PUBLIC

Item 7: Recommendation regarding Selected Director Term Retention Compensation Program and Board Chair Retainer

Peggy Heeg
Committee Chair

Mike Meyer, Principal, and Eddie Capistran, Senior Consultant
Meridian Compensation Partners

Human Resources and Governance Committee Meeting

September 14, 2026

Purpose

Discuss proposed Selected Director Term Retention Compensation Program and adjustment of the Board Chair retainer based on market.

Voting Items

Committee and Board votes on whether to establish the Selected Director Term Retention Compensation Program and increase the Board Chair retainer from $35,000 to $40,000 through corresponding revisions to the Board Policies and Procedures, effective October 1.

Key Takeaways

- Statutory requirements restrict Board Directors from sitting on Market Participant affiliate boards that might otherwise be an opportunity for additional work and compensation.
- Meridian recommends increasing the Board Chair retainer from $35,000 to $40,000 based on market and establishing the Selected Director Term Retention Compensation Program.
- Recommendation supports ERCOT Strategic Objective 3 that includes investing in our people.

MERIDIAN
COMPENSATION PARTNERS

ERCOT | September 2026

Selected Director Term Retention Compensation Program and Board Chair Retainer

Introduction

Meridian was engaged in December 2025 to conduct an independent review of ERCOT's director compensation program, with a focus on assessing the competitiveness and appropriateness of compensation for ERCOT's Independent Directors.

Following its review, Meridian recommended two changes to the existing director compensation program to better align compensation with market practices and support ERCOT's ability to attract and retain qualified directors:

- Increase Board Chair retainer from $35,000 to $40,000 (see page 4 for market comparison)
- Introduce a Director Term Retention Award (proposal and design details on the following page)

Background and Design Considerations for Director Term Retention Program

Background

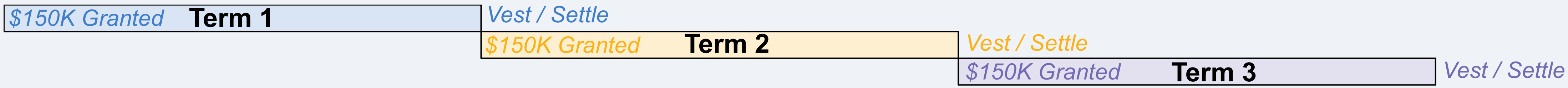
- ERCOT faces stricter director eligibility and governance requirements than other ISOs (driven by statutory requirements)
- Most restrictive is inability to sit on Boards of “affiliated” companies (list is growing) which can pay significantly more than ERCOT
- Has led to loss of several directors

Director Retention Award Idea

- Though ERCOT cannot entirely close the pay gap to market affiliates, a retention award could provide additional “holding power”
- Retirement / deferral benefits are problematic (e.g., directors are not employees, 409A accounting issues)
- However, directors are often granted long-term incentives with specific vesting criteria which is acceptable under 409A accounting rules

Design for Consideration

- **$150K retention award granted upon election to each 3-year term** (first term and successive terms thereafter)
- Award vests and is settled at the end of the 3-year term
  - Expense can be allocated by ERCOT over the course of the three-year period (similar to employee long-term incentives)
- No portion of the award will vest if a director leaves the Board before end of the 3-year term (though pro-rated for death or disability)
- **Award for current directors:** The retention award will be prorated based on the remaining portion of each director’s current 3-year term as of the grant date, aligned with their individual election cycle, with the remaining term rounded to the nearest month
  - E.g., assuming an October 1 grant date, a director elected in January 2025 for a term ending January 2028 would receive $62,500, reflecting 15 months remaining out of 36 months
  - Award is not retroactive and applies only to the director’s current term



Proposed Director Pay Program

Meridian benchmarks ERCOT director pay every two years (data below is from December 2025 market study)

- Generally, average Board pay is targeted slightly above ISO peer median (to reflect challenges described on prior page)
- Based on recent director departures, current competitive posture just above ISO median (lowest reference point) is not sufficiently retentive, though aligning with market participants (highest reference point) is not feasible
- **Proposal Market Rationale:** While no value ensures the retention of all directors, the proposed $150K value (i.e., $50K per year across the three-year term), aligns ERCOT's average Board pay with GI median (second lowest reference point; ~$220K)

	ERCOT		Market Reference Points (P50)			
Program Component	**Current**	**Proposed**	**ISOs**	**GI ($1B-$3B)**	**Market Participants**	**Affiliations**
Annual Board Retainer	$160,000	$160,000	$76,500	$75,000	$120,000	$102,500
Per Meeting Fees	$0	$0	$2,000	$0	$0	$0
Committee Chair Retainer						
- Finance and Audit (F&A)	$25,000	$25,000	$12,500	$22,000	$25,000	$30,000
- HR and Governance (HR&G)	$25,000	$25,000	$12,500	$17,250	$20,000	$22,500
- Technology and Security (T&S)	$25,000	$25,000	$12,500	$15,000	$20,000	$20,000
Long-Term Incentives						
- Annualized Value	$0	**$50,000** *($150K granted upon election to 3-year term)*	$0	$125,000	$175,000	$173,750
Average Board Pay	**$169,375**	**$219,375**	**$150,889**	**$222,021**	**$307,636**	**$283,056**
Board Leadership Roles						
Board Chair Retainer	$35,000	$40,000	$40,000	$100,000	$192,500	$120,000
Vice Chair Retainer	$15,000	$15,000	$16,250	N/A	N/A	N/A

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ERCOT Director Pay Benchmarking Peer Groups

