**Electric Reliability Council of Texas, Inc.**

**Credit Finance Sub Group (CFSG) Charter**

**TAC Approved March 21, 2023**

1. **Purpose and Authority**

The Electric Reliability Council of Texas, Inc. (ERCOT) Technical Advisory Committee (TAC) established the Credit Finance Sub Group (CFSG) 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.[[1]](#footnote-1)

The CFSG will review all sections of the ERCOT Protocols that impact creditworthiness requirements or collateral calculations and provide recommendations to TAC. The CFSG will provide comments to TAC and its Subcommittees when Nodal Protocol Revision Requests (NPRRs) or other actions have credit implications.

1. **Reporting Relationships**

* The CFSG reports to TAC as a Sub Group of TAC.

1. **Credit Finance Sub Group Functions**

The functions of the CFSG include, but are not limited to:

* Providing input on credit matters as requested by TAC or TAC subcommittees
* Providing input regarding NPRRs that impact credit in accordance with this Charter and PUCT approved credit policies
* Providing input regarding ERCOT creditworthiness standards.

In addition, the CFSG may, from time-to-time, make recommendations to existing or proposed systems, projects, plans, ERCOT Protocols or Other Binding Documents, and policies and procedures of ERCOT impacting credit issues.

The CFSG shall not engage in any activities that conflict with or violate ERCOT Protocols.

The CFSG shall at all times comply with the Antitrust Guidelines for Members of ERCOT Committees, Subcommittees, Sub Groups and Working Groups.

The CFSG shall not have direct responsibility or authority over ERCOT staff. Although the CFSG will recommend courses of action, the responsibility for implementation of policies or procedures shall rest with ERCOT staff.

In carrying out its responsibilities, the CFSG shall be guided by industry best practices.

1. **Credit Finance Sub Group Administration**

**Each Corporate Member of ERCOT may designate one employee that meets requirements in VI. Qualifications Guidelines for Credit Finance Sub Group Membership, as a voting member to participate in the activities and attend meetings of the CFSG. An Entity and its affiliates that are Members of ERCOT shall have no more than one voting member.**

All designations of CFSG members shall be sent to TAC for approval.

**The Chair and Vice-Chair of the CFSG shall be elected annually by the CFSG membership and confirmed by vote of TAC. If the Chair or Vice-Chair steps down during his or her term, the CFSG will hold a special election to fill the vacant position within 60 days and the vote will be confirmed by TAC.**

**The CFSG Chair shall report at least semi-annually to TAC regarding the state of credit practice within ERCOT. In addition, the CFSG Chair shall notify the TAC Chair of significant credit issues as they arise.**

In order to discharge its responsibilities, the CFSG may form temporary or *ad hoc* task forces. The CFSG Chair, with CFSG approval, shall appoint the chair for each task force for a term of one year or the duration of the task force whichever is less. Each task force chair may serve in that role for no more than two consecutive one year terms. The CFSG shall direct these task forces and make assignments as necessary.

All task forces are responsible for reporting planned activities/projects and results to the CFSG for review. All task force actions are subject to CFSG review.

**V. Meetings**

***A. Quorum***

**In order to take action, a quorum must be present. A quorum is defined as at least one CFSG member in each of at least four of the following Segments: Independent Retail Electric Provider (IREP) (and Aggregators), Independent Generators, Independent Power Marketers (IPM), Municipal, Cooperative, Investor Owned Utility (IOU), and Consumers. CFSG members may participate in a meeting in-person or remotely**

**Each CFSG member or CFSG member’s company represented on CFSG may designate, in writing, an Alternate Representative or proxy who may attend meetings and vote on the CFSG member’s behalf. Alternate Representatives must be employees of the same company as the CFSG member designating them or may be agents with a contractual obligation to represent the interest of the company designating them. Alternative Representatives count toward establishing a quorum at a CFSG meeting; proxies do not. If a CFSG member wishes to designate an Alternate Representative or proxy, the CFSG member must send CFSG leadership notification of the designation of such Alternative Representative or proxy in advance of any meeting and the designation shall be valid for the time period designated by the CFSG member.**

