

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

ERCOT Taylor Offices
2705 West Lake Drive
Taylor, Texas 76574
10:00 a.m.
April 18, 2006

Pursuant to notice duly given, the meeting of the Board of Directors of Electric Reliability Council of Texas, Inc. (ERCOT) convened at approximately 10:07 a.m. on April 18, 2006.

Meeting Attendance:

Board Members:

Armentrout, Mark		Unaffiliated; Board Chairman
Cox, Brad	Tenaska Power Services	Independent Power Marketer
Dalton, Andrew	Valero Energy Corp.	Consumer/Industrial
Espinosa, Miguel		Unaffiliated
Gahn, Scott	Just Energy	Independent REP
Gallagher, Carolyn Lewis		Unaffiliated
Gent, Michehl		Unaffiliated
Hayslip, Darrell	Calpine Corporation	Independent Generator (not present from 12:45 p.m. – 1:30 p.m.)
Helton, Bob	American National Power	Alternate (present from 12:45 p.m. – 1:30 p.m.)
Kahn, Bob	Austin Energy	Municipal
Karnei, Clifton	Brazos Electric Power Cooperative	Coop.
Manning, Bob	H-E-B Grocery Co.	Consumer/Commercial; Board Vice- Chairman
Ögelman, Kenan	Office of Public Utility Counsel	Consumer/Residential (Proxy for Suzi McClellan)
Schrader, Tom	ERCOT President and CEO	ERCOT
Standish, Tom	CenterPoint Energy	IOU

Staff and Guests:

Adib, Parviz	PUCT
Barry, Sean	PwC
Belk, Brad	LCRA
Bojorquez, Bill	ERCOT Staff
Brandt, Adrienne	PUCT
Brenton, Jim	ERCOT Staff

Bruce, Mark	FPL Energy
Byone, Steve	ERCOT Vice President and Chief Financial Officer
Connell, Robert	ERCOT Staff
Cooper, Tammy	Andrews Kurth
Day, Betty	ERCOT Staff
Drew, Rachel	ERCOT Staff
Dreyfus, Mark	Austin Energy
Drost, Wendell	Areva
Durrwachter, Henry	TXU Wholesale
Fisher, Pam	ERCOT Staff
Fonmier, Margauita	Competitive Assets
Garcia, Jennifer	Direct Energy
Giuliani, Ray	ERCOT Vice President and Chief of Market Operations
Gresham, Kevin	Reliant Energy
Grimm, Larry	ERCOT Staff
Gruber, Richard	ERCOT Staff
Hager, Kathy	ERCOT Staff
Headrick, Bridget	PUCT
Hinsley, Ron	ERCOT Vice President and Chief Information Officer
Hobbs, Kristi	ERCOT Staff
Jones, Sam	ERCOT Executive Vice President and Chief Operating Officer
Kolodziej, Eddie	Customized Energy Solutions
Marlett, Valerie	GDS Associates
Moore, Scott	AEP
Petterson, Michael	ERCOT Staff
Pieniazek, Adrian	NRG Texas
Rowe, Evan	PUCT
Ryall, Jean	Constellation
Rydell, Brandt	ERCOT Staff
Seely, Chad	ERCOT Staff
Seymour, Cesar	Suez Energy
Shellman, Carolyn	ERCOT Vice President, General Counsel and Corporate Secretary
Shumate, Walt	Shumate & Associates
Smitherman, Barry	PUCT Commissioner
Vincent, Susan	ERCOT Staff
Walker, DeAnn	CenterPoint Energy
Walker, Mark	NRG Texas
Wittmeyer, Bob	RJ Covington
Wullenjohn, Bill	ERCOT Staff
Yager, Cheryl	ERCOT Staff

Announcements

Mark Armentrout, Chairman of the ERCOT Board of Directors (Board), called the meeting to order and determined that a quorum was present. Chairman Armentrout welcomed everyone to the Taylor Facilities. Chairman Armentrout indicated that before proceeding to the regular Board

Agenda, ERCOT Staff would like to give a presentation on the outage issues experienced on Monday, April 17, 2006.

April 17, 2006 EECF Event

Tom Schrader, ERCOT President and Chief Executive Officer (CEO), briefly spoke about the outage issues and introduced Kent Saathoff, ERCOT Director of System Operations, to give a more detailed presentation to the Board on the April 17, 2006 Emergency Electric Curtailment Plan (EECP) event.

