

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

Hilton Austin Airport Hotel
Bergstrom D Room
April 18, 2007 at 10:00 a.m.

Pursuant to notice duly given, the meeting of the Board of Directors of Electric Reliability Council of Texas, Inc. (ERCOT) convened on the above-referenced date.

Meeting Attendance:

Board Members:

Armentrout, Mark		Unaffiliated; Board Chairman
Cox, Brad	Tenaska Power Services	Independent Power Marketer
Dalton, Andrew	Valero Energy Corp.	Consumer/Industrial; Proxy for Suzi McClellan
Espinosa, Miguel		Unaffiliated
Fehrenbach, Nick	City of Dallas	Consumer/Commercial
Gahn, Scott	Just Energy	Independent REP
Gallagher, Carolyn Lewis		Unaffiliated
Gent, Michehl		Unaffiliated; Board Vice-Chairman
Hudson, Paul	PUCT Chairman	PUCT
Jones, Sam	ERCOT President/CEO	
Karnei, Clifton	Brazos Electric Coop	Cooperatives
McCall, Mike	TXU Energy	IOU Segment - Alternate
Newton, Jan		Unaffiliated
Taylor, William	Calpine Corp.	Independent Generator
Wilkerson, Dan	Bryan Texas Utilities	Municipal; proxy for Clifton Karnei, Cooperatives

Staff and Guests:

Adib, Parviz	PUCT
Bartley, Steve	CPS Energy
Bell, Wendell	TPPA
Bojorquez, Bill	ERCOT, Vice President of System Planning
Bruce, Mark	FPL Energy
Byone, Steve	ERCOT, Vice President and Chief Financial Officer
Capezzuti, Nancy	ERCOT, Vice President of Human Resources and Organizational Development
Day, Betty	ERCOT
Dreyfus, Mark	Austin Energy, TAC Chair
Fouriner, Margarita	Competitive Assets
Gallo, Andy	ERCOT
Giuliani, Ray	ERCOT, Vice President and Chief of Market Operations

Grimm, Larry	ERCOT
Helton, Bob	International Power America
Hinsley, Ron	ERCOT, Vice President and Chief Information Officer
Hobbs, Kristi	ERCOT
Jones, Randy	Calpine Corporation
King, Kelso	King Energy
Kolodziej, Eddie	Customized Energy Solutions
Marlett, Valerie	Independent Consultant
McCall, Mike	TXU Energy
Parsley, Julie	PUCT Commissioner
Roark, Dottie	ERCOT
Rodriguez, Robert	Constellation
Ryall, Jean	Constellation Energy
Saathoff, Kent	ERCOT, Vice President of System Operations
Shumate, Walt	Shumate & Associates
Smitherman, Barry	PUCT Commissioner
Thomas, Robert	Green Mountain Energy Company
Thorne, James	ERCOT, Vice President, General Counsel and Corporate Secretary
Twiggs, Thane	Direct Energy
Vincent, Susan	ERCOT
Walker, DeAnn	CenterPoint Energy
Westbrook, Susan	ERCOT
Wood, Tim	First Choice Power
Wullenjohn, Bill	ERCOT
Yager, Cheryl	ERCOT

1. Call to Order/Announcements

Mark Armentrout, Chairman, called the meeting to order at approximately 10:00 a.m. and immediately adjourned into Executive Session to discuss personnel matters.

2. Executive Session (Part 1)

Personnel matters were discussed.

3. Consent Agenda

At 10:45 a.m., Chairman Armentrout opened the public portion of the meeting and determined a quorum was present. Chairman Hudson announced the start of an Open Meeting of the Public Utility Commission of Texas (PUCT).

Chairman Armentrout mentioned that he attended the recent Gulf Coast Power Association (GCPA) meeting in Houston.

The following items are included on the Consent Agenda:

- Agenda Item 4 (Approval of minutes from March Board of Directors meeting)
- Agenda Item 9a (Protocol Revision Requests (PRRs) – PRR691 and PRR697)
- Agenda Item 9b (Load Profiling Guide Revision Request (LPGRR) – LPGRR017)

Dan Wilkerson moved to approve the items on the Consent Agenda. Andrew Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

5. CEO Report

Collin – Anna 345kV Transmission Upgrade

Sam Jones, ERCOT President and Chief Executive Officer (CEO), invited Bill Bojorquez, ERCOT Vice President of System Planning, to present information regarding a proposed transmission upgrade. Mr. Bojorquez stated that the proposed upgrade consists of a 13.2 mile line between Anna and Collin at a cost of approximately \$4 million. He stated further that ERCOT stakeholders reviewed the project and no dissenting comments were received.

