



**DRAFT MINUTES OF THE JOINT NOMINATING COMMITTEE AND  
BOARD OF DIRECTORS MEETING  
OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

Electric Reliability Council of Texas, Inc.  
7620 Metro Center Drive, Room 206  
Austin, Texas 78744  
June 15, 2010 at 10:00 a.m.

Pursuant to notice duly given, the meeting of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) convened on the above-referenced date.

**Meeting Attendance:**

Board Members:

<b>Director</b>	<b>Affiliation</b>	<b>Segment</b>
Bivens, Danny	Office of Public Utility Counsel	Residential Consumer (Alternate Representative for Sheri Givens)
Brown, Deryl	Hudson Energy Services, LP	Independent Retail Electric Provider (Segment Alternate)
Crowder, Calvin	American Electric Power Service Corporation	Investor Owned Utility
Dalton, Andrew	Valero Services, Inc.	Industrial Consumer
Doggett, Trip	ERCOT	Interim President and Chief Executive Officer
Espinosa, Miguel		Unaffiliated
Fehrenbach, Nick	City of Dallas	Commercial Consumer (beginning with Agenda Item 4)
Gent, Michehl		Unaffiliated, Acting Board Chairman
Helton, Bob	International Power America Services	Independent Generator
Karnei, Clifton	Brazos Electric Power Cooperative, Inc.	Cooperative (Proxy for Mark Dreyfus)
Patton, A.D.		Unaffiliated
Ryall, Jean	Constellation Energy Commodities Group	Independent Power Marketer
Smitherman, Barry T.	Public Utility Commission of Texas (Commission)	Commission Chairman

Staff and Guests:

Barrow, Les	CPS Energy
Bell, Wendell	TPPA
Bevill, Jennifer	AEP Energy Partners



Bevill, Rob	GMEC
Blackburn, Don	Luminant
Burkhalter, Robert	ABB
Cleary, Mike	ERCOT
Cochran, Seth	Sempra Energy
Day, Betty	ERCOT
DiPastena, Phil	ERCOT
Donohoo, Ken	Oncor
Drost, Wendall	Areva
Forfia, David	ERCOT
Goff, Eric	Reliant
Grendel, Steve	ERCOT
Gresham, Kevin	E.ON Climate & Renewables
Grimes, Mike	Horizon Wind Energy
Hancock, Misti	ERCOT
Hobbs, Kristi	ERCOT
Jones, Brad	Luminant Energy
Jones, Liz	Oncor
Kolodziej, Eddie	Customized Energy Solutions
Leady, Vickie	ERCOT
Lloyd, Brian	Office of the Governor (State of Texas)
Magness, Bill	ERCOT
Manning, Charles	ERCOT
Morgan, Richard	ERCOT
Morris, Sandy	LCRA
Nelson, Donna	Commissioner, Public Utility Commission of Texas
Oldham, Phillip	Texas Industrial Energy Consumers (TIEC)
Petterson, Michael	ERCOT
Philips, Marji	PSEG
Reid, Walter	Wind Coalition
Roark, Dottie	ERCOT
Rydell, Brandt	ERCOT
Saathoff, Kent	ERCOT
Seely, Chad	ERCOT
Seymour, Cesar	Suez Energy
Soutter, Mark	Invenergy
Starnes, Bill	RJC Energy Consulting
Stephenson, Randa	Luminant
Schwarz, Brad	E-On Climate & Renewables
Stewart, Roger	LCRA
Vincent, Susan	Texas Regional Entity
Wittmeyer, Bob	Consumer - Residential
Wilkins, Pat	Tres Amigas
Wullenjohn, Bill	ERCOT



### **Call Open Session to Order and Announce Proxies (Agenda Item 1)**

Michehl Gent, ERCOT Acting Board Chairman, called the meeting to order at approximately 10:14 a.m., pointed out the Antitrust Admonition and determined a quorum was present. Chairman Gent noted that Deryl Brown, Segment Alternate for the Independent Retail Electric Provider Segment, was attending the meeting in place of Marcie Zlotnik and that Danny Bivens, Alternate Representative for the Office of Public Utility Counsel and Residential Consumer Segment, was attending the meeting in place of Sherry Givens.

Chairman Gent took the Agenda Items in the following order for scheduling convenience.

### **Consent Agenda (Agenda Item 2)**

The following items were presented for approval in the Consent Agenda:

- Agenda Item 3a – May 17, 2010 Special Board of Directors Meeting Minutes;
- Agenda Item 3b – May 18, 2010 Board of Directors Meeting Minutes;
- Agenda Item 3c – May 27, 2010 Special Joint Nominating Committee and Board of Directors Meeting Minutes;
- Agenda Item 11a – Protocol Revision Request (PRR) 849;
- Agenda Item 11b – Nodal Protocol Revision Requests (NPRRs) 210, 212, 217, 222 and 223; and
- Agenda Item 11c – Retail Market Guide Revision Request (RMGRR) 087.

**A.D. Patton moved to approve the above-noted items on the Consent Agenda. Calvin Crowder seconded the motion.**

**Andrew Dalton made a friendly amendment to remove Agenda Item 11b (that is, NPRRs 210, 212, 217, 222 and 223) from the Consent Agenda for further discussion during the meeting.**

**Dr. Patton and Mr. Crowder accepted the friendly amendment to remove Agenda Item 11b (that is, NPRRs 210, 212, 217, 222 and 223) from the Consent Agenda. The motion passed by unanimous voice vote with no abstentions.**

### **Approval of Board Meeting Minutes (Agenda Items 3, 3a, 3b and 3c)**

The minutes of the May 17, 2010 Special Board of Directors Meeting, the May 18, 2010 Board of Directors Meeting, and May 27, 2010 Special Joint Nominating Committee and Board of Directors Meeting were all approved as part of the Consent Agenda under Agenda Item 2.

