

**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.

February 21, 2006

Pursuant to notice duly given, the meeting of the Board of Directors of Electric Reliability Council of Texas, Inc. (ERCOT) convened at approximately 10:25 a.m. on February 21, 2006.

Meeting Attendance:

Board Members:

Armentrout, Mark		Unaffiliated; Board Chairman
Cox, Brad	Tenaska Power Services	Independent Power Marketer
Dalton, Andrew	Valero Energy Corp.	Industrial Consumers
Espinosa, Miguel		Unaffiliated
Gahn, Scott	Just Energy	Independent REP
Gallagher, Carolyn Lewis		Unaffiliated
Helton, Bob	ANP	Independent Generator – Segment Alternate
Hudson, Paul	Public Utility Commission of Texas - Chair	Public Utility Commission of Texas – Commissioner Parsley as Proxy after lunch
Kahn, Bob	Austin Energy	Municipal
Karnei, Clifton	Brazos Electric Cooperative	Cooperative
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 (arrived at 10:50 a.m.)
Schrader, Tom	ERCOT President and CEO	ERCOT
Standish, Tom	CenterPoint Energy	IOU

Staff and Guests:

Adams, Lynn	ERCOT Staff
Adib, Parviz	PUCT
Belk, Brad	LCRA
Bell, Wendell	TPPA
Bojorquez, Bill	ERCOT Staff
Brenton, Jim	ERCOT Staff
Bruce, Mark	FPL Energy
Byone, Steve	ERCOT Vice President and Chief Financial Officer
Clemenhausen, Barbara	Sempra Texas Services
Connell, Robert	ERCOT Staff
Day, Betty	ERCOT Staff
Doolin, Estrellita	ERCOT Staff
Drew, Rachel	ERCOT Staff
Drust, Wendell	Areva

Durrwachter, Henry	TXU Wholesale
Eddleman, Neil	Black & Veatch
Fonmier, R.	Competitive Assets
Gent, Mike	Guest
Giuliani, Ray	ERCOT Vice President and Chief of Market Operations
Gresham, Kevin	Reliant Energy
Grimm, Larry	ERCOT Staff
Harder, Jim	Garland
Hinsley, Ron	ERCOT Vice President and Chief Information Officer
Hobbs, Kristi	ERCOT Staff
Howington, Tad	ERCOT Staff
Jones, Sam	ERCOT Executive Vice President and Chief Operating Officer
Khan, Ashar	SAC
Kolodziej, Eddie	Customized Energy Solutions
Krajecki, Jim	Structure Consulting
McIntire, Nancy	ERCOT Vice President of Human Resources and Organization Development
Moore, John	Consultant
Morris, Sandy	LCRA
Moseley, Cheryl	ERCOT Staff
Parsley, Julie	PUCT Commissioner
Petoskey, Lisa	ERCOT Staff
Petterson, Michael	ERCOT Staff
Pfannenstiel, Darrin	Stream Energy
Pieniazek, Adrian	NRG Texas
Roark, Dottie	ERCOT Staff
Saathoff, Kent	ERCOT Staff
Shellman, Carolyn	ERCOT Vice President, General Counsel and Corporate Secretary
Shumate, Walt	Shumate & Associates
Smallwood, Aaron	ERCOT Staff
Strahm, Doug	Siemens NewEnergy
Tamby, Jeyant	ERCOT Staff
Troxell, David	ERCOT Staff
Uffelman, Bernie	Deloitte
Vincent, Susan	ERCOT Staff
Wagner, Marguerite	Reliant Energy
Walker, DeAnn	Centerpoint Energy
Walker, Mark	Texas Genco
Wilkerson, Dan	Bryan Texas Utilities
Wittmeyer, Bob	R J Covington
Yager, Cheryl	ERCOT Staff
Zake, Diana	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. Chairman Armentrout welcomed Michael Gent as a guest. The Board's Nominating Committee has recommended Mr. Gent as an unaffiliated Board member and the ERCOT membership is currently voting on that recommendation. Chairman Armentrout stated that the Board will meet in executive sessions at Noon and 3:30 p.m. today in connection with Nominating Committee matters.

Additionally, at 6:30 p.m. today at Lakeway Conference Center the Board retreat will begin.

