



**Request for Proposal for
Investment Management Services_05-18_JT**

Date of Release: May 02, 2018

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1. General Information

1.1. Request for Proposal (RFP) Objective

The objective of ERCOT in this procurement is to identify and contract with a qualified vendor to provide U.S. Securities investment management services.

1.2. ERCOT Background

1.2.1. Overview of Electric Reliability Council of Texas, Inc.

The Electric Reliability Council of Texas (ERCOT) manages the flow of electric power to 24 million Texas customers, representing about 90 percent of the state's electric load. As the independent system operator for the region, ERCOT schedules power on an electric grid that connects more than 46,500 miles of transmission lines and 570+ generation units. ERCOT also performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for 7 million premises in competitive choice areas. ERCOT is a membership-based 501(c)(4) nonprofit corporation, governed by a board of directors and subject to oversight by the Public Utility Commission of Texas and the Texas Legislature. Additional information about ERCOT can be found at <http://www.ercot.com/>.

1.3. Strategic Elements

1.3.1. Contract Term

ERCOT intends to award a contract resulting from this solicitation for an initial term of one year, or as necessary to fulfill the goals of this Request for Proposal (RFP).

Any contract issued as a result of this solicitation is subject to cancellation, without penalty, either in whole or in part, for breach of contract. Such a contract may also be canceled by ERCOT for convenience upon a thirty- (30) day written notice.

1.3.2. Contract Elements

The term "contract" means the contract was awarded as a result of this RFP and all exhibits attached hereto. At a minimum, the following documents will be incorporated into the contract: this RFP and all attachments and exhibits; any modifications, addendum, or amendments issued in conjunction with this RFP; and the successful Respondent's proposal. The Respondent, if selected, must execute ERCOT's Master Agreement. The actual work to be performed and the compensation for such work will be documented in a Statement of Work. If the Respondent currently has an active Master Agreement with ERCOT, only a new Statement of Work will be required.

1.4. Basic Philosophy: Contracting for Results

ERCOT'S fundamental commitment is to contract for value and successful results. A successful result is denoted as the generation of defined, measurable, and beneficial outcomes that support ERCOT's missions, objectives, and goals, and satisfies all defined contract requirements.

1.5. Legal and Regulatory Constraints

1.5.1. Conflicts of Interest

ERCOT seeks to ensure a level playing field in the award of the contract. ERCOT has implemented an aggressive policy concerning actual or potential conflicts of interest to ensure fair and open competition, and has included language concerning actual and potential conflicts of interest in Section 8 of the Master Agreement. Respondents must carefully review and understand this language when developing proposals.

1.5.2. Former Employees of ERCOT

The Respondent must disclose any past employment of its employees and agents, or its Subcontractors' employees and agents, by ERCOT, including the individual's name and the date such individual's employment at ERCOT ended.

1.5.3. Interpretive Conventions

Whenever the terms "shall," "must," "or "is required" are used in this RFP in conjunction with a specification or performance requirement, the specification or requirement is mandatory for the potential vendor. ERCOT may, at its sole discretion, reject any proposal that fails to address or meet any mandatory requirement set forth herein.

Whenever the terms "can," "may," or "should" are used in this RFP in conjunction with a specification or performance requirement, the specification or performance requirement is a desirable, but not mandatory, requirement.

1.6. ERCOT Point of Contact

The sole point of contact for inquiries concerning this RFP is:

Jason Terrell
2705 West Lake Drive
Taylor, Texas 76574
(512) 248-6331
Jason.Terrell@ercot.com

All communications relating to this RFP must be directed to the specified ERCOT contact person. All other communications between a Respondent and ERCOT staff concerning this RFP are prohibited. Failure to comply with this section may result in ERCOT's disqualification of the proposal.

1.7. Procurement Timeline

Procurement Timeline	
RFP Release Date	May 02, 2018
Optional Notice of Intent to Propose Due	May 07, 2018
Vendor Questions Due	May 09, 2018
Response to Vendor Questions Sent	May 11, 2018
Vendor Proposals Due	May 18, 2018
Anticipated Contract Award	May 31, 2018
Anticipated Contract Start Date	June 08, 2018

1.8. Communications Regarding This Procurement

ERCOT reserves the right to amend this RFP at any time prior to the proposal submission deadline. Any changes, amendments, or clarifications will be made in the form of responses to vendor questions, amendments, or addendum issued by ERCOT and sent to the point of contact listed on the Notice of Intent to Propose. Vendors not submitting the Notice of Intent to Propose will not receive changes, amendments, or answers to questions regarding this RFP.

