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REPORTS OF THE ELECTRIC	§	PUBLIC UTILITY COMMISSION
RELIABILITY COUNCIL OF TEXAS	§	OF TEXAS

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
2024 ANNUAL CONFLICTS OF INTEREST REPORT

Electric Reliability Council of Texas, Inc. (ERCOT) files its 2024 Annual Report to the Texas Legislature on Review of Director Conflicts Statutes and Ability to Fulfill Duties, pursuant to Section 34 of Senate Bill 3¹ and Section 39.167, *Conflicts of Interest Report*,² of the Public Utility Regulatory Act (PURA). Since ERCOT's 2023 annual conflicts of interest report to the Texas Legislature,³ ERCOT has identified no significant changes to the effects of relevant conflicts-of-interest statutes, rules, protocols, and bylaws on the ability of ERCOT to fulfill its duties, particularly the PURA provision that makes a person ineligible for selection as a member of the ERCOT Board of Directors (Board) if the person has a fiduciary duty or assets in the electricity market for the ERCOT region.

No Board member during 2024 to date disclosed a conflict of interest such that applicable law required Director recusal from Board voting. Having served on the Board since October 12, 2021, former Board Chair Paul Foster stepped down June 19, 2024, and now serves as a member of the ERCOT Board Selection Committee. Reliability and Markets Committee Chair Robert Flexon, who was appointed to the Board on December 2, 2021, completed his first three-year term as a Director on December 1, 2024 and did not seek re-appointment. PURA provides for eight Board members selected by the ERCOT Board Selection Committee. The ERCOT Board Selection Committee is in the recruitment process of determining the next two eligible individuals to restore the membership of selected Directors and the Board. Full Board membership will also enable restoration of full membership of the Board Committees that help accomplish the Board's work. The following attachments accompany the 2024 report:

¹ Act of June 8, 2021, 87th Leg., R.S.

² PURA § 39.167 provides for a "Conflicts of Interest Report" and the same section number provides for a "Reliability Plan for Permian Basin." At the time of drafting, a Commission rulemaking is pending in Docket 52301, ERCOT Governance and Related Issues, that could potentially include for Commission consideration a rule for ERCOT's annual Conflicts of Interest Report.

³ *CY 2023 Reports of the Electric Reliability Council of Texas*, Project No. 54444, Electric Reliability Council of Texas, Inc.'s Annual Report on Review of Director Conflicts Statutes and Ability to Fulfill Duties (Dec. 20, 2023).

Filing Requirement	Description	Attachment
<u>SB3 § 34 / PURA § 39.167</u>	Standard ERCOT Ethics Agreement for Directors	A
<u>SB3 § 34 / PURA § 39.167</u>	Standard ERCOT Quarterly Reminder of Director Eligibility Requirements and Ongoing Responsibility to Self-Report Potential Conflicts of Interest	B

Summary of Attachments

ERCOT reports no changes in 2024 to the following attachments to ERCOT’s 2023 annual report to the Legislature, which attachments therefore are not re-attached to this report: the *Amended and Restated Bylaws of ERCOT* (effective December 20, 2022); the *ERCOT Code of Conduct*; and ERCOT EthicsPoint Contact Information. No changes regarding the requirement for Directors to handle any conflict of interest were among revisions to the *ERCOT Board Policies and Procedures* the Board amended on June 18, 2024, for which reason the policy document is not attached to this report though it is available on the “Governance” landing page on the ERCOT website.⁴

Attachment A, *Standard ERCOT Ethics Agreement for Directors*, is unchanged since 2023, but is attached to this report to clarify the conflict of interest provision in the form; to clarify the annual process for Directors to sign the form; and to reiterate public access to signed forms on the ERCOT website. The clarifications are provided in response to requests in 2024 for information from Commission staff regarding the form. The ethics agreement form requires, “Each Director of ERCOT shall have an affirmative duty to disclose to the Board, any actual or potential conflicts of interest as required by Article 9 of the Bylaws.” Section IV(B)(1)(a)(v) of the Board’s *Human Resources and Governance Committee Charter* requires annual Committee review of the form. Each Board member signs the form annually. The forms are compiled and accessible through “Board Ethics Agreements” on the Governance web page on the ERCOT website.

Attachment B, *Standard ERCOT Quarterly Reminder of Director Eligibility Requirements and Ongoing Responsibility to Self-Report Potential Conflicts of Interest*, was updated beginning the Third Quarter of 2024 to list Qualified Financial Institutions ERCOT uses and to provide Directors additional information for when to disclose if the Director or member of their immediate

⁴ *Governance*, www.ercot.com/about/governance.

family is an officer or director, is employed by, or owns or has a beneficial interest in more than 10% (ten percent) of the stock in a bank or other financial institution that would otherwise be a Qualified Institution, as defined in ERCOT's CS3.2, *Investment Corporate Standard*.

