



MEMO

Date: November 8, 2005
To: Board of Directors
From: Clifton Karnei, Chair, Finance & Audit Committee
Subject: ERCOT Financial Standard

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: November 15, 2005

Agenda Item No.: 5a(1)

Issue:

ERCOT requires Board of Directors' approval of changes to its Financial Standard.

Background/History:

In July 2002, ERCOT established a financial policy defining the principals by which ERCOT performs its financial planning and budgeting. This policy was revised and approved by the Board of Directors in December 2004.

In conjunction with implementing the internal control management program, ERCOT has established a new documentation framework. In that framework, the Financial Policy is being renamed a Financial Standard.

The Financial Standard, which is attached hereto as Attachment B, reflects format and other proposed changes for this Standard.

Key Factors Influencing Issue:

Need for approval of modified Financial Standard.

Alternatives:

- Continue operating under current financial policy.
- Approve revisions to Standard and authorize ERCOT Staff to implement.

Conclusion/Recommendation:

The Finance & Audit Committee and ERCOT Staff recommend that the Board approve the motion attached as Attachment A.



MEMO

Attachment A

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

November 15, 2005

WHEREAS, the board of directors (the “Board”) of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation (the “Company”) deems it desirable and in the best interests of the Company, in order to provide sound financial guidance for its business;

NOW, THEREFORE, BE IT RESOLVED, that the Financial Standard, a draft of which is attached hereto as Exhibit B, is hereby authorized and approved in each and every respect;

RESOLVED, that each of the Secretary and each Assistant Secretary of the Company is hereby severally authorized and empowered to certify to the passage of the foregoing resolutions under the seal of the Company or otherwise.