Approval of Minutes

Chairman Armentrout requested comments on and approval of the minutes of the January 2006 Board of Directors meeting, as circulated. **Mr. Manning moved to approve the minutes as circulated. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

CEO Report

Tom Schrader, ERCOT President and Chief Executive Officer, reported on the status of ERCOT's fee filing case at the PUCT, issues related to the retail computer systems, project management and the monthly dashboard items as previously circulated.

Operations Update

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

ERO Transition

Mr. Jones reported that the process for the Electric Reliability Organization (ERO) transition turned out to be more work than people originally anticipated. The Federal Energy Regulatory Commission (FERC) has not yet certified the North American Electric Reliability Council (NERC) as the ERO (NERC will file for ERO certification on or about April 4, 2006 and expects certification in the June/July time frame). The original proposal had much power centralized in NERC, whereas the second draft involves the reliability regions to a larger degree. Each region will have a spot on the membership committee. The second draft also included time periods that are considered more realistic. Another meeting will take place on March 6, 2006 and the NERC Board will meet and vote on March 28, 2006. As of now, it appears that each region will be created through a standard "Delegation Agreement" and the attachment to each agreement will be different for each region and will include "Rules of Procedure" for that region.

Mr. Jones stated that, in his opinion, it will be in ERCOT's best interest to create a separate independent entity to perform the Regional Entity (RE) function, an entity he referred to as the "ERCOT Regional Reliability Organization" or ERRO. FERC has not ruled on whether an ISO or RTO could also serve as a Regional Reliability Organization. However, FERC has stated that, if an ISO or RTO serves as the RRO, it will be very difficult to prove that the RRO is independent from the ISO/RTO. FERC has stated that it will review the entire annual budget for statutory and non-statutory activities of each RE – including its business plan and the compliance process must be acceptable to the ERO and FERC. ERCOT will meet with the NERC Compliance Committee on March 15th to describe the current ERCOT compliance program. The ERO will have to design the enforcement and penalty process. It appears that ERCOT can duplicate its current PRS process under the ERO to meet the "open and fair" requirements for the development of regional standards. All ERO and RE funding from ERCOT will be sent to the ERO from the ERCOT ISO fee. The ERO will then submit funding to the RE. The ERO/RE structure must be completed and operational by January 1, 2007 and the 2007 budget process will begin in March 2006.

After Mr. Jones's presentation, a lengthy discussion took place regarding issues surrounding the ERO/RE formation, operation (including economies of scale, staffing, *etc.*) and timing.

Pre-Nodal Transmission Studies

Mr. Jones invited Bill Bojorquez, ERCOT Director of Transmission Services, to make a presentation regarding recently-conducted transmission studies done at the request of Chairman Hudson during the Nodal market workshops. The goal was to review possible additional long-lead-time economic upgrades. Eleven large projects were previously approved based on need and this study considers several different generation scenarios composed of publicly-announced new generation, including wind additions. ERCOT held a Regional Planning Group meeting on January 19th to review preliminary study results with stakeholders.

ERCOT completed initial studies and identified additional projects apparently needed for reliability or economics. No additional long-lead-time projects were identified. Thirty-four shorter-lead-time upgrades (capital costs \$115M) were identified with approximately a 50/50 split between reliability and economic projects. ERCOT identified some additional transmission lines as economic if certain proposed new generating units are built. ERCOT will solicit additional stakeholder input and work with stakeholders before issuing any report(s) and final recommendations.

Mr. Bojorquez also discussed the requirements of S.B. 20 regarding the designation of Competitive Renewable Energy Zones (CREZs) and the study of the need for additional transmission for those zones.

Several Board members asked questions regarding various aspects of the studies performed by ERCOT staff.

Reliability Compliance Update

Larry Grimm, ERCOT Director of Compliance, provided an update regarding compliance issues. He reported that ERCOT reports its CPS1 score to NERC on a twelve month rolling average and, for December 2005, ERCOT dropped below the minimum acceptable level at the following intervals: 06:15, 17:45 and 18:15. In January 2006, ERCOT failed to meet the acceptable level at 02:15, 05:15, 06:15, 07:45, 08:15 and 22:15. Mr. Grimm stated that ERCOT will have to conduct further studies to determine the causes for ERCOT dropping below acceptable levels in those additional intervals.

Mr. Grimm then reported on the PRR525 ten minute interval scoring and stated that fourteen QSEs failed the test in January 2006 versus twenty failing QSEs in December 2005. The ERCOT Compliance Dept. expects to see continued improvement.

