

**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.

January 17, 2006

Pursuant to notice duly given, the meeting of the Board of Directors of Electric Reliability Council of Texas, Inc. ("ERCOT") convened at approximately 10:10 a.m. on January 17, 2006.

Meeting Attendance:

Board Members:

Armentrout, Mark		Unaffiliated; Board Chairman
Dalton, Andrew	Valero Energy Corp.	Industrial Consumers
Espinosa, Miguel		Unaffiliated
Gahn, Scott	Just Energy	Independent REP
Gallagher, Carolyn Lewis		Unaffiliated
Hayslip, Darrell	Calpine	Independent Generator
Hudson, Paul	Public Utility Commission of Texas - Chair	Public Utility Commission of Texas
Kahn, Bob	Austin Energy	Municipal
Karnei, Clifton	Brazos Electric Cooperative	Cooperative
Manning, Bob	H-E-B Grocery Company	Consumer/Commercial; Board Vice-Chairman
McClellan, Suzi	Office of Public Utility Counsel	OPUC Residential & Small Commercial Consumers
Ryall, Jean	Constellation Energy	Independent Power Marketer – Segment Alternate
Schrader, Tom	ERCOT President and CEO	ERCOT
Standish, Tom	CenterPoint Energy	IOU

Staff and Guests:

Adib, Parviz	PUCT
Ashley, Kristy	Exelon
Belk, Brad	LCRA
Bell, Wendell	TPPA
Brenton, Jim	ERCOT Staff
Byone, Steve	ERCOT Vice President and Chief Financial Officer
Clemenhausen, Barbara	Sempra
Doolin, Estrellita	ERCOT Staff
Dreyfus, Mark	Austin Energy
Durrwachter, Henry	TXU Wholesale
Ettorre, Ed	ERCOT Staff
Gallio, Lanie	ERCOT Staff
Giuliani, Ray	ERCOT Vice President and Chief of Market Operations
Greer, Clayton	Constellation
Grimm, Larry	ERCOT Staff

Hinsley, Ron	ERCOT Vice President and Chief Information Officer
Houston, John	CenterPoint Energy
Jones, Don	Andrews Kurth (TIEC)
Jones, Sam	ERCOT Executive Vice President and Chief Operating Officer
Lloyd, Brian	PUCT
McIntire, Nancy	ERCOT Vice President of Human Resources and Organization Development
Meek, Don	ERCOT Staff
Moore, John	Consultant
Morris, Sandy	LCRA
Moseley, Cheryl	ERCOT Staff
Packwood, Erin	Mercer
Parsley, Julie	PUCT Commissioner
Patterson, Mark	ERCOT Staff
Petterson, Mike	ERCOT Staff
Pieniasek, Adrian	Texas Genco
Roark, Dottie	ERCOT Staff
Rowe, Evan	PUCT
Saathoff, Kent	ERCOT Staff
Shellman, Carolyn	ERCOT Vice President, General Counsel and Corporate Secretary
Smallwood, Aaron	ERCOT Staff
Smitherman, Barry	PUCT Commissioner
Striedel, James	Entergy Solutions
Tamby, Jeyant	ERCOT Staff
Trenary, Michelle	First Choice Power
Vincent, Susan	ERCOT Staff
Wattles, Paul	ERCOT Staff
Yager, Cheryl	ERCOT Staff

Announcements

Mark Armentrout, Chairman of the ERCOT Board of Directors, called the meeting to order and determined that a quorum was present. Chairman Hudson of the Public Utility Commission of Texas (“PUCT”) called to order an Open Meeting of the PUCT.

Approval of Minutes

Chairman Armentrout requested comments on and approval of the minutes of the December 2005 Board of Directors meeting and the December 2005 Annual Meeting, as circulated. **Mr. Hayslip moved to approve the minutes as circulated. Mr. Manning seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Ratification of ERCOT Officers

Chairman Armentrout requested a motion to pass the Resolution ratifying the following ERCOT Officers for 2006:

Thomas F. Schrader	- President and Chief Executive Officer
Sam Jones	- Executive Vice President and Chief Operating Officer
Carolyn Shellman	- Vice President, General Counsel and Corporate Secretary
Ray Giuliani	- Vice President and Chief of Market Operations
Steve Byone	- Vice President and Chief Financial Officer

Nancy McIntire - Vice President of Human Resources and Organization Development
Ron Hinsley - Vice President and Chief Information Officer

Mr. Manning moved to pass the Resolution (attached hereto as Exhibit A) ratifying the slate of Officers. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Confirmation of Technical Advisory Committee (“TAC”) Chair and Vice Chair

The proposed TAC Chair (Read Comstock of Strategic Energy) and Vice-Chair (Mark Dreyfus of Austin Energy) were previously circulated to the Board members. **Mr. Hayslip moved to approve Mr. Read Comstock as TAC Chair and Mr. Mark Dreyfus as TAC Vice-Chair; Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Mercer Study Presentation

PUCT Commissioners Hudson, Parsley and Smitherman left the room for this discussion.

