

**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.

March 15, 2005

Pursuant to notice duly given, the Meeting of the Board of Directors of Electric Reliability Council of Texas, Inc. convened at approximately 10:15 a.m. on March 15, 2005.

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
Helton, Bob	American National Power	Independent Generator, Segment Alternate
Kahn, Bob	Austin Energy	Municipal
Karnei, Clifton	Brazos Electric Power Cooperative	Cooperative (Mike Packard, Segment Alternate, after 2:45 p.m.)
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
Smitherman, Barry	Public Utility Commission of Texas	PUCT, sitting in for Paul Hudson
Striedel, James	Energy Solutions	Independent REP, Segment Alternate

Staff and Guests:

Bowman, Roy	ERCOT Vice President and Chief Financial Officer
Giuliani, Ray	ERCOT Vice President and Chief of Market Operations
Pemberton, Margaret	ERCOT Vice President, General Counsel and Corporate Secretary
McIntire, Nancy	ERCOT Vice President of Human Resources & Organization Development
Moore, John	
Silverstein, Alison	
Smith, Barry	AEP
Verret, Richard	AEP
Dreyfus, Mark	Austin Energy
Clayton Greer	Constellation
Houston, John	CenterPoint Energy
Jones, Dan	City Public Service of San Antonio
Waters, Garry	Competitive Assets
Saathoff, Kent	Director, Systems Operations
Huddleston, Barry	Dynegy Inc.

Bojorquez, Bill	ERCOT Staff
Connell, Robert	ERCOT Staff
Davis, Milton	ERCOT Staff
Day, Betty	ERCOT Staff
Galvin, Jim	ERCOT Staff
Grimm, Larry	ERCOT Staff
Heino, Shari	ERCOT Staff
Roark, Dottie	ERCOT Staff
Sallee, Mary	ERCOT Staff
Tamby, Jeyant	ERCOT Staff
Walker, Mark	ERCOT Staff
Wattles, Paul	ERCOT Staff
Zake, Diana	ERCOT Staff
Ashley, Kristy	Exelon
Ward, Jerry	EXTYR
Harder, Jim	Garland
Marlett, Valerie	GDS Associates
Behran, BJ	KEMA
Galiunas, Al	KEMA
Peck, Bob	LCRA
Barber, Paul	NERC
Berry, Tom	NERC
Rowe, Evan	PUCT Staff
Schubert, Eric	PUCT Staff
Rainey, John	R. J. Covington
Gresham, Kevin	Reliant
Meyer, John	Reliant
Clemenhausen, Barbara	Sempra Energy
Shumate, Walt	Shumate & Associates
Packard, Michael	STEC
Troell, Mike	STEC
Comstock, Read	TAC Chairman, Strategic Energy
Seymour, Cesar	Suez Energy Marketing NA, Inc.
Sparks, Michael	Suez Energy North America
Eddleman, Neil	TEAM
Counihan, Will	Texas Comptroller
McLaughlin, Laure	Texas Comptroller
Pieniazek , Adrian	Texas Genco
Cuddy, Vikki	The Structure Group
Oldham, Phillip G.	TIEC
Durrwachter , Henry	TXU

Announcements

Mr. Greene, Chairman of the Board, called the meeting to order and determined that a quorum was present. Mr. Greene welcomed two guests, North American Electric Reliability Council (“NERC”) Board members, Tom Berry and Paul Barber.

Approval of Minutes

Mr. Greene requested comments on and approval of the minutes of the February 2005 Board of Directors meeting. **Mr. Karnei moved to approve the minutes of the February Board meeting as circulated. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions. (Mr. Espinosa was not present for the vote.)**

CEO Report

Mr. Schrader introduced and welcomed Nancy McIntire, ERCOT's new Vice President of Human Resources & Organization Development. Mr. Schrader then provided an overview of the significant current activities and topics at ERCOT. Mr. Schrader noted that the Texas Comptroller's review of ERCOT (at the request of Texas legislators) will begin in the next week and is expected to be completed in thirty days. Mr. Schrader summarized the various bills pending before the Texas legislature with potential impacts on ERCOT. He identified two major categories of legislation affecting ERCOT: ERCOT oversight and governance, and renewable energy portfolio requirements. ERCOT Staff are actively tracking all of these bills and providing information to legislators as requested. Mr. Schrader reported that he, Sam Jones, and several board members recently attended the Federal Energy Regulatory Commission ("FERC") Regional Transmission Organization ("RTO") roundtable discussions in Washington, D.C. Board members and CEOs from RTOs and ISOs around the country met at this roundtable event to discuss issues facing their organizations such as cost, governance, market monitoring and transmission planning. Mr. Manning also attended and noted that the experience was valuable. Mr. Schrader and Mr. Manning responded to questions from Board members regarding the activities at that forum.

NERC Report

Mr. Greene invited Tom Berry, vice chairman of NERC, and Paul Barber, a new NERC board member and former ERCOT Board member, to provide a report on NERC. Mr. Berry provided an overview of the NERC organization explaining that NERC's mission is to promote and enhance reliability. He noted that NERC now has an independent board, although it began with a stakeholder board and later had a hybrid board. Mr. Berry explained that NERC has been following the federal energy bill that would provide mandatory enforcement authority to an electric reliability organization (ERO). NERC will apply for the role of ERO if the legislation passes. Mr. Berry also reported that FERC Chair Pat Wood attends all NERC board meetings, and FERC has applied NERC standards such as good utility practice to FERC jurisdictional companies. Mr. Barber reported on current NERC activities including new readiness audits and the newly adopted "Version Zero" standards. He noted that NERC's focus is on global standards that will work in all areas, leaving regions to adopt standards more appropriate to their own regions. Additionally, he noted that NERC is making more efforts at transparency in its decision-making processes. After their presentations, both NERC board members responded to questions from ERCOT Board members.

KEMA Report

Mr. Greene invited Al Galiunas, of KEMA Consulting, to present KEMA Consulting's ISO cost comparison analysis. Mr. Schrader introduced Mr. Galiunas and explained the history behind ERCOT's selection of KEMA Consulting for the ISO cost comparison study. Mr. Galiunas reported that the study covered the following topics: identification and categorization of ERCOT's costs, comparison of costs of other ISOs and reasons for differences in costs. Mr. Galiunas stated that the results of the study show that ERCOT costs are lower overall than average (excluding debt service and capital costs). ERCOT has higher than average costs in the areas of retail market services and wholesale metering due to ERCOT's

greater role in these aspects than most ISOs. Mr. Galiunas also reported that ERCOT has higher than average market evolution costs due to its active stakeholder process. Mr. Galiunas reported that KEMA did not consider ERCOT's market evolution costs to be excessive given the amount of changes in market rules; overall, ERCOT is still very cost effective in this area. KEMA Consulting's report also compared revenue requirements, outstanding long-term debt, capital expenditures and governance structures. Mr. Schrader noted that ERCOT posted the full report on its website at <http://www.ercot.com/NewsRoom/MediaBank/Research.htm>. Board members discussed the report and Mr. Galiunas responded to their questions. Commissioner Smitherman asked how ERCOT compared in terms of maturity of the organizations. Mr. Galiunas responded that ERCOT is in the middle of its development, no longer in startup, but not yet a mature company due to the continued market evolution. Mr. Galiunas noted that KEMA Consulting had better access to critical data from ERCOT than other ISOs due to the fact that ERCOT was the only ISO participating in this study; a full benchmarking study would require participation of all ISOs. Board members remarked that the results of this study are noteworthy given that the study shows that ERCOT is generally very cost efficient.

