

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

ERCOT Met Center Offices

Austin, Texas

10:00 a.m.

June 21, 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 June 21, 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
Harder, Jim	Garland Power & Light	Municipal
Hudson, Paul	Public Utility Commission of Texas	PUCT Chairman
Manning, Bob	H-E-B Grocery Company	Consumer/Commercial; Board Vice-Chairman
Pappas, Laurie	Office of Public Utility Counsel	OPUC Residential & Small Commercial Consumers, Proxy for Suzi McClellan
Payton, Tom	Occidental Chemical Corp.	Consumer/Industrial
Schrader, Tom	ERCOT President and CEO	ERCOT
Weiseh, David	Utility Choice Electric	Independent REP

Staff and Guests:

Adib, Parviz	PUCT Market Oversight Division
Bojorquez, Bill	ERCOT Staff
Bowman, Roy	ERCOT CFO
Clemenhausen, Barbara	Sempra
Comstock, Read	Strategic Energy
Connell, Rob	ERCOT Staff
Day, Betty	ERCOT Staff
Eaton, Terri	Green Mountain Energy Company
Galvin, Jim	ERCOT Staff
Giuliani, Ray	ERCOT CMO
Greer, Clayton	Constellation
Gruber, Richard	ERCOT Staff
Hinsley, Ron	ERCOT CIO
Houston, John	CenterPoint
Jones, Liz	TXU
Jones, Randy	Calpine
Jones, Sam	ERCOT Executive VP and COO
McIntire, Nancy	VP of Human Resources and Organizational Development

Moseley, Cheryl	ERCOT Staff
Ogelman, Kenan	OPUC
Oldham, Phillip	TIEC/AK
Roark, Dottie	ERCOT Staff
Rowe, Evan	PUCT
Seymour, Cesar	Suez Energy
Smitherman, Barry	PUCT Commissioner
Vincent, Susan	ERCOT Staff
Walker, Mark	ERCOT Interim General Counsel
Waters, Garry	Competitive Assets
Windler, Jennifer	LCRA
Zake, Diana	ERCOT Staff

Announcements

Mike Greene, Chairman of the ERCOT Board of Directors, 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 mentioned that the PUCT had approved Carolyn Gallagher as an unaffiliated Board member.

Approval of Minutes

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

CEO Report

Tom Schrader, ERCOT's President and CEO, reported on the following matters:

- Implementation of SB 408 – ERCOT issued a press release regarding implementation of the requirements of this legislation.
- Comptroller's Review – The audit by the Comptroller's office has concluded.
- QSE/REP Close Call – Mr. Schrader stated that ERCOT is monitoring the creditworthiness of QSEs and has recently been working with a QSE regarding collateral issues. He noted that Natural Gas Weekly contained an article regarding the potential for financial difficulties due to high gas prices.
- Wholesale Market Workshops – The PUCT conducted workshops on the market design. The ERCOT presentation was very well done and we have received many compliments.
- Management Dashboard – Mr. Schrader reviewed management's performance on attaining the corporate goals. Performance declined in one category (move-in, move-out) but was still satisfactory. He also reported that ERCOT is behind schedule on capital projects.
- Planning – ERCOT is working on a revised mission/vision statement and reviewing Texas electric industry issues as input to the 2006 budget process.

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 highlighted several matters. Due to timing differences, some variances exist between budgeted amounts and actual expenditures. There is a \$4.84 million variance on capital expenditures relating to projects being behind schedule. ERCOT management is meeting with the project team to try to remedy this variance. There is a slight variance between actual revenue and budgeted revenue due to differences between budgeted Load and actual Load. Mr. Bowman reported that cash flow data looks strong and that ERCOT has targeted over \$1 million in cost savings since the beginning of the year. Finally, ERCOT has completed and verified twenty additional audit points since the last report.