Affiliates Peer Group

Company (n=12)	State	Revenue ($Mn)↓	Primary Industry
Visa Inc.	CA	$40,000	Transaction and Payment Processing Services
Texas Instruments Incorporated	TX	$17,266	Semiconductors
Entergy Corporation	LA	$12,730	Electric Utilities
Assurant, Inc.	GA	$12,569	Property and Casualty Insurance
Schneider National, Inc.	WI	$5,614	Cargo Ground Transportation
Cadence Design Systems, Inc.	CA	$5,213	Application Software
Transocean Ltd.	TX	$3,874	Oil and Gas Drilling
TTM Technologies, Inc.	CA	$2,783	Electronic Manufacturing Services
Centuri Holdings, Inc.	AZ	$2,841	Construction and Engineering
Black Hills Corporation	SD	$2,272	Multi-Utilities
Advanced Energy Industries, Inc.	CO	$1,725	Electronic Equipment and Instruments
TMC the metals company Inc.	Canada	N/D	Diversified Metals and Mining
75th Percentile		$12,649	
Median		**$5,213**	
25th Percentile		$2,812	

Independent System Operators (ISOs)

Organization (n=5)	State	Revenue ($Mn)	Year of Form 990
Midcontinent Independent System Operator, Inc.	IN	$447	2023
Southwest Power Pool, Inc.	AR	$283	2023
California Independent System Operator Corporation	CA	$272	2023
ISO New England Inc	MA	$265	2024
New York Independent System Operator, Inc.	NY	$232	2024
75th Percentile		$283	
Median		**$272**	
25th Percentile		$265	

Market Participants Peer Group

Company (n=17)	State	Revenue ($Mn)↓	Primary Industry
Duke Energy Corporation	NC	$31,236	Electric Utilities
NRG Energy, Inc.	TX	$29,779	Electric Utilities
The Southern Company	GA	$28,913	Electric Utilities
Quanta Services, Inc.	TX	$27,191	Construction/Eng.
NextEra Energy, Inc.	FL	$26,297	Electric Utilities
Vistra Corp.	TX	$17,191	Power/Energy Traders
Consolidated Edison, Inc.	NY	$16,593	Multi-Utilities
Kinder Morgan, Inc.	TX	$16,416	Oil and Gas
DTE Energy Company	MI	$14,822	Multi-Utilities
Xcel Energy Inc.	MN	$14,228	Electric Utilities
Sempra	CA	$13,711	Multi-Utilities
Entergy Corporation	LA	$12,730	Electric Utilities
CenterPoint Energy, Inc.	TX	$9,114	Multi-Utilities
CMS Energy Corporation	MI	$8,295	Multi-Utilities
Evergy, Inc.	MO	$5,879	Electric Utilities
Portland General Electric Company	OR	$3,511	Electric Utilities
TXNM Energy, Inc.	NM	$2,109	Electric Utilities
75th Percentile		$26,297	
Median		**$14,822**	
25th Percentile		$9,114	

General Industry Peer Groups - Summary Stats

	$0 - $3B Revenue ($Mn)↓
75th Percentile	$1,971
Median	**$1,283**
25th Percentile	$776

MERIDIAN COMPENSATION PARTNERS

Date:	September 8, 2026
To:	Board of Directors
From:	Peggy Heeg, Chair of the Human Resources and Governance (HR&G) Committee
Subject:	Selected Director Term Retention Compensation Program and Board Chair Retainer

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: September 14-15, 2026

Item No.: 19.3.2

Issue:
Whether the Board of Directors should approve a Selected Director Term Retention Compensation Program as part of the Director stated compensation and increase the Board Chair retainer from $35,000 to $40,000 through corresponding revisions to the Board Policies and Procedures, effective October 1, 2026.

Background/History:
ERCOT operates under a governance structure established by the Texas Legislature. Under that framework, Selected Directors are subject to statutory eligibility and independence requirements that are more restrictive than those applicable to directors of many other organizations. Specifically, Public Utility Regulatory Act (PURA) 39.151(g-3) states: “a person does not qualify for selection as a member of the governing board of an independent organization for the ERCOT power region if the person has a fiduciary duty or assets in the electricity market for that region.”

Since implementation of the current governance framework following enactment of Senate Bill 2, ERCOT has developed effective processes for recruiting, evaluating, onboarding, and retaining highly qualified Selected Directors. Selected Directors invest substantial time developing expertise regarding ERCOT's operations, markets, reliability responsibilities, governance framework, stakeholder environment, and strategic initiatives. Directors also participate in ongoing education, stakeholder engagement, and governance activities throughout their terms of service.

ERCOT has observed the practical effects of the statutory eligibility framework. Since 2021, several Selected Directors have resigned to pursue, or remain available to pursue, professional opportunities that may be inconsistent with the eligibility requirements applicable to ERCOT Directors. ERCOT has reported on the effects of these requirements through its annual legislative reporting process in which reports are submitted to the Texas Legislature. The reports are also filed in Project 55999 of the Public Utility Commission of Texas (2025 report). Seven of the eight seats for Selected Directors on the Board are currently filled. The Board Selection Committee is in the process of recruiting the empty seat.

In connection with the Human Resources and Governance Committee's oversight of Director compensation and governance matters, Meridian Compensation Partners, LLC (Meridian) reviewed retention considerations associated with Selected Director service and evaluated potential approaches to supporting continuity of expertise and institutional knowledge on the Board. Meridian's December 2025 market study included benchmarking analyses of compensation practices among Independent System Operators, general industry organizations, market participants, and other peer groups.

Based on that review, Meridian recommends a retention-focused compensation concept intended to support continuity of Board expertise, preserve institutional knowledge, encourage completion of Selected Director terms, and bolster orderly Board succession planning. Meridian's review also supports increasing the Board Chair retainer from $35,000 to $40,000, aligning the proposed retainer with the ISO median.

