

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

Omni Southpark Hotel

Austin, Texas

10:00 a.m.

April 19, 2005

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 April 19, 2005.

Meeting Attendance:

Board Members:

Armentrout, Mark		Unaffiliated
Cox, Brad	Tenaska Power Services	Independent Power Marketer
Espinosa, Miguel		Unaffiliated
Gallagher, Carolyn Lewis		Unaffiliated
Greene, Mike	TXU Power	IOU; Board Chairman
Helton, Bob	American National Power	Independent Generator, Segment Alternate
Hudson, Paul	Public Utility Commission of Texas	PUCT Chairman
Kahn, Bob	Austin Energy	Municipal; Jim Harder, Segment Alternate, after 11:30 a.m.
Karnei, Clifton	Brazos Electric Power Cooperative	Cooperative
Manning, Bob	H-E-B Grocery Company	Consumer/Commercial; Board Vice-Chairman
Ogelman, Kenan	Office of Public Utility Counsel	OPUC Residential & Small Commercial Consumers, Proxy for S. McClellan
Payton, Tom	Occidental Chemical Corp.	Consumer/Industrial
Schrader, Tom	ERCOT President and CEO	ERCOT
Striedel, James	Entergy Solutions	Independent REP, Segment Alternate

Staff and Guests:

Barbara Clemenhausen	Sempra Energy
Barry Huddleston	Dynegy, Inc.
Barry Smith	AEP
Barry Smitherman	PUCT Commissioner
Betty Day	ERCOT Staff
Bill Bojorquez	ERCOT Staff
BJ Behroon	KEMA
Brian Lloyd	TIEC
Brittney Albracht	ERCOT Staff
Catherine Schneider	Comptroller
Cesar Seymour	SUEZ
Cheryl Moseley	ERCOT Staff
Dottie Roark	ERCOT Staff
Evan Rowe	PUCT

Garry Waters	Competitive Assets
Jamille Ruebsahm	Deloitte & Touche
Jesus Sifuentes	Sifuentes, Drummond, Smith LLP
Jim Galvin	ERCOT Staff
Jim Harder	Garland
John Houston	CenterPoint Energy
John Meyer	Reliant
John Moore	John Moore
Kathryn Schwerdtfeger	Deloitte & Touche
Kent Saathoff	ERCOT Staff
Kevin Gresham	Reliant
Kristy Ashley	Exelon
Larry Grimm	ERCOT Staff
Liz Jones	TXU
Margaret Pemberton	ERCOT Vice President, General Counsel and Corporate Secretary
Mark Bruce	FPL Energy
Mark Dreyfuss	Austin Energy
Mark Walker	ERCOT Staff
Nancy McIntire	ERCOT Vice President of Human Resources & Organization Development
Neil Eddleman	Texas Energy Association for Marketers (TEAM)
Randy Jones	Calpine
Ray Giuliani	ERCOT Vice President and Chief of Market Operations
Read Comstock	TAC Chair, Strategic Energy
Richard Verret	AEP
Richard Gruber	ERCOT Staff
Robert Connell	ERCOT Staff
Robert Penshorn	Deloitte & Touche
Ron Hinsley	ERCOT Vice President and Chief Information Officer
Roy Bowman	ERCOT Vice President and Chief Financial Officer
Sam Jones	ERCOT Executive Vice President and Chief Operations Officer
Susan Vincent	ERCOT Staff
Valerie Marlett	GDS Assoc.
Walt Shumate	Shumate and Associates
Wendell Bell	TPPA

Announcements

Mr. Greene, Chairman of the Board, called the meeting to order and determined that a quorum was present. Chairman Hudson of the PUCT called to order an Open Meeting of the PUCT. Chairman Greene also welcomed Carolyn Lewis Gallagher, new unaffiliated Board member.

