



To: Human Resources and Governance (HR&G) Committee
From: Bill Magness, Vice-President, General Counsel & Corporate Secretary
Date: July 8, 2013
Re: Item 8 - Review of ERCOT Governing Documents and Governance Structure of the Board of Directors and its Committees

The HR&G Committee Charter provides that the HR&G Committee shall perform an annual review of “proposed modifications to the ERCOT (i) Articles of Incorporation, (ii) Bylaws, or (iii) the Board Policies and Procedures.”¹ The HR&G Committee Charter further provides that the HR&G Committee shall “[r]eview the overall governance structure of the Board, including the number, focus and membership of Board Committees and subcommittees, including the periodicity of meetings.”²

1. Articles of Incorporation, Bylaws, and Board Policies & Procedures

The Amended and Restated Articles of Incorporation of Electric Reliability Council of Texas, Inc. (Articles of Incorporation) have been in effect since December 19, 2000. ERCOT Legal does not recommend any amendment to the currently effective Articles of Incorporation at this time.

The Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc. (Bylaws) were approved by the Public Utility Commission of Texas (PUCT) and became effective on April 16, 2010. At the August 15, 2011 HR&G Committee meeting, the HR&G Committee created the Task Force on Governing Documents (Task Force) to review the Bylaws and Board Policies and Procedures. At the October 17, 2011 HR&G Committee meeting, the Task Force recommended that changes to the Bylaws be deferred until after the 2013 Legislative Session, due to the pendency of issues regarding the PUCT sunset review that might impact ERCOT governance.

Leading up to the scheduled review of ERCOT Bylaws this year, ERCOT Legal worked with the HR&G Committee, corporate members of ERCOT, and PUCT staff to develop amendments to the Bylaws. The Committee has reviewed proposed changes at each of its meetings during 2013. At its July 15, 2013 meeting, the Committee has before it a set of proposed changes that have been presented for review to PUCT staff, the Technical Advisory Committee, and ERCOT management. Proposals approved by the Committee and the Board of Directors will be sent out for a vote of ERCOT corporate members, and submitted to the PUCT for approval.

After the Committee has completed work on Bylaws changes, ERCOT Legal will present proposed changes to the Board Policies & Procedures (some of which may depend on the outcome of the Board’s votes on proposed Bylaws revisions). ERCOT Legal plans to present proposals for revision of the Board Policies & Procedures at the Committee’s meeting on September 16, 2013.

¹ See *HR&G Committee Charter*, Attachment A, Item No. 2(b)(1).

² See *HR&G Committee Charter*, Attachment A, Item No. 2(f)(1). The “overall governance structure” review is to be conducted “periodically, but no less than every two years”; the “periodicity of meetings review” is to be conducted annually.



2. Periodicity of Meetings

ERCOT must file annually with the PUCT its recommendation regarding the periodicity of governing board meetings. Such recommendation must 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.

Historically, the Board votes to approve the Board meeting schedule for the upcoming year at each September Board meeting. ERCOT Legal will present a draft report on periodicity of meetings, and seek Board input on the 2014 meeting schedule, at the Committee's September 16, 2013 meeting.

3. Committee Structure

The current Board committee structure includes the HR&G Committee, Finance & Audit Committee (F&A), and the Nominating Committee. ERCOT Legal is aware of no concerns having been expressed about the current committee structure, and does not recommend any changes to the structure.

I look forward to discussing all of these matters with you at the July 15, 2013 Committee meeting.