Meridian’s proposed retention compensation program would:

- provide a $150,000 retention award upon election to each three-year Selected Director term;
- vest and be payable at the conclusion of the applicable three-year term;
- not vest if a Selected Director leaves Board service before completion of the term, except for prorated vesting in cases of death or disability; and
- provide prorated awards for current Selected Directors based on the remaining portion of their current terms.

The Human Resources and Governance Committee reviewed the proposal during its September 14, 2026 meeting and considered whether to recommend implementation of the compensation program for Board approval.

Key Factors Influencing Issue:

- PURA Section 39.151(g-2) provides that members of the ERCOT governing body are entitled to receive a salary for their service.
- ERCOT Bylaws Section 10.1(b) authorizes the Board to fix compensation for Selected Directors.

• The Board has delegated annual review of Selected Director compensation to the Human Resources and Governance Committee pursuant to its Charter. • Section 2.7 of the Board Policies and Procedures and Appendix A establish compensation for Selected Directors and may be amended by Board action.
Conclusion/Recommendation: The Human Resources and Governance Committee recommends that the Board approve the Selected Director Term Retention Compensation Program and increase the Board Chair retainer to $40,000 as reflected in Attachment A, including revisions to Section 2.7 and Appendix A of the Board Policies and Procedures, effective October 1, 2026.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

BOARD OF DIRECTORS RESOLUTION

WHEREAS, Public Utility Regulatory Act (PURA) Section 39.151(g-2) provides that members of the ERCOT governing body are entitled to receive compensation for their service;

WHEREAS, ERCOT Bylaws Section 10.1(b) authorizes the Board to establish compensation for Selected Directors;

WHEREAS, ERCOT Selected Directors are subject to statutory eligibility and independence requirements intended to preserve Board independence;

WHEREAS, the Board recognizes the importance of continuity of expertise, institutional knowledge, and orderly succession planning in fulfilling ERCOT's responsibilities;

WHEREAS, Meridian Compensation Partners, LLC (Meridian) conducted benchmarking and retention analyses and presented a retention-focused compensation structure intended to support completion of Selected Director terms and retention of experienced Selected Directors;

WHEREAS, Meridian further conducted market benchmarking on the Board Chair retainer and presented an adjustment to the retainer to align with the Independent System Operator (ISO) median;

WHEREAS, the Human Resources and Governance Committee reviewed Meridian's analysis and recommended approval of a Selected Director Term Retention Compensation Program and an increase in Board Chair retainer from $35,000 to $40,000, as memorialized in related amendments to the Board Policies and Procedures;

WHEREAS, the Board finds that implementation of the Selected Director Term Retention Compensation Program is in the best interests of ERCOT and supports effective governance continuity;

THEREFORE, BE IT RESOLVED, that the Board adopts the Selected Director Term Retention Compensation Program and $40,000 annual Board Chair retainer as reflected in ***Attachment A***, effective October 1, 2026.

BE IT FURTHER RESOLVED, that the Board adopts revisions to Section 2.7 and Appendix A of the Board Policies and Procedures as reflected in Attachment A; and

BE IT FURTHER RESOLVED, that ERCOT management and legal staff are authorized to implement the program and make such non-substantive revisions as may be necessary to effectuate the Board's approval.

CORPORATE SECRETARY'S CERTIFICATE

I, Brandon Gleason, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its September 14-15, 2026 meeting, the Board passed a motion approving the above Resolution by ______.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of ______________, 2026.

____

Brandon Gleason

Assistant Corporate Secretary

Board Policies and Procedures
Amended Effective June 18, 2024
By the ERCOT Board of Directors

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Preamble

0.1 Definitions. The definitions included in the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc. (the “Bylaws”) are incorporated by reference.

0.2 Delegation of Authority to Board Committees. It is the policy of the Board of Directors to initiate any specific action required, in its opinion, to fulfill its duties consistent with Section 4.10 of the Bylaws, including regarding matters delegated to a Board committee or subcommittee (“Committee”) established pursuant to Bylaws Section 4.8.

I. Meeting Procedures

1.1 Board Agenda Items. A Director is entitled to place matters the Director reasonably considers important on the Board agenda if notification of such matters and background materials are received by the Secretary or Assistant Secretary of ERCOT no later than 5 p.m. eleven days before the date of the Board meeting.

1.2 Public Access. Subject to Section 1.4 below, meetings of the Board and each Committee on which a Board member sits (“Board Committee”) are open to the public, and live webcasts may be viewed on the ERCOT website.

1.3 Public Comments. Interested persons may provide comment on the matters under discussion at public portions of meetings of the Board and Board Committees. Publicly posted agendas for such meetings shall include the time and location of meetings, as well as topics to be discussed and instructions for commenting on matters under discussion at public portions of meetings.

1.3.1 Comments in writing may be submitted for any meeting, whether or not the meeting is in-person, by submission to Corporate@ercot.com.

1.3.2 For in-person meetings, members of the public may comment in person. The Board Chair or Vice Chair or Board Committee Chair, as applicable, shall have discretion regarding when such comments will be taken up during the meeting and how much time shall be allowed for each agenda item for which public commenters are present.

1.3.3 For urgent meetings conducted via teleconference or similar remote technology means pursuant to Bylaws Section 4.7(d), the Board Chair or Vice Chair or Board Committee Chair, as applicable, may limit comments to written comments.

