



Date: January 8, 2008
To: ERCOT ISO Board of Directors
From: Mike Grable, Assistant General Counsel
Subject: Approval of Revised Board Policies and Procedures

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: January 15, 2008

Agenda Item No.: 11

Issue: Approval of updated Board Policies and Procedures (Board Procedures).

Background/History:

At its December 11, 2007 meeting, the Board approved new Section 2.8 (Compensation and Expense Reimbursement for Unaffiliated Directors). Aside from the Unaffiliated Director compensation amendment last month, the ERCOT Board last revised the Board Procedures in 2003. The Board Procedures must be updated to be consistent with: (a) interim changes in statute, in PUCT rule, and in the Bylaws; and (b) interim Board decisions since the last revision.

The Board was presented with an extensive set of revisions last month, but deferred action on all of them aside from Unaffiliated Director compensation. The extensive revisions were sent as a redlined document in the Board Packet on December 4, 2007, and six additional suggested improvements were distributed under separate cover on the day of the December 2007 Board meeting. The Board tabled action on these revisions, to give Directors an opportunity to review the proposed changes and also to consider whether to propose additional revisions.

Since the December meeting, additional edits have been received from Chairman Armentrout, Vice Chairman Gent, and ERCOT Staff. Attachment A to this document includes all proposed changes since December 4, 2007, and is provided in both clean and redlined formats. The new edits that have not been circulated to the Board previously are:

1. Section 1.2: ERCOT Staff developed further revisions at the suggestion of Chairman Armentrout, to distinguish the official Board Packet (to which this Section 1.2 is intended to apply) from the ad hoc communications that Market Participants sometimes wish to make (which is a subject that the Board has delegated for TAC's consideration);
2. Section 2.4.5: Chairman Armentrout proposed deleting all of the verbiage following "(3,000,000.00)" as superfluous;
3. Section 2.6.5: Vice Chairman Gent proposed that this subsection be stronger;
4. Section 2.8.2.1: Because Bylaw Section 10.1(d) permits Consumer Directors to be compensated for ERCOT-relevant training, this subsection required modification.
5. Section 7.2: To condone existing Segment and Subsegment preferences to run their own elections, this language now enables either segment-run elections (with ERCOT information safeguards), or ERCOT-run elections;



6. Section 7.3.2: Chairman Armentrout suggested that six months' notice for departing Unaffiliated Directors would be more realistic than four months' notice, given the complexity of an Unaffiliated Director search; and
7. Section 7.4: Overbroad language in this section implied that Board seats could be appointed; it is now re-focused on the appointments that the Public Utility Counsel makes for Technical Advisory Committee (TAC) subcommittees.

The proposed revised Board Procedures do not currently include new procedures relating to the Texas Regional Entity Division, because ERCOT staff understands the Board intends to discuss the Texas Regional Entity and ERCOT ISO relationship in more detail at the February Strategic Planning Meeting (Board Retreat). After that discussion, the Board can approve additional Board Procedures to reflect its intent regarding procedures relating to the Texas Regional Entity. Likewise, the proposed revisions do not address the issue of how Market Participant communications directly to the Board should be handled because the Board delegated that topic to the TAC, which will also make a presentation on the topic at the Strategic Planning Meeting.

Key Factors Influencing Issue:

The Board Procedures must be consistent with the current Bylaws and ERCOT Board decisions.

Alternatives:

1. Approve the proposed Board Procedures.
2. Delay approval of any modifications to the Board Procedures.
3. Approve different Board Procedures.

Conclusion/Recommendation:

ERCOT staff recommends that the Board approve the proposed Board Procedures as modified.



Attachment A

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

WHEREAS, the Electric Reliability Council of Texas, Inc. (ERCOT) Board of Directors (Board) has adopted Policies and Procedures (Board Procedures), and

WHEREAS, the Board Procedures have become outdated and need revision,

THEREFORE, BE IT RESOLVED, the ERCOT Board hereby approves the Board Procedures attached here as Exhibit A, which shall replace the previously-approved Board Procedures.

ASSISTANT CORPORATE SECRETARY'S CERTIFICATE

I, A. Andrew Gallo, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its January 15, 2008 meeting, the ERCOT ISO Board of Directors approved the above-referenced Resolution. The Motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 200____.

A. Andrew Gallo
Assistant Corporate Secretary