### **Chief Executive Officer (CEO) Update (Agenda Item 4)**

Trip Doggett, ERCOT Interim President and CEO, reviewed the CEO Update presentation with the Board members and responded to their questions.



Barry T. Smitherman, Public Utility Commission of Texas (Commission) Chairman, requested a one-page summary description of the operational requirements and lessons learned from having 7,000 megawatts of wind on the grid. Mr. Doggett agreed to provide such a summary and noted that he would include descriptions of the available reserves and any additional extraordinary operational steps necessary to have additional reserves based on the forecast.

Calvin Opheim, ERCOT Manager of Load Forecasting and Analysis, answered additional questions from Board members regarding economic and weather impacts on load forecasting.

Mr. Doggett recognized ERCOT employees Thelma Garza and Karen Farley, Chair and Vice Chair of ERCOT's Community Involvement Committee, respectively and applauded all ERCOT employees who participate in ERCOT's community volunteer efforts (such as, Meals on Wheels and Habitat for Humanity). Chairman Gent also thanked Ms. Garza and Ms. Farley for their volunteer efforts.

#### Operating Reports

#### **Financial Summary Report (Agenda Item 5)**

Chairman Gent invited comments or questions regarding the Financial Summary Report, but there were none.

#### **Market Operations Report (Agenda Item 6)**

Chairman Gent invited comments or questions regarding the Market Operations Report. Betty Day distributed a Market Operations Report supplemental update to the Board members and provided a brief overview of the update. There were no questions on the Market Operations Report.

#### **Information Technology (IT) and Facilities Report (Agenda Item 7)**

Chairman Gent invited comments or questions regarding the IT and Facilities Report. Richard Morgan, ERCOT Vice President and Chief Information Technology Officer, and Mike Cleary, ERCOT Senior Vice President and Chief Technology Officer, responded to Board members' questions regarding the IT and Facilities Report.

#### **Grid Operations and Planning Report and Reliability Must Run (RMR) Exit Strategy for City of Garland Spencer Unit 5 (Agenda Items 8 and 8a)**

Chairman Gent invited comments or questions regarding the Grid Operations and Planning Report. Kent Saathoff, ERCOT Vice President of System Planning and Grid Operations, responded to Board members' questions regarding the Grid Operations and Planning Report.



Mr. Saathoff reviewed the proposed RMR Exit Strategy for City of Garland Spencer Unit 5 with the Board.

Clifton Karnei disclosed to the Board that three of the transmission projects noted by Mr. Saathoff in relation to the proposed RMR Exit Strategy are those of his employer, Brazos Electric Cooperative, Inc. He noted that, although these transmission projects were part of prior long-term plans, he would recuse himself from the vote on this matter in an abundance of caution.

The Board members discussed the proposed RMR Exit Strategy.

**Mr. Crowder moved to approve the RMR Exit Strategy for City of Garland Spencer Unit 5 as presented. Mr. Dalton seconded the motion.**

Upon Commissioner Donna Nelson's arrival to the meeting, Chairman Smitherman called an open meeting of the Commission to order to consider matters which have been duly posted with the Texas Secretary of State for June 15, 2010.

**The motion passed by unanimous voice vote with two abstentions (Mr. Karnei and Dr. Patton).**

**Special Nodal Program (SNP) Committee Report (Agenda Item 9) and Nodal Update (Agenda Item 10)**

Bob Helton, SNP Committee Chairman, reported that the SNP Committee met during the prior day and considered in part the following matters:

- Nodal Program status;
- Program risks;
- Market readiness update;
- Financial review; and
- Strategic and Organizational Assessment of ERCOT, as presented by Market Reform.

Mr. Cleary responded to Board members' questions regarding these matters and the Nodal Update. In response to Dr. Patton's comments regarding the defects to be resolved prior to Nodal Go-Live, Mr. Cleary committed to providing additional detail of these issues in future Nodal Updates.

Calvin Crowder inquired about the role of the Nodal Advisory Task Force (NATF) and other committees and work groups, particularly as it relates to ERCOT staff involvement. Brad Jones, Chair of the Technical Advisory Committee (TAC), noted that TAC was supportive of changes proposed by ERCOT staff to have TAC subcommittees work through issues and a process through NATF before advancing them to ERCOT subject matter experts (SMEs). This discussion was continued later in the meeting.



The discussion of these Agenda Items continued later in the meeting.

### **Strategic and Organizational Assessment of ERCOT (Agenda Item 15)**

Todd Bessemer and Tim Becker of Market Reform presented their firm's Strategic and Organizational Assessment of ERCOT to the Board members, which included the same materials reviewed on the prior day at the SNP Committee meeting with the addition of a few slides to address questions posed by the SNP Committee members at the prior day's meeting. Mr. Bessemer, Mr. Becker and Mr. Doggett responded to questions by the Board members regarding this presentation.

Mr. Doggett requested that the Board members pay particular attention to the Overarching Issues slide of the presentation. He advised that there are certain key assumptions that are more within ERCOT's control and there are others that would need to be mitigated which are out of ERCOT's control. He noted that ERCOT would be requesting the assistance of the Commission for such mitigation.

The discussion of this Agenda Item continued after lunch.

### **Lunch (Agenda Item 12)**

The meeting adjourned for lunch at approximately 12:10 p.m. and reconvened at approximately 12:47 p.m.

