



Board Policies and Procedures
Amended Effective ~~February 19, 2008~~ June 17, 2008
By the ERCOT Board of Directors

Attachment A

Table of Contents

I.	Meeting Procedures	2 1
II.	Responsibilities, Qualifications, and Compensation of the Board of Directors	2
III.	Delegation of Authority to the Chief Executive Officer	5
IV.	Procedure for the Sale of ERCOT Assets	6 5
V.	Termination of ERCOT	6 5
VI.	Procedure by Which a Member May Examine and Copy the Corporate Financial Books and Records of ERCOT	6
VII.	Procedures for the Selection of New Board and TAC Members	7 6
VIII.	Review and Reaffirmation	7 9

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Preamble: Definitions

- 0.1 The Definitions included in the Amended and Restated Bylaws of Electric Reliability Council of Texas (the “Bylaws”) are incorporated by reference.

I. Meeting Procedures

- 1.1 Board meetings are normally held on the third Tuesday of each month, but may be moved by agreement of the Board. Notice of each full Board meeting with the Board agenda shall be given consistent with the Bylaws. A Director is entitled to place matters the Director reasonably considers important on the Board agenda if notification of such matters and background materials are received by the Secretary of the Corporation no later than 5 p.m. eleven days before the date of the Board meeting (*i.e.*, normally on the Friday before the second Tuesday of the month). Market Participants, with permission of the chair, may request that matters be placed on the Board agenda if notification of such matters and background materials are received by the Secretary of the Corporation no later than 5 p.m. eleven days before the date of the Board meeting (*i.e.*, normally on the Friday before the second Tuesday of the month).
- 1.2 When a Board agenda contemplates the Board taking specific actions, ERCOT staff will provide Directors a “Board Packet” with all appropriate information at least seven (7) days prior to the meeting to allow study of and reflection on the issue raised. If such information is not available seven (7) days in advance of the meeting, ERCOT staff shall send information to the Directors as soon as such information is reasonably available. Information that ERCOT staff provides to the Directors which is not “sensitive” (as described in Section 4.6(e) of the Bylaws) must also be made available electronically to the public on the Internet, along with the agenda of the meeting. A Director may request that the Board defer action if he or she requires additional information or additional time to review appropriate information.
- 1.3 Minutes shall be kept for all meetings of the full Board, Board Committees, TAC and TAC subcommittees. Such minutes, except those which are held in Executive Session, shall be posted on ERCOT’s website for at least one year following the date of the meeting. ERCOT shall maintain a permanent record of the minutes of full Board meetings. ERCOT shall maintain records of meetings of TAC and TAC subcommittees for five years.
- 1.4 The Board may meet in Executive Session for purposes consistent with governing law and with the Bylaws. The notice for Executive Session discussion items may be worded such that the sensitive nature of the item is not compromised or disclosed. Except for acting to approve the minutes of prior Executive Sessions, the Board shall emerge from Executive Session before voting or taking any action on any Executive Session noticed items or based on Executive Session discussions.

- 1.5 All appeals to the Board, whether related to a Protocol Revision Request (PRR) or not, shall be governed by the process as described in Section 21.4.11, *Appeal of Decision*, of the ERCOT Protocols.

II. Responsibilities, Qualifications, and Compensation of the Board of Directors

- 2.1 In keeping with its fiduciary duties to ERCOT, the Board shall establish the overall direction and affirm the annual goals and objectives developed by ERCOT staff. The Board shall review such goals and objectives on an ongoing basis, and may issue policies and resolutions setting forth direction of ERCOT management actions to attain such goals and objectives. The Board's primary responsibility is to ensure that ERCOT maintains reliability and operates in a fair, efficient and non-discriminatory manner. The Board is also responsible for overseeing ERCOT's administration of the ERCOT Protocols.
- 2.2 The Board shall faithfully discharge its duties by conducting its affairs in a highly ethical and sound business manner. The Board, collectively and severally, will not direct the policies and actions of ERCOT from perspectives of private gain or personal advantage.
- 2.3 The Board shall retain a Chief Executive Officer ("CEO") with the capabilities to execute Board policies. The Board delegates to the CEO all general powers and duties necessary to accomplish ERCOT's purpose, goals, and objectives as established by the Board, except for those specifically reserved to the Board by the Bylaws or herein. The CEO and management are required to supply Directors with sufficient information to keep Directors properly informed about the business and affairs of ERCOT.
- 2.4 The Board expressly reserves the following matters for Board approval:
- 2.4.1 Those matters reserved by the Bylaws.
- 2.4.2 Approval of the initiation of any non-routine filing that seeks regulatory action by a regulatory agency, provided that emergency situations may require immediate regulatory filings to protect the interests of ERCOT and may be filed by the General Counsel in its reasonable discretion without prior approval of the Board if there is concurrence of the CEO, General Counsel, the Chair and Vice Chair of the Board for such filing, and provided that the Board is notified as soon as practicable.
- 2.4.3 Initiation of any lawsuit; provided that emergency situations may require immediate legal action including the initiation of a lawsuit to protect the interests of ERCOT. Such a lawsuit may be initiated by the General Counsel without prior approval of the Board if there is concurrence of the CEO, General Counsel, the Chair and Vice Chair of the Board for such filing, and provided that the Board is notified as soon as practicable and the Board subsequently ratifies the filing.

