



Date: September 9, 2008
To: ERCOT Board of Directors
From: Andrew Dalton, Chair, Unaffiliated Director Compensation Subcommittee
Subject: Proposed Compensation Structure for ERCOT Board Unaffiliated Directors

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: September 16, 2008

Agenda Item No.: 12a

Issue:

Whether to modify compensation for Unaffiliated Directors of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) and of Texas Regional Entity (TRE) based on changes to the TRE Board meeting plan, including input provided by the recent Towers Perrin Study (Study).

Background/History:

Please see Attachment A for a full description of the Subcommittee's Plan and recommendations.

Texas Regional Entity's Board of Directors and Advisory Committee have modified their regular meeting dates to the Monday prior to the ERCOT Board meetings. For this reason, the Subcommittee met in August 2008 and reviewed the compensation structure for the Unaffiliated Director compensation to determine whether any modifications should be made to the previously approved compensation structure for Unaffiliated Directors.

Key Factors Influencing Issue:

- TRE has proposed changing their meeting times in a way that would alter the understanding reached when Unaffiliated Director compensation was set last year
- The Subcommittee proposal would permit Unaffiliated Director compensation to increase from \$81,000 to \$89,800, assuming all meetings were attended, a value that is approximately 10% above the Study's median; however, Unaffiliated Directors essentially sit on two governing bodies that have separate and significant duties, unlike directors of many comparable entities identified in the Study.

Conclusion/Recommendation:

In light of the scope of the duties of the TRE, the fact that TRE's costs to consumer are



comparatively lower than other fully separated Regional Entities and the Board's desire to create greater separation between the ERCOT Board functions and the TRE Board functions, the Subcommittee finds that setting total annual expected compensation at roughly 10% above the median identified by the Study is reasonable.



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

WHEREAS, the Unaffiliated Director Compensation Subcommittee (Subcommittee) met and reviewed the compensation structure for the Unaffiliated Directors of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT), considering proposed changes to the Texas Regional Entity (TRE) Board meeting structure and utilizing information provided by the Towers Perrin Study (Study), and

WHEREAS, the Subcommittee determined that setting compensation for Unaffiliated Directors at an amount 10% above the median annual compensation identified by the Study and as recommended by the Subcommittee is reasonable, desirable and in the best interests of ERCOT.

NOW, THEREFORE, BE IT RESOLVED, that the revised Unaffiliated Directors' compensation structure is reasonable and should be implemented immediately.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its September 16, 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.

Michael G. Grable
Corporate Secretary