



Date: May 13, 2008
To: Board of Directors
From: Mike Grable, General Counsel
Subject: Board Policies and Procedures

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: May 20, 2008

Agenda Item No.: 5

Issue:

Whether to revise the Board Policies and Procedures (Board Policies) to: (i) require Directors and Alternates to sign the ERCOT Director Ethics Agreement; (ii) limit voting in Executive Session to votes on Executive Session minutes and explain the procedure by which the Board may take action based on Executive Session discussions; and (iii) adopt procedures governing appeals of Technical Advisory Committee (TAC) decisions *other than* on Protocol Revision Requests (PRRs).

Background/History:

The Board last modified the Board Policies in February 2008 by adopting numerous changes. The three additional changes described above are now submitted for the Board's consideration.

The first change would add new Section 2.6.7, and it must be added if ERCOT is to comply with an open audit point (Internal Control Management Program Tracking No. IAD34-01). All Directors and Alternates *have* signed in 2008, but the audit cannot be resolved until a specific requirement is added.

The second change would add new Section 1.4, providing that the Board shall not take action in Executive Session, except for approving prior Executive Session minutes. This topic is governed broadly by Public Utility Regulatory Act (PURA) Section 39.1511(a)¹ and ERCOT Bylaw 4.6(e), which states that

[m]eetings of the Board or Board subcommittees shall be open to the public provided that the Board or Board subcommittee on which at least one Board Director sits may, at its discretion, exclude any persons who are not Directors from any meeting or portion of any meeting held in Executive Session, including for purposes of voting. An Executive Session shall be held at the discretion of the Board or Board subcommittee for sensitive matters including, but not limited to, confidential personnel information, contracts, lawsuits, deliberation of purchase of real property, competitively sensitive information, deployment or implementation of security devices or other information related to the security of ERCOT's regional electrical network and discussion of any matters on which the Board receives legal advice from its attorney(s)

¹ PURA § 39.1511(a) states that the ERCOT Bylaws may permit Executive Sessions "to address sensitive matters such as confidential personnel information, contracts, lawsuits, competitively sensitive information, or other information related to the security of the regional electric network."

This second proposed change would not limit Executive Session discussion of sensitive matters; it would only require that, following the discussion, the Board not vote on whether to take action until the Board has emerged from Executive Session.

The third proposed change would add new Section 1.5, codifying how the Board will receive information from Market Participants who are interested in presenting views to the Board regarding appeals from TAC decisions that are not PRR-related. PRR-related appeals are the subject of pending PRR 753, but PRR 753 does *not*, at this time, address non-PRR items on which Market Participants desire to be heard, such as the December 2007 TAC request that the Board immediately increase the amount of Responsive Reserve Service (RRS) to be procured by ERCOT.

The following relevant documents are appended:

1. Attachment A: A redline of the Board Policies that would effectuate each of the three proposed changes;
2. Attachment B: ERCOT Director Ethics Agreement; and
3. Attachment C: The latest version of PRR 753 relating to PRR appeals.

Key Factors Influencing Issue:

The key factors influencing the decision are:

1. The first proposed change must be adopted to close a pending audit point;
2. The second proposed change would provide transparency around how the Board will conduct Executive Session discussions; and
3. The third proposed change would guide Market Participants who wish to be heard before the Board on non-PRR appeals from TAC decisions.

Alternatives:

The Board has three alternatives with respect to each of the three proposed changes:

1. Approve;
2. Direct ERCOT staff to revise; or
3. Decline to adopt.

Conclusion/Recommendation:

ERCOT staff respectfully recommends that all three changes be adopted.



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

WHEREAS, Electric Reliability Council of Texas, Inc. (ERCOT) is required by an open audit point to stipulate that Directors and Alternates sign the ERCOT Director Ethics Agreement; and

WHEREAS, adopting specific procedures governing Executive Session discussions and voting procedures increases transparency; and

WHEREAS, Market Participants desiring to be heard on non-Protocol Revision Request (PRR) appeals from the Technical Advisory Committee (TAC) should have clear and understandable procedures to follow; and

WHEREAS, the Board of Directors (Board) of ERCOT deems it desirable and in the best interest of ERCOT to accept revisions to the Board Policies and Procedures (Board Policies) related to these three items;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts revised Board Policies consistent with Attachment A to this Resolution.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of Electric Reliability Council of Texas, Inc., a Texas nonprofit corporation (ERCOT), do hereby certify that, at its May 20, 2008 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by a vote of _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 2008.