1.4 Executive Session. The Board may meet in Executive Session for purposes consistent with governing law and with the Bylaws. The notice for Executive Session discussion items may be worded such that the sensitive nature of the item is not compromised or disclosed. Except for acting to approve the minutes of prior Executive Sessions, the Board shall emerge from Executive Session before voting or taking any action on any Executive Session noticed items or based on Executive Session discussions.

1.4.1 Participation in Executive Session. The Board or a Board Committee may exclude PUCT Commissioners serving as *ex officio* Directors from certain specific discussions in Executive Session. Commissioners may only be excused to address: (a) a contested case, as defined by Section 2001.003 of the Texas Government Code; or (b) a personnel matter that is unrelated to members of the Board. The decision to exclude Commissioners from Executive Session will be at the discretion of the Board Chair or Vice Chair or Board Committee Chair, as applicable, who shall exercise this right only after careful consideration of the Board or Board Committee's need for confidentiality without compromising the PUCT's oversight role.

II. Responsibilities, Qualifications, and Compensation of the Board of Directors

2.1 Goals and Objectives. The Board shall establish the overall direction and review and provide input on the goals and objectives developed by ERCOT staff. The Board shall review such goals and objectives on an ongoing basis, and may issue policies and resolutions setting forth direction of ERCOT management actions to attain such goals and objectives. The Board oversees the major functions of ERCOT: open access to the transmission grid on nondiscriminatory terms, system reliability and adequacy, and the retail and wholesale electric markets.

2.2 Duties. The Board shall faithfully discharge its duties by conducting its affairs in a highly ethical and sound business manner. The Board, collectively and severally, will not direct the policies and actions of ERCOT from perspectives of private gain or personal advantage.

2.3 Chief Executive Officer and Management. Subject to applicable approval by the Public Utility Commission of Texas ("PUCT"), the Board shall retain a Chief Executive Officer ("CEO") with the capabilities to execute Board policies. The Board delegates to the CEO all general powers and duties necessary to accomplish ERCOT's purpose, goals, and objectives as established by the Board, except for those specifically reserved to the Board by the Bylaws or herein. The CEO and management are required to supply Directors with sufficient information to keep Directors properly informed about the business and affairs of ERCOT.

2.4 Matters Reserved for Board Approval. Except for and subject to those matters which require PUCT approval or are mandated by the PUCT without Board approval, the Board expressly reserves the following matters for Board approval:

2.4.1 Those matters reserved by the Bylaws.

2.4.2 Approval of the initiation of any non-routine filing that seeks regulatory action by a regulatory agency; provided that emergency situations may require immediate regulatory filings to protect the interests of ERCOT and may be filed by the General Counsel in its reasonable discretion without prior approval of the Board if there is concurrence of the CEO, General Counsel, the Chair and Vice Chair of the Board for such filing, and provided that the Board is notified as soon as practicable.

2.4.3 Initiation of any lawsuit; provided that emergency situations may require immediate legal action including the initiation of a lawsuit to protect the interests of ERCOT. Such a lawsuit may be initiated by the General Counsel without prior approval of the Board if there is concurrence of the CEO, General Counsel, the Chair and Vice Chair of the Board for such filing, and provided that the Board is notified as soon as practicable and the Board subsequently ratifies the filing.

2.4.4 Approval of the purchase of goods or services for ERCOT's use, or of a contract for such purchase, with a value of over one million dollars ($1,000,000.00) if such purchase or contract is not contemplated in ERCOT's Board-approved Budget. With regard to this section, exceptions for such approval are as follows:

2.4.4.1 <u>PUCT-Directed Goods or Services</u>. If ERCOT is directed, required or ordered to purchase goods or services by contract or otherwise by the PUCT, no Board approval is required.

2.4.4.2 <u>Emergency Business-Continuity Purchases</u>. If ERCOT needs to make emergency purchases up to five million dollars ($5,000,000.00) which are necessary to meet business continuity or other immediate needs that, if not met, may result in an interruption to ERCOT's normal business, such purchases may be made according to ERCOT's procedures without seeking prior approval; however, ratification of such purchases must occur at the next Board meeting.

2.4.5 Approval of the sale or pledge of any ERCOT assets valued in excess of one million dollars ($1,000,000.00).

2.4.6 Establishment of any line of credit, loans, or other forms of indebtedness in the name of ERCOT exceeding one million dollars ($1,000,000.00).

2.5 <u>Individual Director Duties</u>. Each Director shall, individually, have the following duties:

2.5.1 Attend regular, special and urgent meetings of the Board when notified, unless circumstances prevent the Director from attending.

2.5.2 Not disclose confidential information of ERCOT to unauthorized people.

2.5.3 Handle any actual or potential conflict of interest in accordance with Public Utility Regulatory Act ("PURA") Section 39.1512 and Bylaws Section 9.2.

2.5.4 Consistent with the fiduciary duty of care in overseeing, monitoring, and supervising the affairs of ERCOT, prepare for and participate in determination of policy and other matters coming before the Board.

2.5.5 Upon joining the Board and annually thereafter, sign the ERCOT Director Ethics Agreement.

2.6 Director Qualifications. Each Director shall meet the following qualifications:

2.6.1 Have a willingness to serve ERCOT and to commit the time and resources necessary to carry out the duties of a Director.

2.6.2 Be willing to work cooperatively.

2.6.3 Maintain all qualifications defined by the Bylaws or required by law.

2.7 Compensation for Directors. Compensation for Directors selected by the State of Texas' ERCOT Board Selection Committee pursuant to PURA Sections 39.151(g-1)(4) shall be paid in the amounts set forth in Appendix A, in equal monthly installments.

In addition to the compensation set forth in Appendix A, Selected Directors shall be eligible to participate in the Selected Director Term Retention Compensation Program set forth in Appendix A-1

~~2.7~~2.8 Compensation and Expense Reimbursement for Residential Consumer TAC Representative.

