



Date: June 11, 2024
To: Board of Directors
From: Bob Flexon, Reliability and Markets (R&M) Committee Chair
Subject: R&M Committee Charter

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: June 18, 2024

Item No.: 12.1

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve revisions to the R&M Committee Charter.

Background/History:

The R&M Committee Charter requires annual approval by the R&M Committee (Committee). Pursuant to this requirement, the Committee annually reviews and votes on the Charter, including to recommend any proposed changes to the Board.

At its February 26, 2024 meeting, the Human Resources and Governance (HR&G) Committee discussed draft revisions to the Board Policies and Procedures document to provide opportunity for stakeholder feedback. Following inclusion of draft redlines in the materials for the March meeting of the Technical Advisory Committee (TAC) and presentation of the redlines to TAC at the April and May meetings, HR&G Committee and Board consideration of revisions to the Board Policies and Procedures document is expected during their June meetings.

To align with the timeline for Board consideration of revisions to the Board Policies and Procedures document, the R&M Committee in February discussed the proposed R&M Committee Charter revisions summarized below for the Board to consider during the June Board meeting.

Key Factors Influencing Issue: To further reflect Committee priorities and processes for consideration of reliability and markets Revision Requests, the following clarifications to the R&M Committee Charter are proposed, as illustrated in **Attachment A:**

- Revision Requests that are priorities for Committee review and recommendation to the Board include those remanded to ERCOT by the Public Utility Commission of Texas;
- The Committee makes a recommendation to the Board, in addition to reviewing, regarding appeals of TAC actions to reject, table, remand, or refer Revision Requests, or when comments to the Board are submitted regarding Revision Requests; and

- The Committee considers Revision Requests in accordance with processes in the Board's Policies and Procedures.

To further reflect Committee priorities and processes for consideration of other items, the following clarifications to the R&M Committee Charter are proposed, as illustrated in **Attachment A**:

- The Committee makes a recommendation to the Board, in addition to reviewing, wholesale market price corrections that staff submit to the Board for approval;
- The Committee also reviews other reports, such as by the Independent Market Monitor (IMM), in addition to Company reports regarding the design, structure, and performance of ERCOT's competitive retail and wholesale electric market; and
- The Committee reviews reports on TAC and Subcommittee Structural/Procedural Review, when submitted by TAC to the Board.

As also illustrated in **Attachment A**, to improve efficiency and maintain consistent corporate governance practices among Board committees, the proposed revisions only require the Committee vote on the Charter during annual reviews when changes are recommended.

Conclusion/Recommendation: The R&M Committee is expected to review the R&M Committee Charter at its meeting on June 17, 2024 and is expected to recommend to the Board whether any R&M Committee Charter revisions should be made. If the R&M Committee recommends revisions to the R&M Committee Charter, then it is expected that the R&M Committee will recommend that the revisions become effective upon approval by the Board.



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

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to approve the Reliability and Markets (R&M) Committee Charter; and

WHEREAS, at the meeting of the Committee on June 17, 2024, the R&M Committee recommended approval of the R&M Committee Charter consistent with **Attachment A** hereto;

THEREFORE, BE IT RESOLVED, that the R&M Committee Charter is approved consistent with **Attachment A**, to be effective immediately.

CORPORATE SECRETARY'S CERTIFICATE

I, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its _____ meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 2024.

Jonathan M. Levine
Assistant Corporate Secretary

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
RELIABILITY AND MARKETS COMMITTEE CHARTER

I. Committee Purpose

The Reliability and Markets Committee (the “Committee”) of the Board of Directors (“Board”) (individually a “Director” and collectively the “Board”) of Electric Reliability Council of Texas, Inc. (“ERCOT” or the “Company”) shall be responsible for the review of core Independent System Operator (“ISO”) functions of the Company and such other functions as the Board, from time to time, may delegate to the Committee.

The Committee’s oversight extends to the functions described in the *Duties and Responsibilities* section of this Charter and includes the power, described in the *Committee Authority* section, to execute those duties and responsibilities as the Committee deems appropriate to further the Committee’s purposes.

II. Committee Membership

A. Committee Member Qualifications

1. The Board shall confirm the Committee’s membership (“Committee Members”) based on candidates’ combined expertise and experience to facilitate the Committee’s execution of the *Duties and Responsibilities* section of this Charter.
2. Committee Members are expected to prepare for and attend meetings of the Committee.

B. Committee Member Terms

1. A Committee Member shall serve on the Committee until whichever of the following first occurs:
 - a. The Committee Member’s service as a Board Director terminates;
 - b. The Board, with or without cause, removes the Committee Member from the Committee; or
 - c. The Committee Member resigns from the Committee.

III. Committee Chair and Secretary

A. Committee Chair

1. The Board shall designate a Committee Member, who shall not be the Chief Executive Officer (“CEO”) of ERCOT, as the Committee Chair.
2. The Committee Chair shall have the following duties:
 - a. Manage meetings and meeting frequency;
 - b. Manage and facilitate the Committee’s work; and

- c. Enlist the necessary assistance of other Committee Members to accomplish the Committee’s purpose, duties, and responsibilities.
3. The Committee Chair’s authority includes the following:
 - a. Unlimited access to ERCOT’s management and information for purposes of conducting the functions of the Committee; and
 - b. Authority to establish such other rules as may from time to time be necessary and proper for the conduct of the Committee.

B. Committee Secretary

1. The Committee shall designate a secretary (“Committee Secretary”), who may be a Committee Member or employee of ERCOT.