Legislative Update

Mark Walker, ERCOT's Interim General Counsel, reported on the activity of the 79th Texas Legislature. The passage of Senate Bill 408 is the highlight of the session for ERCOT. The bill included clarification of PUCT oversight over ERCOT. It also requires that ERCOT add two new unaffiliated Board members and that the Board Chair must come from the unaffiliated members by September 2006. The bill also included clarification of the Board's public meetings policy and requires that Board members disclose any "direct interest" in matters before the Board (and recuse themselves from voting or participating). The bill also requires creation of an independent market monitor under the supervision of the PUCT and requires ERCOT to fund and support the monitor.

Mr. Walker then reported on ERCOT's response to the various provisions of the bill. ERCOT will submit a very detailed fee filing by October 1, 2005. This filing will provide detail on the cost effectiveness initiatives ERCOT has undertaken. ERCOT is also working on its Bylaws, a new Ethics Agreement for Board members and new Board processes to comply with the statute's governance requirements. Commissioner Smitherman asked about the deadline for the Independent Market Monitor. Mr. Walker stated that the statute contains no deadline, but ERCOT would handle the change pursuant to instruction by the PUCT. Chairman Hudson stated that the PUCT would be considering how to handle that issue.

Information Technology Update

Ron Hinsley, ERCOT's CIO, reported on IT system metrics and focus issues. On metrics, Mr. Hinsley is working with IT staff to improve key areas of performance to support reliability and market functions, particularly system outage patterns. On a broader level, he is focusing his planning efforts on the following areas: Texas Nodal, system reliability, communication with Market Participants, infrastructure management, software development life cycle management, security and system performance.

Operations Update

Sam Jones, ERCOT Executive VP and COO, reported that, last week, ERCOT experienced its highest Load so far this year at 57,623 MWs. He also reported on the manner in which ERCOT performs its Load forecast and reserve margin calculations as modified by the new Board-approved reserve calculation. Mr. Jones reported that ERCOT's Load forecast, using the new econometric method, increased the summer peak Load forecast to 60,475 MWs. As a result, ERCOT's reserve margin is now calculated at 16.9% for 2005. The reserve margin remains above 13.4% through the year 2009. Several questions were raised by Board members regarding: (i) consideration of the entry for "planned units with signed interconnects" (they are included); (ii) whether the calculation includes the lowered impact for

wind Resources (both new wind and existing wind resources are discounted); (iii) details of the calculation for LaaRs; and (iv) whether the reserve numbers take into account transmission constraints (they do not).

Commissioner Smitherman asked whether the Board should be concerned about the high Load from last week since it is relatively early in the summer. Mr. Jones reported that the Load level was consistent with what ERCOT expects when temperatures are as high as they were last week (*e.g.* 97° in Austin, 99° in Dallas, 95° in Houston). Mr. Jones also reported that ERCOT staff investigated what would happen if Texas experienced extreme, above normal summer temperatures similar to those in September 2000 and determined that, if that situation occurred, the Load forecast would increase by approximately 4%, but generation reserves would still be more than adequate.

Market Operations Update

Ray Giuliani, ERCOT's Chief of Market Operations, reported that, through the end of April, ERCOT has processed over 13 million retail transactions since market open. Additionally, 28% of residential Load has moved from the AREP to another REP. That percentage is 71% for small non-residential and large non-residential Load.

A brief discussion took place regarding increased costs associated with reliability services—is it due to more purchases through ERCOT or higher gas prices? Mr. Giuliani stated that a portion of the increase in those costs is likely attributed to a 16.7% increase in the cost of natural gas, but there was also an increase in purchases through ERCOT. Mr. Giuliani mentioned that a Market Participant group has been established to look at the change in the BENA charge this year.

Finally, Mr. Giuliani stated that ERCOT added three new REPs this year and one additional QSE. He also reported on average prices for the various hubs and the hub average price and bus average price.

