

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

**Electric Reliability Council of Texas, Inc. Offices
Austin, Texas**

10:00 a.m.

December 14, 2004

Pursuant to notice duly given, the Meeting of the Board of Directors of Electric Reliability Council of Texas, Inc. convened at approximately 1:40 p.m. on December 14, 2004.

Meeting Attendance:

Board Members:

Armentrout, Mark		Unaffiliated
Cox, Brad	Tenaska Power Services	Independent Power Marketer
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 and proxy for Clifton Karnei after the TAC PRR vote.
Karnei, Clifton	Brazos Electric Power Cooperative	Cooperative
Manning, Bob	H-E-B Grocery Company	Consumer/Commercial
McClellan, Suzi	Office of Public Utility Counsel	OPUC Residential & Small Commercial Consumers
Payton, Tom	Occidental Chemical Corp.	Consumer/Industrial
Schrader, Tom	ERCOT President and CEO	ERCOT
Weiseh, David	Utility Choice Electric	Independent REP

Staff and Guests:

Adrian Pieniazek	CenterPoint
Barry Huddleston	Dynegy
Barry Smitherman	PUCT Commissioner
Betty Day	ERCOT Staff
Bill Bojorquez	ERCOT Staff
Bob Bennett	Rainbow Energy
Bob Helton	ANP
Bob Peck	LCRA
Brett Harper	First Choice Power
Brian Lloyd	Public Utility Commission
Cesar Seymour	Tractebel
Chander Ahuja	ERCOT Staff
Cheryl Yager	ERCOT Staff
Claudia Grisales	AAS
Clayton Greer	Constellation
Dan Madru	Senate Business & Commerce
David Kasper	ERCOT Staff
Diana Zake	ERCOT Staff

Ellen Wolfe	CRA
Fred Young	Air Liquide
Gary Eddins	Topaz Power Group
Gilbert Hughes	AEP
Greg Ramon	TECO Energy, Inc.
Henry Durrwachter	TXU
Henry Wood	STEC/MEC
James Striedel	Entergy Solutions
Jean Ryall	Constellation
Jerry Jackson	First Choice Power
Jeyant Tamby	ERCOT Staff
Jim Galvin	ERCOT Staff
Jim Harder	Garland Power & Light
John Floy	NECC
John Houston	CenterPoint
John Meyer	Reliant
John Moore	
John Stauffacher	GCPA
Julie Parsley	PUCT Commissioner
Keith Emery	Tenaska
Kevin Smith	Tenaska
Margaret Pemberton	ERCOT Vice President, General Counsel and Corporate Secretary
Mark Caskey	Sharyland Utilities, L.P.
Mark Dreyfus	Austin Energy
Mark Walker	ERCOT Staff
Matt Cook	Platts
Michael Packard	STEC
Mike Troell	STEC/MEC
Natalie Gott	AP
Neil Eddleman	TEAM
Nick Fehrenback	City of Dallas
Nieves Lopez	ERCOT Staff
Parviz Adib	PUCT Staff
Patty Harrell	Mirant
Phillip Oldham	Andrews & Kurth
Rafael Lozano	PSEG Texgen I
Randy Chapman	TLSC
Randy Jones	Calpine
Ray Guiliani	ERCOT Vice President and Chief of Market Operations
Richard Gruber	ERCOT Staff
Robert Connell	ERCOT Staff
Sam Jones	ERCOT Executive Vice President and Chief Operating Officer
Sharon Mays	Denton
Steve Bartley	CPS
Susan Vincent	ERCOT Staff
Trip Doggett	TNT Facilitator
Valerie Marlett	GDS Associates
Vikki Gates Cuddy	The Structure Group
Walt Shumate	Shumate & Associates
Yang Xiao	ExxonMobil Power & Gas

Announcements

Tom Schrader, ERCOT President and CEO, called the meeting to order and determined that a quorum was present. Chairman Hudson of the Public Utility Commission of Texas (PUCT) announced an open meeting at this time.

