

**APPROVED MINUTES OF THE ERCOT BOARD OF DIRECTORS MEETING**

**John Newcombe Tennis Ranch  
New Braunfels, TX**

**12:45 p.m.  
January 22, 2003**

Pursuant to notice duly given, the Meeting of the Board of Directors of the Electric Reliability Council of Texas, Inc. convened at approximately 12:45 p.m. on January 22, 2003.

The Meeting was called to order by Chairman Mike Greene who ascertained that a quorum was present.

**Meeting Attendance:**

**Board members:**

Bob Manning	H-E-B Grocery Co.	Consumer/Commercial	Present (proxy to S. McClellan as of 4:20 p.m.)
Tom Payton	Occidental Energy Ventures Corp.	Consumer/Industrial	Present
Suzi McClellan	Office of Public Utility Counsel	Consumer/OPUC/ Residential	Present and as proxy for Jill Hall; proxy for B. Manning (as of 4:20 p.m.)
Robert "Doc" Kelly	Brazos Electric Coop.	Coop	Present as Designated Representative for Clifton Karnei
Mike Troell	STEC	Coop	Present
Barry Huddleston	Dynegy Power Corp.	Ind Generator	Segment Alternate serving in place of T. Harper; and as proxy for D. Itz beginning at 1:30 p.m.
David Itz	Calpine Corp.	Ind Generator	Present until 1:30 p.m.
Doug Keegan	Constellation Power Source	Ind PM	Present
Dottie Stockstill	Mirant Americas E.M.	Ind PM	Present
Frank Lacey	Strategic Energy	Ind REP	Present
David Veiseh	Utility Choice Electric	Ind REP	Present
Mike Greene	TXU/ONCOR	IOU	Present
Steve Schaeffer	Reliant Energy	IOU	Present
Paul Brower	Lower Colorado River Authority	LCRA	Designated Alternate representing Joe Beal
Bob Kahn	Austin Energy	Municipal	Present
Rebecca Klein	Public Utility Commission of Texas	PUCT Chairman	Present
Tom Noel	ERCOT	CEO	Present

**ERCOT Staff and Guests:**

Margaret Pemberton	ERCOT Staff/Vice President and General Counsel
Kent Saathoff	ERCOT Staff
Ken Shoquist	ERCOT Staff/CIO
Ray Giuliani	ERCOT Staff/CMO
Bill Bojorquez	ERCOT Staff
Mark Walker	ERCOT Staff
Ralph Weston	ERCOT Staff
Andrew Gallo	ERCOT Staff
Jim Galvin	ERCOT Staff
Michael Petterson	ERCOT Staff
Dottie Roark	ERCOT Staff
Cheryl Moseley	ERCOT Staff
Richard Gruber	ERCOT Staff
Heather Tindall	ERCOT Staff
Steve Bartley	CPS
Mark Dreyfus	Austin Energy

Heidi Clark	Exelon
David Werley	New Braunfels Utilities
Les Barrow	CPS
Brian Tierney	AEP Service Corp (IOU Segment Alternate)
Mark Bruce	FPL Energy
Beth Garza	FPL Energy
Kevin Gresham	Reliant Resources, Inc.
Ray King	Frontera
Greg Ramon	Frontera (TECO Energy Inc.)
Keith Emery	Tenaska
John Morgan	AES Deepwater, Inc.
Marty Downey	
Denise Stokes	Competitive Assets

### **Announcements**

Chairman Mike Greene welcomed the ERCOT Board members, recognizing several alternates and proxies as shown in the attendance list above. He mentioned that Mike Petterson will be giving the financial report instead of Maxine Buckles and that we would begin with an Executive Session to address compensation issues. Also, he stated that he would try to move items requiring a vote to an earlier time in the meeting to accommodate Board Members' schedules.

### **Executive Session**

The Board met in Executive Session to discuss compensation issues.