1.9. RFP Cancellation/Non-Award

ERCOT reserves the right to cancel this RFP or to make no award of a contract pursuant to this RFP.

1.10. Right to Reject Proposals

ERCOT may, in its discretion, reject any and all proposals submitted in response to this RFP.

1.11. No Reimbursement for Costs of Proposals

ERCOT will not reimburse any Respondent for costs of developing a proposal in response to this RFP.

2. Scope and Requirements

2.1. Project Scope Overview

ERCOT intends to enter into an investment management agreement with an investment advisor to manage an account on ERCOT's behalf. The separately managed account will invest in strictly U.S. Treasuries with an approximate portfolio duration of less than one year. ERCOT would like to maintain a buy and hold strategy in this portfolio and determine whether to re-invest when the treasuries mature. ERCOT's investment objectives are the following: 1) Safety of Principal, 2) Liquidity, 3) Return on investment.

2.2. General Requirements

- In their responses to this RFP, Respondents must describe in detail the methodology and approach to meeting the requirements of this RFP.
- The awarded supplier must provide a project lead who has decision-making authority and who will assume responsibility for coordination, control, and performance of this effort.
- Any changes to key personnel associated with the subsequent contract must be submitted in writing and approved in writing by ERCOT.
- The awarded supplier must provide an organizational chart and list of the supplier's corporate chain-of-command, as well as any established procedures for contacting individuals within that chain-of-command.

2.3. Qualifications

Responding firms shall possess experience providing investment management services. Through their RFP responses, each respondent shall display their knowledge and expertise in the areas identified in this RFP. This includes references of similar portfolios and detailed resumes for team members responsible for delivering this scope of work.

In addition to the information above, all respondents are required to answer the following questions and provide supplemental information as identified below. Respondents providing Notice of Intent will receive an excel spreadsheet with these questions. Respondents are expected to include this spreadsheet and all responses with their RFP Submittal.

2.3.1. Investment Strategy

- Attach Form ADV Part 1, Part 2A, and Part 2B (including any brochures).
- Briefly describe the proposed strategy.
- List all vehicle structures offered for this strategy

2.3.2. Investment Process

- At a high level, describe the investment process the proposed strategy employs.
 - What is the investable universe?
 - How is the decision-making structured?
- How do liquidity concerns impact the portfolio construction process? What circumstances would cause a liquidity problem for the strategy?
- Although we do not expect large or frequent withdrawals in the portfolio, we want to be assured of its liquidity. How quickly could you liquidate 25% of the portfolio? 50%? 100%? What is the process to liquidate the portfolio?
- Given the following guidelines, how would you construct a \$100MM portfolio as of 4/30/18? Portfolio should be invested in U.S. Treasury securities, with an average maturity of 1 year or less, and with individual security maturities not to exceed 2 years. Benchmark: ICE BofAML 0-2 Year U.S. Treasuries Index.
 - Please provide sample portfolio.
 - What other asset class would you consider for inclusion in the portfolio? The use of repurchase agreements is not permitted.
- Please describe each fee associated with this RFP including the total cost to ERCOT.
- Please include any additional information you believe might be relevant.

2.3.3. Assets Under Management

- What was the market value of all assets under management as of 12/31/2017? Identify both total firm assets, fixed income assets, and Global Liquidity/low duration assets.
- Please provide a breakdown of your asset base by client type, as of 12/31/2017.

2.3.4. Security Analysis

- Describe the investment research process for the strategy with respect to individual securities:
 - What percentage of research is performed in-house?
 - What documentation do you produce in evaluating an individual security?
 - Who has the ability to bring an individual security to the key decision-maker(s) for inclusion in the portfolio?

2.3.5. Portfolio Construction

- Describe the portfolio construction process:
 - Who is involved in the portfolio construction process?
 - What is the frequency of meetings with the separate account advisor?

