

APPROVED MINUTES OF THE ERCOT BOARD OF DIRECTORS MEETING

ERCOT Offices

Austin, TX

10:00 a.m.

February 18, 2003

Pursuant to notice duly given, the Meeting of the Board of Directors of the Electric Reliability Council of Texas, Inc. convened at approximately 10:10 a.m. on February 18, 2003.

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

Meeting Attendance:

Board members:

Paul Brower	Lower Colorado River Authority	LCRA, <i>ex officio</i>	Present as Proxy for Joe Beal, LCRA
Mike Greene	TXU/ONCOR	IOU	Present
Trudy Harper	Tenaska	Ind Generator	Present
David Itz	Calpine Corp.	Ind Generator	Present
Bob Kahn	Austin Energy	Municipal	Present
Clifton Karnei	Brazos Electric Power Cooperative	Coop	Present
Doug Keegan	Constellation Power Source	Ind PM	Present
Rebecca Klein	Public Utility Commission of Texas	PUCT Chairman	Present by telephone until 10:30 a.m. and subsequently represented by Jess Totten
Frank Lacey	Strategic Energy	Ind REP	Present
Milton Lee	City Public Service/San Antonio	Municipal	Present
Bob Manning	H-E-B Grocery Co.	Consumer/Commercial	Present
Tom Noel	ERCOT	ERCOT CEO	Present
Tom Payton	Occidental Energy Ventures Corp.	Consumer/Industrial	Present
Steve Schaeffer	CenterPoint Energy	IOU	Present
Dottie Stockstill	Mirant Americas E.M.	Ind PM	Present
Mike Troell	STEC	Coop	Present
David Veisoh	Utility Choice Electric	Ind REP	Present

ERCOT Staff and Guests:

Margaret Pemberton	ERCOT Staff/General Counsel
Maxine Buckles	ERCOT Staff/CFO
Sam Jones	ERCOT Staff/COO
Ken Shoquist	ERCOT Staff/CIO
Ray Giuliani	ERCOT Staff/CMO
Bill Bojorquez	ERCOT Staff
Kent Saathoff	ERCOT Staff
Mark Walker	ERCOT Staff
Ralph Weston	ERCOT Staff
Andrew Gallo	ERCOT Staff
Jim Galvin	ERCOT Staff
Cheryl Moseley	ERCOT Staff
Richard Gruber	ERCOT Staff
Steve Myers	ERCOT Staff
Parviz Adib	PUCT
Steve Wallace	ERCOT Staff
Heather Tindall	ERCOT Staff
Greg Ramon	Frontera (TECO Energy)

DRAFT

Paul Messerschmidt	Frontera
Phillip Oldham	Andrews & Kurth
Chris Uranga	ERCOT Staff
Beth Garza	Florida Power & Light – TAC Chairman
Gary Stroud	ERCOT Staff
Kevin Gresham	Reliant Resources
Barry Huddleston	Dynegy Power Corp./Segment Alternate
Cheryl Yager	ERCOT Staff
Vanessa Spells	ERCOT Staff
Steve Grendel	ERCOT Staff
Brad Belke	LCRA
Barry Smith	AEP
Garry Waters	Competitive Assets
Denise Stokes	Competitive Assets
John Houston	CenterPoint Energy
Kevin Judice	ERCOT Staff
Walt Shumete	Shumete & Associates
Simon Melhern	Utility Choice
Sean Barry	PwC
Thomas Leautier	McKinsey & Co.
Thomas Seitz	McKinsey & Co.
Bill Geissler	CPS
Anthony Edwards	CPS
Marialyn Barnard	CPS
Larry Frost	Frontera
Brad Belk	LCRA
Larry Grimm	ERCOT Staff
Jim Harder	City of Garland/Segment Alternate
Bob Helton	ANP
Robert Northcutt	Accenture
Mark Bruce	FPL Energy
Wendell Bell	TPPA
Curtis Tarr	ERCOT Staff
Michael Petterson	ERCOT Staff
Jerry Stapp	Big Country Electric Coop/Segment Alternate