### **Strategic and Organizational Assessment of ERCOT (Agenda Item 15) – Continued**

Mr. Bessemer and Mr. Becker continued their presentation. During the presentation, Mr. Bessemer presented an updated slide on full-time equivalent (FTE) staffing that calibrated Market Reform and ERCOT's independent recommendations as requested by Chairman Smitherman during the SNP Committee meeting on the prior day. Mr. Bessemer, Mr. Becker, Mr. Doggett and Mr. Cleary responded to questions and comments by the Board members and Commissioner Nelson regarding this presentation.

### **Special Nodal Program (SNP) Committee Report (Agenda Item 9) and Nodal Update (Agenda Item 10) – Continued**

In response to Mr. Crowder's earlier inquiry about ERCOT's management of its resources and SMEs, Mr. Cleary advised that ERCOT supported focusing all matters through NATF since such a process avoided the possibility of providing preferential treatment to Market Participants and encouraged disseminating information to all Market Participants equally at the same time.

Mr. Dalton proposed that the Board consider all Nodal Program matters in the future rather than the SNP Committee. The Board members discussed this matter. Chairman Gent requested that Mr. Doggett provide the Board with a recommendation on this matter at the July Board meeting.



## **Technical Advisory Committee (TAC) Report (Agenda Items 11, 11a, 11b, 11c, 11d, 11e and 11f)**

Chairman Gent invited Mr. Jones, TAC Chair, to provide a report on recent TAC activities.

Mr. Dalton requested that TAC identify all NPRRs into three categories – those critical for Nodal Go-Live, those which have “cosmetic” changes necessary to synchronize with the software, and those which are intended for the “parking deck”. Mr. Jones noted that there is a process for the ERCOT CEO determination for those NPRRs necessary for Nodal Go-Live, that most NPRRs are worked out with ERCOT staff for those with minimal or no impact to Nodal Go-Live, and that the remaining NPRRs would fall into the category of the parking deck.

### **Protocol Revision Requests (PRRs) (Agenda Item 11a)**

#### **PRR 849**

##### **PRR849 – Suspension of Annual CSC Determination [ERCOT] - URGENT.**

**Proposed Effective Date:** July 1, 2010.

**CEO Determination:** Necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; no impacts to ERCOT grid operations and practices.

**Revision Description:** This PRR revises Section 7.2.1, Process for Determining CSCs, to suspend CSC analyses for 2010.

**Procedural History:** PRR849 was posted on May 11, 2010. On May 13, 2010, the motion to grant PRR849 Urgent status failed, via Protocol Revisions Subcommittee (PRS) email vote. On May 20, 2010, PRS unanimously voted to grant PRR849 Urgent status. PRS then unanimously voted to recommend approval of PRR849 as revised by PRS. On June 3, 2010, TAC unanimously voted to recommend approval of PRR849 as recommended by PRS in the May 20, 2010 PRS Report.

**PRR849 was approved as presented as part of the Consent Agenda under Agenda Item 2.**

### **Nodal Protocol Revision Requests (NPRRs) (Agenda Item 11b)**

#### **NPRR 091**

##### **NPRR091 – Scarcity Pricing and Mitigated Offer Cap During the Period Commencing on the Nodal Market Implementation Date and Continuing for a Total of Forty-Five (45) Days [Transition Plan Task Force (TPTF)].**

**Proposed Effective Date:** Upon Texas Nodal Market Implementation.

**CEO Determination:** No opinion on whether or not NPRR091 is necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** Estimated cost in the fifty thousand dollar (\$50,000) to one hundred thousand dollar (\$100,000) range; temporary staffing impacts to develop functionality; ERCOT Market Management System (MMS) and Market Information System (MIS) will be modified for



implementation of NPRR091; no significant additional high-level impacts to business functions or grid operations and practices are anticipated.

**Revision Description:** This NPRR adds a provision to Section 3.19, Constraint Competitiveness Tests, that all transmission constraints are treated as non-competitive constraints during an initial thirty (30) Operating Day period, beginning with the Texas Nodal Market Implementation Date; and a new Section 4.4.11.2, Scarcity Pricing and Mitigated Offer Cap During Nodal Startup, which requires that the System-Wide Offer Cap (SWCAP) be set to the higher of one hundred eighty dollars (\$180) or eighteen (18) mmBtu heat rate times the Fuel Index Price (FIP) during an initial forty-five (45) Operating Day period, beginning with the Texas Nodal Market Implementation Date. This new Section also establishes an Energy Offer Curve floor adjusted to -\$50 per MWh.

