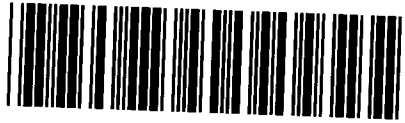




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PROJECT NO. 27706

REPORTS OF THE ELECTRIC  
RELIABILITY COUNCIL OF TEXAS

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PUBLIC UTILITY COMMISSION  
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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**2011 RECOMMENDATIONS FOR PERIODICITY**  
**OF GOVERNING BOARD MEETINGS**

COMES NOW, Electric Reliability Council of Texas, Inc. (ERCOT), pursuant to PUC SUBST. R. §25.362(i)(5), and files its *2011 Recommendations for Periodicity of Governing Board Meetings*.

The 2011 revisions to the Commission's rules regarding ERCOT oversight include the following requirement at PUC SUBST. R. §25.362(i)(5):

**Meeting Periodicity Report.** Beginning with the effective date of this section, ERCOT shall recommend annually to the commission the periodicity of governing board meetings. ERCOT's recommendation shall 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.

Since the March 2011 adoption of §25.362(i)(5), the ERCOT Board of Directors has conducted a thorough review of the frequency of its meetings.<sup>1</sup> The review included consideration of materials prepared by ERCOT staff regarding various options for scheduling meetings of the Board and its standing committees. The ERCOT staff analysis tracked the factors identified in the periodicity rule, including surveying the frequency of meetings at other Independent System Operators (ISOs) and Regional Transmission Organizations (RTOs), and estimating the costs of Board and committee meetings.<sup>2</sup>

At its September 2011 meeting, the Board of Directors adopted a meeting schedule for 2012 that is the basis for ERCOT's meeting periodicity recommendation for calendar year 2012. ERCOT's recommendations are attached hereto as Exhibit 1. In summary, ERCOT recommends that the ERCOT Board hold ten (10) regular meetings in 2012 (meetings held each month with the exception of the months of March and November), and that the Board's Finance & Audit

<sup>1</sup> The issue of "meeting periodicity" was considered at meetings of the Board's Human Resources & Governance Committee (HR&G) in April, May, July, and September 2011.

<sup>2</sup> The materials reviewed by the HR&G Committee and Board are posted with the Board materials for the meetings listed above in note 1, *available at* [www.ercot.com/committees/board](http://www.ercot.com/committees/board).

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(F&A) and Human Resources & Governance (HR&G) standing committees hold six (6) regular meetings (meetings held every other month coinciding with regular Board meetings).

Since the meeting periodicity provision was adopted in March 2011, this is ERCOT's first "meeting periodicity report." ERCOT welcomes guidance from the Commission regarding the format of future meeting periodicity reports.

Respectfully submitted,

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ATTORNEYS FOR ELECTRIC  
RELIABILITY COUNCIL OF TEXAS, INC.

**ERCOT's 2011 RECOMMENDATIONS  
REGARDING FREQUENCY OF GOVERNING BOARD MEETINGS**

**SUMMARY OF RECOMMENDATIONS FOR 2012**

For 2012, the ERCOT Board of Directors (Board) approved a schedule that includes ten regular meetings of the Board. In addition, the Board endorsed an ERCOT staff recommendation that the Finance and Audit (F&A) Committee and the Human Resources and Governance (HR&G) Committee of the Board hold six regular meetings in 2012. The regular meetings of the Board and its standing committees are scheduled as follows for 2012:

| <b>Month</b>     | <b>Committee Meetings<br/>(Third Monday)</b> | <b>Board Meeting<br/>(Third Tuesday)</b> |
|------------------|--|--|
| <b>January</b>   |  | <b>X</b>                                 |
| <b>February</b>  | <b>X</b>                                     | <b>X</b>                                 |
| <b>March</b>     |  |  |
| <b>April</b>     | <b>X</b>                                     | <b>X</b>                                 |
| <b>May</b>       |  | <b>X</b>                                 |
| <b>June</b>      | <b>X</b>                                     | <b>X</b>                                 |
| <b>July</b>      |  | <b>X</b>                                 |
| <b>August</b>    | <b>X</b>                                     | <b>X</b>                                 |
| <b>September</b> |  | <b>X</b>                                 |
| <b>October</b>   | <b>X</b>                                     | <b>X</b>                                 |
| <b>November</b>  |  |  |
| <b>December</b>  | <b>X</b>                                     | <b>X</b>                                 |