Chairman Armentrout invited Erin Packwood of Mercer Human Resource Consulting (“Mercer”) to provide additional information regarding the recently completed compensation study requested by ERCOT and the PUCT. She explained that Mercer conducted an exhaustive study of compensation data obtained from many different sources. Mercer normalized the data to a common point in time and focused on national data because the Austin market was not appreciably different than the national market.

The study indicated that, on average, ERCOT’s base pay is approximately 2% above the market median. For lower level positions, the pay was higher than the median; for higher level positions, pay was below the median. Approximately 33% of employees fell outside a competitive range.

When including base pay and bonuses, ERCOT’s total cash compensation (“TCC”) is approximately 1% below the median (assuming bonuses are paid). The TCC is generally less competitive for higher level roles than for lower level roles.

When analyzing ERCOT’s total benefit package (base pay, bonus and fringe benefits), ERCOT is approximately 4% above the market median (assuming bonuses are paid).

Mr. Schrader stated that ERCOT is analyzing its pay structure in light of the results of the study. Nancy McIntire, ERCOT Vice President of Human Resources and Organization Development, stated that ERCOT is taking the Mercer recommendations and working to implement them.

At the close of the discussion, the PUCT Commissioners returned to the meeting.

CEO Report

Tom Schrader, ERCOT President and Chief Executive Officer, reported on the recent system outage, the pending fee case, recent Market Participant defaults, ERCOT’s dashboard results in 2005 and ERCOT’s goals for 2006.

Commissioner Smitherman and Mr. Dalton raised questions regarding whether ERCOT’s stretch goals were sufficiently difficult to meet.

Operations Update

Sam Jones, ERCOT Executive Vice President and Chief Operations Officer, reported on the following matters:

Kurten Switch Project

Bill Bojorquez, ERCOT Director of Transmission Services, presented the results of a recent ERCOT transmission system study. He explained that the current transmission system supporting the Bryan and College Station area cannot meet the reliability needs of the area even if all of the generation in the area is available. Brazos Electric Cooperative (“BEC”), Bryan Texas Utilities (“BTU”), Texas Municipal Power Agency (“TMPA”) and the City of College Station Utilities (“CSU”) proposed various transmission upgrades to address the deficiency. A set of projects was developed from the proposals and will meet the short term system needs of the area through 2008.

In addition to the set of projects designed to meet the short-term needs of the area, ten additional transmission upgrade options were proposed to meet the long-term needs in the area. ERCOT evaluated the options and recommends the Kurten Switch Project as the preferred transmission upgrade option.

The proposed transmission upgrade project includes the construction of a 345-kV switching station, Kurten Switch, in one of the Gibbons Creek to Twin Oak circuits. The switch station will include a 600-MVA 345/138-kV autotransformer with a double circuit 138-kV line to be constructed from Kurten Switch through Kurten substation into Tabor substation, tying into the Dansby-Steephollow 138-kV line where they intersect. The project should be completed by summer 2009 at a net cost of approximately \$16,620,000 (in 2005 dollars).

The TAC unanimously endorsed the need for this project in December 2005. Mr. Manning stated that he would like to make it clear that the Board of Directors does not approve the cost or other details of such projects and, instead, only endorses the *need* for the project from a reliability standpoint. **Mr. Karnei moved to endorse the need for the project as submitted. Mr. Manning seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Mr. Karnei and Ms. Parsley made very complimentary comments regarding the ability to get transmission projects implemented in the ERCOT Region versus other areas of the country.

NERC Letter Report

Mr. Jones made a brief presentation regarding the recent letter reports ERCOT received from the North American Electric Reliability Council (“NERC”). He also stated that NERC will apply to be the Electric Reliability Organization (“ERO”) as required by last year’s federal legislation and that ERCOT will want to become a Regional Reliability Organization (“RRO”) under that statute.