- 2.4.4 Approval of the purchase of goods or services for ERCOT's use, or of a contract for such purchase, with a value of over one million dollars (\$1,000,000.00) if such purchase or contract either: (a) is not clearly associated with a specific line item in the approved Budget; or (2) would cause the budget category or overall budget to be overrun; or (3) is not obtained in accordance with ERCOT's Procurement Standard, operating procedures, and internal controls.
- 2.4.5 Approval of the purchase of goods or services for ERCOT's use, or of a contract for such purchase, with a value of over three million dollars (\$3,000,000.00).
- 2.4.6 Approval of the sale or pledge of any ERCOT assets valued in excess of one million dollars (\$1,000,000.00).
- 2.4.7 Establishment of any line of credit, loans, or other forms of indebtedness in the name of ERCOT exceeding one million dollars (\$1,000,000.00).
- 2.5 The Board shall exercise reasonable diligence to ensure that the delegations to the CEO provided in this policy statement are properly implemented. The Board will articulate clear and coherent goals and statements of its expectations through its policies and the adoption of the Budget. The CEO is responsible for fulfilling these commitments and managing the organization.
- 2.6 Each Director shall, individually, have the following duties:
 - 2.6.1 Attend all regular and special meetings of the Board when notified, unless circumstances prevent the Director from attending. If attendance is not possible, Bylaws procedures for Alternates and Proxies shall be followed.
 - 2.6.2 Participate in the selection of the members of all committees and subcommittees of the Board represented by his or her particular market segment.
 - 2.6.3 Not disclose the confidential information of ERCOT to unauthorized people.
 - 2.6.4 Handle any actual or potential conflict of interest in accordance with Bylaws Section 9.2.
 - 2.6.5 Consistent with the fiduciary duty of care in overseeing, monitoring, and supervising the affairs of ERCOT, prepare for and participate to the best of his or her ability in determination of policy and other matters coming before the Board.
 - 2.6.6 Set policy and make decisions in the best interest of the ERCOT organization and the ERCOT market.
 - 2.6.7 Upon joining the Board and annually thereafter, sign the ERCOT Director Ethics Agreement.

- 2.7 Each Director shall meet the following qualifications:
- 2.7.1 Have a willingness to serve the membership of ERCOT and to commit the time and resources necessary to carry out the duties of a Director.
 - 2.7.2 Be willing to work cooperatively with ERCOT Members.
 - 2.7.3 For Market Participant Directors, possess significant electric energy related work experience in a senior or executive management level in the market segment he or she represents, and be an employee of a Member organization that is in good standing as required by the Bylaws.
 - 2.7.4 Meet all qualifications defined by the Bylaws or required by the PUCT or Texas or other governing law.
- 2.8 Compensation and Expense Reimbursement for Unaffiliated Directors
- 2.8.1 Compensation. Each Unaffiliated Director will receive the following:
 - 2.8.1.1 Annual Retainer: \$40,000.
 - 2.8.1.2 Board Meeting Fee: \$2,000 per day for each Board meeting attended in person, including the annual Board Retreat; provided that no more than one Board Meeting fee may be earned for any day, regardless of whether multiple Board Meetings are attended.
 - 2.8.1.3 Special Board Meeting Fee: \$200 for each special Board meeting attended via telephone, in lieu of in-person Board Meeting Fee.
 - 2.8.1.4 Committee Meeting Fee: \$900 per meeting for each Board Committee meeting attended in person; provided that no more than one Committee Meeting Fee may be earned for any day, regardless of whether multiple Board Committee or Subcommittee meetings are attended.
 - 2.8.1.5 Special Committee Meeting Fee: \$200 for each special Board Committee meeting attended via telephone, in lieu of in-person Committee Meeting Fee.
 - 2.8.1.6 Board Chair Compensation: \$10,000 per year, in addition to Annual Retainer.
 - 2.8.2 Expense Reimbursement

2.8.2.1 Affiliated Directors are generally expected to be reimbursed by their employers. Unaffiliated Directors, and Affiliated Directors who may receive limited reimbursement from time to time, shall comply with the ERCOT Business Expense Reimbursement Corporate Standard.