Confirmation of Commercial Consumer Director

Mr. Schrader stated that the first order of business was to confirm the Appointed Commercial Consumer Board Member. **Bob Kahn moved to approve Mr. Bob Manning of H-E-B Grocery Company as the appointed Board member; Mike Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Selection of Chair and Vice-Chair

Mr. Schrader then stated that the Board must nominate a Chair and Vice Chair. **Chairman Hudson nominated Mike Greene for Chairman of the ERCOT Board of Directors. Suzi McClellan seconded the motion.** Chairman Hudson commended Mr. Greene for his diligence and leadership over the last several years; he stated that he has great confidence in Chairman Greene as ERCOT's Chairman and that there is no one else he would rather sit beside when appearing before the Legislature. Commissioner Parsley commended Mr. Greene on his ability to act as a "referee" and provide wisdom and serve as a calming influence during turbulent times. Commissioner Smitherman praised Chairman Greene's leadership style and ability to bring consensus to the group and stated that he was pleased to see Mr. Greene continue as Chairman of the ERCOT Board of Directors. **The motion passed by unanimous voice vote with no abstentions.**

Chairman Greene then nominated Mr. Manning to serve as Vice-Chair of the Board of Directors. David Veiseh seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Confirmation of TAC Representatives

Clifton Karnei moved to approve the slate of TAC representatives for 2005 set forth in Exhibit A to these minutes. Ms. McClellan seconded the motion. The motion passed by a unanimous voice vote with no abstentions.

Approval of Minutes

Chairman Greene requested comments on and approval of the minutes of the November 2004 Board of Directors meeting. **Darrell Hayslip moved to approve the minutes of the November Board meeting as circulated. Ms. McClellan seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

CEO Report

Mr. Schrader reported on the settlement reached regarding the ERCOT Administration Fee for 2005. Subject to the Board's approval of the settlement, the fee will be \$0.42/MWh. He stated that this amount represents a fiscal challenge to the organization.

Mr. Schrader also reported on ERCOT management's plans for responding to the issues raised in the recent audits. ERCOT management will report to the PUCT at its open meeting on Thursday to set

forth these plans in preliminary form.

Mr. Schrader invited, Chander M. Ahuja, Acting Director of Security, to present the security work plan currently being implemented. He identified the Reliability Council's "crown jewels" as its people, information and physical assets. He summarized the 2005 security goals as: (i) accountability, (ii) establishing best practices and (iii) remediation with a concentrated effort. Mr. Armentrout commended Mr. Ahuja on his work product to date and the plans to improve security at ERCOT.

Operations Update

Sam Jones, ERCOT Executive Vice President and Chief Operating Office, reported on the following topics:

(1) Winter Preparedness Update

ERCOT staff has seen some long-term forecasts of possible severe cold weather for the coming months. This has raised some concern about natural gas curtailments in light of the fact that Texas experienced gas curtailments in 2003 with temperatures only in the mid-twenty degree range. After 2003, the ERCOT operating guides were changed to allow ERCOT to declare an emergency if significant gas curtailments occur. ERCOT will use the EECF if resources cannot maintain adequate responsive reserves. If the EECF gets to level four, TDSPs will have to begin shedding firm Load.

Commissioner Smitherman asked if ERCOT could do anything preemptively to prepare for extreme weather. Mr. Jones pointed out that stored fuel/dual fuel remains an issue. ERCOT has recommended a study of dual fuel capability. Mr. Comstock, Chairman of TAC, provided a brief report on the results of that survey. He stated that the TAC referred the issue to the ROS.

(2) Clear Springs to Salado 345 kV Project

Mr. Jones asked the Board to endorse the need for the proposed Clear Springs – Salado double-circuit 345-kV project that will reach from the Clear Springs/Zorn stations in Central Texas to a new switching station at Salado just south of Temple (approximately 100 miles). The line will also include two new 345/138-kV substations in Travis and Williamson counties. The estimated capital cost of the project is approximately \$140 million. It should yield \$50 million per year in savings. The TAC unanimously approved the project.

Mr. Payton moved to approve the project as recommended by ERCOT staff. Mr. Karnei seconded the motion. The motion passed by a unanimous voice vote with Chairman Greene abstaining.

Financial Update

Mr. Schrader provided a brief update of the Reliability Council's finances through November 2004. He also indicated that the projected end-of-year budget results are in line with previous forecasts.

