

CONTRACT NO. 473-16-0002
BETWEEN
THE PUBLIC UTILITY COMMISSION OF TEXAS,
THE ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
AND
TEXAS RELIABILITY ENTITY, INC.

The parties to this Contract No. 473-16-0002 for Reliability Monitor Services, are the Public Utility Commission of Texas (PUCT), an agency of the State of Texas with its office located at 1701 N. Congress Ave., Austin, Texas 78701, the Electric Reliability Council of Texas, Inc. (ERCOT), a Texas nonprofit corporation, located at 7620 Metro Center Drive, Austin, Texas 78744, and Texas Reliability Entity, Inc. (Texas RE), a Texas nonprofit corporation, located at 805 Las Cimas Parkway, Suite 200, Austin, Texas 78746.

Article 1. DEFINITIONS

When used in this Contract, the following terms shall have the following meanings:

1.1 "Public Utility Commission," "PUCT," "Commission," or "Agency" means the Public Utility Commission of Texas acting through its Executive Director and the agency's designated Contract Administrator.

1.2 "Confidential Information" shall mean all information, technical data or know-how that relates to the business, services or products of Market Participants or Texas RE, ERCOT or their consultants, market participants, or vendors, including, without limitation, any research, products, services, developments, inventions, processes, techniques, designs, scientific, technical, engineering, distribution, marketing, financial, merchandising and sales information, that is disclosed to Texas RE within the scope of Texas RE's Services, directly or indirectly, in writing, orally or by drawings or inspection and market information that is deemed confidential or "Protected Information" under ERCOT Protocols, PUCT rules, Section 1500 of the North American Electric Reliability Corporation (NERC) Rules of Procedure, or other law. Confidential Information does not include information, technical data or know-how that (i) is already published or available to the public, or subsequently becomes available, other than by a breach of this Agreement; (ii) is received from a third party not to Texas RE's knowledge in breach of any obligation of confidentiality; (iii) is independently developed by personnel or agents of Texas RE without reliance on the Confidential Information; (iv) is produced by Texas RE in compliance with an order, rule or law of any federal, state, local or municipal body having jurisdiction over a party, provided that Texas RE gives ERCOT and the PUCT notice, to the extent reasonably possible, of such order, rule or law and gives ERCOT and the PUCT an opportunity to defend and/or attempt to limit such production; or (v) is produced by Texas RE in compliance with a ruling of the Texas Attorney General in response to a Public Information Act request. Confidentiality of Market Participant information shall be governed by the ERCOT Protocols and PUCT Rules, and Texas statutes.

1.3 "Contractor" includes "Texas Reliability Entity, Inc.," or "Texas RE," and any successors, heirs, and assigns.

1.4 "Services" means any and all services performed and any and all goods and products delivered by Contractor as specified in Attachment A, Statement of Work (SOW).

1.5 "ERCOT" means the Electric Reliability Council of Texas, Inc., a Texas non-profit corporation.

1.6 "Parties" means PUCT, ERCOT, and Contractor. **"Any Party"** means PUCT, ERCOT, or Contractor.

1.7 "Deliverables" means any report, audit, investigation, analysis, recommendation, evaluation, or any other required documentation completed by Texas RE under the terms of this Agreement.

Article 2. COMPENSATION

2.1 Compensation. Contractor agrees to provide all Services (including labor, expenses, and any other services) described in Attachment A, SOW, for a firm fixed price of \$4,305,256, to be allotted as follows: \$1,029,073 for Services in calendar year 2016; \$1,059,945 for Services in calendar year 2017; \$1,091,743 for Services in calendar year 2018; and \$1,124,495 for Services in calendar year 2019. Contractor will be paid in equal quarterly installments based upon the contract price for the current year. Contractor understands that the PUCT and ERCOT are not responsible for payment of any costs or expenses exceeding this amount.

If Contractor believes that changes in the scope of Services to be performed will require Contractor to increase its fee, it must request the PUCT's written authorization to increase its fee. The Contractor must document the changes in the scope of Services and why they will require additional effort. The PUCT must approve the increase in fee by written amendment to this Contract before the Contractor performs any such Services or may invoice the increased fee.

2.2 Payment Process. Contractor shall submit a quarterly statement for services or invoice to the PUCT Contract Administrator with a copy to PUCT Accounts Payable and a copy to the ERCOT Contract Administrator no later than thirty days prior to the beginning of the quarter with the exception of the invoice or statement for services for the first quarter, which is due immediately upon execution of the contract. The invoice shall be for the amount of the Fixed Payment.

On the statement or invoice, Contractor must include a statement that the invoice accurately describes the Services performed and states that the Services were performed in compliance with the Contract. The statement or invoice must include the vendor identification number issued by the Texas Comptroller or Contractor's federal taxpayer identification number, a description of the Services provided, and the name and division of the PUCT Contract Administrator.

Contractor shall submit the statement or invoice to PUCT Accounts Payable as follows:

By email to: Payables@puc.texas.gov

Or by mail to: Accounts Payable
Public Utility Commission of Texas
P.O. Box 13326
Austin, TX 78711-3326

Contractor shall submit the statement or invoice to the PUCT Contract Administrator at the email address provided by the PUCT Contract Administrator.

Within five (5) business days of receiving the invoice, the PUCT Contract Administrator will review the invoice, and, if approved, notify the Contractor and submit the invoice to ERCOT for payment. If the invoice is insufficient, the PUCT Contract Administrator will notify the ERCOT Contract Administrator and return the invoice to Contractor for correction, along with a description of any insufficiencies.

ERCOT shall pay all PUCT approved and undisputed amounts by the first day of the quarter due, or within thirty (30) days of PUCT's receipt of Contractor's approved invoice, whichever is later. Payments for amounts in excess of \$10,000 shall be remitted by wire transfer.

2.3 Payment for Services. Contractor's acceptance of a quarterly payment releases the PUCT of all claims for compensation owed in connection with this Contract for the quarter invoiced, unless Parties agree otherwise in writing.

2.4 Payments made to Subcontractors. Contractor shall pay any subcontractor hereunder the appropriate share of payments received not later than the 10th day after the date Contractor receives the payment. The subcontractor's payment shall be overdue on the 11th day after the date Contractor receives the payment. The PUCT must approve Contractor's use of any subcontractor before Contractor engages the subcontractor (see Sec. 5.1).

2.5 Records. Contractor and its subcontractors, if any, shall maintain records and books of account relating to Services provided under this Contract. Contractor shall maintain its records (electronic and paper) of the work performed under this Contract as follows: audit and event reports for a period of twelve (12) years after close; audit and investigation documents and records, tracking documents for a period of seven (7) years after close; invoicing documents for a period of seven (7) years after close; and other substantive correspondence concerning the subject of this Contract for a period of two (2) years after close. Contractor shall make all records that support the performance of Services and payment available to PUCT, ERCOT and/or their designees or the State Auditor during normal business hours with reasonable notice, upon the request of the PUCT Contract Administrator or ERCOT Contract Administrator.

