



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

7620 Metro Center Drive, Austin, Texas 78704

July 21, 2009

Committee Members Present

Mark Armentrout (Chair)

Jan Newton

Bob Helton

Nick Fehrenbach

A.D. Patton

Proxies

Andrew Dalton designated Nick Fehrenbach as his proxy.

ERCOT Staff

Bob Kahn

Nancy Capezzuti

Theresa Gage

Lea Anne Porter

Susan Westbrook

Dorinda Maier

Guests

Mark Bruce – TAC Chair

Henry Durwachter – Luminant

Sandy Morris – LCRA

Gary Starzmann – AON Radford

Richard Ross – AEP-SC

Call to Order and Announcement of Proxies

Mr. Armentrout called the meeting to order at 9:03 a.m. and announced that Mr. Dalton had appointed Mr. Fehrenbach as his proxy. He then adjourned to Executive Session.

The open meeting was re-convened at 9:39 a.m.

Minutes

Ms. Newton requested the following amendments to the minutes of the June 16, 2009, meeting: (i) correct the next meeting date to reflect July 21, 2009, rather than August 17, 2009; (ii) include consideration of Bylaws amendments in the future agenda items for August-November, 2009 regular meetings; and include in the October agenda an item for discussion of proposed Bylaw amendments and recommendations to the Board.

Ms. Newton moved for approval of the June 16, 2009 open session minutes, as amended. Mr. Helton seconded the motion. The minutes were approved by unanimous voice vote.



Schedule for Consideration of Proposed Revisions to Bylaws and Current Proposed Revisions to Bylaws

Members discussed the current schedule for revision of Bylaws. Mr. Bruce indicated that TAC members would like to review proposed changes to evaluate the potential impact and provide feedback to the Committee. Mr. Armentrout welcomed TAC's input, but emphasized the need for timely input from TAC in order to ensure that the Committee can adopt recommendations at its October meeting. Ms. Newton suggested that TAC provide its input at the August meeting. Mr. Helton requested that ERCOT staff provide the Committee with a synopsis explaining the purpose of each requested change.

Review Employee & Director Ethics Agreement Forms

At Ms. Westbrook's request, Mr. Armentrout agreed to defer review of the employee and director ethics agreements until the August meeting. Ms. Newton noted that these two agreements differ in several respects, including the amount of Market Participant ownership that would create a conflict. Ms. Westbrook agreed to provide a comparison of the two agreements as well as the contract worker ethics agreement for the August meeting.

Update on Technical Track

Ms. Capezuti reminded the Board that ERCOT executives desired to develop a career track to promote retention of IT and engineering staff who did not desire to go into management. Ms. Porter introduced Gary Starzmann from Radford Consulting, the vendor who helped design the proposed career track. Mr. Starzmann gave a brief explanation of the proposed structure, and indicated that individuals would be able to move from the technical track to the management track if they had the requisite skills. Mr. Armentrout requested additional detail about what qualifications would be required for the top technical positions and how individuals would be selected for those positions. Ms. Capezuti indicated that there would likely be a selection committee to make these decisions and agreed to provide the Committee with a description of the proposed process.

External Relations Update

Ms. Gage reported that the Sunset review process is in its early stages and that she and Mr. Grable had attended the Sunset Advisory Commission orientation. She indicated that the Sunset Commission staff will be on site in October, and will produce its report to the legislative Sunset Advisory Commission during the first quarter of 2010. The Sunset Advisory Commission will hold hearings during the second quarter of 2010 and make its own recommendations to the legislature for its 2011 session.

Ms. Newton noted that ERCOT should expect extensive participation in the hearings by advocacy groups critical of ERCOT, including those opposed to the Nodal project. The Committee members discussed the highly visible role such advocacy groups are likely play during the Sunset review process. Ms. Gage agreed to provide the members with the web addresses for the advocacy groups likely to be involved in the Sunset review process.

Other Business

Ms. Newton asked that the agenda for the August meeting include a discussion of TAC support support for independent Board members. She noted that the other Board members worked for



Market Participants who have representatives on TAC to keep them apprised of TAC issues, while the independent directors did not have ready access to TAC materials.

Ms. Newton also requested that the Committee undertake a review of all conflicts of interest disclosed by Board members.

The Committee agreed to start future meetings at 8:30 in order to accommodate the Committee's workload.

The meeting adjourned at 10:13 a.m.

The next regularly scheduled meeting of the Committee will be held on August 18, 2009.

Future Agenda Items

August

Review external relations communication plan

KPI quarterly report

Proposed Amendments to Bylaws

Review Ethics Agreements for ERCOT Directors, Employees and Contract Workers

TAC Support for Nonaffiliated Board Members

Review Director Conflicts of Interest

September

Discuss succession planning for unaffiliated Board members

Discuss compensation for unaffiliated Board members

Report on trial of flextime and telecommuting corporate standard

Proposed Amendments to Bylaws

October

Consult with CEO about senior management succession planning

Discuss proposed amendments to Bylaws and make recommendations to Board

November

Review and approve goals and objectives for 2010

Proposed amendments to By-laws

December

Review external communications plan

January

Elect committee chair and vice-chair

Review committee charter

Evaluate CEO performance against goals and objectives

Distribute committee self-evaluation survey

Poll members regarding membership in NACD



Review 2009 KPIs

February

Review committee self-evaluation survey

Review head-count staffing levels

Review proposed 2010 calendar

Market Participant survey update

March

Review and approve compensation plan for officers for implementation in April

Review and approve contractual employment arrangements

Consult with CEO about senior management succession planning

April

Consider Board training needs to enhance effectiveness

May

No Standing Items

June

Review executive compensation and benefit programs

Review bylaws and consider revisions

Susan M. Westbrook, Corporate Counsel