

**MINUTES OF THE BOARD OF DIRECTORS MEETING OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

Electric Reliability Council of Texas, Inc.

Austin, Texas

10:00 a.m.

September 21, 2004

Pursuant to notice duly given, the Meeting of the Board of Directors of Electric Reliability Council of Texas, Inc. convened at approximately 10:20 a.m. on September 21, 2004.

Meeting Attendance:

Board Members:

Armentrout, Mark		Unaffiliated
Espinosa, Miguel		Unaffiliated
Greene, Mike	TXU Power	IOU; Board Chairman
Hayslip, Darrell	Calpine Corp.	Independent Generator
Hudson, Paul	Public Utility Commission of Texas	PUCT Chairman
Kahn, Bob	Austin Energy	Municipal
Karnei, Clifton	Brazos Electric Power Cooperative	Cooperative
Manning, Bob	H-E-B Grocery Company	Consumer/Commercial – Board Vice Chairman
McClellan, Suzi	Office of Public Utility Counsel	OPUC Residential & Small Commercial Consumers; Proxy to Mr. Payton after 2:15 p.m.
Payton, Tom	Occidental Chemical Corp.	Consumer/Industrial; Proxy for Ms. McClellan after 2:15 p.m.
Schrader, Tom	ERCOT President and CEO	ERCOT
Stockstill, Dottie	Mirant Americas Energy Marketing	Independent Power Marketer
Vadie, Henry	Utility Choice Electric	Independent REP; Proxy for David Veisoh

Staff and Guests:

Barbara Clemenhausen	Sempra Energy
Barry Smith	AEP
Barry Smitherman	PUCT Commissioner
Benjamin Jack	CenterPoint Energy
Betty Day	ERCOT Staff
Bob Peck	LCRA
Brent Culen	TIBX
Bridget Knowler	Flint Hills Resources
Cesar Seymour	Tractebel
Cheryl Moseley	ERCOT Staff
Cheryl Yager	ERCOT Staff
Chris Hughes	Exelon
David Kasper	ERCOT Staff
Denise Stokes	Competitive Assets
Diana Zake	ERCOT Staff

Erin Bain	PUCT Staff
Evan Rowe	PUCT Staff
Gary Stroud	ERCOT Staff
Garry Waters	Competitive Assets
Greg Ramon	TECO/Frontera
Henry Durrwachter	TXU Energy
Jeyant Tamby	ERCOT Staff
Jim Galvin	ERCOT Staff
Jim Harder	Garland Power & Light
John Houston	CenterPoint Energy
John Meyer	Reliant
John Moore	John Moore Consultants
Julie Parsley	PUCT Commissioner
Ken Donahoo	ERCOT Staff
Kevin Gresham	Reliant, PRS Chairman
Kristy Ashley	Exelon
Margaret Pemberton	ERCOT Vice-President, General Counsel and Corporate Secretary
Mark Dreyfus	Austin Energy
Mark W. Smith	TXI
Mark Walker	ERCOT Staff
Maxine Buckles	ERCOT Vice-President and Chief Financial Officer
Michael Petterson	ERCOT Staff
Michael Sparks	Tractebel
Neil Eddleman	TEAM
Nieves Lopez	ERCOT Staff
Paula Mueller	PUCT Staff
Phillip Oldham	FHR/TIEC
Ray Giuliani	ERCOT Vice-President and Chief of Market Operations
Ray King	TECO/Frontera
Read Comstock	Strategic Energy, TAC Chairman
Richard Gruber	ERCOT Staff
Robert Connell	ERCOT Staff
Sam Jones	ERCOT Executive Vice-President and Chief Operating Officer
Susan Vincent	ERCOT Staff
Terri Eaton	Green Mountain Energy
Tom Standish	CenterPoint Energy
Valerie Anderson	GDS Associates
Walt Shumate	Shumate & Associates
Wendell Bell	TPPA

Announcements

Chairman Greene called the meeting to order and determined that a quorum was present and mentioned the proxies set forth above. Chairman Greene mentioned that David Baggett has resigned from the Board of Directors. On behalf of the Board, he thanked David for his good work and service. Chairman Greene also welcomed Commissioners Julie Parsley and Barry Smitherman of the Public Utility Commission of Texas (PUCT) to the meeting.