2.8.2.2 General Counsel shall provide Directors with the Business Expense Reimbursement Corporate Standard and a summary thereof, upon new Directors joining the Board and also whenever modifications are made to the Standard

2.9 Compensation for Residential Consumer TAC Representative

2.9.1 Compensation for the Residential Consumer TAC Representative shall be as follows: (i) a retainer of \$1,500 per month; and (ii) \$500 per TAC, TPTF, or other standing or special TAC committee meeting actually attended. Total compensation for the Residential Consumer TAC Representative shall not exceed \$3,000 per month.

2.9.2 The Residential Consumer TAC Representative shall be eligible for reimbursement or reasonable expenses associated with attending meetings of TAC, TPTF, or other standing or special TAC committee, but shall comply with the ERCOT Business Expense Reimbursement Corporate Standard.

III. Delegation of Authority to the Chief Executive Officer

3.1 Consistent with the goals, objectives, policies, and specific directions of the Board, and the Bylaws, the CEO is responsible for carrying out the business activities of ERCOT. The CEO shall have the authority to execute contracts and agreements, establish lines of credit, and take all other lawful actions, as he may deem expedient and proper in conducting the business of ERCOT, except as may be limited by the Board.

3.2 The CEO may delegate his authority to other ERCOT officers or employees in his discretion, except as limited by the Board. The CEO shall issue appropriate management procedures setting forth the direction of staff management and other employee actions to fulfill the goals, objectives, policies and other directions of the Board.

3.3 The CEO will present to the Board by October of each year, or at such other time as directed by the Board, an annual Budget to carry out the Board's directives for the following year. The Budget will include projections of ERCOT's overall financial performance and financing plans, and describe the services, projects, programs, and the associated revenues and expenditures for the next fiscal year. Adoption of the Budget authorizes the CEO to complete work plans and make associated expenditures as provided for in accordance with the Budget.

3.4 The CEO is responsible for bringing policy matters to the attention of the Board when its current policies give inadequate direction for ERCOT operations or leave ERCOT at a

disadvantage because of changing conditions. The CEO will provide thorough, well-organized information to the Board in a timely manner. Communications to the Board will be made forthrightly and with candor in the evaluation of the conduct of business and operations of ERCOT. In the discretion of the CEO, significant contracts, agreements, or other major decisions may be brought to the Board for specific approval. In coordination with the General Counsel, the CEO shall represent ERCOT in communicating the position and interests of ERCOT to legislative bodies.

- 3.5 Consistent with the Board's guidance and the ERCOT Internal Control Management Program, the CEO will approve and enforce appropriate policies, standards and procedures for ERCOT, to ensure adequate internal controls for ERCOT business and operations.

IV. Procedure for the Sale of ERCOT Assets

- 4.1 Personal property that is no longer necessary, convenient or of beneficial use to the business of ERCOT, and that has a fair market value of one million dollars (\$1,000,000.00) or less may be sold, transferred, auctioned, or conveyed by the CEO for its fair market value. ERCOT shall use revenues from the sale of its property to offset ERCOT expenses.

V. Termination of ERCOT

- 5.1 Upon termination or liquidation of ERCOT, the Board shall, consistent with applicable federal and state regulatory requirements, liquidate ERCOT, and dispose of its property and assets in the manner required by Texas law applicable to non-profit corporations.

VI. Procedure by Which a Member May Examine and Copy the Corporate Financial Books and Records of ERCOT

- 6.1 Every Member shall have the right at any reasonable time to inspect ERCOT's corporate financial books and records of account subject to the following Procedures:

6.1.1 The Member representative must be acting upon the authority of the Member, as evidenced in writing by the representative listed in ERCOT's records for that Member.

6.1.2 The writing must state a legitimate business purpose for the inspection and identify the documents the Member desires to inspect.

6.1.3 The writing must state the date and time of the inspection, such date and time to be no less than 10 days after ERCOT receives the request and shall be during ERCOT's normal business hours.