Texas Nodal Team (TNT) Update

Jim Galvin, ERCOT's Director of Market Operations and Co-Facilitator of the TNT, made a brief presentation regarding the TNT's "punch list" of items to complete the filing of the Texas Nodal Protocols. He reported that 95% of items on the list have been completed. The TNT intends to have the settlement formulae finished soon. The credit sub-committee has completed its work and provided its report by June 14th, as expected. Real-time co-optimization remains an unresolved issue. Protocol synchronization is also still underway. The role of the Independent Market Monitor is also still under discussion.

Mr. Galvin reported that the PUCT held a workshop (June 8th to 10th) to discuss market design. At that workshop, ERCOT staff presented a list of ten items that would assist in better managing reliability. The TNT made a presentation regarding the TNT market design. Several other parties made presentations.

Finance & Audit Committee Report

Mr. Manning reported that the budget planning process is on schedule. Meetings will take place in July and August to continue the process. The current target is to keep the fee at \$0.42/MW. The budget assumes a 2.5% increase in MWhs for next year but no assumptions are included for Texas Nodal or increased market monitoring support. He also reported that the committee reviewed an analysis of floating versus fixed rate debt.

Mr. Manning mentioned that ERCOT's 2003 audited financial statement must be restated to move some costs out of capital expenses to "expense" characterization due to alleged criminal activity associated with some projects. PricewaterhouseCoopers hopes to have the 2004 financial audit completed by June 30, 2005. Mr. Manning also reported that Ed Ettorre, ERCOT's Internal Auditor, made a presentation to the committee regarding audit activity.

Chairman Hudson asked about the proposed ERCOT staffing level for next year and the cost savings reported by Mr. Bowman and whether they will carry over to next year's budget. Mr. Schrader stated that ERCOT has 571 positions approved for 2005 and preliminarily has used the same number of positions for 2006. Currently, ERCOT has 505 employees. The budget expenses assumes there will always be a 5 percent vacancy in positions, or about 29 open positions.

With respect to the cost savings, the savings in 2005 are being used to fund unbudgeted priority initiatives including the Internal Control Management Program and the Independent Workforce Analysis. In developing the 2006 budget, ERCOT is using the cash savings to off-set increases such as those required to implement the responses to the audit findings.

Commissioner Smitherman recommended that the committee consider how to communicate the restatement of ERCOT's financial statements.

OOMC Non-Fuel Start Up Costs

Lee Starr of Bryan Texas Utilities (BTU) made a presentation regarding some additional expenses they would like included in compensable verifiable costs for OOMC Service. He stated that the Protocols do not adequately compensate for "cold starts" of aging generation units. BTU's proposal is as follows:

Compensation for non-fuel related start up shall include unit costs accounted for following the FERC chart of accounts in sufficient detail to allow for verification of costs and the calculation for unit specific start up compensation assigned as an hourly fee multiplied by the approved unit start up time identified in the QSE's Resource Plan. The basis for compensation shall be the verifiable cost determined as follows:

- (a) Generation Supplies: {the sum of (FERC accounts 502, 505, & 506) from audited financial detail for the proceeding three (3) years} divided by {sum of total hours of operation + start up hours during the same period} = Hourly start up cost for Generation Supplies.
- (b) Direct Maintenance: {the sum of (FERC accounts 511, 512, 513, 514, & 533) unit specific from financial detail for proceeding three (3) years} divided by {sum of total hours of operation + start up hours during the same period} = Hourly start up cost for Direct Maintenance.
- (c) Operational Supervision and Support: {the sum of (FERC accounts 500, 501, 506, & 507) from audited financial detail for the proceeding three (3) years divided by 26,280 hours} = Hourly fee to be applied to unit start up.

Ms. Pappas suggested that this matter be remanded to the WMS and PRS for review. Mr. Payton stated that the Board has consistently taken the position that compensation for OOMC Service should not include fixed costs.

Ms. Pappas moved to: (i) reject BTU's request and (ii) remand this issue to TAC subcommittees for consideration of possible Protocol revisions. Mr. Armentrout seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Human Resources & Governance Committee Report

Mr. Armentrout reported on this morning's committee meeting. The committee considered the governance issues raised by the new legislation and would like to move quickly to fill the two new Board slots. He asked the Board members to consider whether they would prefer that these people have certain core competencies that might assist the Board.