Paul Hudson, Chairman of the PUCT, announced the beginning of the PUCT Open Meeting noticed for today at the ERCOT offices.

Approval of Minutes

Chairman Greene requested comments on and approval of the minutes of the August 2004 Board of Directors meeting. **Mr. Veiseh moved to approve the minutes as circulated. Mr. Espinosa seconded the motion. The motion passed by a unanimous voice vote with no abstentions.**

CEO Report

Chairman Greene invited Thomas F. Schrader, President and Chief Executive Officer, to report on the Reliability Council's activities. Mr. Schrader stated that he spent his first few weeks meeting and communicating with consumer groups, legislators, PUCT representatives and employees. In those conversations, he heard some common themes relating to reliability, security and financial matters.

He stated that the Reliability Council has moved forward on the budget process and has held several meetings in connection with that effort. After finishing the budget process, the staff will continue working on getting its activities in line with the Reliability Council's critical mission. The Reliability Council continues to face personnel issues; for example, the CIO position remains vacant.

Mr. Schrader also mentioned the on-going activities of the Sunset Commission and its open meeting last week. The Commission revised some of its original recommendations. For example, instead of recommending an entire independent Board, they suggested adding two additional unaffiliated members and having the chairman position circulate among the unaffiliated members. Finally, Mr. Schrader stated that a legislative oversight committee hearing will take place in October and he and Chairman Greene will attend that hearing.

Operations Update

Chairman Greene invited Sam Jones, Executive Vice-President and Chief Operating Officer, to report on the Reliability Council's operations. Mr. Jones reported that the Reliability Council has revised its all-time peak Load to 60,095MW on August 7, 2003. This change occurred during true-up settlements. The peak Load so far in 2004 was 58,590MW on August 3, 2004.

Mr. Jones stated that maintenance outages at Sandow resulted in the need to reduce Load in the immediate area in order to prevent overloading. Additionally, he stated that the Special Protection Scheme in the northeast part of the state has experienced several incidents resulting in trips that reduced generation. These incidents did not, however, create any reliability concerns.

Mr. Jones then provided an update on the dates for implementing RMR exit strategies. Exit from the Fort Phantom plant scheduled for December 2004 is postponed to March 2005; for the La Palma plant, the scheduled date of December 2005 is postponed to June 2006 and for the B.M. Davis plant, the scheduled date of December 2004 is postponed to December 2005. The TDSPs provide these dates in connection with their upgrade projects.

Mr. Jones reported that the Reliability Council has hired a security consulting firm – Dyonyx – to assist in developing an I.T. security organization design, employee recruiting, staff augmentation and support for on-going audits and assessments. Ms. Stockstill asked if the work involves expanding the staff or replacing those who left. Mr. Jones stated that the work focuses primarily on replacing those who left and re-aligning job roles and responsibilities. Mr. Jones invited Steve Grendel, Director of Technology Services, to elaborate. Mr. Grendel stated that the head count for the group would not change. Mr. Armentrout asked if the new work was consistent with the prior work done by Satori Web. Mr. Grendel said that the new work is consistent, except that Satori Web recommended a higher head count.

Commissioner Smitherman asked about the change in dates for the RMR exit strategies. Mr. Jones stated that some of the dates moved back as much as one year. Commissioner Smitherman asked if the Reliability Council expressed to the TDSPs any desire to enforce the original deadlines. Mr. Jones stated that the Reliability Council has no power to force TDSPs to complete any projects by any particular date. Ms. Stockstill expressed concern about that fact. John Meyer of Reliant asked for some details regarding the delays. Mr. Jones stated that discussions with the TDSPs have indicated various reasons for the delays (*e.g.* equipment delays, manpower, *etc.*). A discussion ensued regarding the involvement of the PUCT in the process of dealing with transmission projects. A recommendation was made that the Board could refer these types of issues to the Technical Advisory Committee for consideration.

