



Date: February 2, 2015
To: Board of Directors
From: Bill Magness, General Counsel, Senior Vice President – Governance, Risk and Compliance, & Corporate Secretary
Subject: HR&G Committee Charter

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: February 9-10, 2015

Item No.: 15.1

Issue:

Whether to recommend and approve any changes to the HR&G Committee Charter.

Background/History:

The HR&G Committee Charter requires that the HR&G Committee review and assess the adequacy of the HR&G Committee Charter (Charter) annually and recommend any proposed changes to the Board of Directors (Board). ERCOT Legal is not proposing any revisions to the current Charter, as illustrated in *Attachment A*, for the HR&G Committee’s consideration.

The HR&G Committee is expected to recommend that the Board approve the existing the Charter or any revisions to the Charter proposed by the HR&G Committee at the February 9-10, 2015 Board meeting.

Key Factors Influencing Issue:

The HR&G Committee Charter identifies the functions that the HR&G Committee is to perform and is reviewed annually to ensure that the HR&G Committee continues to address relevant issues and to assist the Board in providing necessary oversight consistent with fiduciary duties.

Conclusion/Recommendation:

The HR&G Committee is expected to review the Charter at its meeting on February 9, 2015, and is expected to recommend to the Board of Directors whether any Charter revisions should be made. If the HR&G Committee recommends revisions to the Charter, then it is expected that the HR&G Committee will recommend that the revisions become effective upon approval by the Board.



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

WHEREAS, after its meeting on February 9, 2015, the Human Resources and Governance (HR&G) Committee of the Board of Directors of Electric Reliability Council of Texas, Inc. (ERCOT) has recommended approval of the HR&G Committee Charter consistent with the document appended to this resolution and incorporated as *Attachment A* hereto;

WHEREAS, after due consideration of the alternatives, the Board deems it desirable and in the best interest of ERCOT to approve the HR&G Committee Charter as recommended by the HR&G Committee; and

THEREFORE, BE IT RESOLVED, that the HR&G Committee Charter is approved consistent with *Attachment A*, to be effective immediately.

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its February 9-10, 2015 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of February, 2015.

Vickie G. Leady
Assistant Corporate Secretary



Human Resources and Governance Committee – Duties and Responsibilities

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval	Strategic Plan Initiatives*				Admin. Resp.
				1	2	3	4	
1.	Human Resource Matters							
a.	Compensation of ERCOT’s CEO, all other ERCOT officers and employees							
(1)	Review ERCOT’s general compensation philosophy, strategy, policies and programs.	Periodically but no less than once every two years	Yes				X	
(2)	Review the compensation package and employment terms of the CEO.	As needed	Yes				X	
(3)	Review the CEO’s recommendations regarding compensation levels of officers, and report to the Board if there is any disagreement between a Committee Member and the CEO regarding the CEO’s recommendations.	Annually	No					X
(4)	Investigation of the compensation practices and strategies of comparable organizations, as well as industry trends, to evaluate the prudence and adequacy of ERCOT’s overall and executive compensation programs and strategies.	Periodically but no less than once every two years	No					X
(5)	Review administration of executive compensation and benefit plans.	Periodically, but no less than once every two years	No					X
(6)	Review ERCOT’s employee benefit plans.	Annually (at least for the next few years as the Patient Protection and Affordable Care Act rolls into effect)	No					X
(7)	Review 401(k) Savings Plan audit report. (Recommendation for acceptance of the 401(k) Savings Plan audit report will be made by Finance and Audit Committee.)	Annually	No					X



No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval	Strategic Plan Initiatives*				Admin. Resp.
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(8)	Review the ERCOT Benefits Committee’s annual status report and performance of the duties delegated to it by the Board, including the design, operation and maintenance of employee benefits plans. Report to the Board if there is any disagreement between a Committee Member, a member of the Benefits Committee or the CEO regarding any aspect of the Benefits Committee’s performance of the duties delegated to it by the Board.	As needed, but no less than annually	No					X
(9)	Retain and terminate services of consulting firms engaged to evaluate ERCOT’s compensation packages.	As needed	In accordance with Board Policies and Procedures					X
b.	Performance of the CEO and all other ERCOT officers							
(1)	Evaluation of the CEO’s performance against the goals and objectives set for the CEO by the Committee or the Board each year (or other relevant time period). Recommendation to the Board for approval regarding the CEO’s performance or any recommended changes to the CEO’s compensation package and employment terms based on the CEO’s performance or contract.	Annually and as needed	Yes				X	
(2)	Review of the CEO’s performance evaluation of all other officers, or other employees the CEO identified for the Committee, against the Board approved KPIs or any other Board approved goals and objectives for ERCOT.	Annually and as needed	No					X
c.	Organizational planning, including succession planning							
(1)	Consider election of CEO.	Annually	Yes				X	
(2)	Consider ratification of CEO’s recommendation of officers.	Annually	Yes				X	
(3)	Consultation with the CEO and advice to the Board with respect to succession planning for officers, executives or other key employees identified by the CEO or the officer primarily responsible for the oversight of ERCOT’s Human Resources department.	Annually and as needed	No					X