Regarding today's preparation, Mr. Saathoff indicated that ERCOT is planning for a peak load of 53,575 MW. ERCOT is expecting 58,100 MW of generation to be available scheduled by QSEs and procured by ERCOT. Mr. Clifton Karnei inquired to ERCOT Staff whether there would be any EECFs today. ERCOT Staff indicated that there would probably not. Commissioner Smitherman inquired to ERCOT Staff about the previous peak load for April. ERCOT Staff indicated that the previous peak load was 49,200 MW in 2002 and that the average April peak load was typically 41,000 MW. Thus, this was a highly unusual event. ERCOT Staff indicated that the Market Clearing Price for Energy (MCPE) was \$600 for several hours, but that the actual clearing price will be reduced as a result of the price mitigation rule.

Chairman Armentrout praised ERCOT for their hard work on this highly unusual event. Sam Jones, ERCOT Executive Vice President & Chief Operations Officer (COO), indicated that there will likely be a lesson's learned on this event in the near future.

Consent Agenda

Chairman Armentrout discussed briefly with the Board the concept of the Consent Agenda. The items to be included as part of today's Consent Agenda are as follows: (1) approval of the minutes of the March 21, 2006 Board meeting; (2) approval of Protocol Revision Requests (PRRs) 630 and 651 as recommended by the Technical Advisory Committee (TAC); and (3) approval of the ERCOT Resolution to amend sections of the Finance & Audit Committee (F&A) Charter. Chairman Armentrout indicated that the Consent Agenda does not include Item 7(a), a vote on the Electric Reliability Organization (ERO)/Reliability Entity (RE) issue. This item will be taken up separately by the Board. Chairman Armentrout requested comments on and approval of the Consent Agenda. Mr. Darrell Hayslip indicated that the March 21, 2006 Board meeting minutes should be corrected to indicate that he is the "Independent Generator" Member, not "Independent Generator – Segment Alternate." Subject to Mr. Hayslip's comments, Mr. Bob Manning moved to approve the Consent Agenda. Mr. Bob Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Operating Reports (Q & A Only)

Chairman Armentrout asked the Board whether there were any questions regarding the Financial Summary Report, Market Operations Report, IT Report and Compliance Report that were distributed in the Board Packet. There were no questions.

Facilities Planning Report Update (Q & A Only)

Chairman Armentrout asked the Board whether there were any questions regarding the Facilities Planning Report distributed in the Board Packet. Mr. Schrader commented that ERCOT would move forward with obtaining Requests for Proposals (RFPs) for building out only the first floor of TCC2 which had an expected cost of between four hundred and six hundred thousand dollars. ERCOT would develop a long-term facility plan to guide future planning and return to the Board with that plan. Mr. Manning commented that he wanted to make sure that ERCOT Staff did not get the wrong message during the last Board meeting. Mr. Manning indicated that the Board's concern was not a square footage issue; it was the cost per square footage. Mr. Schrader indicated that a Board Resolution is not needed today because the estimated costs are below the threshold that requires Board approval. Jim Brenton, ERCOT Director of Corporate Security & Facilities, commented that ERCOT has engaged a professional space planning consultant for an outside perspective on the best potential options for consideration in a long-term facility plan. There were no additional comments from the Board.

Nodal Status Report

Ron Hinsley, ERCOT Vice President and Chief Information Officer (CIO), gave an update to the Board on the Market Redesign. Mr. Hinsley indicated that the project timeline was sent out last Friday (April 14) to Market Participants. Based upon the project timeline, the predicted program completion date for a nodal market is July 1, 2009. The next forecast will review and solidify the project timeline based upon vendor discussions and work with Market Participants. Mr. Hinsley indicated that ERCOT recognizes the importance of a firm, achievable date. ERCOT recognizes that Market Participants need a firm date to plan business activity accordingly and that the benefits of Nodal are well-documented and the new market is essential as soon as possible.

