

MINUTES OF THE ERCOT BOARD OF DIRECTORS MEETING

ERCOT Offices

Austin, TX

10:00 a.m.

September 16, 2003

Pursuant to notice duly given, the Meeting of the Board of Directors of the Electric Reliability Council of Texas, Inc. convened at approximately 10:15 a.m. on September 16, 2003.

Meeting Attendance:

Board members:

Armentrout, Mark		Unaffiliated	Present
Baggett, David		Unaffiliated	Present
Ross Phillips	Lower Colorado River Authority	LCRA	Representing Joe Beal
Clarke, Linda	Exelon Generation Company	Ind PM	Present
Espinosa, Miguel		Unaffiliated	Present
Greene, Mike	Oncor Electric Delivery Company	IOU - ERCOT Chairman	Present
Harper, Trudy	Tenaska	Ind Generator	Present
Barry Huddleston, Segment Alternate	Dynegy	Ind Generator	Representing David Itz
Kahn, Bob	Austin Energy	Municipal	Present
Klein, Rebecca	Public Utility Commission of Texas	PUCT Chairman	Present
Lacey, Frank	Strategic Energy	Ind REP	Present
Jim Harder, Segment Alternate	Garland Power & Light	Municipal	Representing Milton Lee
Manning, Bob	H-E-B Grocery Company	Consumer/ Commercial – ERCOT Vice Chairman	Present
McClellan, Suzi	Office of Public Utility Counsel	Consumer/OPUC/Residen tial	Present
McClendon, Shannon	Attorney	Consumer/ Residential	Arrived at approximately 11:00 a.m.
Noel, Tom	ERCOT	ERCOT CEO	Present
Payton, Tom	Occidental Chemical Corp.	Consumer/Industrial	Present
Schaeffer, Steve	CenterPoint Energy	IOU	Present
Stockstill, Dottie	Mirant Americas E.M.	Ind PM	Present
Troell, Mike	South Texas Electric Coop.	Coop	Represented by Jerry Stapp, Segment Alternate
Vanus Priestley, Segment Alternate	Constellation New Energy	Ind REP	Representing David Veiseh

ERCOT Staff and Guests:

Maxine Buckles	ERCOT Staff – VP and CFO
Ray Giuliani	ERCOT Staff – VP and Chief of Market Operations
Margaret Pemberton	ERCOT Staff – VP, General Counsel and Corporate Secretary
Ken Shoquist	ERCOT Staff – VP and CIO
Sam Jones	ERCOT Staff – VP and COO
Brady Belke	LCRA
Scott Clifton	ERCOT Staff
Terri Eaton	Green Mountain Energy
Kent Saathoff	ERCOT Staff
Betty Day	ERCOT Staff
Kevin Gresham	Reliant Energy
Jim Galvin	ERCOT Staff
Rob Connell	ERCOT Staff
Mike Petterson	ERCOT Staff
Beth Garza	FPL Energy
Gary Stroud	ERCOT Staff
Cheryl Moseley	ERCOT Staff
Mark Walker	ERCOT Staff
Ralph Weston	ERCOT Staff
Parviz Adib	PUCT Staff
Bill Bojorquez	ERCOT Staff
Rich Gruber	ERCOT Staff
Trip Doggett	Benchmark Power Consulting
Mark Dreyfus	AustinEnergy
Steve Wallace	ERCOT Staff
Weldon Gray	Concho Valley EC
Becky Taylor	Centerpoint Energy
Steve Keller	Navigant Consulting
Wendell Bell	TPPA
Robby Abarca	PUCT
Lacy Seybold	ERCOT Staff
Paul Hutchison	APPS Connect
Kevin Judice	ERCOT Staff
Mark Emby	ERCOT Staff
Jeyant Tamby	ERCOT Staff
Carol McDonald	ERCOT Staff
Sean Barry	PwC
Stuart Young	Excelergy
Walt Shumate	Shumate & Assoc.
Darrell Hayslip	Calpine
Smith Day	Direct Energy
Krisana Carvajal	CNP
Angie Stewart	Travis, Wolff Co.
Mike Rowley	Rowley Consulting
Marialyn Barnard	CPS
Steve Bartley	CPS
Becky Motal	LCRA
Heather Tindall	ERCOT Staff
Clayton Greer	Constellation

