



Date: November 10, 2008
To: Board of Directors
From: Mike Grable, Vice President, General Counsel and Corporate Secretary
Subject: Proposed Increase in Unaffiliated Directors Compensation Cap for ERCOT Board Chair

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: November 17, 2008

Agenda Item No.: 9a

Issue:

Whether the annual Unaffiliated Director Compensation cap of \$89,800 should be raised by \$10,000 solely for the Chair of the ERCOT Board of Directors (Board) and the Board Policies and Procedures (last amended October 21, 2008) should be amended to reflect this proposed change as illustrated in Exhibit A.

Background/History:

The ERCOT Board approved a revised compensation structure for Unaffiliated Directors of the ERCOT Board at its meeting on September 16, 2008, pursuant to the recommendation of the Board's Human Resources and Governance Committee (HR&G Committee) and the Unaffiliated Director Compensation Subcommittee. As part of that revised compensation structure, an annual compensation cap for all Unaffiliated Directors was established at \$89,800, regardless of additional Board and Committee meetings attended after an Unaffiliated Director reached that compensation amount. These compensation changes became effective as of September 1, 2008.

Key Factors Influencing Issue:

The proposed cap increase from \$89,800 to \$99,800 would reflect the increased compensation offered to the ERCOT Board Chair in recognition of the Chair's greater duties related to overall Board governance.

Alternatives:

- Reject the proposed compensation cap increase.
- Propose an alternative compensation cap for the ERCOT Board Chair.

Conclusion/Recommendation:

In light of the scope of the duties of the ERCOT Board Chair, ERCOT respectfully recommends that an increase of \$10,000 to the annual Unaffiliated Director Compensation cap for the ERCOT Board Chair be approved.



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

WHEREAS, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) has set an annual compensation cap of \$89,800 for Unaffiliated Directors; and

WHEREAS, the Chair of the ERCOT Board, who by statute must be an Unaffiliated Director, is intended to receive \$10,000 in additional compensation in recognition of the increased duties and responsibilities of the Chair; and

WHEREAS, after due consideration, the Board finds that increasing the annual Unaffiliated Director Compensation cap to \$99,800 solely for the Chair of the ERCOT Board is reasonable, desirable and in the best interests of ERCOT, and that the Board Policies and Procedures (last amended October 21, 2008) should be amended to reflect this proposed change as illustrated in Exhibit A.

NOW, THEREFORE, BE IT RESOLVED, that the proposed increase in the annual Unaffiliated Directors Compensation cap solely for the ERCOT Board Chair is reasonable and should be implemented immediately and that the Board Policies and Procedures should be updated to reflect this change.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its November 17, 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