Announcements

Chairman Greene called the meeting to order and mentioned that Chairman Klein would attend the beginning of the meeting by phone as she is snow-bound in Washington. Chairman Klein made a brief presentation about her discussions with legislators and others while in Washington (regarding market monitoring and other topics). The PUCT has received eleven responses to their market monitoring RFP. Chairman Klein brought up the subject of funding market monitoring through ERCOT while the PUCT awaits legislative appropriations. She asked the Board to consider (informally) funding market monitoring between April and September of this year. She will send information to the Board before the March meeting so the Board members will be better informed of the details of the proposal. The PUCT is looking at 4 - 6 individuals to do the market monitoring and analyzing information obtained through the software package. Mr. Noel raised a question regarding the PUCT oversight of the ERCOT budget and how that dove tails into the question of ERCOT funding this activity. Chairman Klein indicated it would be only an interim solution due to the timing of appropriations. David Itz asked how this funding relates to the \$1.5 million already in ERCOT's current budget for PUCT activities. Chairman Klein indicated the amount would be prorated, rather than spending \$1.5 million in a six-month period. Chairman Klein invited anyone with questions to visit with her or give her a call because she wants everyone to be as informed as possible about this issue.

Approval of Minutes

Chairman Greene requested comments on and approval of the last meeting's minutes. Andrew Gallo of ERCOT's Legal Dept. pointed out several proposed amendments to the draft minutes. **Bob Kahn moved to approve the January Board meeting minutes as amended. Frank Lacey seconded the motion. The motion passed by a unanimous voice vote without objection or abstention.**

ERCOT Operations Report

Next, Chairman Greene invited Tom Noel, ERCOT President and CEO, to the podium. Mr. Noel noted that, prospectively at Board meetings, other ERCOT staff members would present their reports before lunch. Mr. Noel reported on ERCOT's management focus and mentioned the main focus of SB7 to be: (i) open access, (ii) reliability, (iii) conveying information and (iv) accountability (timeliness and accuracy of invoices) for energy production and delivery. These are the matters which the Board expects ERCOT staff to do – and do well.

Mr. Noel also mentioned that he attended a transmission meeting in Houston last week. This is another area on which ERCOT will focus. ERCOT also will concentrate on reliability of the market and operating systems. Mr. Noel mentioned that we have added "Risk Management" as an issue to which ERCOT should give attention. The risk management issue has come up recently in connection with the Default QSE contract (as well as other areas). Mr. Noel mentioned recent activities, including a risk management workshop with McKinsey & Co.; the formation of the ISO/RTO Council to work with NAESB and NERC; the PUCT's rulemaking regarding ERCOT oversight; the PUCT's market design initiative (trying to move to a more "granular" market); and a meeting he and Mark Walker of ERCOT's Legal Dept. had yesterday with the new Chairman (Rep. King) of the Regulated Industries Committee.

Mr. Noel concluded by mentioning that ERCOT has increased its technical skills, is increasing cooperation with Market Participants and is improving its already good relationships with the Legislature and the PUCT.

After Mr. Noel concluded his comments, Messrs. Thomas Leautier and Thomas Seitz of McKinsey & Company made a presentation regarding strategic issues facing ERCOT. They began with a brief introduction to describe their work over the last several months. They mentioned that national and international attention has been given to the ERCOT market due to the success of the market. They mentioned, however, that many Market Participants are under financial pressure (in Texas and elsewhere), which has led to skepticism toward the industry.

Their process had two steps: (i) interviews with stakeholders and ERCOT executives; and (ii) synthesizing and prioritizing the information they obtained. They conducted a risk management workshop earlier this month and will have an I.T. workshop soon. They stated that building any organization requires, first, having a clear purpose and mission statement. Then, developing strategies, organizational skills and, finally, human resources, systems and infrastructure and organizational structure. They then made a detailed presentation regarding the work they have done and their observations.

They concluded with a timeline for prioritization of initiatives between now and the year 2005 (including risk management, performance management, market design, organization and governance). Finally, they opened the floor to questions. Frank Lacey stated that he believes risk management is important, but having ERCOT manage the risk for Market Participants may go down the road toward regulation – which is not ERCOT's role. Chairman Greene agreed that ERCOT should not be a "regulatory body," but it has the responsibility to make sure the market works. Steve Schaeffer indicated

that ERCOT must ensure that it identifies and understands the way Protocol changes might change the risk allocation in a way that affects ERCOT. Mr. Noel mentioned that ERCOT is multi-faceted; it is a staff, a corporation, an organization of market participants, *etc.* Those who say “ERCOT” has no risk are not entirely accurate because ERCOT acts on the collective needs of all participants. Tom Payton agreed with Mr. Noel’s statement and added that one of ERCOT’s responsibilities is to be alert for the market (*e.g.* regarding potential large “pass throughs” which could detrimentally affect the market). With respect to assessing the cost of potential market design changes, Mr. Payton mentioned that ERCOT can assess the cost of such a change to *ERCOT*, but cannot determine the costs to Market Participants.