2.6 Sole Compensation. Payments under this Article are Contractor's sole compensation under this Contract. Contractor shall not incur expenses with the expectation that ERCOT, the PUCT, or any other agency of the state of Texas will directly pay the expense to a third-party vendor irrespective of the reason for incurring those expenses.

Article 3. CONTRACT ADMINISTRATION

3.1 PUCT Contract Administration. The PUCT designates Mick Long to serve as its primary point of contact and Contract Administrator throughout the term of this Contract. Contractor and ERCOT acknowledge that the PUCT Contract Administrator does not have any authority to amend this Contract on behalf of the PUCT, except as expressly provided herein. Contractor further acknowledges that such authority is exclusively held by the Commission or its authorized designee, Executive Director Brian H. Lloyd.

3.2 ERCOT Contract Administration. ERCOT designates Jimmy Ramirez to serve as its primary point of contact and Contract Administrator throughout the term of this Contract. Contractor and PUCT acknowledge that the ERCOT Contract Administrator does not have any authority to amend this Contract on behalf of ERCOT, except as expressly provided herein.

Contractor further acknowledges that such authority is exclusively held by the ERCOT President and Chief Executive Officer or his/her designee.

3.3 Contractor Contract Administration. Contractor designates Paula Mueller to serve as its primary point of contact and Contract Administrator throughout the term of this Contract. PUCT and ERCOT acknowledge that the Contractor Contract Administrator does not have any authority to amend this Contract on behalf of Contractor, except as expressly provided herein. Contractor further acknowledges that such authority is exclusively held by the Texas RE President and Chief Executive Officer or his/her designee.

3.4 Reporting. Contractor shall report directly to the PUCT Contract Administrator and shall perform all activities in accordance with reasonable instructions, directions, requests, rules, and regulations issued during the term of this Contract as conveyed to Contractor by the PUCT Contract Administrator.

3.5 Cooperation. The Parties' respective Contract Administrators shall handle all communications between them in a timely and cooperative manner. The Parties shall timely notify each other by email or other written communication of any change in designee or contact information.

3.6 Inquiries and Prompt Referral. Contractor will promptly notify the PUCT Contract Administrator of all inquiries regarding this Contract received from state legislators, other public officials, the media, or non-Parties.

Article 4. REPORTS AND RECORDS

4.1 Written Reports. Contractor will provide written reports to the PUCT and/or ERCOT in the form and with the frequency specified in Attachment A, SOW, or as otherwise agreed to in writing between the Parties.

4.2 Distribution of Contractor Reports. PUCT shall have the right to distribute any contractor report associated with this contract, or to allow another Texas state agency or the Texas legislature to distribute it. PUCT shall also have the right to post any contractor report associated with this contract to the PUCT's website or to the website of a standing committee of the legislature. This provision does not waive any right to confidentiality that PUCT or Contractor may assert for the report or any portion thereof.

Article 5. SUBCONTRACTING PARTIES

5.1 Use of Subcontractors. The Parties acknowledge and agree that at the time of execution of this Contract, Contractor intends to perform the Services required under this Contract using its own employees. Contractor will notify the PUCT Contract Administrator of any proposed subcontract and will work with the PUCT HUB Coordinator to procure such other subcontractor and to submit appropriate subcontractor selection documentation for approval prior to engaging any other subcontractor, such approval not to be unreasonably withheld. Any such other subcontract or subsequent substitution of a subcontractor must be approved according to the terms of Article 7.

5.2 Sole Responsibility. Contractor is solely responsible for the quality and timeliness of the work produced by all subcontractors that Contractor may engage to provide Services hereunder

and for the timely payment for all such work produced by all subcontractors that the PUCT accepts and pays for in accordance with the terms of this Contract.

5.3 Prime Vendor Contract. The Parties expressly agree that this Contract is intended to constitute a prime vendor contract, with Contractor serving as the prime vendor for delivery of the Services made the subject hereof. Contractor acknowledges and agrees that it is fully liable and responsible for timely, complete delivery of the Services described in this Contract, notwithstanding the engagement of any subcontractor to perform an obligation under this Contract.

Article 6. TERM, SUSPENSION, AND TERMINATION

6.1 Term. The term of this Contract shall begin January 1, 2016 and shall continue in effect until December 31, 2019 unless sooner terminated under Sections 6.3, 6.4, 6.5 or 6.6 of this Contract.

6.2 Options for Renewal. This Contract does not provide for any extension options.

6.3 Termination for Cause by the PUCT. If Contractor is in default of any material term of this Contract, the PUCT may serve upon Contractor written notice requiring Contractor to cure such default. Unless within thirty (30) days after receipt of said notice by Contractor, said default is corrected or arrangements satisfactory to the PUCT, as applicable, for correcting the default have been made by Contractor, the PUCT may terminate this Contract for default and shall have all rights and remedies provided by law and under this Contract. If PUCT terminates this Contract under Article 18.12, PUCT need not provide any notice or opportunity for curing the default.

6.4 Termination for Cause by Texas RE. If the PUCT or ERCOT is in default of any material term of this Contract, Texas RE may serve upon PUCT and ERCOT written notice requiring PUCT and ERCOT to cure such default. The defaulting party has 30 days after receipt of notice to correct the default or make arrangements satisfactory to Texas RE for correcting the default. If the defaulting party fails to cure the default or to make arrangements to correct the default, Texas RE may terminate this Contract for default and shall have all rights and remedies provided by law and this Contract.

6.5 Termination for the Convenience of the PUCT. The PUCT may, upon thirty (30) days written notice to Contractor, terminate this Contract whenever the interests of the PUCT so require. Texas RE shall be compensated at the rates specified in this Contract for all Services provided until the effective date of the termination. The PUCT shall not be liable for any damages and/or loss to Contractor as a result of termination for convenience.

6.6 Termination for the Convenience of Texas RE. Texas RE may, upon one hundred and eighty (180) days written notice to PUCT, terminate this Contract whenever the interests of Texas RE require. Texas RE shall be compensated at the rates specified in this Agreement for all Services provided until the effective date of the termination.

6.7 Transfer of Duties. In the event of termination, Contractor will provide reasonable cooperation to transfer its duties under the Contract to another entity without disruption to the provision of outreach services.