He also reported on the Ethics Agreement for Board members. In light of SB 408, the committee wants to continue working on that agreement before bringing it forward for Board approval.

Finally, he reported that an initial Bylaws revision will be circulated to the Board before the next meeting. Mr. Cox stated that the committee began taking public comments in April and has been working on revising the Bylaws accordingly. The committee intends to provide a red-line version of the document in time for the next Board meeting. Then the proposal will be posted for public comment and will be discussed at a public meeting. The committee hopes to submit the Bylaws for member approval by September. Thereafter, ERCOT will submit the proposal to the PUCT for approval. ERCOT staff has established an email exploder (2005ercotbylawsreview@ercot.com) for comments.

Special Committee

Mr. Espinosa reported that the committee hopes to have a final report in time for next month's Board meeting.

TAC Report

After lunch, Chairman Hudson adjourned the PUCT Open Meeting.

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

(1) Protocol Revision Requests

Mr. Comstock reported that the sponsor of PRR552 requested withdrawal of that PRR. TAC unanimously approved the withdrawal. He stated that the Board need not take any further action on this matter.

Additionally, Mr. Comstock reported that 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:

- ◇ ***PRR555—Modify Number of Sub-QSEs a Single Entity Can Partition.*** Proposed effective date: July 1, 2005. No budgetary impact; no impact to grid operations. ERCOT staff will accommodate additional sub-QSE registrations via implementation plans as needed in order to avoid overburdening staff or systems while still allowing room for additional new QSE registrations. This PRR removes the limit on the number of Sub-QSEs an Entity can register with ERCOT and gives ERCOT the authority to determine implementation plans for additional Sub-QSEs. ERCOT posted this PRR on 11/9/04. At its December meeting, PRS requested that ERCOT complete a detailed impact analysis for PRS review. At its January meeting PRS discussed data provided by

ERCOT and requested that ERCOT provide additional information for its February meeting. PRS reviewed more information from ERCOT on 2/17/05; the sponsor requested the opportunity to redraft a portion of the PRR for PRS consideration in March. PRS considered PRR555 on 3/17/05 and voted to recommend approval of the PRR as amended by PRS, ERCOT and Calpine. On 4/21/05, PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC unanimously voted to recommend approval of PRR555 as amended by ERCOT Staff and TAC. All segments attended the vote. ERCOT credit staff and the CWG reviewed PRR555 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ◇ **PRR564—OOME Definition.** Proposed effective date: July 1, 2005. No budgetary impact; minor impact to ERCOT staffing; no impacts to ERCOT computer systems; an additional business function will be incorporated into Control Room Operations procedures documentation; activation of a special protection scheme (SPS) will require the ERCOT Control Room to perform verbal confirmation with a TSP and a verbal Dispatch Instruction (VDI) to the affected QSE. This PRR provides ERCOT guidance when an SPS actuation takes place. ERCOT posted this PRR on 12/17/04. PRS discussed the PRR during its February meeting; the sponsor agreed to redraft the PRR for PRS consideration in March. PRS considered PRR564 on 3/17/05 and voted to recommend approval as amended by ANP, Calpine and ERCOT. There were three abstentions from the MOU, IOU, and Consumer segments and three opposing votes from the MOU, Consumer and Independent Power Marketer segments. All segments attended the vote. On 4/21/05, PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC voted to recommend approval of this PRR as submitted by PRS. There were five abstentions from the Consumer segment; all segments attended the vote. ERCOT credit staff and the CWG reviewed PRR564 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ◇ **PRR572—Weather Sensitivity Classification.** Proposed effective date: July 1, 2005. No budgetary impact; no impact to ERCOT staffing; minor changes to Lodestar system can be incorporated into PR-40075 addressing PRR488 (Weather Responsiveness Determination); no impact to ERCOT business functions; no impact to grid operations. This PRR creates procedures to determine weather sensitivity classifications when an ESI ID is inactive or de-energized. ERCOT posted this PRR on 2/9/05. PRS considered PRR572 on 3/17/05 and unanimously voted to recommend approval. All segments attended the vote. On 4/21/05 PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC voted unanimously to recommend approval of PRR 572 with all Market segments present. ERCOT credit staff and the CWG reviewed PRR572 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.
- ◇ **PRR575—Mandatory Down Balancing Ramp Rate.** Proposed effective date: July 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impacts to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations. This PRR creates new subsection 4.5.2(3) that clarifies that the Mandatory Down Balancing Bid amount should be deployable within one hour. ERCOT posted this PRR on 2/11/05. PRS considered this PRR on 3/17/05 and voted to recommend approval as amended by PRS and ERCOT. There were two opposing votes from the Independent Power Marketer segment and six abstentions from the Independent Generator and IOU segments. All segments attended the vote. On 4/21/05 PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC voted unanimously to recommend approval of PRR 564 with all market segments present. ERCOT credit staff and the CWG reviewed PRR575 and do