Clifton Karnei mentioned that the Protocols set forth how to determine and handle outstanding liability of Market Participants to the ERCOT market. The new rules for Relaxed Balance Schedules could potentially have a large impact on that market exposure and the Finance and Audit Committee is looking at this issue. He also asked Thomas Seitz to identify which markets in the world are considered design “successes.” In response, Mr. Seitz indicated that the ERCOT market is the one closest to being a complete success, but even successful organizations can – and should – strive to improve.

Dottie Stockstill commented on the risks associated with changing the market design. She mentioned there are risks associated with changing the system, as well as with leaving the system alone. She commented that ERCOT (and its various committees) should have a large role in any market design changes.

Mr. Noel asked for input from all stakeholders on these issues and indicated he would meet with Messrs. Seitz and Leautier to discuss these matters and make recommendations to the Board at a future meeting.

ERCOT Operations/Systems Update

Sam Jones, ERCOT Executive Vice President and COO, mentioned that we have had no large operational issues recently. We have had some cold weather, but not *too* cold. He invited Jeyant Tamby, ERCOT’s Director of EMMS, to make a presentation regarding the State Estimator (SE) and Simultaneous Feasibility Test (SFT) software. Mr. Tamby explained what SE and SFT are and then described – from an I.T. perspective – the status of those projects. ERCOT began testing the systems in late December. Some problems were identified and ERCOT is working on fixing those. He hopes to have them in place in March.

Mr. Jones then invited Steve Myers, Manager of System Operations, to make a presentation on the operations side of the SE. Mr. Myers stated that operations has improved to the point where there is a difference between generation and load of approximately 1 – 2%. Only about twenty-five buses have mismatches of greater than 50 MW. He stated that SE has been a very successful tool. ERCOT also uses the tool to monitor locations without SCADA and for contingency analysis. ERCOT has been using the system to solve power flows at least once per day. ERCOT would like to use it four or five times per day and hopes to incrementally improve the model, reduce mismatches and use it in the Day-Ahead analysis. ERCOT also uses it to train operators. When it gets to the point where all buses are mismatched by less than 50 MW, the system will run automatically all day. To reach this point, ERCOT needs more data from QSEs (unit status) and private networks (generation sent for each unit, loads not modeled and data required by the ERCOT Operating Guides).

Mr. Myers also made a presentation regarding the SFT from an operations perspective. ERCOT began to use the system in December and found some bugs. One bug has been fixed and we await the second fix. ERCOT hopes to use SFT in the Day-Ahead process and the Hour-Ahead process and hopes to have the system ready by mid-April. When these systems are successfully implemented, Mr. Myers

expects that it will improve congestion management, yield more accurate shift factors and, potentially, cause fewer OOM instructions.

Market Operations Update

Ray Giuliani, ERCOT Vice President and Chief of Market Operations, gave a presentation regarding market operation data issues. He stated that he would focus on transaction issues at the next meeting. He mentioned that a presentation was made to the PUCT at their recent open meeting on move-in/move-out status.

Mr. Giuliani reported on synchronization of data between the Lodestar and Siebel systems. This effort continues to move forward. He also reported on FasTrak Activity. ERCOT's James Cohea has taken over this effort in his group. He hopes to move through these issues more quickly in the future. Mr. Giuliani also reported on the status of the market sync project. ERCOT has three-dimensional data: (i) ESI Ids, (ii) time and (iii) entities (TDSPs, ERCOT and CRs). ERCOT has over seven million total ESI Ids. Originally, there were many discrepancies in data which fell into four overall categories: (i) missing entities (*i.e.* only two of three entities had information); (ii) date issues; (iii) multiple CRs and (iv) changes from TDSP to AREP. There were originally 649,013 total discrepancies (out of seven million). There are 116,661 remaining discrepancies (or 1.6% of the total number of ESI Ids). A recommendation was made at RMS that true-ups be stopped until 95% of the remaining discrepancies (*i.e.* 84,210) are corrected – or April 1, 2003 (whichever occurred earlier). Last month, the Board voted to cease true-ups and asked RMS to determine what criteria should be used before restarting true-ups. RMS is looking at the best way to determine when to restart the true-up process. He invited input from Board members.