Approval of Minutes

Chairman Greene requested comments on and approval of the minutes of the March 2005 Board of Directors meeting. **Mr. Espinosa moved to approve the minutes of the March Board meeting as circulated. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Deloitte & Touche Update

Chairman Greene invited Robert Penshorn of Deloitte & Touche (D&T) to provide an update to the D&T

report on internal controls. Mr. Penshorn stated that D&T expanded its audit to cover fixed assets (inventory and controls) and Lawson Change Control and Security. He stated that D&T provided a final report on March 15, 2005. D&T reported on items as “achieved,” “partially achieved” and “not achieved.” With respect to the fixed asset audit, not all assets inventoried in the audit could be traced to a purchase invoice. Therefore, the audit team had to make some assumptions of the asset value. A reconciliation discrepancy was found between the assets inventoried and the book value of those assets (\$2 million out of \$27 million total).

When looking at Lawson Benchmarking, all processes were either achieved or partially achieved. The identified deficiencies were of a type typically found upon a first review by an auditing firm. He also reported that ERCOT is using many of the automated Lawson controls in the current system, although D&T found opportunities to improve those controls. He pointed out that, again, the identified opportunities to improve are of a type typically found upon a first review. D&T will now help ERCOT enhance those controls and ensure that they continue being used (through self-assessment).

Tom Schrader, ERCOT President and CEO, asked Roy Bowman, ERCOT Interim CFO, to provide management’s response to the D&T report. Mr. Bowman stated that ERCOT’s Finance Dept. worked on reconciling the book values of the fixed assets against the inventory. ERCOT Management has decided to write down the two million dollar difference. Mr. Bowman also reported that ERCOT has hired a Fixed Asset Manager to fill this important role. Clifton Karnei, Chairman of the Finance & Audit Committee, stated that the committee reviewed the results of the fixed asset inventory last week at its monthly meeting. He stated that such a write-down is typical of this type of organization after the first fixed asset inventory takes place. In response to a question from Mr. Payton, both Mr. Bowman and Mr. Penshorn indicated that they have seen no evidence of wrong-doing or pilfering of fixed assets. Instead, the discrepancies resulted from record-keeping and control challenges. Mr. Penshorn stated that, if ERCOT implements the controls recommended by D&T, the risk and magnitude of future adjustments should be reduced. He did, however, caution the Board that fixed asset inventories almost always lead to some write-down of assets.

CEO Report

Mr. Schrader began by introducing Ron Hinsley, ERCOT’s new V.P. and Chief Information Officer. He joins ERCOT from Aquila with extensive IT and management experience.

Next, Mr. Schrader presented an update on legislation from the current legislative session that include provisions regarding ERCOT (PUCT oversight, governance, market monitoring) and renewable energy. Mr. Schrader also stated that ERCOT has been called upon many times during the Session to provide input and testify from a system operating and reliability perspective. For example, Sam Jones, ERCOT Executive V.P. and Chief Operating Officer, testified at a House committee hearing last week on generation reserve margin issues.

Mr. Schrader then presented a “dashboard” report of the ERCOT corporate goals and objectives for this year. The dashboard will be used to communicate ERCOT’s monthly status in achieving its goals to the board and employees. The dashboard for March shows seven goals, six of which meet or exceed their targets at this time.

Operations Update

Chairman Greene invited Mr. Jones, ERCOT COO, to present an update on Operational issues.

(1) Reserve Margin Update

Mr. Jones began by recapping how ERCOT Market Participants first established the original 12.5% reserve margin. After establishing that reserve margin, Board members asked ERCOT staff to carefully monitor reserve margins. ERCOT staff has done so and reported to the Board in January of this year that reserves are in danger of falling below the 12.5% level in the next few years. Since that time, TAC has established a Generation Adequacy task force to study the issue. Mr. Jones then presented the same data he reported to the Texas Legislature earlier this month. Mr. Jones reported on the current status of the Capacity, Demand, and Reserves report (CDR) which ERCOT provides to NERC. This number includes some very high peak demand numbers from abnormally hot summers in 1998 and 2000. ERCOT also performs a Long Term Demand Forecast (LTDF) pursuant to the Protocols. This number uses more recent Load data. Using the CDR, the current reserve margin criteria is 13.7%; using the LTDF yields a reserve margin of 20%. As a result, ERCOT sees no problems for the upcoming Summer peak season. Finally, Mr. Jones presented forward-looking reserve margins through 2010 using the current ERCOT reserve margin calculation methodology and the CDR and LTDF load forecasts. A unit that has been returned to service out of mothballs was included in the calculation; this analysis shows that the reserve margin will not drop below 12.5% until the year 2010.