2.3.6. Risk Management

- Does your firm maintain a written risk management policy? If yes, provide a copy.
- Describe the firm's risk management policy and procedures for the strategy under review.
 - How do you define risk?
 - What risks are measured?
- Does the firm maintain any risk quantification systems (or software program(s)) with regard to individual security and/or portfolio risk? If so, are the risk tools used forward-looking or based on historical data?
- How does the firm manage the strategy's liquidity risk? What criteria does your firm use to determine there is sufficient liquidity for the firm's total position in a security?

2.3.7. Investment Team

- Provide an organizational chart showing how the strategy investment team relates to the rest of the organization.
- How is the securities analysis role handled? Are the analysts specialists or generalists?
- Discuss succession plans within the investment team. What would happen if the key decision-maker(s) left the team either temporarily or permanently?

2.3.8. Trading

- Does your firm have any broker/dealer affiliation? Are all trades executed through an independent brokerage firm?
- Describe your firm's best execution process.
- How is the firm's critical trading data backed up? What contingency plan is in place in the event of a network/systems failure?

2.3.9. Firm Background and Information

- Provide a brief history of the company and, if applicable, group structure. Be sure to describe all business lines, especially those outside of asset management.
- Provide a chart of the legal structure of the company and list all associated entities.
- Provide an organizational chart of the company.

2.3.10. Client Reporting

- Describe your client reporting policy, addressing the following:
 - Frequency of written reports.
 - Other forms of client communication.
 - Timeliness of reporting.
- Describe your policy for reconciling to the custodian. What is your policy for notifying a client of any discrepancy?
- Provide copies of the portfolio management commentaries from the last four quarters.
- Does the firm produce general investment research for client consumption? If so, provide sample(s).
- Does the firm conduct educational sessions for clients? If so, provide examples and samples.
- Can clients request customized reports?

2.3.11. Legal

- Will you acknowledge, in writing, your role as a delegated fiduciary?
- Will you accept legal venue in Texas?
- Are there any criminal, civil, or administrative proceedings pending against the firm, the investment vehicles, or any of its principals? Have there been any in the past? If yes, explain and attach supporting documents.
- Are there any investigations, private or public, by the SEC, FINRA, CFTC, NFA, exchange, state authority, foreign authority, or other governmental or regulatory agency against the firm or any members of the firm? If yes, explain and attach supporting documentation.
- Are there any lawsuits pending against the company?

2.3.12. Administration

- Does the firm handle all portfolio administration functions in-house, or does the firm utilize an outside service? If an outside service provider is used, provide the name and details and disclose any applicable fees.
- Are all assets held with an independent, third party custodian?
- Provide a list of your custodial relationships, including contact information.
- Provide the name of the firm's/strategy's auditor, including contact name and phone number.
- Has the auditor of the firm/offering been the same since its inception? If not, explain the reason for the change and the predecessor auditor.

- Please list the systems that the firm uses for
 - Portfolio Accounting/Performance
 - Trading
 - Research and Analytics

2.3.13. Compliance/Regulation

- Provide the name of the person who is responsible for compliance. Is this a dedicated full time function? If not, how much time (during a quarter) does this person dedicate to compliance?

2.3.14. Business Continuity and Disaster Recovery

- Describe the firm's provisions for business continuity under these scenarios:
 - Power failure;
 - Computer system crash;
 - Incapacitated investment decision makers; and
 - Disaster.
- When was the last time your disaster recovery plan was tested?
- What were the results of that test?
- Does the firm have an off-site location where it can operate?
- In the event of a Disaster Recovery scenario, please describe any applicable notification and communications plans.

2.3.15. Insurance

- Do you currently hold insurance for the following (if you are not restricted from disclosing such information under the terms of your policies):
 - Directors' and Officers' Liability;
 - Professional Indemnity;
 - Errors and Omissions;
 - Crime (employee fidelity/third-party fraud); and/or
 - Key Person Insurance?

2.3.16. References

- Provide the name, title, and contact information (including email address) of three client references invested in the proposed strategy.

2.4. Deliverables

Investment Management services as described herein; including a breakout of all relevant fees.

