



To: Human Resources & Governance (HR&G) Committee
From: Bill Magness, Vice President, General Counsel and Corporate Secretary
Date: July 11, 2011
Re: Periodicity of ERCOT Board and Committee Meetings

ERCOT Legal staff has been considering various ways to respond to the provisions of the Public Utility Commission of Texas (either PUCT or Commission) rule on ERCOT oversight regarding “periodicity” of ERCOT Board meetings.¹

I circulated this proposal for possible changes to the schedule of Board and Committee meetings to the ERCOT Executive Team and to the leadership of the Board and its constituent Committees, and present it to the HR&G Committee for feedback. As discussed herein, the proposal leads to a draft schedule for 2012 ERCOT Board and Committee meetings that could be included in ERCOT’s “meeting periodicity report” required by the PUCT’s rule.

Initial Observations

- A reduction in the number of ERCOT Board or Committee meetings would address the critique that ERCOT meets too frequently, but must be achieved without sacrificing performance of the Board’s critical functions.
- The Board’s “policy” functions are the primary driver of the frequency of Board meetings. Basically, as long as the Technical Advisory Committee (TAC) and the stakeholder committees are on a cycle that generates Protocol revisions and related policy changes every month, monthly Board meetings are difficult to avoid without creating a substantial backlog of issues needing Board consideration.
- The Board’s “corporate” functions include numerous important issues – *e.g.*, personnel, financial, budget, and audit reports. It is possible, however, that ERCOT’s corporate issues could be managed well by the Board and Committee leadership without meetings every month.
- Whether ERCOT reduces the number of Board meetings or Board Committee meetings, ERCOT nets some financial savings. Per-meeting fees for Unaffiliated Directors by necessity go down any time a meeting day is avoided. In addition, webcasting and court reporter fees are incurred on a daily or hourly basis.

Possible Approach to Reducing Frequency of Meetings

- Plan to hold one-day Board meetings focused on “policy” issues monthly (third Tuesdays, as currently). These meetings would consist of the CEO update, operating and financial reports,

¹ See P.U.C. SUBST. R. 25.362(i)(5): “Meeting Periodicity Report. Beginning with the effective date of this section, ERCOT shall recommend annually to the commission the periodicity of governing board meetings. ERCOT’s recommendation shall be based on an examination of the frequency of meetings conducted by similar organizations and shall include an estimate of the costs associated with meeting more frequently than once per quarter.”

timely topics (e.g., the recent ERCOT study regarding proposed Environmental Protection Agency rules), the TAC agenda, and Executive Session (which would include legal, regulatory, security, compliance, risk management, personnel issues, as it does currently).

- In coordination with TAC, determine whether the Board could forego one or two monthly meetings per year without creating a backlog for the next meeting. With advance notice, TAC and the stakeholder committees could schedule their meetings for the year to match the Board pattern. If the consensus is that monthly policy meetings are a necessity due to the ongoing workload, then the Board continues monthly meetings and explains the need for them in ERCOT’s Meeting Periodicity Report to the PUCT.
- Hold Finance and Audit (F&A) and HR&G Committee meetings every other month. When the Committees meet, manage the schedule as we do now: the Committees meet on Monday and the Board meets Tuesday; all Board members are invited to attend both Committee meetings. The Committee reports at the Board meeting would be limited to the items being brought to the Board for a vote (since the discussions on other corporate matters will have occurred the day before in the Committee meeting). Coordinate the Board and Committee schedules such that if there is no Board meeting in a particular month, there would be no Committee meetings that month.
- One of the months in which the Committees do not meet, the day before the Board meeting would be set aside for a Board strategic planning meeting (if the Board chooses to conduct one).
- The Board meetings will not necessarily take all day (especially if “corporate” matters are reserved primarily for Committee meetings). The remainder of the Board meeting day could be used for Board training, special presentations on particular topics, or (as needed) Nominating Committee meetings.

Example (Possible 2012 Meeting Schedule)

Month	Committee Meetings (Third Monday)	Board Meeting (Third Tuesday)
January		X
February	X	X
March		
April	X	X
May		X
June	X	X
July		X
August	X	X
September		X
October	X	X
November		
December	X	X

Potential Cost Savings

Based on cost estimates compiled by ERCOT Legal, eliminating a day of Committee or Board meetings would generate approximately the following cost savings:

Unaffiliated Director Meeting Fees	\$4,500
Webcasting	\$4,000
Court Reporter Transcription	<u>\$1,000</u>
TOTAL	\$9,500

The estimated savings for the 2012 calendar proposed above would be \$76,000 (based on eliminating six days of Committee meetings and two days of Board meetings – March and November – compared to current practice).

In addition, there would be substantial savings in ERCOT staff time, as the Committee meetings require significant work effort. (These could be further quantified if the Committee desires the additional detail.)

Conclusion

If the HR&G Committee believes that some or this entire proposal should be recommended to the Board as part of ERCOT's approach to preparing its Meeting Periodicity Report, ERCOT Legal will include its recommendation in the Board materials for the August 2011 meeting. Alternatively, if the Board believes this matter deserves additional consideration at the Board's strategic planning event or at future Board meetings, ERCOT Legal will await further instructions before developing more formal proposals regarding the 2012 Board meeting schedule and the Meeting Periodicity Report.