Mr. Dalton asked a question about the Special Protection System at Valley One.

Clifton Karnei moved to endorse the project as proposed. Michehl Gent seconded the motion. The motion passed by unanimous voice vote with one abstention (Mike McCall).

6. Operating Reports

Chairman Armentrout invited comments or questions regarding the Financial Summary, Market Operations Report, I.T. Report and Compliance Report.

Jan Newton stated that she noticed a downward trend in compliance scores and wonders if this is a reason for concern. Larry Grimm, ERCOT Director of Compliance, stated that his group is monitoring the decline. Currently, ERCOT is doing well on its Compliance Performance Standard (CPS1) score (ERCOT's score is 139 for the April 2006 to March 2007 time period; 100 is a passing score). Kent Saathoff, ERCOT Vice President of System Operations, stated that, during low Load periods, CPS1 scores decline because there are not as many Generation Resources on-line to control. Mr. Grimm concurred that low scores are typical during "shoulder" months.

Mr. Dalton asked whether wind Resources have adversely affected the scores. He noticed that, without wind, the performance has been steady, but wind Resource performance has declined over time. Mr. Grimm agreed that, with more wind Resources, performance scores have declined.

Scott Gahn asked questions about Loads acting as Resources (LaaR) performance versus Generation Resource performance. Mr. Grimm stated that there is no event-specific measure for Generation Resource performance. In October, a new metric was developed to review Generation Resource performance over time. The metric is rather complex and, in his opinion, the Protocol is not clear on how to determine compliance. The ERCOT Compliance Group is working with the Performance Disturbance Compliance Working Group on how to refine the metric. Mr. Grimm stated that ERCOT may not have enough data before Nodal implementation to measure the performance of Generation Resources.

Mr. Jones stated that the characteristics of operating a grid, with many different types of generation, is complex. Wind resources, in particular, have performance characteristics very

different from conventional Generation Resources. He stated that the Legislature is considering raising the wind generation requirement to 10,000 MW.

Chairman Armentrout asked about the metrics in the Information Technology Report, specifically transaction processing. Ron Hinsley, ERCOT Vice President and Chief Information Officer, stated that ERCOT experienced some issues in January, but the March score was 100%. Chairman Armentrout asked whether Market Participants were satisfied with ERCOT's performance. Mr. Hinsley stated that some Market Participants have expressed concern about extracts.

8. Nodal Status Report

Chairman Armentrout invited Jerry Sullivan, ERCOT Executive Director of the Nodal Project, to provide an update on the status of the Nodal market redesign effort.

He stated that the Program is still in "amber" status and is within 1% of budget. He anticipates that Nodal market open will take place on or about December 1, 2008. He indicated that much of the "heavy lifting" in the program will take place between now and the end of 2007. He then explained the on-going development of the Nodal dashboard. He then stated that, as we approach the "go live" date, Market Participant readiness will be an important focus. ERCOT having systems completed early will allow more time for Market Participant readiness.

Next, he presented slides showing the major program highlights in March and April, short-term milestones and showing the status of the various projects versus their schedules.

Mr. McCall asked if ERCOT was getting enough volunteer Market Participants for early testing. Mr. Sullivan answered in the affirmative.

Mr. Sullivan then reported that the Program Management Office (PMO) has completed the actions IBM recommended as part of the audit conducted in late 2006. He also provided a Nodal organization chart and discussed the impact of Nodal Protocol Revision Requests on the program. He stated that the original budget was based on the May 2006 Protocols and, since that time, the Protocols have been revised. As a result, the team is trying to synchronize the current status of the program with the current version of the Protocols. Doing so may impact the budget.

Ms. Newton stated that she supports the idea of limiting the on-going changes to the Nodal market design. Mark Dreyfus, Technical Advisory Committee (TAC) Chairman, stated that he has made it clear to Market Participants that changes to the market design should take place only if the changes involve "life or death" matters.