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				1	2	3	4	
(4)	Review organizational succession planning.	Annually	No					X
d.	Employment agreements							
(1)	Review all employment agreements with ERCOT, including retention agreements.	Periodically, but no less than every two years or 6 months prior to the termination of any such agreement	Yes				X	
(2)	Review severance policy	Every 2 years or as needed	No					X
e.	Staffing-level risks							
(1)	Advise the Board on risks pertaining to staffing levels, employment trends, skills that are in high demand or difficult to replace and other employee-related issues.	Annual and as needed	No					X
f.	Key performance indicators							
(1)	Review ERCOT's key performance indicators ("KPIs") or any other goals and objectives of ERCOT, as applicable. Recommendation to the Board for approval of annual KPIs.	Annual and as needed	Yes for annual KPIs				X	
2.	Governance Matters							
a.	All matters pertaining to Unaffiliated Directors except those reserved by the Nominating Committee							
(1)	Consider and plan for the orderly re-appointment or succession of existing Unaffiliated Directors. The Nominating Committee has primary responsibility for identifying and determining the qualifications of new Unaffiliated Directors if the recommendation of the Committee is that a new Unaffiliated Director is needed.	Annually	Yes				X	
(2)	Consideration of Unaffiliated Director compensation and reimbursement matters.	Periodically, but no less than once every two years	Yes				X	



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b.	ERCOT's governing documents and Board policies and procedures							
(1)	Review proposed modifications to the ERCOT (i) Articles of Incorporation, (ii) Bylaws, or (iii) the Board Policies and Procedures.	Annually	Yes				X	
c.	Board-training opportunities							
(1)	Consideration of training opportunities to enhance the Board's performance, and keeping apprised of the latest corporate governance trends and issues.	Annual and as needed	No					X
d.	Organizational strategic planning							
(1)	Review ERCOT's five-year strategic plan.	Annually	No				X	
e.	Ethics policies							
(1)	Review ethics agreements for ERCOT employees, Directors and Segment Alternates.	Annually and as needed	Yes for modifications				X	
f.	Overall governance structure of ERCOT							
(1)	Review the overall governance structure of the Board, including the number, focus and membership of Board Committees and subcommittees, including the periodicity of meetings.	Periodically, but no less than once every two years; Annually for periodicity of meetings	Yes for modifications				X	
3.	External Affairs Matters							
a.	Development of policy messages for ERCOT							
(1)	Review of ERCOT's high-level policy messages.	Annually and by no later than November in even numbered years and as need during odd numbered years.	No					X
b.	Governmental relations							
(1)	Review of ERCOT's governmental relations efforts, including	Annually and by	No					X



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	those related to the Legislature and Public Utility Commission of Texas.	no later than November in even numbered years and as need during odd numbered years.						
4.	General and Administrative							
(1)	Elect Committee Chair and Vice Chair.	Annually	No					X
(2)	Designate Corporate Secretary or designee as Committee Secretary.	Annually	No					X
(3)	Report to the Board of the deliberations, actions, and recommendations of the Committee.	As needed	No					X
(4)	Review and assessment of the adequacy of this Charter.	Annually	Yes					X
(5)	Conduct Committee self-evaluation.	Annually	No					X
(6)	Retention or termination of the services of consulting firms engaged to assist the Committee.	As needed	In accordance with Board Policies and Procedures					X
(7)	Investigate matters brought to the Committee's attention.	As needed	Possibly					X
(8)	Meet as deemed necessary by the Committee Chair.	As needed	No					X
(9)	Approve Committee minutes.	As needed	No					X
(10)	Review Committee meeting calendar.	As needed	No					X
(11)	Perform such other duties and responsibilities as assigned by the Board.	As needed	Possibly					X



***KEY:**

2014 Strategic Pillars

1. **Operational Reliability** - Anticipate and communicate potential reliability issues through improved enterprise wide planning processes, probability scenario analyses and grid impact evaluations.
2. **Flexible Market Design** – Work to anticipate changes in market dynamics and systems and respond effectively to changes in market rules and processes that are directed toward maintaining a highly reliable grid and open access to ERCOT markets.
3. **Data Transparency & Access** - Continue to evolve ERCOT’s role as a data and information gateway for electricity markets in Texas recognizing its unique role and the value created for consumers and stakeholders of relevant, quality and timely market and technical intelligence.
4. **Committee Strategic Alignment** - Further evolve the stakeholder committee process to improve strategic alignment of processes and outcomes including the use of strategic alignment and efficiency goals and measures. Establish Board-level mechanisms for reviewing process effectiveness at achieving strategic goals throughout the enterprise, including in the stakeholder committees.