Operations Update

(1) Houston Area Constraint Management Project

Mr. Greene invited Bill Bojorquez, Director of Transmission Services, to present the proposed Houston Area Constraint Management Project, recommended for Board endorsement. Mr. Bojorquez reported that CenterPoint Energy ("CenterPoint") submitted the Houston Area Constraint Mitigation Project proposal in September 2004 as a solution to economic congestion in the Houston area. The proposal's objective is to construct long-term upgrades that would relieve congestion on both of the Houston CSCs, increase reliability, and ensure the grid's future ability to facilitate maintenance outages on those corridors. ERCOT Staff and the South Regional Planning reviewed CenterPoint's proposal. ERCOT Staff suggested some changes in the project resulting in an overall reduced cost of \$40 million as compared to the original proposal. TAC voted to recommend endorsement of the project as modified by ERCOT Staff. According to CenterPoint, the projects involved in the recommended proposal could be completed as early as 2007 and 2008. CenterPoint will be the TDSP in charge of implementing the majority of projects; however TXU will be responsible for a small portion. Mr. Bojoroquez noted that this project is an excellent example of the value of the regional planning process.

The major aspects of the proposal include upgrading Jewett-Tomball/TH Wharton 345kV double circuit, constructing new Hillje 345kV switching station in the STP-Holman 345kV line, building new Parish – Hillje 345kV double circuit, adding STP-Hillje 345kV circuit on open position of existing STP-Parish line, replacing autotransformers at Greens Bayou, Tomball, Addicks and O'Brien, and replacing miscellaneous breakers, terminal equipment, and 138 kV conductors.

The total cost of the project is estimated at \$122,000,000 (about \$20,000,000 in annual carrying costs). Expected cost savings are about \$63,000,000 annually, including ERCOT market congestion costs and internalized Market Participant costs. Commissioner Smitherman asked whether it was possible to break down the cost savings by local and zonal amounts. Mr. Bojorquez replied that the simulation utilized to evaluate costs is based on a nodal network model which assumes the most economic dispatch of units and therefore does not distinguish between zonal and local congestion in the manner defined in the ERCOT market.

Mr. Helton moved to endorse the need for the Houston Area Constraint Mitigation Project as presented. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with Mr. Greene abstaining.

(2) Reserve Margin Update

Mr. Bojorquez also provided an update on the status of the ERCOT Region's reserve margin standard review. In January 2005, ERCOT reported 14.8% reserve margin for 2005 based on 8,400 MW of mothballed capacity. Since that time, three major changes have occurred: (1) the Hays plant has returned to service, (2) Exelon has announced plans to mothball certain units, and (3) ERCOT determined that the TXU units proposed for mothball status were not needed for RMR service and could be mothballed. Assuming the Exelon units are not needed for RMR, ERCOT Staff has found that the level of the reserve margin for 2005 would remain at 14.8%. Mr. Comstock noted that the Generation Adequacy Task Force will perform additional review of the reserve margin calculations. Mr. Greene remarked that Board would expect an update on this issue monthly.

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 most variances in ERCOT's budget to actual expenditures are due to timing differences. ERCOT continues tracking Staff activities. Although ERCOT tracks over one hundred separate activities, the report for the PUCT and the Board will show Staff activities as they relate to ERCOT's seven corporate goals. ERCOT will make its first report to the Public Utility Commission of Texas (PUCT) at the end of this month. Mr. Bowman requested feedback from the Board on any additional information they would like to see added to this new report. Mr. Bowman noted that cost savings were about \$290,000 for January 2005 and \$110,000 for February (on an annualized basis). Recently targeted areas of savings include timing of new hires, cell phone and telecommuting expenses, conference calls, webcasts, computer purchases and banking services.

Mr. Bowman also announced the kickoff of ERCOT's internal control management plan. Deloitte & Touche issued its report on its review of ERCOT's internal controls today. Commissioner Smitherman commended Mr. Bowman on ERCOT's progress in cutting and reevaluating expenses. Mr. Bowman commended ERCOT Staff for suggesting ideas and participating in cost savings efforts.

Finance & Audit Committee Report

Clifton Karnei, Chairman of the Finance & Audit ("F&A") Committee, reported on the recent activities of the Committee which included cost savings evaluation, review of the ISO cost comparison study, review of nodal collateral requirements and new procedures for approval of capital expenditures of over \$1 million. Mr. Karnei also reported on an item requiring a Board vote: the approval of revisions to ERCOT's various standard forms utilized by Market Participants to meet ERCOT's credit requirements. Sections 16.2.5.1.2(1) and (2) of the Protocols requires that QSEs must provide corporate guarantees and letters of credit for QSEs in the form approved by the ERCOT Board. Recently, several Market Participants requested changes to these standard Board-approved forms. ERCOT invited these Market Participants to meet with the Credit Working Group to discuss proposed changes and draft language. ERCOT's outside counsel and the F&A Committee also reviewed and recommended approval of the revised forms. **Mr. Karnei moved to approve these revised forms by adopting the resolution attached hereto as Exhibit 1; Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.** Mr. Karnei also noted that the end date for the SAS 70 audit would be September 30, 2005.

Human Resources & Governance Committee Report

Mr. Kahn, H.R. and Governance Committee Chair, updated the Board on the Committee's plans to

discuss potential changes to the Bylaws in light of legislative activity this year. ERCOT will hold a public meeting on April 18 to invite suggestions on potential Bylaws revisions. Mr. Kahn noted that the H.R. and Governance Committee is considering requiring stakeholder Board members to annually sign ethics agreements like the Unaffiliated directors currently sign.

Mr. Kahn requested Board consideration of proposed amendments to ERCOT's Core Benefit Plan, a group health plan ("Plan"). The amendments revise the definition of "dependent" to match the definition now used in federal statute. Additionally, use of the same definition of "dependent" for purposes of all coverage provided under the Plan is desirable for administrative simplicity. **Mr. Kahn moved to approve the resolution adopting these amendments attached hereto as Exhibit 2. Mr. Cox seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

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:

- ***PRR540 – OOM Cost Recovery Process Clarification. Proposed effective date: April 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 the process ERCOT will use when making payments for cost recovery requests associated with Out-of-Merit Capacity (OOMC) and Out-of-Merit Energy (OOME) instructions. The PRR adds additional cost recovery categories for Generation Resources responding to Resource-specific dispatch instructions for OOM services. This clarification was required, in part, due to the Board's action at its August 17, 2004, to approve an additional category for cost recovery resulting from a delay in a planned, accepted outage of the generator. Other cost categories related to start-up fuel and non-fuel costs are also included in this PRR, which was posted on 9/1/04. In September, PRS tabled this PRR to allow additional time for Market Participants and ERCOT to work on language. At its October meeting, PRS tabled this PRR for further discussions off-line to resolve issues related to cost categories. After discussion during its November meeting, PRS remanded the PRR to a taskforce for resolution of cost recovery issues. On 12/16/04, PRS voted to recommend approval of this PRR as amended, with one opposing vote from the Consumer Segment, one abstention from the Consumer Segment, and one abstention from the Municipal Segment. PRS reviewed ERCOT's impact analysis at its January 2005 meeting. TAC voted to recommend approval of the PRR as submitted by PRS. There were 6 opposing votes, all from the Consumer segment, and one abstention from the REP segment. Those opposing the PRR raised concerns about a potential for excessive cost recovery. ERCOT credit staff and the CWG have reviewed PRR540 and do not believe it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR573 – Mothballed Generation Resource Definition and Time to Service Updates – URGENT. Proposed effective date: April 1, 2005. No budgetary impact; negligible impact to ERCOT staffing; no impact to ERCOT computer systems; small impact ERCOT business functions; no impact to grid operations.*** This PRR defines mothballed units and requires the responsible Generation Entity to report to ERCOT the estimated lead time required for each Mothballed Generation Resource to be capable of returning to service. The PRR also provides that the information will be considered Protected Information. PRS voted via email to consider PRR573 on an urgent basis. PRS considered

the PRR, and its impacts to the market and ERCOT, during its February meeting. PRS voted to recommend approval with one member from the IOU segment abstaining. TAC voted unanimously to approve recommendation of PRR573 as amended by TAC. ERCOT credit staff and the CWG have reviewed PRR573 and do not believe it requires changes to credit monitoring activity or the calculation of liability.