~~2.7.1~~2.8.1 Compensation. Compensation for the Residential Consumer TAC Representative shall be paid in monthly installments in the amounts set forth in Appendix A.

~~2.7.2~~2.8.2 Business Expense Reimbursement. The Residential Consumer TAC Representative shall be eligible for reimbursement of reasonable business expenses associated with attending meetings of TAC or other standing or special TAC subcommittee meeting actually attended, but shall comply with the ERCOT Business Expense Reimbursement Corporate Standard.

III. Delegation of Authority to the Chief Executive Officer

3.1 CEO Responsibility and Authority. The Board shall exercise reasonable diligence to ensure that the CEO carries out ERCOT's business activities consistent with the goals, objectives, policies, and specific directions of the Board and the Bylaws. The CEO shall have the authority to execute contracts and agreements, establish lines of credit, and take all other lawful actions, as they may deem expedient and proper in conducting the business of ERCOT, except as set forth in Section 2.4.4 or as otherwise may be limited by the Board.

3.2 CEO Delegation to Officers and Employees. The CEO may delegate their authority to other ERCOT officers or employees in the CEO's discretion, except as limited by the Board. The CEO shall issue appropriate management procedures setting forth the direction of staff management and other employee actions to fulfill the goals, objectives, policies and other directions of the Board.

3.3 Budget. The CEO or the CEO's designee will present to the Board no later than 45 days prior to the PUCT's filing deadline of each year when the Budget is to be approved, or at such other time as directed by the Board, a Budget to carry out the Board's directives for the following year or longer as directed by the Board. The Budget will include projections of ERCOT's overall financial performance and financing plans, and describe the services, projects, programs, and the associated revenues and expenditures. Adoption of the Budget by the Board and as approved by the PUCT authorizes the CEO to complete work plans and make associated expenditures as provided for in accordance with the Budget.

3.4 Information for the Board. The CEO is responsible for bringing policy matters to the attention of the Board when its current policies give inadequate direction for ERCOT operations or leave ERCOT at a disadvantage because of changing conditions. The CEO shall provide an update about any new directive issued by the PUCT to ERCOT at the first Board meeting following the directive's issuance. The CEO will provide thorough, well-organized information to the Board in a timely manner. Communications to the Board will be made forthrightly and with candor in the evaluation of the conduct of business and operations of ERCOT. In the discretion of the CEO, significant contracts, agreements, or other major decisions may be brought to the Board for specific approval. In coordination with the General Counsel, the CEO shall represent ERCOT in communicating the position and interests of ERCOT to legislative bodies.

3.5 Internal Controls. Consistent with the Board's guidance and the ERCOT Internal Control Management Program, the CEO will approve and enforce appropriate policies, standards and procedures for ERCOT, to ensure adequate internal controls for ERCOT business and operations.

IV. Procedure for the Sale of ERCOT Assets

4.1 Sale of Assets. Personal property that is no longer necessary, convenient or of beneficial use to the business of ERCOT, and that has a fair market value of one million dollars ($1,000,000.00) or less may be sold, transferred, auctioned, or conveyed by the CEO for its fair market value. ERCOT shall use revenues from the sale of its property to offset ERCOT expenses.

V. Procedures for Decertification of ERCOT as the Independent System Operator, Termination or Liquidation of ERCOT

5.1 Decertification. In the event that ERCOT is no longer certified by the PUCT to operate as the independent organization for the ERCOT power region, the Board shall ensure, including through compliance with PUCT Substantive Rules and any PUCT orders, the transfer to its successor organization of assets and liabilities in a way that the functions of the independent organization continue to be provided reliably and without interruption.

5.2 Termination or Liquidation. Upon termination or liquidation of ERCOT, the Board shall, consistent with applicable federal and state regulatory requirements, liquidate ERCOT, and dispose of its property and assets, in the manner required by its governing documents and Texas law applicable to non-profit corporations.

VI. Procedure by Which a Member May Examine and Copy the Corporate Financial Books and Records of ERCOT

6.1 Member Right of Inspection. A Member, on written demand stating the purpose of the demand, may examine and copy at the Member's expense, in person or by agent, accountant, or attorney, at a mutually agreeable time and for a proper purpose, the books and records of ERCOT relevant to that purpose. Such written demand shall be provided to ERCOT's General Counsel for evaluation. If necessary to protect the confidential information of ERCOT, other Members, Market Participants, or vendors or prospective vendors of goods and services to ERCOT, a Member requesting examination of ERCOT's books and records may be required to sign a confidentiality and non-disclosure agreement before examining and copying such information. The procedures shall include policies that provide reasonable protection against the unnecessary disclosure of information, including but not limited to information regarding individual employees, including their compensation, except in connection with the enforcement of a tariff, contract or applicable law, consistent with the ERCOT Protocols and ERCOT's policies regarding confidential information.

VII. Procedures for the Selection of TAC Representatives and Director Term Expiration

7.1 Annual Meeting and Record Date. At least two months prior to the Annual Meeting, the Board will set the date and location for the Annual Meeting. The Record Date for determining the Corporate Members entitled to notice of and representation at the Annual Meeting is set forth in the Bylaws.

7.2 Election of TAC Representatives. For TAC Representatives, to be elected by their respective Market Segments, one of two procedures shall apply: (a) ERCOT will provide all Corporate Members of the Segment or subsegment with advance notice that the Segment or subsegment will be holding the election, and follow-up notice of election results; or (b) ERCOT will directly facilitate the election according to the following procedures:

7.2.1 No later than two business days after the Record Date, ERCOT will send a list of all the Members in each Segment or subsegment, by membership level (*i.e.,* Corporate, Associate or Adjunct) to ERCOT Members.