**Procedural History:** NPRR091 was posted on December 5, 2007. On December 13, 2007, PRS unanimously voted to table NPRR091. On January 17, 2008, PRS voted to table NPRR091 until the February 21, 2008 PRS meeting. The motion passed with one (1) abstention from the Independent Retail Electric Provider (IREP) Market Segment. On February 21, 2008, PRS voted to set the values of the X at one hundred eighty dollars (\$180) per MWh with a heat rate of eighteen (18) mmBtu per MWh, and establish an Energy Offer Curve floor of -\$50 per MWh. The motion passed by roll call vote. On March 20, 2008, PRS unanimously voted to table NPRR091 pending development of the final Impact Analysis. On May 22, 2008, PRS unanimously voted to table NPRR091 pending development of the final Impact Analysis. On July 17, 2008, PRS voted to endorse the Impact Analysis and PRS Recommendation Report for NPRR091 and forward the documents to TAC. There was one (1) opposing vote from the Consumer Market Segment and one (1) abstention from the Investor Owned Utility (IOU) Market Segment. On August 7, 2008, TAC voted to table NPRR091 until the TAC meeting following the establishment of a revised Texas Nodal Market Implementation Date. There were four (4) opposing votes from the Consumer Market Segment. On January 6, 2010, TAC voted to table NPRR091 for one (1) month. There was one (1) opposing vote from the IREP Market Segment. On February 4, 2010, the motion to recommend approval of NPRR091 as recommended by PRS in the July 17, 2008 PRS Report and as revised by TAC failed via roll call vote. TAC then voted to table NPRR091 for one (1) month. There was one (1) opposing vote from the IREP Market Segment. On March 4, 2010, TAC unanimously voted to table NPRR091 and request that the Wholesale Market Subcommittee (WMS) provide comments on the Options under consideration. On April 8, 2010, TAC unanimously voted to recommend approval of NPRR091 as recommended by PRS in the July 17, 2008 PRS Report and as amended by the March 29, 2010 WMS comments. TAC then unanimously voted to reconsider NPRR091. Upon reconsideration, TAC unanimously voted to refer NPRR091 to WMS. On June 3, 2010, TAC unanimously voted to recommend approval of NPRR091 as amended by the May 26, 2010 WMS comments.

Mr. Jones recommended that NPRR091 be tabled until the Commission issues a final determination in relation to the related rulemaking.

**Mr. Dalton moved to table NPRR091 until the Commission issues a final determination in relation to the related rulemaking. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**



## NPRR 146

### **NPRR146 – ICCP Telemetry Information Submittals [AEP].**

**Proposed Effective Date:** Partially Upon Texas Nodal Market Implementation. Grey-boxed language will be Post Texas Nodal Market Implementation Date.

**CEO Determination:** Partially no opinion on whether or not NPRR146 is necessary prior to the Texas Nodal Market Implementation Date. Grey-boxed language is not necessary prior the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; no impacts to ERCOT grid operations and practices. Impact Analysis for grey-boxed portion will be conducted at a future date due to “Not Needed for Go-Live” designation by the ERCOT CEO.

**Revision Description:** This NPRR requires that changes to an existing Network Operations Model Change Request (NOMCR) that modify only ICCP data object names be submitted prior to the completion of the testing for the Network Operations Model in which the Transmission Elements represented by the ICCP data object names were first modeled.

**Procedural History:** NPRR146 was posted on July 31, 2008. On August 21, 2008, PRS unanimously voted to refer NPRR146 to the TPTF for review. On September 24, 2008, PRS unanimously voted to recommend approval of NPRR146 as amended by the September 2, 2008 TPTF comments. On October 23, 2008, PRS unanimously voted to table NPRR146 until the November 20, 2008 PRS meeting. On November 20, 2008, PRS unanimously voted to refer NPRR146 to TPTF for further consideration. On December 18, 2008, PRS unanimously voted to recommend approval of NPRR146 as amended by the December 17, 2008 TPTF comments. The Independent Generator Market Segment was not present for the vote. On January 22, 2009, PRS unanimously voted to table NPRR146. On February 19, 2009, PRS unanimously voted to forward the PRS Recommendation Report to TAC and note to TAC that NPRR146 has been approved post-Nodal Go-Live as stated in the February 18, 2009 ERCOT comments and therefore would be slated to be in a future release. On March 5, 2009, TAC unanimously voted to table NPRR146 pending a recommendation from PRS on the “parking deck” procedure for post-Nodal Go-Live NPRRs and to reevaluate the projected system impacts of NPRR146. All Market Segments were present for the vote. On January 6, 2010, TAC unanimously voted to table NPRR146 for one (1) month. On February 4, 2010, TAC unanimously voted to table NPRR146 indefinitely. On April 8, 2010, TAC unanimously voted to table NPRR146 for one (1) month. On May 6, 2010, TAC unanimously voted to table NPRR146. On June 3, 2010, TAC voted to recommend approval of NPRR146 as revised by the May 28, 2010 ERCOT comments and as amended by TAC and to assign a priority of High to the proposed grey-boxed language. There was one (1) objection from the Municipal Market Segment and one (1) abstention from the Independent Generator Market Segment.

**Mr. Helton moved to approve NPRR146 as presented. Dr. Patton seconded the motion.**

Mr. Jones and Kristi Hobbs, ERCOT Market Rules Manager, answered the Board members’ questions regarding NPRR146.

**The motion passed by unanimous voice vote with no abstentions.**

## NPRR210



**NPRR210 – Wind Forecasting Change to P50, Synchronization with PRR841 [Morgan Stanley].**

**Proposed Effective Date:** Partially Upon Texas Nodal Market Implementation. Grey-boxed item (2) of Section 5.7.4, RUC Make-Whole Charges, will be Post Texas Nodal Market Implementation Date.

**CEO Determination:** Partially necessary prior to the Texas Nodal Market Implementation Date. Grey-boxed item (2) of Section 5.7.4 is not necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; no impacts to ERCOT grid operations and practices. Impact Analysis for grey-boxed portion will be conducted at a future date due to “Not Needed for Go-Live” designation by the ERCOT CEO.

**Revision Description:** This NPRR changes the wind forecasting methodology to use a fifty percent (50%) probability of exceedance calculation instead of an eighty percent (80%) for RUC considerations. This NPRR would align the Nodal Protocols with changes made to the zonal Protocols pursuant to PRR841, Revise Total ERCOT Wind Power Forecast (TEWPF), which was approved by the ERCOT Board on March 23, 2010.