Mr. Karnei moved to approve PRR573; Mr. Helton seconded the motion. The motion passed by a unanimous voice vote with no abstentions.

Mr. Ogelman explained that consumer representatives have two concerns about PRR540, in that it allows Resource Entities to select from generic or verifiable costs on non-fuel start up costs and that the PRR contains no mechanism to recover start-up costs in the event Market Clearing Price for Energy is high. Mr. Payton noted that *all* consumers voted against this PRR at the TAC level. Mr. Armentrout expressed concern on voting to approve a PRR that all consumer representatives had opposed. Mr. Helton noted that the Protocols already allow requests for verifiable costs and this PRR simply clarifies and allows more types of cost categories for recovery. Mr. Manning questioned the difference in impact between allowing verifiable or generic costs. Mr. Manning expressed concern that costs to Market Participants in approving the PRR should be presented before a PRR such as this one is approved. Mr. Kahn stated that he would also like to know the staff time involved in verifying costs. Mr. Manning would like to see a greater consensus in the recommendation on this PRR. **Mr. Manning moved to remand PRR540 to TAC for clarification in response to concerns identified by Board members. Mr. Armentrout seconded the motion. 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) Response to PUCT Request – Economists’ Recommendations on Current Market Design

In November 2004, Potomac Economics provided a report on the operation of the 2004 ERCOT wholesale electricity market. The report contained fourteen recommendations for improvement of the market. At the PUCT Open Meeting on January 27, 2005, the Commissioners asked that ERCOT Market Participants review the Potomac recommendations and report back to the Commission by the end of March 2005. WMS conducted special task force meetings to review the recommendations and categorize the recommendations into three categories:

- (a) Recommendations that should be implemented regardless of ERCOT’s future market design,
- (b) Recommendations that could be done with minimum time and cost impacts, and
- (c) Recommendations that should not be implemented now if ERCOT will likely move to a nodal design in the near future (*i.e.* issue is deferred until nodal decision is made).

The WMS developed a matrix categorizing the recommendations, including an action plan for implementation of a portion of the recommendations and submitted the evaluation to TAC, which TAC voted to endorse. The WMS evaluation was provided with the Board materials.

Mr. Comstock noted that members of TAC expressed concern that recommendations in category (c) had been marked high priority but had no evaluation of whether they were feasible in the existing or nodal market. Board members discussed the recommendation categories and the status of various projects. Many projects in category (a) have already been implemented, but those in (b) and (c) will require Protocol changes through the normal Protocol Revision process. Mr. Helton explained that the cost to Market Participants for some of these projects must still be examined.

Mr. Kahn moved to approve the filing of WMS's evaluation of Potomac recommendations as developed by WMS. Mr. Payton seconded the motion. The motion passed by a unanimous voice vote with no abstentions.

(3) Heat Rate Adder for Unit Specific Generic Costs (re: PRR485)

To resolve Local Congestion, ERCOT must instruct particular Resources to alter their energy output. The payment calculation for a Resource's response to these instructions is established by: (1) Generic Costs of the Resources and (2) the Resource Entity's pricing of the Resource's service reflected in "bid premiums" included in Balancing Energy Service bids for that Resource. PRR485, Revision to Unit-Specific Deployment Based on Generic Cost, revised the Protocols such that Resource-specific bid premiums for Balancing Energy Service must have limits based on a generic category cost. PRR485 directs that the proposed value of the heat rate adder must be recommended by the appropriate TAC subcommittee and approved by the Board of Directors. The heat rate adder function will be part of the ERCOT EMMS Release 4 and, therefore, must be approved before ERCOT can implement Release 4 (currently scheduled for June 2005). TAC voted to recommend a heat rate adder of zero for both Balancing Energy up and down. After Board members discussed the effect of having a zero heat rate adder, **Mr. Karnei moved to approve a heat rate adder of zero for Balancing Up and Balancing Down generic payments. Mr. Ogelman seconded the motion. The motion passed by a voice vote with Mr. Payton opposed.**

(4) Simultaneous Selection of Ancillary Service Bid Restrictions

PRR342, currently boxed in the Protocols, requires ERCOT to reject bids for multiple Ancillary Service types that violate certain bid price criteria allowing prices to reflect the relative quality of the service. The criteria allows for some overlap of the bid prices for each service. The permitted bid overlap is a value expressed as a percentage, and is currently reflected in the Protocol language as an "X." If the value is 0%, the ERCOT system would reject all Non-Spinning Reserve bids higher than the Responsive Reserve bid, and reject Responsive Reserve bids higher than the Regulation Up bid. Setting X at 100,000%, conversely, would allow virtually all bids to overlap. WMS recommended implementing simultaneous bid selection without restrictions by setting X% at 100,000% so that Market Participants may observe bidding behavior under the simultaneous bid selection process for a period of time before recommending a more restrictive limitation. TAC approved the WMS recommendation at its March 3, 2005 meeting. Board members discussed the implications of implementing simultaneous bid selection without restriction. Mr. Helton explained that this mechanism applies only to linked bids and providing for no restrictions will encourage participants to try the new functionality. Eric Schubert, of the PUCT Market Oversight Division ("MOD"), stated that MOD is concerned about price reversal but agrees with Mr. Helton's approach as this will allow MOD the opportunity to evaluate gaming.

Mr. Helton moved to implement simultaneous bid selection without restrictions so that Market Participants may observe bidding behavior under the simultaneous bid selection process. Mr. Striedel seconded the motion. The motion passed by a unanimous voice vote.

(5) Generation Adequacy Task Force

Mr. Comstock reported that the Generation Adequacy Task Force is looking at modifying the reserve margin calculation and will review the information collected under just-approved PRR573.

(6) Review of Uplift of Local Congestion Costs – Congestion Management Working Group ("CMWG") Update

As requested by the ERCOT Board at its January meeting, Mr. Ward, on behalf of the Congestion Management Working Group, provided a background of the types of Local Congestion costs and total costs. CMWG did not vote on a recommendation to change the current mechanism. Mr. Ward noted that ERCOT just recently implemented the ability to track particular local constraints. Commissioner Smitherman questioned whether the high Local Congestion costs in 2003 were an aberration. Mr. Ward replied that it is hard to predict congestion but theorized that 2003 costs were high due to 2003 containing the first wave of RMR units. In 2004, ERCOT made less use of RMR and OOM due to transmission improvements. Mr. Kent Saathoff, Director of System Operations, explained additional factors behind the decrease in Local Congestion costs in 2004, such as the implementation of an additional Houston congestion zone, implementation of dynamic ratings and implementation of special protection systems. After the Board and ERCOT Staff discussed various impacts on Local Congestion, Mr. Saathoff presented ERCOT Staff's evaluation of Local Congestion costs and noted that ERCOT Staff did not advocate any particular allocation approach.