Jim Neeley	Consultant
Mike Shinn	Xansa
Mel Bland	ERCOT Staff
Robert Northcutt	Accenture
David Kasper	ERCOT Staff
Henry Durrwachter	TXU
John Houston (Guest)	CenterPoint Energy
Neil Edelleman	TEAM
Amy MacDonald	TCE
Garry Waters	Competitive Assets
Mike Petterson	ERCOT Staff
Steve Grendel	ERCOT Staff
Rich Creegan	Lodestar
Dan Jones	CPS
Sheri Moore	CNP
Margarita Fourmier	PUCT
Tim Rogers	CIRRO Energy
Tim Terrell	CIRRO Energy
Troy Anderson	ERCOT Staff
Matt Mereness	ERCOT Staff
Howard Yancy	Zydeco Development

Announcements

Chairman Greene called the meeting to order and determined that a quorum was present. He then acknowledged representatives attending in the place of Board members, as shown in the attendance list above.

Approval of Minutes

Chairman Greene requested comments on and approval of the minutes of the August 16, 2003 meeting. **Frank Lacey moved to approve the meeting minutes as presented. Jerry Stapp seconded the motion. The motion passed by a unanimous voice vote with no abstentions.**

CEO Report

Chairman Greene invited Tom Noel, ERCOT President and CEO, to provide an update on ERCOT activities. Mr. Noel reported that ERCOT passed the six million completed transaction milestone. The Texas Nodal project continues moving forward and TAC is continuing to work on project priorities. ERCOT is looking at several operating issues including congestion zones, RMR issues, compliance, settlements, market participant testing, market redesign and metrics.

ERCOT sponsored the Texas Electric Market Forum on Monday, September 15, 2003. The forum was well attended by Market Participants and representatives from state and federal agencies.

Mr. Noel also stated that ERCOT has hired an internal auditor who has drafted an audit plan, which was developed with the help of consumer representatives. He stated further that dispute resolution is becoming more prevalent and is consuming a great deal of time and effort of ERCOT Staff.

In summary, Mr. Noel reported that reliability remains an ERCOT strength. He additionally stated that new market mechanics, new market participants and opt-ins will require additional testing and

concluded his report by stating that Market Participants must consider the cost impact of PRRs and that communication must be improved at all levels of ERCOT.

At this time, Chairman Klein raised some questions about the budget, including: (i) a request to have in-depth material submitted to the PUCT relating to personnel growth, (ii) information regarding the priority list and costs associated with them and (iii) the assumptions behind ERCOT's five-year plan. Ms. Buckles stated that these topics have been discussed at the Finance & Audit Committee meetings relating to the new budget and that the ERCOT Staff is already working on gathering that information.

Grid Operations Update

Chairman Greene invited Sam Jones, ERCOT Executive Vice-President and COO, to present the Grid Operations Update. Mr. Jones began by stating that the NERC Steering Group working on the Northeast blackout had its first meeting. Last Friday, the sequence of events was officially released and is available on the NERC web site. All analysis is still preliminary. Three hundred power plants tripped. One problem is that not all SCADA systems were time-synchronized and, therefore, determining the order of events has been a challenge. The Steering Group will do a root-cause analysis with their report is due at the end of the year.

RMR

Mr. Jones invited Bill Bojorquez, ERCOT Director of Transmission Services, to provide information on RMR issues. Mr. Bojorquez stated that ERCOT currently has thirteen generation units under contract for a total of 1,341MW (down from sixteen units and 1,868MW). These units are at seven locations. The number of units will decrease to twelve when ERCOT releases Rio Pecos (98MW) from its contract on November 13, 2003, as a result of transmission system upgrades. The remaining units require additional work on exit strategies.

Mr. Bojorquez stated that RMR exit strategies are one of ERCOT's highest priorities. The ERCOT planning Staff has determined that several 345kV projects would be necessary to release certain RMR units. These projects require lengthy permitting and construction and, therefore, ERCOT is investigating shorter-term options (including DC ties to Mexico, control devices and line upgrades). A very productive open session took place yesterday regarding exit strategies. Some of the non-transmission solutions would require complex Protocols revisions.

ERCOT Staff will present short-term exit recommendations to TAC and the Board of Directors in October. Before doing so, the short-term solutions will be carefully reviewed for cost and reliability impacts. Finally, ERCOT Staff hopes to have long-term solutions evaluated by December.