3. General Instructions and Requirements

3.1. Notice of Intent to Propose

A prospective vendor may submit a Notice of Intent to Propose to the ERCOT Point of Contact identified in **Section 1.6** no later than 5:00PM Central Time on **the date listed in the Section 1.7 Procurement Timeline**. The Notice of Intent should consist of an email stating that the prospective vendor intends to submit a proposal for this procurement. **Only vendors who submit a Notice of Intent to Propose will receive the answers to questions from all vendors, and/or any clarifications, amendments, and addenda to the RFP.** Vendors who provide a Notice of Intent are not obligated to submit proposals after submitting the Notice of Intent, but must submit a response to be considered for an award.

3.2. Vendor Questions and Comments

All questions and comments regarding this RFP must be submitted electronically to the email address contained in **Section 1.6**. All questions must reference the appropriate RFP page and section number. In order to receive a response, vendor questions and comments must be received no later than the deadline set forth in **Section 1.7**. Inquiries received after the due date may be reviewed by ERCOT but will not receive a response. Answers to vendor questions will be emailed to the point of contact listed on the Notice of Intent to Propose. A Respondent must inquire in writing as to any ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error in this RFP prior to submitting a proposal. If a Respondent fails to notify ERCOT of any error, ambiguity, conflict, discrepancy, exclusionary specification, or omission, the Respondent shall submit a proposal at its own risk and, if awarded the contract, shall have waived any claim that the RFP and Master Agreement were ambiguous and shall not contest ERCOT's interpretation. If no error or ambiguity is reported by the deadline for submitting written questions, the Respondent shall not be entitled to additional compensation, relief, or time by reason of the error or its later correction.

ERCOT reserves the right to amend answers prior to the proposal submission deadline.

3.3. Modification or Withdrawal of Proposal

Proposals may be withdrawn from consideration at any time prior to the award of contract. A written request for withdrawal must be made to the ERCOT Point of Contact (**Section 1.6**).

A Respondent has the right to amend its proposal at any time and to any degree by written amendment delivered to the ERCOT Point of Contact prior to the proposal submission deadline. ERCOT reserves the right to request an amendment to any part of the proposal during negotiations.

3.4. News Releases

A Respondent may not issue press releases or provide any information for public consumption regarding its participation in this procurement without specific prior written approval of ERCOT.

3.5. Incomplete Proposals

ERCOT may reject without further consideration any proposal that is not completely responsive to this RFP.

3.6. ERCOT Use of Vendor Ideas

ERCOT reserves the right to use any and all ideas presented in any proposal that are not the Respondent's proprietary information and so designated in the proposal. The Respondent's proprietary materials do not include information that:

- is already published or available to the public, or subsequently becomes available;
- is received from a third party who, to ERCOT's knowledge, is not in breach of any obligation of confidentiality; or
- is independently developed by personnel or agents of ERCOT without reliance on the Respondent's proprietary materials.

3.7. Additional Information

By submitting a proposal, the Respondent grants ERCOT the right to obtain information from any lawful source regarding: (i) the past business history, practices, conduct, and ability of a Respondent to supply goods, services, and deliverables; and (ii) the past business history, practices, conduct, and ability of the Respondent's directors, officers, and employees. ERCOT may take such information into consideration in evaluating proposals.

3.8. Instructions for Submitting Proposals

3.8.1. Submission

Submit all copies of the proposal to the ERCOT Point of Contact no later than **2:00 p.m. Central Time on the submission deadline** (see **Sections 1.6 and 1.7**). The proposal must be signed by an authorized representative of the Respondent and submitted electronically via email—the file must not exceed 20MB. If this size restriction cannot be met, multiple emails may be sent, but the Respondent must indicate how many emails ERCOT should anticipate (i.e., "email 1 of 3"). ERCOT reserves the right to disqualify late proposals.

3.8.2. Additional Requirements

All proposals must be:

- clearly legible;
- sequentially page-numbered;
- organized in the sequence outlined in **Sections 3.9 and 3.9.1**;
- limited to 50 pages (excluding ERCOT required forms);
- responsive to the requirements of this RFP; and
- proposals should include the Respondent's name at the top of each page, and should not include unrequested materials or pamphlets.