Chairman Armentrout asked if the Market Participants have followed the recent developments at the NERC. Commissioner Parsley indicated that the PUCT has submitted comments. Chairman Armentrout asked Mr. Comstock (TAC Chairman) if he would keep this issue before the TAC. Mr. Jones pointed out that the TAC has asked ERCOT to set up a special web page to track these issues.

John Houston of Reliant Energy asked if ERCOT is coordinating with the Western Electricity Coordinating Council (“WECC”) regarding their position in connection with these NERC issues. Mr. Jones stated that he recently heard from a representative of the WECC and ERCOT is considering whether to align itself with them.

Commissioner Parsley asked if ERCOT was continuing to study the issue of whether to bring Entergy into the ERCOT Region. Mr. Bojorquez stated that ERCOT staff had met with representatives of Entergy in the middle of 2005 but, during that work, the hurricanes hit and Entergy staff did not have the time to continue discussions. At the end of December, the Entergy representatives contacted ERCOT to continue those discussions.

Reliability Compliance Update

Larry Grimm, ERCOT Director of Compliance, provided an update regarding compliance issues, including frequency control, Qualified Scheduling Entity (“QSE”) Regulation 10-minute scores, Resource Plan performance metrics and Protocol Revision Request (“PRR”) 525 10-minute scores. He presented graphs regarding frequency responses to disturbances and Resource Plan compliance.

Commissioner Smitherman asked for a status report regarding the actions ERCOT will take for non-compliance with the requirements of PRR525. Mr. Grimm stated that ERCOT has removed the requirement for the QSE to make a presentation to Reliability and Operations Subcommittee (“ROS”) as part of Level 2 enforcement. Additionally, in Level 3 enforcement, the requirement to make a presentation to TAC was removed.

Market Operations Update

Ray Giuliani, ERCOT Vice President and Chief of Market Operations, reported briefly on the market operations report previously circulated to Board members.

Mr. Giuliani also stated that, on January 26, 2006 from 9:30 a.m. to Noon, ERCOT will have a “lessons learned” meeting regarding the recent system outage. He then reviewed the business impacts of that event, including the fact that certain retail transactions were delayed. He then provided a synopsis of the timeline of the event and the associated communications sent to Market Participants.

Mr. Standish voiced his concern on behalf of Transmission and/or Distribution Service Providers (“TDSP”s) regarding the amount of overtime they expended to address this issue and the dissatisfaction of customers. Commissioner Smitherman asked Mr. Standish to provide information to the PUCT in writing regarding the impact on his company. Commissioner Parsley emphasized the importance of communicating events in a more timely manner. Mr. Comstock stated that the TAC had a lengthy discussion regarding these issues. Market Participants indicated that it took a lot of extraordinary effort to ameliorate the effects of the outage.

Information Technology Update

Ron Hinsley, ERCOT Vice President and Chief Information Officer, presented the technical issues related to the system outage. He started by pointing out that if System Change Request (“SCR”) 745 had been implemented at the time, it would not have prevented this event. Mr. Hinsley stated that the response by ERCOT staff to this event was remarkable. Many employees abandoned their vacations to come to work to resolve the issues.

The drives that failed are part of a seven drive array. One drive failed at about 9:30 p.m. on Christmas day. That event, in and of itself, was not a problem. ERCOT’s vendor scheduled a replacement for the drive by 10:37 p.m. Because it was Christmas, ERCOT had a skeleton staff and the replacement was, therefore, scheduled for the next day. Before that replacement could occur, a second drive failed (at approximately 5:30 a.m. on 12/26/05). The vendor that replaces the drives indicated that, even if they had

replaced the originally faulty drive the night before, it may not have prevented this event (due to the time to rebuild data, etc.).

Mr. Hinsely stated that the vendor has indicated that the odds of two drives out of seven failing within eight hours is 1 in 558,000,000. The offending drives have been sent to EMC (a vendor) for analysis and investigation. EMC is also assisting ERCOT in investigating this event. ERCOT is now planning to implement "hot swap" capability and is also considering a third layer of protection. Finally, ERCOT is analyzing the personnel skills associated with the event and whether additional training would help. Mr. Schrader stated that ERCOT is also looking at this event in connection with its risk management analysis.