Mr. Lacey asked about the reliability risk of not granting RMR contracts. Mr. Jones stated that the risk is very great or ERCOT would not enter into an RMR contract in the first place. Mr. Bojorquez stated that NERC requirements mean that ERCOT must address any issues that may impact NERC's n-1 reliability. Mr. Jones stated that in 1997, ERCOT realized it needed many new transmission projects to keep up with the growth in peak demand (which had averaged 5% per year for four years (1997 – 2000) and which was 4.4% this summer. Transmission service providers in the ERCOT Region have done a good job of upgrading the transmission system. Finally, he stated that one RMR contract has been cancelled as a result of system improvements, but ERCOT needs the remaining RMR units for a significant amount of time during the year until other improvements are made.

Mr. Harder asked about the financial impact of the RMR contracts for 2003 and 2004. Mr. Bojorquez replied that, for October 2002 through September 2003 (using estimates for September), the cost is approximately \$130 million. After removing the Frontera and Rio Pecos units, ERCOT estimates the cost will be approximately \$118 million for next year.

Mr. Priestly asked how ERCOT decreased from sixteen to thirteen RMR units. Mr. Bojorquez stated that transmission facility upgrades have been completed that eliminated the need for some of the RMR units. Mr. Priestly commended ERCOT Staff on its efforts to minimize the need for RMR units.

2004 Congestion Zones

Mr. Jones stated that WMS is considering four options for 2004: (i) keeping the zones the same as in 2003, (ii) four CSCs and zones, (iii) five CSCs and zones and (iv) eleven CSCs and seven zones. Some Market Participants advocate each option. He stated that the issues to be considered include: (i) certainty and stability for forward markets, (ii) minimizing congestion costs uplifted, (iii) uncertainty of changes and (iv) operational considerations (*e.g.* zonal vs. local congestion management tools). The Wholesale Market Subcommittee will consider these issues at tomorrow's meeting.

Finally, Mr. Jones stated that ERCOT is voluntarily complying with a NERC compliance program that requires volunteering Reliability Regions to report compliance variances (n-1 transmission overloads lasting more than thirty minutes). ERCOT reported 102 violations in 2002, but determined it was using more stringent criteria than required by NERC. A review of the 2002 violation using NERC criteria resulted in the number of violations dropping to a total of six. In 2003, ERCOT has had no violations. There has been some inconsistency on how each reliability council had reported to NERC on certain kinds of standards violations. Consequently, NERC is considering a standardized requirement for reporting.

Market Operations Update

Ray Giuliani, ERCOT Vice President and Chief of Market Operations, began by providing information relating to the wholesale client relations group. ERCOT has 89 QSEs, 128 Resource Entities and 142 TDSPs (including 130 NOIEs). ERCOT has ten account managers. ERCOT is experiencing three disputes per account manager per day. In 2003, approximately 5,199 disputes have been filed. The basis for disputes are: (i) errors/omissions, (ii) repetitive disputes/placeholders, (iii) challenges to Protocol language, (iv) lodge complaints, (v) SCR727 data, (vi) congestion charges and (vii) market solution issues.

With respect to the retail client relations group, ERCOT has 74 Competitive Retailers and 12 TDSPs with six account managers. FasTrak issues predominate this area.

Mr. Giuliani next stated that the "ERCOT 101" seminar will take place this week and the class is full. Additionally, in the fourth quarter of 2003, a Market Participant communication systems test is scheduled to allow entry of several new Market Participants. ERCOT has scheduled four flights in 2004 for testing.

Mr. Giuliani next stated that ERCOT has determined that SCR727 data (Data Archive extracts used for auditing transaction data) given to Market Participants is accurate, but not complete. Some Market Participants have asked that supplemental data be provided and ERCOT has agreed to provide that data. In light of these issues, a proposal has been made to postpone true-up statements for 2003 Operating Days until February 1, 2004 to preserve Market Participants' dispute rights under the Protocols. As will be presented in the TAC Report, TAC recommends that the Board mandate a new

2003 interim settlement run and postpone the true-up statements to a date in early 2004, with a target of early February.

Mr. Payton asked if the dispute data reported earlier includes “informal” issues raised, for example, in a phone call between a Market Participant and an account manager. Mr. Giuliani stated that the numbers did not include such informal dispute resolution activities.

