



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

Electric Reliability Council of Texas, Inc.  
7620 Metro Center Drive, Room 168  
Austin, Texas 78744  
July 20, 2010

**Meeting Attendance:**

**Committee Members:**

Andrew Dalton (Chairman)	Valero Services, Inc.
Bob Helton	International Power America Services
Jean Ryall	Constellation Energy
A.D. Patton	Unaffiliated
Laura Doll	Unaffiliated

**Alternates:**

Danny Bivens (for Sheri Givens)	Office of Public Utility Counsel
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**ERCOT Staff:**

Bill Magness	Interim Vice President & General Counsel
Bruno Ierullo	Director, Human Resources
Susan Westbrook	Senior Corporate Counsel
Theresa Gage	Manager, Corporate Communications
Paula Feuerbacher	Manager, Strategic/Organizational Development
Chad Seely	Senior Corporate Counsel
Mike Cleary	Senior Vice President & Chief Operating Officer
Trip Doggett	President and Chief Executive Officer
Kristi Hobbs	Manager, Market Rules

**Guests:**

Brad Jones	Chair, Technical Advisory Committee
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**Call to Order**

Mr. Dalton called the meeting to order at 8:33 a.m.

**Approval of June 15, 2010 H.R. & Governance (HR&G) Committee Minutes**

**Mr. Helton moved for approval of the HR&G Committee June 15, 2010 open session minutes. Mr. Bivens seconded the motion. The minutes were approved by unanimous voice vote.**

### **External Relations Update**

Ms. Gage reported that the Sunset Advisory Commission had completed its evaluation of ERCOT and submitted recommendations to the Texas Legislature. Dr. Patton noted that the final recommendations differed substantially from those recommended by Sunset Committee staff. Mr. Gent agreed, pointing out surprising final recommendations for abolishing the Technical Advisory Committee (TAC) and requiring Board of Directors' involvement in functions not traditionally performed by the Board. Ms. Gage and Mr. Helton noted that there will likely be more surprises as the recommendations are addressed during the Legislative Sessions.

Committee members discussed the possible intent of the Sunset Advisory Commission recommendations, including: improving the efficiency of stakeholder processes; making ERCOT's role in stakeholder processes more proactive; and moderating the influence of market participants. They also identified several changes that might be desirable even without a legislative or regulatory mandate, such as more frequent submission of financial data to the Public Utility Commission (PUC) and implementation of "revolving door" policies. Mr. Doggett stated that he would seek clarification from the Sunset Advisory Commission as to the intent of its recommendations.

Attendees discussed problems with the existing processes and subcommittee structures, including: delays resulting from the inability of market participants to come to a consensus; lack of clarity of roles of task forces and working groups; proliferation of subcommittees, working groups and task forces that taxes the resources of market participants; and lack of "sunset" and de-commissioning processes for committees and working groups.

Mr. Dalton stated that ERCOT needs to be proactive in responding to some of the concerns evidenced by the recommendations of the Sunset Advisory Commission and recommended that the Committee ask TAC to evaluate all of its subcommittees and make recommendations for streamlining. Mr. Gent agreed, and suggested that ERCOT staff also do an independent evaluation of the function of TAC and its subcommittees and provide their own recommendations.

**Ms. Ryall moved to recommend to the Board that TAC and ERCOT staff be directed to perform independent evaluations of the functions of TAC and its subcommittees and working groups and report back to the Board at its November regular meeting including their recommendations for driving more efficiencies into the functions performed by TAC and its subcommittees. Mr. Dalton seconded the motion. The motion was approved by unanimous voice vote.**

Ms. Gage directed the members' attention to the recent changes in Texas Senate committees, including the appointment of Sen. Troy Fraser as chair of the Natural Resources Committee and Sen. John Carona as the chair of the Business and Commerce Committee. She noted that both senators are well-acquainted with ERCOT, and both may follow matters affecting ERCOT. Ms. Gage stated that ERCOT needs to be pro-active about educating other legislators and their staff about ERCOT. Mr. Doggett stated that he and Ms. Gage will develop ideas for such education and for providing opportunities for ERCOT Board members to have more visibility.

Ms. Gage reported that the financial reform bill passed by Congress the previous week included provisions regulating the use of Congestion Revenue Rights, but ERCOT and the other independent system operators (ISOs) were expressly exempted from such regulation. She noted that the Commodities and Futures Trading Commission will soon start an extensive rulemaking process in the wake of the financial reform bill, and that the ISOs would have to diligently monitor such proceedings to ensure their exemption is recognized.

### **Five –Year Strategic Plan**

Ms. Feuerbacher directed the Committee’s attention to ERCOT’s five-year strategic plan, noting that it had been revised and submitted to Committee members for comment, and the version included in the Board packet reflected their input. She noted that ERCOT staff is prepared to move forward with the plan and to provide regular updates to the Committee.

Mr. Dalton noted that the plan includes many short-term, process-oriented goals, and asked how ERCOT staff plan to use the plan on a long-term basis. Mr. Doggett stated that he intends to synchronize the five-year plan with ERCOT’s Key Performance Indicators (KPIs), informally review the plan in conjunction with quarterly updates on the KPIs, and have the Board formally review the plan annually.

