



HUMAN RESOURCES AND GOVERNANCE COMMITTEE CHARTER

Purpose

The Human Resources (~~“H.R.”~~) and Governance (“HR&G”) Committee of the Board of Directors of the Electric Reliability Council of Texas, Inc. (“ERCOT”) shall:

1. Oversee the compensation of ERCOT’s Chief Executive Officer (“CEO”) and other officers and make recommendation to the Board regarding the compensation package for the CEO and reviewing the CEO’s recommendations for the compensation for all other ERCOT officers;
- ~~1. Oversee the annual Discharge the Board’s responsibilities relating to compensation of ERCOT’s officers;~~
2. Oversee the evaluation of the CEO and make recommendations to the Board regarding the CEO’s performance~~Chief Executive Officer;~~
3. Oversee the administration of ERCOT’s executive compensation plans;
4. Consult with the CEO~~Chief Executive Officer~~ and advise the Board with respect to senior management succession planning;
5. Consult with the Independent Board members and advise the Board with respect to succession planning for the Independent Board members.
- 5-6. Review~~Approve~~ employee compensation and benefit strategies and make recommendations to the Board for approval of those strategies;
- 6-7. Consider board training opportunities that could enhance~~and other governance issues with the purpose of enhancing~~ the Board’s performance; and
- 7-8. Oversee ERCOT’s governmental-relations efforts, and work with relevant ERCOT staff to develop high-level policy messages.

The HR&G Committee’s function is one of oversight, and shall provide assistance to the Board in fulfilling its oversight responsibility relating to ERCOT’s human resources programs, compensation programs, benefits, external relations and corporate governance. In doing so, it is the responsibility of the HR&G Committee to maintain free and open communication between the HR&G Committee and ERCOT management and staff.

Membership

The ~~HR&G~~HR and Governance Committee shall be comprised of representatives from at least ~~two~~three market segments, as well as one or more of the Independent Board members.

The board members shall decide from among themselves who shall participate in the HR&G Committee. The term shall be for one year.

The Chair of the Committee shall be selected through a majority vote of the HR&G Committee members.

~~The HR&G Committee shall be fully independent, accountable and vigorous in taking primary responsibility for the Board regarding all aspects of executive compensation including employment, retention and severance agreements.~~

~~The Corporate Secretary, or his or her designee, is responsible for keeping the minutes of the HR&G Committee's meetings. Committee's meetings, except that the Vice President of Human Resources is responsible for keeping the minutes of executive session discussions of human resources issues.~~

~~The HR&G Committee may request that any officers or employees of ERCOT, or any other person, whose advice and counsel are sought by the HR&G Committee, attend any meeting of the HR&G Committee to provide such pertinent information as the committee's members request. Committee requests.~~

Board members (other than HR&G Committee~~committee~~ members) may attend and participate in committee meetings but may not participate in HR&G Committee~~committee~~ voting.

Any member of the public~~Non-Committee members~~ may attend and participate in the open session of the HR&G Committee meetings. ~~at the discretion of the Committee.~~ The HR&G Committee may exclude any persons who are not Directors, the Segment Alternate or the Director's Designated Representative from any meeting or portion of any Committee meeting that the Committee determines, in its sole discretion, needs to be held in executive session to address sensitive matters such as confidential personnel information, contracts, lawsuits, competitively sensitive information, or other information related to the security of the regional electrical network. The HR&G Committee may request that any officers or employees of ERCOT, or any other person, whose advice and counsel are sought by the HR&G Committee, attend any meeting of the HR&G Committee to provide such pertinent information as the committee's members may request.

Structure

Three members of the Committee shall constitute a quorum. At any meeting at which a quorum exists, the act of a majority of the members present at a meeting shall be the act of the Committee. For the purposes of voting, members who recuse themselves from voting on an issue shall not be counted as present for that vote.

The Chair, in consultation with ERCOT management, shall develop the agenda, the frequency, and length of meetings and shall have unlimited access to management and information for purposes of carrying out functions of the HR&G Committee. The Chair shall establish such other rules, as may, from time to time, be necessary and proper for the conduct of the HR&G Committee.