Texas Nodal Team (TNT) Report

Mr. Greene invited Trip Doggett, the Independent Facilitator for the Texas Nodal project, to present his last TNT Report. Mr. Doggett reported that the TNT Protocols have been completed, except for the following issues and activities still outstanding:

- Evaluation of credit issues
- Finalizing settlement calculation formulas
- Evaluation of real-time co-optimization
- Determination of the role of the Independent Market Monitor
- Accommodating Protocol revisions since the April 2004 TNT baseline

Mr. Doggett noted that Jim Galvin, Director of Market Operations, plans to reconvene the TNT group in early April to address these issues. Mr. Doggett requested that the Board approve the filing of the draft TNT Protocols. **Mr. Manning moved to adopt the following resolution:**

WHEREAS, the Public Utility Commission of Texas has directed ERCOT to use a stakeholder process to develop a wholesale market design that complies with the market elements set forth by Commission rule (PUCT Subst. R. 25.501) and to prepare an independent cost benefit analysis of such design and alternatives (such analysis was provided to the Commission in December of 2004);

WHEREAS, ERCOT has sponsored a stakeholder process (Texas Nodal Team - TNT) in compliance with the Commission's rule, providing independent facilitation to participating stakeholders;

WHEREAS, the TNT has developed a market design and draft Protocols in compliance with the Commission's rule;

WHEREAS, ERCOT is required to file with the Commission draft Protocols that would support the TNT-developed market design by March 18, 2005;

NOW THEREFORE BE IT RESOLVED, that the Board directs ERCOT Staff to file the draft Protocols developed by the TNT process in compliance with the Commission's rule. By this action, the Board makes no endorsement of the final

TNT market design or draft Protocols, or other alternatives for market design that the Commission may consider.

Mr. Helton seconded the motion. Mr. Ogelman expressed the concern that several stakeholder meetings were scheduled in conflict with the final TNT meetings and made participation in all TNT meetings difficult; however, he stated that he understood that these conflicts were unavoidable due to deadlines. **The motion passed by a voice vote with Mr. Packard opposed.** Mr. Greene expressed concern about the need to communicate to resolve the remaining outstanding issues. Mr. Galvin explained that unresolved issues will be reported to the PUCT and stakeholders will continue to address them. The Board then commended Jim Galvin, Trip Doggett and Vikki Cuddy for their contributions to the TNT process.

Special Committee Report

Mr. Espinosa stated that the Special Committee met and discussed the status of the investigation and audits.

Other Business

Mr. Schrader noted that the April Board meeting will take place on April 19, 2005 at ERCOT's offices in Taylor, Texas.

Adjournment

Mr. 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 contract matters.

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 1

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

March 15, 2005

WHEREAS, the board of directors (the “Board”) of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation (the “Company”) deems it desirable and in the best interests of the Company to approve revisions to the standard QSE Guarantee Agreement for U.S. company guarantors, the standard QSE Foreign Guarantee Agreement for foreign company guarantors, the standard TCR Guarantee Agreement and the standard Letter of Credit;

NOW, THEREFORE, BE IT RESOLVED, that the revisions to the ERCOT Guarantee Agreement, which are attached hereto as Attachment A are hereby authorized and approved in each and every respect to be accepted by ERCOT as the standard form guarantee agreement for qualified U.S. company guarantors utilized pursuant to Section 16.2.5.1.2(1) of the ERCOT Protocols; and

RESOLVED, that the revisions to the ERCOT Foreign Guarantee Agreement, which are attached hereto as Attachment B are hereby authorized and approved in each and every respect to be accepted by ERCOT as the standard form guarantee agreement for qualified foreign companies utilized pursuant to Section 16.2.5.1.2(1) of the ERCOT Protocols; and

RESOLVED, that the revisions to the ERCOT TCR Guarantee Agreement, which are attached hereto as Attachment C are hereby authorized and approved in each and every respect to be accepted by ERCOT as the standard form guarantee agreement for qualified TCR guarantors utilized pursuant to Section 16.8.1.5.3(a) of the ERCOT Protocols; and

RESOLVED, that the revisions to the ERCOT TCR Foreign Guarantee Agreement, which are attached hereto as Attachment D are hereby authorized and approved in each and every respect to be accepted by ERCOT as the standard form guarantee agreement for qualified foreign TCR guarantors utilized pursuant to Section 16.8.1.5.3(a) of the ERCOT Protocols; and

RESOLVED, that the revisions to the ERCOT Letter of Credit, which are attached hereto as Attachment E are hereby authorized and approved in each and every respect to be accepted by ERCOT as a the standard form letter of credit utilized pursuant to Section 16.2.5.1.2(2) of the ERCOT Protocols.

Attachment A to Exhibit 1

QSE GUARANTEE AGREEMENT

THIS GUARANTEE (this “*Guarantee*”) is made by the undersigned entity (“*Guarantor*”) in favor of the ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. (“*ERCOT*”) in consideration of ERCOT’s entering into a Standard Form Qualified Scheduling Entity Agreement (the “*QSE Agreement*”) with the Qualified Scheduling Entity identified on the signature page hereof (“*QSE*”). Guarantor is the beneficial owner of a direct or indirect interest in QSE and will directly benefit from the extension of credit to QSE under the QSE Agreement.

In consideration of credit heretofore or hereafter granted by ERCOT to QSE pursuant to the QSE Agreement, Guarantor hereby unconditionally, absolutely and irrevocably guarantees to ERCOT the due and punctual payment of all amounts which QSE may now or in the future owe ERCOT under the QSE Agreement, including, but not limited to, of usage charges, grid management charges, grid operations charge, ancillary services fees, congestion management fees and wheeling charges pursuant to the ERCOT Protocols as defined in the QSE Agreement (collectively, the “*Obligations*”). Notwithstanding the foregoing, the maximum amount for which Guarantor shall be liable hereunder shall not exceed \$_____, plus Expenses (as defined below); provided, however, that Guarantor acknowledges and agrees that if QSE’s required creditworthiness limit exceeds such amount at any time, and if ERCOT provides notice to QSE and Guarantor of such fact, ERCOT may require that, if the QSE Agreement is to continue, the amount of Obligations guaranteed hereby be increased to an amount required by the QSE Agreement and the ERCOT Protocols. Guarantor is liable for the full payment of the Obligations, subject to the immediately preceding sentence, as a primary obligor. This is a continuing guarantee for payment and not of collection.

If QSE defaults in the punctual payment of any of the Obligations, Guarantor shall, immediately on demand and without presentment, protest, notice of protest, notice of nonpayment, notice of intent to accelerate, notice of acceleration or any other notice whatsoever (all of which are expressly waived), pay the amount due thereon (subject to the foregoing limitation) to ERCOT.

The obligations of Guarantor hereunder are absolute and unconditional irrespective of (i) the invalidity or unenforceability of the QSE Agreement, (ii) the bankruptcy or insolvency of QSE, (iii) any claim for setoff or any defense which QSE could assert on the Obligations, including, without limitation, force majeure, breach of warranty, and fraud, (iv) any substitution, release or exchange of any other guaranty of or security for any of the Obligations, (v) the existence or terms of any other agreements between Guarantor and any party, including the QSE, and (vi) to the fullest extent permitted by applicable law, irrespective of any other circumstances whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Guarantee that the obligations of Guarantor hereunder shall be absolute and unconditional under any and all circumstances. However, with respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of the QSE under the QSE Agreement and the Protocols. Guarantor does not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have, after full and final payment of the Obligations, against others liable on the Obligations. Guarantor’s rights of subrogation and reimbursement are subordinate in all respects to the rights and claims of ERCOT, and Guarantor may not exercise any rights it may acquire by way of subrogation under this Guaranty, by payment made hereunder or otherwise, until all of the Obligations have been fully and finally paid.

It is not necessary for ERCOT, in order to enforce Guarantor’s payment hereunder, first to proceed against QSE or resort to any collateral, security or other guarantors or obligors, if any, or pursue any other remedy. Any collateral, security or obligations of any other guarantors or obligors, if any, may be sold,

released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice, apart from ERCOT's initial demand under this Guarantee, or further assent from Guarantor. Guarantor's liability is several and independent of any other guarantees in effect with respect to any part of the Obligations and may be enforced regardless of the existence of any other guarantees.

Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, by QSE to ERCOT with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of bankruptcy or reorganization of QSE.

No payment by Guarantor shall entitle Guarantor, by subrogation or otherwise, to any right against QSE, including any payment by QSE or out of property of QSE, except after the full payment and discharge of all of the Obligations. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by the ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Guarantor hereby expressly waives any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guaranties, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Chapter 51 of the Texas Property Code, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times.