Mr. Hinsley commented that the scope of the Program Charter is to design and implement the nodal market system and transition from the current zonal market to the nodal market as defined by the ERCOT Protocols, approved by the Public Utility Commission of Texas (PUCT) on April 5, 2006. The Program Charter objectives indicate that ERCOT is charged with delivering the capability to: (1) directly assign congestion costs; (2) increase transparency of energy prices; and (3) increase reliability and market efficiency. Mr. Hinsley indicated that these objectives could be accomplished by: computing LMPs for all settlement points all of the time; moving from portfolio-based dispatch to resource-specific dispatch; and running and settling the nodal markets to comply with all the Protocol requirements as measured by the accuracy of the calculations and compliance with the prescribed operational timeline.

Mr. Hinsley indicated that ERCOT has spent \$871,000.00 on internal labor, equipment, tools, supplies, outside services, etc. (O & M costs) on market redesign. Through March, the total spending is \$1.02 million. Mr. Hinsley then briefly discussed some of the early milestones for the market redesign. Mr. Hinsley indicated that critical RFPs were issued last Friday (April 14) and that responses will be due around May 10. The overall business and IT architecture plan will be approved around May 15 and an update budget forecast is expected on May 15. ERCOT expects to select vendors by June 7 so the vendors will begin work by June 30. Mr. Hinsley

indicated that one of the assumptions for success was that the vendors will share detail designs with other vendors.

Going forward, Mr. Hinsley indicated that there would be monthly Board reports on the program progress, deliverables, near-term deliverables, monthly spending reviews and monthly staffing forecasts. Mr. Hinsley also indicated that ERCOT will be doing quarterly spending forecasts and periodic external program reviews. Chairman Armentrout inquired how ERCOT will communicate with Market Participants on the market redesign progress. Mr. Hinsley indicated that there is a communication plan being developed at this time. Mr. Hinsley stated that the Board can expect recommendations regarding vendors from ERCOT Staff at the June Board meeting

Mr. Hayslip inquired about the July 1, 2009 date and whether January 1, 2009 is no longer feasible for ERCOT. Mr. Hinsley commented that there is only a 5% probability that the new market can be in place by January 1, 2009. ERCOT made calls last Friday to alert people of the project timeline and the projected date of July 1, 2009 and has received little feedback from Market Participants on the projected date. Market Participants expressed concern about the projected date and a Legislative Session going on at the same time. Board members further inquired to ERCOT Staff as to the delay for six months, communications with PUCT Staff on the projected date and consideration of RFPs with the July 1, 2009 date. Mr. Hinsley indicated that vendors are asked in the RFP to make suggestions on how to make the timeline more compressed and that communications with PUCT Staff are on-going.

Mr. Kahn inquired about the nodal fee filing with the Commission. Mr. Kahn commented that his impression from the last Board meeting was that ERCOT would have filed the nodal surcharge petition by now. Mr. Schrader indicated that ERCOT will file a petition with the Commission this week for the nodal surcharge. Carolyn Shellman, ERCOT Vice President and General Counsel, commented that ERCOT would file with the Commission a more complete nodal fee package, including testimony on the finance issues and the overall scope of the project, by mid-May (May 15). ERCOT hopes to have an approved nodal fee charge by June 1, 2006.

H.R. & Governance Committee Report

Bob Kahn, Chairman of the H.R. & Governance Committee, gave an update to the Board on Committee discussions this morning. Mr. Kahn briefly addressed compensation issues. Mr. Kahn indicated that ERCOT is waiting to act on RFP responses on the compensation issues expressed in the Mercer report. Mr. Kahn further indicated that there is a workshop scheduled at the PUCT on June 12, pursuant to the PUCT Compensation Project, to discuss compensation issues and that ERCOT is preparing responses to specific questions raised by PUCT Staff.

ERO/RE Issue

Ms. Shellman passed out to the Board and the general public a Memorandum on the Regional Entity for the ERCOT Region and a revised Resolution that was modified during the H.R. & Governance Committee meeting this morning. Ms. Shellman indicated that she was waiving confidentiality and attorney work product privileges in distributing this document during Open

Session. Ms. Shellman further indicated that the due date to file a draft budget with the North American Electric Reliability Council (NERC) had been changed from May 1 to May 10, 2006. Mr. Kahn then proceeded to give a brief overview to the Board of the Committee discussion this morning on the ERO/RE issue.

Mr. Kahn commented that ERCOT is going to work very closely with the Commission and the Legislature on this important issue. However, with pending deadlines looming, Mr. Kahn indicated that the Board needs to be prudent and give ERCOT Staff authority to move forward in preparing a budget for the Regional Entity (RE) in time to make a filing by May 10. The purpose of the draft budget is to help NERC prepare their budget to Federal Energy Regulatory Commission (FERC).