Mr. Dalton pointed out that Initiative 1.3 reflected a timeline extending into 2012 for development of backup plan for dealing with Energy Management System (EMS) failure, and asked whether such a failure should be dealt with more quickly. Mr. Doggett explained that ERCOT already has a fallback that involves moving command to a large qualified serving entity, and Initiative 1.3 refers to development of a better backup plan.

Ms. Doll noted that the plan does not expressly include any charter changes needed to implement recommendations made by Market Reform, and recommended that Initiative 8.1 be revised to make specific reference to charters. Mr. Doggett agreed with this recommendation.

The Committee also discussed Section 2.1 of the five-year plan, and whether it accurately captures ERCOT’s role in facilitating the market.

Ms. Ryall suggested that Strategic Objective 4 include an initiative pertaining to defects in the Nodal systems that will be resolved following Nodal go-live. Mr. Dalton noted that it is possible that not all of the requested changes included in the Nodal “parking deck” would be implemented. Mr. Doggett reminded the Committee that the parking deck items would be discussed at the Board meeting.

### **Revisions to Bylaws**

Members discussed other changes to the by-laws that might be required by legislative adoption of the recommendations of the Sunset Advisory Commission, and other issued relating to whether the Chair and Vice Chair should be ex-officio members of both the HR&G and (Finance and Audit) F&A Committees.

The Committee discussed whether it would be desirable for ERCOT to pro-actively implement some of the Sunset recommendations by making by-law amendments to provide “revolving door” restrictions preventing current PUC Commissioners and Board members from becoming

ERCOT employees within two years after the their service with the PUC or Board. Some members voiced concerns that a blanket prohibition might unnecessarily limit ERCOT's ability to obtain highly qualified employees, and that a transparent process and/or Board approval may help address any potential concerns about certain candidates or positions.

Ms. Doll observed that it might be appropriate to allow the legislature to determine whether there should be limitations on the ability of PUC Commissioners to become ERCOT employees.

Mr. Dalton asked ERCOT staff to determine which by-laws, corporate standards and policies would need to be revised to implement "revolving door" limitations, if any. Mr. Dalton stated that the Committee would further discuss this topic at the August meeting, and then report to the Board the Committee's consensus, or lack of consensus, regarding the issue.

Mr. Dalton reminded attendees that Commissioner Anderson had recommended that the Board consider becoming more involved in reviewing changes to ERCOT operating guides and other documents that could affect the market place which are currently approved in the stakeholder process. Mr. Seely directed the attendees' attention to partial list of types of revision requests that might affect a governing document, noting that some currently require Board approval. Mr. Seely pointed out that there were 105 revision requests in process at the end of June, and that the annual volume of requests in the stakeholder process remains fairly constant. He also pointed out that Nodal Protocols include the concept of Other Binding Documents (OBDs), which include any type of document that has a binding effect on market participants. Mr. Seely noted that OBDs includes many types of documents, including forms, applications, operating procedures, data, and State Estimator Standards. He pointed out the there is currently an outstanding Nodal Protocol Revision Request requesting clarification of the revision process, and that some stakeholder comments had supported a requirement for Board approval of all OBDs. Mr. Seely noted that requiring Board of approval of all revision requests and OBDs would significantly increase the Board's workload.

Mr. Jones joined the meeting at this time.

The Committee discussed whether requiring Board approval of all OBDs was advisable, and whether the additional workload could be handled in a one-day Board meeting and whether this may be too much micro management of ERCOT.

Mr. Dalton asked Mr. Seely to correlate the pending revision requests with the categories noted in his presentation and determine which categories are most frequently involved. Mr. Dalton also asked that revisions be risk-weighted to determine which might have significant impact on the market or reliability.

Mr. Dalton directed the members' attention to changes to the by-laws proposed as a result of the separation of the Texas Regional Entity (TRE) from ERCOT. The first group of changes was identified by gray boxes. Ms Westbrook noted that these changes were identified last year and are now automatically deleted by authority of the PUC order approving last year's changes. The second group of changes was identified by white boxes, and had been identified by Mr. Gent as additional changes that might be required following the TRE separation. Mr. Seely stated that most of the white-boxed changes referred to segregated accounting requirements that would need

to remain in place for the remainder of the fiscal year, to allow for proper accounting for the TRE prior to its separation. He advised that there was no need to make additional changes this year as a result of the TRE separation.

### **Authority to Revise Compensation for Unaffiliated Directors**

Deferred to August.

### **Future Agenda Items**

#### **August**

- Review external relations communication plan
- *Succession Planning Proposal from CEO*
- *Review Adequacy of Executive Compensation & Benefit Plans*
- *Update on Recruitment of Key Executives*
- *By-laws revisions pertaining to “revolving door” policies*
- *Discussion of requirements for Board approval revision requests and OBDs.*
- *Technical Track Development Update*

#### **September**

- Independent Board members succession planning
- Compensation for independent Board members
- *Update on Recruitment of Key Executives*

#### **October**

- Monitor external relations issues
- *Update on Recruitment of Key Executives*

#### **November**

- Senior management succession planning
- *Update on Recruitment of Key Executives*

#### **December**

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

Mr. Dalton adjourned the open session at 9:46 a.m., and called the Committee to Executive Session at such time.

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Susan M. Westbrook  
Senior Corporate Counsel