He then reported that ERCOT has filed its Protocols-based Compliance Process at the PUCT and the Compliance Department will present information about the compliance program to NERC in March 2006. Finally, he stated that ERCOT will soon register ERCOT entities responsible for NERC Reliability Standards.

Mr. Dalton asked whether the poor scores of the wind-only QSEs affects Market Participants. Mr. Jones stated that other Generation Resources must move up and down depending on how the wind Resources perform, requiring ERCOT to procure Ancillary Services that are ultimately uplifted to Market Participants.

Mr. Helton asked a question regarding QSEs' performance on the PRR525 requirements. Mr. Grimm stated that one common thread among some failing QSEs is the fact that they have combined

cycle Resources. He also stated that ERCOT intends to make the scores for January 2006 public (within the next few weeks).

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. He reported on both retail and wholesale activity and stated that, since June 2001, ERCOT has processed 2,287,492 switches, 8,047,629 move-ins, 4,624,849 move-outs, 1,334,897 Continuous Service Agreements and 308,667 drops to the Providers of Last Resort (POLRs), for a total of 16,603,534 retail transactions. Mr. Giuliani also reported that 36% of residential Load (representing 28% of the ESI IDs) had moved away from the native AREP, 81% of small, non-residential Load (representing 31% of ESI IDs) had moved and 73% of large, non-residential Load (representing 73% of ESI IDs) had switched away from the AREP.

Mr. Giuliani reported on the Protocols-required performance measures for the fourth quarter of 2005 and stated that the system outage in December 2005 negatively affected ERCOT's performance. He also reported that ERCOT will create a Critical Infrastructure management position which will report to him.

Mr. Giuliani then reported that Load demand in 2005 increased by 3.4% over the previous year and that the total 2005 cost of capacity services to Market Participants was \$467.9 million (compared to \$261.2 million for 2004). He stated that more and more Market Participants seem to rely on ERCOT to procure capacity services rather than self-arranging those services. For Balancing Energy, ERCOT procures approximately four percent for Market Participants, up approximately 25% from 2004.

Finally, Mr. Giuliani reported on congestion costs, stating that the total of all costs for 2005 was significantly less than in 2004 despite the fact that gas prices had increased approximately 40% in 2005 versus 2004 prices.

Information Technology Update

Status Report – December System Outage

Ron Hinsley, ERCOT Vice President and Chief Information Officer, presented an update regarding the system outage in late December 2005. A vendor, EMC, has performed an analysis of ERCOT's storage systems and concluded that ERCOT has experienced unchecked database growth and has not optimized its storage or disaster recovery planning. In response, ERCOT has hired a Data Storage Manager with experience in large data environments (from American Airlines), has implemented hot spares and created a position of Disaster Recovery Coordinator. Mr. Hinsley also showed how ERCOT would have fared compared to the proposed Service Level Agreement for the retail market if it had been in place in December 2005.

Market Redesign

Mr. Hinsley reported that most of the leadership positions have been filled and ERCOT has selected a firm to assist in staffing the Nodal project management office. ERCOT has completed a project flow of major activities and completed a ninety day plan and identified immediate staffing needs.

Financial Update

Steve Byone, ERCOT Vice President and Chief Financial Officer, presented a financial summary

for ERCOT's operations through January 2006 (as previously distributed to Board members). He stated that ERCOT overspent labor and benefits by approximately \$400,000 which relates to the December system outage and ERCOT collected less revenue than budgeted (due to mild weather). He stated that ERCOT currently has 534 employees and 57 contractors on-site.

Mr. Byone then presented information on ERCOT's response to audit items from the various audits performed last year.

Finally, Mr. Byone indicated that ERCOT expects to pay down some debt earlier than originally anticipated, saving approximately \$25,000 in interest expense.

Project Management Process Improvement Update

Mr. Byone introduced Lisa Petosky, ERCOT Senior Project Manager, to provide information regarding the PMO Phase 2 process improvement effort. She stated that ERCOT is using input from KEMA in this effort. KEMA provided "quick hit," short-term and long-term recommendations and, in response, ERCOT has:

- created a Divisional Project Organization within each of the four divisions;
- decentralized the Project Managers to align them with the divisions for which a project is performed;
- redesigned the enterprise and project level reports; and
- developed a draft resource utilization process.

