

DRAFT
ERCOT H.R. & Governance Committee Meeting Minutes
ERCOT Austin
7620 Metro Center Drive
Austin, Texas 78744
9:00 a.m.

Committee Members Present

Carolyn Gallagher
Mark Armentrout
Brad Cox
Andrew Dalton (by phone, then in person beginning at 9:51 a.m.)
Michehl Gent
Jan Newton
Sam Jones

ERCOT Staff

Nancy Capezzuti
James Thorne
Mike Grable (by phone)
Theresa Gage (by phone)

Other Attendees

Kenan Ogelman (by phone)
Unidentified (by phone, joined at 9:33 a.m.)

Call to Order

Carolyn Lewis Gallagher opened the meeting at 9:00 a.m.

Election of Committee Chair and Vice Chair

Brad Cox moved election of Ms. Gallagher as Chair and Jan Newton as Vice Chair; Michehl Gent seconded. Both Chair Gallagher and Vice Chair Newton were elected by unanimous voice vote.

Minutes

The minutes were approved by unanimous voice vote.

Government Relations Update

Teresa Gage described the legislative email update that has been going out weekly on Friday. She also discussed concerns that some members may not be receiving emails, perhaps due to firewalls. Ms. Newton queried whether the number and type of bills are normal, and Ms. Gage responded that they are – the only unusual thing was Rep. Burnam’s bill to re-regulate electricity. Mr. Cox asked if the bills have much chance of passage. Ms Gage explained that essentially it is too soon to tell. Mike Grable mentioned that Rep. Turner’s System Benefit Fund bill is known to have a high chance of passing, although it would have less direct ERCOT impact than other bills would.

Ms. Gallagher requested discussion of Rep. Pickett’s HB 487, which is listed as Priority One because of its potential ERCOT impacts. The bill proposing regulation of generating capacity is also Priority One, because it could order divestiture of plants by TXU and perhaps others. Finally, Representative Turner’s bills are all Priority One, including the System Benefit Fund, the extension of the price-to-beat, and the criminalization of market-power abuse. Mr. Cox suggested that ERCOT be careful to avoid the possibility of being dragged into any part of the market-power abuse bill by virtue of giving instructions to generators that are then construed down the road as exercises of market power. Ms. Gage will talk with Representative Turner’s staff about possible language to ensure that ERCOT is not exposed to penalties under this bill.

Mr. Cox expressed that the spreadsheet is very helpful and what the Committee was looking for.

Mr. Gent asked if ERCOT Staff rates the bills in terms of percentage of probability. Ms. Gage indicated that we do not in any formal way, but would be happy to answer any questions about particular bills and where they stand in the process. Sam Jones added that we may not have clear ideas of where things stand until later in the legislative session.

James Thorne asked Ms. Gage to summarize recent interactions with the Communications Subcommittee. Ms. Gage reiterated the distribution and communication process, including that Priority One bills are found, distributed, and analyzed immediately, as are all significant happenings such as leadership elections. Mr. Grable added that the Communications Subcommittee had discussed whether legislative briefings for the Committee and/or the entire Board could occur in Executive Session. Mr. Grable had concluded that discussion must occur in open meeting, but also agreed with Mr. Cox’s clarification that written opinion memoranda from ERCOT Legal would be protected from disclosure as attorney work-product.

Ethics Agreement Execution

Mr. Thorne updated the Committee on the agreements being signed. Mr. Gent and Mr. Cox mentioned that the Board had approved the form of the agreement and intended for it to track the ERCOT Bylaws provisions relating to Board Members’ duties, to put them front and center in their minds. But whether every Director signs or not, they are bound by these provisions. Ms. Newton added that Commissioner Smitherman has expressed particular interest in the Ethics Agreement and that all Directors sign it. Mr. Cox will follow up with Nick Fehrenbach to encourage him to sign the agreement. Mr. Armentrout asked whether the Bylaws require

Directors to execute the Ethics Agreement, and suggested that it be made mandatory. Mr. Armentrout mentioned that Commissioner Smitherman had noted differences between the Board Ethics Agreement and the Employee Ethics Agreement, and requested an explanation of the differences and/or whether the two agreements can be standardized.

Committee Self-Assessment

Ms. Gallagher queried whether such a self-assessment has ever been done, but that Finance & Audit does them and the Committee has been asked to do one for the February Board retreat. She circulated the draft Self-Evaluation survey and asked for Committee members to review it and give comments to Mr. Thorne within the week. Mr. Cox mentioned that a survey of other ISOs had revealed that other ISOs are all over the map on committee number and structure; the California ISO in particular has more like 6 to 8 separate committees. Mr. Jones mentioned that each new committee requires additional support. Ms. Newton mentioned that the committees seem to be working well as currently structured. Mr. Grable mentioned that a Regional Entity Subcommittee is permissible under the proposed Bylaws revisions, and Mr. Thorne added that it would need to be a subcommittee of the Independent Directors. Mr. Cox mentioned, and Andrew Dalton agreed, that a subcommittee that made recommendations regarding the Regional Entity—but not final decisions—might be a better idea. This topic will be added to the items to be discussed at the Board retreat in February.

Mr. Cox raised another topic for the Board retreat—whether TAC and other stakeholder processes are functioning as well as possible, and that information is coming before the Board in an efficient way so that the Board can act quickly and with good information on appeals and other decisions. Mr. Jones agreed, saying that the Board should be ensured that it isn't walking cold into a decision, but has all necessary information and is hearing all sides of an issue. Mr. Thorne suggested that the Board use the retreat discussions to ensure that the Board is confident that sufficient information is received. Mr. Armentrout mentioned that a balance must be struck between improving information, and perhaps going too far and over-formalizing the process.

Committee Charter Review

Ms. Gallagher noted that several parts of the Charter are now out of date with the change in ERCOT executive compensation structures. She requested that ERCOT Staff review the Charter and update it for the next meeting.

Ms. Gallagher adjourned into Executive Session at 9:51 a.m. The meeting emerged from Executive Session at approximately 10:00 a.m.

The meeting adjourned at 10:02 a.m.