### **Approval of Minutes**

Chairman Greene requested comments on and approval of the last meeting's minutes as well as minutes from the Annual Meeting in December. Tom Payton asked to amend the December Board meeting minutes to reflect that he and Trudi Harper abstained from the vote on the Default QSE due to conflicts of interest. **David Itz moved to approve the Board meeting minutes as amended by Tom Payton. Frank Lacey seconded the motion. The motion passed by a unanimous voice vote without objection or abstention.**

**David Itz moved to approve the minutes of the ERCOT Annual Meeting in December. Frank Lacey seconded the motion. The motion passed by a unanimous voice vote without objection or abstention.**

### **Selection of Membership of Finance, Compensation and Independent Board Member Nominating Committees**

Mr. Greene stated that he asked Margaret Pemberton, ERCOT General Counsel, to review the ERCOT By-Laws to determine market Segment Alternates' duties. Ms. Pemberton made a presentation regarding Segment Alternates. Several questions arose regarding Segment Alternates attending committee meetings. Ms. Pemberton also discussed the current membership on the Board's standing committees and discussed the segment representatives needed to fill the open slots in those committees.

Mr. Greene stated that he would like to decide on the representatives for these committees during this meeting. He asked for volunteers and nominations.

The following slate of nominees were presented to the Board for election:

<u>Finance</u>	<u>Nominating</u>	<u>Compensation</u>
C. Karnei	C. Karnei	M. Troell
M. Lee	D. Stockstill	D. Keegan
F. Lacey	B. Kahn	D. Veiseh
T. Harper	D. Veiseh	D. Itz
S. Schaeffer	D. Itz	B. Manning
S. McClellan	M. Greene	B. Kahn
J. Beal	B. Manning	M. Greene
D. Stockstill	T. Payton	
	S. McClellan	

**Frank Lacey moved to elect the nominees to the stated committees; Bob Kahn seconded the motion; After a discussion, the motion passed by a unanimous voice vote without objection or abstention.**

### **Ratification of ERCOT Officers and Appointed Consumer Directors**

Mr. Greene then recognized ERCOT's officers: Tom Noel, President and Chief Executive Officer; Margaret Pemberton, Vice President, General Counsel and Secretary; Maxine Buckles, Vice President and Chief Financial Officer; Sam Jones, Executive Vice President and Chief Operating Officer; Kenneth Shoquist, Vice President and Chief Information Officer; and Ray Giuliani, Vice President and Chief of Market Operations. **Bob Kahn moved to ratify ERCOT's officers. Steve Schaeffer seconded the motion. The motion passed by a unanimous voice vote with no objection or abstention.** Mr. Greene then recognized Jill Hall and Bob Manning, appointed Board members representing Consumers. **Bob Manning moved to ratify the Consumer appointments. Suzi McClellan seconded the motion. The motion passed by a unanimous voice vote with no objection or abstention.**

### **ERCOT Operations Report**

Next, Chairman Greene invited Tom Noel, ERCOT CEO, to the podium. Mr. Noel reported that Steve Wallace had recently joined the ERCOT staff as Director, Program Development. He discussed Mr. Wallace's duties. He mentioned that Kent Saathoff will give the market operations update for Sam Jones who is not present. He also stated that ERCOT has incorporated the four goals in Senate Bill 7 into a Mission Statement.

Mr. Noel mentioned that senior ERCOT staff will begin making presentations at Board meetings in the future and Mr. Noel will make shorter presentations, allowing direct interaction between these staff members and Board members. Mr. Noel provided the updated organization chart for ERCOT staff. Finally, he concluded by stating that we continue to make steady progress, have added key staff members, have nearly finished internal realignments and that office space remains an issue.

### **Program Management Office Presentation**

Steve Wallace made a presentation regarding the role of the Program Management Office. The Program Management Office will oversee various programs and projects within ERCOT. His group will work to ensure coordination of projects and will also include training and development.

## Information Technology Update

Ken Shoquist, Chief Information Officer, gave a technology update. System reliability will be the I.T. group's main focus. They will also work to improve the I.T. architecture and processes. Mr. Shoquist then presented an organization chart of the I.T. group.

