



MEMORANDUM

To: Human Resources and Governance (HR&G) Committee
From: Karl Pfirrmann, HR&G Committee Chairman
Date: October 9, 2017
Re: Item 9 – Unaffiliated Director Succession Planning

The Committee discussed Unaffiliated Director Succession Planning at its August 7, 2017 HR&G Committee meeting. For ease of reference, the associated meeting materials are provided as Exhibit A.

Factors Affecting Succession Planning

As the chart called ERCOT Unaffiliated Director Terms (2003-2018) in Attachment A illustrates, despite intention to stagger terms, staggering of terms could be significantly affected by Unaffiliated Director resignations or failure to seek additional terms. Ultimately, due to the selection of qualified candidates and the timing of the approvals necessary to seat an Unaffiliated Director which can be lengthy, the Nominating Committee has to balance the need to fill Unaffiliated Director vacancies as soon as possible for continued, full representation of Unaffiliated Directors on the Board against staggering.

Updates on Unaffiliated Director Elections

The Nominating Committee is expected to select an Unaffiliated Director candidate at its October 16, 2017 meeting, for presentation to and election by the Corporate Members at the Annual Membership Meeting in December 2017, and for subsequent approval by the Public Utility Commission. This candidate would fill the seat left vacant by the resignation of Unaffiliated Director Jorge Bermudez in October 2016.

In addition, Unaffiliated Director Peter Cramton has provided timely notice of his intent to seek re-election for his second term on the Board as an Unaffiliated Director. Mr. Cramton's first term expires on August 16, 2018.

Section 7.3.2 of the Board Policies and Procedures, amended effective August 12, 2014, provides that Unaffiliated Directors shall give notice six months prior to their expiration of their term of their intent to seek re-election and that the Nominating Committee will vote on whether the Unaffiliated Director should be re-elected.

The Nominating Committee is expected to convene October 16, 2017 for the purpose of considering Mr. Cramton's selection as a candidate for presentation and election by the Corporate Members also at the Annual Membership Meeting in December 2017, and for subsequent approval by the Public Utility Commission.

Current Terms of the Unaffiliated Directors

A summary of the terms of the current Unaffiliated Directors is provided below:

Current Unaffiliated Director (listed in order of term expiration)	Expiration Date of Current Term	Renewal Terms	Comments
Peter Cramton	08/16/2018	Eligible for 2 Renewals	Has provided timely notice to seek re-election for second term
Craven Crowell	12/31/2017	Final Term Approved to begin on 01/01/2018	Currently seated; recently approved for third and final term to expire on 12/31/2020
Karl Pfirrmann	12/31/2017	Final Term Approved to begin on 01/01/2018	Currently seated; recently approved for third and final term to expire on 12/31/2020
Judy Walsh	12/31/2017	Final Term Approved to begin on 01/01/2018	Currently seated; recently approved for third and final term to expire on 12/31/2020
Vacancy	N/A	Eligible for 3 Renewals	Nominating Committee to consider selecting candidate for approval by the Corporate Members at the Annual Membership Meeting in December 2017

I look forward to answering any questions on this matter at the October 16, 2017 meeting.



MEMORANDUM

To: Human Resources and Governance (HR&G) Committee
From: Chad V. Seely, Vice President, General Counsel and Corporate Secretary
Date: July 31, 2017
Re: Item 9 – Unaffiliated Director Succession Planning

The HR&G Committee Charter provides that the Committee shall annually consider the orderly re-appointment or succession of existing Unaffiliated Directors and make a recommendation to the Board if there are changes to succession planning.

I. Requirements regarding Unaffiliated Director Selection and Terms

As you will see below, ERCOT is subject to various requirements regarding the selection process for Unaffiliated Directors, including specific qualifications, and their terms of service on the Board of Directors.

