

<b>ERCOT HR &amp; Governance Committee Self-Evaluation January 17, 2011</b>		<b>Yes</b>	<b>No</b>	<b>Not Sure</b>	<b>Comments</b>
1	Does the committee have the appropriate number of members? The committee should not be so large that: <ul style="list-style-type: none"> <li>▪ its ability to operate efficiently and effectively is reduced</li> <li>▪ members' ability to raise issues is hampered</li> <li>▪ it is difficult to get a quorum when a time-sensitive issue arises</li> </ul>	5	1		<ul style="list-style-type: none"> <li>▪ I think we have a sufficient number of people to handle the current workload as well as the work that Mike Peterson and Clifton Karnei are proposing to transfer to HR&amp;G.</li> <li>▪ Committee should be about 5 people. It currently seems much larger.</li> </ul>
2	Do committee members have varied backgrounds and bring diverse expertise?	6			
3	Committee members demonstrate their objectivity during meetings through behaviors such as driving agendas, rigorous probing of issues, consulting with other parties, and encouraging direct questions.	5	1		<ul style="list-style-type: none"> <li>▪ While I think the committee members act objectively, I don't think they consult with others or even know what other ISOs do.</li> </ul>
4	Differences of opinion on issues are resolved to the satisfaction of the committee.	5	1		<ul style="list-style-type: none"> <li>▪ I am not aware of anyone who has been unhappy about their about to discuss issues they are concerned about.</li> <li>▪ Rarely. We agree to disagree.</li> </ul>
5	Committee members challenge the Chair as appropriate.	5		1	
6	The committee charter is used as a document to guide the committee in its efforts, and to help guide the committee's agenda.	4	1	1	<ul style="list-style-type: none"> <li>▪ I would like to see us further integrate the charter with the monthly agendas in 2011.</li> </ul>
7	The committee is fully independent, accountable and vigorous in taking primary responsibility for all aspects of executive compensation.	5	1		<ul style="list-style-type: none"> <li>▪ Yes, with regard to the CEO and COO. However, management has a more primary role than the committee in setting compensation for the other executives.</li> <li>▪ Affected by what the PUCT will allow.</li> </ul>
8	The committee reviews and approves pay levels for corporate officers.	5		1	<ul style="list-style-type: none"> <li>▪ Yes, with regard to the CEO and COO. However, management has a more primary role than the committee in setting compensation for the other executives.</li> <li>▪ I don't recall us taking votes on the pay levels, but we are aware of them.</li> </ul>
9	The committee annually reviews and approves performance goals & objectives with respect to the compensation of the CEO.	6			<ul style="list-style-type: none"> <li>▪ We are working towards revitalizing the KPIs and goals with the strategic plan for the organization.</li> </ul>
10	The committee evaluates and measures the CEO's performance against the goals and objectives set for the year and provides oversight of the performance evaluation of all other officers against approved goals and objectives.	5		1	<ul style="list-style-type: none"> <li>▪ We are working towards revitalizing the KPIs and goals with the strategic plan for the organization.</li> <li>▪ The committee is responsible for the CEO and the CEO should advise on all the other officers.</li> </ul>

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11	The committee consults with the CEO and advises the Board with respect to senior management succession planning	6			<ul style="list-style-type: none"> <li>▪ Although this was somewhat hampered in 2010 but the number of senior management vacancies and the drive toward nodal.</li> <li>▪ Role here not as clear as it might be</li> </ul>
12	The committee advises the full Board as to risk issues it sees in the H.R. and Governance area.	5		1	<ul style="list-style-type: none"> <li>▪ This should be a bigger focus as we go into the stabilization of the nodal market and identify key employees and areas where we need to retain the talent we have developed.</li> <li>▪ Haven't seen this done, but the current meeting schedule gets it done through attendance by many Board members.</li> </ul>
13	The committee investigates and is knowledgeable of competitive practices and trends to determine the adequacy of the organization's executive compensation programs.	4		2	<ul style="list-style-type: none"> <li>▪ We need to make this a bigger priority in 2011 and should be a bigger focus as we go into the stabilization of the nodal market and identify key employees and areas where we need to retain the talent we have developed.</li> <li>▪ I don't think the committee is aware of competitive practices and trends.</li> </ul>
14	The committee approves contractual employment arrangements.	4	1	1	<ul style="list-style-type: none"> <li>▪ There are only two, plus some bonus arrangements relating to nodal.</li> <li>▪ I do not recall taking votes on these contracts.</li> <li>▪ The two most recent contract negotiations were conducted by the Chair of the Committee and approved by the Chair of the Board. The Committee had little input, and I'm not sure they should have.</li> </ul>
15	The committee considers Board directors and Board committee compensation matters as needed.	5	1		<ul style="list-style-type: none"> <li>▪ We should review this in January or February to make sure there is no confusion this year. We also need to keep quarterly reports as to whether we may have issues with the independent director compensation caps.</li> <li>▪ They Committee members follow the lead of the Committee Chair.</li> </ul>
16	The committee considers necessary training to enhance the Board's performance, keeping apprised of the latest corporate governance trends and issues.	2	2	2	<ul style="list-style-type: none"> <li>▪ We did not spend a lot of time on this issue in 2010.</li> <li>▪ Training of directors is not discussed.</li> </ul>

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17	The committee considers and recommends Board succession planning.	5		1	▪ I think we could improve in this area.
18	The committee conducts an annual self-evaluation of its performance and reports the results to the Board, including recommended charter, membership and other changes.	6			
19	The Committee makes appropriate use of workgroups or task forces to investigate issues defined by the Committee.	4		2	
20	The committee engages outside experts as appropriate.	5		1	
21	The committee is cognizant of the line between oversight and management, and endeavors to respect that line.	5		1	▪ However, I think we do tend to micro-manage at times. ▪ Staff is often directed to bring back more information. Not sure it's germane to the committee's mandate.
22	The committee interacts and communicates with management effectively and appropriately.	5		1	
23	The committee is focused and understands its functions and responsibilities.	5		1	
24	The committee conducts executive sessions in a manner that is respectful to the individual, while at the same time asking tough and necessary questions, evaluating answers, and pursuing issues that might arise .	6			▪ I would like to see some discussions historically held in executive session moved to open session to increase transparency.
25	The committee communicates at an appropriate level of detail when informing the Board of its actions.	6			
26	Committee members receive clear and succinct agendas and supporting written material.	5		1	▪ We need to keep a focus on timely dissemination of relevant materials. ▪ Supporting written material is not always available before meetings.
27	Meeting materials are provided in a timely manner to allow for review by the committee members prior to scheduled meetings.	5		1	▪ Most of the time. We need to keep a focus on timely dissemination of relevant materials. ▪ Not always.
28	Committee members have adequate opportunities to discuss issues and ask questions.	5	1		▪ Often time constrained.
29	The frequency of committee meetings is appropriate for the responsibilities assigned to the committee.	6			
30	Meeting facilities and presentation materials are effective for the conduct	6			

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	of committee activities.				
31	Please add additional comments, questions and suggestions				<ul style="list-style-type: none"> <li>▪ I think one of our ongoing challenges will be to stay up-to-date on ISO/RTO HR compensation, succession planning issues, etc.</li> <li>▪ Editing of minutes should be minimized. The best minutes are those contemporaneously recorded, in general.</li> </ul>