Finance & Audit Committee Report

Clifton Karnei, Chairman of the Finance & Audit (F&A) Committee reported on the following matters:

(1) SAS70 Update

Mr. Karnei invited Sean Barry of PwC to report on the preliminary results of the SAS70 audit. Mr. Barry stated that the audit relates to management controls around: (i) settlements, (ii) upstream processes that feed settlements and (iii) IT infrastructure related to settlements. The SAS70 report covers May 1, 2004 through October 31, 2004. It looks at seventeen control objectives, some of which are business related and some of which are I.T. related. PwC will provide a qualified opinion because of issues in three areas: (i) change management, (ii) physical security and (iii) I.T. security. However, since August, ERCOT has corrected the weaknesses identified in two of those three areas (physical security and I.T. security) and for the final period of the audit (after September 1) these areas had an unqualified status. Mr. Barry stated that all ISOs in the U.S. are now doing SAS70 audits. He commended ERCOT staff for going above and beyond the call of duty in assisting PwC with its audit work. ERCOT staff did all this work while in the middle of several other PUCT-ordered audits.

Mr. Giuliani, ERCOT Chief of Market Operations, presented a brief response by ERCOT management to the preliminary audit results. Most importantly, the weaknesses remaining (in the change management process) do not indicate any material adverse impact on the accuracy of settlement statements and invoices.

(2) Approval of 2005 Budget and Fee Case Settlement

Mr. Karnei summarized the 2005 budget in light of the settlement reached with the PUCT and other parties. In support of the settlement, the committee recommends changing the Administration Fee to \$0.42/MWh. **Mr. Karnei moved to: (i) approve the Administration Fee at \$0.42/MWh and (ii) Authorize ERCOT staff to proceed with appropriate Public Utility Commission of Texas proceedings to implement such fees, as necessary. Mr. Veiseh seconded the motion**

Commissioner Smitherman asked if this reduced fee would adversely impact ERCOT's operations. Mr. Schrader stated that it will provide challenges, but he has asked Mr. Giuliani and a team of ERCOT managers to closely analyze the budget to find potential cost savings, and ERCOT would work with TAC as necessary to reevaluate spending priorities. Mr. Karnei pointed out that the settlement provides that ERCOT could file a full fee application before October 1, 2005, which could seek to raise the fee, lower it or leave it the same.

At that time, Chairman Greene called the question. **The motion passed by a unanimous voice vote with no abstentions.**

Mr. Karnei then moved to approve ERCOT management's proposed 2005 Budget which includes spending authorization for operating and maintenance costs, capital project expenditures to support planned activities and contingencies for 2005 and is subject to \$6 million of additional cost savings that must be identified and reported to the Board. Mr. Espinosa seconded the motion. The motion passed by a unanimous voice vote with no abstentions.

(3) Amendment to ERCOT Financial/Debt Policy

Mr. Karnei moved to approve the committee's recommendation to clarify that the ERCOT debt policy will provide that ERCOT's unhedged, variable rate debt outstanding will not exceed 40% of its total debt outstanding. Mr. Hayslip seconded the motion. The motion passed by a unanimous voice vote with no abstentions.

Texas Nodal Team (TNT) Report

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

(1) Report on Cost Benefit Analysis for Texas Nodal

Mr. Doggett reported that the study shows the nodal Change Case is measured to produce average annual benefits of \$76 million per year, in net present value, in reduced generation costs. The study also noted that implementation of a nodal market will impact some market participants disproportionately, especially small market participants and those who operate only in the ERCOT Region, due to increased complexity. The nodal market will also shift risk from LSEs to transmission rights holders.

A lengthy discussion ensued regarding issues relating to the Cost Benefit study.

(2) Protocol Development

Round two began November 1. The group completed Round two final review of all sections that should remain unchanged by the economist's comments and started Round two intermediate review of sections that are impacted by economist's comments.

(3) Modifications to Design Elements (White Papers): EHDAM, Market Mitigation and Congestion Rights

Mr. Doggett reported that the Texas Nodal Team (TNT) process approved by the Board in August 2003 requires Board approval of the Texas Nodal market design elements. The Board originally approved the Texas Nodal design elements at its April and May 2004 meetings. After consideration of the economist's comments, TNT voted on November 8th to adopt several of the economist's recommendations, resulting in revisions to the market designs which were approved by the Board on November 16, 2004. After further consideration, TNT voted on November 15th to adopt additional changes. TNT is asking the Board to approve the following changes.