Information Technology Update

Ken Shoquist, ERCOT Vice President and Chief Information Officer, was pleased to report that ERCOT had no missed intervals in EMMS production data this month. In August, the number of transactions processed by ERCOT decreased somewhat. He also stated that four system improvement projects were completed in August (on time and on budget) with twenty-one projects still in progress.

ERCOT is analyzing its commercial systems software because some vendors will not provide support for some software much longer. This lack of vendor support increases support and maintenance costs as well as causing other system management problems.

Mr. Shoquist stated that he is working with the CIOs of other ISO/RTOs to standardize technology and language. This effort should assist Market Participants who deal with multiple ISOs.

Finally, Mr. Shoquist stated that the Information Technology Texas Electric Market Forum was a success. Over 200 companies attended, including four ISOs and the PUCT. The Department of Homeland Security, the FBI, and U.S. Secret Service all participated. Participant feedback was positive.

Chairman Klein asked Mr. Shoquist to elaborate on the Move-in, Move-out data he presented. In response, Mr. Rob Connell stated that ERCOT had made four sets of code changes, which allowed the better stacking of information. He stated further that the timing for plans for next year remains in tact.

Financial Update

Maxine Buckles, ERCOT Vice President and CFO, recapped the detailed financial report provided to Board Members. ERCOT revenues (\$65.5 million) remain on target while operating (\$65.1 million, including depreciation) and capital expenses (\$19.9 million) are below budget. ERCOT has fifty-one active projects on-going at this time. Additionally, ERCOT currently has 375 employees - below the budgeted number of 400.

Ms. Buckles concluded by stating that ERCOT’s finance group remains active in four Market Participant bankruptcy proceedings, is working on audit planning and is focusing on the 2004 budget. ERCOT had a public meeting regarding the 2004 budget and is considering the information received at that meeting.

A question from the audience was raised regarding when ERCOT will conduct a SAS70 Type 2 audit for year 2003. Ms. Buckles stated that the SAS70 Type 2 audit will be completed in Fall, 2004. ERCOT will have only a SAS70 Type 1 report for 2003. The questioner asked whether ERCOT’s auditors would consult with Market Participants concerning SAS 70 issues. Ms. Buckles stated that she would be happy to coordinate such contacts.

Finance & Audit Committee Report

Clifton Karnei reported that the committee met last evening for several hours as well as this morning to continue work on 2004 budget issues and the committee's charter. The committee expects to make a recommendation to the Board regarding the charter in October. Mr. Wallace made a presentation to the committee regarding ERCOT's risk analysis efforts. PwC reported to the committee regarding the readiness review in preparation for the SAS70 audit. Finally, Mr. Karnei stated that the committee has done a great deal of work on the ERCOT 2004 budget and reviewed the five meetings which have taken place in the last two months regarding the budget. The committee will provide to all Board members the September 3, 2003, public meeting presentations as well as the work product from last night's meeting. The committee would like any questions the Board members have regarding this information submitted to Ms. Buckles by September 30, 2003. He also invited all members to participate in the meeting coming up on October 6, 2003.

Mr. Karnei stated that, as of now, the committee expects the fee in 2004 to be no less than \$0.44/MWh. Additionally, because of depreciation issues, an additional \$0.03/MWh may be necessary. The committee also indicated that ERCOT must have a more rigorous review of the cost of PRRs because much of the additional expenses in the budget relate to approved Protocol revisions. Finally, the five-year projection is that the ERCOT fee may rise to as much as \$0.77 by 2008. Mr. Armentrout asked if a prior five-year plan existed and what it predicted. Mr. Karnei said the prior plan forecasted a fee for 2004 of \$0.37/MWh and did not exceed \$0.41/MWh for the remainder of the five-year period. A variance analysis has been done and will be provided with the materials sent to the Board members explaining the revised factors used in the more current forecast. Mr. Payton asked if the five-year plan included the costs of Texas Nodal. Mr. Karnei said it includes an estimate of \$150 million for Texas Nodal. Mr. Payton asked if there will be a "write off" of current systems which will no longer be used because of Texas Nodal. Mr. Wallace replied that, by the time Texas Nodal goes into place, all the existing systems will have been fully depreciated.

Finally, the committee met with ERCOT's new internal auditor, reviewed his work plan and plans to continue doing so in the future.

Chairman Greene commended everyone's work on the budget.

