by the Committee or any of its Committee Members for Committee purposes.
3. 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.

B. Appointment of Workgroups or Task Forces

1. 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

A. Meeting Agendas and Timing

1. 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.

B. Participation and Voting

1. 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.
2. Annually, the Committee shall approve a Committee charter and conduct a Committee self-evaluation.

C. Quorum and Committee Action

1. At all meetings of the Committee, fifty percent (50%) of the Committee Members shall constitute a quorum for the transaction of business.
2. 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.
3. For the purposes of voting, Committee Members who recuse themselves from voting on an issue shall not be counted as present for that vote.

D. Meeting Minutes

1. 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.