(A) Changes to the Day-Ahead Energy Market (DAEM), as defined in red-lined comments in the Board approved Day-Ahead Energy Market white paper (Attachment A to the Board packet). These changes include: (1) the decision to start the market with the new DAEM, not Auction Day Ahead (2) adding the same Resource mitigation methodology in day-ahead as real-time, (3) restricting the ability to carry Options to real-time to NOIEs, only up to 110% of their next day's load, (4) adding the requirement that self-committed capacity nominations, inter-QSE energy trades and three-part offers considered in DAEM/RUC must be submitted prior to the commencement of the DAEM and (5) removal of the day-ahead Congestion Revenue Rights (CRR) reconfiguration.

(B) Changes to CRRs, as defined in red-lined comments in the Board approved CMCG Concept white paper (Attachment B to the Board packet). These changes include:

- (1) CRRs will be fully-funded
- (2) CRR auction revenue will be allocated to Load for source and sink in the same zone, otherwise ERCOT-wide Load ratio share
- (3) simplified Point-to-Point Option settlement and
- (4) clarification that no CRRs will be sold on radial transmission elements that originate or terminate at a Resource.

(C) Addition of offer floors as defined in the red-lined comments in the Board-approved Market Mitigation white paper (Attachment C to Board packet).

Mr. Kahn moved to approve the above-referenced changes. Mr. Hayslip seconded the motion. Items (B) and (C) passed by unanimous voice vote with no abstentions; Item (A) passed with eleven votes in favor and one opposed (Mr. Payton). Mr. Payton noted that there was only a placeholder in the Market Mitigation white paper for the offer floors and requested that TNT bring the actual values back to the Board for approval.

TAC Report

Chairman Greene invited Mr. Read Comstock, TAC Chairman, to report on recent TAC activities.

(1) Protocol Revision Requests

The 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.

- **PRR536 - Mandatory IDR Threshold Reduction.** Proposed effective date: January 1, 2005. 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. This PRR lowers the threshold for IDR mandatory installation to 700 kW (or kVA). PRS approved the motion to recommend approval of PRR536 as revised through a voice vote with no opposing votes and no abstentions; the Independent REP segment was not present for the vote; all other segments were represented. TAC voted unanimously to recommend approval of PRR536 as submitted by PRS; all segments were present for the vote. ERCOT Credit staff and the CWG have reviewed PRR536 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- **PRR538 - OOMC Generic Cost for Coal.** Proposed effective date: January 1, 2005. Due to the expected infrequency of this occurrence in the present market environment, ERCOT can provide a manual solution without significant impacts to staffing or systems. However, if the frequency of OOMC instructions for these technologies (Nuclear, Hydro, and Coal/Lignite) increases substantially, ERCOT would either consider increasing FTE levels in Settlements for increased manual processing or seek the systematic changes described in the Impact Analysis; no impact to grid operations. This PRR establishes generic cost for coal, nuclear and hydro plants for use when they receive OOMC instructions. PRS approved the motion to recommend approval of PRR538 as submitted through a voice vote with no opposing votes and no abstentions. The Independent REP segment was not present for the vote; all other segments were represented. TAC voted unanimously to recommend approval of PRR536 as submitted; all segments were present. ERCOT Credit staff and the CWG have reviewed PRR538 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- **PRR550 - Pace of Short Pay Uplift to LSEs - *URGENT*.** Proposed effective date: January 1, 2005. No budgetary impact; relatively small incremental effort for ERCOT Finance to track and manage pace of short pay, however, no incremental staffing is required; no impacts to ERCOT computer systems; minor impact to ERCOT business functions for ERCOT Finance processes in allocating/pacing the collections; no impact to grid operations. This PRR sets a rate at which money due from QSEs representing load is collected (no faster than

\$2.5 million per month for the market). PRS unanimously voted to declare PRR550 urgent at its November meeting. PRS then recommended approval of PRR550 as amended by PRS with one abstention from the IOU segment. All market segments were present for the vote. TAC voted unanimously to recommend approval of PRR 550; all segments were present. ERCOT credit staff and the CWG have reviewed PRR550 and conclude that providing for uplift to QSEs representing Load in a timely and defined manner has positive credit implications.

