



Date: July 10, 2012
To: Board of Directors
From: Bill Magness, ERCOT Vice President, General Counsel and Corporate Secretary
Subject: Proposed Modifications to ERCOT Board Policies and Procedures

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: July 17, 2012

Agenda Tab No.: 10.1

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve revisions to the Board Policies and Procedures, attached hereto as Exhibit A, to be effective immediately.

Background/History:

Section 9.1 of the Board Policies and Procedures, amended effective December 13, 2011, by the ERCOT Board, provides:

The Board may amend this document at any time by a vote that complies with Bylaws requirements, but at a minimum the Policies and Procedures shall be reviewed and reaffirmed annually, at or before the annual Strategic Planning Meeting.

After consideration and review, at its June 18, 2012 meeting, the Human Resources and Governance (HR&G) Committee of the Board requested that ERCOT Legal propose revisions to the Board Policies and Procedures which would focus on changes to Unaffiliated Director compensation and to harmonize the Board meeting language with the current schedule of fewer Board meetings.

ERCOT Legal has proposed revisions to the Board Policies and Procedures, attached hereto as Exhibit A, which are intended to: (1) address the reduced meeting frequency in Section 1.1; (2) to add a stipend for an Unaffiliated Director who serves as the Board Vice Chair in Section 2.8.1; and (3) to eliminate the automatic penalties for missed meetings in Section 2.8.1.

The HR&G Committee will consider proposed revisions of ERCOT Legal and any other proposed revisions of the Committee at its July 16, 2012 meeting and is expected to make a recommendation to the Board regarding such revisions.

Key Factors Influencing Issue:

- The Board may amend the Board Policies and Procedures at any time and reviewed and reaffirmed at least annually.
- The HR&G Committee has indicated that it would like to amend the Board Policies and Procedures to address Unaffiliated Director compensation and the Board meeting language.

Conclusion/Recommendation:



ERCOT Legal respectfully recommends that the HR&G Committee recommend and the Board approve the proposed revisions to the Board Policies and Procedures, attached hereto as Exhibit A, to be effective immediately. The HR&G Committee will consider this matter at its July 16, 2012 meeting.



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

WHEREAS, Section 9.1 of the Board Policies and Procedures (amended effective December 13, 2011, by the ERCOT Board) provides that the Board may amend the Board Policies and Procedures at any time by a vote that complies with Bylaws requirements;

WHEREAS, after due consideration of the alternatives, the Human Resources and Governance (HR&G) Committee of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) has recommended that the Board approve the proposed revisions to the Board Policies and Procedures, attached hereto as Exhibit A, to be effective immediately; and

WHEREAS, the Board deems it desirable and in the best interest of ERCOT to accept the HR&G Committee's recommendation to approve the proposed revisions to the Board Policies and Procedures, attached hereto as Exhibit A, to be effective immediately;

THEREFORE, BE IT RESOLVED, that the Board hereby approves the proposed revisions to the Board Policies and Procedures, attached hereto as Exhibit A, to be effective immediately.

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its July 17, 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 July, 2012.

Vickie G. Leady
Assistant Corporate Secretary