Technical Advisory Committee Report

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

Report on Goals from TAC Planning Retreat

Mr. Comstock provided information and background on the TAC's operations, its subcommittees and their 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 and SCR. TAC also considered the issues and voted to take action on the PRRs and SCR described below:

- ***PRR543 – Schedules and Emergency Assistance over CFE-ERCOT DC Ties. Proposed effective date: March 1, 2006.*** A contract between the Comision Federal de Electricidad de Mexico (CFE) and ERCOT for emergency assistance must be in place before ERCOT can make use of most of the language changes proposed in this PRR. This PRR incorporates the use of ties with CFE for emergency services and clarifies the Protocols with respect to the use of Back-to-Back Ties and Block Load Transfers (BLTs) with CFE during emergencies. ERCOT posted this PRR on 9/14/04 and PRS discussed PRR543 at its October 2005 meeting and tabled it pending further discussion between ERCOT and CFE. On 11/17/05, with all segments present, PRS voted unanimously to recommend approval of PRR543, as amended by PRS. On 12/16/05, PRS noted that PRR543 does not require a system change. On 1/12/06,

TAC voted to recommend approval of this PRR as submitted by PRS. The motion passed unanimously with all market segments present. The ERCOT Credit Working Group (CWG) has reviewed PRR543 and believes that this PRR does not have any credit implications due to the fact that CFE will utilize a QSE in the ERCOT Region. As a result, any and all credit obligations will be calculated for CFE's QSE per the ERCOT Protocols.

- ***PRR627 – RMR Transmission Issues and RMR Contract Extension. Proposed effective date: March 1, 2006.*** This PRR establishes reporting requirements for transmission and/or distribution service providers (TDSPs) responsible for construction of transmission system upgrades associated with a Reliability Must Run (RMR) and/or Must-Run Alternative (MRA) exit strategy. This PRR also provides ERCOT with additional flexibility to deal with potential delays in the completion of transmission system upgrades associated with an RMR and/or MRA exit strategy. ERCOT will be able to extend an RMR and/or MRA contract for limited time periods necessary to allow for planned transmission system upgrades to be completed. ERCOT will also be able to require reporting of project status from the responsible TDSP. ERCOT posted this PRR on 8/26/05 and, on 9/29/05, the submitter requested deferral of consideration. On 10/20/05, PRS unanimously voted to refer PRR627 to a PRS task force. On 11/17/05, PRS voted to recommend approval of PRR627 as amended by comments from the PRR627 Task Force and CenterPoint Energy, with three abstentions (the IOU (1) and Municipal (2) segments). On 12/16/05, PRS noted that PRR627 does not require a system change. On 1/12/06, TAC voted unanimously to recommend approval of PRR627 as recommended by PRS. All market segments attended the vote. ERCOT credit staff and the CWG have reviewed PRR627 and do not believe it requires changes to credit monitoring activity or the calculation of liability.
- ***PRR638 – Change Settlement Invoice Due Date from 16 Calendar Days to Five Bank Business Days. Proposed effective date: April 1, 2006.*** This PRR will change the Settlement Invoice due date from sixteen calendar days to five Bank Business Days. ERCOT posted this PRR on 10/4/05 and, on 11/17/05, PRS voted unanimously to recommend approval of PRR638 as amended by ERCOT comments and PRS. On 12/16/05, PRS unanimously voted to recommend approval of the PRR as revised by ERCOT comments and noted that the PRR does not require any changes to ERCOT computer systems. On 01/12/06, with all segments present, TAC voted unanimously to recommend approval of PRR638 as recommended by PRS. On 2/2/06, TAC discussed PRR638 and the combined impact of its implementation and that of PRR568 (Change Initial Settlement from 17 days to 10 days) on Market Participants. TAC unanimously voted to recommend an implementation date of April 1, 2006 for PRR638. The ERCOT Credit Work Group supports PRR638 which reduces the Settlement Invoice Due Date from sixteen Calendar Days to five Bank Business Days. This PRR has positive credit implications.
- ***PRR639 – Notification of Repairs to EPS Meter Facilities under Emergency Conditions. Proposed effective date: March 1, 2006.*** This PRR allows a TDSP, in emergency situations, to repair its ERCOT-Polled Settlement meters without first notifying ERCOT. ERCOT posted this PRR on 10/21/05. On 11/17/05, PRS voted unanimously to recommend approval of PRR639 as revised by PRS. All segments attended the vote. On 12/16/05, PRS noted that this PRR requires no changes to ERCOT systems. On 1/12/06, TAC voted to recommend approval of this PRR as submitted by PRS. The motion passed unanimously with all market segments present. ERCOT credit staff and the CWG have reviewed PRR639 and do not believe it requires changes to credit monitoring activity or the calculation of liability.

