



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

7620 Metro Center Drive, Room 168
Austin, Texas 78744
September 15, 2009

Committee Members Present

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

ERCOT Staff

Nancy Capezzuti	Mike Grable
Theresa Gage	Susan Westbrook
Dottie Roark	Bob Kahn

Board Members & Alternatives

Adrian Pieniazek
Don Ballard

Guests

Mark Dreyfus
Mark Bruce

Call to Order

Mark Armentrout, H.R. and Governance (HR&G) Chairman, called the meeting to order at 8:47 a.m. and immediately adjourned to Executive Session.

The open session was convened at 8:50 a.m. Chairman Armentrout reminded members that the meeting is being webcast and that all speakers must use microphones and announce their names. He also noted that members casting nay votes or abstaining should announce their names.

Minutes

Bob Helton moved for approval of the August 18, 2009, open session minutes. Jan Newton seconded the motion. The minutes were approved by voice vote with one abstention by Nick Fehrenbach.

2009 Annual Meeting

Mike Grable, ERCOT Vice President and General Counsel, asked whether the Committee wants to make a recommendation to continue the past practice of holding the ERCOT annual meeting at the Hilton and providing lunch for the attendees. He noted that we could hold the meeting at Met Center without hosting a guest speaker or providing the luncheon in order to reduce costs. The Committee members discussed the value of the annual meeting, noting that it is the only chance some members have to participate in ERCOT business. They concluded that the best course of action would be to continue to have the annual meeting at an offsite location, but the Board and Committee meetings should be held at Met Center in order to facilitate recording and

to reduce costs. Mr. Grable agreed to have ERCOT staff consider other appropriate venues for the annual meeting to see if costs can be further reduced.

Succession Planning for Unaffiliated Directors

Chairman Armentrout noted that his term as director expires this fall, and he has been discussing Unaffiliated Director succession planning with Ms. Newton.

Compensation for Unaffiliated Directors

Nancy Capezzuti, ERCOT Vice President and Chief Administrative Officer, solicited input as to the Committee's desire to review compensation for Unaffiliated Directors. After a brief discussion, the members decided to table the review until after decisions had been made regarding possible separation of the Texas Regional Entity.

Flex Schedule & Telecommute Update

Ms. Capezzuti discussed the results of the initial launch of the Flextime and Telecommuting Corporate Standard, noting that 111 employees had participated. She noted that the Internal Audit staff had completed an audit of all participants and found no exceptions.

Acceptance of 401(k) Audit Report

The members briefly discussed the audit report for the 2009 audit of ERCOT's 401(k) plan. Ms. Capezzuti noted that the audit covered ERCOT's internal processes only.

Proposed Amendments to By-laws

The Committee members discussed the proposed changes to the ERCOT By-laws and solicited input from the Technical Advisory Committee. Dr. A.D. Patton expressed his continuing concern about the practice of allowing consultants and attorneys to represent Market Participants in the TAC, as they may not have a sufficient degree of concern about the long-term health of the ERCOT system. Mr. Grable agreed to work with Chairman Armentrout to craft a revision that would address Board concerns about possible conflicts.

Members voiced some concern about a proposed change to allow the appointment of Unaffiliated Directors who have current or recent ties with a Market Participant that qualifies for membership in the Consumer Segment. Mr. Grable noted that this proposal may not comply with the requirements set forth in the Public Utility Regulatory Act.

Strategic Plan

Bob Kahn, ERCOT President and Chief Executive Officer reported that he is re-evaluating the strategic plan for the entire organization to reflect anticipated staffing needs following Nodal go-live. He is currently working on a request for proposal from consultants familiar with post-nodal staffing in other ISOs. He plans to bring a new strategic plan for Board consideration next spring in preparation for crafting the 2011 budget.

External Relations Update

Theresa Gage, ERCOT Government Relations Manager, indicated that the Sunset Review self-evaluation was due on Monday, September 21 and that the completed self-evaluation would be emailed to Board members. She also reported that she had met with Senator Hegar, who noted

that other non-government entities had been resistant to the review process. Ms. Gage assured him that the Commission would have ERCOT's full cooperation.

Ms. Gage also discussed a new demand and energy report to be disseminated within the upcoming week. The report demonstrates ERCOT's effective performance in maintaining reliability during a very demanding summer. She also reported that ERCOT will be issuing quarterly press releases in conjunction with ERCOT's quarterly reports. Dottie Roark, ERCOT Corporate Communications Manager, reported that there are a substantial number of press releases scheduled for September, to address the nodal and advanced metering project.

Other Business

Ms. Capezzuti reported that on September 9, ERCOT had completed a reduction in force affecting 21 positions and resulting in the termination of 10 individuals. After Dr. Patton expressed concern about the impact on remaining staff, especially those with specialized, highly marketable skills, Ms. Capezzuti discussed merit increases and other tools available to help ERCOT's retention effort.

Mr. Grable reminded Committee members that any Board subcommittee in which a Board member votes will be subject to broadcast requirements. Mr. Helton recommended that any Board member attending a subcommittee make an announcement on the record that he/she is not voting.

The meeting adjourned at 9:55 a.m.

Future Agenda Items

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

Update on Market Participant Survey

Update on Technical Track

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
Strategic Plan

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

August

Review external relations communication plan
Quarterly KPI Report
Update on MP Survey

September

Discuss independent Board members succession planning
Discuss compensation for independent Board members
Monitor external relations issues

Susan M. Westbrook, Corporate Counsel