



MEMO

Date: November 7, 2006
To: Board of Directors
From: Clifton Karnei, Chair, Finance & Audit Committee
Subject: ERCOT Investment & Financial Standard Updates

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: November 14, 2006

Agenda Item No.: 7d

Issue:

ERCOT requires Board of Directors' approval of changes to ERCOT's Investment and Financial Standards.

Background/History:

In July 2002, ERCOT established an investment policy defining the principles by which ERCOT invests funds and a financial policy defining the principals by which ERCOT performs its financial planning and budgeting. The ERCOT Board has approved revisions to these documents from time to time, most recently in November 2005, when the documents were renamed Investment Standard and Financial Standard to be consistent with ERCOT's new documentation framework.

ERCOT Staff proposes additional changes to the Investment and Financial Standards as reflected in Attachment A.

Key Factors Influencing Issue:

Need for approval of modified Investment and Financial Standards.

Alternatives:

- Continue operating under current Investment and Financial Standards.
- Approve revisions to Standards and authorize ERCOT Staff to implement.

Conclusion/Recommendation:

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



ATTACHMENT A

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

November 14, 2006

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 Investment Standard, a draft of which is attached as EXHIBIT A and the Financial Standard, a draft of which is attached hereto as EXHIBIT B, is hereby authorized and approved in each and every respect.

CORPORATE SECRETARY’S CERTIFICATE

I, James Thorne, General Counsel and Corporate Secretary of the Electric Reliability Council of Texas, Inc., a Texas nonprofit corporation (“ERCOT”), do hereby certify that, at the [date of meeting] ERCOT Board Meeting, the Board of Directors of ERCOT passed a Resolution approving the above resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 2006.

James Thorne
General Counsel and Corporate Secretary