Mr. Armentrout moved to approve all of the PRRs; Mr. Payton seconded the motion. Mr. Veiseh asked how it was determined to use 700 kW in PRR536. Mr. Comstock said that number resulted from an analysis by ERCOT Staff and should lead to installation of 900 additional meters. Mr. Manning reiterated Mr. Armentrout's concern about passing PRRs which may require additional funding while, at the same time, cutting the budget. **The motion passed by a 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>

(2) **ADRs Relating to Data Issues**

This issue was referred to TAC by the Board of Directors and TAC has referred the issue to the Commercial Operations Subcommittee.

(3) **Alternative Fuel Survey Update**

Mr. Comstock reported that TAC conducted a survey of alternative fuel capabilities. They received responses from 95% of total megawatts in the Region. The survey sought information about resources with dual fuel capability. ROS will now analyze the results of the survey to determine if dual fuel capability is needed.

Human Resources & Governance Committee Report

Mr. Kahn, H.R. and Governance Committee Chair, provided the following report:

(1) **Amendments to 401(k) Plan, Money Purchase Plan and Flexible Benefits Plan**

The H.R. and Governance Committee recommend the following changes:

(a) Removal of Trustee. The committee recommends that the Board amend both Plans to remove the former CFO as a co- Trustee of the Plans.

(b) Clarification of Definition of Compensation. Amending both Plans, effective January 1, 2005, to clarify the definition of "Compensation" used for determining contributions (and for other purposes as stated in the respective Plans).

(c) Change from Automatic Annuity Form of Benefit (401(k) Plan Only). Amending the 401(k) Plan, effective April 1, 2005, to eliminate annuities as the automatic form of benefit. (The delayed effective date would allow ERCOT time to provide the 90-days' advance notice to participants of the amendment as required by IRS regulations.)

(d) Amending and restating the Flexible Benefits Plan to provide for pre-tax treatment of the contributions paid by employees for dependent coverage under the Medical Plan.

Mr. Kahn moved to pass the Resolutions attached as Exhibits B and C to these minutes to implement the amendments referenced above; Mr. Veiseh seconded the motion. The motion passed by unanimous voice vote without abstention.

(2) Committee Update

The committee is considering making changes to some of the By-Laws. Mr. Kahn invited Board members to provide input in this process. Additionally, the Board recently approved using Must Run Alternatives (to RMR agreements) and asked to have a sub-committee set up to vote on MRA agreements. The Committee believes that the Board should empower ERCOT Staff to make the decision to grant an RMR agreement or MRA agreement. The committee will ask the Board to consider this issue next month.

Special Committee Report

Chairman Greene invited Mr. Espinosa to report on the activity of the Board Special Committee. Mr. Espinosa reported that the committee will begin having meetings on an "as needed" basis.

Other Business

(1) Adjunct Membership Approval of Panda Energy

Mr. Payton moved to approve the adjunct membership of Panda Energy. Mr. Manning seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment

Chairman Greene adjourned the open portion of the meeting at approximately 3:50 p.m. At that time, Chairman Hudson adjourned the PUCT open meeting.

Executive Session

The Board met in Executive Session to discuss litigation matters, H.R. issues and contract matters.

The next Board meeting will take place on January 18, 2005 at the ERCOT's Met Center, office in Austin, Texas.

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

EXHIBIT A
2005 TAC Representatives

Independent Retail Electric Providers

Read Comstock – Strategic Energy
Martin Downey – TriEagle Energy
Henry Vadie – Utility Choice Electric
Marcie Zlotnik – Star Electricity

Independent Power Marketers

Jeff Brown – Coral Power
Mike Cunningham – Exelon
Clayton Greer – Constellation Energy
Jeff Holligan – BP Energy

Independent Generators

Rafael Lozano – PSEG Texgen I
Randy Jones – Calpine
Cesar Seymour – Tractebel
Bob Helton – American National Power

Investor Owned Utilities

John Houston – Centerpoint
Richard Ross – AEP
Brad Jones – TXU Energy
Michelle Trenary – First Choice Power

Municipals

Les Barrow – City Public Service
Sharon Mays – Denton Municipal Electric
Mark Dreyfus – Austin Energy
Dan Wilkerson – Bryan Texas Utilities