**Procedural History:** NPRR210 was posted on February 9, 2010. On February 18, 2010, PRS voted to recommend approval of NPRR210 as amended by the February 11, 2010 Luminant comments and as revised by PRS. There was one (1) opposing vote from the Independent Generator Market Segment and three (3) abstentions from the Municipal, IOU, and IREP Market Segments. On March 25, 2010, PRS voted to endorse and forward the February 18, 2010 PRS Report for NPRR210 as revised by PRS to TAC. There was one (1) opposing vote from the Independent Power Marketer (IPM) Market Segment and four (4) abstentions from the Consumer, IOU (2), and IPM Market Segments. On April 8, 2010, TAC unanimously voted to remand NPRR210 to PRS. On April 22, 2010, PRS unanimously voted to table NPRR210. On May 20, 2010, PRS voted to recommend approval of NPRR210 as recommended by PRS in the March 25, 2010 PRS Report and as revised by PRS and to assign a priority of High to the proposed grey-boxed language. There was one (1) abstention from the IREP Market Segment. On June 3, 2010, TAC unanimously voted to recommend approval of NPRR210 as recommended by PRS in the May 20, 2010 PRS Report and to assign a priority of High to the proposed grey-boxed language.

**Mr. Helton moved to approve NPRR210 as presented. Mr. Crowder seconded the motion.**

Mr. Jones responded to the Board members’ questions regarding NPRR210.

**Miguel Espinosa noted that he would abstain from the vote on NPRR210. The motion passed by voice vote with one abstention (Mr. Espinosa).**

NPRR212

**NPRR212 – Disputing FOP Costs [CPS Energy].**

**Proposed Effective Date:** Upon Texas Nodal Market Implementation.



**CEO Determination:** No opinion on whether or not NPRR212 is necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; no impacts to ERCOT grid operations and practices.

**Revision Description:** This NPRR allows for disputes of FOP.

**Procedural History:** NPRR212 was posted on February 11, 2010. On February 18, 2010, PRS unanimously voted to recommend approval of NPRR212 as amended by the February 17, 2010 WMS comments. On March 25, 2010, PRS unanimously voted to table NPRR212. On April 22, 2010, PRS unanimously voted to table NPRR212. On May 20, 2010, PRS unanimously voted to endorse and forward the February 18, 2010 PRS Report as amended by the May 17, 2010 CPS Energy comments and as revised by PRS and the Impact Analysis to TAC. On June 3, 2010, TAC unanimously voted to recommend approval of NPRR212 as recommended by PRS in the May 20, 2010 PRS Report.

**Mr. Karnei moved to approve NPRR212 as presented. Dr. Patton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

#### NPRR217

**NPRR217 – Resolution of Alignment Item A58 - Use of Different Computational Modules [ERCOT].**

**Proposed Effective Date:** Upon Texas Nodal Market Implementation.

**CEO Determination:** Necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; no impacts to ERCOT grid operations and practices.

**Revision Description:** This NPRR clarifies the Security Sequence since ERCOT does not use the same computational modules to perform both the Real-Time sequence and Day-Ahead and hour-ahead security analysis.

**Procedural History:** NPRR217 was posted on March 23, 2010. On April 22, 2010, PRS voted to recommend approval of NPRR217 as submitted. There was one (1) abstention from the Independent Generator Market Segment. On May 20, 2010, PRS unanimously voted to endorse and forward the April 22, 2010 PRS Report and Impact Analysis to TAC. On June 3, 2010, TAC unanimously voted to recommend approval of NPRR217 as recommended by PRS in the May 20, 2010 PRS Report.

**Mr. Karnei moved to approve NPRR217 as presented. Mr. Doggett seconded the motion. The motion passed by voice vote with one abstention (Mr. Dalton).**

#### NPRR221

**NPRR221 – DAM and RTM Default Allocation Changes [MCWG].**

**Proposed Effective Date:** Upon Texas Nodal Market Implementation.

**CEO Determination:** Necessary prior to the Texas Nodal Market Implementation Date.



**ERCOT Impact Analysis:** No budgetary impact prior to the Texas Nodal Market Implementation Date (to support uplift of DAM defaults, ERCOT will utilize the ‘Miscellaneous Invoice’ as a work-around. There will be a cost impact after the Texas Nodal Market Implementation Date. Those costs have not yet been determined); no project required prior to the Texas Nodal Market Implementation Date – after the Texas Nodal Market Implementation Date, ERCOT will initiate a project to make system changes which support an automated Default Uplift Invoice; no additional full-time equivalents (FTEs) needed – ongoing support will be absorbed by current staff; no impacts to ERCOT computer systems; current business processes will be modified to accommodate NPRR221; no impacts to ERCOT grid operations and practices.

**Revision Description:** This NPRR changes the way default amounts (amounts owed to ERCOT by defaulting Counter-Party one hundred eighty (180) days after the default occurs) in the DAM and RTM are allocated. This NPRR assigns a share of the default to each Counter-Party based on the greatest of the Counter-Party’s MWh activity in either the Congestion Revenue Right (CRR) market or DAM or RTM at the Counter-Party level for the calendar month prior to the month in which the default occurs.