A. Statutory Requirements

Section 39.151(g)(7) of the Public Utility Regulatory Act (PURA) requires that five members of the ERCOT Board of Directors (Board) be “unaffiliated with any market segment and selected by the other members of the governing body to serve three-year terms”. Section 39.151(g) further requires that the process for electing Unaffiliated Directors be specified in Bylaws which are approved by the Public Utility Commission of Texas (PUCT), that a professional search firm is used to identify candidates, and that PUCT input be considered in identifying candidates.

B. PUCT Rule Requirements

PUCT Substantive Rule Section 25.362 (g)(5) provides in part that:

ERCOT shall provide information to the commissioners concerning their process for selecting a new member [*i.e.*, Unaffiliated Director], the candidates who have been identified and their qualifications, any recommendation that will be made to the governing board, and any other information requested by a commissioner. The selection of an unaffiliated member of the governing board is subject to approval by the commission. A person who is selected may not serve as a member of the governing board until the commission approves the selection. An unaffiliated board

member whose three-year term has expired shall, if reappointed by the ERCOT governing board, cease serving as a member of the governing board until the reappointment is approved by the commission.

C. Bylaws Requirements

Section 4.3(b) of the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc., effective August 17, 2015 (Bylaws) provide that the Nominating Committee of the Board of Directors shall be responsible for the selection of the Unaffiliated Directors, including the selection of the professional search firm and recommendation of selected candidates directly to ERCOT's Corporate Members for election and approval, subject to PUCT approval. Section 4.3(c) of the Bylaws provides that Unaffiliated Directors shall serve three year terms, "which shall be staggered to the extent possible," and that they may be reelected for up to two consecutive terms.

Section 4.5(f) of the Bylaws provides that any Director shall serve "until the earlier of the expiration of his term, resignation, ineligibility, inability to serve or removal".

D. Board Policies and Procedures

Section 7.3.2 of the Board Policies and Procedures, amended effective August 12, 2014 (BP&P), provides that Unaffiliated Directors shall give notice six months prior to their expiration of their term of their intent to seek re-election and that the Nominating Committee will vote on whether the Unaffiliated Director should be re-nominated. Section 7.3.4 of the BP&P provides that "[w]here feasible, elections for Unaffiliated Directors will be held and approval by the PUCT sought within a timeframe that will allow such Directors to be seated on the Board so as to avoid or minimize the length of Unaffiliated Director vacancies on the Board".