Finally, Mr. Giuliani discussed implementation of SCR 727. ERCOT hopes to assist Market Participants with training and documentation. Some meetings and training are scheduled in the near future.

Information Technology Update

Ken Shoquist, ERCOT Vice President and Chief Information Officer, gave a technology update. He mentioned that the data center recently moved to the Taylor facility. The I.T. group has completed some other projects, as well. Texas SET V1.5 is almost ready for roll out. The I.T. group has some major projects in the works, including replacement of the portal, move-in/move-out and others. With respect to SCR727, some data will go out to Market Participants today and the historical database will be available by March 3, 2003. After ERCOT provides the historical data, we will release daily updates. Market Participants should use a comparison tool to compare ERCOT data to their own data. He also mentioned that the data recovery project should be completed in April and will allow 48-hour data recovery in case of catastrophe. He mentioned that ERCOT is planning to get bids for the facility expansion in Taylor. By the next Board meeting he will have more to report on this topic.

Mr. Shoquist also made a brief presentation regarding security issues. ERCOT received many internet attacks in the last year and early this year. According to the FBI, power and energy companies are the largest targets for hacker attacks. Our I.T. group is taking many steps to keep ERCOT secure. Next, he introduced Chris Uraga and Kevin Judice who are new members of the I.T. organization. He also introduced Steve Grendel, Curtis Tarr, Jeyant Tamby and Rich Gruber (who reports to Ray Giuliani). Mr. Shoquist intends to visit the I.T. groups of many Market Participants to coordinate their needs with ERCOT's activities.

Mr. Paul Messerschmidt of TECO/Frontera asked about portal availability statistics. Mr. Shoquist did not have availability information handy, but mentioned that we will be replacing the old portal in the near future, which is expected to enhance availability.

Financial Update

Maxine Buckles, ERCOT Vice President and CFO, recapped the detailed financial report provided to Board members. She mentioned that ERCOT has begun collecting the revised Administration Fee (\$0.33/MWh) pursuant to interim PUCT approval and she expects to have final approval from the PUCT on the revised fee soon, as ERCOT's 2003 administrative fee is scheduled to be addressed during the February PUCT open meeting.

Finance & Audit Committee Report

Clifton Karnei reported that ERCOT engaged PricewaterhouseCoopers LLP ("PwC"), subsequent to Board approval in December 2001, to perform a Type I SAS 70 Audit as of October 31, 2002. Prior to the February 18, 2003 Board meeting, PwC made a formal presentation to the Board's Finance & Audit Committee ("F&A Committee") to discuss the proposed audit report.

He invited Mr. Sean Barry of PwC to make a presentation regarding the report scope and results. Mr. Barry explained that the study focused on wholesale settlements and the controls associated with them. PwC reviewed registration, market operations, load profiling, data acquisition and aggregation and settlement/billing. They did not review power operations, pricing calculations, the dispute resolution process, retail operations or customer switching. PwC gave an unqualified opinion that ERCOT was correctly following its processes as of October 31, 2002. He pointed out that some practices in ERCOT's settlement group are unique to ERCOT and are "best practices" in the industry and PwC is mentioning those practices to other ISOs.

Mr. Karnei stated that the Finance & Audit Committee reviewed and accepted the SAS 70 report as presented by PwC and recommends that the Board accept the report. **Milton Lee moved to accept the SAS 70 Report from PwC. Clifton Karnei seconded the motion. The motion passed by a unanimous voice vote without objection or abstention.**

Mr. Karnei also reported on the progress of the group's review of issues associated with the Default QSE contract. He reported that the group is considering those issues and hopes to have a further report. Next, he gave a quarterly report of QSE credit. ERCOT has generally increased the amount of credit required from QSEs. This group will look at the risks posed by Relaxed Balance Schedules (RBS) and how that will affect QSE credit requirements.

Mr. Payton asked a question about timing of the Default QSE selection process. Mr. Karnei indicated we would have bids in time for the March meeting. Mr. Payton also stated he would like to see the committee require that a QSE must have credit in place before it provides an unbalanced schedule. He stated that waiting until after the schedule is submitted creates a "risk loophole." Finally, Mr. Payton encouraged the Board to consider extending the six-month time period for the RBS test period. Due to questions surrounding affidavits, *etc.*, the RBS test process has not been fully used. He would like to see a full six months of RBS testing.