6.8 Liability and Damages. Except for the indemnification obligations pursuant to Article 12, Texas RE shall not be liable under this agreement for any special, indirect, incidental, consequential, punitive or exemplary damages of any kind. Except for the indemnification obligations pursuant to Article 12, the total cumulative liability of Texas RE for claims of any kind, whether based on agreement or tort or otherwise relating to this agreement, shall not exceed the compensation paid to Texas RE for services under this agreement plus reasonable legal fees.

6.9 Survival. In the event that this Contract expires or is terminated pursuant to its terms, the rights and obligations of the Parties under it shall end; provided that the provisions of Sections 2.3, 2.5, 2.6, 3.6, 4.2, 6.7, 6.8, 9.2, 9.4 through 9.6, 17.2 and 19.1 through 19.4, 19.10 and Articles 1, 10, 11, 12, 14, 15, 16, 20, 21, 23, and 28 shall survive in their entirety.

Article 7. ASSIGNMENT, AMENDMENTS, AND MODIFICATIONS

7.1 Material Change Requests. PUCT and/or ERCOT may propose changes to Attachment A, SOW. Upon receipt of a written request from the PUCT and/or ERCOT for a change to Attachment A, SOW, Contractor shall, within a reasonable time thereafter, submit to the PUCT and ERCOT a detailed written estimate of any proposed price and schedule adjustment(s) to this Contract. No changes to Attachment A, SOW, will occur without the Parties' written consent as provided in accordance with the terms stated in this Contract.

7.2 Changes in Law, Rules, or Rulings. Subsequent changes in federal or state legislation, rules and regulations or rulings by the PUCT may require modification of the terms of this Contract, including an increase or decrease in Contractor's duties or compensation. In the event of such subsequent changes to statutes, rules, and/or regulations, the PUCT and Contractor shall negotiate the terms of a contract modification in good faith and incorporate such modification into this Contract by written amendment.

7.3 No Assignment of Duties. This Contract shall be binding upon and inure to the benefit of the permitted successors and assigns of any Party (including by merger of Contractor or otherwise by operation of law); provided however that Contractor shall not otherwise, without the prior written consent of the PUCT, assign or transfer this Contract or any obligation incurred under this Contract. Any attempt by Contractor to assign or transfer this Contract or any obligation incurred under this Contract, in contravention of this paragraph, shall be void and of no force and effect.

7.4 Amendments and Modifications. This Contract may not be amended or modified in any manner except by written instrument executed by authorized representatives of the Parties in accordance with the terms of this Contract.

Article 8. REPRESENTATIONS, WARRANTIES AND COVENANTS

8.1 Warranty of Performance. Contractor represents, warrants, and covenants that it will perform the Services outlined in Attachment A, SOW, in a professional and workmanlike manner, consistent with professional standards of practice in the professional industry.

8.2 Warranty of Services. Contractor warrants that the Services shall be rendered by qualified personnel as provided in Section 19.8 of this Contract. If Services provided under this Contract require a professional license, then Contractor represents, warrants, and covenants that the activity will be performed only by duly licensed personnel.

Article 9. RISK OF LOSS AND PROPERTY RIGHTS

9.1 Risk of Loss. The risk of loss for all items to be furnished hereunder shall remain with Contractor until the items are delivered to and accepted by the PUCT, at which time the risk of loss shall pass to the PUCT.

9.2 Ownership. Except for materials where any intellectual property rights are vested in a third party, such as software or hardware, in which case such rights shall remain the property of the third party, all Deliverables created, purchased, and/or prepared for or on behalf of the PUCT and purchased by the PUCT or on behalf of the PUCT, that the PUCT has accepted as part of the performance of Services hereunder, shall be the PUCT's property and will be given to the PUCT either at the PUCT's request during the term of the Contract or upon termination or expiration of the Contract. Notwithstanding the foregoing, Deliverables created, purchased and/or prepared exclusively by or for the PUCT or on behalf of the PUCT are the PUCT's exclusive property regardless of whether delivery to the PUCT is effectuated during or upon termination or expiration of this Contract.

9.3 Licensed Software. With PUCT's advanced written consent, Contractor may obtain software licenses as an agent of the PUCT for software that is used by Contractor solely for the purpose of providing Services under this Contract. Contractor shall provide the PUCT and ERCOT with a copy of any software license obtained by Contractor as an agent for the PUCT for the purpose of providing Services under this Contract.

9.4 Prior Works. Except as provided herein, all previously owned materials, conceptions, or products shall remain the property of Contractor and nothing contained in this Contract will be construed to require Contractor to transfer ownership of such materials to the PUCT or ERCOT.

9.5 Trademarks. The Parties agree that no rights to any trademark or service mark belonging to another Party or to any non-Party are granted to any other Party by this Contract, unless by separate written instrument. The PUCT and ERCOT acknowledge and agree that use of any trademark associated with any software provided by Contractor under this Contract does not give the PUCT or ERCOT any rights of ownership in the trademark or the software.

9.6 Program Information. Program information, data, and details relating to Contractor's Services under this Contract shall be maintained separately from Contractor's other activities. Contractor shall undertake all reasonable care and precaution in the handling and storing of this information.

9.7 Provision to be Inserted in Subcontracts. Contractor shall insert an article containing paragraphs 9.2 and 9.6 of this Contract in all subcontracts hereunder except altered as necessary for proper identification of the contracting Parties, ERCOT and the PUCT under this Contract.

Article 10. PUBLIC INFORMATION

10.1 Texas Public Information Act. (Texas Government Code Chapter 552). The Parties acknowledge that notwithstanding any other provisions of this Contract, the Texas Public Information Act ("PIA") governs the treatment of all information held by or under the control of the Commission. The Commission will notify Contractor of requests for Contractor's information as provided under the PIA. The Commission will also notify ERCOT of requests for

ERCOT's information as provided under the PIA. If there is ambiguity regarding whether the information belongs to ERCOT or Contractor, the Commission will notify both.

10.2 Contract Not Confidential. The Parties acknowledge that not all terms of this Contract may be confidential pursuant to the Texas Public Information Act, regardless of whether those terms are marked "Proprietary," "Trade Secret," or "Confidential." Additionally, the parties acknowledge that this Contract will be posted on the PUCT's public website, pursuant to Texas Government Code Section 2261.253. The Parties further acknowledge that in the event of a dispute over the release of a proposal or part of a proposal the PUCT is bound by the decision made by the Office of the Attorney General of Texas.

10.3 Contractor's Duty to Provide Public Information. Contractor is required, at no additional cost to the state, to make available in a format that is accessible by the public any information created or exchanged with the state and/or ERCOT pursuant to this contract. If information created or exchanged with the state and/or ERCOT pursuant to this contract is excepted from disclosure under the Texas Public Information Act, Contractor will not be required to make the information available to the public, but may be required to facilitate the PUCT's provision of the information to the Texas Attorney General for a decision on the information's confidentiality. The PUCT has no duty or responsibility to argue a defense of confidentiality to Contractor's information or data; it shall be Contractor's sole responsibility to do so.

