



**DRAFT GENERAL SESSION MINUTES OF THE
FINANCE AND AUDIT COMMITTEE MEETING
OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

8000 Metropolis Drive (Building E), Suite 100, Boardroom A
Austin, Texas 78744
February 26, 2024

Pursuant to notice duly given and after determination that a quorum was present, the meeting of the Finance and Audit (F&A) Committee of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) convened on the above-referenced date.

Meeting Attendance:

Committee Members:

Director	Affiliation/Role (if any)	Voting Category
Flexon, Bob	N/A	Voting
Flores, Bill (Chair)	N/A	Voting
Heeg, Peggy	N/A	Voting
Hjaltman, Courtney	Office of Public Utility Council (OPUC), Public Counsel	Voting

Other Board Members:

Director	Affiliation/Role (if any)	Voting Category
Capuano, Linda	N/A	Voting
England, Julie	N/A	Voting
Foster, Paul	N/A	Voting
Vegas, Pablo	ERCOT President and Chief Executive Officer (CEO)	Non-Voting

Officers and Guests:

Officer/Guest	Role
Jackson, Kathleen	Public Utility Commission of Texas (PUCT, Commission), Commissioner
Ögelman, Kenan	ERCOT Vice President of Commercial Operations
Rainwater, Kim	ERCOT Corporate Counsel
Rickerson, Woody	ERCOT Senior Vice President and Chief Operating Officer
Rychetsky, Penny	ERCOT Director of Internal Audit
Scheel, Richard	ERCOT Controller



Seely, Chad V.	ERCOT Senior Vice President, General Counsel and Corporate Secretary
Spak, Mara	ERCOT Vice President of Human Resources
Taylor, Sean	ERCOT Senior Vice President, Chief Financial Officer and Chief Risk Officer
Wiley, Leslie	ERCOT Treasurer

Call General Session to Order (Agenda Item 1)

Bill Flores, F&A Committee Chair, determined that a quorum was present and called the F&A Committee meeting to order at approximately 9:00 a.m. Chair Flores highlighted the Antitrust Admonition and addressed the following Agenda Items in the order below.

Notice of Public Comment, if Any (Agenda Item 2)

Chair Flores announced that on the agenda for the meeting, which was posted publicly on February 19, 2024, ERCOT had provided instructions for members of the public who were interested in commenting in person and that to date no individuals had expressed interest in commenting, which Chad Seely confirmed.

December 18, 2023 General Session Meeting Minutes (Agenda Item 3)

Chair Flores entertained a motion to approve the December 18, 2023 General Session Meeting Minutes (Minutes).

Peggy Heeg moved to approve the Minutes as presented. Bob Flexon seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Annual Charter Review and Approval; Recommendation regarding Committee Charter (Agenda Items 4 and 4.1)

Chair Flores presented the Recommendation regarding Committee Charter. Chair Flores described minor proposed revisions to the Charter and noted that redlines were included in the meeting materials. Chair Flores entertained a motion on the Committee Charter.

Courtney Hjaltman moved to recommend that the Board approve the Committee Charter as presented. Mr. Flexon seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Internal Audit Department Charter (Agenda Item 4.2)

Penny Rychetsky presented the Internal Audit Department Charter. She reported no proposed revisions to the Charter for 2024 and that the Charter meets all requirements for internal auditing standards. Chair Flores entertained a motion to approve the Internal Audit Department Charter as presented.

Ms. Hjaltman moved to approve the Internal Audit Department Charter as presented. Ms. Heeg seconded the motion. The motion passed by unanimous voice vote with no abstentions.



Annual Policy Review; Handling of Complaints Regarding Financial Matters; Policy on Hiring Former Employees of the Independent Auditor; Policy on Independent Auditor Selection (Agenda Items 5 – 5.3)

Richard Scheel presented the Handling of Complaints regarding Financial Matters, Policy on Hiring Former Employees of the Independent Auditor, and Policy on Independent Auditor Selection and reported the policies are consistent with those in 2023. Committee members and Mr. Scheel discussed that any financial complaint is reported to the Board regardless of the method through which the complaint is received.

Annual Risk Assessments; Forecast Adequacy of the Budgeted System Administration Fee Rate (Agenda Items 6 and 6.1)

Mr. Scheel presented the Forecast Adequacy of the Budgeted System Administration Fee (SAF) Rate. Mr. Scheel reported that the budgeted SAF rate is currently forecast to be adequate for 2025. Mr. Scheel also provided a verbal update of resettlement arising from a SAF rate error for Operating Days January 1-4, 2024. Subsequent to the Market Notice distributed on November 6, 2023 that correctly noticed an increase in the SAF rate from \$0.555 per MWh to a \$0.630 per MWh effective January 1, 2024, ERCOT updated the settlement system to an erroneous SAF rate of \$0.710 per MWh corresponding to the SAF rate the Board approved on June 20, 2023 prior to Commission final approval of the \$0.630 per MWh SAF rate. A Market Participant noticed the error in the SAF rate and alerted ERCOT. The SAF rate was corrected, and the error was then resettled on January 12, 2024. Committee members and Mr. Scheel discussed that all accounts were corrected and that ERCOT's augmented controls would avoid future errors.