## Market Services Update

Ray Giuliani, Chief of Market Operations, gave a presentation on his department. He stated that Market Operations' main focus is to ensure that the statements are right and sent out on time. He presented data regarding ESI ID transactions and a summary of wholesale transactions (as of the end of 2002). He also described how the Market Operations group will be reorganized. The group will have two directors, one of Market Services and one of Market Operations. He also described the direct reports to each of those directors. Bob Manning mentioned the need to make market information understandable to the average consumer.

## ERCOT Operations/Systems Update

Kent Saathoff, Director of System Operations, made a presentation regarding Relaxed Balance Schedules, which began on November 1, 2002. He reported that we have seen no real surprises. For example, the average amount of balancing deployed has not changed appreciably since November 1<sup>st</sup>. Additionally, the market clearing price did not vary much before and after November 1<sup>st</sup>. A discussion regarding Relaxed Balance Schedules among the Board members ensued.

Next, Mr. Saathoff discussed the current status of RMR units in the ERCOT Region. He stated that transmission improvements should make one unit unnecessary in the not-too-distant future. In most areas with local congestion, RMR has provided the necessary capacity in place of OOMC.

Next, Mr. Saathoff discussed the status of the market solution software improvement. The new software was placed into service on December 23, 2002. Additionally, ERCOT has begun to use other new software to re-evaluate prior intervals where a market solution was incorrectly flagged. ERCOT will resettle those dates, if necessary. Mr. Saathoff also discussed some miscellaneous items, including the Coletto Creek to Pawnee 345 kv line which went into service on January 7, 2003, the January 8, 2003 implementation of the State Estimator in security analysis and testing of the simultaneous feasibility test software to automate congestion management. Finally, he stated that the ERCOT system had no problems meeting the morning load demand during the first cold weather of the season on January 17, 2003. A discussion then took place regarding RMR issues and the market solution software.

## TAC Report

- (1) Confirmation of TAC Chair and Vice Chair. **Tom Payton moved to confirm Beth Garza as the Chair and Clayton Greer as Vice Chair of TAC. Dottie Stockstill seconded the motion. The motion passed by a unanimous voice vote with no objection or abstention.**

Following her confirmation, Mr. Greene invited Beth Garza, the newly elected TAC Chair, to give a report on recent TAC activities. Ms. Garza reported on the following items:

- (2) Ms. Garza provided the Board with notice of TAC's approval of OGRR123.
- (3) She also asked for approval of SMOGRR2002-3. This change is to modify the change control process. The current process requires Board confirmation to be effective; the revision would make

changes to the SMOG effective following TAC approval. **Bob Manning moved to approve SMOGRR2002-3; Tom Payton seconded the motion. The motion passed by a unanimous voice vote with no objection or abstention.**

(4) Protocol Revision Requests (PRRs). The Protocol Revisions Subcommittee (PRS) met this past month, discussed various PRRs and submitted recommendations to TAC regarding several PRRs. The following PRRs were approved by TAC and recommended to the Board for final approval:

- PRR342 was originally brought to the Board last December. PRS made a revision (added the word “capacity”), which TAC approved. A brief discussion ensued.
- PRR361 dealing with Section 15; no comments were received.
- PRR367 was a slight change regarding IDR meters. A brief discussion ensued.
- PRR368 changes some language in Section 18.
- PRR370 – The Board sent this back to PRS and TAC in December. Highlights: the Board will not approve RMR contracts; ERCOT must consider alternatives before entering an RMR agreement; the PRR establishes the term of RMR agreements; ERCOT will confirm to the Board that it has taken certain actions.

