

## **ERCOT Board of Directors Response to R. W. Beck Study**

The Board of Directors (“Board”) of the Electric Reliability Council of Texas, Inc. (“ERCOT”) has reviewed the recommendations made in the R. W. Beck Study (“Study”) and appreciates the opportunity to offer these responses for the Public Utility Commission’s (“Commission”) consideration. The Board supports ERCOT management’s responses to the Study, and provides specific responses below on the two Study recommendations that were specifically directed at Board and Technical Advisory Committee (“TAC”) oversight and structure.

### **R. W. Beck Recommendation 2.2 –**

#### **a) Develop a Board policy on committees and, as necessary, modify the ERCOT Bylaws.**

The ERCOT Bylaws and the Board’s Policies and Procedures currently outline the formation of committees and also define those oversight functions that the Board may not delegate to committees. The Charter of each Committee is reviewed and updated annually. The Board Policies and Procedures and Bylaws are reviewed at least annually. Absent a specific issue with this approach, the Board does not see any reason to modify the current process.

#### **b) Review the role of the TAC and consider re-chartering the TAC to clarify and separate its governance advisement role from pseudo-management functions that it also performs.**

The specific role of TAC is outlined in the ERCOT Bylaws and in the TAC Charter. The Board and TAC frequently discuss role clarification and expectations. Since TAC provides monthly updates on specific technical matters, this allows for role clarification on a routine basis. The role of TAC has been discussed at the annual strategic retreat to ensure proper alignment with the Board’s expectations. The Board does not believe further clarification is required.

#### **c) Charter an Executive Committee.**

The statutorily mandated, hybrid structure of the Board is not conducive to establishing an Executive Committee. Full representation of all market segments is critical for proper decision making. Because an executive committee could not maintain the balance that exists on the Board as a whole, the Board does not believe this change should be made.

#### **d) Separate the Audit Committee of the Board from the Finance Committee.**

Currently, ERCOT has two standing committees, the Human Resources and Governance (“HR&G”) Committee and the Finance & Audit (“F&A”) Committee. The F&A Committee specifically reviewed this recommendation and, along with the ERCOT

Director of Audit, discussed the potential separation into two committees. The F&A Committee's consensus view is that separation is not advisable at this time.

First, it was determined that adequate time and review is currently being provided on Audit issues. Second, the separation of the Finance and Audit oversight responsibilities into two committees would either require existing F&A Committee members to double their meetings, and/or not allow the best resources to serve in both areas. Third, the F&A Committee also discussed the recent establishment of a separate TRE Committee and the Nodal Committee, both of which did not exist when the R.W. Beck recommendation was made and which change the outlook for creating still more Board committees. Fourth, it was noted that a majority of other independent system operators ("ISOs") and regional transmission operators ("RTOs") operate with a combined Finance and Audit Committee.

For these reasons, the F&A Committee's recommendation was to continue with a single committee for 2009 and re-look at the Charter when it is review in the Fall of 2009. HR&G reviewed the recommendation from the F&A Committee and, while certain members of the Board continued to see value in separation of the two functions, a majority of the HR&G Committee agrees with the recommendation by the F&A Committee.

**R. W. Beck Recommendation 2.3 - Establish a formal process that structures the interface between ERCOT staff below the executive team level and outside parties. As an example, the following guidelines should be used to immediately modify as necessary Protocols Section 21; Process for Protocol Revision (PRR) and the interface process(s) between Working Groups and TAC and ERCOT staff on PRRs.**

The Board and TAC will continuously look at ways to improve communications among those involved in the stakeholder process, ERCOT staff and the Board. TAC currently has a solid process in place to review technical and operational changes, and this process aligns well with the stakeholder process. TAC created the TASOR taskforce to review all subcommittees, working groups and task forces to address any inefficiency in the stakeholder process. TAC, ERCOT staff and the Board of Directors will continue to work together to ensure an open flow of information is encouraged and that the TAC and subcommittee process works well.