



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

**OPEN SESSION**

7620 Metro Center Drive, Austin, Texas 78744  
August 18, 2009

**Committee Members Present**

Mark Armentrout (Chair)  
Jan Newton  
Bob Helton  
Andrew Dalton  
A.D. Patton

**ERCOT Staff**

Bob Kahn	Nancy Capezzuti
Mike Grable	Theresa Gage
Susan Westbrook	Dale Goodman
Kristi Hobbs	Amy Apodaca

**Guests**

Mark Dreyfus

**Call to Order**

Mr. Armentrout called the meeting to order at 8:10 a.m. and immediately adjourned to Executive Session.

The open session was convened at 8:47 a.m.

**Minutes**

Ms. Newton moved for approval of the July 21, 2009, open session minutes. Dr. Patton seconded the motion. The minutes were approved by voice vote with abstention by Mr. Dalton.

**External Relations Update**

Ms. Gage reported that Mr. Grable had taken advantage of the legislative recess to visit with the U.S. Department of Energy staff and other energy policymakers as well as Texas legislative staff. Ms. Gage and Joel Mickey hosted tours of ERCOT facilities for Texas legislative staff members, including staff to Speaker Straus. The staff members indicated their support for ERCOT and noted that ERCOT needs to make sure that members of the legislature are aware of the critical functions that ERCOT performs and that ERCOT is more than the Nodal program.

Ms. Gage also reported that ERCOT staff has been working on the self-evaluation to be submitted to the Sunset Commission and that a complete draft would be provided to Mr. Kahn in August. ERCOT staff has scheduled a meeting with Sunset Commission Chairman Hegar next week.

Ms. Newton suggested that ERCOT prepare a media release emphasizing ERCOT successes in managing the grid against high demand and the reduced prices for energy this summer. Dr. Patton commented on misstatements and inaccuracies in media reports and suggested that ERCOT be pro-active in dealing such errors. Committee members discussed the content of such a media release and appropriate responses to inaccurate media reports.

### **Market Participant Survey Update**

Mr. Goodman reported that ERCOT staff has completed 5 out of the 12 action plan improvement items defined in response to the 2008 Market Participant Survey, and the remaining 7 are on track for timely completion. He noted that some of the webpage graphics enhancements described in SCR755 have been deferred following CEO review, but that Ms. Apodaca and her staff have been able to proceed with the requested calendar enhancements and improvements to the RSS feeds.

Mr. Goodman brought to the Committee's attention the fact that the 2010 Market Participant Survey will coincide with significant Market Participant efforts to prepare for implementation of the Nodal program. Mr. Armentrout stated that the survey could be shifted by a month or two, but that it would not be desirable to defer the survey beyond 2010.

Mr. Goodman reported that TAC members had expressed a desire to help frame the questions for the survey. Committee members noted that the core questions must remain constant in order to provide an accurate comparison from year to year but that additional questions could be added.

### **Review Director Conflicts of Interest**

Mr. Grable distributed a list of all potential conflicts disclosed by Board members of which he is aware. He explained that his practice is to review the potential conflict with the member making the disclosure, come to agreement upon a resolution, then report it to the Board. Members discussed appropriate procedures for dealing with such disclosures, and agreed that all disclosures should be referred to Mr. Grable for evaluation, resolution, and documentation, and that all disclosures should be reviewed by the Committee. Mr. Helton emphasized the need to ensure that meeting minutes accurately reflect Board members' recusal from consideration of matters related to potential conflicts of interest.

### **Review Code of Conduct and Ethics Agreement Forms**

Mr. Grable reported that the Executive Team had recommended that the proposed introductory statement in the Code of Conduct (Code) relating to ERCOT's mission was too narrow, but had otherwise approved the proposed changes to the Code and to the employee and consultant ethics agreements consistent with the redline that was distributed to the Committee in the Board Packet.

Ms. Westbrook explained that most of the proposed changes to the Code of Conduct and ethics agreements were intended to make the documents compatible with presentation on the ERCOT online Learning Management System and to make the consultant ethics agreement as rigorous as the employee ethics agreement. In response to Mr. Armentrout's inquiry regarding expansion of the confidentiality provisions pertaining to the Texas Regional Entity ("Texas RE"), Mr. Grable explained that such changes were requested by Texas RE and were mandated by Texas RE's federal overseers.

Ms. Newton requested that prohibitions on insider trading be added to the Directors' ethics agreement and that all directors and employees be required to review and acknowledge their review of the Code of Conduct each year.

