



Date: March 15, 2011
To: Board of Directors
From: Michael Petterson, Vice President of Finance and Treasury
Subject: Approval of Financial Corporate Standard

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: March 22, 2011

Agenda Item No.: 9d

Issue:

Whether to approve any or all of the ERCOT staff-proposed modifications or recommend and approve any other changes to the ERCOT Financial Corporate Standard (Standard).

Background/History:

The Board of Directors (Board) of ERCOT has established a Financial Corporate Standard, which is reviewed annually and updated as needed. The Board must approve any modifications to the document.

This Standard establishes a framework from which ERCOT's financial integrity is maintained while serving the long-term interests of the company and the ERCOT market. ERCOT recognizes that maintaining financial integrity is critical to accomplishing its corporate goals and discharging ERCOT's primary responsibilities. The Standard defines the principles by which ERCOT performs its financial planning and budgeting.

ERCOT staff has reviewed the Standard and respectfully proposes several minor changes and clarifications, as reflected in *Attachment A*. The Finance and Audit (F&A) Committee is expected to recommend the Board adopt, reject, or amend the revisions at the March 22, 2011 Board meeting.

Key Factors Influencing Issue:

The key factors influencing the issue are adherence to provisions of Board-approved corporate standards and improved clarity and consistency of policy documents.

Alternatives:

1. Approve revisions to the Standard as recommended by the F&A Committee;
2. Leave the Standard in its current form; or
3. Remand the Standard to the F&A Committee with instructions.

Conclusion/Recommendation:

The F&A Committee will review these changes at its meeting on March 21, 2011 and is expected to recommend to the Board at the March 22, 2011 Board meeting whether any revisions should be made to the Standard. If the F&A Committee recommends revisions to the Standard, then it is expected that the F&A Committee will recommend that the revisions become effective upon approval by the Board.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, after its meeting on March 21, 2011, the Finance and Audit (F&A) Committee of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) has recommended that the Board approve revisions to the Financial Corporate Standard as forth in Exhibit A;

WHEREAS, after due consideration of the alternatives, the Board deems it desirable and in the best interest of ERCOT, in order to provide sound financial guidance for its exempt purposes, to approve revisions to the Financial Corporate Standard as recommended by the F&A Committee; and

THEREFORE, BE IT RESOLVED, that the revised Financial Corporate Standard, as set forth in Exhibit A, which is attached hereto and incorporated herein by reference for all purposes, is hereby authorized and approved by the Board in each and every respect to be effective immediately.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Corporate Secretary of ERCOT, do hereby certify that, at its March 22, 2011 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of March, 2011.

Bill Magness
Corporate Secretary