Article 11. CONFLICTS OF INTEREST AND EMPLOYMENT RESTRICTION

11.1 No Conflicting Relationships. Contractor certifies to the Commission that no existing or contemplated relationship exists between Contractor and the Commission that interferes with fair competition or is a conflict of interest, and that no existing or contemplated relationship exists between Contractor and another person or organization, whether or not located within the State of Texas, that constitutes or will constitute a conflict of interest for Contractor with respect to the Commission.

11.2 Prohibition on Transactions with Parties Adverse to Commission. Contractor agrees that during the term of this Contract and any extensions or renewals thereof, it will neither provide contractual services nor enter into any agreement, oral or written, to provide services to a person or organization that is regulated or funded by the Commission or that has interests that are directly or indirectly adverse to those of the Commission. The Commission may waive this provision in writing if, in the Commission's sole judgment, such activities of the Contractor will not be adverse to the interests of the Commission.

11.3 Notice of Conflict. Contractor agrees to promptly notify the PUCT of any circumstance that may create a real or perceived conflict of interest, whether arising prior to or during the term of the contract. Contractor agrees to use its best efforts to resolve any real or perceived conflict of interest to the satisfaction of the PUCT. Contractor's failure to do so shall be grounds for termination of this contract for cause, pursuant to Section 6.3.

11.4 Revolving Door. Contractor agrees that it will not hire any current or former PUCT employees whose employment with Contractor would violate any of the revolving door provisions in the Texas Government Code or the Public Utility Regulatory Act (Title II, Texas Utilities Code.).

Article 12. INDEMNIFICATION

Contractor shall indemnify, defend and hold harmless the PUCT, the State of Texas, ERCOT and their officers, agents, employees, representatives, contractors, assignees, and designees from any and all liabilities, claims, suits, assessments, penalties, losses, damages, demands or causes of action, and all related costs, attorney fees and expenses of whatever kind or nature asserted by a third party and occurring in any way incident to, arising out of, or in connection with acts or omissions of Contractor, its agents, employees and subcontractors, committed in the conduct of this Contract. Contractor shall have the obligation to undertake the defense of any such claim, process, or legal proceeding at Contractor's expense; provided, however, that ERCOT and the PUCT may participate in the defense with counsel of their own choosing. Any defense shall be coordinated by Contractor with the Office of the Attorney General when Texas State Agencies are named defendants in any lawsuit. Contractor may not agree to any settlement without first obtaining the concurrence from the Office of the Attorney General. Contractor and the PUCT and ERCOT agree to furnish timely written notice to each other of any such claim.

If all or any part of the Deliverables of this Contract is the subject of any claim, suit, or proceeding for infringement or misappropriation of any Intellectual Property Right, Contractor may, and in the event of any adjudication that the Deliverables or any part thereof infringes or misappropriates any patent, trademark, copyright, or trade secret, or if the licensing or use of any of the Deliverables or any part thereof is enjoined, Contractor shall, at its expense do one of the following things: (i) procure for ERCOT and PUCT the right under such patent, trademark, copyright or trade secret to fully use the Deliverables or the affected part thereof; or (ii) replace the Deliverable or affected part thereof with another non-infringing Deliverable; or (iii) suitably modify the Deliverable or affected part thereof to make it non-infringing.

Article 13. INSURANCE

13.1 Legal Compliance. Contractor agrees to comply with all state and federal laws applicable to the liability and payment of Contractor and Contractor's employees, including laws regarding wages, taxes, insurances, and workers' compensation. Neither the PUCT nor the State of Texas nor ERCOT shall be liable to the Contractor, its employees, agents, or others for the provision of unemployment insurance and/or workers' compensation or any benefit available to a state employee.

13.2 Minimum Insurance. Contractor shall, at its sole cost and expense, secure and maintain as a minimum, from the Effective Date and thereafter during the term of this Contract and any renewals or extensions thereof, for its own protection and the protection of the PUCT, the State of Texas, and ERCOT:

(a) commercial liability insurance, covering, at a minimum, the following categories of liability within the following limits: (i) bodily injury and property damage - \$1,000,000 limit per occurrence, \$2,000,000 aggregate, (ii) medical expense - \$5,000 limit per person, (iii) personal injury and advertising liability - \$1,000,000 limit, (iv) products/completed operations - \$2,000,000 aggregate, (v) damage to premises rented - \$50,000 limit;

(b) automobile liability coverage for vehicles driven by Contractor's employees (\$500,000 per occurrence); and

(c) workers' compensation insurance in accordance with the statutory limits, as follows: (i) employer's liability - \$1,000,000 each incident, (ii) disease - \$1,000,000 each employee and \$1,000,000 policy limit.

The PUCT, the State of Texas, and ERCOT shall be named additional insureds on the commercial liability and automobile policies.

Insurance coverage shall be from companies licensed by the State of Texas to provide insurance with an "A" rating from A.M. Best and authorized to provide the corresponding coverage.

13.3 Certificates of Insurance. Contractor shall furnish to the PUCT and ERCOT certificates of insurance and any applicable endorsements, signed by authorized representatives of the surety or insurers, of all such bonds and insurance and confirming the amounts of such coverage within ten (10) days of the Effective Date of this Contract, and upon request thereafter. Contractor shall provide the PUCT Contract Administrator and ERCOT Contract Administrator with timely renewal certificates as the coverage renews. Failure to maintain such insurance coverage specified herein, or to provide such certificates or endorsements promptly, shall constitute a material breach of this Contract. Contractor shall provide fifteen (15) days written notice of any notice for renewal and/or cancellation of insurance.

Article 14. DISPUTE RESOLUTION

The Parties agree to resolve disputes arising under this Contract through the dispute resolution process provided for in Chapter 2260 of the Texas Government Code and Subchapter C of the PUCT Rules for Administrative Services.

Article 15. SOVEREIGN IMMUNITY

The State of Texas and the PUCT do not waive sovereign immunity by entering into this Contract and specifically retain immunity and all defenses available to them under the Constitution, the laws of the State of Texas, or the common law.

Article 16. GOVERNING LAW

Notwithstanding anything to the contrary in this Contract, this Contract shall be deemed entered into in the State of Texas and shall be governed by, construed and interpreted in accordance with the laws of the State of Texas that apply to contracts executed in and performed entirely within the State of Texas, without reference to any rules of conflict of laws. The Parties consent to the exclusive jurisdiction of the State of Texas. The Parties hereby submit to the jurisdiction of the courts located in, and venue is hereby stipulated to, the state courts located in Travis County, Texas. Each Party stipulates that it is subject to the jurisdiction of the courts located in Travis County, Texas, for any cause of action arising from any act or omission in the performance of this Contract. Further, each Party hereby waives any right to assert any defense to jurisdiction being held by the courts located in Travis County, Texas, for any cause of action arising from any act or omission in the performance of this Contract.