not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ◇ **PRR576—Disclosure of OOME, OOMC, and RMR Service.** Proposed effective date: July 1, 2005. No budgetary impact; no impact to ERCOT staffing; minor impact to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations. This PRR changes the deadline for ERCOT to post the amount of OOM and RMR energy provided by each Resource from seventeen Business Days to the Business Day following issuance of the Initial Settlement Statement and adjusts the timing of other OOM posting requirements. ERCOT posted this PRR on 2/11/05. PRS considered PRR576 on 3/17/05 and voted to recommend approval as submitted with one member from the Independent Power Marketer segment opposed. All segments attended the vote. On 4/21/05 PRS affirmed ERCOT's impact analysis. On 5/5/05, TAC unanimously voted to recommend approval of PRR576 as submitted. All Market Segments attended the vote. ERCOT credit staff and the CWG reviewed PRR576 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ◇ **PRR587—Intra-year Modification of CRE—URGENT.** Proposed effective date: July 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impacts to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations. This PRR addresses Recommendation 4 of Potomac Economics' recommendations to improve the wholesale market design in the ERCOT Region by allowing ERCOT staff the authority to modify Closely Related Elements (CREs) intra-year. PRR587 also requires ERCOT staff to present intra-year modifications to the CRE list to TAC for approval and requires TAC to act within seven days to deny the modifications. ERCOT posted this PRR on 3/25/05. The submitter requested urgent status to respond to the PUCT's desire to have the Potomac recommendations addressed by the end of June 2005. PRS granted urgent status via e-mail vote on 4/18/05. On 4/21/05, PRS unanimously voted to recommend approval of PRR587 as revised by CMWG, ERCOT staff and PRS. On 5/19/05, PRS noted that there was no change to the ERCOT impact analysis for PRR587 and that it required no project prioritization. On 6/2/05, TAC unanimously voted to recommend approval of PRR587 as recommended by PRS. ERCOT credit staff and the CWG reviewed PRR587 and do not believe it requires changes to credit monitoring activity or the calculation of liability.

- ◇ **PRR589—CSC and Zone Determination—URGENT.** Proposed effective date: July 1, 2005. No budgetary impact; no impact to ERCOT staffing; no impacts to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations. This PRR addresses Recommendation No. 1 of Potomac Economics' recommendations to improve ERCOT's wholesale market design by strengthening ERCOT staff's role in the CSC and zone determination process. This PRR would also eliminate Board approval of NOIE exemptions from the CSC determination process. ERCOT posted this PRR on 4/1/05. The submitter requested urgent status to respond to the PUCT's desire to have the Potomac recommendations addressed by the end of June 2005. PRS granted urgent status via e-mail vote on 4/18/05. On 4/21/05, PRS voted to recommend approval of PRR589 as revised by ERCOT staff and PRS. There was one opposing vote from the Consumer segment and one abstention from the Independent Power Marketer segment. All segments were present for the vote. On 5/19/05, PRS noted that there was no change to the ERCOT impact analysis for PRR589 and that no project prioritization was required. On 6/2/05, TAC unanimously voted to recommend approval of PRR589 as