Mr. Kahn indicated that ERCOT will host a meeting on May 17, 2006 regarding the organizational structure of the RE. The Memo discusses the corporate structure issues for an RE. ERCOT Staff will distribute a presentation for this meeting to the Board on May 16, 2006, the next regularly scheduled Board meeting. Mr. Kahn further indicated that the Board will need to approve a more finalized budget on May 16, 2006, so that ERCOT can submit a Board-approved budget, business plan and organizational chart to NERC by June 1, 2006.

Mr. Tom Standish commented that Commissioner Parsley has serious concerns about jurisdiction issues and believes that filing anything in connection with the RE acknowledges that FERC has jurisdiction over the ERCOT Region. Chairman Armentrout indicated that the Resolution would be subject to guidance by the Legislature and the Commission. Mr. Standish commented that the Board should include words such as “preliminary” or “draft” in the proposed Resolution. Several Board Members offered additional revisions to the proposed Resolution. Mr. Jones indicated that a cover letter for the filing will make it very clear that this is a tentative, draft budget.

Board Members inquired into the status of the Attorney General’s evaluation on the jurisdictional issues. Ms. Shellman indicated that the Attorney General’s Office is looking into whether state authority preempts the Federal Power Act, but that a decision may not be possible by the May 10 deadline. Mr. Kahn indicated that ERCOT is not filing an application to be an RE; ERCOT is merely submitting a draft budget to NERC for review. Mr. Jones indicated that the application for an RE would not be necessary until after NERC is certified as the ERO, which is not likely to occur until August.

Mr. Kahn proposed adding the words “including jurisdictional issues” to the last paragraph of the proposed Resolution. Mr. Andrew Dalton indicated that he is not going to support the Resolution because of jurisdictional concerns and the fact that this is just a draft budget. Mr. Dalton commented that, by creating the RE, we will only create an additional layer of costs since NERC and FERC will ultimately make the final decisions on reliability issues. Mr. Jones commented that NERC anticipates that all eight regions will have their own RE. If ERCOT fails to do something, NERC would likely get one of the other REs to oversee the ERCOT Region and we would still have to pay the expense.

Mr. Kahn moved to approve the Resolution, as modified in the H.R. & Governance Committee and in Open Session. Mr. Gent seconded the motion. Mr. Standish asked the Board that he be

allowed to redraft the Resolution with ERCOT counsel over lunch and then subsequently take a vote. Board Members agreed.

After lunch, a revised Resolution, attached hereto as Exhibit A, was distributed to the Board. Chairman Armentrout inquired as to whether the motion by Mr. Kahn still stood and whether there were any additional comments on the revised Resolution. Mr. Kahn indicated that his motion still stood. There were no additional comments. The motion passed by voice vote with one opposing vote from the Consumer/Industrial Member and one abstention from the Consumer/Residential Member.

Technical Advisory Committee Report

Chairman Armentrout invited Mark Dreyfus, Vice Chairman for TAC, to report on recent TAC activities. Mr. Dreyfus discussed two unanimous PRRs, notice of guide revisions, TAC discussions regarding Board retreat action items and other high interest issues, such as Mass Transition PRR, PUCT Staff appeal of project priorities, TPTF oversight, Entergy Texas interconnection study and zonal market improvements.

Protocol Revision Requests

Mr. Dreyfus reported that TAC voted unanimously to recommend to the Board PRR630 and PRR651. However, Mr. Dreyfus indicated that there was no need to discuss these PRRs in detail since the Board previously approved them in the Consent Agenda. The PRRs are described as follows:

- *PRR630 – Private Use Networks. Proposed effective date: May 1, 2006. No impact to ERCOT budget; no impact to ERCOT staffing – process can be absorbed by ongoing activities to improve models; no impact to ERCOT computer systems; no impact to business functions; no impact to grid operations.* This PRR adds a requirement for Private Use Networks (*i.e.*, those networks that are connected to the ERCOT System that may include both generation and Load “behind the meter”) to maintain and report appropriate watt/VAR metering data at each substation, identical to the requirements of Distribution Service Providers (DSPs), and requires reporting of addition or deletion of Load points. ERCOT posted this PRR on 08/26/05. On 09/29/05, the submitter requested deferral of consideration. On 10/20/05, PRS tabled PRR630 to allow time for TIEC to submit formal comments. On 12/16/05, PRS voted to recommend approval of PRR630 as modified by CenterPoint’s comments. The motion passed with two opposing votes from the Consumer and Independent REP segments and two abstentions from the Investor Owned Utilities and the Independent Generator segments. All market segments were present. On 01/19/06, PRS again reviewed PRR630 and voted to recommend its approval as amended by PRS. There were two abstentions from the Consumer segment and one from the Independent Power Marketer segment. On 02/02/06, TAC tabled PRR630 to allow Market Participants to resolve inconsistencies. On 03/09/06, with all segments present, TAC unanimously voted to recommend approval of PRR630 as revised by the PRR630 Task Force and ERCOT. ERCOT credit staff and the Credit Working Group (CWG) have reviewed PRR630 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

- *PRR651 – RPRS Cost Recovery Process Clarification. Proposed effective date: May 1, 2006. No impact to ERCOT budget; no impact to ERCOT staffing; no impact to ERCOT computer systems; ERCOT Settlement & Billing Operations group will use an existing business process to (1) evaluate RPRS local congestion verifiable cost submissions and (2) implement granted RPRS verifiable costs and input approved verifiable cost values into Lodestar for settlement; no impact to grid operations.* This PRR updates the process ERCOT shall use when making payments for verifiable costs recovery associated with Replacement Reserve Service (RPRS) Dispatch Instructions to be the same as the process used for Out of Merit Capacity (OOMC) payments. ERCOT posted this PRR on 02/24/06. On 03/23/06, PRS voted unanimously to grant urgent status to PRR651. PRS then voted unanimously to recommend approval of PRR651 as amended by PRS. All segments were present for the vote. On 04/07/06, with all segments present, TAC unanimously voted to recommend approval of PRR651 as submitted. ERCOT credit staff and the CWG have reviewed PRR651 and do not believe that it requires changes to credit monitoring activity or the calculation of liability.

Mr. Dreyfus briefly indicated to the Board that there had been several market guide revisions and that TAC is required to give notice to the Board of those revisions. The revisions include the following: (1) RMGRR032 – Transaction Timing Matrix Correction; (2) RMGRR033 – Process for Retail Market Guide Revisions; (3) LPGRR009 – Changes to Governing Subcommittee; and (4) LPGRR010 – Load Profile Type Responsibility Change. Mr. Dreyfus then briefly discussed Board retreat action items for TAC, which include developing a strawman for TAC consideration regarding possibility of only sending PRRs with priority/ranking above the cut line to the Board and discussions on the advantages and disadvantages of Market Participants directly funding some PRRs. Mr. Dreyfus indicated that TAC has set up a task force, led by Mark Walker, to address the strawman issue and the task force will report to TAC in May on their recommendations. Mr. Dreyfus further indicated that PRS has discussed the idea of Market Participants funding some PRRs and that PRS will report to TAC in May on this issue.

Mr. Dreyfus then proceeded to discuss a high interest issue concerning Mass Transition, specifically PRR660 – Texas SET Transactional Solution for a Mass Transition Event. This PRR has been submitted for urgent consideration. The PRR introduces a transactional solution for reducing mass transition timelines and documents the process for parties involved in a Mass Transition event. The PRR will significantly reduce the time required to execute a Mass Transition and minimize the Balancing Energy costs currently uplifted to other Market Participants. ERCOT Staff has indicated a target implementation date of March 31, 2007; however, stakeholders have discussed how to accelerate the date to December 31, 2006. Mr. Dreyfus indicated that TAC is requesting Board direction to accelerate the planning phase prior to adoption of this PRR. Mr. Karnei indicated that the F&A Committee took action this morning for ERCOT Staff to begin the planning process and that the F&A Committee recommends a consensus among Board Members to give permission to ERCOT Staff to begin the planning phase due to the serious credit concerns that this PRR could alleviate in the future. Mr. Schrader and other Board Members indicated that this should be an exception to the general rules. Once ERCOT completes the planning phase, ERCOT will come back for Board approval if the project exceeds \$1 million. Chairman Armentrout indicated that the minutes should reflect that the Board did not take a vote, but that the Board reached a consensus and, therefore, directs ERCOT

Staff to begin the planning phase for PRR660.