7.2.2 ERCOT will request that Corporate Members of each Segment or subsegment nominate TAC Representatives and forward their nominations to ERCOT.

7.2.3 With the nominations provided, ERCOT will then create and provide ballots to Corporate Members for return to ERCOT.

7.2.4 ERCOT will facilitate a meeting of the Segment or subsegment to assist in the nomination and election process if requested.

7.2.5 Only Corporate Members may participate in the election of TAC Representatives for the Segment or subsegment in which they are members.

7.2.6 Each seat shall be filled by the person receiving the most votes (proxies allowed) of eligible Corporate Members.

7.3 Appointment of Residential Consumer TAC Representatives. Notwithstanding Section 7.2, for the Residential Consumer subsegment, the Public Counsel for the Office of Public Utility Counsel shall appoint Residential Consumer TAC Representative(s). ERCOT will assist, if requested, in providing potential candidates for such seats. The Public Counsel shall identify their appointees to ERCOT at least one week prior to the Annual Meeting. ERCOT will notify new Consumer appointees of the information necessary to attend the Annual Meeting.

7.4 Facilitation of Election. If a Segment is unable to elect a TAC Representative at least two weeks prior to the Annual Meeting, ERCOT will notice a meeting of the Segment to facilitate the election.

7.5 Election Results and Confirmation. Prior to the Annual Meeting, ERCOT will determine the results of TAC Representative elections. At the Annual Meeting, the new TAC Representatives will be announced. The new TAC Representatives will be seated according to their elected terms.

7.6 Expiration of Director Terms. For Directors selected by the ERCOT Board Selection Committee, six months prior to the expiration of a Director's term, such Director shall indicate whether he or she wishes to remain on the Board for another term (if applicable) by notifying ERCOT's General Counsel. Upon receipt of such notice, ERCOT's General Counsel will notify the PUCT Chair and/or the ERCOT Board Selection Committee.

VIII. Procedures for Participation in Board Consideration of Revision Requests

8.1 This Section VIII applies to participation in Board consideration of Revision Requests.

8.2 Consent Agenda. The Board may consider on a consent agenda Revision Requests that TAC unanimously recommended to approve (including abstentions), provided that any Director may request that an item on the consent agenda be removed therefrom to allow for full discussion.

8.3 Board Delegation of Authority. The Board may delegate to one or more Board Committees authority to consider Revision Requests. A Board vote on a Revision Request follows a Board Committee recommendation. The Board Committee Chair or their designee shall report to the Board a summary of Board Committee deliberations and the Board Committee's recommendation to the Board on Revision Requests. Following the Board Committee report to the Board, at the discretion of the Board Chair or Vice Chair, parties may further clarify positions, with any time allocated equally, provided time may be aggregated for multiple parties for a position. Where a party's in-person presentation to the full Board follows the party's in-person presentation to a Board Committee, the Board may use its discretion to discount new or changed information.

8.4 Written Comments on Revision Requests. In accordance with ERCOT Protocol Section 21 or the corresponding Other Binding Document section, any ERCOT Member, Market Participant, PUCT staff, the Reliability Monitor (as defined in ERCOT Protocol Section 2.1), the Independent Market Monitor (as defined in ERCOT Protocol Section 2.1), the North American Electric Reliability Corporation ("NERC") Regional Entity (as defined in ERCOT Protocol Section 2.1), or ERCOT may submit to the Board written comments on Revision Requests by submitting to RevisionRequest@ercot.com the completed comment form available on the ERCOT website. Any other interested party may submit written comments in accordance with Section 1.3.1 above.

8.5 In-Person Comments on Revision Requests. Any ERCOT Member, Market Participant, PUCT staff, the Reliability Monitor, the Independent Market Monitor, the NERC Regional Entity, or ERCOT may comment in person on a Revision

Request on the agenda for a meeting of the Board or Board Committee by contacting the Secretary or Assistant Secretary of ERCOT. Any other interested party may comment in person in accordance with Section 1.3.2 above.

IX. Procedures for Participation by Parties Opposing Actions Recommended by TAC or ERCOT Staff

9.1 TAC Appeals, TAC Recommendation Oppositions, and ERCOT Recommendation Oppositions. Any ERCOT Member, Market Participant, PUCT staff, the Reliability Monitor (as defined in ERCOT Protocol Section 2.1), the Independent Market Monitor (as defined in ERCOT Protocol Section 2.1), the North American Electric Reliability Corporation Regional Entity (as defined in ERCOT Protocol Section 2.1), or ERCOT may: (a) appeal a TAC action to reject, defer, remand or refer a matter that would have proceeded to the Board for consideration had it been recommended for approval by TAC, and requires a TAC recommendation as part of the approval process, directly to the Board ("TAC Appeal"); (b) submit written comments requesting a Board action to reject, defer, remand, or refer a matter that is before the Board for consideration, and requires a TAC recommendation as part of the approval process, other than Revision Requests for which written comments shall be submitted to the Board pursuant to Section 8.4 above ("TAC Recommendation Opposition"); or (c) submit written comments opposing a voting item recommended by ERCOT staff that does not require a TAC recommendation prior to Board action ("ERCOT Recommendation Opposition"). Board consideration of TAC Appeals and TAC or ERCOT Recommendation Oppositions will be conducted pursuant to the process and timelines provided in this Section VIII.

9.2 Advance Notice of TAC Appeals, TAC Recommendation Oppositions, or ERCOT Recommendation Oppositions. It is the policy of the Board that important arguments and information relating to a TAC Appeal or a TAC or ERCOT Recommendation Opposition be available to the Board in writing far enough in advance to enable informed decisions on such matters. The Board may discount arguments and information that are provided out of time and/or that were not provided to TAC.

