



MEMO

Date: July 11, 2006
To: ERCOT Board of Directors
From: Nancy Capezzuti, Vice President Human Resources Organizational Dev.
Subject: Revised Compensation Strategy

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: July 18, 2006

Agenda Item No.: 13a

Issue:

Review and approval of the revised ERCOT Compensation Strategy

Background/History:

The ERCOT Compensation Strategy was developed by the senior leadership team in conjunction with Mercer's review of the compensation practices at ERCOT. The prior Compensation Strategy included a reference to the variable pay Incentive Compensation Plan. This document has been revised to exclude any mention of the Incentive Compensation Plan. The Compensation Strategy outlines the general principles of administration of compensation practices at ERCOT.

Key Factors Influencing Issue:

A decision has been made to eliminate any reference to Incentive Compensation and reflect total cash compensation.

Alternatives:

Consider a modified Compensation Strategy

Conclusion/Recommendation:

To accept the ERCOT Compensation Strategy, as revised effective July 2006.