



**Date:** November 12, 2013  
**To:** Board of Directors  
**From:** Bill Magness, Vice President, General Counsel and Corporate Secretary  
**Subject:** Modifications to ERCOT Board Policies and Procedures

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** November 19, 2013

**Agenda Item No.:** 9.1

**Issue:**

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve modifications to the Board Policies and Procedures, as recommended by the Human Resources and Governance (HR&G) Committee, to be effective immediately.

**Background/History:**

Section 9.1 of the Board Policies and Procedures, amended effective July 1, 2012, 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.

In conjunction with its review of Bylaws amendments in 2013, the HR&G Committee requested that ERCOT Legal propose modifications to the Board Policies and Procedures (BPP) once the Bylaws amendments were approved by the Public Utility Commission of Texas (PUCT). The PUCT entered an order approving the Bylaws amendments on October 7, 2013.

For the HR&G Committee's consideration at its November 18, 2013 meeting, ERCOT Legal has proposed modifications to the BPP, attached hereto as Exhibit A. Such proposed modifications for the HR&G Committee's consideration include:

- Administrative Modifications.  
The primary change in this category involves adding descriptive headings to each section of the BPP to increase ease of reference. In addition, Section 2.4.4 was modified and Section 2.4.5 was deleted in an effort to clarify the approval of purchase of goods or services over \$1,000,000.
- Modifications related to the Recently Approved Bylaws Amendments.  
The attached red-lined BPP contains two modifications related to the recent amendments to the Bylaws, including:
  - Budget Provisions.  
The Budget review timeline was expanded to contemplate multi-year budgets, to conform with the Bylaws and the amendments made by the PUC Sunset legislation.



- Procedures for Determination of Member-Affiliate Relationship.  
Procedures to address the submission of Member-Affiliate relationship determinations for Board approval were added.
- Board Chair and Vice Chair Terms.  
Section 7.7 (Election and Terms of Board Chair and Vice Chair) was added to allow the Board Chair and Vice Chair to serve in their positions until their respective successors are elected to avoid any break in service of Board leadership.
- Board Policy on Approval of User Fees.  
ERCOT staff presented a proposed policy to the F&A Committee in March 2013 related to the Board's authority to approve user fees (authority extended by the PUCT in 2011 in its amendments to P.U.C. SUBST. R. 25.363(f)). ERCOT staff has prepared language to incorporate this policy into the Board Policies and Procedures, and will present its proposal to both the F&A and HR&G Committee at the November 18, 2013 meetings. ERCOT staff also presented the proposed policy to the Technical Advisory Committee at its November 7, 2013 meeting.

The HR&G Committee will consider the modifications proposed by ERCOT Legal and any other modifications proposed by the Committee at the November 18, 2013 HR&G Committee meeting, and may make a recommendation to the Board regarding one or more modifications.

If the HR&G Committee makes any recommendations to the Board regarding modifications to the BPP at its November 18, 2013 meeting, a red-lined version of the BPP reflecting such recommended modifications (proposed Exhibit A for the Board Resolution) will be posted with the materials for the November 19, 2013 Board meeting at <http://www.ercot.com/calendar/2013/11/20131119-BOD>.

**Key Factors Influencing Issue:**

- The Board Policies and Procedures are subject to review and reaffirmation annually, and the Board may amend the Board Policies and Procedures at any time.
- The HR&G Committee has indicated that it would like to review ERCOT Legal's proposed modifications to the Board Policies and Procedures.
- The Board Policies and Procedures should be amended to conform to the recently approved amendments to the ERCOT Bylaws.
- The proposed changes to the Board Policies & Procedures add useful policy guidance and process details on issues of importance to the Board and to ERCOT staff and Market Participants.

**Conclusion/Recommendation:**

ERCOT Legal recommends that the HR&G Committee recommend and the Board approve proposed modifications to the Board Policies and Procedures to be effective immediately. The HR&G Committee will consider proposed modifications at its November 18, 2013 meeting. Such recommended modifications, if any, will be posted subsequently as proposed Exhibit A.



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

WHEREAS, Section 9.1 of the Board Policies and Procedures (amended effective July 1, 2012, 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 modifications 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 modifications 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 modifications 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 November 19, 2013 meeting, the ERCOT Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of November, 2013.

\_\_\_\_\_  
Vickie G. Leady  
Assistant Corporate Secretary