9.3 Procedural Timeline for TAC Actions Not Designated as Urgent. Written notice of TAC Appeals or TAC Recommendation Oppositions on matters that have not been granted urgent status as part of the TAC review and recommendation process or that the Board Chair or Vice Chair or a PUCT Commissioner designates as urgent must be submitted to ERCOT's General Counsel within ten (10) Business Days after the date of the TAC action which serves as the basis for the TAC Appeal or comments on TAC Recommendation. The Board will hear such matter at the next regularly-scheduled Board meeting that is at least ten (10) Business Days after the date of the TAC Appeal or TAC Recommendation Opposition. The following deadlines will apply to the parties involved:

9.3.1 The TAC Chair or Vice Chair shall designate a TAC Advocate to defend the TAC action at least eight (8) Business Days before the Board meeting.

9.3.2 ERCOT shall post notice of the TAC Appeal or TAC Recommendation Opposition, and identify the TAC Advocate on the ERCOT website, and notify TAC of the same, at least seven (7) Business Days before the Board meeting.

9.3.3 The party appealing or contesting the TAC recommendation and the TAC Advocate must, and any other interested Entity may, provide a position statement, with or without supporting data, to ERCOT's General Counsel at least six (6) Business Days before the Board meeting.

9.3.4 ERCOT will distribute all timely position statements to the Board in the Board Packet as described in Section 1.2 above.

The Board Chair or Vice Chair may override any deadline in this Section 8.3 for good cause shown.

9.4 Expedited Procedural Timeline for Urgent TAC Actions. Notwithstanding Section 9.3, an expedited process shall apply to TAC Appeals or TAC Recommendation Oppositions of: (a) TAC actions related to decisions on items designated as Urgent; or (b) any other TAC action that the Board Chair or Vice Chair or a PUC Commissioner designates as urgent. Written notice of such TAC Appeals or TAC Recommendation Oppositions must be submitted to ERCOT's General Counsel within forty-eight (48) hours after the end of the relevant TAC meeting and those TAC Appeals or TAC Recommendation Oppositions shall be heard at the next Board meeting, and the TAC Chair and Vice Chair shall work with ERCOT's General Counsel to preserve the intent of Sections 9.2 and 9.3 above as fully as possible, given that such matters will be heard on less than ten (10) Business Days' notice.

9.5 Procedural Timeline for ERCOT Recommendation Oppositions. The process for ERCOT Recommendation Oppositions applies to situations in which the Board agenda includes a voting item that does not require a TAC recommendation before it comes before the Board for a vote. If a party seeks Board consideration of its comments opposing an ERCOT Recommendation for Board action, and requests that ERCOT include the comments in the Board Packet, the party must provide written notice to ERCOT's General Counsel at least ten (10) Business Days before the date of the Board meeting where the issue will be on the agenda and submit its comments with ERCOT's General Counsel at least eight (8) days before the date of the Board meeting where the issue will be on the agenda. If a party seeks to submit comments after the Board meeting materials have been delivered to Directors, the timing of the publication and distribution of the comments (as well as of any comments supporting the ERCOT Recommendation) will be at the discretion of the Board Chair or Vice Chair.

X. Board Policy on Approval of User Fees

10.1 User Fees Approval Process. The Board may authorize ERCOT to charge reasonable user fees for services provided by ERCOT to any Market Participant or other Entity. A new user fee must be approved by the Board pursuant to the Revision Request process set forth in Section 21 of the ERCOT Protocols. User fees charged by ERCOT must be identified in the ERCOT Fee Schedule included in the ERCOT Protocols.

10.2 New User Fee Criteria. The Board retains the full authority to adopt user fees for services provided by ERCOT, including fees currently included in the ERCOT Protocols, but establishes the following policy guidelines for establishing user fees which are not currently included in the ERCOT Protocols:

10.2.1 Material Impact. A new user fee should produce revenue in excess of $1,000,000.00 annually, or materially improve ERCOT operations.

10.2.2 Incremental Revenues. The revenues recovered by a new user fee should be incremental to revenue recovered through the System Administration Fee.

10.2.3 Limited Beneficiaries. A new user fee should be for a service that benefits a relatively few discrete Market Segments or Market Participants rather than providing general benefit to most Market Segments or Market Participants.

XI. Procedure for Determination of Affiliate Relationship for Membership

11.1 Membership Applicant Procedure. Any applicant for Membership (“Membership Applicant”) shall follow the procedure in this section to request Board determination of whether entities are Affiliates of one another for the purpose of determining Member Segment and voting rights pursuant to the definition of “Affiliate” in the Bylaws (Article 2, Paragraph 1).

11.2 Verified Letter or Affidavit. The Membership Applicant shall send to the Board Chair with a copy to ERCOT’s General Counsel either (1) a letter verified by an authorized representative of the Membership Applicant or (2) an affidavit executed by an authorized representative of the Membership Applicant, requesting Board determination of Affiliate relationship for purposes of the definition of “Affiliate.” The verified letter or affidavit must provide sufficient facts of relevant corporate relationships of the Membership Applicant to allow for the Board’s review of corporate relationships in consideration of the definition of “Affiliate.”

11.3 Deadline for Submission. The Membership Applicant must send the verified letter or affidavit to be received no later than the submission date for the Board materials for the Board meeting preceding the Membership application deadline for the following Membership year.

XII. Review and Reaffirmation

12.1 Review and Reaffirmation. The Board may amend this document at any time, but at a minimum the Policies and Procedures shall be reviewed and reaffirmed annually.