Authority

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of ERCOT and has the power to retain outside counsel or other experts for this purpose. All employees of ERCOT

are directed to cooperate as requested by the HR&G Committee or any of its members for HR&G Committee purposes. The Committee may request any officer or employee of ERCOT, ERCOT's outside counsel or ERCOT's consultants or contractors to attend a meeting of the HR&G Committee or to meet with any member or any consultants to the HR&G Committee.

The HR&G Committee may appoint workgroups or task forces to investigate issues defined by the HR&G Committee. Members of such workgroups or task forces need not be Directors. Such workgroups or task forces shall have no authority to bind the Committee or ERCOT.

Duties and Responsibilities

The Committee shall:

Review and make recommendations regarding ~~develop~~ ERCOT's general:

1. General compensation philosophy, strategy, policies and programs;
2. Review and make recommendations regarding compensation~~Compensation~~ levels of the CEO, officersexecutives and top management, including all aspects of executive compensation including employment, retention and severance agreements; ~~;~~ and
3. Review and make recommendations regarding ERCOT's employee~~Employee~~ benefit plans; and
4. Plan for the orderly succession of well-qualified Independent Board members;
- ~~3.5.~~ Periodically review the overall governance structure of the ERCOT board, including the number, focus and membership of Board Committees and sub-committees, and make recommendations to the Board regarding any changes the HR&G Committee believes would enhance the governance of ERCOT.

The functions of the HR&G~~H.R. and Governance~~ Committee shall include:

1. Review and approval of pay levels for the CEO and review and final approval of pay levels for all other corporate officers;
2. Annually, review and make recommendations to the Board regarding the approval of performance goals and objectives with respect to the compensation of the CEO~~Chief Executive Officer~~ and all other officers consistent with approved compensation plans;
3. Evaluation of the CEO's~~Chief Executive Officer's~~ performance against the goals and objectives set for the year and make recommendations to the Board regarding the CEO's performance;
4. Oversight of the performance evaluation of all other officers against the approved goals and objectives;
5. Based upon the performance evaluation, recommending to the Board the compensation of the Chief Executive Officer and all other officers, including annual base salary level and any special or supplemental benefits, and further, for the Chief Executive Officer, recommending~~setting~~ annual incentive levels~~level~~ and longer-term incentive levels to the Board~~level~~;
6. Consultation with the Chief Executive Officer and advising the Board with respect to senior management succession planning;
7. Retention or termination of the services of consulting firms engaged to assist the Committee in the evaluation of ERCOT's compensation packages;

8. Advising the full Board as to risk issues pertaining to staffing levels;
9. Periodically investigating~~Investigation of~~ competitive practices and industry trends to determine the adequacy of the organization's executive compensation programs;
10. Approval of contractual employment arrangements for the CEO~~Chief Executive Officer~~ or other Officers~~Officer~~ of ERCOT, as applicable;
11. Consideration of Independent Board member~~outside director~~ compensation matters;
12. Consideration of necessary training to enhance the Board's performance, keeping apprised of the latest corporate governance trends and issues;
13. Consideration of Independent Board member succession planning;
14. Working with the Chair of the EROCT Board to populate~~Population of~~ the Nominating Committee (when a Nominating Committee is necessary), while staying consistent with the Bylaws by replacing or adding any Independent Board members~~directors~~ required by the Bylaws; and
15. Development and review of ERCOT's governmental-relations policies and efforts.

Meetings

The HR&G Committee shall meet at least once during each fiscal quarter, and as many additional times as the HR&G Committee shall deem necessary or appropriate..

Minutes

The HR&G Committee shall designate a secretary, who may be a committee member or employee of ERCOT, who shall prepare or cause to be prepared the minutes of each meeting and file such minutes with the corporate records of ERCOT. The secretary shall send, or cause to be sent, copies of such minutes to each of the HR&G Committee members.

| **Evaluation**

| Annually, conduct a self-evaluation of the HR&G Committee’s performance and, in light of this, consider changes in its membership, charter or procedures. The Committee shall report to the Board the results of its evaluation, including recommended charter, membership and other changes, if any.

| **Agenda Items**

| The HR&G Committee chair, in consultation with the Board Chairman and CEOChief Executive Officer, shall develop the activities of the HR&GH.R. and Governance Committee from year to year. The HR&G Committee shall meet as needed at the discretion of the Chair.

| The Chairman of the HR&G Committee shall report to the Board, as necessary, the deliberations, actions and recommendations of the Committee.