Chairman Greene asked Sam Jones to give an operations perspective of RBS. Mr. Jones indicated that we have seen very little use of RBS so far and that Mr. Payton's point is well taken. Mr. Noel echoed Mr. Payton's financial/risk concerns and discussed potential problems with credit criteria. He stated that

Market Participants having trouble getting credit elsewhere could potentially use RBS as a credit mechanism which creates risk for the market.

Mr. Itz asked how ERCOT can tell if a Market Participant is using RBS. Mr. Jones stated that we could compare recent data to historical data (*e.g.* the amount of balancing energy used). Jim Galvin stated that ERCOT has constructed a pre-settlement tool to generate a signal for when an entity may be using RBS. Trudy Harper stated that she has a lot of confidence in Mr. Galvin and his group, but she is concerned about whether ERCOT has the ability to “cut off” a Market Participant who takes advantage of the RBS system from a credit perspective. Ms. Buckles stated that ERCOT has some discretion to take into account factors other than what is specifically in the Estimated Aggregate Liability formula in the Protocols. Mr. Lee asked when the tool Mr. Galvin mentioned would be available. Mr. Galvin stated it is a two-step process – (i) the queries to pull the necessary data (which will be completed by the end of this week) and (ii) creating a database for generating reports (this is a few weeks away). Mr. Veisoh asked if there were standards for determining QSE credit. Ms. Buckles replied that there are established standards for establishing QSE credit based on certain criteria. Ms. Buckles summarized the basic QSE credit criteria and reiterated that other factors are also considered when determining a QSE’s creditworthiness.

Mr. Karnei also reported that Milton Lee was re-elected Chair of the Finance and Audit Committee and Mr. Karnei was re-elected as Vice-Chair. Chairman Greene thanked them for their work on this committee.

TAC Report

Beth Garza, the TAC Chair, gave a report on recent TAC activities. Ms. Garza reported on the following items:

(1) **Protocol Revision Requests (PRRs).** Ms. Garza reported that the Protocol Revisions Subcommittee (PRS) met this past month, discussed various PRRs and submitted recommendations to TAC regarding two PRRs. The following PRRs were approved by TAC and recommended to the Board for final approval:

- 376PRR – Procure Total Ancillary Service from ERCOT – *proposed effective date March 1, 2003*; does not impact the ERCOT IT systems. This PRR clarifies that a QSE may purchase Ancillary Services to cover both their ERCOT-allocated ancillary service obligation as well as obligations scheduled to other Sub-QSEs or QSEs.
- 378PRR – RMR Units Mandatory Down Balancing Bids - *proposed effective date March 1, 2003*; there is no impact to the ERCOT computer systems. This PRR excludes RMR unit’s energy schedules from the requirement to provide mandatory down balancing bids. This assures that RMR units do not receive conflicting.

Trudy Harper made a motion to approve PRRs 376 and 378; David Itz 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>

(2) **True-Up Settlement Suspension Update.** Ms. Garza mentioned that the Board suspended true-up settlements by resolution last month. The resolution indicated that true-ups would restart 45 days after implementation of SCR727. The intent was to give Market Participants time to get the data from

ERCOT and reconcile it with their own data. The resolution contains a statement that ERCOT will try to resume true-ups by April 1, 2003. The question that TAC now poses to the Board is how to define “adequate accuracy” for the data to restart true-ups. TAC could not reach a resolution on that definition.

Mr. Payton asked what the Market Participant will do if it receives data from ERCOT and determines that its data does not match the ERCOT data. Mr. Giuliani stated that Market Participants got the data extract they needed to reconcile their data to ERCOT’s data in December 2002. SCR727 is targeted at getting consumption numbers correct. Mr. Payton pointed out that this was not correct – while the December data extract would let MP’s know if there was a problem with ERCOT’s totalized numbers, without ESID breakdowns there is no way to tell what caused the problem and therefore no way to resolve the problem. Therefore, until SCR 727 is completed, MP’s do not have the data they need to reconcile their data to ERCOT’s data. Mr. Galvin stated that ERCOT has found five or six categories of issues. He indicated that many problems will exist between two parties other than ERCOT (*i.e.* TDSP and CR). ERCOT cannot resolve those variances. ERCOT will show RMS how the FasTrak system will work. Mr. Giuliani pointed out that ERCOT keeps the records of assignment of ESI Ids, but ERCOT can only use the data provided by the TDSP. ERCOT has no way to verify that data. Mr. Lacey asked if ERCOT plans to resettle the market after each time a “variance” gets resolved. Mr. Galvin stated that Settlement is an iterative process and we make an initial run and then make changes whenever we are instructed to do so. Mr. Itz asked about retiring RECs, which was supposed to be done by March 1st. There is a question about whether true-ups would change those. Mr. Galvin stated that true-ups should not affect the retirement of RECs. The date established was a date in time (establishing who owned the REC), not a trade date. Mr. Lacey stated that there are rules that say a REP cannot re-bill a customer for a period longer than six months ago; he asked Mr. Totten if the PUCT has considered changing that rule. Mr. Totten said the issue has been raised but there currently is no change under consideration by the PUCT.