Mr. Manning moved to approve PRRs 543, 627, 638 (with an implementation date of April 1, 2006) and 639; Mr. Karnei seconded the motion. Chairman Armentrout opened the floor to discussions. Mr. Dalton asked about whether PRR543 opens up ERCOT to FERC jurisdiction in light of the fact that ERCOT would enter a contract with a foreign company. Commissioner Parsley stated that she will ask someone from the PUCT legal staff to analyze the question along with ERCOT's legal staff.

Mr. Manning amended his motion to make approval of PRR543 contingent on review by ERCOT Legal Counsel. Mr. Karnei seconded the amended motion. The amended motion passed by unanimous voice vote with no abstentions.

- ***PRR567 – Block Bidding of Ancillary Services. Proposed effective date: upon system implementation.*** (Budgetary impact - \$1 to 3 million); long-term minimal impact to ERCOT staffing (short-term resource competition with Nodal Market implementation); impact to Ancillary Service (AS) Clearing Engine to provide three-part bidding, Market Operations System (MOS), Market Operator Interface (MOI), and Market User Interface (MUI); minimal impact to ERCOT business functions; no impact to grid operations. PRR567 creates a three-part bidding structure for Ancillary Services: (1) startup cost; (2) per megawatt capacity offer; and (3) minimum operating cost. ERCOT posted this PRR on 1/19/05. On 11/15/05, the Board granted TXU's appeal of TAC's assignment of a priority of 1.2 with a ranking of 54.5 and remanded the Cost Benefit Analysis (CBA) to TAC for further development of the costs and benefits of this PRR and reconsideration of the priority and ranking assignment. On 12/1/05, TAC voted to refer this PRR to PRS to review the CBA and the priority and ranking assigned to this PRR. On 12/16/05, PRS unanimously voted to establish a task force to review the methodology developed by TXU and bring PRR567 back to PRS with a revised CBA. On 1/13/06, the PRS task force met and reviewed a revised CBA and its underlying assumptions. On 1/19/06, PRS voted to accept the revised CBA and maintain the priority of 1.2 and ranking of 54.5, with seven opposing votes from the Cooperative (2), Municipal (2), Independent REP (2) and the Independent Power Marketer (1) segments. There was one abstention by the IOU segment. All segments attended the vote. On 2/2/06, TAC voted to recommend approval of PRR567 and its CBA, priority and rank as recommended by PRS. The Consumer and IOU segments abstained. ERCOT credit staff and the CWG have reviewed PRR567 and do not believe it requires changes to credit monitoring activity or the calculation of liability.

A discussion took place regarding the benefits of the PRR and its impact on development of the Nodal design. **Mr. Helton moved to approve PRR567. Mr. Cox seconded the motion. The motion failed by a vote of eight in favor (Messrs. Cox, Helton, Gahn, Kahn, Karnei, Schrader and Standish and Ms. Gallagher), four opposed (Messrs. Dalton, Manning, Espinosa and Ms. Pappas) and one abstention (Mr. Armentrout). As a result, the Board rejected PRR567.**

- ***SCR746 – Dynamic Rating Data to TSP Using ICCP Link. Proposed effective date: upon system implementation.*** Budgetary impact - \$100,000 to 500,000 (and the cost of additional licensing for Supervisory Control and Data Acquisition (SCADA) software – not included in range estimate); one additional FTE in the Energy and Market Management Systems (EMMS) Production Support team for on-going maintenance and support and 0.5 FTE in the Operations Support team for on-going support in resolving perceived dynamic rating discrepancies with Transmission Service Providers (TSPs); impact to EMMS database to add SCADA points and accompanying modeling changes to ERCOT's Inter-Control Area Communications Protocol (ICCP) and Plant Interface (PI) systems; existing business functions will be used to manage anticipated increase in workload; no impact to grid operations. This SCR provides transmission of element dynamic rating data (in Megavolt

Ampere (MVA)) between ERCOT and the TSP of the Facility through the ICCP link. ERCOT posted SCR746 on 6/29/05. On 8/11/05, ROS voted unanimously to recommend approval of SCR746. All market segments attended. On 9/15/05, ROS voted unanimously to remand SCR746 to the Network Data Support Working Group (NDSWG) to investigate data delivery alternatives. All market segments were present. On 10/13/05, ROS voted unanimously to endorse the original ROS recommendation made on 8/11/05. All market segments were present. On 10/13/05, PRS voted to assign SCR746 a priority of 1.1 and a rank of 9.5, with one vote against the motion (Consumer segment) and two abstentions (IPM and IOU segments); the Independent REP segment was not present for the vote. On 1/12/06, TAC voted to recommend approval of SCR746, with two votes against the motion (Consumer segment) and one abstention (Consumer segment); all market segments attended the vote.