(1) Voltage Study Request

Next, Mr. Jones stated that the Board received information in its packet regarding the exit strategy for the B.M. Davis plant and its affect on voltage needs for a large industrial user in the Corpus Christi area near the plant. The TDSP in that area has performed an analysis using historical data, but the industrial consumer desires to have the Reliability Council hire an independent consultant to conduct a prospective study. The industrial user would pay the cost of the study. Philip Oldham, representative for the industrial consumer, stated that, as a result of this issue, that consumer would have sought an extension of the exit strategy for B.M. Davis if it had not already been delayed.

Mr. Karnei moved to approve the use of an independent consultant—to be paid for by the industrial consumer—to conduct the requested study. Mr. Kahn seconded the motion. Additional discussion took place regarding the issues surrounding this matter. Mr. Karnei stated that he did not intend his motion to set any precedent as to future, similar matters. **The motion passed by unanimous voice vote with no abstentions.**

Market Operations Update

Ray Giuliani, Vice-President and Chief of Market Operations, reported on retail and wholesale activity in the ERCOT Region through the end of July 2004. The Reliability Council has processed over ten million transactions since market open (averaging 3.3 million transactions per year). He reported that the following percentages of consumers have migrated from the AREP to a new REP: (i) 19% of the Load for residential consumers (17% of ESIIDs); (ii) 54% of the Load (21% of ESIIDs) for small non-residential users; and (iii) 67% of the Load (62% of ESIIDs) for large non-residential users. Mr. Giuliani reported on the total dollar value of the market transactions and the costs associated with: (i) RMR units, (ii) other Ancillary Services, (iii) Local Congestion, and (iv) Zonal Congestion.

Mr. Giuliani concluded by stating that the Reliability Council hopes to have True-up Statements for the year 2003 completed by the end of October.

Financial Report

Maxine Buckles, Vice-President and Chief Financial Officer, reported on the Reliability Council's financial matters through August 31, 2004. Revenue (approximately \$87 million) has been somewhat less than the budget forecast as a result of lower than expected energy usage due to milder weather this year. Operating expenses (\$73.5 million) and capital expenses (\$23 million) have also been lower than budget. Ms. Buckles reported that the Reliability Council's employee headcount is up to 421, while 530 employees were budgeted for the year. Ms. Buckles stated that the Reliability Council has had fifty-eight capital projects this year.

Commissioner Smitherman asked if the Reliability Council intended to use excess monies at the end of the year to forego future borrowing. Ms. Buckles replied affirmatively.

Finance and Audit Committee Report

Clifton Karnei, Chairman of the Finance and Audit Committee, reported on the following matters:

The committee met yesterday from 3 p.m. to 5 p.m. to consider the first cut for the 2005 budget. It yielded forty-five cents per MW administration fee. The committee stated that the ultimate proposed fee should be forty-four cents per MW. To reduce the fee, some capital projects would have to be removed from the list. The current estimates do not include any costs associated with development of the "Texas Nodal" market. Additionally, the Sunset Commission recommends moving market monitoring to the Reliability Council and the current version of the budget does not contain any costs associated with that change. The next budget meeting will take place on October 8, 2004. Mr. Armentrout asked about the process for culling projects due to budget constraints. Mr. Karnei explained how the process worked in the past. Mr. Armentrout expressed his desire to ensure that the Reliability Council does not set the fee at the expense of performing all the duties it must perform.

Mr. Helton of ANP asked whether anyone had considered the cost of implementing all approved PRRs. Ms. Buckles stated that the total amount would be \$80 - \$100 million. Additional discussion took place regarding the process of project prioritization.