II. Historical Unaffiliated Director Terms

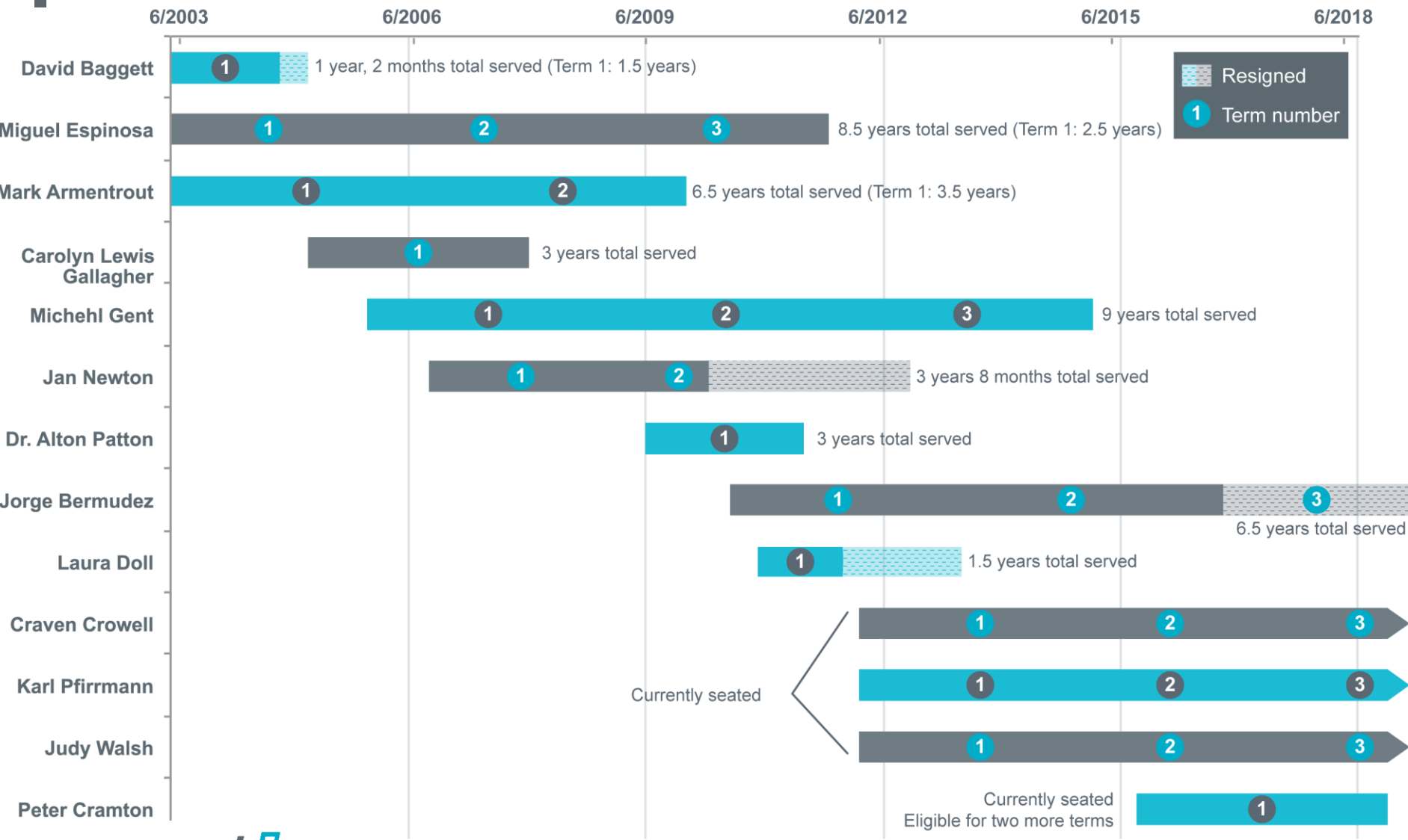
Although the first three Unaffiliated Directors who served on the Board in 2003 were initially staggered (*i.e.*, individual terms of 1.5, 2.5 and 3.5 years) by PUCT order, the staggering of one year between terms of each Unaffiliated Director has changed due to the timing of seating or resignations of subsequent Unaffiliated Directors (including the addition of two new Unaffiliated Director positions).

Attached for ease of viewing is a chart and a summary table which provide the historical terms of Unaffiliated Directors since they were first seated on the Board.

ERCOT Legal closely monitors the timing of Unaffiliated Directors' terms and assists the Nominating Committee with planning for succession for these positions to avoid vacancies on the Board to the extent reasonably foreseeable.

We look forward to discussing this matter.

ERCOT Unaffiliated Director Terms (2003-2018)





Key Dates for Service of Unaffiliated Directors on ERCOT Board (as of 07/31/2017)

