



MEMO

Date: May 10, 2005
To: ERCOT Board of Directors
From: Bob Kahn
Subject: Ethics Agreement for ERCOT Board Directors

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: May 17, 2005

Agenda Item No.: 9a

Issue:

Adoption of an Ethics Agreement applicable to all ERCOT Board Directors.

Background/History:

Board members have discussed modifying the Ethics Agreement for Unaffiliated Directors to make it applicable to all Directors. The ERCOT HR and Governance Committee requested that ERCOT Staff work with the Committee Chair to draft proposed revisions to the ERCOT Unaffiliated Director Ethics Agreement. The Committee reviewed these revisions at its April 2005 meeting. The revised draft ERCOT Board Director Ethics Agreement, attached hereto as Attachment A, provides separate ethics requirements for Unaffiliated Directors and Market Segment Directors based upon their respective positions.

Key Factors Influencing Issue:

The revised ERCOT Board Director Ethics Agreement codifies Board members ethical obligations.

Alternatives:

1. Approve the proposed revised ERCOT Board Director Ethics Agreement to be applicable to all Directors, as proposed or as modified by the Board.
2. Reject the revised Agreement.
3. Remand the Agreement to the HR and Governance Committee for additional review.

Conclusion/Recommendation:

The ERCOT HR and Governance Committee recommends approval of the revised ERCOT Board Director Ethics Agreement.