**INDUSTRY PRACTICES**

The frequency of governing body meetings of U.S. ISOs and RTOs varies widely. Although the governing documents of most require only quarterly meetings (as is required by the ERCOT Bylaws), only Southwest Power Pool (SPP) maintained such a schedule. For 2011, the ISO/RTOs scheduled regular meetings as follows:

| ISO / RTO | 2011 Schedule         |   |
|-----------|-----------------------|---|
|           | Board of Directors    | Board Committees  |
| ERCOT     | 12 times <sup>3</sup> | <ul style="list-style-type: none"> <li>• Finance and Audit – 12 times</li> <li>• Human Resources and Governance – 12 times</li> <li>• Nominating – As needed</li> </ul>   |
| NYISO     | 11 times              | <ul style="list-style-type: none"> <li>• Audit and Compliance – 11 times</li> <li>• Commerce and Compensation – 11 times</li> <li>• Governance – As needed</li> <li>• Reliability and Markets – 11 times</li> </ul>   |
| ISO-NE    | 8 times               | <ul style="list-style-type: none"> <li>• Audit and Finance – 7 times</li> <li>• Compensation and Human Resources – 5 times</li> <li>• Markets – 12 times</li> <li>• Nominating and Governance<sup>4</sup> – 5 times</li> <li>• System Planning and Reliability – 12 times</li> </ul>                          |
| MISO      | 7 times               | <ul style="list-style-type: none"> <li>• Audit and Finance – 4 times</li> <li>• Corporate Governance and Strategic Planning – 4 times</li> <li>• Human Resources – 6 times + 1 closed session</li> <li>• Markets – 12 times</li> <li>• System Planning – 7 times</li> <li>• Nominating – As needed</li> </ul> |
| PJM       | 7 times               | <ul style="list-style-type: none"> <li>• Audit – 7 times</li> <li>• Reliability – 7 times</li> <li>• Competitive Markets – 7 times</li> <li>• Governance – 7 times</li> <li>• Human Resources – 7 times</li> <li>• Regulatory – 7 times</li> </ul>  |
| CAISO     | 6 times               | <ul style="list-style-type: none"> <li>• Audit – 6 times</li> </ul>   |
| SPP       | 4 times <sup>5</sup>  | <ul style="list-style-type: none"> <li>• Members – 4 times</li> <li>• Markets and Operations Policy – 4 times</li> <li>• Strategic Planning – 3 times</li> <li>• Human Resources – 4 times</li> <li>• Oversight – 4 times</li> <li>• Finance – 5 times</li> <li>• Corporate Governance – 3 times</li> </ul>   |

<sup>3</sup> This does not include the Strategic Planning Session of the Board.

<sup>4</sup> This does not include the nomination process meetings with stakeholders.

<sup>5</sup> This does not include an educational meeting and an organizational effectiveness meeting.

## **COST OF MEETINGS**

ERCOT's recommended 2012 meeting schedule for the Board, HR&G Committee and F&A Committee results in a total estimated cost of \$261,500. This total expenditure for Board and committee meetings results in estimated savings of \$93,100 as compared to the cost of holding monthly meetings. Quarterly meetings would result in additional potential savings, but at the risk of not providing a sufficient number of meetings for the Board to conduct its business effectively.

## **FACTORS AFFECTING THE FREQUENCY OF BOARD MEETINGS**

The ERCOT Board's "policy" functions remain the primary driver of the frequency of Board meetings. Pursuant to the ERCOT Protocols, all changes to the ERCOT Protocols and other binding documents must be approved by a vote of the Board. The number of such required decisions is large enough that consideration of the items demands relatively frequent Board meetings. For example, from October, 2010, through September, 2011, the Board considered more than 150 such items, including Nodal Protocol Revision Requests, System Change Requests, Planning Guide Revision Requests, and proposed changes to other binding documents.

In addition, in 2011 the Board considered many issues that did not emerge from the stakeholder process that approves Protocols. For example, the Board created a task force to examine lessons learned from the severe weather events in February 2011 that reported back to the Board during subsequent 2011 meetings. The Board was also active in overseeing ERCOT's management of the transition to a nodal market, and its handling of the extreme conditions that drove peak demand records in the summer of 2011.

ERCOT believes the Board's "corporate" functions – *e.g.*, personnel, financial, budget, and audit reports – can be managed effectively by the Board and Committee leadership with a reduced number of meetings. The 2012 schedule of committee meetings will provide a test of whether ERCOT's corporate issues can be managed effectively by the Board and its committees with less than monthly meetings.

One additional driver of Board meetings is the need to fill vacancies of Unaffiliated Director positions. The selection of Unaffiliated Directors is overseen by the Nominating Committee of the Board. The Nominating Committee is composed of all voting members of the Board except the ERCOT Chief Executive Officer. As Unaffiliated Director positions become vacant, the Nominating Committee is required to convene to consider replacement candidates. The frequency of such meetings is driven by the timing of the departure of Unaffiliated Directors from the Board. ERCOT anticipates there will be meetings of the Nominating Committee in 2012, but it is not clear how often the committee will need to convene.