(2) Texas Genco Retirements

Mr. Jones reported on ERCOT's analysis of the proposed retirement of Generation Resources by Texas Genco. He stated that ERCOT intends to enter into an RMR agreement with only one of those facilities.

Additionally, Mr. Jones reported that CenterPoint Energy has asked ERCOT to consider the criticality of proposed transmission upgrades in the Houston zone. ERCOT intends to look at this issue in the near future. Much of the work done looking at the Texas Genco proposed retirements will assist in this endeavor.

Market Operations Update

Ray Giuliani, ERCOT V.P. and Chief of Market Operations, began by stating that the upgrades of the Lodestar and Siebel systems have recently taken place. He also reported that James Cohea, a beloved ERCOT employee, passed away in March as a result of a long battle with cancer. Mr. Giuliani commended James for his key role in the retail transaction functions at ERCOT and for his hard work in the implementation of the ERCOT retail market.

Mr. Giuliani continued by referring to PUCT Project #28500, dealing with a prioritized list of changes that would allow better management of the electric system. The PUCT pushed back the original deadline for the list from April 18 to May 6, 2005. Mr. Giuliani reported on the top ten prioritized recommendations. The three highest priority items related to Resource-specific issues (scheduling, bidding, deployment, ramp rates and shift factors).

Mr. Armentrout asked for elaboration on issue number four, which relates to proper participant incentives to follow schedules and instructions. John Meyer of Reliant and Bob Helton of ANP provided some additional information in response to Mr. Armentrout's question. Mr. Read Comstock, Chair of the TAC, stated that PRS is also considering PRR586, which should help with this issue.

Texas Nodal Team

Chairman Greene invited Jim Galvin, ERCOT Director of Market Operations and co-facilitator of the Texas Nodal Team, to provide an update on the TNT activities.

Mr. Galvin reported that the TNT continued its activity after the filing of the TNT Protocols at the PUCT. The follow-up activity began on April 5, 2005. He also stated that a sub-committee of the Credit Working Group has begun meeting with TNT members to address credit issues in a Nodal market. The TNT is also working on settlement formulae, credit issues, real-time co-optimization, protocol revision synchronization and the role of the independent market monitor.

Mr. Galvin also provided an outline of the effort needed to implement a significant modification to the ERCOT wholesale market design. He reported that ERCOT intends to follow its internal Program Management procedures to implement the new market design, if approved. ERCOT anticipates that internal staff can manage the process instead of an outside vendor because ERCOT now has sufficient staff to lead this project (although vendors will still be needed for specific tasks).

Chairman Greene commended the TNT on its efforts to date and Mr. Galvin on his presentation.

Human Resources & Governance Committee Report

Mr. Kahn, H.R. and Governance Committee Chair, mentioned that the Board must approve the two new officers, Nancy McIntire and Ron Hinsley, as well as Mark Walker to serve as interim General Counsel and Corporate Secretary as a result of Ms. Pemberton's resignation. **Mr. Kahn moved to approve the resolution attached hereto as Exhibit "A." Mr. Espinosa seconded the motion. The motion carried by unanimous voice vote with no abstentions.**

Mr. Kahn reported on various proposed changes to the Bylaws and other governance issues which arose during a recent public meeting. In June, the committee will receive a briefing on the proposed changes and various options relating to those proposed changes. In July, a red-lined draft of the Bylaws incorporating proposed changes will be provided for Board discussion. Later in July, a public meeting will take place to receive public comment. In August, the Board will consider final proposed changes.

In conclusion, Mr. Kahn mentioned that currently the Unaffiliated Board members must sign an Ethics agreement and the committee has determined that *all* Board members should have to execute an Ethics agreement each year. The committee is reviewing a draft of an expanded ethics agreement and will bring this issue to the Board for consideration at next month's meeting.

Chairman Greene informed the meeting participants that the City of Austin has recently promoted Mr. Kahn to Deputy General Manager of Austin Energy and Chairman Greene congratulated Mr. Kahn on that promotion.