IV. Committee Duties and Responsibilities

A. Committee Oversight Function

1. The Committee’s function is one of oversight, recognizing that the Company’s management is responsible for preparing the Company’s documents, plans, programs, filings, and agreements.
2. In adopting this Charter, the Board acknowledges that the Committee Members are not employees of the Company and are not providing any expert or special assurance as to the Company’s documents, plans, programs, filings, and agreements.
3. Each Committee Member shall be entitled to rely on the integrity and expertise of those providing information to the Committee, including both staff and persons the Committee or the Company retains in relation to the Committee’s performance of its duties and responsibilities, absent actual knowledge to the contrary.
4. In performing its duties and responsibilities, the Committee’s general considerations shall include sound governance principles and industry trends.
5. Committee duties and responsibilities are set forth below as a guide to the Committee with the understanding that the Board may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law, and by the Company’s Certificate of Formation and Bylaws.

B. Committee’s Reliability and Markets Duties and Responsibilities

1. Requests to Revise Reliability and Markets Rules
 - a. The Committee’s oversight of processing of requests to revise reliability, markets, and market credit rules, guides, other binding

documents, and system change requests shall include regular review of the inventory of open revision requests and aging.

- b. The Committee shall review and make a recommendation to the Board regarding ~~hear~~ appeals of ~~decisions of the~~ Technical Advisory Committee (TAC) actions to reject, table, remand, or refer revision requests, or when comments are submitted to the Board regarding revision requests. ~~The Committee may make recommendations to the Board about the appeals.~~
- c. The Committee shall review and make a recommendation to the Board regarding priority revision requests, including revision requests remanded by the Public Utility Commission of Texas, recommended non-unanimously by TAC for Board approval, or recommended unanimously but selected by the Committee Chair for the Committee's review.
- ~~e.d.~~ The Committee shall consider revision requests described in this Section in accordance with processes in the Board Policies and Procedures.

2. Operations and Transmission Planning

- a. The Committee's assessment and mitigation of risks to grid operations and transmission planning shall include reviewing and making recommendations to the Board regarding any Tier 1 transmission projects the Company submits to the Board for endorsement.
- b. Annually, the Committee shall make a recommendation to the Board regarding ERCOT Methodologies for Determining Minimum Ancillary Service Requirements.
- c. The Committee shall review Company reports regarding transmission system planning and grid operations, including generation interconnection, weatherization, and load integration.

3. Commercial Markets

- a. The Committee's assessment and mitigation of risks shall include reviewing and making recommendations to the Board regarding any pilot projects the Company submits to the Board for endorsement.
- b. Annually, the Committee shall review ERCOT staff's response to the Independent Market Monitor's State of the Market report.
- c. The Committee shall review and make a recommendation to the Board regarding wholesale market price corrections that the Company submits to the Board for approval.
- d. The Committee shall review Company reports regarding the design, structure, and performance of ERCOT's competitive retail and

wholesale electric markets, including performance of ancillary services and Congestion Revenue Rights.

4. Market Credit

- a. Annually, the Committee shall review the Company's Market Credit Risk Corporate Standard and may, as needed, recommend to the Board any proposed changes to the previously approved standard.
- b. The Committee shall help ensure that appropriate procedures are implemented to mitigate credit risk in the ERCOT Region in a manner that is fair and equitable to all Market Participants.
- c. The Committee shall receive Company reports on all sections of the ERCOT Protocols that impact creditworthiness requirements or collateral calculations and may provide recommendations to the Board.
- d. The Committee shall regularly receive Company reports on the state of credit practice within ERCOT and notify the Board of significant credit issues as they arise.

5. TAC and Subcommittee Structural/Procedural Review

- d.a. The Committee shall review reports on TAC and Subcommittee Structural/Procedural Review, when submitted by TAC to the Board.

V. Committee Authority

A. Power to Investigate

- 1. The Committee is empowered to investigate any matter relating to its duties and responsibilities, with full access to all books, records, facilities, and personnel of the Company and the power to retain consultants, independent counsel, or other consultants or experts for this purpose.
- 2. All employees are directed to cooperate as requested by the Committee or any of its Committee Members for Committee purposes.
- 3. The Committee may request any officer or employee of the Company or the Company's consultants or outside counsel to attend a meeting of the Committee to advise the Committee in carrying out its responsibilities.

B. Appointment of Workgroups or Task Forces

- 1. The Committee may appoint workgroups or task forces to investigate issues defined by the Committee. Members of such workgroups or task forces need not be Board members. Such workgroups or task forces shall have no authority to bind the Committee, the Board, or the Company.

VI. Committee Meetings

A. Meeting Agendas and Timing

1. The Committee Chair, in consultation with the Board Chair and the Company's Corporate Secretary or delegated ERCOT staff, shall develop the agenda, frequency, and length of meetings.

B. Participation and Voting

1. Board members who are not Committee Members (including alternate representatives, as set forth in the bylaws) may attend and participate in all Committee meetings, but may not vote on Committee matters, except that an alternate representative for a Director who is a Committee Member may vote in the absence of the Director.

2. Annually, the Committee shall ~~approve a Committee charter and~~ conduct a Committee self-evaluation.

2.3. Annually, the Committee shall review the Committee Charter, and shall recommend to the Board any changes to the Committee Charter.

C. Quorum and Committee Action

1. At all meetings of the Committee, fifty percent (50%) of the Committee Members shall constitute a quorum for the transaction of business.
2. At any meeting at which a quorum exists, the act of a majority of the Committee Members present shall be the act of the Committee.
3. For the purposes of voting, Committee Members who recuse themselves from voting on an issue shall not be counted as present for that vote.

D. Meeting Minutes

1. The Committee Secretary shall prepare or cause to be prepared the minutes of each meeting and file such minutes with the corporate records of the Company.