(1) Term Loan—Extension of Deadline for Drawing Funds

Mr. Karnei moved that the Board authorize ERCOT Staff to amend the existing Term Loan Facility to extend the borrowing deadline for up to but no longer than six (6) months, or through April 30, 2005. Mr. Espinosa seconded the motion. The motion passed by a unanimous voice vote with no abstentions.

Mr. Karnei reported that the committee has chosen him to serve as its chairman and Mr. Hayslip as the Vice-Chairman.

TAC Report

Chairman Greene invited Mr. Read Comstock, TAC Chairman, to report on recent TAC activities. Initially, Mr. Comstock reported that the TAC had elected him Chairman and Mark Dreyfus of Austin Energy as Vice-Chairman. He also reported that the TAC approved two new versions of the Texas SET Implementation Guides (versions 2.0a and 2.1). Version 2.0a will be implemented in November 2004 and Version 2.1 will be implemented in December 2005. Additionally, TAC approved RMGR 2004-011, involving disconnection activity during an extreme weather emergency. He stated further that RMS also approved several system change requests: (i) SCR 738 regarding enhancements to the FasTrak tools; (ii) SCR 739 which creates a pending Load loss report for Competitive Retailers; (iii) SCR 740 which creates enhancements to SCR 727 extracts; (iv) SCR 737 which creates estimated meter read data; and (v) SCR 736 which creates an ESIID portal flag.

(1) Protocol Revision Requests

The Protocol Revision Subcommittee (PRS) met, discussed the issues and submitted Recommendation Reports to TAC regarding the PRRs described below. TAC considered the issues and voted to take action on the PRRs as described below.

TAC approved the following PRRs and recommended their final approval to the Board:

- ***PRR409 – Voltage Support Service – URGENT. Proposed effective date: Upon system implementation.*** *There are budgetary, staffing, computer system, business function and grid operations impacts dependent on the frequency of dispatch of Voltage Support Service.* PRR409 revises Protocol language relating to the provision of Voltage Support Service found in Sections 6.5.7 and 6.8.4 to allow for payment to generators for reactive dispatching. PRS voted, with three abstentions, to recommend approval of the comments submitted by the Generator Reactive Compensation Task Force (GRCTF) as amended by LCRA and PRS. TAC declared PRR409 urgent with one member from the IOU segment opposing. TAC then voted to recommend approval of the PRR as amended by TAC and ERCOT comments. Three members abstained; from the IOU, Municipal and the Independent Power Marketer segments. All segments were present. ERCOT Credit staff and the CWG have reviewed PRR409 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR509 – Initiation, Procedure, and Settlement of Disputes through ADR. Proposed effective date: October 1, 2004.*** *Negligible budget impacts; very minor staffing impact to ERCOT Wholesale Client Relations until the system change is implemented; a minor change to ERCOT computer systems; some impact to ERCOT business functions; no impact to grid operations.* This PRR clarifies the dispute resolution and dispute process and allows for Settlement payments for resolved ADRs on a more consistent basis. PRS voted unanimously to recommend approval of PRR509 as submitted by COPS and amended by comments submitted by ERCOT, and revised comments submitted by PSEG, TCE and PRS. TAC voted unanimously to recommend approval of PRR509 as recommended by PRS. All segments were present. ERCOT Credit staff and the CWG have reviewed PRR509 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR518 – Clarification of Requirements Relating to Retail Transactions. Proposed effective date: October 1, 2004.*** *No budgetary impact; no impact to ERCOT staffing; no significant impacts to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations.* PRR 518 adds new definitions for “Retail Business Day” and “CR or Record” in Section 2, and “Safety-Net Move-In” in Section 15; revises Section 15 to clarify deadlines and requirements of Market Participants in processing retail market transactions; adds point-to-point transactions to a new Section 24; and revises Section 15 to improve consistency and readability of text. PRS voted unanimously to approve PRR518 as amended by comments submitted by ERCOT on behalf of the ERCOT/Market Participant meeting. TAC voted unanimously to recommend approval of PRR518 as recommended by PRS. All segments were present. ERCOT Credit staff and the CWG have reviewed PRR518 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR522 – Collateral Requirements and Credit Changes. Proposed effective date: October 1, 2004.*** *No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; benefit to business functions; no impact to grid operations.* This PRR strengthens ERCOT’s ability to utilize collateral and offset amounts or liabilities due to ERCOT appropriately in bankruptcy or other situations. Also, the changes adjust collateral requirements for known or estimated potential liability. The PRR also refines the requirements for disclosure of affiliate companies. In June, the PRS voted to recommend approval of PRR522 as amended by ERCOT comments and PRS with additional revisions made by comments from Reliant and Tenaska. On August 5, 2004, TAC remanded PRR522 to PRS for further review and to discuss changes made in Sections 16.2.7.3, 16.2.1(6), and 16.2.4.2. PRS addressed PRR522 at its August