**Procedural History:** NPRR221 was posted on March 30, 2010. On April 22, 2010, PRS voted to recommend approval of NPRR221 as revised by PRS. There was one (1) opposition from the Consumer Market Segment and one (1) abstention from the IPM Market Segment. On May 20, 2010, PRS voted to endorse and forward the April 22, 2010 PRS Report as amended by the May 7, 2010 ERCOT comments and Impact Analysis for NPRR221 to TAC. There was one (1) opposing vote from the Consumer Market Segment. On June 3, 2010, TAC voted to recommend approval of NPRR221 as recommended by PRS in the May 20, 2010 PRS Report. There was one (1) opposing vote from the IREP Market Segment and one (1) abstention from the Consumer Market Segment. *This NPRR does not have any credit implications or change the method used to calculate credit requirements. Implementation of this NPRR would allow short pays to be allocated to a greater number of Market Participants in the ERCOT Market.*

**Mr. Karnei moved to approve NPRR221 as presented. Dr. Patton seconded the motion.**

Mr. Jones introduced Eric Goff of Reliant Energy, Vice Chair of the Market Credit Working Group (MCWG) of the Wholesale Market Subcommittee of TAC. Mr. Goff responded to Mr. Dalton’s questions on NPRR221.

**The motion passed by voice vote with one opposed (Mr. Dalton) and one abstention (Nick Fehrenbach).**

#### NPRR222

**NPRR222 – Half-Hour Start Unit RUC Clawback (Companion to NPRR207) [WMS].**

**Proposed Effective Date:** Post Texas Nodal Market Implementation Date.

**CEO Determination:** Not necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** To be determined – Due to “Not Needed for Go-Live” designation by the ERCOT CEO, the Impact Analysis for this item will be conducted at a future date.

**Revision Description:** This NPRR removes RUC Clawback on all Half-Hour Start Units (a) that participate in the DAM and (b) during Energy Emergency Alert (EEA) events. This NPRR also



changes the RUC Clawback on all Half-Hour Start Units that did not participate in the DAM to fifty percent (50%).

**Procedural History:** NPRR222 was posted on April 22, 2010. On April 22, 2010, PRS unanimously voted to recommend approval of NPRR222 as submitted. On May 20, 2010, PRS unanimously voted to endorse and forward the April 22, 2010 PRS Report and Impact Analysis for NPRR222 to TAC and to recommend a priority of High. On June 3, 2010, TAC unanimously voted to recommend approval of NPRR222 as recommended by PRS in the May 20, 2010 PRS Report and to recommend a priority of High.

**Mr. Espinosa voted to remand NPRR222 until NPRR207 is presented to the Board.**

The Board members discussed options regarding NPRR222 further.

**Mr. Karnei moved to table NPRR222 until NPRR207 is presented to the Board for approval. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

#### NPRR223

**NPRR223 – Resolution of Alignment Item A73 – Removal of IMM and PUC Staff Nightly Report [ERCOT].**

**Proposed Effective Date:** Upon Texas Nodal Market Implementation.

**CEO Determination:** Necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; no impacts to ERCOT grid operations and practices.

**Revision Description:** This NPRR removes a reporting requirement. There are no specific reporting requirements from the IMM and PUC for ERCOT to provide a nightly report. Based on IMM requirements, a nightly report is not required.

**Procedural History:** NPRR223 was posted on April 9, 2010. On April 22, 2010, PRS unanimously voted to recommend approval of NPRR223 as submitted. On May 20, 2010, PRS unanimously voted to endorse and forward the April 22, 2010 PRS Report and Impact Analysis for NPRR223 to TAC. On June 3, 2010, TAC unanimously voted to recommend approval of NPRR223 as recommended by PRS in the May 20, 2010 PRS Report as revised by TAC.

**Mr. Helton moved to approve NPRR223 as presented. Dr. Patton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

#### NPRR 225

**NPRR225 – Standard Cost Option in Verifiable Costs [WMS].**

**Proposed Effective Date:** Upon Texas Nodal Market Implementation.

**CEO Determination:** No opinion on whether or not NPRR225 is necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** No budgetary impact; no additional Full Time Equivalent (FTEs) needed - ongoing support will be absorbed by current staff; no impacts to ERCOT computer



systems; current business processes will be modified to accommodate NPRR225; no impacts to ERCOT grid operations and practices.

**Revision Description:** This NPRR provides the option for the election of standard Operations and Maintenance (O&M) costs as a component of Startup Costs and minimum energy costs in place of filing verifiable costs through January 1, 2012.

**Procedural History:** NPRR225 was posted on April 12, 2010. On April 22, 2010, PRS voted to recommend approval of NPRR225 as amended by the April 22, 2010 CPS Energy comments and as revised by PRS. There was one (1) opposing vote from the Consumer Market Segment and two (2) abstentions from the IOU and IREP Market Segments. On May 20, 2010, PRS voted to endorse and forward the April 22, 2010 PRS Report as amended by the May 11, 2010 ERCOT comments and Impact Analysis for NPRR225 to TAC. There was one (1) opposing vote from the Consumer Market Segment and one (1) abstention from the IREP Market Segment. On June 3, 2010, TAC voted to recommend approval of NPRR225 as recommended in the May 20, 2010 PRS Report and as revised by TAC. There were ten (10) abstentions from the Cooperative (2), IPM (4), IREP, IOU (2), and Municipal Market Segments.

**Mr. Bivens moved to approve NPRR225 as presented.**

Mr. Helton disclosed that he is a member of the Texas Competitive Power Advocates, which filed comments on NPRR225.

**Mr. Helton seconded the motion with a friendly amendment that TAC would provide the Board with a study and recommendations on the standard cost and actual verifiable cost by September 2011, which Mr. Bivens accepted.**

Mr. Jones, Ms. Day and Ms. Hobbs responded to the Board members' questions regarding NPRR225.

**The motion passed by voice vote with three opposed (Mr. Dalton, Mr. Fehrenbach and Chairman Gent) with no abstentions.**

Mr. Jones continued the TAC Report and responded to Board members' questions regarding the TAC Report.

