

**MINUTES OF H.R. & GOVERNANCE COMMITTEE MEETING
OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

7620 Metro Center Drive, Austin, Texas 78704

June 17, 2008 at 9:08 a.m.

Committee Members Present

Jan Newton (Chair)
Mark Armentrout
Bob Helton
Don Ballard

ERCOT Staff

Bob Kahn
Nancy Capezzuti
Mike Grable
Matt Morais
Lori Cobos

Call to Order

Ms. Newton opened the meeting at 9:08 a.m.

Executive Session

Ms. Newton adjourned into Executive Session at 9:09 a.m.
The meeting emerged from Executive Session at 9:15 a.m.

Minutes

Ms. Newton moved for approval of the May minutes and Mr. Helton seconded. The minutes were approved by unanimous voice vote.

Update on FERC Meeting

Per Ms. Newton's request, Mr. Kahn provided an update on the meeting that he, Mr. Grable, and Board Member Charles Jenkins had with Federal Energy Regulatory Commission (FERC) Chairman Joseph Kelliher. Mr. Kahn noted that they discussed the Competitive Renewable Energy Zones (CREZ) docket, Texas Regional Entity (TRE) governance, and the February 26, 2008 event in which Load-acting-as-a-Resource (LaaRs) was deployed. Mr. Kahn noted that the Chairman was specifically interested in the challenges of integrating wind. Mr. Grable added that he thought the Chairman views ERCOT's efforts to integrate large amounts of wind into the ERCOT transmission grid as a blueprint for federal efforts. Mr. Kahn stated that they discussed with the Chairman TRE independence from ERCOT, and the Chairman expressed no concerns regarding the relationship with ERCOT and TRE.

Creation of Legislative Subcommittee

The Committee agreed that Ms. Newton, Mr. Armentrout (who would replace Mr. Cox), and Mr. Dalton, subject to checking with Mr. Dalton, would be on the 3-person subcommittee that provides advice on legislative matters to Ms. Gage, Mr. Grable, and Ms. Roark during the upcoming legislative session. Mr. Grable and Mr. Kahn agreed that the subcommittee was helpful last legislative session, and Mr. Armentrout stated that the ERCOT materials were really effective last legislative session. Mr. Ballard asked that ERCOT Staff give the Board members information that would be communicated to the Legislature. Mr. Kahn responded that information communicated to the Legislature would be provided to the Committee during ERCOT Staff's quarterly legislative updates to the Committee. Ms. Newton requested that ERCOT Staff prepare to provide more regular legislative updates for the Committee as the legislative session approaches.

Review of ERCOT Bylaws

Mr. Grable did not propose any changes on behalf of ERCOT Staff. Mr. Armentrout asked if there were any changes in the queue that would require ERCOT to seek FERC and NERC approval of the Bylaws. Mr. Grable stated that ERCOT and TRE Staff had recently concluded that several potential issues, including the TRE chief's CEO title and ERCOT-ISO's voting segment on TRE matters – did not require Bylaw changes.

Board Policies & Procedures

Mr. Grable noted that Agenda Item 11(a) for the Board meeting included the following proposed changes to the Board Policies and Procedures: (1) a requirement that Directors and Alternates sign the ERCOT Director Ethics Agreement; (2) a limitation on voting in Executive Session to votes on Executive Session minutes and an explanation of the procedure by which the Board may take action based on Executive Session discussion; and (3) procedures governing appeals of non-Protocol Revision Request (PRR)-related Technical Advisory Committee (TAC) decisions by tying them to the procedure used for PRR appeals. Mr. Armentrout agreed that the same process should be used for both PRR and non-PRR-related TAC decisions. Mr. Kahn clarified for Mr. Ballard that the appeals process was intended to address last-minute appeals of non-PRR-related TAC decisions raised before a Board meeting without giving other Market Participants a chance to digest the information – the new appeals process would guarantee the Board a minimum amount of information before the Board meeting. Mr. Grable clarified that the new appeals process would not bar last-minute communication with the Board.

The Committee voted on the three proposed changes to the Board Policies and Procedures separately. Ms. Newton moved for the Committee to recommend that a requirement that Directors and Alternatives sign the ERCOT Director Ethics Agreement be included in the Board's Policies and Procedures. Mr. Armentrout seconded and the Committee approved the recommendation by unanimous voice vote. Ms. Newton moved for the Committee to recommend that a limitation on voting in Executive Session to votes on Executive Session minutes and an explanation of the procedure by which the Board may take action based on Executive Session discussion be included in the Board's Policies and Procedures. Mr. Ballard seconded and the Committee approved the recommendation by unanimous voice vote. Ms. Newton moved for the Committee to recommend the inclusion of an appeals process for non-

PRR-related TAC decisions. Mr. Armentrout seconded. Ms. Newton, Mr. Armentrout, and Mr. Helton voted for the recommendation; Mr. Ballard voted not to approve the new appeals process.

Other Business

Ms. Newton addressed the R.W. Beck Study and noted that the Study's governance recommendations should be included on the agenda for next month's Committee meeting. Ms. Newton noted that Ms. Capezzuti provided an update on the KPI matrix during last month's Committee meeting and updates are provided on a quarterly basis. Ms. Newton requested that the May minutes be amended to reflect that a KPI matrix was not required during this month's Committee meeting. Ms. Newton further requested that management-development training for both technical and non-technical career paths be included as a future agenda item for which ERCOT Staff can brief the Committee.

Mr. Ballard asked whether there has been any indication that the congestion and high Market Clearing Price for Energy (MCPE) problems resulted from ERCOT's failure to effectively manage Protocols. Mr. Kahn responded that there has been no such indication.

No other business was raised.

The meeting adjourned at 9:49 a.m.



Lori Cobos
Associate Corporate Counsel