The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges that this Guarantee applies to all Obligations arising prior to the effective date of the termination of this Guarantee, whether by notification of termination, or by expiration of the term.

Guarantor agrees to pay to ERCOT, upon demand, all costs and expenses, including third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties are set forth on the signature page of this Guarantee.

This Guarantee shall bind the heirs, personal representatives, successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns.

No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

This Guarantee shall be governed by, and constructed in accordance with, the laws of the State of Texas, without regard to any rule or provision on conflict of laws.

This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of the QSE.

QSE: _____
[Name of QSE]
a _____
[Type of entity/jurisdiction of organization]

Date of QSE Agreement: _____, 200__.

EXECUTED by GUARANTOR this ____ day of _____, 200__:

[Name of Guarantor]
a _____
[Type of entity/jurisdiction of organization]

Address: _____

Telephone: _____

Facsimile: _____

By: _____
Name: _____
Title: _____

ACCEPTED by ERCOT this ____ day of _____, 200__:

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Address: 7620 Metro Center Drive
Austin, Texas 78744
[For notice and payment]

By: _____
Name: _____
Title: _____

Telephone: _____
Facsimile: 512.225.7020

Attachment B to Exhibit 1

ERCOT FOREIGN QSE GUARANTEE AGREEMENT

THIS GUARANTEE (this "*Guarantee*") is made by the undersigned entity ("*Guarantor*") in favor of the ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. ("*ERCOT*") in consideration of ERCOT's entering into a Standard Form Qualified Scheduling Entity Agreement (the "*QSE Agreement*") with the Qualified Scheduling Entity identified on the signature page hereof ("*QSE*"). Guarantor is the beneficial owner of a direct or indirect interest in QSE and will directly benefit from the extension of credit to QSE under the QSE Agreement.

In consideration of credit heretofore or hereafter granted by ERCOT to QSE pursuant to the QSE Agreement, Guarantor hereby unconditionally, absolutely and irrevocably guarantees to ERCOT the due and punctual payment of all amounts which QSE may now or in the future owe ERCOT under the QSE Agreement, including, but not limited to, of usage charges, grid management charges, grid operations charge, ancillary services fees, congestion management fees and wheeling charges pursuant to the ERCOT Protocols as defined in the QSE Agreement (collectively, the "*Obligations*"). Notwithstanding the foregoing, the maximum amount for which Guarantor shall be liable hereunder shall not exceed \$_____, plus Expenses (as defined below); provided, however, that Guarantor acknowledges and agrees that if QSE's required creditworthiness limit exceeds such amount at any time, and if ERCOT provides notice to QSE and Guarantor of such fact, ERCOT may require that, if the QSE Agreement is to continue, the amount of Obligations guaranteed hereby be increased to an amount required by the QSE Agreement and the ERCOT Protocols. Guarantor is liable for the full payment of the Obligations, subject to the immediately preceding sentence, as a primary obligor. This is a continuing guarantee for payment and not of collection.

If QSE defaults in the punctual payment of any of the Obligations, Guarantor shall, immediately on demand and without presentment, protest, notice of protest, notice of nonpayment, notice of intent to accelerate, notice of acceleration or any other notice whatsoever (all of which are expressly waived), pay the amount due thereon (subject to the foregoing limitation) to ERCOT.

The obligations of Guarantor hereunder are absolute and unconditional irrespective of (i) the invalidity or unenforceability of the QSE Agreement, (ii) the bankruptcy or insolvency of QSE, (iii) any claim for setoff or any defense which QSE could assert on the Obligations, including, without limitation, force majeure, breach of warranty, and fraud, (iv) any substitution, release or exchange of any other guaranty of or security for any of the Obligations, (v) the existence or terms of any other agreements between Guarantor and any party, including the QSE, and (vi) to the fullest extent permitted by applicable law, irrespective of any other circumstances whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Guarantee that the obligations of Guarantor hereunder shall be absolute and unconditional under any and all circumstances. However, with respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of the QSE under the QSE Agreement and the Protocols. Guarantor does not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have, after full and final payment of the Obligations, against others liable on the Obligations. Guarantor's rights of subrogation and reimbursement are subordinate in all respects to the rights and claims of ERCOT, and Guarantor may not exercise any rights it may acquire by way of subrogation under this Guaranty, by payment made hereunder or otherwise, until all of the Obligations have been fully and finally paid.

It is not necessary for ERCOT, in order to enforce Guarantor's payment hereunder, first to proceed against QSE or resort to any collateral, security or other guarantors or obligors, if any, or pursue any other remedy. Any collateral, security or obligations of any other guarantors or obligors, if any, may be sold,

released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice, apart from ERCOT's initial demand under this Guarantee, to or further assent from Guarantor. Guarantor's liability is several and independent of any other guarantees in effect with respect to any part of the Obligations and may be enforced regardless of the existence of any other guarantees.

Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, by QSE to ERCOT with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of bankruptcy or reorganization of QSE.

No payment by Guarantor shall entitle Guarantor, by subrogation or otherwise, to any right against QSE, including any payment by QSE or out of property of QSE, except after the full payment and discharge of all of the Obligations. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by the ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Guarantor hereby expressly waives any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guaranties, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Chapter 51 of the Texas Property Code, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times.

The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges that this Guarantee applies to all Obligations arising prior to the effective date of the termination of this Guarantee, whether by notification of termination, or by expiration of the term.

Guarantor agrees to pay to ERCOT, upon demand, all costs and expenses, including third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties and the Guarantor's email address are set forth on the signature page of this Guarantee. Such information regarding a party may be changed by such party by written notice to the other party. In addition, Guarantor shall maintain, at all times, a registered agent in Texas. Guarantor's registered agent in Texas is set forth on the signature page of this Guarantee, and Guarantor shall provide ERCOT with written notification of any change of its registered agent or the address thereof.

This Guarantee shall bind the heirs, personal representatives, successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns.

No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

All references in this Guarantee to sums denominated in dollars or with the symbol "\$" refer to the lawful currency of the United States of America. If, for the purposes of obtaining or enforcing judgment against Guarantor in any court in any jurisdiction in connection with this Guarantee, it becomes necessary to convert into any other currency (such other currency being referred to as the "**Judgment Currency**") an amount due in any currency (the "**Obligation Currency**") other than the Judgment Currency under this Guarantee, the conversion shall be made at the rate of exchange prevailing on the business day immediately preceding the date of actual payment of the amount due, in the case of any proceeding in the courts of the State of Texas or in the courts of any other jurisdiction that would give effect to such conversion being made on such date, or, the date on which the judgment is given, in the case of any proceeding in the courts of any other jurisdiction (the applicable date as of which such conversion is made pursuant to this paragraph being hereinafter referred to as the "**Judgment Conversion Date**"). If, in the case of any proceeding in the court of any jurisdiction referred to in the preceding sentence, there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual receipt for value of the amount due, Guarantor shall pay such additional amount (if any and in any event not a lesser amount) as may be necessary to ensure that the amount actually received in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of the Judgment Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgment Conversion Date.

This Guarantee shall be governed by, and constructed in accordance with, the laws of the State of Texas, without regard to any rule or provision on conflict of laws.