Mr. Houston asked about whether the mirroring of data between Taylor and Austin was in place during the event. Mr. Hinsely stated that, although the mirroring was on line, the mirrored data was not totally caught up at the time (for operational reasons). That fact also impacted this event.

Wholesale Market Redesign Update

Mr. Hinsley reported on the timeline and critical path for implementation of the nodal market redesign. ERCOT estimates that the project will require 735,000 hours of work, 86 projects/initiatives, 50 ERCOT employees (which will require coverage for their regular jobs) and 40 external contractors. ERCOT now estimates that the budget for the project will be approximately \$95 to \$130 million. He pointed out that the California ISO estimates a cost of \$139 million for their move to a nodal market. ERCOT anticipates a start of simulation at April 1, 2008 and start of pilot of October 1, 2008.

Commissioner Smitherman asked how these costs will be financed. Steve Byone, ERCOT Chief Financial Officer, stated that ERCOT staff has not created a proposal yet. Mr. Schrader indicated that ERCOT management will coordinate with PUCT staff regarding a filing for the Commission.

Financial Update

Steve Byone, ERCOT Vice President and Chief Financial Officer, made a brief presentation regarding ERCOT's financial data. ERCOT ended 2005 \$6 million under budget (approximately 5%) on its operating expenses. This reflects relentless focus on driving costs out of the system. Revenue finished at just over \$2 million more than budget. With respect to capital expenditures, ERCOT spent only 60% of the budgeted amount because many projects did not get completed as scheduled. Additionally, he stated that ERCOT added forty-five employees during the course of 2005. He presented a chart showing that approximately 40% of ERCOT employees' time is spent on reliability and congestion management, 30% on retail/wholesale transactions and 30% on other corporate and organizational activities.

Mr. Byone stated that ERCOT has been tracking 288 audit points since February 2005. Forty-seven audit points remain open at this time. He commended ERCOT Staff on their efforts to clear the vast majority of these items. ERCOT anticipates completing virtually all of the open audit points by March 2006 and also anticipates having all but one Internal Control Management Program gap resolved by March 2006.

Technical Advisory Committee Report

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

Protocol Revision Requests and System Change Requests

Mr. Comstock reported that the Protocol Revision Subcommittee (“PRS”) met, discussed the issues and submitted Recommendation Reports to TAC regarding the PRRs described below. TAC also considered the issues and voted to take action on the PRRs described below:

- ***PRR625 – Clarification of Emergency QSE Language. Proposed effective date: February 1, 2006. No budgetary impact; no staffing impact; no impact to ERCOT systems; no impact to ERCOT business functions; no impact to grid operations.*** This PRR proposes changes that strengthen or clarify Protocol language addressing when and how an Emergency Qualified Scheduling Entity may be used. ERCOT posted this PRR on 8/26/05. On 9/29/05, PRS considered this PRR but deferred any action. On 10/20/05, PRS voted to recommend approval of PRR625 as modified by PRS. There were nine abstentions: two from the Independent Generator segment; three from the Municipal segment; one from the Consumer segment; one from the Independent Retail Electric Provider (“REP”) segment and two from the Independent Power Marketer segment. All segments were present for the vote. On 11/8/05, ERCOT requested that PRS grant urgent status for PRR625 for the following reasons: (1) this PRR will substantially reduce market exposure in the event of a dropped Load Serving Entity (“LSE”) and (2) this PRR, with urgent status, could be put back into the same track as PRR624 (Clarification of Market Participant Default Language), another credit-related PRR developed in conjunction with PRR625. PRS did not grant urgent status. On 11/17/05, PRS voted to send the PRR and its impact analysis to TAC; there was one abstention from the Independent Generator segment. On 12/1/05, TAC voted to recommend approval of PRR625 as modified by TAC. The motion passed with seven votes against the PRR (one from the Investor-Owned Utility segment, two from the Independent Generator segment and four from the Power Marketer segment) and five abstentions (two from the Municipally Owned Utility segment, one from the Investor-Owned Utility segment and two from the Independent Generator segment). All market segments attended the vote. The ERCOT Communication Working Group (“CWG”) supports PRR625 and believes this PRR has positive credit implications.