**David Veiseh made a motion to approve PRRs 342, 361, 367 and 368; Bob Kahn seconded the motion. The motion passed by a unanimous voice vote with no objection or abstention.**

With respect to PRR370, Bob Kahn pointed out a typo in §6.5.9.1(5). Mr. Kahn suggested changing the word “before” to “after.” A discussion took place regarding the time by which ERCOT must provide notice to the Board. The proposed new language would read:

After receiving an Application for RMR Status and conducting the analysis required by these Protocols and **after** the date on which it executes an RMR Agreement, ERCOT shall provide notice to the Board, **at the next Board meeting after ERCOT has signed the RMR Agreement**, that the following steps have been completed with respect to any RMR Agreement signed by ERCOT:

Additional discussion took place regarding various issues associated with RMR Agreements and PRR370. Suzi McClellan, OPUC, raised a question about removal of the word “uneconomic” from the attestation. Chairman Klein agreed, stating that the “uneconomic” issue must be fleshed out, although it does not need to happen at this meeting. Chairman Klein stated that it should be addressed in the RMR Task Force (“RMR TF”) and/or at the next Board meeting. Tom Payton suggested that this issue is very important. He also suggested that we include the “uneconomic” language in the current version of the Protocol and then let the RMR TF look at the issue of whether that language should be removed.

Kevin Gresham stated that the RMR TF is continuing to look at these issues. There are two areas the RMR TF has focused on: (1) the issue of “uneconomic” units and the attestation; and (2) pricing RMR service. The group is also looking at how RMR and OOM pricing fit together. Mr. Gresham pointed out that the issues being raised today (by the Board) are the same issues the RMR TF is considering.

Mr. Ramon (TECO/Frontera) made comments regarding the posting of the ERCOT transmission congestion study on the ERCOT web site. Mr. Noel stated that the Board already made a decision to publish only unit-specific data.

Mr. Schaeffer made comments about the term of the contract and the issues/problems this may create for generators. Les Barrow indicated that TAC considered PRR370 as an interim fix because the RMR TF continues to look at these issues. Mr. Noel mentioned that this issue was discussed at PRS and TAC and that including the language making the contracts for a one year term with a 90-day termination provision was a compromise.

**Bob Kahn moved to approve PRR370 as amended; Steve Schaeffer seconded the motion. The motion passed by a unanimous voice vote with no objection or abstention.**

All PRRs and supporting materials appear on the following ERCOT web page:  
<http://www.ercot.com/AboutERCOT/PublicDisclosure/ProtocolRev.htm>

(5) Resolution to suspend true-up settlements. Ms. Garza discussed the issues surrounding retail customer data accuracy relied upon for settlements. TAC approved a resolution to suspend true-up settlements until the data is correct. True-up settlements would restart forty-five days after SCR727 is implemented. TAC approved the resolution 29-1. A lengthy discussion took place regarding issues surrounding this proposal.

**David Veiseh moved to approve the Resolution; Tom Noel seconded the motion.** After a brief discussion, **the motion passed by a vote of thirteen to one (negative vote by Steve Schaeffer) with one abstention (Tom Payton ).**

### **Finance & Audit Committee Report**

Steve Schaeffer, stated that everyone would be getting the SAS70 report in the mail in the next several days. Additionally, a working group is considering issues associated with the engagement of a Default QSE.

### **Financial Update**

Mike Petterson, ERCOT Controller, recapped the detailed financial report provided to Board members. He stated that ERCOT stayed essentially on target for its 2002 annual budget. ERCOT was very close to its estimated MWh total for the year.

### **Other Business**

Mr. Greene decided to postpone the vote on Entergy Gulf States' request for Adjunct Membership of ERCOT due to the many Board Members who had already left the meeting. No other business was raised.

## **Adjournment**

Mr. Greene adjourned the Meeting at approximately 5:15 p.m. **The next Board meeting will take place on February 18, 2003 at ERCOT's Austin facility. The following meeting will be held on March 18, 2003 at the same location.**

Board materials and presentations from the meeting are available on ERCOT's website at:  
<http://www.ercot.com/calendar/2002calendar/boardmaterials.htm>

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Margaret Uhlig Pemberton, Corporate Secretary