Texas Nodal Team (TNT) Report

Mr. Trip Doggett, one of the independent facilitators on the Texas Nodal project gave a presentation to the Board of Directors regarding the status of the project. Their first meeting took place on August 27, 2003, shortly after the Board approved the project team set up. The meeting was attended by over 100 people in person and fifteen by webcast. The next meeting was on September 10, 2003 with approximately the same attendance. A scope, timeline and charter were established at that meeting, as well as setting up the schedule for meeting dates into January 2004. A proposal has been made to have one meeting every other Wednesday through March 31, 2004. Over 300 people have asked for inclusion on the exploder list. The group is working on a web site to be developed regarding the project (planned for roll out on September 30, 2003).

At the September 10, 2003 meeting, a vote took place regarding the number of proxies a representative may hold. The group voted to allow one proxy per representative, with the consumer group being allowed to decide its own proxy structure. Additionally, the group voted to have Rick Covington lead the cost/benefit concept group.

The group expressed its desire to have an ERCOT Staff representative along with a Market

Participant representative for the concept groups, as follows:

Market Ops	Joel Mickey, John Meyer
Congestion Management	Marguerite Wagner, Dan Jones
Commercial Operations	Kenneth Ragsdale, Kevin Gresham
Market Mitigation	Not yet named
Cost/Benefit	Steve Wallace, Rick Covington

Mr. Doggett presented the proposed timeline for the team's activity. The deadline for having Protocols filed and ready for Board approval is October 2004. Mr. Doggett presented a detailed timeline for each concept group.

The TNT intends to conduct seminars regarding many different topics to assist Market Participants in educating themselves on the issues associated with the Texas Nodal design.

Mr. Armentrout asked if the TNT slides could be sent to the Board with the Board packet. He also asked if the TNT facilitation team could report to the Board on a regular basis regarding: (i) what the Board needs to know and (ii) what action the Board needs to take during the TNT development process. This will allow the Board to consider intermediate deliverables and provide direction along the way rather than waiting until the end of the process for final consideration.

Ms. Stockstill asked that the Board be aware that, although the motion for one proxy passed, there was a minority position that desired a larger number of proxies. The members of the Board agreed that TNT decision on minority positions could be appealed through TAC (as previously set forth in the TNT design discussed at previous Board meetings) and TAC may bring an appeal to the Board for a ruling. Ms. Beth Garza, TAC Chairman, stated that TAC has not had a meeting since the TNT meeting at which this vote occurred and that she expects this issue to be raised at the next TAC meeting, as set up in the current procedures.

Mr. Manning, Vice Chair of the Board, stated that the cost/benefit analysis should not occur after the design is done. Rather, he requested that the Board receive information on the cost/benefit analysis on an on-going basis rather than waiting until after the end. Mr. Doggett stated that the group intends to hire outside experts to assist in cost/benefit analysis and that the Cost/Benefit concept group will discuss the scope of such work.

TAC Report

Clayton Greer, the TAC Vice-Chairman, reported on the following recent TAC activities:

(1) Load Profile Guide Revisions

Mr. Greer stated that the TAC developed procedures on how costs for new profile development would be shared by others using the profile.

(2) Operating Guide Revisions

Mr. Greer stated that OGRR 132 and 133 were implemented.

(3) Protocol Revision Requests (PRRs)

Mr. Greer reported that the Protocol Revision Subcommittee (PRS) met this past month, discussed various PRRs and submitted recommendations to TAC regarding many PRRs. TAC approved the following PRRs and recommended them to the Board for final approval:

- **PRR421 – Conformance with New PUCT Subst. Rule 25.362 – *proposed effective date: October 1, 2003.*** *This PRR does not impact the ERCOT computer systems and has minimal impact on ERCOT staffing and business practices.* This PRR revises Protected Information requirements to conform to new PUCT Substantive Rule 25.362. PRS approved this PRR after making suggested modifications. TAC did not make any modifications to the PRS recommendation. TAC approved this PRR by a vote of twenty-one (21) in favor, five (5) opposed, and one (1) abstention.
- **PRR433 – Change Percent Deficit Banking of Renewable Energy Credits – *proposed effective date: October 1, 2003.*** *This PRR has a minor impact on ERCOT computer systems (already implemented), business practices and staffing and no impact on operations.* Effective March 1, 2003, the PUCT increased the amount of deficit banking allowed for a Competitive Retailer during the first two (2) compliance periods from five percent (5%) to ten percent (10%). The purpose of this PRR is to make the appropriate changes in Protocol Sections 14.11.1 and 14.11.3 to comport with changes in the PUCT Substantive Rule 25.173 (m)(2). PRS approved this PRR as originally submitted. TAC did not make any modifications to the PRS recommendation. TAC approved this PRR by unanimous voice vote.
- **PRR437 – 867_03 Timeline Change – *proposed effective date: October 1, 2003.*** *The changes required to ERCOT computer systems have been implemented.* ERCOT Protocol Section 15.3, Monthly Meter Reads, contains no timeline for the TDSP to send the 867_03, Monthly Usage, to ERCOT. This PRR adds explicit language to clarify the TDSP-to-ERCOT 867_03 Monthly Meter Read timeline. PRS approved this PRR after making suggested modifications. TAC did not make any modifications to the PRS recommendation. TAC approved this PRR by unanimous voice vote.
- **PRR442 – Profile Development Cost Recovery Fee / Approval of a Profile Segment Change Request – *proposed effective date: October 1, 2003.*** *This PRR impacts ERCOT business processes and staffing, but has no impact to ERCOT computer system.* This PRR adds a new section to the Protocols to specify the reimbursement process required by the PUCT related to a non-ERCOT sponsored Load Profile and to implement a procedure to allow provisional approval of a profile segment change request in accordance with requirements of PUCT Order in Project 25516, Load Profiling and Load Research Rulemaking, issued on April 16, 2003. The Order requires that, within six months of the Order, ERCOT establish and implement a process to collect a fee from any Retail Electric Provider (REP) who seeks to assign customers to a non-ERCOT sponsored profile to compensate the original requestor of the new profile and for ERCOT to notify TDSPs regarding which REPs are authorized to use the new profile. A TDSP may not, without authorization, assign a customer to a profile for which a REP or another person has paid the costs of developing the new profile. PRS approved this PRR after making suggested modifications. TAC did not make any modifications to the PRS recommendation. TAC approved this PRR by unanimous voice vote.
- **PRR443 – Competitive Metering Ownership Implementation – *proposed effective date: October 1, 2003.*** *The impact of this PRR to ERCOT staffing and operating practices of*

Competitive Meter Ownership for large customers (which becomes effective on January 1st) are expected to be minimal. This PRR identifies delivery points eligible for Competitive Meter Ownership in accordance with the PUCT Substantive Rule 25.311 and establishes a reference to the fact that Competitive Metering Guides will exist. The PRR was initiated to comply with the PUCT Substantive Rule 25.311 requirements for implementation of Competitive Metering Ownership by January 1, 2004. PRS approved this PRR as originally submitted. TAC did not make any modifications to the PRS recommendation. TAC approved this PRR by unanimous voice vote.

- **PRR446 – Disclosure of OOMC Deployments – *proposed effective date: Upon ERCOT staffing for manual workaround or system implementation. This PRR impacts ERCOT computer system and staffing.*** This PRR provides for disclosure on the second Business Day following each Operating Day of the number of units receiving OOMC Dispatch Instructions for each interval, aggregated by Congestion Zone, and the number of total MW of OOMC Dispatch Instructions for each interval, aggregated by Congestion Zone, which must be performed manually by ERCOT Staff. On the 30th day following the Operating Day, this PRR provides for posting information on each unit receiving OOMC Dispatch Instructions, the intervals for which the instruction was received and the Low Sustainable Limit for each interval for each unit receiving such instruction. This provides more transparency on OOMC deployments. PRS approved this PRR after making suggested modifications. PRR 446 was assigned a Priority of 1.3 and a Rank of 7. TAC did not make any modifications to the PRS recommendation. TAC approved this PRR by unanimous voice vote.
- **PRR448 – Changes to Implement Balancing Up Loads (BULs) – *proposed effective date: Upon system implementation. This PRR impacts ERCOT computer systems, business practices and staffing.*** ERCOT-wide calculations of BUL payments rely on distinguishing whether Loads are statically or dynamically scheduled. This PRR clarifies how the BUL formulas treat each type of scheduled Load and clarifies the BUL capacity payment calculations. PRS approved this PRR after making suggested modifications. PRR448 was assigned the same priority as PIP112 (Balancing Up Load). TAC did not make any modifications to the PRS recommendation. TAC approved this PRR by unanimous voice vote.
- Mr. Greer stated that PRR 445 was rejected by TAC and PRRs 281, 434 and 438 were withdrawn by the person who originally submitted them.