Ms. Garza continued by setting forth the various approaches considered by TAC as the criteria for restarting true-up settlements. A discussion ensued regarding those approaches. Ms. Garza set forth RMS’s action plan and the TAC resolution which passed, *i.e.* making SCR727 extracts available as soon as possible, considering the results of the February 7, 2003, Siebel/Lodestar synchronization and bringing an amended resolution to the TAC for its March meeting. She summarized the issue as there being an unacceptable amount of error in the data. She stated that most people acknowledge that we will never have 100% accuracy, but the question is, “what is an ‘acceptable’ amount of error?” The Board must make that determination.

A lengthy discussion ensued regarding how to address the issue of when to restart issuing true-up settlements. The Board instructed Ms. Garza to report back at next month’s Board meeting with TAC’s position on restarting true-ups and the ERCOT Staff’s position on restarting true-ups. Ms. Garza committed to provide the Board a follow-up communication after the next TAC meeting.

(3) **RMR Task Force Update.** Ms. Garza invited Kevin Gresham of Reliant Resources to present the status of the efforts of the RMR Task Force (RMR TF). Mr. Gresham reviewed the work of the task force to date and described the issues the task force is trying to resolve. They have created five or six sub-groups to assist in moving the process forward more quickly. Ms. Garza indicated that the RMR TF would probably not have proposed PRR language for March. The Board acknowledged that if no new language is passed, the ERCOT Staff is to continue following the current Protocol language and previous Board guidance.

Other Business

Margaret Pemberton, ERCOT Vice President, General Counsel and Corporate Secretary, stated

that a Board "Resource Manual" was placed at each chair before the meeting. It contains useful information for Board members, including the mission statement, organization chart, membership list, *etc.* She asked that each Board member bring the book with him/her to each month's meeting. She also asked for the return of completed survey forms from last month's Board retreat from those who had not yet submitted them.

Next, Ms. Pemberton mentioned that Entergy Gulf States, Inc. (EGSI-TX) wishes to participate in the ERCOT organization but does not meet the criteria for membership under any of the Segments described in the By-laws. Therefore, EGSI-TX seeks admission as an Adjunct Member. After a brief discussion, **David Itz moved to accept the application of EGSI-TX as an adjunct member of ERCOT. Steve Schaeffer seconded the motion. The motion passed by a unanimous voice vote with no objection or abstention.**

Chairman Greene asked Ms. Pemberton to provide an update on the nominations for the independent Board members. Ms. Pemberton stated that the committee had met with several search firms and chose Spencer Stuart. ERCOT has added a link on its web page for people who might want to submit resumes. Bob Manning, Vice-Chairman of the Board, stated that he was very impressed with the presentation made by the representatives of Spencer Stuart.

David Veiseh of Utility Choice stated that, although he heard the earlier report of Mr. Karnei regarding the cash collateral posted by QSEs, he would like to know the total amount of non-cash collateral. Mr. Karnei responded that the most recent data is that \$83.7 million is in cash and letters of credit and \$140 million in corporate guarantees. Ms. Buckles stated that she would circulate the credit requirements ERCOT uses.

Jerry Stapp mentioned that he would recommend some training for the Board involving the "managerial grid." He thought it would be best to wait to do the training until after the new members are seated and the Board is decreased later in the year. The training would take approximately one-half day. Mr. Noel indicated we could do that training in the retreat next year.

Executive Session

The Board met in Executive Session to discuss various matters including an update on the status of litigation.

Adjournment

Chairman Greene adjourned the Meeting at approximately 4:15 p.m. **The next Board meeting will take place on March 18, 2003 at ERCOT's Austin facility. The following meeting will be held on April 15, 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>

Margaret Uhlig Pemberton, Corporate Secretary