Financial Update

Mr. Roy Bowman, ERCOT's Interim Chief Financial Officer, provided an update of the Reliability Council's finances as previously circulated to the Board members. Mr. Bowman noted that "other expenses" has a \$1.38 million variance that relates mostly to depreciation issues. He also reported that ERCOT has a total of 66 capital projects in the process, of which 23 are in progress, 29 are in planning and 14 are complete. He reported that ERCOT will make a principal payment on its Senior note in May of this year.

With respect to staffing, Mr. Bowman reported that ERCOT has reduced contractors by seven since last month.

Mr. Bowman reported that ERCOT has determined that it can improve its financing situation by restructuring its debt. The Board will consider this issue later in executive session. In addition, ERCOT is

preparing a sensitivity analysis on the possible benefits of converting some of its floating rate debt to fixed rates, and the results will be reported in the future.

In conclusion, Mr. Bowman reported on the status of the various audits being undertaken at ERCOT. He also reported on the responses to the audit points that have been raised.

Finance & Audit Committee Report

Clifton Karnei, Chairman of the Finance & Audit (F&A) Committee, reported on the recent committee meeting. The committee considered the financial forecast presented by Mr. Bowman. It also looked at staffing issues and budget scheduling for the upcoming budget cycle. The committee also considered the results of the D&T audit of fixed assets. Ed Ettorre, ERCOT's Internal Audit Manager, reported on ERCOT's internal audit matters. The committee also received a report on two proposed projects involving more than \$1M – Fastrak improvements and enhancements to SCR727 extracts that are nearing the execution stage.

At this time, Mr. Greene mentioned that this is the last Board meeting for ERCOT's General Counsel, Margaret Pemberton. He commended her on her efforts over the last eight years and stated that Ms. Pemberton has always acted to protect and advance ERCOT's best interests. Mr. Kahn stated that, in his four years as a Board member, he has appreciated Ms. Pemberton's dedication and hard work for ERCOT. Ms. Pemberton thanked everyone for the opportunity to work with them and watch ERCOT evolve over the years. She is looking forward to spending more time with her family. She commended ERCOT's employees for their hard work and dedication.

At 1:05 p.m., Commissioner Smitherman closed the Open Meeting of the PUCT.

TAC Report

Mr. 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:

- ◇ ***PRR525 - SCE Performance and Monitoring. Proposed effective date: Upon system implementation.*** Budgetary impact 5-L (\$100,000 – \$500,000); manual production of a monthly report would increase compliance workload but can be absorbed by current staffing levels until report is automated; impacts to ERCOT systems to automate reports and send a signal to QSEs on a real-time basis; no impact to ERCOT business functions; no impact to grid operations. This PRR revises Sections 6.10.4, 6.10.5, and 6.10.6 and subsections to require all QSEs to follow Schedule Control Error (SCE). ERCOT posted this PRR on June 10, 2004. At its July 23, 2004 meeting, PRS voted to send PRR525 to WMS for clarification. At its December 3, 2004 meeting, WMS voted to recommend PRR525 with the methodology proposed by Austin Energy. PRS reviewed PRR525 at its January 2005 meeting and voted to recommend approval as clarified by WMS and revised by PRS. There were two abstentions from the Independent Power Marketer segments; all market segments were present for the vote. PRS reviewed ERCOT's impact analysis at its February 2005 meeting. On March 3, 2005, TAC voted to recommend approval of PRR525 as amended by ERCOT comments with an implementation date set when ERCOT can automate the process. All segments were present for the vote; there