Mr. Karnei moved to approve SCR746, Mr. Kahn seconded the motion. Chairman Armentrout opened the floor to discussion. **The motion passed by unanimous voice vote with no abstentions.**

Consideration of Temporary Change to 2005 Annual Validation

Mr. Comstock stated that the RMS recommended and TAC approved the suspension of 2005 residential annual load validation for residential ESI IDs pending completion of a customer survey. In September 2005, the Board approved the recommendation, but required the suspension be resumed by 12/31/05. The survey has been completed and ERCOT has created a new algorithm using the survey results. The new algorithm was applied to the originally selected profile migration pool. The RMS and TAC then approved Market Participants to move forward with the 2005 residential annual validation transactions of those ESI IDs for which ERCOT's analysis indicated movement to a more appropriate profile.

The TAC approved the following language for submission to the Board:

TAC requests that the Board approve a temporary change to the 2005 Annual Validation authorizing Market Participants to not submit the 2005 Residential Annual Validation transactions for those ESI IDs that would, based on ERCOT's analysis, be assigned a less representative profile.

This temporary change waives the requirements for the final validation steps as specified in the Load Profiling Guide, Section 11.4.1, paragraphs 11 and 12.

Mr. Manning moved to approve the TAC proposal as worded. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Finance & Audit (F&A) Committee Report

Mr. Karnei, Chairman of the committee, reported that the Committee provided a revised charter in the Board package. **Mr. Karnei moved to approve the new Charter for the F&A Committee. Mr. Manning seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Mr. Karnei reported that the Committee received an update on the SAS70 audit, the tax audit by the State Comptroller, internal audit issues and other finance and audit matters.

Human Resources & Governance Committee Report

Mr. Kahn, Chairman of the committee, reported that another stakeholder survey will take place this year and he urged Market Participants to respond. He also reported that the committee approved Ms. Gallagher as its Vice-Chair.

Compensation for ERCOT Board Chair

The committee considered this matter this morning and determined that the Board Chair should receive \$4,500 in addition to the regular compensation paid to unaffiliated members and that the annual cap on compensation that currently exists should be increased by this amount for the Board Chair. **Mr. Kahn moved to approve the increase and Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Armentrout).**

Approval of Dashboard Goals

The committee considered this matter this morning and asked Mr. Schrader to report back with the rationale for each item in the proposed dashboard goals.

The committee also discussed ERCOT's compensation philosophy and goals and employee benefits. The committee approved the Variable Compensation Plan for 2005 based on the budget previously approved by the Board of Directors.

Other Business

No other business was raised at this time and, before the Board moved to Executive Session, Chairman Hudson adjourned the Open Meeting of the PUCT.

Executive Session

Beginning at approximately 3:10 p.m., the Board met in Executive Session to discuss contract matters, litigation matters, personnel issues and a Market Participant request for verifiable costs pursuant to the Protocols.

The Board returned to open session at 5:10 p.m. to take the following votes:

FasTrak Project

Chairman Armentrout moved to approve Project No. PR-50007 regarding improvements to the FasTrak system. Mr. Manning seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Windows[®] Domain Project

Chairman Armentrout moved to approve Project No. PR-50147 regarding revisions to the ERCOT Windows[®] domain. Mr. Espinosa seconded the motion. Mr. Manning seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Verifiable Cost request

Mr. Kahn moved to approve the request for verifiable costs as proposed by the Market Participant. Mr. Standish seconded the motion. The motion passed by unanimous voice vote with three abstentions. (Mr. Helton, Mr. Dalton for himself and as proxy for Ms. Pappas).

Personnel Matter

Mr. Kahn moved to approve the performance appraisal rating of Mr. Schrader discussed in Executive Session. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment

Chairman Armentrout adjourned the meeting at approximately 5:15 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