revised by TAC. ERCOT credit staff and the CWG have reviewed PRR589 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- ◇ **PRR592—Modify Shift Factor Calculation to Exclude Fixed Output Generators—URGENT.** Proposed effective date: November 1, 2005. No budgetary impact; negligible impact to ERCOT staffing; no impacts to ERCOT computer systems; negligible impact to ERCOT business functions; no impact to grid operations. This PRR addresses Potomac Economics' Recommendation #3 and modifies the calculation of the monthly zonal Shift Factors used to manage and settle zonal congestion. ERCOT posted this PRR on 4/5/05. The submitter requested urgent status to respond to the PUCT's desire to have the Potomac recommendations addressed by the end of June 2005. The PRR did not receive enough votes for processing under an urgent timeline. PRS granted urgent status upon reconsideration during its 4/21/05 meeting. There were five opposing votes: one from the IOU segment; two from the Independent Generator segment; and two from the Coop segment. On 5/19/05, PRS unanimously voted to recommend approval of PRR592 as amended by ERCOT comments. On 5/19/05, PRS noted that there was no change to the ERCOT impact analysis for PRR592 and that it needed no project prioritization. On 6/2/05, TAC unanimously voted to recommend approval of PRR587 as recommended by PRS. ERCOT credit staff and the CWG reviewed PRR592 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

Mr. Armentrout moved to approve all the PRRs except PRR564 and PRR589. Mr. Manning seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Chairman Greene opened the floor to discussion on PRR564. Ms. Pappas explained that the consumers abstained from this issue simply because it involved underlying expense items they were not comfortable with. They understand that the PRR does not expand the compensable costs. Mr. Harder asked questions regarding compensation for SPS actuations. Ms. Beth Garza, ERCOT's Manager of Congestion Management, stated that this PRR changes an after-the-fact process (the Market Participant must file a dispute in order to receive compensation) into a process more concurrent with the event. Mr. Randy Jones of Calpine stated that SPS schemes benefit Market Participants because they allow ERCOT to delay taking congestion management actions. **Mr. Armentrout moved to reject PRR564. Mr. Harder seconded the motion. The motion failed by a vote of eight to three, with one abstention.**

Mr. Espinosa moved to reconsider the last vote and, instead, refer the matter to TAC to analyze the issue of compensation for SPS actuations. Mr. Armentrout seconded the motion. The motion passed by unanimous voice vote.

Chairman Greene opened the floor to discussion on PRR589. Ms. Garza explained how ERCOT establishes Commercially Significant Constraints. Mr. Payton raised certain concerns he has about this PRR. Ms. Pappas also raised some concerns.

Mr. Veiseh moved to approve PRR589. Mr. Cox seconded the motion. The motion passed by a vote of ten to one (Mr. Payton opposed).

Other TAC Matters

Mr. Comstock reported that TAC created a joint task force between RMS and WMS to address the issue of Mass Transition of ESI IDs in order to streamline and improve the process. The first task force meeting will take place on June 24, 2005.

The TAC will also look at project prioritization. Mr. Comstock mentioned that the TAC provided an update on the status of the Potomac recommendations to the PUCT last week.

Mr. Harder asked if ERCOT is concerned about additional defaults of REPs in light of the forecast for gas prices of \$9.00/mcf this winter. Mr. Schrader stated that ERCOT intends to continue monitoring Market Participant creditworthiness in an attempt to protect all Market Participants. Mr. Veiseh stated that gas prices alone do not determine whether an REP fails. The issue is whether the REP adequately hedges itself.

Other Business

No other business was raised.

Adjournment

Chairman Greene adjourned the open portion of the meeting at approximately 2:15 p.m.

Executive Session

The Board met in Executive Session to discuss litigation, personnel 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>

Mark Andrew Walker, Corporate Secretary