Mr. Schaeffer moved to accept all the PRRs as approved by TAC. Mr. Karnei seconded the motion. Chairman Greene then opened the floor to discussion.

Mr. Karnei asked how many of the PRRs require additional ERCOT Staff time because that is one concern recently raised at Finance & Audit Committee meetings. Ms. Cheryl Moseley of ERCOT Staff stated that ERCOT has looked at that issue at a high level. This month, most PRRs have some impact on Staff, but the impact is relatively minor except for PRR446, which will probably require one-fourth to one-half a full-time equivalent position. In subsequent months, ERCOT intends to provide more detail on the impact of PRRs on ERCOT Staff resources. Ms. McClendon stated that ERCOT Staff had provided TAC with an analysis of the FTEs required for certain PRRs.

Mr. Huddleston commented regarding issues relating to maintaining the confidentiality of certain information that ERCOT may have to provide to the PUCT as a result of PRR421. Chairman Klein and Parviz Adib, PUCT Staff, provided the PUCT's perspective on this issue.

At this time, Chairman Greene called the question. **The Motion passed by unanimous voice vote with no abstentions.**

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

(4) True-Up Suspension

Mr. Greer then made a presentation regarding the proposal to delay true-up settlements due to discrepancies in SCR727 data. Although ERCOT Staff is working on correcting the data variances, true-up settlements continue. TAC's proposal is to delay true-up settlements until complete SCR727 data is available. The text of TAC's proposal is as follows:

The Board finds that due to unusual circumstances arising from errors in Data Archive extracts needed by Market Participants to reconcile retail customer assignments and usage data, ERCOT should delay 2003 True-Up Settlement Statements to allow Market Participants to verify their settlement statements using complete data extracts obtained from ERCOT.

Pursuant to the authority of the Board of Directors Section 9.2.7 of the ERCOT Protocols, all true-ups for 2003 shall be delayed until Market Participants have a reasonable amount of time to load complete data extracts and analyze the data, and sufficient time to process any alleged variances as follows: (1) 2003 True-Up Settlement Statements will begin no earlier than 120 days from the date that ERCOT provides the first complete SCR 727 data extracts related to 2003 to Market Participants, as determined by ERCOT, and (2) alleged data variances indicated in the extracts affecting 2003 True-Up Settlement Statements must be submitted to ERCOT in chronological order beginning 90 days from the date that ERCOT provides the first extract related to 2003.

Pursuant to the authority of the Board of Directors Section 9.2.5 of the ERCOT Protocols, beginning October 1, 2003, ERCOT shall issue Resettlement Statements beginning with 2003 Operating Days June 10, 11, 12, 13, 16, 17, 19, 20, 21, 22, 24, and 25 and continue thereafter with Resettlement Statements for January 1, 2003, and following Operating Days, until such time as the True-Up Settlement Statements for 2003 begin, as provided in this resolution.

A discussion ensued regarding whether an agreement regarding a dispute would lead to an uplift of the costs to LSEs. Jim Galvin, ERCOT Director of Market Operations, stated that if the settlement was made after the final true up, then the costs would be uplifted via the protocol outlined methods for the type of service in dispute.

Ms. McClendon moved to approve the TAC resolution. Jim Harder seconded the motion. The motion passed unanimously with no abstentions.

Relationship Between Board of Directors and Technical Advisory Committee

Ms. McClendon stated that she would prefer to make her presentation in Executive Session.

Executive Session

The Board met in Executive Session to discuss various matters including a nominating committee update, an update on the status of litigation and ADRs and H.R./Governance matters. The Board approved the attached Code of Conduct for Board Members as well as Antitrust procedures.

Adjournment

Chairman Greene adjourned the Meeting at approximately 4:30 p.m. **The next Board meeting will take place on October 21, 2003 at ERCOT's Austin facility. The following meeting will be held on November 18, 2003 at ERCOT's Austin facility.**

Board materials and presentations from the meeting are available on ERCOT's website at:
<http://www.ercot.com/calendar/2003calendar/2003boardmaterials.htm>

Margaret Uhlig Pemberton, Corporate Secretary