Mr. Dreyfus then briefly discussed Nodal Transition Plan Task Force (TPTF) oversight. He indicated that TAC heard an appeal of TPTF's approval of the network modeling business requirements document and that TAC approved a motion giving further guidance to ERCOT and stakeholders in developing the network model. Mr. Dreyfus then briefly discussed PUCT Staff's appeal of priority ranking for PRR590 and PRR601 and TAC's decision not to take any action on the priority ranking. Additionally, Mr. Dreyfus brought to the Board's attention the Entergy Texas Interconnection Study. Mr. Dreyfus indicated that this is an important item to follow because of significant policy and financial issues concerning ERCOT and Market Participants.

Lastly, a discussion took place among Board Members and Market Participants regarding zonal projects or, more specifically, ERCOT projects and their priority ranking. Market Participants would like guidance from the Board on how to handle ERCOT project lists. Mr. Dreyfus commented that it is very difficult to figure out the full implications of ERCOT projects and that ERCOT needs to provide information to TAC sooner to allow TAC members to decipher the information and ask follow-up questions to ERCOT Staff. Mr. Schrader commented that the project priority process should mesh with the ERCOT budget process and that this area needs improvement. Chairman Armentrout indicated that he has asked TAC to weigh in on the size of capital projects prior to setting the ERCOT budget for the year. Mr. Karnei indicated that the F&A Committee would welcome input from TAC as well. Kevin Gresham, Chairman of PRS, commented that this has been an issue for quite some time regarding understanding ERCOT projects and their related importance to the market. Mr. Gresham indicated that PRS will move more of this information to TAC and that it is ERCOT's responsibility to make stakeholders more aware and have a better understanding of these projects. Mr. Kahn indicated that the Board does not need to take any action on this discussion today, but this issue directly relates to the ERCOT budget process. Chairman Armentrout asked that Mr. Dreyfus and Mr. Gresham report back to the Board on improvements to the project priority and budget process in the next Board meeting.

Finance & Audit Committee Report

Mr. Karnei, Chairman of the F&A Committee, presented the Committee report to the Board. He indicated that the 2005 financial audit is in progress and a report would be available at the May 2006 Board meeting. There will be a special Committee meeting next week (April 26) to review and accept the 2005 financial statements and independent auditors report. Mr. Karnei discussed briefly the annual F&A Committee self-assessment results and gave an update on two upcoming audits: SAS 70 and internal controls management. Mr. Karnei commented that ERCOT Staff has pointed out to the F&A Committee that Human Resources and Internal Audit are considered high risk areas because of employee turnover.

ERCOT Planning

Mr. Schrader commented that ERCOT is beginning its planning and budgeting process and seeks Board input in three areas listed on the long-term planning worksheet. Mr. Schrader commented that the worksheet is meant to make it easy to write down your thoughts for either discussion

today or for conveying to ERCOT Staff in written form. The first section deals with ERCOT's Vision statement that was fleshed out at the Board retreat in February. Mr. Schrader asked for any comments from the Board. There were no verbal comments. Mr. Schrader indicated that any word revisions for the Vision statement could be sent to him directly via email.

Mr. Schrader indicated that the second section dealt with ERCOT's responsibilities under SB7. He asked for any comments from Board members on what ERCOT can do better and what goals ERCOT should strive to accomplish over the long-term for each responsibility. Mr. Gent commented that we should include the development of standards, guidelines and ERCOT Protocols for ensuring system reliability under Section B.

Mr. Schrader indicated that the third section is to probe the long-term goals ERCOT should keep in mind on each of a number of current issues. He pointed out that these items are "conversation starters" meant to trigger discussion and should not be viewed as proposed ERCOT action. Regarding the Texas Nodal Market Redesign, brief discussions among Board Members took place regarding the role ERCOT should take to identify transmission projects affecting the nodal market redesign. Mr. Gent indicated that ERCOT should include a communication plan in this section. Regarding the Energy Policy Act, Board Members indicated that ERCOT should indicate the activities ERCOT would continue to perform as opposed to the RE. Chairman Armentrout commented that ERCOT should consider the risks inherited by starting-up the RE.