### **Retail Market Guide Revision Request (RMGRR) (Agenda Item 11c)**

**RMGRR087 – Meter Tampering Business Processes [Meter Tampering Task Force] - URGENT.**

**Proposed Effective Date:** July 1, 2010

**CEO Determination:** Necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** Less than fifty thousand dollars (\$50,000); no ERCOT staffing impacts; minor configuration changes will be made to ERCOT MarkeTrak application; no impacts to ERCOT business functions; no impacts to ERCOT grid operations and practices.

**Revision Description:** This RMGRR provides a process that facilitates Market Participant compliance with P.U.C. SUBST. R. 25.126, Adjustments Due to Non-Compliant Meters and Meter Tampering in Areas Where Customer Choice Has Been Introduced.



**Procedural History:** RMGRR087 was posted on May 11, 2010. On May 12, 2010, the Retail Market Subcommittee (RMS) unanimously voted to grant RMGRR087 Urgent status. RMS then unanimously voted to recommend approval of RMGRR087 as submitted and to forward RMGRR087 to TAC. On June 3, 2010, TAC unanimously recommended approval of RMGRR087 as amended by the May 17, 2010 Oncor comments.

**RMGRR087 was approved as presented as part of the Consent Agenda under Agenda Item 2.**

### **Planning Working Group Update (Agenda Item 11f)**

Mr. Jones introduced Ken Donohoo of Oncor Electric Delivery Company, LLC, who is Chair of the Reliability and Operations Subcommittee (ROS) of TAC, and noted that the Planning Working Group will be a working group that reports to ROS. Mr. Donohoo provided the Board members with an update on the Planning Working Group. Mr. Donohoo and Mr. Jones responded to Board members' questions on this subject. Chairman Gent asked Mr. Donohoo to prepare a summary for the Board members with additional information that tracks the changes on the considered items. Mr. Donohoo advised that the intent is to prepare information in the style of the Protocol and Operating Guide Revision Requests.

### **Day-Ahead Market (DAM) Alignment with Real-Time Market Go-Live (Agenda Item 11d)**

Mr. Jones reviewed the DAM Alignment with Real-Time Market Go-Live presentation with the Board members. Mr. Cleary, Mr. Jones and Ms. Hobbs responded to Board members' questions on this subject.

### **Discussion on Guiding Principles of the Nodal Market (Agenda Item 11e)**

Mr. Jones, Mr. Cleary and the Board members discussed whether TAC should develop written guiding principles of the Nodal Market. Several Board members expressed support for the development of such Guiding Principles and none expressed any objection to their development.

### **TAC Report (Agenda Item 11) – Continued**

Mr. Jones concluded the TAC Report and advised that the Texas Renewables Integration Plan Report would not be provided to the Board in August, but rather October 2010.

### **Finance & Audit (F&A) Committee Report and Presentation for 2011 Budget (Agenda Items 13 and 13a)**

Mr. Karnei, F&A Committee Chairman, reported that the F&A Committee met earlier in the morning and considered in part the following matters:

- Review second draft of the F&A Committee survey of Internal Audit;
- Update on timeline for 2011 Internal Audit Plan;
- Internal Audit status report;



- Ethics Point update (although no Ethics Point comments to review this month);
- Discussion of debt financing proposal (for which the F&A Committee will make a recommendation to the Board during the Executive Session of this meeting);
- Preparation for the 2011 budget;
- Update on divestiture of Texas Regional Entity;
- Texas Regional Entity financial summary;
- Parent guarantees for financial institutions; and
- The reaffirmation of ERCOT's credit rating.

Mr. Karnei noted that ERCOT's debt levels continue to decline – by year end 2010, \$359 million in debt; by year end 2011, \$287 million; and by year end 2012, \$168 million – for a projected debt reduction of \$71 million and \$119 million over the next two years, respectively.

Mr. Karnei provided the schedule for the preparation of the 2011 budget (beginning in August 2010) and noted that the budget would be presented to the Board for approval in November 2010.

A discussion of these Agenda Items continued later in the meeting.

#### **Human Resources & Governance (HR&G) Committee Report (Agenda Item 14 and 14a)**

Mr. Dalton, HR&G Committee Chairman, reported that the HR&G Committee met earlier in the morning and considered in part the following matters:

- Staffing and turnover;
- Nodal transition staffing plan status;
- Succession plan update;
- Terms of employment for President and CEO;
- Terms of employment for Senior Vice President and Chief Operating Officer (COO);
- External relations update;
- Schedule for consideration of proposed revisions to the Bylaws.

Mr. Dalton noted that the HR&G Committee deferred the discussion of Unaffiliated Director compensation to the July HR&G Committee meeting.

#### **Plan-to-Plan Transfer of 401(k) Assets for Texas Regional Entity Employees (Agenda Item 14a)**

Mr. Dalton reported that the HR&G Committee voted unanimously to recommend the plan-to-plan transfer of 401(k) assets for Texas Regional Entity employees.

**Mr. Dalton moved to approve the plan-to-plan transfer of 401(k) assets for Texas Regional Entity employees as presented. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**



### **Presentation for 2011 Budget (Agenda Item 13a) – Continued**

Mr. Karnei directed the Board members' attention to the Board materials related to the preparation for the 2011 Budget.

### **F&A Committee Report (Agenda Item 13) – Continued**

Mr. Crowder inquired about the Risk Management Profile in the Board materials. Mr. Doggett and Mr. Cleary responded to his questions on this subject. Chairman Gent noted ERCOT's international leading role in wind generation resources. Mr. Saathoff provided additional background on such accomplishments.