Ms. Newton moved to approve the Code of Conduct and ethics agreements with the following changes: deletion of the introductory paragraph to the Code of Conduct, as recommended by the Executive Team; inclusion of a prohibition against insider trading in the consultant ethics agreements; and inclusion of the Code of Conduct in all ethics agreements. Mr. Helton seconded the motion. The motion was approved by unanimous voice vote.

### **Board and Board Committee Meeting Schedules and Transcription Proposal**

Mr. Grable presented several options to reduce costs associated with Board activities, noting that each regular meeting requires approximately 695 hours of ERCOT staff time. The options included: discontinuing the Q& A sessions prior to Board meetings; reducing the number of meetings of the Board, the HR&G Committee, and the F&A Committee; and having the open sessions transcribed while maintaining minutes of Board actions only.

Mr. Grable noted that transcribing open sessions would allow the legal department to forgo restaffing one legal assistant position, free up significant amounts of attorney time and allow reduced use of outside counsel. Members discussed the soft and hard costs associated with this proposal and expressed approval of same.

Members discussed the proposal to discontinue Q&A sessions, noting that it might lead to longer Board meetings. Ms. Hobbs noted that she had been reaching out to some Board members after the Board packets were distributed in order to identify their concerns and need for additional information. Ms. Hobbs indicated that she could expand this effort to other Board members who desire additional information.

In response to the proposal to reduce the number of regular Board meetings, several members expressed their concern that a reduced schedule would impede the Nodal project. Members also noted that Board meetings now take almost two full days per month and no reduction in workload appears to be imminent.

Dr. Patton reminded the members that unaffiliated board members do not have co-workers who can keep them informed the activities of the TAC and noted that continuing to have monthly TAC meetings without a corresponding number of Board meetings may have the effect of diminishing the influence and effectiveness of unaffiliated members in contravention of legislative intent.

Committee members also discussed the possibility of eliminating the annual Board strategy meeting. Members noted that this meeting is a valuable tool for crafting strategy and for educating new Board members, but that it could be examined each year on an "optional" basis for the Board to determine if it was advisable for that year.

Mr. Dalton moved to reject the proposal to reduce the number of regular Board meetings and eliminate the annual strategy meeting. Mr. Helton seconded the motion. The motion was approved by unanimous voice vote.

### **Discuss TAC Information Support for Unaffiliated Board Members**

Mr. Armentrout posed the question of how ERCOT can ensure that unaffiliated board members have a contributing presence at TAC meetings, given their lack of direct connection to the TAC. Dr. Patton noted that he would like to have more visibility into the matters that are not reported online. Mark Dreyfus asked whether there is value to reviewing TAC actions with fresh eyes rather than including extensive history.

Mr. Kahn reported that Trip Doggett had briefed Dr. Patton on the recent TAC meeting and could continue to do so for him and any other members who desire more information.

### **Proposed changes to By-laws**

Mr. Armentrout inquired about the proposed revision to Section 3.7 of the By-laws pertaining to abstentions and absences. Mr. Grable noted that this was not a change, but had been relocated from Section 14.6. Proxies continue to not be counted in determining a quorum.

Mr. Helton objected to the proposed revision to Section 4.3(b)(2)(ii)(b) because it appeared to be intended specifically to accommodate one individual and could allow an individual to be an independent board member while having an affiliation with a company that has a major interest in ERCOT market decisions.

Mr. Dalton suggested that the proposed definition of “seated director” be revised to be less awkward. Mr. Grable agreed to work with him on clarification.

### **Other Business**

Mr. Kahn distributed a draft of ERCOT’s 2010-2014 Strategic Plan for consideration at the September meeting.

**The meeting adjourned at 10:01 a.m.**

### **Future Agenda Items**

#### **September**

*Discuss succession planning for unaffiliated Board members*

*Discuss compensation for unaffiliated Board members*

Report on trial of flextime and telecommuting corporate standard

Review proposed amendments to By-laws

Discuss Strategic Plan

#### **October**

*Consult with CEO about senior management succession planning*

Review proposed amendments to By-laws and make recommendations to Board

#### **November**

*Review and approve goals and objectives for 2010*

Review 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 By-laws and consider revisions*

July

*Review Staffing Levels*

*Review ERCOT Employee and ERCOT Board Member Ethics Agreements*

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Susan M. Westbrook, Corporate Counsel