Regarding Fees for Service, Board Members inquired as to who will collect the fee for the RE. Mr. Schrader commented that the RE fee will likely be collected through ERCOT. Board Members inquired whether there is an issue with ERCOT collecting the RE fee and that this should be noted as an issue to be addressed. Regarding compensation philosophy, Ms. Gallagher commented that this should support achievement of ERCOT's long-term goals. She commented that ERCOT should include issues associated with communications with constituency and capital project management.

Other Business

Chairman Armentrout inquired as to whether there was any other business that needed to be addressed before adjourning to Executive Session. There was none.

Future Agenda Items

Chairman Armentrout inquired as to whether there were any future Board meeting topics that needed to be addressed over the next couple of months. Mr. Schrader commented that there are three major issues coming up in the next few Board meetings.

- ERO/RE
- Nodal
- ERCOT Planning

Executive Session

Beginning at approximately 2:30 p.m., the Board met in Executive Session to discuss contract and personnel matters. The Board returned to Open Session at approximately 3:00 p.m.

The Board took the following votes:

Approval of Executive Session Minutes for March 21, 2006

Mr. Espinosa moved to approve the Executive Session minutes for the March 21, 2006 meeting, subject to modifications described during the Executive Session. Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Retail Business Processes – PR-50121 07

Chairman Armentrout moved to approve the Resolution, attached hereto as Exhibit B, to allow ERCOT to move forward with this project for implementation of PR-50121_07 Retail Business Processes in 2006, as discussed in Executive Session. Mr. Gent seconded the motion. The motion passed by voice vote with one abstention from the Consumer/Residential Member.

Adjournment

Prior to adjournment, Bill Wullenjohn was introduced to the Board as ERCOT's new Director of Internal Audit. Chairman Armentrout adjourned the meeting at approximately 3:03 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

Exhibit A

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

WHEREAS, rules of the Federal Energy Regulatory Commission (“FERC”) adopted pursuant to the Energy Policy Act of 2005 contemplate the creation of an electric reliability organization (“ERO”) to establish and enforce reliability standards for the nationwide bulk power system; and

WHEREAS, the ERO will oversee compliance with these reliability standards by all control areas, and transmission operators and providers, including RTOs and ISOs; and

WHEREAS, the ERO is allowed to enter into agreements to delegate certain of its duties, including enforcement of reliability standards, to a Regional Entity (“RE”); and

WHEREAS, the North American Electric Reliability Council (“NERC”) has filed an application with the FERC for approval to serve as the ERO; and

WHEREAS, the Electric Reliability Council of Texas, Inc. (“ERCOT”), a non-profit corporation (“Company”) is evaluating options regarding jurisdictional issues as well as establishment of an RE for the ERCOT region; and

WHEREAS, NERC has established preliminary deadlines for entities that want to be approved as REs to submit information that NERC will need to include in its business planning, if it is approved by FERC to serve as the ERO; and

WHEREAS, the Board of Directors of ERCOT (“Board”) deems it desirable and in the best interests of the ERCOT power region to take the steps necessary to explore important jurisdictional, governance, organizational structure and operating issues regarding the possible creation of an RE.

NOW, THEREFORE, BE IT RESOLVED, that ERCOT management and staff are hereby authorized to take action, as necessary, to prepare and compile information requested by NERC regarding a draft budget, operating plan, and a tentative organizational structure for a possible RE for the ERCOT power region and to submit draft information to NERC in accordance with NERC-adopted schedules in order not to waive the ability to create an RE in the future, subject to such action not being inconsistent with direction ERCOT receives from either the Texas Legislature or from the Texas Public Utility Commission (“PUC”) including jurisdictional issues.

Exhibit B

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

WHEREAS, the board of directors (the “Board”) of the Electric Reliability Council of Texas (ERCOT), Inc., a non-profit corporation (the “Company”) deems it desirable and in the best interest of the Company and the Texas electric market to move forward with this project for implementation of PR-50121_07 Retail Business Processes in 2006.

RESOLVED, that ERCOT is authorized to move forward with PR-50121_07 Retail Business Processes as discussed in executive session.

BE IT FURTHER RESOLVED, that Thomas F. Schrader, Chief Executive Officer of ERCOT, or his designee, is hereby authorized to act on behalf of ERCOT and negotiate execute in the name of and on behalf of ERCOT such documents necessary to complete this project.