Any dispute relating in any manner to this Guarantee shall be resolved through binding arbitration. Arbitration proceedings shall be conducted pursuant to the International Arbitration Rules of the American Arbitration Association (AAA) in effect at the time the dispute first arises by one (1) or three (3) arbitrator(s) appointed in accordance with such Rules within ten (10) calendar days of submission of the dispute. The number of arbitrators forming the arbitral panel shall be mutually agreed upon by the parties, but if they cannot agree, then the AAA shall determine same. The arbitration shall be held in such city as is agreed upon by the parties, but if they cannot agree, then such arbitration shall be held in Austin, State of Texas, United States of America. The arbitration shall be conducted simultaneously in English and in the primary language of Guarantor. The English version of this Guarantee shall be the controlling document in the arbitration proceeding. The procedural laws of the civil district courts of the State of Texas, U.S.A. shall govern the arbitral proceeding regardless of the situs of the arbitration. The arbitral panel shall set a limited time period and establish procedures designed to reduce the cost and time for discovery, while allowing the parties an adequate opportunity, in the discretion of the arbitral panel, to discover relevant information from opposing parties about the subject matter of the dispute. The arbitral panel shall award actual damages to the prevailing party, but may not award any special, indirect, punitive or consequential damages nor reasonable attorneys fees and arbitration costs to either party. The arbitral award shall fully and finally settle the dispute. Recognition and enforcement of the arbitral award shall be governed by the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Judgment upon the award may be entered in any court in any country, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the law of such jurisdiction may require or allow. Each party shall bear its own costs and fees, including, but not limited to its share of any arbitration fees, unless otherwise ordered by the arbitrator(s).

BY AGREEING TO BINDING ARBITRATION, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM. FURTHERMORE, WITHOUT INTENDING IN ANY WAY TO LIMIT THIS

AGREEMENT TO ARBITRATE, TO THE EXTENT ANY CLAIM IS NOT ARBITRATED, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF SUCH CLAIM. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS GUARANTEE.

This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of the QSE.

QSE: _____
[Name of QSE]
a _____
[Type of entity/jurisdiction of organization]

Date of QSE Agreement: _____, 200__.

EXECUTED by GUARANTOR this ___ day of _____, 200__:

[Name of Guarantor]
a _____
[Type of entity/jurisdiction of organization]
By: _____
Name: _____
Title: _____

Address: _____

Telephone: _____
Facsimile: _____
Email Address: _____

Guarantor's Registered Agent in Texas:

Attest: _____
Name: _____
Title: _____

Name: _____
Address: _____

ACCEPTED by ERCOT this ___ day of _____, 200__:

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Address: 7620 Metro Center Drive
Austin, Texas 78744
[For notice and payment]

By: _____
Name: _____
Title: _____

Telephone: _____
Facsimile: 512.225.7020

Attachment C to Exhibit 1

TCR GUARANTEE AGREEMENT

THIS GUARANTEE (this “*Guarantee*”) is made by the undersigned entity (“*Guarantor*”) in favor of the ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. (“*ERCOT*”) in consideration of ERCOT’s entering into a Standard Form Transmission Congestion Rights Agreement (the “*TCR Agreement*”) with the TCR Account Holder identified on the signature page hereof. Guarantor is the beneficial owner of a direct or indirect interest in TCR Account Holder and will directly benefit from the extension of credit to TCR Account Holder under the TCR Agreement.

In consideration of credit heretofore or hereafter granted by ERCOT to TCR Account Holder pursuant to the TCR Agreement, Guarantor hereby unconditionally, absolutely and irrevocably guarantees to ERCOT the due and punctual payment of all amounts which TCR Account Holder may now or in the future owe ERCOT under the TCR Agreement, including, but not limited to all amounts owed by TCR Account Holder for TCR purchases and any other charges or expenses, pursuant to the ERCOT Protocols as defined in the TCR Agreement (collectively, the “*Obligations*”). Notwithstanding the foregoing, the maximum amount for which Guarantor shall be liable hereunder shall not exceed \$_____, plus Expenses (as defined below); provided, however, that Guarantor acknowledges and agrees that if TCR Account Holder’s required creditworthiness limit exceeds such amount at any time, and if ERCOT provides notice to TCR Account Holder and Guarantor of such fact, ERCOT may require that, if the TCR Agreement is to continue, the amount of Obligations guaranteed hereby be increased to an amount required by the TCR Agreement and the ERCOT Protocols. Guarantor is liable for the full payment of the Obligations, subject to the immediately preceding sentence, as a primary obligor. This is a continuing guarantee for payment and not of collection.

If TCR Account Holder defaults in the punctual payment of any of the Obligations, Guarantor shall, immediately on demand and without presentment, protest, notice of protest, notice of nonpayment, notice of intent to accelerate, notice of acceleration or any other notice whatsoever (all of which are expressly waived), pay the amount due thereon (subject to the foregoing limitation) to ERCOT.

The obligations of Guarantor hereunder are absolute and unconditional irrespective of (i) the invalidity or unenforceability of the TCR Agreement, (ii) the bankruptcy or insolvency of TCR Account Holder, (iii) any claim for setoff or any defense which TCR Account Holder could assert on the Obligations, including, without limitation, force majeure, breach of warranty, and fraud, (iv) any substitution, release or exchange of any other guaranty of or security for any of the Obligations, (v) the existence or terms of any other agreements between Guarantor and any party, including the TCR Account Holder, and (vi) to the fullest extent permitted by applicable law, irrespective of any other circumstances whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Guarantee that the obligations of Guarantor hereunder shall be absolute and unconditional under any and all circumstances. However, with respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of the QSE under the QSE Agreement and the Protocols. Guarantor does not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have, after full and final payment of the Obligations, against others liable on the Obligations. Guarantor’s rights of subrogation and reimbursement are subordinate in all respects to the rights and claims of ERCOT, and Guarantor may not exercise any rights it may acquire by way of subrogation under this Guaranty, by payment made hereunder or otherwise, until all of the Obligations have been fully and finally paid.

It is not necessary for ERCOT, in order to enforce Guarantor’s payment hereunder, first to proceed against TCR Account Holder or resort to any collateral, security or other guarantors or obligors, if any, or

pursue any other remedy. Any collateral, security or obligations of any other guarantors or obligors, if any, may be sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice, apart from ERCOT's initial demand under this Guarantee, or further assent from Guarantor. Guarantor's liability is several and independent of any other guarantees in effect with respect to any part of the Obligations and may be enforced regardless of the existence of any other guarantees.

Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, by TCR Account Holder to ERCOT with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of bankruptcy or reorganization of TCR Account Holder.

No payment by Guarantor shall entitle Guarantor, by subrogation or otherwise, to any right against TCR Account Holder, including any payment by TCR Account Holder or out of property of TCR Account Holder, except after the full payment and discharge of all of the Obligations. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by the ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Guarantor hereby expressly waives any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guaranties, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Chapter 51 of the Texas Property Code, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times.

The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges that this Guarantee applies to all Obligations arising prior to the effective date of the termination of this Guarantee, whether by notification of termination, or by expiration of the term.

Guarantor agrees to pay to ERCOT, upon demand, all costs and expenses, including third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties are set forth on the signature page of this Guarantee.

This Guarantee shall bind the heirs, personal representatives, successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns.

No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

This Guarantee shall be governed by, and constructed in accordance with, the laws of the State of Texas, without regard to any rule or provision on conflict of laws.

This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of the QSE.

TCR Account Holder: _____
[Name of TCR Account Holder]
a _____
[Type of entity/jurisdiction of organization]

Date of TCR Agreement: _____, 200__.

EXECUTED by GUARANTOR this _____ day of _____, 200__:

[Name of Guarantor]
a _____
[Type of entity/jurisdiction of organization]

Address: _____

Telephone: _____
Facsimile: _____

By: _____
Name: _____
Title: _____

ACCEPTED by ERCOT this _____ day of _____, 200__:

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Address: 7620 Metro Center Drive
Austin, Texas 78744
[For notice and payment]

By: _____
Name: _____
Title: _____

Telephone: _____
Facsimile: 512.225.70201

Attachment D to Exhibit 1

ERCOT FOREIGN TCR GUARANTEE AGREEMENT

THIS GUARANTEE (this “*Guarantee*”) is made by the undersigned entity (“*Guarantor*”) in favor of the ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. (“*ERCOT*”) in consideration of ERCOT’s entering into a Standard Form Transmission Congestion Rights Agreement (the “*TCR Agreement*”) with the TCR Account Holder identified on the signature page hereof. Guarantor is the beneficial owner of a direct or indirect interest in TCR Account Holder and will directly benefit from the extension of credit to TCR Account Holder under the TCR Agreement.

