



MEMORANDUM

To: Human Resources and Governance (HR&G) Committee
From: Keith Emery, Lead, Task Force on Unaffiliated Director Compensation
Date: December 6, 2016
Re: Item 8 – Recommendation of Task Force on Unaffiliated Director Compensation

HR&G Committee Charter Requires Consideration of Unaffiliated Director Compensation and Reimbursement

Section 2.a.(2) of the Duties and Responsibilities of the HR&G Committee Charter requires that the Committee consider Unaffiliated Director compensation and reimbursement matters periodically, but no less than once every two years. It further provides that the Committee will recommend any compensation and reimbursement changes to the Board.

The Board most recently approved changes to the Unaffiliated Director compensation structure at its July 17, 2012 meeting.

Task Force Appointed on Unaffiliated Director Compensation

Given the subject matter and to avoid conflicts of interest, the task force on Unaffiliated Director compensation could not be comprised of Unaffiliated Directors. Accordingly, at the August 8, 2016 HR&G Committee meeting, HR&G Committee Chairman Karl Pfirrmann, noting the consensus of the Committee, appointed me as Independent Power Marketer Director and HR&G Committee Member to lead a task force on Unaffiliated Director compensation and reimbursement. I then appointed Jack Durland, Consumer – Industrial Director and HR&G Committee Member, and Clifton Karnei, Cooperative Director and Finance and Audit Committee Vice Chair, to serve on the task force.

Task Force Recommendation

At the task force's request, ERCOT Human Resources and Legal provided information, such as, data related to compensation, expense reimbursement, frequency of meetings, average hours worked and succession of ERCOT's Unaffiliated Directors and/or directors from Independent System Operators and Regional Transmission Organizations. The task force attended conference calls on August 18 and September 22, 2016, to consider the requested information.

Based on our review of this information, the task force recommends that no changes to the compensation and reimbursement of Unaffiliated Directors be made at this time; however, the task force agrees with the current provisions of the HR&G Committee charter that such compensation and reimbursement matters should continue to be reviewed periodically, but no less than once every two years.

We look forward to discussing this topic with the Committee at its December 12, 2016 meeting.