### **Separation of Texas Regional Entity from ERCOT (Agenda Item 16, 16a and 16b)**

Bill Magness, ERCOT Interim Vice President and General Counsel, directed the Board members' attention to the Board materials for this Agenda Item, discussed the separation of Texas Regional Entity from the ERCOT corporate organization, effective July 1, 2010, and answered the Board members' questions regarding this subject.

### **Approval of Assignment and Assumption Agreement with Texas Reliability Entity, Inc. (Agenda Item 16a)**

**Mr. Karnei moved to approve and authorize the ERCOT President and CEO to enter into an Assignment and Assumption Agreement with Texas Reliability Entity, Inc., effective no later than July 1, 2010, subject to final approval by ERCOT Legal and the ERCOT President and CEO. Mr. Crowder seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

### **Procedures for Refinement of Protocol/Operating Guide Compliance (Agenda Item 16b)**

Mr. Magness provided an update on ERCOT's coordination with the Texas Reliability Entity, Inc., and the Commission to develop a tri-party contractual arrangement for Protocol and Operating Guide enforcement issues for the remainder of 2010 after the separation from Texas Regional Entity from the ERCOT corporate organization. Mr. Magness responded to Board members' questions on this subject.

### **Other Business (Agenda Item 17)**

There was no discussion of other business by the Board at this time.

### **Future Agenda Items (Agenda Item 18)**

There was no discussion of future agenda items by the Board at this time.

### **Executive Session (Agenda Items 19 to 24)**



Chairman Gent adjourned the meeting to Executive Session at approximately 3:15 p.m. Chairman Gent reconvened the meeting to General Session at approximately 5:05 p.m.

Chairman Gent called for motions on the remaining voting items.

**Election of President and CEO (Agenda Item 26)**

**Mr. Dalton moved to elect H.B. “Trip” Doggett as ERCOT President and CEO for a term while employed not to exceed one year and further moved that, upon such election, Mr. Doggett will cease to serve as ERCOT Interim President and CEO and ERCOT Senior Vice President and COO. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote of the Board with one abstention (Mr. Doggett).**

**Ratification of Senior Vice President and COO (Agenda Item 27)**

**Mr. Dalton moved to ratify Mike Cleary as ERCOT Senior Vice President and COO for a term while employed not to exceed one year and further moved that, upon such election, Mr. Cleary will cease to serve as ERCOT Senior Vice President and Chief Technology Officer. Mr. Helton seconded the motion. The motion passed by unanimous voice vote of the Board with no abstentions.**

**Vote on Matters from Executive Session (Agenda Item 25)**

**Mr. Dalton moved to authorize Chairman Gent to execute employment agreements for Mr. Doggett and Mr. Cleary as discussed as part of the Personnel discussion (noted under Tabs 20a and 20b for Agenda Item 20) in Executive Session by the Board. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote of the Board with no abstentions.**

Voting on matters from Executive Session continued later in the meeting.

**Vote on Matters from Executive Session – Continued; Call for Special Meeting of ERCOT Corporate Members for Election of Unaffiliated Director (Agenda Items 25 and 28)**

**Chairman Gent moved to select Laura Doll as the candidate for the vacant Unaffiliated Director seat on the ERCOT Board and further moved to call a Special Meeting of the ERCOT Corporate Members for the election of Ms. Doll as an Unaffiliated Director of the ERCOT Board. Mr. Karnei seconded the motion. The motion passed by unanimous voice vote of the Nominating Committee with no abstentions.**

Voting on matters from Executive Session continued later in the meeting.

**Vote on Matters from Executive Session (Agenda Item 25) – Continued**



Mr. Karnei reported that the F&A Committee recommended Board approval of Option 1 for the requested debt financing authorization to replace the expiring debt capacity with new facilities without any increase in the debt capacity.

**Mr. Karnei moved to accept the F&A Committee's recommendation and to approve Option 1 for the requested debt financing authorization to replace the expiring debt capacity with new facilities without any increase in the debt capacity as discussed as part of the Contract Matters discussion (noted under Tab 22a for Agenda Item 22) in Executive Session by the Board. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote of the Board with one abstention (Mr. Fehrenbach).**

**Mr. Doggett moved to authorize and approve the acquisition of network equipment to support ERCOT's ongoing operations in the existing Taylor Data Center and acquire and install the new equipment necessary to commission the new Bastrop Data Centers as discussed as part of the Data Center Relocation Update discussion (noted under Tab 23a for Agenda Item 23) in Executive Session by the Board. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote of the Board with no abstentions.**

**Mr. Doggett moved to authorize and approve a request for funds for the second phase of ERCOT's telecommunications equipment and services to support ERCOT's ongoing operations in the existing and new Taylor Data Centers provide telecommunications services with the Bastrop Data Center, and enable connectivity between the new Bastrop and Taylor Data Centers as discussed as part of the Data Center Relocation Update discussion (noted under Tab 23b for Agenda Item 23) in Executive Session by the Board. Mr. Helton seconded the motion. The motion passed by unanimous voice vote of the Board with no abstentions.**

Mr. Magness and the Board members congratulated Chairman Gent on chairing his first ERCOT Board meeting.

### **Adjournment (Agenda Item 29)**

Chairman Gent adjourned the meeting at approximately 5:10 p.m.

Board materials and presentations from the meeting are available on ERCOT's website at <http://www.ercot.com/committees/board/>.

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Bill Magness  
Interim Corporate Secretary