Review of Financial Institutions that are Market Participants (Agenda Item 6.2)

Leslie Wiley presented the Review of Financial Institutions that are Market Participants. Committee members and Ms. Wiley discussed the function of non-disclosure agreements with the Qualified Financial Institutions to ensure that the institutions do not share unauthorized information with Market Participants, such as market traders.

Annual Corporate Standards Review and Approval; Recommendation regarding Financial Corporate Standard; Recommendation regarding Investment Corporate Standard (Agenda Items 7 – 7.2)

Ms. Wiley presented the Recommendation regarding Financial Corporate Standard. Ms. Wiley reported that revisions were being proposed to update an officer's title and make minor corrections. Chair Flores entertained a motion to recommend that the Board approve the revised Financial Corporate Standard.

Ms. Heeg moved to recommend that the Board approve the revised Financial Corporate Standard as presented. Mr. Flexon seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Ms. Wiley presented the Recommendation regarding Investment Corporate Standard. Ms. Wiley reported that revisions were being proposed to update officer titles. Chair Flores entertained a motion to recommend that the Board approve the revised Investment Corporate Standard.



Ms. Heeg moved to recommend that the Board approve the revised Investment Corporate Standard as presented. Mr. Flexon seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Committee Briefs (Agenda Item 8)

Chair Flores invited Sean Taylor to present the Committee Briefs.

Review 2023 Financial Summary (Agenda Item 8.1)

Mr. Taylor presented the 2023 Financial Summary. Mr. Taylor noted ERCOT's preliminary, unaudited year-end 2023 actual revenues net of expenditures were \$94.4 million favorable to budget, primarily driven by interest income received from the Congestion Revenue Rights (CRR) auction receipts and high interest rates. Committee members and Mr. Taylor discussed the variance includes year-end mark-to-market adjustments for the Treasury Bond investments, current market yield versus the purchase yield, and unrealized gains and losses. Mr. Taylor reported early projections of 2024 labor vacancies are higher than what was budgeted. Committee members and Mr. Taylor discussed that ERCOT is not currently forecasting impacts on projects deliverability due to staff vacancies and that current vacancies result not from attrition but due to recent increase in headcount and time needed for staffing to catch up.

Periodic Report on Investments (Agenda Item 8.2)

Mr. Taylor presented the Periodic Report on Investments, including that ERCOT is in compliance with all investment requirements. Committee members and Mr. Taylor discussed the adequacy of the system administration fee rate and the portions of the fee that are driven by interest income. Discussion also included the liquidity of treasury bond obligations and ERCOT's approach to locking in interest income in future periods.

Periodic Report on Debt Compliance; Timing of Subchapter M Refinancing (Agenda Items 8.3 and 8.3.1)

Mr. Taylor presented the Periodic Report on Debt Compliance and reported ERCOT is in compliance with all debt requirements, including securitization.

Mr. Taylor presented a high-level timeline for refinancing the Texas Stabilization Series 2021 M Bonds (M Bonds) issued to the Texas Treasury Safekeeping Trust Company (TTSTC) on November 12, 2021. Mr. Taylor reported that the ability to redeem the M Bonds without penalty or premium is tied to the third anniversary of the issuance that occurs later this year. Mr. Taylor reported that ERCOT staff, with the advice of ERCOT's outside counsel and financial advisor, is recommending refinancing the bonds, either with the Texas Comptroller of Public Accounts or by issuing other debt, before January 31, 2025.

Future Agenda Items (Agenda Item 9)

Mr. Taylor presented the Future Agenda Items. Mr. Taylor highlighted items anticipated for the April 22, 2024 Committee meeting. Mr. Taylor indicated staff plans to provide ERCOT's draft Internal Revenue Service (IRS) Form 990 for the Board's review in June.

Other Business (Agenda Item 10)

No other business was discussed at this time.



Executive Session

Chair Flores recessed General Session at approximately 9:43 a.m. and convened Executive Session at approximately 9:50 a.m. Chair Flores reconvened General Session at approximately 11:10 a.m.

Vote on Matters from Executive Session (Agenda Item 10)

Chair Flores entertained a motion for one risk management matter discussed during Executive Session.

Ms. Heeg moved to recommend that the Board approve the risk management matter discussed during Executive Session under Agenda Item ES 2.2. Mr. Flexon seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment (Agenda Item 11)

Chair Flores adjourned General Session and the meeting at approximately 11:10 a.m.

Committee materials and presentations from the meeting are available on ERCOT's website at http://www.ercot.com/committees/board/finance_audit/.

Jonathan M. Levine
Assistant Corporate Secretary