was one abstention from the IOU segment. On March 17, 2005, with all segments present, PRS voted to assign PRR525 a priority of 1.2 and a rank of 35.5. There were two abstentions from the Consumer and Independent Generator segments. On April 7, 2005, TAC voted to affirm the priority and rank recommended by PRS. All segments were present for the vote; there were opposing votes from the IOU (two) and REP (one) segments and abstentions from the Consumer (one), REP (three) and IOU (one) segments. ERCOT credit staff and the Credit Work Group (CWG) have reviewed PRR525 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ◇ ***PRR540 – OOM Cost Recovery Process Clarification. Proposed effective date: May 1, 2005.*** No budgetary impact; no significant staffing impacts, the incremental amount of resettlement activities should not be substantial; no impacts to ERCOT computer systems; no significant changes to ERCOT business functions; no impact to grid operations. This PRR clarifies and modifies the process ERCOT uses when making payments for cost recovery requests associated with OOMC and OOME instructions. ERCOT posted this PRR on September 1, 2004. On September 24, 2004, PRS tabled this PRR to allow additional time for Market Participants and ERCOT to work on language. At its October 2004 meeting, PRS again tabled this PRR for further discussions off-line to resolve issues related to the cost categories. After discussion during its November 19, 2004 meeting, PRS sent the PRR to a task force for resolution of cost recovery issues. On December 16, 2004, PRS voted to recommend approval of this PRR as amended. PRS reviewed ERCOT's impact analysis of the PRR at its January 2005 meeting. TAC voted to recommend approval of the PRR as submitted by PRS. There were six opposing votes, all from the Consumer segment, and one abstention from the REP segment. On March 15, 2005, the Board remanded PRR540 to TAC for clarification. On April 7th, TAC considered PRR540 and voted to recommend approval of the PRR as previously recommended and to instruct PRS to consider a Protocol revision extending a credit against start-up costs. There was one opposing vote and one abstention from the Consumer segment. All segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR540 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ◇ ***PRR557 – Late Fees and Late Fee Recovery. Proposed effective date: May 1, 2005.*** No budgetary impact; staffing impact dependent on the frequency of events; no impact to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations. This PRR clarifies how ERCOT calculates and distributes late fees. ERCOT posted this PRR on November 23, 2004 in response to discussion at the November 19, 2004 PRS meeting. PRS reviewed PRR557 at its January 20, 2005 meeting and voted 71.4% in favor and 28.6% opposed, to recommend approval as revised by comments from Green Mountain Energy Company. The opposing votes were from the Coop, Independent Generator, and Independent Power Marketer segments; members from the Municipal and IOU segments abstained. PRS reviewed ERCOT's impact analysis at its February 17th meeting. On March 3rd, with all segments present, TAC voted to recommend approval of PRR557. There were four opposing votes from the MOU, Independent Generator and Independent Power Marketer segments. Additionally, there were two abstentions from the Independent Power Marketer segment. ERCOT credit staff and the CWG have reviewed PRR557 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ◇ ***PRR558 - Market Notice of LaaR Proration. Proposed effective date: upon system***

implementation. Budgetary impact 5-L (\$100,000-500,000); no impact to ERCOT staffing; impacts to EMMS database and the Enterprise Data Warehouse (EDW); no impact to ERCOT business functions or grid operations. This PRR allows Market Participants to be notified when ERCOT prorates LaaR awards for Responsive Reserve. ERCOT posted this PRR on November 23, 2004. PRS reviewed PRR558 at its January 20th meeting and unanimously voted to recommend approval as submitted. PRS reviewed ERCOT's impact analysis at its February meeting. At its March 3rd meeting, TAC voted unanimously to recommend approval of PRR558. On March 17th, with all segments present, PRS unanimously voted to assign PRR558 a priority of 1.2 and a rank of 35.6. On April 7th, TAC voted to affirm the priority and rank recommended by PRS. All segments were present for the vote; there were opposing votes from the IOU (two) and the REP (one) segments and abstentions from the Consumer (one), REP (three) and IOU (one) segments. ERCOT credit staff and the CWG have reviewed PRR558 and do not believe that it requires changes to credit monitoring activity or the calculation of liability