Appendix A
Board and Residential Consumer TAC Representative Compensation

Role	Base Compensation	Added Compensation
Selected Director	$160,000 per year	--
Board Chair	--	$~~35~~40,000 per year
Board Vice Chair	--	$15,000 per year
Board Committee Chair	--	$25,000 per year
Residential Consumer TAC Representative	$3,000 per month	$500 per meeting for up to 3 TAC or TAC subcommittee meetings per month

See Appendix A-1 for Selected Director Term Retention Compensation Program.

Appendix A-1
Selected Director Term Retention Compensation Program

1. Purpose

The Selected Director Term Retention Compensation Program is intended to support continuity of Board expertise, retention of institutional knowledge, completion of Selected Director terms, and orderly Board succession.

2. Eligibility

All Selected Directors elected by the ERCOT Board Selection Committee pursuant to applicable law and ERCOT governing documents are eligible to participate in the Selected Director Term Retention Compensation Program.

3. Retention Award

Upon election to each three-year Director term, an eligible Selected Director shall be granted a Selected Director Term Retention Award with a target value of $150,000.

A new award shall be granted for each new three-year term to which a Selected Director is elected.

4. Vesting and Payment

A Selected Director Term Retention Award shall:

4.1 Vest upon completion of the applicable three-year term; and

4.2 Be paid as soon as administratively practicable following completion of the applicable term.

No portion of a Selected Director Term Retention Award shall vest before completion of the applicable term except as expressly provided in Section 6.

5. Separation from Board Service

Except as provided in Section 6, a Selected Director who ceases to serve on the Board before completion of the applicable term shall forfeit any unvested Selected Director Term Retention Award.

No partial vesting shall occur for voluntary resignation, removal, failure to satisfy eligibility requirements, or any other cessation of Board service before completion of the applicable term.

6. Death or Disability

If a Selected Director's Board service ends because of death or disability before completion of the applicable term, the Selected Director or the Selected Director's estate shall be entitled to a prorated portion of the Selected Director Term Retention Award.

The prorated amount shall be determined by multiplying the award value by a fraction, the numerator of which is the number of completed months served during the applicable term and the denominator of which is thirty-six (36).

7. Transition Rules for Current Selected Directors

Effective October 1, 2026, each then-serving Selected Director shall receive a prorated Selected Director Term Retention Award based on the remaining portion of the Selected Director's current three-year term.

The prorated award shall be determined by:

7.1 Multiplying $150,000 by a fraction, the numerator of which is the number of months remaining in the Selected Director's current term as of October 1, 2026, rounded to the nearest month, and

7.2 Dividing such amount by thirty-six (36).

Such transition award shall vest upon completion of the Selected Director's current term, subject to Sections 5 and 6.

8. Administration

The Human Resources and Governance Committee shall oversee administration of the Selected Director Term Retention Compensation Program and may recommend clarifying amendments to the Board as necessary, provided that any material modification shall require Board approval.

Appendix B
Non-Binding Process Guide for Board Consideration of Revision Requests

TAC Action	TAC Consensus	Post-TAC Action	Board/ Committee Agenda Item(s)	Board/ Committee Action	Presenter	Governing Document(s) include
Revision Request TAC voted to reject, defer, remand or refer	Any	Appeal	**Board Committee Agenda**	**Vote**	**Board Committee Chair**	PURA Section 39.151(g-6) PUCT Subst. R. 25.362(c)(1)-(2) Protocol Section 21 or corresponding Other Binding Document section Bylaws Section 4 Board Committee Charter Section I et seq. Board Policies and Procedures Section 8 and Section 9
			TAC Report Appellant Position Statement Presentation of TAC Action ERCOT Comments Position Statement of Interested Parties Appellant Closing Statement	Discussion Discussion Discussion Discussion Discussion Discussion	Tac Chair or Delegate Appellant TAC Advocate Staff Interested Parties Appellant	
			Board Agenda	**Vote**	**Board Chair**	
			Board Committee Report and Recommendation	Discussion	Board Committee Chair	
Recommendation to Approve Revision Request	Unanimous	None	**Board Agenda**	**Vote**	**Board Chair**	PURA Section 39.151(g-6) PUCT Subst. R. 25.362(c)(1)-(2) Bylaws Section 4 Board Policies and Procedures Section 8
			Consent Agenda	Discussion	Secretary or Assistant Secretary	
Any Revision Request on Board and/or Board Committee Agenda	Any	Party named in Section 8.4 submits written comments or notifies Secretary or Assistant Secretary to speak in person during meeting of Board or Board Committee	**Board Committee Agenda**	**Vote**	**Board Committee Chair**	PURA Section 39.151(g-6) PUCT Subst. R. 25.362(c)(1)-(2) Protocol Section 21 or corresponding Other Binding Document section Bylaws Section 4
			TAC Report ERCOT Comments, if any Party Comments	Discussion Discussion Discussion	TAC Chair or Delegate ERCOT staff Commenter	
			Board Agenda	**Vote**	**Board Chair**	
			Board Committee Report and Recommendation	Discussion	Board Committee Chair	

						Board Committee Charter Section I et seq. Board Policies and Procedures Section 8
Any Revision Request on Board and/or Board Committee Agenda	Any	Interested person submits written comments or timely completes a form to speak in person during meeting of Board or Board Committee	Board and/or Board Committee Agenda (location at discretion of Chair/Vice Chair)	Discussion	Commenter	PURA Sections 39.151(g-6) & 39.1511(b) PUCT Subst. R. 25.362(c)(1)-(2) Bylaws Section 4 Board Policies & Procedures Section 1 and Section 8