Cooperatives

Hugh Lenox – Brazos
Dudley Piland – LCRA
John L. Sims – Nueces
Henry Wood – STEC

Consumers

Small Commercial – Chris Hendrix (Walmart)
Large Commercial – Nick Fehrenbach (City of Dallas)
Industrial – Oscar Robinson (Austin White Lime) and Andrew Dalton (Valero)
OPUC

Exhibit B

RESOLUTION OF THE ERCOT BOARD OF DIRECTORS

WHEREAS, the Electric Reliability Council of Texas, Inc. (“ERCOT”) maintains the Electric Reliability Council of Texas 401(k) Savings Plan (the “401(k) Plan”) and the Electric Reliability Council of Texas Money Purchase Plan (the “Money Purchase Plan”) (individually, a “Plan” and, collectively, the “Plans”), each of which is a defined contribution plan and trust agreement maintained under Sections 401(a) et seq. of the Internal Revenue Code of 1986 (the “Code”); and

WHEREAS, pursuant to Section 23.02 of each Plan, ERCOT has the right to amend choices on the Adoption Agreement to the Plan; and

WHEREAS, pursuant to Section 22.11 of each Plan, the Employer has the right to remove Trustees of the Plan; and

WHEREAS, ERCOT’s Board of Directors deems it desirable and in the best interests of ERCOT: (1) to amend both of the Plans to remove the former CFO as a Trustee; (b) to amend both of the Plans effective January 1, 2005, clarify the definition of “Compensation” used for the purpose of determining contributions (and for other purposes as provided in the respective Plans); and (c) to amend the 401(k) Plan effective April 1, 2005, to eliminate annuities as the automatic form of benefit by incorporating the safe harbor rules regarding the provision of qualified annuities under Code Sections 401(a)(11) and 417.

After full discussion and due consideration thereof, it was duly

RESOLVED, that the removal of Ms. Maxine N. Buckles as a Trustee of each of the Plans be and hereby is in all respects authorized, approved and confirmed effective November 15, 2004; and

FURTHER RESOLVED, that amendment of each Plan effective January 1, 2005, to clarify the definition of “Compensation” used for the purpose of determining contributions (and for other purposes as provided therein) be and hereby is, in all respects, authorized, approved and confirmed; and

FURTHER RESOLVED, that amendment of the 401(k) Plan effective April 1, 2005, to incorporate the safe harbor rules regarding the provision of qualified annuities under Code Sections 401(a)(11) and 417 be and hereby is, in all respects, authorized, approved and confirmed; and

FURTHER RESOLVED, that the actions of the officers of ERCOT in executing such documents as may be required or desirable and in taking such other actions as may be necessary or desirable to effectuate the foregoing resolutions, to render said amendments fully effective, and otherwise to maintain for the Plans compliance with the requirements of the Code, the Employee Retirement Income Security Act of 1974 (“ERISA”), and any other applicable legal requirements be and hereby are, in all respects, authorized, approved and confirmed.

Exhibit C

RESOLUTION OF THE ERCOT BOARD OF DIRECTORS

WHEREAS, the Electric Reliability Council of Texas, Inc. (“ERCOT”) maintains the ERCOT Flexible Benefits Plan (the “Plan”), which is a “cafeteria plan” as such term is defined in Section 125 of the Internal Revenue Code of 1986 (the “Code”); and

WHEREAS, pursuant to Section 9.01 of the Plan, ERCOT has the right to amend the Plan; and

WHEREAS, ERCOT’s Board of Directors deems it desirable and in the best interests of ERCOT to amend and to restate the Plan effective July 1, 2004, to include a premium conversion feature, which will allow pre-tax treatment of the contributions paid by employees for dependent coverage under the Medical Plan and any other future contributions for benefits that would be eligible for such treatment under Code Section 125.

After full discussion and due consideration thereof, it was duly

RESOLVED, that amendment and restatement of the Plan effective July 1, 2004, to include a premium conversion feature be and hereby is, in all respects, authorized, approved, ratified and confirmed; and

FURTHER RESOLVED, that the actions of the officers of ERCOT in executing such documents as may be required or desirable and in taking such other actions as may be necessary or desirable to effectuate the foregoing resolution, to render said amended and restated Plan fully effective, and otherwise to maintain for the Plan compliance with the requirements of the Code and any other applicable legal requirements be and hereby are, in all respects, authorized, approved, ratified and confirmed.