Article 17. COMPLIANCE WITH LAW

17.1 General. Contractor shall comply with all federal, state, and local laws, executive orders, regulations, and rules applicable at the time of performance. Contractor warrants that all Services sold hereunder shall have been produced, sold, delivered, and furnished in strict compliance with all applicable laws and regulations to which they are subject, including, but not limited to, Equal Employment Opportunity laws. All laws and regulations required in agreements of this character are hereby incorporated by this reference.

17.2 Taxes. Contractor agrees to comply with any and all applicable state tax laws that may require any filing with and/or payment to the State of Texas as a result of any action taken as a result of this Contract.

17.3 Workers' Compensation. Contractor agrees that it shall be in compliance with applicable state workers' compensation laws throughout the term of this Contract and any renewals or extensions thereof.

17.4 Conflicts. Contractor agrees to abide by the requirements of and policy directions provided by the Texas statutes and the rules and regulations of the PUCT and ERCOT rules and procedures, and will inform and consult with the PUCT when further interpretations or directions are needed in order to fully implement the rules and regulations of the Commission. In the event that Contractor becomes aware of inconsistencies between this Contract and a Texas statute or PUCT rule, Contractor will so advise the PUCT immediately and will cooperate fully to revise applicable provisions of this Contract as necessary.

17.5 Compliance with Deceptive Trade Practices Act. Contractor shall comply with Texas Business and Commerce Code Chapter 17.

17.6 Compliance with Americans with Disabilities Act. Contractor shall comply with the Americans with Disabilities Act, 42 U.S.C. Chapter 126.

17.7 Prohibited Use of Appropriated/Other Funds. Contractor shall comply with Texas Government Code Sections 556.005 and 556.0055 related to prohibited uses of appropriated and other funds.

Article 18. CONTRACTOR'S CERTIFICATION

By accepting the terms of this Contract, Contractor certifies that, to the extent applicable, it is in compliance with the following requirements and prohibitions. Contractor understands and agrees that a false certification may lead to termination of this Contract for cause.

18.1 Prohibitions on Gifts. Contractor has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with this Contract.

18.2 Delinquent Obligations. Contractor is not currently delinquent in the payment of any franchise or sales tax owed to the State of Texas, and is not delinquent in the payment of any child support obligations under applicable state law.

18.3 Terrorist Financing. The PUCT is federally mandated to adhere to the directions provided in the President's Executive Order (EO) 13224, Executive Order on Terrorist Financing – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, effective 9/24/2001 and any subsequent changes made to it, via cross referencing proposers/vendors with the Federal General Services Administration's System

for Award Management (SAM), <https://www.sam.gov/>, which is inclusive of the United States Treasury's Office of Foreign Assets Control (OFAC) Specially Designated National (SDN) list.

<http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>

Contractor certifies that the Contractor and its principals are eligible to participate in this transaction and have not been subjected to suspension, debarment, or similar ineligibility determined by any federal, state or local governmental entity and that Contractor is not listed on the federal government's terrorism watch list as described in Executive Order 13224. Entities ineligible for federal procurement are listed at: <https://www.sam.gov/>

18.4 Antitrust. Neither Contractor nor anyone acting for Contractor has violated the antitrust laws of this State, codified in Section 15.01, et seq. of the Texas Business and Commerce Code or the Federal Antitrust Laws, nor has communicated directly or indirectly to any competitor or any other person engaged in such line of business for the purpose of obtaining an unfair price advantage.

18.5 Family Code. Contractor has no principal who is ineligible to receive funds under Texas Family Code Section 231.006 and acknowledges that this Contract may be terminated and payment may be withheld if this certification is inaccurate.

18.6 Prohibited Compensation. Contractor has not received compensation from the PUCT, or any agent, employee, or person acting on the PUCT's behalf for participation in the preparation of this Contract.

18.7 Government Code. Under Texas Government Code Section 2155.004, Contractor certifies that the individual or business entity named in this contract is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and/or payment withheld if this certification is inaccurate.

18.8 Outstanding Obligations. Payments due under the contract will be applied towards any debt that is owed to the State of Texas, including but not limited to delinquent taxes and child support.

18.9 Contracting with Executive Head of State Agency. Contractor certifies this Contract is in compliance with Texas Government Code Section 669.003 relating to contracting with the executive head of a State agency because it is not applicable.

18.10 Buy Texas. Contractor will comply with Texas Government Code Section 2155.4441, pertaining to service contracts regarding the use of products produced in the State of Texas.

18.11 Hurricane Recovery. Under Texas Government Code Section 2155.006, Contractor certifies that the individual or business entity named in this proposal is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate.

18.12 E-Verify. Contractor certifies and ensures that it will utilize, for the term of this Contract, the U.S. Department of Homeland Security's E-Verify system to determine the eligibility of:

1. All new persons hired by the Contractor to perform work pursuant to the Contract, to perform duties within Texas, during the term of the Contract; and
2. All new persons (including subcontractors) hired by the Contractor to perform work pursuant to the Contract, within the United States of America.

The Contractor shall provide, upon request of PUCT, an electronic or hardcopy screenshot of the confirmation or tentative non-confirmation screen containing the E-Verify case verification number for attachment to the Form I-9 for the three most recent new persons hired by the Contractor to perform work pursuant to the Contract that match the criteria above, by the Contractor, and Contractor's subcontractors, as proof that this provision is being followed, unless Contractor has not made at least three new hires during the term of the Contract at the time of the request, in which case, Contractor will provide screenshots of the confirmation or tentative non-confirmation screens for any new hires that have been made.

If this certification is falsely made, the Contract may be immediately terminated, at the discretion of the state and at no fault to the state, with no prior notification.

This term should not be construed to require Contractor to utilize E-Verify to determine the eligibility of existing employees, or otherwise use E-Verify in violation of the law.

18.13 Debarred Vendors List. Contractor certifies that it is not on the Debarred Vendors List located at http://www.window.state.tx.us/procurement/prog/vendor_performance/debarred/.

Article 19. GENERAL PROVISIONS

19.1 Relationship of Parties. Contractor is and shall remain at all times an independent contractor, and nothing in this Contract shall be deemed to create a joint venture, partnership, employment, franchise, master-servant, or agency relationship between the Parties. Except as expressly provided to the contrary elsewhere in this Contract, no Party has any right or authority to act on behalf of another Party, nor to assume or create any obligation, liability or responsibility on behalf of another Party. Under no circumstances shall the relationship of employer and employee be deemed to arise between the PUCT or ERCOT and Contractor's personnel. Contractor shall be solely responsible for achieving the results contemplated by this Contract, whether performed by Contractor, its agents, employees or subcontractors.

