



Date: October 10, 2023
To: ERCOT Board of Directors
From: Bob Flexon, Reliability and Markets (R&M) Committee Chair
Subject: R&M Committee Charter

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: October 17, 2023

Item No.: 13.1

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve any changes to the R&M Committee Charter.

Background/History:

The Board established the R&M Committee (Committee) on March 8, 2022 to oversee the company's core Independent System Operator functions. On December 20, 2022, the Board approved the Committee's Charter, including oversight of functions such as planning, markets, reliability, and resilience, as well as technology-related functions such as information technology and project delivery. In performance of the Charter's requirement for approval of the Charter annually, on February 28, 2023, the Board approved changes to add "cyber tools" as a component of the Company's annual strategic plan for technology and to renumber Charter subsections in Section V and Section VI.

On August 31, 2023 the Board established the Technology and Security (T&S) Committee to oversee technology and security functions, such as information technology, project delivery, and physical and cybersecurity. As such, removal is appropriate of technology-related functions from the R&M Committee Charter, primarily for inclusion in the T&S Committee Charter, as illustrated in **Attachment A:**

- Consideration of regional agency and federal agency reports encompassing matters such as physical security and cybersecurity;
- Consideration of regional agency and federal agency reports encompassing matters such as operational maintenance agreements and supply chain;
- Review of the Company's annual strategic plan for technology, including applications the Company uses, the Company's service providers, technology opportunities, and cyber tools;
- Review of implementation of significant technology projects under consideration; and
- Review of significant projects previously approved.

It is also proposed that Section IV(B)(1)(c) be clarified to reflect that the R&M Committee's duty to review and make recommendations to the Board regarding revision requests include revision requests the Technical Advisory Committee

recommended for Board approval non-unanimously, or unanimously but were selected by the R&M Committee Chair for R&M Committee review. A correction is also proposed in Section V(A)(1) regarding the Committee's power to investigate that includes power to retain "consultants" rather than "compensation consultants," since compensation is within the scope of the Human Resources and Governance (HR&G) Committee's oversight, rather than the R&M Committee's.

Key Factors Influencing Issue:

The R&M Committee Charter identifies the functions that the R&M Committee is to perform to assist the Board in providing necessary oversight consistent with fiduciary duties. Due to the Board's formation of the T&S Committee and delegation of functions previously overseen by the R&M Committee, it is appropriate to remove technology and security duties from the R&M Committee Charter.

Conclusion/Recommendation:

The R&M Committee is expected to review the R&M Committee Charter at its meeting on October 16, 2023 and is expected to recommend revisions to the Board. If the R&M Committee recommends revisions to the R&M Committee Charter, then it is expected that the R&M Committee will recommend that the revisions become effective upon approval by the Board.



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

WHEREAS, at the meeting of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) on October 17, 2023, the Reliability and Markets (R&M) Committee of the Board recommended approval of the R&M Committee Charter consistent with **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 R&M Committee Charter as recommended by the R&M Committee;

THEREFORE, BE IT RESOLVED, that the R&M Committee Charter is approved consistent with **Attachment A**, to be effective immediately.

CORPORATE SECRETARY'S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its October 17, 2023 meeting, the Board passed a motion approving the above Resolution by _____.

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

Jonathan M. Levine
Assistant Corporate Secretary

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

Attachment A

- 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.~~

6.5. 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.

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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 (TAC). 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, including revision requests recommended non-unanimously by TAC for Board approval, or recommended unanimously but selected by the Committee Chair for the Committee's review.

2. Operations and Transmission Planning

- a. The Committee's assessment and mitigation of risks to grid operations and transmission planning shall include reviewing and making recommendations to the Board regarding any Tier 1 transmission projects the Company submits to the Board for endorsement.
- b. Annually, the Committee shall make a recommendation to the Board regarding ERCOT Methodologies for Determining Minimum Ancillary Service Requirements.
- c. 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 reviewing and making recommendations 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, technology opportunities, and cyber tools.~~
- ~~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

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 and the power to retain ~~compensation~~ consultants, 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.