



MEMO

Date: March 14, 2006
To: ERCOT Board of Directors
From: Bob Kahn; Chair, HR & Governance Committee
Subject: ERCOT Compensation Strategy

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: March 21, 2006

Agenda Item No.: 10b

Issue:

ERCOT has developed a written Compensation Strategy to document and explain the philosophy, objectives and components of its employee compensation programs. Board approval is requested to confirm ERCOT's continued implementation of its programs.

Background/History:

ERCOT Staff prepared this Compensation Strategy document and presented it to ERCOT's HR & Governance Committee. The Strategy document reflects ERCOT's current and planned compensation practices and the objectives underlying them.

Alternatives:

There are two primary alternatives: (1) Approve the Compensation Strategy as recommended by the HR & Governance Committee; or (2) approve some other version of a Compensation Strategy.

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 Compensation Strategy be adopted to document and explain the Company’s philosophy, objectives and programs for employee compensation.

NOW THEREFORE, BE IT RESOLVED, that the Board hereby approves the ERCOT Compensation Strategy as recommended by the HR & Governance Committee.