19.2 Non-Exclusivity. Nothing in this Contract is intended nor shall be construed as creating any exclusive arrangement between Contractor and PUCT and/or ERCOT. This Contract shall not restrict PUCT or ERCOT from acquiring similar, equal, or like goods and/or services from other entities or sources.

19.3 Taxes and Statutory Withholdings. Contractor acknowledges that it is not a PUCT or ERCOT employee, but is an independent contractor. Accordingly, it is Contractor's sole obligation to report as income all compensation received by Contractor under the terms of this Contract. Contractor is solely responsible for all taxes (federal, state, or local), withholdings, social security, unemployment, Medicare, Workers' Compensation insurance, and other similar statutory obligations (of any governmental entity of any country) arising from, relating to, or in connection with any payment made to Contractor under this contract. Contractor shall defend, indemnify and hold the PUCT and ERCOT harmless to the extent of any obligation imposed by law on the PUCT or ERCOT to pay any tax (federal, state, or local), withholding, social security, unemployment, Medicare, Workers' Compensation insurance, or other similar statutory obligation (of any governmental entity of any country) arising from, relating to, or in connection with any payment made to Contractor under this Contract. Further, Contractor understands that neither it nor any of its individual employees is eligible for any PUCT or ERCOT employee benefit for work performed under this Contract, including but not limited to holiday, vacation,

sick pay, withholding taxes (federal, state, local), social security, Medicare, unemployment or disability insurance, Workers' Compensation, health and welfare benefits, profit sharing, 401(k) or any employee stock option or stock purchase plans. Contractor hereby waives any and all rights to any such PUCT or ERCOT employment benefit.

19.4 Notice. Except as otherwise stated in this Contract, all notices provided for in this Contract shall be (a) in writing, (b) addressed to a Party at the address set forth below (or as expressly designated by such Party in a subsequent effective written notice referring specifically to this Contract), (c) sent by FedEx, with proper postage affixed and (d) deemed effective upon the third business day after deposit of the notice with FedEx.

IF TO THE PUCT:

ATTENTION: Brian H. Lloyd, Executive Director
1701 N. Congress Ave., 7th Floor
Austin, TX 78701

With copies to the PUCT Contract Administrator, and Erica Duque, CTPM, CTCM, at the same address.

IF TO ERCOT:

ATTENTION: General Counsel
7620 Metro Center Drive
Austin, Texas 78744

IF TO CONTRACTOR:

ATTENTION: Texas RE President & CEO
805 Las Cimas Parkway, Suite 200
Austin, Texas 78746

With copies to Paula Mueller and Texas RE General Counsel at the same address.

19.5 Headings. Titles and headings of paragraphs and sections within this Contract are provided merely for convenience and shall not be used or relied upon in construing this Contract or the Parties' intentions with respect thereto.

19.6 Export Laws. Contractor represents, warrants, agrees and certifies that it (a) shall comply with the United States Foreign Corrupt Practices Act (regarding, among other things, payments to government officials) and all export laws and rules and regulations of the United States Department of Commerce or other United States or foreign agency or authority and (b) shall not knowingly permit any non-Party to directly or indirectly, import, export, re-export, or transship any intellectual property or any third Party materials accessed by Contractor during the course of this Contract in violation of any such laws, rules or regulations.

19.7 Preprinted Forms. The use of preprinted forms, such as purchase orders or acknowledgments, in connection with this Contract is for convenience only and all preprinted terms and conditions stated thereon are void and of no effect. The terms of this Contract cannot be amended, modified, or altered by any conflicting terms, provisions, or conditions contained in a proposal or a preprinted form, such as purchase orders or acknowledgments. If any conflict exists between this Contract and any terms and conditions on a proposal, purchase order, acknowledgment, or other preprinted form, the terms and conditions of this Contract will govern.

19.8 Specific Personnel. Contractor will employ personnel who have technical proficiency to perform the work described in Attachment A, SOW.

Contractor's proposal identified specific personnel who will be assigned to the work described in Attachment A, SOW. Contractor warrants that it shall use its best efforts to avoid any changes to the identified personnel during the course of this Contract.

This provision shall not be deemed to prohibit the Contractor from dismissing any employee with or without cause at the sole discretion of Contractor, nor to otherwise alter the at-will status of any of Contractor's employees. Should personnel changes occur during the term of this Contract or any extensions or renewals thereof, Contractor will retain qualified personnel with comparable experience and required qualifications and training, qualified to perform the tasks assigned to each individual. The PUCT Contract Administrator must approve any reassignment of personnel or new personnel hired to fill a vacancy on this project in writing, such approval not to be unreasonably withheld.

At the PUCT's request, Contractor shall remove from the project any individual whom the PUCT finds unacceptable for any reason in the PUCT's sole discretion. Contractor shall replace such individual with another individual satisfactory to the PUCT as soon as practicable.

19.9 Publicity. Contractor understands and agrees that the PUCT and ERCOT do not endorse any vendor, commodity, or service. Contractor understands and agrees that Contractor, its employees, representatives, other agents, or subcontractors may not issue any public disclosure, media release, advertisement, or publication without the prior written approval of the PUCT: which pertains to this Contract or any Services or project to which this Contract relates; or which pertains to any results or findings based on information provided, created, or obtained to fulfill the requirements of this Contract; or which mentions the PUCT.

19.10 Confidential Information. For purposes of this Agreement, ERCOT will and the PUCT may be disclosing Confidential Information, as defined in this Contract, to Texas RE. Texas RE agrees not to disclose Confidential Information for any purpose other than as permitted under this Contract. Texas RE shall take reasonable actions and precautions to prevent unauthorized disclosure of Confidential Information. Confidential Information and all copies thereof shall remain the property of the party that provides the information to Texas RE ("the disclosing party"). Texas RE agrees to immediately notify the disclosing party upon discovery of any unauthorized disclosure of Confidential Information and to cooperate in any reasonable way to help disclosing party regain possession of the Confidential Information and prevent further unauthorized disclosure. Texas RE shall promptly provide Confidential Information to the PUCT or PUCT staff on request, and shall include distinctive designations on or in any such information that the information is or includes Confidential Information.

Article 20. NO IMPLIED WAIVER

The failure of any party, at any time, to enforce a provision of this contract will not constitute a waiver of that provision; will not affect the validity of this contract or any part of it; and will not affect the right of any party to enforce each and every provision.