27th meeting and accepted modifications suggested by ERCOT, CWG and PRS. PRS recommends approval of the PRR with those final revisions. PRS approved the motion through a roll call vote which resulted in 62.5% in favor, 37.5% opposed and 8 abstentions. TAC voted unanimously to recommend approval of PRR522 as recommended by PRS and amended by ERCOT. All segments were present. ERCOT Credit staff and the CWG have reviewed PRR522, provided input on the language in the PRR and believe that it impacts credit monitoring activity and the calculation of QSE liability.

- ***PRR528 - Deadline for Filing ADR Claims. Proposed effective date: October 1, 2004. No budgetary impact; no significant impact to ERCOT staffing; no impact to ERCOT computer systems; no significant impact to ERCOT business function; no impact to grid operations.*** PRR528 amends the deadline for filing an Alternative Dispute Resolution (ADR) claim for denied settlement and billing disputes from thirty (30) to forty-five (45) days. PRS voted unanimously to recommend approval of PRR528 as submitted. TAC voted unanimously to recommend approval of PRR528 as recommended by PRS. All segments were present. ERCOT Credit staff and the CWG have reviewed PRR528 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR534 – Temporary Modifications to the Annual Load Profile ID Assignment and Validation Process – URGENT. Proposed effective date: upon Board approval. No budgetary impact; no significant impact to ERCOT staffing; no impact to ERCOT computer systems; no significant impact to ERCOT business functions; no impact to grid operations.*** PRR534 inserts language in Protocols to allow temporary modifications applicable to the process for annual Load Profile ID Assignment and Validation to be established and approved by the ERCOT Board. PRS unanimously approved urgent status for the PRR. PRS voted to recommend approval of PRR534 with one opposing vote and no abstentions. TAC voted unanimously to affirm urgency for PRR534 and to recommend approval of the PRR as recommended by PRS. All segments were present. ERCOT Credit staff and the CWG have reviewed PRR534 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR537 – Increased Congestion Management Flexibility – URGENT. Proposed effective date: upon system implementation. Budget impact 5L(\$100-500k); no staffing impact upon system implementation; some impact to ERCOT systems and business functions; benefit to grid operations.*** This PRR provides ERCOT with additional options to use in the management of congestion both in day-ahead and real-time operations. PRS granted urgent status for this PRR through email vote. PRS voted to recommend approval of PRR537 with one abstention. TAC voted unanimously to affirm urgency for PRR537 and to recommend approval of the PRR as recommended by PRS. All segments were present. ERCOT Credit staff and the CWG have reviewed PRR537 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

After discussion regarding the various PRRs, **Mr. Armentrout moved to approve all the PRRs as submitted except PRRs 409 and 537. Ms. Stockstill seconded the motion. The motion passed by unanimous voice vote with no abstentions.** Additional discussion took place with respect to PRRs 409 and 537. Mr. Armentrout suggested remanding PRR 537 to TAC. **Mr. Payton moved to approve PRR 537 for manual implementation with a remand to TAC to determine if a software fix is feasible and cost-effective. Mr. Armentrout seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Regarding PRR 409, Ms. Stockstill asked for a description of why the Reliability Council ought to implement this PRR. Mr. Helton of ANP described the history of this proposal (which began as PIP

102) and the rationale for it. **Mr. Hayslip moved to approve PRR409 as recommended by TAC; Mr. Karnei seconded the motion. 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>

Mr. Comstock also reported that the TAC affirmed the PRS's rejection of PRR530 regarding the uplift of short-pays to Load.