3.9. Format and Content

The proposal must consist of two separate parts and must be sent in two separate attachments:

Part 1 – Business Proposal

Part 2 – Cost Proposal

3.9.1. Part 1 – Business Proposal

The Business Proposal must include the following sections:

- *Section 1 – Transmittal Letter*
- *Section 2 – Executive Summary*
- *Section 3 – Corporate Background and Experience*
- *Section 4 – Methodology and Services Approach*
- *Section 5 – Assumptions*
- *Section 6 – Appendices*
- *Section 7 – Vendor Information and Other Required Forms*

Section 1 – Transmittal Letter

Respondents must include a transmittal letter printed on official company letterhead. The letter must be signed by an individual authorized to legally bind the Respondent.

The transmittal letter must include:

1. Disclosure of all pending, resolved, or completed litigation, mediation, arbitration, or other alternate dispute resolution procedures involving the Respondent (including Subcontractors) and its client(s) within the past 24 months.
2. Disclosure of all affiliations with, or ownership relationships with, any ERCOT Market Participant or its affiliates.
3. A description of any personal or business interest that may present an actual, potential, or apparent conflict of interest with the performance of the contract and an explanation of how the Respondent can assure ERCOT that these relationships will not create an actual conflict of interest.
4. A list of key personnel previously employed by ERCOT in accordance with the requirements of Section 1.5.2.
5. A complete list of all exceptions, reservations, and limitations to the terms and conditions of the RFP.
6. Signed copies of the Professional Services Agreement, NDA, IRS W-9, and Vendor Information Form, located here: <http://www.ercot.com/about/procurement/index.html>.
7. Additionally, if the nature of this RFP solicitation involves an Information Technology purchase, please review and acknowledge the “Cyber Security Requirements” document, also located here: <http://www.ercot.com/about/procurement/index.html>.
8. If proposing a SaaS solution, the Respondent must include a copy of a SOC 2 (type 2) audit report, or equivalent (ISO 27001 certification proof).
9. Please also address the following Records and Information Management (RIM) RFP questions:
 1. Does the solution include an application that will generate electronic information to be saved or stored within such application, whether hosted off-site or within ERCOT’s current IT infrastructure?
 - If YES, proceed to question 2.
 - If NO, no further questions are required as this does not pose any RIM Program concerns.
 2. Does the solution utilize proprietary electronic document formats?
 - If YES, provide additional detail for RIM evaluation (format(s) and access requirements).
 - If NO, provide additional detail for RIM evaluation (format(s)).

3. Can the product meet ERCOT's RIM program requirements¹ for records and information generated or stored by the system including destruction at the end of their lifecycle?
 - If YES, provide additional detail for RIM evaluation.
 - If NO, initiate additional discussion.

Section 2 – Executive Summary

In this section, the Respondent should condense and highlight the content of the Business Proposal to provide ERCOT with a broad understanding of the Respondent's approach to meeting ERCOT's objectives for this procurement.

Section 3 – Corporate Background and Experience

Respondent's Background and Experience

This section details the Respondent's corporate background and experience. If the Respondent proposes to use Subcontractor(s), it must describe any existing ongoing relationships with such Subcontractor(s), including project descriptions. The section should include the following information:

- respondent's full organization, company, or corporate name
- headquarters address
- type of ownership (e.g., partnership, corporation)
- if the Respondent is a subsidiary or affiliate and the name of the parent organization
- state where the Respondent is incorporated or otherwise organized to do business
- federal taxpayer identification
- name and title of person who will sign the contract
- name and title of person responsible for responding to questions regarding the proposal, with telephone number, facsimile number, and email address

Describe the Respondent's corporate background as it relates to projects similar in scope and complexity to the project described in this RFP.

If the proposal includes the use of Subcontractors, include a similar description of the Subcontractor's corporate background.

Include at least three (3) references for projects performed within the last five (5) years that demonstrate the Respondent's ability to perform the required RFP services. Include contract dates and contact parties, with address, telephone number, and email, if available. If the work was performed as a Subcontractor, the Respondent must describe the scope of subcontracting activities.