PUC Filing / Orders	Unaffiliated Director	Terms	Comments
Docket No. 27652 Petition - 04/16/2003 Initial Term - 1.5 years Order – 06/11/2003	David Baggett	Term 1: 06/11/2003-12/10/2004	Term 1 = 1.5 years to effect staggering Resigned 08/31/2004 during mid-first term
Docket No. 27652 Petition - 04/16/2003 Initial Term - 2.5 years Order – 06/11/2003 Docket No. 35862 Petition – 07/11/2008 Order – 10/29/2008	Miguel Espinosa	Term 1: 06/11/2003-12/10/2005 Term 2: 12/11/2005-12/10/2008 Term 3: 12/11/2008-12/10/2011	Term 1 = 2.5 years to effect staggering
Docket No. 27652 Petition - 04/16/2003 Initial Term - 3.5 years Order – 06/11/2003 Docket No. 33185 Petition 09/11/2006 Order – 12/15/2006	Mark Armentrout	Term 1: 06/11/2003-12/10/2006 Term 2: 12/12/2006-12/11/2009	Term 1 = 3.5 years to effect staggering
Docket No. 30994 Petition - 04/08/2005 To fill seat vacated by David Baggett Order – 06/20/2005	Carolyn Lewis Gallagher	Term 1: 04/19/2005-04/18/2008	
Docket No. 32492 Petition – 03/09/2006 Order - 06/29/2006 Docket No. 36566 Petition - 01/07/2009 Order – 03/30/2009 Docket No. 40233 Petition - 03/16/12 Order – 04/27/2012	Michehl Gent	Term 1: 03/21/2006-03/20/2009 Term 2: 03/21/2009-03/20/2012 Term 3: 05/10/2012-05/09/2015	



<p>Docket No. 33183 Petition – 09/06/2011 Order – 12/15/2006</p> <p>Docket No. 36566 Petition - 01/07/2009 Order – 03/30/2009</p>	Jan Newton	<p>Term 1: 09/19/2006-09/18/2009 Term 2: 09/19/2009-09/19/2012</p>	Resigned 05/18/2010 during mid-second term
<p>Docket No. 35862 Petition – 07/11/2008 Order – 10/29/2008</p>	Dr. Alton Patton	<p>Term 1: 06/17/2008-06/16/2011</p>	
<p>Docket No. 38373 Petition – 06/22/2010 Order – 09/16/2010</p> <p>Docket No. 41260 Petition – 03/04/2013 Order – 06/21/2013</p> <p>Docket No. 45763 Petition – 03/15/16 Order – 06/30/2016</p>	Jorge Bermudez	<p>Term 1: 07/01/2010-06/30/2013 Term 2: 07/01/2013-06/30/2016 Term 3: 07/01/2016-06/30/2019</p>	Resigned 10/04/2016 during mid-third term; in process of seeking candidate to fill current vacancy
<p>Docket No. 38492 Petition – 07/26/2010 Order – 10/19/2010</p>	Laura Doll	<p>Term 1: 08/01/2010-07/31/2013</p>	Resigned 01/16/2012 during mid-first term
<p>Docket No. 39843 Petition – 10/13/2011 Order – 12/09/2011</p> <p>Docket No. 42539 Petition – 05/22/2014 Order – 09/11/2014</p> <p>Docket No. 46954 Petition 03/16/2017 Order – 07/28/2017</p>	Craven Crowell	<p>Term 1: 01/01/2012-12/31/2014 Term 2: 01/01/2015-12/31/2017 Term 3: 01/01/2018-12/31/2020</p>	Currently seated; recently approved for third and final term
<p>Docket No. 39844 Petition – 10/13/2011 Order – 12/09/2011</p> <p>Docket No. 42540 Petition – 05/22/2014 Order – 09/11/2014</p> <p>Docket No. 46953 Petition 03/16/2017 Order – 07/28/2017</p>	Karl Pfirrmann	<p>Term 1: 01/01/2012-12/31/2014 Term 2: 01/01/2015-12/31/2017 Term 3: 01/01/2018-12/31/2020</p>	Currently seated; recently approved for third and final term



Docket No. 39844 Petition – 10/13/2011 Order – 12/09/2011 Docket No. 42541 Petition – 05/22/2014 Order – 09/11/2014 Docket No. 46952 Petition 03/16/2017 Order – 07/28/2017	Judy Walsh	Term 1: 01/01/2012-12/31/2014 Term 2: 01/01/2015-12/31/2017 Term 3: 01/01/2018-12/31/2020	Currently seated; recently approved for third and final term
Docket No. 44742 Petition – 05/18/2015 Order – 08/17/2015	Peter Cramton	Term 1: 08/17/2015-08/16/2018	Currently seated; Eligible for two more terms