- ◇ ***PRR559 - Regulation E10 Update and SCPS1/SCPS2 References. Proposed effective date: May 1, 2005.*** No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions or grid operations. This PRR changes the value of the E10 constant in the formula for Regulation Service monitoring criteria to the current value and adds references naming the SCPS1 and SCPS2 variables. ERCOT posted this PRR on November 23, 2004. PRS reviewed PRR559 at its January meeting and unanimously voted to recommend approval as submitted. PRS reviewed ERCOT's impact analysis at its February meeting. On March 3rd, TAC voted unanimously to recommend approval of PRR559. ERCOT credit staff and the CWG have reviewed PRR559 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ◇ ***PRR560 - QSE Qualification Using LaaRs. Proposed effective date: May 1, 2005.*** No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions or grid operations. This PRR adds language describing how a QSE can qualify to provide Ancillary Services by using only LaaR Resources. ERCOT posted this PRR on November 23, 2004. PRS reviewed PRR560 at its January meeting and voted to recommend approval as submitted with two abstentions from the Independent Generator and Consumer segments. PRS reviewed ERCOT's impact analysis at its February meeting. On March 3rd, TAC voted unanimously to recommend approval of PRR560. ERCOT credit staff and the CWG have reviewed PRR560 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ◇ ***PRR561 - Remove Nuclear and Hydroelectric Generators from Automatic Deployment Software. Proposed effective date: May 1, 2005.*** No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems, ERCOT will alter a manual workaround currently in place; no impact to ERCOT business functions or grid operations. This PRR directs ERCOT to remove Nuclear and Hydro Electric generation from any software driven automatic solution to resolve congestion. ERCOT, however, retains the right to provide verbal dispatch instructions during an ERCOT emergency when it is deemed that the Hydro or Nuclear unit in question is uniquely qualified to resolve the problem. ERCOT posted this PRR on December 9, 2004. PRS reviewed PRR561 at its January meeting and voted to recommend approval as revised by ERCOT comments. There was one opposing vote (Independent Power Marketer segment) and five abstentions (Independent Power Marketer (two), MOU (one), Consumer (one),

Independent Generator (one) segments). PRS reviewed ERCOT's impact analysis at its February meeting. TAC voted to recommend approval of PRR561 with one abstention from the Independent Power Marketer segment. ERCOT credit staff and the CWG have reviewed PRR561 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ◇ ***PRR563 – Standard Form Blackstart Agreement – Payment. Proposed effective date: May 1, 2005.*** No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions or grid operations. This PRR makes the language in Section 22A, Standard Form Black Start Agreement consistent with the changes implemented by PRR487 (Black Start Resources). ERCOT posted this PRR on December 17, 2004. PRS reviewed PRR561 at its January meeting and voted unanimously to recommend approval as revised by TXU comments. PRS reviewed ERCOT's impact analysis at its February meeting. On March 3rd, TAC voted unanimously to recommend approval of PRR563. ERCOT credit staff and the CWG have reviewed PRR563 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ◇ ***PRR579 – Trading Hubs Language Correction – URGENT. Proposed effective date: May 1, 2005.*** No budgetary impact; no impact on ERCOT staffing; no impact to ERCOT business functions or grid operations. PRR579 corrects errors identified during the implementation of PRR547, Trading Hubs. PRR579 modifies Section 7.9.2.1 so that the calculation of the North 345 kV Trading Hub is consistent with the calculation of the other three regional Trading Hubs and replaces the specific minimum scheduling increments by hub in Section 7.9.3.4(2) with a Trading Hub to 2005 Congestion Zone conversion matrix. PRS granted urgent status for this PRR through an email vote. PRS considered PRR579 at its March meeting and unanimously voted to recommend approval. With all segments present, on April 7th, TAC voted unanimously to recommend approval of PRR579. ERCOT credit staff and the CWG have reviewed PRR579 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

Mr. Helton moved to approve all the PRRs except PRR525, PRR540 and PRR 557. Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Helton moved to approve PRR540 with an effective date of May 1, 2005. Mr. Harder seconded the motion. Mr. Armentrout asked Mr. Ogelman to elaborate on the OPUC's concerns about this PRR. Mr. Ogelman explained the OPUC's concerns, which will be addressed in a future PRR. There being no further discussion, Chairman Greene called the question. **The motion passed by unanimous voice vote with no abstentions.**

Mr. Helton moved to approve PRR525. Mr. Harder seconded the motion. Mr. Helton stated that PRR525 is a good step and something that ERCOT ought to do. A lengthy discussion took place regarding the merits of this PRR. Mr. Larry Grimm, ERCOT's Director of Compliance, stated that his group could implement much of this PRR manually. There being no further discussion, Chairman Greene called the question. **The motion passed by unanimous voice vote with no abstentions.**

Mr. Armentrout moved to amend action on PRR525 to remove compliance language regarding additional QSE compliance requirements, which should be brought back to the Board at a later date. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Ogelman moved to approve PRR557. Mr. Karnei seconded the motion. Mr. Schrader stated that ERCOT would have to change its current computer systems to accommodate this PRR. **The motion passed by unanimous voice vote with no abstentions.**