6.1.4 If the information requested is determined to be Confidential Information of ERCOT, ERCOT shall require the Member to sign a Confidentiality and Non-Disclosure Agreement. Information relating to individual ERCOT employees, including compensation, shall not be subject to disclosure. ERCOT retains the right to withhold information that is confidential by law or by contract.

6.1.5 If the information requested is determined to be Confidential Information of an ERCOT Member, ERCOT shall not disclose such information except as provided in the ERCOT Protocols.

6.1.6 If Confidential Information is requested by the Member or a Market Participant who provided ERCOT the information, ERCOT shall provide copies of such information to the Member or Market Participant, or its designee upon written authorization by the Member or Market Participant.

6.2 No Member shall use or disseminate any information obtained as a result of any such inspection in its capacity as a Member, for his or her own personal gain, to the detriment of ERCOT or its staff, or to the detriment of any competitors of any entity with which the Member is affiliated, except in connection with the enforcement of a tariff, contract or applicable law and consistent with ERCOT's policy regarding Confidential Information.

VII. Procedures for the Selection of New Board and TAC Members

7.1 At least two months prior to the Annual Meeting of the Corporate Members, the ERCOT Board will set the date and location for the Annual Meeting. The Record Date for determining the Corporate Members entitled to notice of and representation at the Annual Meeting is set forth in the Bylaws.

7.2 For election of TAC members and Directors to be elected by Market Participants, one of two procedures shall apply: (a) ERCOT will provide all Corporate Members of the Segment or Subsegment with advance notice that the Segment or Subsegment will be holding the election, and follow-up notice of election results; or (b) ERCOT will directly facilitate the election according to the following procedures:

7.2.1 On the next business day after the Record Date, ERCOT will send a list of all the Members in each Segment or Subsegment, by membership level (i.e. Corporate, Associate or Adjunct) to ERCOT Members.

7.2.2 ERCOT will request that Corporate Members of each Segment or Subsegment nominate Board and TAC representatives and forward their nominations to ERCOT.

- 7.2.3 With the nominations provided, ERCOT will then create and provide ballots to Corporate Members for return to ERCOT.
- 7.2.4 ERCOT will facilitate a meeting of the Segment or Subsegment to assist in the nomination and election process if requested.
- 7.2.5 Only Corporate Members may participate in the election of Board and TAC members for the Segment or Subsegment in which they are members.
- 7.2.6 Each seat shall be filled by the person receiving the most votes (proxies allowed) of eligible Corporate Members.
- 7.3 For Unaffiliated Directors, the following procedures shall apply:
- 7.3.1 All new Unaffiliated Directors shall be selected in accordance with the process established in the Bylaws.
- 7.3.2 Six months prior to the expiration of an Unaffiliated Director's term, such Director shall indicate whether he or she wishes to remain on the Board for another term (if applicable). If the Unaffiliated Director desires to remain on the Board, the Nominating Committee will vote on whether such Unaffiliated Director may be nominated again for the Board.
- 7.3.3 If an Unaffiliated Director elects to leave the Board or, due to the upcoming expiration of an Unaffiliated Director the Nominating Committee otherwise elects to seek potentially a new Unaffiliated Director, the Nominating Committee shall retain an executive search firm to begin the candidate selection process, pursuant to the Bylaws.
- 7.3.4 Where feasible, elections for Unaffiliated Directors will be held within a timeframe that will allow such Directors to be seated at the same time as Directors newly elected by Members.
- 7.4 Notwithstanding Section 7.2, for the Residential Consumer Subsegment, the Public Utility Counsel shall appoint Residential Consumer TAC Representative(s). ERCOT will assist, if requested, in providing potential candidates for such seats. The Public Utility Counsel shall identify their appointees to ERCOT at least one week prior to the Annual Meeting. ERCOT will notify new Consumer appointees of the information necessary to attend the Annual Meeting.
- 7.5 If a Segment is unable to elect a Director or TAC member at least two weeks prior to the Annual Meeting, ERCOT will notice a meeting of the Segment to facilitate the election.
- 7.6 Prior to the Annual Meeting of Corporate Members, ERCOT will determine the results of the elections. At the Annual Meeting, the new Board and TAC members will be announced, confirmed, and seated.

VIII. Review and Reaffirmation

- 8.1 The Board may amend this document at any time by a vote that complies with Bylaws requirements, but at a minimum the Policies and Procedures shall be reviewed and reaffirmed annually, at or before the annual Strategic Planning Meeting.

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