Article 21. ORDER OF PRECEDENCE

In the event of conflicts or inconsistencies between the provisions of this contract and its attachment(s), the following are given preference in the order listed below:

- 1) The terms and conditions of this contract.
- 2) Attachment A, SOW, including any exhibits.

Article 22. FORCE MAJEURE

Neither the PUCT nor Contractor nor ERCOT will be considered in default in the performance of its obligations under this contract to the extent that the performance of such obligations is prevented or delayed by any cause beyond the reasonable control of the affected party, which such party could not, by due diligence have avoided, including but not limited to acts of God, severe weather, explosions, riots, acts of war, or orders of legal authority. Such causes will not relieve any party of liability in the event of its failure to use due diligence to remedy the situation and remove the cause in an adequate manner, with all reasonable dispatch, and to give notice and full particulars of the same in writing to the other parties as soon as possible after the occurrence of the cause that prevented or delayed performance of the obligations. If the event of Force Majeure continues for a period of more than one hundred and eighty (180) days, any party thereafter may terminate this contract upon giving at least ten (10) days prior written notice to the other parties.

Article 23. SEVERABILITY

If any provision of this contract is held unlawful or otherwise unenforceable, such provision will be severed and deemed deleted and the remainder of this contract will continue in full force and effect, as if such provision had never existed.

Article 24. FUNDING OUT CLAUSE

This Contract is contingent upon the continued availability of funding. If funds become unavailable through lack of appropriations, legislative or executive budget cuts, amendment of the Appropriations Act, state agency consolidations, or any other disruptions of current appropriations, provisions of the Termination Article shall apply. Any contract resulting from this solicitation is contingent upon the continued availability of lawful appropriations by the Texas Legislature. See Texas Constitution, Article III Section 49, State Debts; and Texas General Appropriations Act for the 2015-2016 Biennium, Article IX, Section 6.03, Excess Obligations Prohibited.

Article 25. DRUG FREE WORKPLACE POLICY

Contractor shall enforce the drug-free workplace policy contained in Contractor's Employee Handbook, effective as of the date of the Contract, and maintains a drug-free work environment. If Contractor modifies this policy, Contractor will provide a copy of the new policy to the PUCT Contract Administrator.

Article 26. SUBSTITUTIONS

Substitutions are not permitted without written approval of the PUCT.

Article 27. RIGHT TO AUDIT

The State Auditor may conduct an audit or investigation of Contractor or any other entity or person receiving funds directly under this Contract or indirectly through a subcontract under this contract. The acceptance of funds by Contractor or any other entity or person directly under this contract or indirectly through a subcontract under this contract acts as acceptance of the authority of the state auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, Contractor or any other entity that is the subject of an audit or investigation by the state auditor must provide the state auditor with access to any information the state auditor considers relevant to the investigation or audit. Contractor will ensure that this clause concerning the authority to audit funds received indirectly by subcontractors through the vendor and the requirement to cooperate is included in any subcontract awards.

Article 28. ENTIRE AGREEMENT

This contract, including Attachment A, Statement of Work, constitutes the entire agreement and understanding between the parties with regard to its subject matter and supersedes and merges all prior discussions, writings, negotiations, understandings, and agreements concerning the provision of these Services. Any terms and conditions attached to a solicitation will not be considered unless incorporated into this Contract by specific reference.

In WITNESS WHEREOF all parties by their duly authorized representatives have executed this contract effective as of January 1, 2016.

The Public Utility Commission of Texas

By: BH Lloyd
Brian H. Lloyd
Executive Director

Date Signed: 12/18/15

Texas Reliability Entity, Inc.

By: W Lane Lanford
W. Lane Lanford
President & CEO

Reviewed by
Texas RE Legal:
[Signature]

Date Signed: 12/17/15

Electric Reliability Council of Texas, Inc.

By: H. B. Doggett

Printed Name: H. B. DOGGETT

Title: PRESIDENT and CEO

Date Signed: 12-18-15

Sign Here



ATTACHMENT A
STATEMENT OF WORK

I. Scope of Services

Subject to the PUCT's supervision and oversight, Contractor will act as the Reliability Monitor for the ERCOT Region and will be responsible for monitoring, investigating, auditing, and reporting to the PUCT regarding compliance with the reliability-related ERCOT Protocols ("Protocols"), Operating Guides ("Operating Guides"), and Other Binding Documents and the reliability-related provisions of the PUCT Substantive Rules, and the reliability-related provisions of the Public Utility Regulatory Act (collectively "Reliability Legal Requirements") by ERCOT and ERCOT Market Participants (collectively "Market Entities"). Also, Contractor will provide other reliability-related subject matter advice, expertise, and assistance to the PUCT in the conduct of the PUCT's oversight and enforcement activities, on the terms and conditions as set forth herein. The tasks, duties, and responsibilities ("Services") of Contractor will include, but are not limited to, the following:

- A. Knowledge of the Legal Requirements.** Contractor and its staff must have a working knowledge and understanding regarding the Reliability Legal Requirements. Contractor and its staff must also have a working knowledge and understanding of the enforcement authority, policies, and procedures of the PUCT.
- B. Monitoring, Overseeing, and Reporting by Contractor.** Contractor will serve as the PUCT's Reliability Monitor and will monitor, investigate, oversee, and report to the PUCT regarding ERCOT and Market Participant compliance and noncompliance with the Reliability Legal Requirements. Contractor may use a variety of methods/procedures to monitor and investigate reliability compliance, including data requests, audits and spot checks, self-certifications, self-reports, complaints, event analysis, and investigations (collectively "Reliability Monitoring and Oversight Procedures"). Pursuant to the direction of the PUCT, Contractor will perform the following:
 - a. Monitoring and Overseeing Compliance with the Reliability Legal Requirements**
 - i. Develop procedures to actively gather and analyze information and data as needed to identify possible noncompliance with Reliability Legal Requirements;**
 - ii. Identify violations of Reliability Legal Requirements;**
 - iii. Monitor indicators of reliability issues; and**
 - iv. Conduct investigations of specific ERCOT network reliability-related events and prepare reports.**
 - b. Records and Reporting**
 - i. Report to the PUCT potential compliance violations of the Reliability Legal Requirements;**

- ii. **Keep a record of all potential occurrences of non-compliance with the Reliability Legal Requirements and develop a system for tracking such occurrences of potential non-compliance and maintain a record of related investigative and enforcement activities;**
- iii. **Promptly provide information to allow Market Entities to understand and respond to alleged occurrences of non-compliance with Reliability Legal Requirements;**
- iv. **Keep a record of remedial actions taken by the Market Entities in response to alleged occurrences of non-compliance with Reliability Legal Requirements;**
- v. **Inform the PUCT Staff if the non-compliance is not resolved after ERCOT or Contractor has informed the Market Participant of a problem;**
- vi. **Submit to the PUCT quarterly reports on reliability compliance matters, including potential violations of Reliability Legal Requirements, Contractor investigations, and other reliability compliance oversight activities; and**

c. Communications

- i. **Contractor is the PUCT's agent and representative in the matters contemplated under this contract. Therefore, communications between the Contractor, PUCT Staff, ERCOT, and other client representatives of PUCT Staff made in anticipation of litigation or in furtherance of PUCT Staff's enforcement matters are privileged under the Texas Rules of Civil Procedure and the Texas Rules of Evidence. Contractor shall maintain confidentiality of all privileged communications.**