(2) Status of Response to Potomac Economics Recommendations

Mr. Comstock made a brief presentation regarding the status of the Market Participants' response to the recommendations for improvement of the market design made by Potomac Economics. The Market Participants continue to consider and work on these issues. Mr. Comstock pointed out the items which have been updated since the last presentation to the Board of Directors on this topic. More specifically:

- ◇ PRR589 has been proposed to address designating zones.
- ◇ PRR592 has been proposed to modify shift factor calculations to exclude fixed output generators.
- ◇ PRR587 has been proposed to provide for mid-year modifications of CSC and CRE definitions.
- ◇ PRR525 was proposed and passed today.
- ◇ PRR586 regarding updating unit telemetry has been proposed.

(3) ERCOT Reserve Margin/Generation Adequacy Task Force

Mr. Comstock reported that ERCOT staff presented this issue to the Board in January. ERCOT staff then provided an update to the TAC in February. TAC created a joint ROS/WMS task force to review the reserve margins. In March, the Board approved PRR573 regarding the definition and treatment of mothballed resources.

At this point, Commissioner Smitherman asked for an update regarding the definition of "mothballed" resources. He also asked about the DC tie recommendation. Mr. Comstock responded to Commissioner Smitherman's questions. Commissioner Smitherman then asked the Board members to consider asking for a recalculation of reserve margins in light of consensus items, running separate calculations for each of the unresolved options that came out of the TAC discussion. Kent Saathoff, ERCOT's Director of System Operations, stated that, although PRR573 was passed, ERCOT is still awaiting the required data responses from Market Participants in provided by the PRR. In addition, the final load forecast calculation is not complete. Consequently, ERCOT does not have the data it would need to change the reserve margin numbers. In any event, Mr. Saathoff stated that the reserve margin for the first year would not change. Mr. Schrader stated that the information required by PRR573 must be submitted by May 1, 2005. After that date, ERCOT can consider that data and make comparative calculations.

(4) 2001/2002 ADR Resolutions

Mr. Comstock reported that COPs could not reach consensus on this issue. COPs reported to TAC that it would consider reviewing the dispute/ADR process and follow up with any protocol revisions to improve the process. Therefore, TAC has established an ADR Task Force to consider this issue. The task force has met twice and has several more meetings scheduled. A special TAC meeting has been scheduled for May 6, 2005 to address this issue. Mr. Comstock hopes that TAC will resolve this issue at that meeting.

Special Committee Report

Mr. Espinosa provided a brief update on the work of the Special Committee.

Other Business

Vice-Chairman Bob Manning presented Margaret Pemberton with a gift of thanks from the Board of Directors and Market Participants. Mr. Schrader added his thanks to Ms. Pemberton for all her help since he took over as CEO last year. Mr. Jones echoed that sentiment and stated his appreciation to Ms. Pemberton for all her help and diligence through the years she has represented ERCOT. Commissioner Smitherman added the PUCT's appreciation for Ms. Pemberton's efforts through the years.

Adjournment

Mr. Greene adjourned the open portion of the meeting at approximately 2:30 p.m.

Executive Session

The Board met in Executive Session to discuss litigation matters, loan issues, personnel issues and an ADR matter.

Board materials and presentations from the meeting are available on ERCOT's website at:

<http://www.ercot.com/calendar/Cal.cfm>

Margaret Uhlig Pemberton, Corporate Secretary

Exhibit "A"

WHEREAS, pursuant to the ERCOT Bylaws, Section 7.2, the ERCOT Board of Directors shall ratify the officers of the corporation;

WHEREAS, the ERCOT Board of Directors approves of Nancy McIntire as the Vice President of Human Resources and Organization Development;

WHEREAS, the ERCOT Board of Directors approves of Ron Hinsley as the Vice President, Chief Information Officer; and

WHEREAS, the ERCOT Board of Directors approves of Mark Walker as the Interim General Counsel and Secretary;

THEREFORE, BE IT RESOLVED, that the ERCOT Board of Directors hereby RATIFIES the appointment of Nancy McIntire as the Vice President of Human Resources and Organization Development, Ron Hinsley as the Vice President, Chief Information Officer and Mark Walker as the Interim General Counsel and Secretary effective April 20, 2005.