



The Technology and Security (T&S) Committee is expected to consider T&S Committee Agenda Item 4:

Recommendation regarding Committee Charter

at its meeting on December 18, 2023.

The Board of Directors is expected to hear the T&S Committee's recommendation on this matter at the Board meeting on December 19, 2023.

Attached are the Board materials in relation to this agenda item.



Date: December 12, 2023
To: ERCOT Board of Directors
From: John Swainson, Technology and Security (T&S) Committee Chair
Subject: T&S Committee Charter

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: December 19, 2023

Item No.: 15.1

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve the charter of the T&S Committee.

Background/History:

On August 24, 2023, the Board established the T&S Committee (Committee) to oversee technology and security functions, such as information technology, project delivery, and physical and cyber security. At its initial meeting on October 16, 2023, the Committee discussed the scope of its duties and responsibilities and reviewed an initial draft charter. In addition to duties relating to information technology and projects, and physical and cybersecurity, the Committee discussed including duties relating to grid transformation initiatives. Based on this feedback and other suggested clarifications, ERCOT Legal staff prepared a revised draft charter, a copy of which is attached hereto as **Attachment A**, for the Committee's and Board's consideration. A comparison of the final draft charter against the version presented to the Committee on October 16, 2023 is also included as **Attachment B**.

Certain components of the proposed T&S charter, such as membership, leadership, and meeting rules, are similar to those of other Board committee charters. The proposed T&S charter sets forth the Committee's duties and responsibilities, including oversight regarding:

- The Company's annual strategic plan for information technology, including applications the Company uses, the Company's service providers, and technology opportunities, and cyber risk tools;
- Budgeting, cost, and vendor management issues, including operational maintenance agreements and supply chain management;
- Procurement and management of critical technology systems;
- Implementation of significant technology projects and initiatives;
- Significant projects previously approved to evaluate costs and timeline versus forecast;
- Risk management of physical security and cybersecurity;
- Legal, regulatory, or contractual trends and recent developments in physical security and cybersecurity; and
- Grid transformation initiatives, including the budget for and cost thereof.



The T&SM Committee is expected to review the proposed T&S Committee Charter at its meeting on December 18, 2023 and is expected to recommend that the Board approve the T&S Committee Charter at the December 19, 2023 Board meeting.

Key Factors Influencing Issue:

The proposed T&S Committee Charter attached as **Attachment A** identifies the functions that the T&S Committee is to perform, and the charter will be reviewed as needed to ensure that the T&S Committee continues to address relevant issues and to assist the Board in providing necessary oversight consistent with fiduciary duties.

Conclusion/Recommendation:

The T&S Committee is expected to review the T&S Committee Charter at its meeting on December 18, 2023, and is further expected to recommend that the Board approve the T&S Committee Charter.



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

WHEREAS, on March 8, 2022, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) established the Technology and Security (T&S) Committee to oversee core Independent System Operator functions, such as such as information technology, project delivery, physical and cyber security, and grid transformation;

WHEREAS, at the Board meeting on December 19, 2023, the T&S Committee recommended approval of the T&S 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 T&S Committee Charter as recommended by the T&S Committee;

THEREFORE, BE IT RESOLVED, that the T&S 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 regular December 19, 2023, meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of December, 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, technology opportunities, and cyber risk tools.
 - b. As needed, the Committee shall review other reports regarding budgeting, cost, and vendor management 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 physical security and cybersecurity.
- 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.

3. Grid Transformation Initiatives

- a. The Committee shall regularly review Company reports and provide guidance on Company grid transformation initiatives.
- b. The Committee shall provide oversight on the budget for and cost of such grid transformation initiatives.

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 conduct a Committee self-evaluation.
3. As needed, the Committee shall review the Committee Charter, and shall recommend to the Board changes to the Committee Charter as appropriate.

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.

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