In consideration of credit heretofore or hereafter granted by ERCOT to TCR Account Holder pursuant to the TCR Agreement, Guarantor hereby unconditionally, absolutely and irrevocably guarantees to ERCOT the due and punctual payment of all amounts which TCR Account Holder may now or in the future owe ERCOT under the TCR Agreement, including, but not limited to all amounts owed by TCR Account Holder for TCR purchases and any other charges or expenses, pursuant to the ERCOT Protocols as defined in the TCR Agreement (collectively, the “*Obligations*”). Notwithstanding the foregoing, the maximum amount for which Guarantor shall be liable hereunder shall not exceed \$_____, plus Expenses (as defined below); provided, however, that Guarantor acknowledges and agrees that if TCR Account Holder’s required creditworthiness limit exceeds such amount at any time, and if ERCOT provides notice to TCR Account Holder and Guarantor of such fact, ERCOT may require that, if the TCR Agreement is to continue, the amount of Obligations guaranteed hereby be increased to an amount required by the TCR Agreement and the ERCOT Protocols. Guarantor is liable for the full payment of the Obligations, subject to the immediately preceding sentence, as a primary obligor. This is a continuing guarantee for payment and not of collection.

If TCR Account Holder defaults in the punctual payment of any of the Obligations, Guarantor shall, immediately on demand and without presentment, protest, notice of protest, notice of nonpayment, notice of intent to accelerate, notice of acceleration or any other notice whatsoever (all of which are expressly waived), pay the amount due thereon (subject to the foregoing limitation) to ERCOT.

The obligations of Guarantor hereunder are absolute and unconditional irrespective of (i) the invalidity or unenforceability of the TCR Agreement, (ii) the bankruptcy or insolvency of TCR Account Holder, (iii) any claim for setoff or any defense which TCR Account Holder could assert on the Obligations, including, without limitation, force majeure, breach of warranty, and fraud, (iv) any substitution, release or exchange of any other guaranty of or security for any of the Obligations, (v) the existence or terms of any other agreements between Guarantor and any party, including the TCR Account Holder, and (vi) to the fullest extent permitted by applicable law, irrespective of any other circumstances whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Guarantee that the obligations of Guarantor hereunder shall be absolute and unconditional under any and all circumstances. However, with respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of the QSE under the QSE Agreement and the Protocols. Guarantor does not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have, after full and final payment of the Obligations, against others liable on the Obligations. Guarantor’s rights of subrogation and reimbursement are subordinate in all respects to the rights and claims of ERCOT, and Guarantor may not exercise any rights it may acquire by way of subrogation under this Guaranty, by payment made hereunder or otherwise, until all of the Obligations have been fully and finally paid.

It is not necessary for ERCOT, in order to enforce Guarantor’s payment hereunder, first to proceed against TCR Account Holder or resort to any collateral, security or other guarantors or obligors, if any, or

pursue any other remedy. Any collateral, security or obligations of any other guarantors or obligors, if any, may be sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice, apart from ERCOT's initial demand under this Guarantee, or further assent from Guarantor. Guarantor's liability is several and independent of any other guarantees in effect with respect to any part of the Obligations and may be enforced regardless of the existence of any other guarantees.

Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, by TCR Account Holder to ERCOT with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of bankruptcy or reorganization of TCR Account Holder.

No payment by Guarantor shall entitle Guarantor, by subrogation or otherwise, to any right against TCR Account Holder, including any payment by TCR Account Holder or out of property of TCR Account Holder, except after the full payment and discharge of all of the Obligations. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by the ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Guarantor hereby expressly waives any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guaranties, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Chapter 51 of the Texas Property Code, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times.

The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges that this Guarantee applies to all Obligations arising prior to the effective date of the termination of this Guarantee, whether by notification of termination, or by expiration of the term.

Guarantor agrees to pay to ERCOT, upon demand, all costs and expenses, including third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties and the Guarantor's email address are set forth on the signature page of this Guarantee. Such information regarding a party may be changed by such party by written notice to the other party. In addition, Guarantor shall maintain, at all times, a registered agent in Texas. Guarantor's registered agent in Texas is set forth on the signature page of this Guarantee, and Guarantor shall provide ERCOT with written notification of any change of its registered agent or the address thereof.

This Guarantee shall bind the heirs, personal representatives, successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns.

No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

All references in this Guarantee to sums denominated in dollars or with the symbol "\$" refer to the lawful currency of the United States of America. If, for the purposes of obtaining or enforcing judgment against Guarantor in any court in any jurisdiction in connection with this Guarantee, it becomes necessary to convert into any other currency (such other currency being referred to as the "**Judgment Currency**") an amount due in any currency (the "**Obligation Currency**") other than the Judgment Currency under this Guarantee, the conversion shall be made at the rate of exchange prevailing on the business day immediately preceding the date of actual payment of the amount due, in the case of any proceeding in the courts of the State of Texas or in the courts of any other jurisdiction that would give effect to such conversion being made on such date, or, the date on which the judgment is given, in the case of any proceeding in the courts of any other jurisdiction (the applicable date as of which such conversion is made pursuant to this paragraph being hereinafter referred to as the "**Judgment Conversion Date**"). If, in the case of any proceeding in the court of any jurisdiction referred to in the preceding sentence, there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual receipt for value of the amount due, Guarantor shall pay such additional amount (if any and in any event not a lesser amount) as may be necessary to ensure that the amount actually received in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of the Judgment Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgment Conversion Date.

This Guarantee shall be governed by, and constructed in accordance with, the laws of the State of Texas, without regard to any rule or provision on conflict of laws.

Any dispute relating in any manner to this Guarantee shall be resolved through binding arbitration. Arbitration proceedings shall be conducted pursuant to the International Arbitration Rules of the American Arbitration Association (AAA) in effect at the time the dispute first arises by one (1) or three (3) arbitrator(s) appointed in accordance with such Rules within ten (10) calendar days of submission of the dispute. The number of arbitrators forming the arbitral panel shall be mutually agreed upon by the parties, but if they cannot agree, then the AAA shall determine same. The arbitration shall be held in such city as is agreed upon by the parties, but if they cannot agree, then such arbitration shall be held in Austin, State of Texas, United States of America. The arbitration shall be conducted simultaneously in English and in the primary language of Guarantor. The English version of this Guarantee shall be the controlling document in the arbitration proceeding. The procedural laws of the civil district courts of the State of Texas, U.S.A. shall govern the arbitral proceeding regardless of the situs of the arbitration. The arbitral panel shall set a limited time period and establish procedures designed to reduce the cost and time for discovery, while allowing the parties an adequate opportunity, in the discretion of the arbitral panel, to discover relevant information from opposing parties about the subject matter of the dispute. The arbitral panel shall award actual damages to the prevailing party, but may not award any special, indirect, punitive or consequential damages nor reasonable attorneys fees and arbitration costs to either party. The arbitral award shall fully and finally settle the dispute. Recognition and enforcement of the arbitral award shall be governed by the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Judgment upon the award may be entered in any court in any country, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the law of such jurisdiction may require or allow. Each party shall bear its own costs and fees, including, but not limited to its share of any arbitration fees, unless otherwise ordered by the arbitrator(s).

BY AGREEING TO BINDING ARBITRATION, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF

ANY CLAIM. FURTHERMORE, WITHOUT INTENDING IN ANY WAY TO LIMIT THIS AGREEMENT TO ARBITRATE, TO THE EXTENT ANY CLAIM IS NOT ARBITRATED, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF SUCH CLAIM. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS GUARANTEE.

This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of the QSE.