Respectfully submitted,

/s/ Kimberly M. Rainwater

Chad V. Seely
Senior Vice President and General Counsel
Texas Bar No. 24037466
(512) 225-7035 (Phone)
chad.seely@ercot.com

Brandon Gleason
Deputy General Counsel
Texas Bar No. 24038679
(512) 225-70742 (Phone)
brandon.gleason@ercot.com

Brandt Rydell
Assistant General Counsel
Texas Bar No. 00798477
(512) 248-3928 (Phone)
brandt.rydell@ercot.com

Kimberly M. Rainwater
Senior Legal/Regulatory Corporate Counsel
Texas Bar No. 24077644
(512) 225-7179 (Phone)
kimberly.rainwater@ercot.com

ERCOT
8000 Metropolis Drive, Bldg. E, Suite 100
Austin, Texas 78744
(512) 225-7079 (Fax)

ATTORNEYS FOR ELECTRIC
RELIABILITY COUNCIL OF TEXAS, INC.

Ethics Agreement for Directors

Electric Reliability Council of Texas, Inc. ("ERCOT") is a Texas non-profit corporation organized pursuant to the Texas Business Organizations Code. ERCOT has been formed for the limited purpose of: (a) ensuring open access to the transmission and distribution systems within the ERCOT region for all buyers and sellers of electricity on non-discriminatory basis terms, ensuring the reliability and adequacy of the regional electrical network, ensuring that information relating to a customer's choice of retail electric provider is conveyed in a timely manner to the persons who need that information, and ensuring that electricity production and delivery are accurately accounted for among the generators and wholesale buyers and sellers within the ERCOT region; (b) coordinating activities within the region of ERCOT to fulfill these purposes; (c) performing the functions of an Independent Organization as certified by the Public Utility Commission of Texas ("PUCT") and provided by the Public Utility Regulatory Act and PUCT Rules; and (d) engaging in any lawful act or activity consistent with the foregoing for which nonprofit corporations may be formed under the Texas Business Organizations Code. ERCOT is certified as the Independent Organization for the ERCOT region by the PUCT.

The management of ERCOT is vested in a Board of Directors ("Board") and such committees of the Board that the Board may, from time to time, establish. It is the duty of the Board to initiate any specific action required, in their opinion, to fulfill the purposes of ERCOT as stated above, within the limitations of the Certificate of Formation, applicable laws and the *Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc.* (Bylaws), as may be amended from time to time.

Potential Conflicts of Interest

Each Director of ERCOT shall have an affirmative duty to disclose to the Board, any actual or potential conflicts of interest as required by Article 9 of the Bylaws.

Each Director must disclose all personal relationships (including household member or family member (spouse, parent, child, or sibling, including step and adoptive relatives) relationships) with ERCOT vendors to the Board. Such relationships include: current ties (within the last two years) as a director, officer, or employee of an ERCOT vendor; direct business relationships, other than retail customer relationships, with an ERCOT vendor; and directly or indirectly owning or holding at least five percent (5%) of voting securities of an ERCOT vendor.

If a Director or member of their immediate family is an officer or director, is employed by, or owns or has a beneficial interest in more than ten percent of the stock in a bank or other financial institution that would otherwise be a Qualified Institution (as defined in ERCOT's Investment Corporate Standard), such Director shall provide full disclosure of such stock holdings or relationship in documented form to be filed with the permanent records of ERCOT.



Prohibited Acts

As long as ERCOT exists, no Director may engage in any prohibited acts as set forth in Article 9 of the Bylaws. Violations of any such prohibited acts may lead to sanction, suspension, expulsion or termination after a hearing as described in Article 3 of the Bylaws.

Disclosure of Trade Secret Information

Under the Defend Trade Secrets Act of 2016 (the "Act"), an individual may not be held criminally or civilly liable under any federal or state trade secret law for disclosure of a trade secret as defined in the Act: (i) made in confidence to a government official or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; and/or (ii) in a lawsuit filing made under seal. In addition, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

The Ethics Agreement is not intended to alter in any way the duties, obligations and rights of Directors as set forth in the Certificate of Formation, Bylaws and applicable law, as they may be amended from time to time, nor does it create any third-party rights, claims or causes of action. To the extent, if any, that the Ethics Agreement is inconsistent with the Certificate of Formation, Bylaws or applicable law, the Certificate of Formation, Bylaws and applicable laws, as they may be amended from time to time, shall control. Directors will be required to reaffirm the Ethics Agreement on an annual basis.