(2) Suspension of 2004 Load Profile ID Assignment

RMS approved a recommendation to suspend the Load Profile ID assignment process for the residential sector only. TAC approved (by a vote of 22-0) the same recommendation by email vote. Chairman Greene invited Betty Day, ERCOT Manager of Energy Analysis & Aggregation, to provide the Reliability Council's perspective. She stated that approximately one million transactions will not have to take place if the suspension is implemented. She also stated that swings in weather can have a big impact on the accuracy of these Load profiles. Finally, Ms. Day stated that any changes in the profile will cause significant systems impacts on the Reliability Council and Market Participants. **Ms. Stockstill moved to: (i) suspend the Load Profile ID Assignment & Validation Process for residential ESIIDs and (ii) order TAC to provide the Board a timeline for resolution of this issue and a scope of possible resolutions of the issue by November 16, 2004. Ms. McClellan seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

(3) 2005 CSCs and Congestion Zones

Mr. Comstock reported that WMS proposed the creation of the same CSCs for 2005 as in 2004, with the addition of a north-to-west CSC using the same elements as the current west-to-north CSC. TAC approved that recommendation. Consequently, for 2005, the CSCs would be: (i) west-to-north, (ii) south-to-north, (iii) south-to-Houston, (iv) north-to-Houston, (v) northeast-to-north and (vi) north-to-west.

Mr. Payton moved to approve the recommendation from TAC; Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.

(4) 2005 CSC Exemptions

LCRA and STEC requested exemptions for certain facility placements in the 2005 Congestion Zones. These exemptions are identical to those approved by the Board of Directors for 2004. TAC recommended approving the exemptions. Mr. Payton expressed an objection to these types of exemptions. A discussion ensued regarding the impact of denying or approving these exemptions. **Mr. Karnei moved to approve the recommendation from TAC; Mr. Kahn seconded the motion. The motion passed by a vote of 9 to 3 with Messrs. Payton and Manning and Ms. McClellan voting against.**

(5) Discussion of Project Prioritization

Mr. Comstock reported on the effect of the budget process on the "cut line" for which capital projects get implemented next year. He reported that, given the current status of the budget preparation, only items of a 1.1 and 1.2 prioritization will be implemented. Given current projections, seventeen "high priority" projects will not be implemented next year if the administration fee remains forty-four cents.

(6) Miscellaneous

Ms. Stockstill raised an issue regarding the timing of the Board's consideration of PRR532 relating to giving the Reliability Council alternatives for resolving Local Congestion in lieu of RMR contracts. Mr. Jones stated that this PRR, if approved, would give the Reliability Council an option to consider ways to resolve Local Congestion other than an RMR agreement. Ms. Stockstill stated that TECO/Frontera has already made a proposal regarding Local Congestion in the Rio Grande valley. This proposal might allow the Reliability Council to refrain from entering an RMR contract for the Bates Unit #2. Mr. Jones stated that, if the Board of Directors approves the PRR in October, the Reliability Council would have until the end of the year to negotiate an agreement in lieu of an RMR agreement. Mr. Hayslip stated that these discussions may be premature because the PRR has not yet been passed. Ms. Stockstill stated that she does not want to lose an opportunity to save Market Participants money due to the timing of the passage of a PRR. Mr. Kahn recommended giving the Reliability Council the authority to begin discussions with Market Participants for agreements in lieu of RMR agreements in anticipation of the PRR being approved. Chairman Greene invited Mr. Greg Ramon of TECO/Frontera to make comments. Mr. Payton expressed his concern regarding the manner in which this matter was raised (*e.g.* by a Board member concerning an individual contract, without notice and without being raised by the TAC Chairman or ERCOT staff). Ms. Barbara Clemenhagen, Manager of Federal Regulatory Policy for Sempra Energy, the owner of the Bates plant, stated that her company would appreciate clarity on the Reliability Council's strategy for the Bates plant so it can make plans regarding the plant. The Board took no action on this issue.

