



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

7620 Metro Center Drive, Room 168
Austin, Texas 78704
May 18, 2010

Committee Members Present

Andrew Dalton (Chair) Jan Newton
Bob Helton A.D. Patton
Jean Ryall

Alternates

Danny Bivens (for Sheri Givens)

ERCOT Staff

Bill Magness – Interim Vice President & General Counsel
Bruno Ierullo – Director, Human Resources
Theresa Gage – Government Relations Manager
Paula Feuerbacher – Manager – Strategic and Organizational Development
Susan Westbrook – Senior Corporate Counsel

Call to Order

Mr. Dalton called the meeting to order at 8:33 a.m. and immediately adjourned to Executive Session. The open meeting was reconvened at 9:10 a.m.

Minutes

Dr. Patton moved for approval of the April 20, 2010 open session minutes. Ms. Newton seconded the motion. The minutes were approved by unanimous voice vote.

External Relations Update

Ms. Gage reported that the ERCOT Sunset review recommendations are scheduled for hearing by the Texas Sunset Advisory Commission on May 25, 2010. She noted that Rep. Burt Solomons, chair of the House State Affairs Committee, and Sen. Troy Frasier, chair of the Senate Committee on Business and Commerce, have been invited to participate. Ms. Gage stated that Trip Doggett, Interim CEO, will be ERCOT's principal witness and that Mike Cleary, Sr. Vice President and CTO, and Kent Saathoff, Vice President – Grid Operations and System Planning, might attend as well. Ms. Gage said she anticipated a good deal of participation by consumer groups, as well as questions about ERCOT's budget, the nodal budget, and recommendations to restructure the ERCOT Board of Directors.

Ms. Gage also reported that Mr. Doggett had testified at the Joint hearing of House State Affairs Committee and House Energy Resources Committee on generation adequacy on April 29, and that Mr. Doggett and Mr. Cleary testified at the House State Affairs hearing on federal carbon legislation and an update on the Nodal project on May 12.

Ms. Newton agreed that last week's hearings went well, but warned that there is still a perception in the legislature that ERCOT has been poorly managed and that ERCOT is likely to face a good deal of criticism at the Sunset hearing.

2010-2014 ERCOT Strategic Plan

Ms. Feuerbacher provided an update on the development of the ERCOT 5-year strategic plan. She reported that the ERCOT staff have identified the details behind the strategic initiatives and had created a timeline for activities defined in strategic plan. Members discussed prioritization of the various initiatives, and Mr. Dalton requested that implementation of the initiatives supporting Strategic Object 8 be accelerated, with a goal of completion as early as possible in 2011. Members discussed the fact that the strategic plan is not intended to be a static document, and the revisions should be made as appropriate. Ms. Feuerbacher indicated that she plans to report progress on the strategic plan on a quarterly basis, along with the quarterly updates on Key Performance Indicators, and that she would highlight changes in such report. She also agreed to change the reporting format to improve readability and to create a timeline in the format currently used by the Nodal program.

Ms. Feuerbacher discussed the results of the recent core values survey distributed to ERCOT employees. She noted that the principal concerns expressed by employees were (i) the need for better internal communications and (ii) the lack of support for innovation. She indicated that employee responses to the survey questions indicate that ERCOT's extensive internal processes and controls are perceived as impediments to innovation. She reported that ERCOT officers and directors are scheduled to meet on June 9, to identify initiatives addressing these issues, and the results of this process will be reported to ERCOT staff at its all-employees meetings. Committee members emphasized the importance of providing such feedback to employees. Ms. Newton expressed concern about survey responses indicating that a significant number of employees perceive a lack of respect by other employees. Ms. Feuerbacher responded that survey comments point to a need to develop greater understanding of and respect for diversity of the organization.

Members then discussed next steps for approval of the strategic plan. Mr. Ierullo suggested that ERCOT staff first add initiatives for development of the performance management plan and post-nodal staffing and transition plan under Strategic Objective No. 8. Mr. Dalton suggested that the timeline for these plans also be included. The members agreed to continue to move toward approval at the July meeting.

Q1 Key Performance Indicators

Ms. Feuerbacher pointed out changes to the measurement criteria for Goal 2.1 to increase the granularity of the reported information. She also noted clarifications added to KPI 3 and KPI 5. She reported that the timeline for Goal 5.4 had been moved out to reflect the fact that ERCOT staff had decided to implement a market-facing project before focusing on information lifecycle management.

Members discussed whether changes to the KPI goals and metrics should be approved by the Board, and concluded that such approval would be required only for a substantive revision of a KPI. Ms. Feuerbacher agreed to provide a quarterly update on any changes made to the goals or metrics.

Ms. Newton asked that the strategic plan and organizational assessment/implementation be added to the KPI goals. Members determined that these should be additional goals to KPI 4.

Compensation for Unaffiliated Directors

Ms. Westbrook reported that several un-affiliated directors had received compensation for attending both Special Nodal Committee meetings and Texas Regional Entity (Texas RE) Advisory Committee meeting on the same day. She noted that this appeared to be prohibited by Section 2.8.1.4 of the Board Policies and Procedures. Several members opined that the Texas RE Advisory Committee operates as a Board of Directors for the Texas RE rather than a committee of the ERCOT board, so they felt that payment for both meetings was appropriate. Ms. Newton pointed out that these limitations were crafted prior to the segregation of the ISO and RE functions, and prior to creation of the Special Nodal Committee, and that unaffiliated Board members spent much more time performing ERCOT and TRE business than was anticipated at the time the limitations were created. She noted that the TRE separation will be completed this summer and suggested that ERCOT continue to pay for both meetings until the separation. Mr. Dalton noted that the potential for an increase in Board or Committee meetings was one of the reasons that the Board opted to include a cap on total annual compensation for independent directors. Ms. Newton also remarked on the extraordinary number of meetings attended by Board members and asked Mr. Magness to determine whether the Board can authorize additional compensation for the un-affiliated Board members for 2010.

Other Business

None reported.

The meeting adjourned at 9:59 a.m.

Susan M. Westbrook
Senior Corporate Counsel

Future Agenda Items

June

- Review ERCOT Bylaws and consider proposing revisions
- Consider adequacy of executive compensation and benefit programs (detailed review every third year)
- Monitor external relations issues
- *Succession Planning Update*
- *Report on Nodal Transition Staffing Plan*
- *Recommendation to Board regarding compensation for CEO and COO - VOTE*
- *Additional Compensation for Nonaffiliated Board members*
- *Recommendations to Board regarding selection of new Nonaffiliated Board member - VOTE*

July

- Review head-count staffing levels
- Review ERCOT Employee and ERCOT Director Ethics Agreements
- Monitor external relations issues
- *Strategic Plan – VOTE*
- *Report on Nodal Transition Staffing Plan*

August

- Review external relations communication plan
- *Succession Planning Proposal from CEO*
- *Review Adequacy of Executive Compensation & Benefit Plans*

September

- Independent Board members succession planning
- Compensation for independent Board members

October

- Monitor external relations issues

November

- Senior management succession planning

December

- Review and approve goals and objectives for following year
- Review external relations communication plan
- *Succession planning update*