



Date: February 12, 2008
To: ERCOT ISO Board of Directors
From: Mike Grable, General Counsel
Subject: Approval of Revised Board Policies and Procedures

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: February 19, 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 in December, 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.

Prior to the January meeting, seven additional edits were proposed and circulated, at the request of Chairman Armentrout, Vice Chairman Gent, and ERCOT Staff. Action on this item was postponed again in January due to concern about the appropriate language for Section 2.9.1, regarding compensation for the Residential Consumer TAC Representative.

Attachment A to this document includes all proposed changes since December 4, 2007, and is provided in both clean and redlined formats. The sole new edit that has not been circulated to the Board previously is in Section 2.9.1, and it would change the Residential Consumer TAC Representative's compensation from being a monthly payment of \$2500, to being a monthly payment of \$2500 that is paid only if the Residential Consumer TAC Representative attends a meeting of the Board, TAC, TPTF, or other standing or special Board or TAC committee.

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. ERCOT has an open audit point relating to this document that can only be closed with adoption of some version of modified and updated Board Procedures.

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, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its February 19, 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____.

Michael G. Grable
Corporate Secretary