Texas Nodal Team (TNT) Report

Chairman Greene invited Trip Doggett, one of the Independent Facilitators for the Texas Nodal project, to present the TNT Report.

Mr. Doggett reported on the status of the cost/benefit study, protocol development, the economist workshop, PUCT proposed changes to the market design, recent votes at TNT meetings (specific information can be obtained by viewing the Board materials on the Reliability Council's web site) and action requested on the ECI recommendation. The TNT plans to file the cost/benefit study at the PUCT by November 1, 2004. He also reported that the TNT has completed its review of TNT Protocols Sections 1, 3, 4, 5, 6, 7 and 8. Completion of the Round 1 review is anticipated to be October 15, 2004.

(1) Delay in Recommendation on Competitive Test

Jim Galvin of the Texas Nodal Team asked the Board of Directors to delay the deadline for a decision on the Element Competitiveness Index from October 1, 2004 to December 1, 2004. A brief discussion ensued. Chairman Greene asked if anyone objected to moving the deadline. Hearing no objection, he stated that the TNT could make its presentation to the Board of Directors by December 1, 2004 instead of October 1, 2004.

Human Resources & Governance Committee Report

Mr. Kahn, Chairman of the H.R. & Governance Committee, reported that the committee has several matters to report.

(1) 401(k) Plan and Money Purchase Plan Changes

Because the Reliability Council has a new CEO, it must make several changes to these plans. One change is to remove one authorized signatory party (Mr. Noel, former President/CEO) and add Tom

Schrader (current President/CEO). Another recommended change is to add Maxine Buckles (ERCOT CFO) as an approved signatory on the plans. **Mr. Kahn moved to approve the proposed changes. Mr. Espinosa seconded the motion; the motion passed by unanimous voice vote with no abstentions.**

(2) **Nominating Committee**

In light of Mr. Baggett's resignation, the nominating committee will select an executive search firm and begin considering replacement candidates.

Special Committee Update

Mike Espinosa, Chairman of the Board Special Committee to investigate matters related to vendor procurement irregularities, reported that the audits by Ernst & Young and Deloitte & Touche are underway. Each made a presentation to the committee this morning. A final report is anticipated by November 15, 2004.

Other Business

No other business was raised. Chairman Greene commended the Reliability Council staff on getting through another summer with no significant reliability issues. He also commended staff for getting Texas SET 2.0 rolled out without incident.

Chairman Hudson then closed the PUCT Open Meeting.

Adjournment

Chairman Greene adjourned the open portion of the meeting at approximately 3:20 p.m.

Executive Session

The Board met in Executive Session to discuss litigation matters, H.R. issues and an update from the Special Committee.

The next Board meeting will take place on October 19, 2004 at the Reliability Council's Metro Center office in Austin, Texas. The following meeting will be held on November 16, 2004 at the Reliability Council's Met Center office in Austin, Texas. PLEASE NOTE THAT THE DECEMBER BOARD MEETING WILL BE HELD ON THE SECOND TUESDAY OF THE MONTH (DECEMBER 14, 2004) IN CONJUNCTION WITH THE ANNUAL MEETING.

Board materials and presentations from the meeting are available on ERCOT's website at: <http://www.ercot.com/calendar/2004calendar/2004boardmaterials.htm>

Margaret Uhlig Pemberton, Corporate Secretary