Chairman Armentrout opened the floor to discussion regarding PRR625. Mr. Karnei stated that the Finance & Audit committee has had concerns about this issue for several months and believes this PRR is a step in the right direction. **Mr. Karnei moved to approve PRR625 as submitted. Mr. Manning seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

- ***PRR633 – Transmission Service Providers (“TSP”s) TSP Data Information Requirements. Proposed effective date: February 1, 2006. No budgetary impact; no staffing impact; no impact to ERCOT systems; no impact to ERCOT business functions; no impact to grid operations.*** This PRR: (i) updates and clarifies high level data requirements for modeling transmission grid modifications that TSPs must provide to ERCOT; and (ii) proposes that reporting of “work accomplished” procedures, descriptions of method to energize and test facilities and in service testing be removed as reporting requirements. ERCOT posted this PRR on 9/20/05. On 10/20/05, PRS voted to recommend approval of PRR633 as amended by PRS with one abstention from the Independent Generator segment. All segments attended the vote. On 11/17/05, PRS voted to send the PRR and its impact analysis to TAC with one abstention from the Independent Generator segment. On 12/1/05, TAC unanimously voted to recommend approval of PRR633 as submitted by PRS. All market segments were present for the vote. ERCOT credit staff and the CWG have reviewed PRR633 and do not believe it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR634 – Electric Service Identifiers (“ESI ID”s) Inadvertently Placed in Inactive Status. Proposed effective date: February 1, 2006. No budgetary impact; no staffing impact; no impact***

to ERCOT systems; no impact to ERCOT business functions; no impact to grid operations. This PRR provides the ability for ERCOT to reinstate ESI IDs incorrectly placed into an inactive status. ERCOT posted this PRR on 9/22/05. On 10/20/05, PRS voted unanimously to recommend approval of PRR634 as amended by PRS. All segments attended the vote. On 11/17/05, PRS voted to send the PRR and its impact analysis to TAC, with one abstention from the Independent Generator segment. On 12/01/05, TAC unanimously voted to recommended approval of PRR634 as submitted by PRS. All market segments were present. ERCOT credit staff and the CWG have reviewed PRR633 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

Mr. Hayslip moved to approve PRR633 and PRR634 as submitted. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

- ***PRR646 – Establish a Floor for Responsive Reserve Service (“RRS”) Bids - URGENT. Proposed effective date February 1, 2006. No budgetary impact; no impact to ERCOT staffing; no impact to ERCOT computer systems; no impact to ERCOT business functions; no impact to grid operations.*** This PRR revises Section 4.4.11 so that, until January 1, 2007, all bids to provide RRS, must have bid prices equal to or greater than negative \$1,000. ERCOT posted this PRR on 11/29/05. PRS granted urgent status to PRR646 through email vote on 12/2/05. On 12/16/05, PRS voted to recommend approval of PRR646 as revised by PRS, with two abstentions from the Independent Generator segment. PRS also agreed to request an email vote from TAC for fast resolution. On 12/28/05, the motion for TAC to recommend approval of PRR 646 failed via email vote; participation in this vote may have been low due to holiday vacation schedules. TAC reconsidered PRR646 on 1/12/06 and approved it with three votes against (Consumers) and five Abstentions (two Consumers and three Power Marketers); all segments attended the vote. This PRR was submitted by CWG.

Mr. Karnei moved to approve PRR646 with a floor of \$0 instead of -\$1,000. Mr. Manning seconded the motion. Mr. Standish asked whether the sunset date should be removed. Mr. Gahn raised a concern regarding using a price cap to alleviate a credit risk. Clayton Greer of Constellation reported that the Demand Side Working Group discussed this issue yesterday and is looking at four different resolutions for a long-term solution. Hearing no further discussion, Chairman Armentrout called the question. **The motion passed with ten votes in favor, two opposed (Ms. Ryall and Mr. Gahn) and one abstention (Mr. Hayslip).**

Recent System Outage

Mr. Comstock reported that the TAC discussed the recent system outage at length and will compile additional input from Market Participants for further report. Additionally, ERCOT staff will make a presentation to TAC in February.

Finance & Audit (“F&A”) Committee Report

Mr. Karnei, Chairman of the committee, reported that the committee elected a chair and vice-chair, Mr. Karnei and Mr. Hayslip, respectively. The committee will bring changes to its charter to the Board soon. Mr. Karnei also stated that the committee reviewed the performance of ERCOT’s investments.

Defined Benefit Plan Audits

Mr. Karnei moved to accept the audits of the 401k plan and Money Purchase Plan. Mr. Hayslip seconded the motion. The motion passed by unanimous voice vote with no abstentions.

