

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

7620 Metro Center Drive, Austin, Texas 78704

September 16, 2008 at 8:46 a.m.

**Committee Members Present**

Jan Newton (Chair)  
Mark Armentrout  
Bob Helton  
Andrew Dalton  
Don Ballard, along with Assistant Public Counsel Sheri Sanders Givens  
A.D. Patton

**ERCOT Staff**

Bob Kahn  
Mike Grable  
Lori Cobos  
Susan Westbrook  
Theresa Gage  
Dale Goodman  
Kristi Hobbs  
Pam Jones

**Call to Order**

Ms. Newton called the meeting to order at 8:46 a.m.

**Executive Session**

Ms. Newton adjourned into Executive Session at 8:32 a.m.  
The meeting emerged from Executive Session at 8:46 a.m.

**Minutes**

**Ms. Newton moved for approval of the August 19, 2008 minutes. Mr. Armentrout seconded the motion. The minutes were approved by unanimous voice vote.**

**Proposal to Establish a Nodal Program Oversight Committee**

Mr. Helton made a proposal to create a Nodal Oversight Committee to provide the Board with more oversight of the Nodal Program. Mr. Helton stated that the Oversight Committee would work closely with Chief Executive Officer (CEO), Bob Kahn, and Chief Information Officer (CIO) and Nodal Executive Program Director, Ron Hinsley, to identify issues and keep the Board fully apprised of risks that may arise with the implementation of the Nodal Program. Mr. Helton noted that the Oversight Committee would utilize external auditors to assist with oversight duties and that ERCOT has issued a Request for Proposal (RFP) to hire external auditors.

Mr. Helton indicated that seven Board members and one Alternate Board Member had volunteered to be on the Oversight Committee, and Ms. Newton suggested that the selection of members be a strategic and well-balanced effort. Mr. Helton proposed that the Oversight Committee meet every month, with special meetings if necessary. Mr. Doggett recommended that the Oversight Committee build a formal working relationship with the Texas Nodal Transition Plan Task Force (TPTF). Mr. Helton stated that he will work with Mr. Grable to establish the Oversight Committee's charter and structure.

Ms. Newton made a motion to recommend to the Board that the Nodal Oversight Committee be created to assist the Board in overseeing the implementation of the Nodal Program. Mr. Helton seconded the motion. The motion passed by unanimous voice vote.

### **Proposal to Broadcast Board Meetings**

Mr. Ballard discussed the possibility of broadcasting the open session portion of the Board meetings through available web cast or audio technology. The Committee agreed with Mr. Ballard's proposal as long as the broadcast is an outbound audio broadcast only and is revenue neutral. Mr. Kahn agreed to identify options and costs involved with broadcasting the Board meetings.

### **External Relations Update**

Ms. Gage provided the Committee with an External Relations Update. Ms. Newton inquired about Senator Ogden's tour of the Taylor facility and Ms. Gage and Mr. Kahn responded that the meeting and tour went well. Mr. Kahn stated that Senator Ogden expressed an interest in advanced metering, wind integration, retail pricing, and Taylor issues. Mr. Armentrout noted that he provided Senator Ogden and Senator Fraser with an update on the status of the Nodal Program.

Ms. Newton asked if ERCOT had offered new Commissioners, Donna Nelson and Ken Anderson, a tour of the Taylor facility and whether ERCOT had invited them to the annual orientation provided to new Board members. Mr. Armentrout asked that Mr. Grable provide Commissioner Nelson and Anderson with an updated Glossary of Terms.

The Committee agreed with Ms. Gage that the next External Relations Update should be provided in November with monthly updates during the upcoming Legislative session.

### **Report on Market Participant Survey Action Plan**

Mr. Goodman discussed ERCOT's action plan for responding to the Market Participant Survey results. Mr. Goodman stated that directives would be provided to ERCOT's Executive Directors and Managers and that ERCOT would be soliciting input from the Technical Advisory Committee (TAC) to address key areas of improvement identified by the survey.

### **Report on the Unaffiliated Director Compensation Committee**

Mr. Dalton reported that the Unaffiliated Director Compensation Committee reviewed the Towers Perrin Study results on Unaffiliated Director compensation among Regional Transmission Organizations (RTOs) and Independent System Organizations (ISOs) and recommended an increase in Unaffiliated Board member compensation. Mr. Dalton noted that the salary increase was necessary due to an increased number of meetings, including additional Texas Regional Entity (TRE) meetings.

Mr. Dalton, as Chair of the Unaffiliated Director Compensation Committee, made a motion to approve the Unaffiliated Director Compensation Committee's structure with the following two changes: (1) An \$89,800 annual salary cap for Unaffiliated Board members, and (2) review of the Unaffiliated Board member's compensation in August 2009. Mr. Helton seconded the motion and Ms. Newton, Mr. Armentrout, and Mr. Patton abstained.

### **Revised Ethics Agreement Proposal**

Mr. Grable presented the Revised Ethic Agreement including a signature section for ERCOT Staff that work with the TRE as requested by the Committee. Dr. Patton expressed concerns with the language under the "Conflicts of Interest" section of the Revised Ethics Agreement. Mr. Grable stated that he would discuss Dr. Patton's concerns with Dr. Patton and Board Member, Brad Cox, who developed the "Conflicts of Interest" language and bring back the Revised Ethics Agreement to the next Committee meeting for discussion.

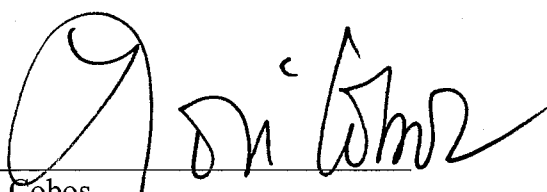
### **Proposed Revisions to PRR 753**

Ms. Newton asked the Committee to determine whether it is appropriate to have procedures within the ERCOT Protocols for handling Protocol Revision Request (PRR) –related appeals. Mr. Helton stated that the appeals process in PRR 753 was too cumbersome and that PRR-related appeals should be included in TAC's procedures, not in the ERCOT Protocols. Mr. Grable noted that the TAC procedures should not be contrary to the Public Utility Regulatory Act's (PURA) requirement of openness to the public. The Committee agreed to recommend that the Board direct TAC to develop procedures for handling PRR-related appeals with ERCOT Legal's assistance and reject PRR 753.

### **Other Business**

Ms. Newton stated that an update on ERCOT's action plan related to the R.W. Beck Study results should be discussed at next month's Committee meeting due to the Finance and Audit (F&A) Committee's pending recommendation to not split into two separate F&A Committees, as recommended by the R.W. Beck study.

**The meeting adjourned at 9:50 a.m.**

  
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Lori Cobos  
Associate Corporate Counsel