C. PUCT Enforcement Support. The PUCT is responsible for enforcement activities and prosecutions, as discussed in further detail below. Contractor will assist and support the PUCT in its enforcement and prosecution obligations by promptly preparing reports, providing technical expertise, and otherwise supporting PUCT enforcement activities as needed. Support activities under this Section C shall include, but not limited to, the following:

- a. **Coordinate with the PUCT to identify compliance priorities, assess resources, implement methods for effective compliance monitoring, and assess the effectiveness of ERCOT systems reliability;**
- b. **Provide expert advice, analysis, reports, and testimony services relating to Contractor's analysis, findings, and expertise, as a part of the PUCT staff's case in enforcement proceedings initiated by the PUCT and provide other requested technical assistance and support to the PUCT regarding Market Entity compliance with Reliability Legal Requirements; and**

- c. Coordinate with the PUCT to develop procedures for the coordination of enforcement activities, including identification of priorities, allocation of resources for investigations, and approval of investigations that require significant resources in excess of the work covered by the fixed fees under this contract.

D. Evaluation of Network Operations and Current and Proposed Changes to Reliability Legal Requirements. Contractor will evaluate the operation of the network and the wholesale electric system and will assist the PUCT and ERCOT by developing recommendations for enhancing the reliability and efficiency of the ERCOT network and operated systems. In coordination with the PUCT, Contractor will:

- a. Regularly monitor compliance performance measures to evaluate Market Participants and ERCOT compliance with the Reliability Legal Requirements;
- b. Evaluate whether ERCOT manages the electric systems it operates and administers, in accordance with ERCOT Requirements;
- c. Review proposed changes to the Protocols ("Protocol Revision Requests") and Operating Guides ("Operation Guide Revision Requests") to identify potential reliability impacts;
- d. Attend ERCOT stakeholder meetings relating to network and electric system issues;
- e. Interact with Market Entities to better understand their operations; and
- f. Recommend measures to enhance network reliability.

E. Sufficiency of Staffing.

Contractor will maintain sufficient staff to carry out the Services specified in this Contract.

F. Quarterly Report. Contractor shall submit a quarterly report summarizing Contractor's activities under I. Scope of Services.

II. Responsibilities of ERCOT

A. ERCOT is the independent system operator of the regional electrical network and is responsible for ensuring its reliability and adequacy. In performing its duties, ERCOT is directly responsible and accountable to the PUCT and will cooperate fully with the PUCT in the PUCT's oversight and investigatory functions consistent with the duties, rights, and obligations provided for in the Reliability Legal Requirements. Accordingly, ERCOT has responsibility in the first instance for certain real-time compliance monitoring and reporting to the PUCT and Contractor. ERCOT will provide reasonable cooperation and technical assistance, consistent with the Legal Requirements, to Contractor and the PUCT in the performance of their duties.

B. The tasks, duties, and responsibilities of ERCOT will include, but are not limited to, the

following:

- a. Keep a record of all occurrences of non-compliance with Reliability Legal Requirements that are identified by ERCOT;
- b. Promptly provide information to the Market Participants to allow Market Participants to understand and respond to alleged occurrences of non-compliance with Reliability Legal Requirements;
- c. Report to Contractor occurrences of non-compliance by the Market Participants in each instance;
- d. Inform Contractor if the non-compliance is not resolved after ERCOT has informed the Market Participants of a problem;
- e. Subject to ERCOT's security and safety policies and procedures, provide Contractor with access to ERCOT's facilities, including operations centers, and ERCOT's records, data, and other information concerning operations, settlement, and reliability and timely respond to data requests by Contractor;
- f. Provide other reasonable assistance and cooperation necessary for Contractor to perform its functions, including all access, electronic data, support, and cooperation which is determined appropriate by the PUCT, consistent with the data security requirements applicable to ERCOT pursuant to NERC standards, Reliability Legal Requirements, or other laws.
- g. Provide, based upon reasonable and timely requests from PUCT staff, technical assistance, analysis, reports, and testimony that may be used as part of PUCT staff's case in enforcement proceedings.
- h. Provide, based upon reasonable and timely requests from PUCT staff, technical assistance and information to the PUCT regarding Market Entity compliance with Legal Requirements.
- i. ERCOT is PUCT's agent and representative in the matters contemplated under this contract. Therefore, communications between the Contractor, PUCT Staff, ERCOT, and other client representatives of PUCT Staff made in anticipation of litigation or in furtherance of PUCT Staff's enforcement matters are privileged under the Texas Rules of Civil Procedure and the Texas Rules of Evidence. Contractor shall maintain confidentiality of all privileged communications.

III. Responsibilities of PUCT

- A. PUCT Enforcement. The PUCT is responsible for enforcement activities and has a legal staff that will prosecute enforcement proceedings. The PUCT will also provide a liaison to Contractor to coordinate with investigation and enforcement activities, and evaluate whether enforcement is appropriate, based on reports provided by Contractor. The PUCT will also provide staff to evaluate the penalties that are appropriate for violations of the Reliability Legal Requirements.
- B. PUCT Supervision.
 1. Contractor and ERCOT activities will be subject to the supervision and oversight of the PUCT;
 2. Contractor will perform all Services in accordance with the instructions, directions, and requests of the PUCT; and

3. **The PUCT may periodically review the performance of Contractor under this Contract, its SOW, and any amendments, to assess whether Contractor is meeting the requirements of this Contract and providing diligent and professional service under the Contract.**

IV. Fees, Expenses, and Payments

- A. **In exchange for Services performed by Contractor during each quarter, ERCOT shall pay Contractor the following firm fixed price, in advance, in quarterly installments as follows:**

- **\$257,268.25 on January 1, April 1, July 1, and October 1 of 2016;**
- **\$264,986.25 on January 1, April 1, July 1, and October 1 of 2017;**
- **\$272,935.75 on January 1, April 1, July 1, and October 1 of 2018; and**
- **\$281,123.75 on January 1, April 1, July 1, and October 1 of 2019.**

- B. **Contractor's fees will not exceed \$4,305,256 for the Term. Contractor will not be reimbursed for any expenses not included in the firm fixed price determined by this Contract.**