By my signature I, _____,
acknowledge that I have read and understand the above Ethics Agreement and agree to be bound by its terms.

Director Signature: _____

Date: _____



ERCOT Board of Directors,

This is a quarterly reminder to the ERCOT Board of Directors (Directors, Board) of ongoing requirements under Texas law for eligibility to serve on the Board and the ongoing duty to disclose potential conflicts of interest. ERCOT's Office of General Counsel is available to discuss this reminder and answer any questions about participation and conflicts.

Ongoing Director Eligibility Requirements

Section 39.151 of the Public Utility Regulatory Act (PURA) and Section 4.3(e) of the ERCOT Bylaws (Bylaws) include the following requirements for Director eligibility to serve on the ERCOT Board:

- Directors must reside in Texas.
- Legislators may not serve as Directors.
- No more than two directors can be employed by an institution of higher education in a professional role.

Section 4.5(b) of the Bylaws authorize the Board to recommend removal from the Board, with cause, of a Director upon a change in circumstances that causes the Director to become ineligible to serve under PURA.

PURA and the Bylaws also prohibit a Director from having assets – such as securities (stocks, bond, options, etc.) of a Market Participant or Affiliate – or a fiduciary duty – such as a duty to act with care, loyalty, or good faith – in the electricity market for the ERCOT region. For example, a fiduciary duty could arise through employment by or service on the board of directors of an ERCOT Market Participant.

ERCOT's List of Market Participants in ERCOT Region is updated weekly and posted to the Market Participant page of the ERCOT website. The effective date of any Market Participant's Standard Form Market Participant Agreement (SFA) reflects the date on which an entity became a Market Participant or the date an existing entity added a new registration type, thereby amending the prior SFA. Effective dates on the website date back to 2015, when ERCOT required all active Market Participants to sign new SFAs.

Ongoing Requirements for Directors to Self-Report Potential Conflicts of Interest

Consistent with PURA Section 39.1512, the ERCOT Bylaws require Directors to report as potential conflicts their direct interest, or their employment by or substantial financial interest in a person/entity with a direct interest, in a matter before the Board.

In the *ERCOT Ethics Agreement for Directors* (Ethics Agreement) available on the ERCOT website, potential conflicts of interest include personal relationships (including household member or family member) with an ERCOT vendor to the Board (a provider of products or services to the Board), including ties within the last two years as a director, officer, or employee of a vendor; direct business relationships (other than as a retail customer) with a vendor; or directly or indirectly holding at least five percent (5%) of voting securities of a vendor. A list of qualified ERCOT vendors is available to Directors upon request.



The Ethics Agreement also requires a Director to fully disclose, in a documented form to be filed with the permanent records of ERCOT, if the Director or member of their immediate family is an officer or director, is employed by, or owns or has a beneficial interest in more than ten percent (10%) of the stock in a bank or other financial institution that would otherwise be a Qualified Institution (as defined in ERCOT's Investment Corporate Standard). The following list identifies Qualified Financial Institutions ERCOT utilizes as of September 30, 2024. The first five institutions listed have ownership interests in the Market Participants parenthetically listed:

1. Bank of America, N.A. or affiliate (Merrill Lynch Commodities Inc.)
2. Citigroup Global Markets, Inc. (Citigroup Energy, Inc.)
3. Goldman Sachs Asset Management LP (J Aron and Company)
4. JPMorgan Chase N.A. or affiliate (JP Morgan Chase Bank NA)
5. Morgan Stanley Distribution, Inc. (Morgan Stanley Capital Group, Inc.)
6. Allspring Global Investments
7. BlackRock, Inc.
8. Dreyfus Corporation (BNY Mellon Asset Management)
9. Federated Investors, Inc.
10. Fidelity Investments Institutional Services Co. Inc.
11. First American
12. Invesco Distributors, Inc.
13. State Street Global Advisors
14. UBS Global Asset Management
15. Union Bank N.A.
16. U.S. Bank
17. Western Asset Management Company.

According to PURA, the Bylaws, and the Ethics Agreement, a Director must disclose a potential conflict of interest, and PURA and the Bylaws also require the Director to refrain from participating in Board discussions or voting on the matter, and the Director's disclosure of direct interest will be noted in meeting minutes.

Thank you,
ERCOT Office of General Counsel, Corporate Governance