***B. Meeting Schedule and Notification***

**The CFSG shall meet at least quarterly to review credit policy. In addition, the CFSG shall meet as needed to address issues as they arise such as NPRRs. Meeting notices and agendas shall be sent to the CFSG distribution list and posted on the ERCOT website at least one (1) week prior to the CFSG meeting unless an urgent condition requires shorter notice. If the CFSG Chair or Vice Chair has declared a meeting urgent, meeting notices shall be sent to the distribution list and posted on the ERCOT website and shall clearly identify the condition requiring the shorter notice. Except in cases of urgent matters, all agenda items requiring a vote of CFSG must be published at least one week prior to the meeting at which the vote will take place. In the case of an urgent matter, all agenda items requiring a vote of CFSG shall be published as soon as possible prior to the meeting at which the vote will take place and the circumstances causing the urgency shall be clearly identified. All CFSG meetings may be attended by any interested observer. Call-in numbers will be provided for those persons wishing to attend via telephone. If third-party confidential information is presented during a meeting, all persons except for CFSG members may be excluded from the portion of the meeting at which such confidential information is discussed. Confidential information will not be presented to CFSG members participating by telephone.**

***C. Voting***

**Votes: At all meetings, each Segment shall have one (1) vote. CFSG members present at the meeting (including participation via telephone) and participating in the vote shall receive an equal fraction of its Segment’s vote.**

**Abstentions: In the event that a CFSG member abstains from a vote, the Segment vote shall be allocated equally among the CFSG members casting a vote.**

**Voting: In matters determined by the CFSG Chair to require a vote of CFSG or when any CFSG member requests a vote on an issue, each CFSG member shall have one (1) vote except that a CFSG member holding a valid proxy for another CFSG member shall have one (1) vote plus one vote for each proxy held. A motion passes when (A) a majority of the aggregate of the fractional Segment votes are: (i) affirmative, and (ii) a minimum total of three (3).**

**Any dissenting party shall have the right to request time to present its position to TAC** **if such dissenting party chooses to do so.**

**E-mail Voting: An e-mail vote is permitted provided a Notification is distributed to the CFSG distribution list. A Notification must include a detailed description of the issue or proposition on which the vote will occur. A request for an e-mail vote shall be initiated only by the CFSG Chair or Vice Chair. A quorum of CFSG members must participate in the e-mail vote.**

**Participation requires casting a vote or abstaining. Votes shall be submitted for tallying by the close of two (2) Business Days after the Notification of the vote is circulated. Votes are tallied in the same manner as a regular meeting. The final tally shall be distributed to the CFSG distribution list and posted on the ERCOT website.**

1. ***Conduct of Meetings***

**The CFSG Chair, or Vice-Chair in the Chair’s absence, shall preside at all meetings and is responsible for preparation of agendas. In the absence of the CFSG Chair or Vice-Chair, another CFSG member shall preside at the meeting. The CFSG members shall be guided by Robert’s Rules of Order in the conduct of CFSG meetings. Meeting minutes for CFSG meetings will be distributed and posted on the ERCOT website. Generally, at the beginning of a CFSG meeting, the minutes of the prior meeting shall be reviewed and approved by CFSG.**

**CFSG members and Alternate Representatives must meet the qualifications as identified in VI. Qualifications Guidelines for Credit Finance Sub Group Membership. TAC shall review the requirements for membership in the CFSG annually.**

**Changes to the charter shall be reviewed and approved by TAC.**

**VI. Qualification Guidelines for Credit Finance Sub Group Membership**

Other than a CFSG member appointed by a Consumer Board member, each CFSG member must be an employee of a Member of ERCOT (as defined in the ERCOT By-laws) in good standing. Other than members appointed by the Consumer Board member, all CFSG members and Alternate Representatives representing a Member must be actively engaged in or responsible for the credit activities of such Member.

Other than members appointed by the Consumer Board member, all CFSG members and Alternate Representatives must have experience in at least one or more of the following fields:

* Risk management (preferably credit risk management)
* Credit management and analysis
* Development and/or execution of credit risk policies and procedures
* Establishment and control of credit limits and terms
* Finance and/or loan administration
* Credit ratings analysis
* Commercial credit analysis
* Financial analysis

CFSG members are encouraged to be active participants on the CFSG.

1. Capitalized terms used in this document shall have the meanings ascribed to them in the ERCOT Protocols unless otherwise noted. [↑](#footnote-ref-1)