**Date:** June 12, 2012
**To:** Board of Directors
**From:** Bill Magness, Vice President, General Counsel and Corporate Secretary
**Subject:** Modifications to ERCOT Employee and ERCOT Director/Segment Alternate Ethics Agreements

## Issue for the ERCOT Board of Directors

**ERCOT Board of Directors Meeting Date:** June 19, 2012
**Agenda Item No.:** 12a

**Issue:**
Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve modifications to the ERCOT Employee Ethics Agreement and approve the existing version of the ERCOT Director/Segment Alternate Ethics Agreement without modification.

**Background/History:**
The ERCOT Employee Ethics Agreement (Employee Ethics Agreement) and ERCOT Director and Segment Alternate Ethics Agreement (Director/Segment Alternate Ethics Agreement) are reviewed annually by the Human Resources and Governance (HR&G) Committee. The HR&G Committee is responsible for recommending any modifications to the Employee and Director/Segment Alternate Ethics Agreements to the Board for approval.

ERCOT Legal recommends clarifying and streamlining modifications to the Employee Ethics Agreement as illustrated in *Attachment A*. The modifications have been proposed in an effort to rely upon the specific language of the currently effective Corporate Standards. Please note that ERCOT employees must attend and participate in ethics training annually.

The Director/Segment Alternate Ethics Agreement was last modified on March 14, 2011. ERCOT Legal does not recommend any modifications to the Director/Segment Alternate Ethics Agreement, which is attached as *Attachment B*, at this time.

The HR&G Committee is expected to review the Employee Ethics Agreement and Director/Segment Alternate Ethics Agreement at its meeting on June 18, 2012. The HR&G Committee is expected to recommend modifications to such Ethics Agreement, if any, to the Board for approval at the June 19, 2012 Board meeting.

**Key Factors Influencing Issue:**

- The HR&G Committee Charter requires that the HR&G Committee perform an annual review of all ethics agreements for ERCOT employees, Directors and Segment Alternates and make recommendations to the Board for approval of any modifications to such ethics agreements.

**Conclusion/Recommendation:**

The HR&G Committee is expected to review the Employee Ethics Agreement and the Director/Segment Alternate Ethics Agreement at its meeting on June 18, 2012, and is expected to recommend to the Board whether any modifications to such Ethics Agreements should be made. If the HR&G Committee recommends modifications to such Ethics Agreements, then it is expected that the HR&G Committee will recommend that such modifications become effective upon approval by the Board.

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

WHEREAS, after its meeting on June 18, 2012, the Human Resources and Governance (HR&G) Committee of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) has recommended modifications to the ERCOT Employee Ethics Agreement as illustrated in and incorporated by reference as *Attachment A*, and no modifications to the ERCOT Director and Segment Alternate Ethics Agreement, which is appended and incorporated by reference as *Attachment B*;

WHEREAS, after due consideration of the alternatives, the Board deems it desirable and in the best interest of ERCOT to approve the modifications to the ERCOT Employee Ethics Agreement and confirm the existing ERCOT Director and Segment Alternate Ethics Agreement as recommended by the HR&G Committee; and

THEREFORE, BE IT RESOLVED, that the Board hereby approves the modifications to the ERCOT Employee Ethics Agreement consistent with *Attachment A*, to be effective immediately and confirms the existing ERCOT Director and Segment Alternate Ethics Agreement appended as *Attachment B.*

**CORPORATE SECRETARY'S CERTIFICATE**

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its June 19, 2012 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____, 2012.

_____
Vickie G. Leady
Assistant Corporate Secretary