2005 Budget Variance

Mr. Karnei stated that, at year-end, ERCOT had \$10 million of excess cash. Upon the recommendation of the F&A Committee, **Mr. Karnei moved that ERCOT apply this excess money to: (1) nodal transition costs incurred in 2006; and (2) to the extent available, reduce outstanding debt or the debt-funding of 2005 capital projects. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Human Resources & Governance Committee Report

Mr. Kahn, Chairman of the committee, addressed the following matters:

Status of Bylaws Amendments

Mr. Kahn reminded everyone that the corporate membership approved the Bylaws and, when ERCOT presented the approved Bylaws to the PUCT for approval, the PUCT ordered certain items changed. **Mr. Kahn moved to approve the amended Bylaws as circulated with one additional revision.¹ Mr. Hayslip seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Retirement Plan Migration

Mr. Kahn briefly described proposed changes to the 401K and Money Purchase Plans. **Mr. Kahn moved to approve the amendments to the plans as circulated in the Board packet. Ms. Gallagher seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Incentive Compensation Plan 2005/2006

Mr. Kahn moved to approve the 2006 Variable Compensation Plan as circulated in the Board packet. Ms. Gallagher seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Kahn stated that the committee discussed, at great length, ERCOT's performance on the dashboard goals for 2005. The committee voted to reduce the corporate factor by 5%. Consequently, **Mr. Kahn moved to approve the 2005 Incentive Compensation Plan with the following revisions: (i) a 114% corporate factor (instead of 120%) (ii) an increase in the budget for incentive compensation from \$1 million to \$1.3 million; and (iii) change the requirement that an employee had to be employed on or before July 1, 2005 in order to be included in the plan to a date of September 30, 2005. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with one abstention (Ms. McClellan).**

Mr. Kahn stated that the committee approved a tuition reimbursement plan for ERCOT employees for up to \$3,500 per year. Mr. Kahn stated that the committee also approved incentive compensation procedures for ERCOT to employ in the future.

Other Business

¹ On page 17, §8.2 – add three words “in a matter” at the end of the new proposed language.

Status of Market Monitor Project

Chairman Hudson provided an update on the status of the PUCT's selection of a contractor to perform the market monitor function.

Future Agenda Items

Chairman Armentrout pointed out that a list of future agenda items was placed at everyone's seat before the meeting. He encouraged people to supply any additional topics they may wish to consider.

Chairman Armentrout also pointed out that the Board retreat will take place on February 22, 2006 in Lakeway. At that time, the Board will discuss issues surrounding ERCOT's future role as RRO under the Federal Energy Regulatory Commission ("FERC") rules and the Energy Policy Act of 2005.

Executive Session

Beginning at approximately 3:10 p.m., the Board met in Executive Session to discuss contract matters, litigation matters and nominating committee issues.

The Board returned to open session at 3:35 p.m. to take the following votes:

Mr. Espinosa moved to approve the minutes of the Executive Session in December 2005. Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Kahn moved to authorize ERCOT to file lawsuits as it deems necessary against defaulting Market Participants. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Manning moved to authorize ERCOT to move forward with PR-40090 and authorize Mr. Schrader to select a vendor and negotiate a statement of work and appropriate contracts. Mr. Hayslip seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment

Chairman Armentrout adjourned the meeting at approximately 3:40 p.m.

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

Carolyn E. Shellman
Vice President, General Counsel & Corporate Secretary

Attachment A

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

January 17, 2006

WHEREAS, pursuant to the ERCOT Bylaws effective December 16, 2003, the ERCOT Board of Directors shall annually elect or appoint the officers of the corporation;

WHEREAS, the ERCOT Board of Directors recognizes the continued service of Tom Schrader, Sam Jones, Steve Byone, Ray Giuliani, Ron Hinsley, Nancy McIntire and Carolyn Shellman;

THEREFORE, BE IT RESOLVED, that the ERCOT Board of Directors hereby ratifies the appointment of the following officers of ERCOT for the Year 2006:

Tom Schrader - President and Chief Executive Officer
Sam Jones - Executive Vice President and Chief Operating Officer
Steve Byone - Vice President and Chief Financial Officer
Ray Giuliani - Vice President and Chief of Market Operations
Ron Hinsley - Vice President and Chief of Information Officer
Nancy McIntire - Vice President of Human Resources and Organization Development
Carolyn Shellman - Vice President, General Counsel and Corporate Secretary