TCR Account Holder: _____

[Name of TCR Account Holder]

a _____

[Type of entity/jurisdiction of organization]

Date of TCR Agreement: _____, 200__.

EXECUTED by GUARANTOR this ____ day of _____, 200__:

[Name of Guarantor]

a _____

[Type of entity/jurisdiction of organization]

By: _____

Name: _____

Title: _____

Attest: _____

Name: _____

Title: _____

Address: _____

Telephone: _____

Facsimile: _____

Email Address: _____

Guarantor's Registered Agent in Texas:

Name: _____

Address: _____

ACCEPTED by ERCOT this ____ day of _____, 200__:

ELECTRIC RELIABILITY COUNCIL OF
TEXAS, INC.

Address: 7620 Metro Center Drive
Austin, Texas 78744

[For notice and payment]

By: _____

Name: _____

Title: _____

Telephone: _____

Facsimile: 512.225.7020

Attachment E to Exhibit 1

**IRREVOCABLE AND UNCONDITIONAL
STANDBY LETTER OF CREDIT**

Qualified Scheduling Entity (“QSE”) Applicant:

Amount:

Expiration Date:

Date of Issuance:

Electric Reliability Council of Texas, Inc. (“ERCOT”)

7620 Metro Center Dr.

Austin, Texas 78744

Attn: Finance

To Whom It May Concern:

We hereby establish in your favor, effective immediately, our irrevocable Standby Letter of Credit no. _____ (“Letter of Credit”) which is available for payment upon your advice of demand to the attention of _____ by telephone at _____, or by fax at _____ and presentation to us by fax of: (i) your written demand for payment containing the text of Exhibit I and (ii) your statement containing the text of Exhibit II.

Funds may be drawn under this Letter of Credit, from time to time, in one or more drawings, in amounts not exceeding in the aggregate the amount specified above.

Upon presentation to us in conformity with the foregoing, we will, not later than the close of business on the next banking day after such presentation, but without any other delay whatsoever, irrevocably and without reserve or condition issue payment instructions to the Federal Reserve wire transfer system in proper form to transfer to the account at the bank designated by you in the demand, the full amount demanded by you in the same-day funds which are immediately available to you in Austin, Texas. We agree that if, on the expiration date of this Letter of Credit, the office specified above is not open for business, this Letter of Credit will be duly honored if the specified statements are presented by you within three (3) full banking days after such office is reopened for business.

Payment hereunder shall be made regardless of: (a) any written or oral direction, request, notice or other communication now or hereafter received by us from the QSE Applicant or any other person except you, including without limitation any communication regarding fraud, forgery, lack of authority or other defect not apparent on the face of the documents presented by you, but excluding solely an effective written order issued otherwise than at our instance by a court of competent jurisdiction which order is legally binding upon us and specifically orders us not to make such payment; (b) the solvency, existence or condition, financial or other, of the QSE Applicant or any other person or property from whom or which we may be entitled to reimbursement for such payment; and (c) without limiting clause (b) above, whether we are in receipt of or expect to receive funds or other property as reimbursement in whole or in part for such payment. We agree that we will not take any action to cause the issuance of an order described in clause (a) of the preceding sentence. We agree that the time set forth herein for payment of any demand(s) for payment is sufficient to enable us to examine such demand(s) and the related documents(s) referred to above with care so as to ascertain that on their face they appear to comply with the terms of this Letter of Credit and that if such demand(s) and document(s) on their face appear to so comply, failure to make any such payment within such time shall constitute dishonor of such demand(s) and this Letter of Credit.

The stated amount of this Letter of Credit may be increased or decreased, and the expiration date of this Letter of Credit may be extended, by an amendment to this Letter of Credit in the form of Exhibit III. Any such amendment shall become effective only upon acceptance by your signature on a hard copy amendment.

You shall not be bound by any written or oral agreement of any type between us and the QSE Applicant or any other person relating to this Letter of Credit, whether now or hereafter existing.

We hereby engage with you that your demand(s) for payment in conformity with the terms of this Letter of Credit will be duly honored as set forth above. All fees and other costs associated with the issuance of and any drawing(s) against this Letter of Credit shall be for the account of the QSE Applicant. All of the rights of ERCOT set forth above shall inure to the benefit of your successors. In this connection, in the event of a drawing made by a party other than ERCOT, such drawing must be accompanied by the following signed certification:

“The undersigned does hereby certify that _____ [drawer] _____ is the successor by operation of law to ERCOT, a beneficiary named in [name of Bank] Letter of Credit no. _____ and we attach herewith copies of official documents proving our legal status as successor.

[name and title]

Except so far as otherwise expressly stated herein, this Standby Letter of Credit is subject to the “Uniform Customs and Practices for Documentary Credits.” International Chamber of Commerce, in effect on the date of issuance of this Letter of Credit.

Yours faithfully,

(name of issuing bank)

By _____

Title _____

Exhibit I to Attachment E to Exhibit 1

DEMAND FOR PAYMENT

Re: Irrevocable and Unconditional Standby Letter of Credit

No. _____ Dated _____, _____

To Whom It May Concern:

Demand is hereby made upon you for payment to us of \$_____ by deposit to our account no. _____ at [insert name of bank]. This demand is made under, and is subject to and governed by, your Irrevocable and Unconditional Standby Letter of Credit no. _____ dated _____, _____ in the amount of \$ _____ established by you in our favor for the account of _____ as the QSE Applicant.

DATED: _____, _____.

Electric Reliability Council of Texas, Inc.

By _____

Title _____

Exhibit II to Attachment E to Exhibit 1

STATEMENT

Re: Irrevocable and Unconditional Standby Letter of Credit
No. _____ Dated _____, _____

To Whom It May Concern:

Reference is made to your Irrevocable and Unconditional Standby Letter of Credit no. _____
dated _____, _____ in the amount of \$ _____ established by you in our favor for the
account of _____.

We hereby certify to you that \$ _____ is due and owing to us by the QSE
Applicant, under and in accordance with the ERCOT Protocols.

DATED: _____, _____.

Electric Reliability Council of Texas, Inc.

By _____

Title _____

Exhibit III to Attachment E to Exhibit 1

AMENDMENT

Re: Irrevocable and Unconditional Standby Letter of Credit

No. _____ Dated _____, _____

Beneficiary:

Electric Reliability Council of Texas, Inc. (ERCOT)
7620 Metro Center Drive
Austin, Texas 78744
Attn: Finance

QSE Applicant:

[Name and Address]

To Whom It May Concern:

The above referenced Irrevocable and Unconditional Standby Letter of Credit is hereby amended as follows: by increasing/decreasing/leaving unchanged (*strike two*) the stated amount by \$ _____ to a new stated amount of \$ _____ or by extending the expiration date to _____ from _____. All other terms and conditions of the Letter of Credit remain unchanged.

This amendment is effective only when accepted by ERCOT, which acceptance may only be valid by a signature of an authorized representative.

Dated: _____

Yours faithfully,

[name of issuing bank]
By _____
Title _____

ACCEPTED:

Electric Reliability Council of Texas, Inc.
By _____
Title _____
Date _____

Exhibit 2

RESOLUTION OF THE ERCOT BOARD OF DIRECTORS

WHEREAS, the Electric Reliability Council of Texas, Inc. (“ERCOT”) maintains the Electric Reliability Council of Texas, Inc. Core Benefit Plan (the “Plan”), which is a group health plan providing for medical, dental, prescription drug, and vision coverages; and

WHEREAS, ERCOT’s Board of Directors deems it desirable and in the best interests of ERCOT to amend the Plan to update the definition of “dependent” in accordance with changes to the Internal Revenue Code of 1986 (the “Code”) made by the Working Families Tax Relief Act of 2004 and to provide for a uniform definition among the coverages provided under the Plan.

After full discussion and due consideration thereof, it was duly

RESOLVED, that amendment of the Plan as described above to 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 amendment 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.