



MEMO

Date: March 14, 2006
To: ERCOT Board of Directors
From: Bob Kahn; Chair, H.R. & Governance Committee
Subject: Dashboard/Key Goals for 2006 Variable Compensation Plan

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: March 21, 2006

Agenda Item No.: 10a

Issue:

The Board-approved Variable Compensation Plan for ERCOT officers, directors and managers, measures performance based on a dashboard of goals and objectives. The 2005 dashboard has been modified, as necessary, to reflect minimum, target and stretch goals that are appropriate for 2006. The Board must approve this dashboard to be used in 2006 with the Variable Compensation Plan that has already been approved.

Background/History:

The 2005 dashboard measured ERCOT's performance against important goals that are related to ERCOT's SB 7 responsibilities and the management of the organization. Following discussion at the February 21, 2006 meeting of the HR & Governance Committee, justification was provided to the Committee for each of the goal levels in the dashboard.

The dashboard goals for 2006 reflect an improvement over past performance and the long-term performance expected for each goal measured. The Variable Compensation Plan has been approved by the Board for 2006 and a dashboard is needed to measure performance under the Plan.

Alternatives:

There are two primary alternatives: (1) Approve the dashboard as recommended by the HR & Governance Committee; or (2) approve some other version of the dashboard. HR & Governance will make a recommendation to the Board following the March 21, 2006 HR & Governance Committee meeting.

Conclusion/Recommendation:

The HR & Governance Committee will make a recommendation to the Board on this issue following the March 21, 2006 HR & Governance Committee Meeting.



MEMO

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

WHEREAS, the Board of Directors (“the Board”) of the Electric Reliability Council of Texas, Inc. (“ERCOT”), a non-profit corporation (“Company”), deems it desirable and in the best interests of the Company that a set of goals and objectives be established for calendar year 2006 to measure ERCOT’s performance and the performance of its officers, managers, and directors against important goals that are related to ERCOT’s SB 7 responsibilities and the management of the Company.

NOW THEREFORE, BE IT RESOLVED, that the Board hereby approves the 2006 Dashboard/Key Goals as recommended by the HR & Governance Committee for use with the ERCOT Variable Compensation Plan that the Board has already approved.