Key Personnel

Identify and describe the Respondent's proposed labor skill set and provide resumes of all proposed key personnel (as defined by the Respondent). Resumes must demonstrate experience germane to the position proposed. Resumes must list any relevant professional designations for key personnel identified by Respondent. Resumes should include work on projects cited under the Respondent's corporate experience, and the specific functions performed on such projects.

Section 4 – Methodology and Services Approach

Describe the Respondent's methodology for providing the deliverables identified in Section 2.

¹ RIM program requirements include purging records and non-record information based on current business requirements and the retention requirements found in ERCOT's Records Retention Schedule.

Section 5 – Assumptions

State any business, economic, legal, or practical assumptions that underlie the Respondent's Business Proposal.

Section 6 – Appendices

Include any appendices to the Respondent's Business Proposal.

Section 7 – Vendor Information and Other Required Forms

Respondents must complete the following required forms:

- Nondisclosure Statement
- All Respondents must provide a completed Supplier Vendor Information Form along with the proposal, except for current ERCOT suppliers who have an active Master Agreement with ERCOT or who have completed the VIF within the last six (6) months.
- If the anticipated contract value with ERCOT is equal to or >\$250,000.00, the Respondent must include the two (2) most recent two (2) years' audited financial statements (include unaudited statements if supplier is unaudited). Publically-held companies must include or provide a link to the most recent Forms 10-K and 10-Q filings.

3.9.2. Part 2 – Cost Proposal

The Cost Proposal must be based on the Scope of Work described in Section 2. This section should include any business, economic, legal, or practical assumptions that underlie the Cost Proposal. Respondents may separately identify cost-saving and cost-avoidance methods and measures and the effect of such methods and measures on the Cost Proposal and Scope of Work.

Respondents must utilize the Cost Proposal table format listed below for submitting a Cost Proposal. However, Respondents may propose optional cost proposals if such proposals are more cost effective (i.e., time and materials cost structure, etc.) for ERCOT.

Cost Proposal		
Cost not included in Respondent's pricing proposal to ERCOT are the sole responsibility of the Respondent.	Estimated Number of Hours to Complete	Total Cost
Project Deliverables and Costs		
Deliverable 1 – Investment Management services as described herein; including a breakout of all relevant fees.	XX	\$0.00
	TOTAL FIXED COST:	\$0.00

3.9.3. Multiple Responses

A Respondent may submit more than one proposal, including a joint proposal with one or more Respondents.

3.10. Joint Proposals

Two or more companies may join together and submit a joint proposal in response to this RFP. A joint proposal must completely define the responsibilities each company proposes to undertake. Also, the joint proposal must designate a primary Respondent who will be responsible for the delivery of all goods, services, and requirements as specified in the RFP, and a single authorized official from the primary Respondent to serve as the sole point of contact between ERCOT and the joint proposers. Any contract resulting from a joint proposal must be signed by an authorized agent or officer of each company. Each company included in the submission of a joint proposal will be jointly and severally liable during the term of the contract.

4. Evaluation

4.1. Evaluation of Proposals

ERCOT will select the successful vendor through an internal evaluation process. ERCOT will consider capabilities or advantages that are clearly described in the proposal, which may be confirmed by oral presentations, site visits, or demonstrations, if required, and verified by information from reference sources contacted by ERCOT. ERCOT reserves the right to contact individuals, entities, and organizations that have had dealings with the Respondent, or staff proposed for this effort, whether or not identified in the proposal.

4.2. Evaluation Criteria

The primary criteria for evaluating the proposals as they relate to this RFP are:

1. the vendor's ability to meet the requirements set forth in Section 2
2. the vendor's fees or cost structure

4.3. Oral Presentations and Site Visits

ERCOT may, at its sole discretion, request oral presentations, site visits, and/or demonstrations from one or more Respondents. ERCOT will notify selected Respondents of the time and location for these activities, and may supply agendas or topics for discussion. ERCOT reserves the right to ask additional questions during oral presentations, site visits, and/or demonstrations to clarify the scope and content of the written proposal, oral presentation, site visit, or demonstration.

4.4. Discussions with Respondents

ERCOT may, but is not required to, conduct discussions and negotiations with all, some, or none of the Respondents for the purpose of obtaining the best value for ERCOT.