Mr. Sullivan then presented budget and cost information, stating that the program has spent approximately \$81 million through March 2007, which is under budget. He believes the program will "catch up" on the budget during the summer months and that ERCOT is experiencing approximately a \$10 million per month "burn rate." ERCOT has approximately \$47 million in cost "commitments" at this time.

Finally, Mr. Sullivan presented information related to the data center migration. ERCOT has two (2) data centers – one (1) in Taylor and one (1) in Austin. The Austin center is the smaller of the two. Each data center is experiencing space and electricity limitations. The Austin location is

already at its electricity capacity limit. Over weekends, ERCOT is moving data from one type of server to another type of server. ERCOT is retiring more than seventy servers as part of this project. Each center has ~600 Terabytes of capacity.

Chairman Armentrout thanked the Nodal team for the two-hour Nodal “deep dive” telephone conference that recently took place and asked for a one (1) page vendor performance “report card” in future reports.

9. Technical Advisory Committee Report

Chairman Armentrout then invited Mark Dreyfus, TAC Chairman, to report on recent TAC activities.

a. Protocol Revision Requests (PRRs)

Mr. Dreyfus reported that TAC voted to recommend that the Directors approve the following PRRs, described as follows:

- ***PRR691 – Nodal Implementation Surcharge Verifiable Costs. Proposed effective date: May 1, 2007.*** This PRR adds the Nodal Implementation Surcharge as a verifiable cost for Qualified Scheduling Entities (QSEs) representing Resource Entities called on for reliability purposes. PRR691 was posted on September 14, 2006. On October 19, 2006, the Protocol Revision Subcommittee (PRS) deferred consideration to its next meeting. On November 16, 2006, PRS unanimously voted to recommend approval of PRR691 as revised by ERCOT Staff comments and PRS. All Market Segments attended the vote. On December 14, 2006, PRS unanimously voted to forward the PRS Recommendation Report and the Impact Analysis to TAC. All Market Segments attended the vote. On January 4, 2007, TAC voted to recommend approval of PRR691 as recommended by PRS. There was one (1) abstention (Investor Owned Utility (IOU) Market Segment). All Market Segments attended the vote. On February 20, 2007, the Board remanded PRR691 to TAC as recommended by the TAC Chair. On March 8, 2007, TAC unanimously voted to recommend approval of PRR691 as revised by TAC Chair comments. All Market Segments attended the vote. On March 21, 2007, the Board remanded PRR691 to TAC to clarify the language to make it clear that the 10% mark up on variable costs will not apply to the Nodal Implementation Surcharge. On March 30, 2007, TAC unanimously voted to recommend approval as amended by comments from NRG Texas. All Market Segments attended the vote. The Credit Work Group (Credit WG) evaluated PRR691 and concluded that it introduces an additional fee assessed to QSEs paying for reliability services if the QSE representing the Resource Entity elects to submit verifiable cost information.
- ***PRR697 – Posting Requirement Changes. Proposed effective date: Upon system implementation.*** This PRR incorporates changes resulting from PUCT SUBST. R. §25.502, *Pricing Safeguards in Markets Operated by the Electric Reliability of Texas Power Region* and new PUCT SUBST. R. §25.505, *Resource Adequacy in the Electric Reliability of Texas Power Region*, adopted under PUCT Project No. 31972, Rulemaking Concerning Resource Adequacy and Market Power in the Electric Reliability Council of Texas Power Region. ERCOT posted PRR697 on October 20, 2006. On November 16, 2006, PRS unanimously voted to recommend approval of PRR697 as revised by

comments from CenterPoint Energy and PRS. The Independent Power Marketer (IPM) Market Segment did not attend the vote. On December 14, 2006, PRS tabled PRR697 until its January 2007 meeting. On January 22, 2007, PRS again tabled PRR697. On February 22, 2007, PRS voted to recommend approval of PRR697 as revised by comments from ERCOT Staff and Reliant. Also on February 22, 2007, PRS voted to assign PRR697 a priority of Critical and a rank of 9.5. There was one (1) abstention (IPM Market Segment) on both votes. All Market Segments attended the votes. On March 8, 2007, TAC unanimously voted to recommend approval of PRR697 as amended by TAC. All Market Segments attended the vote. ERCOT credit staff and the Credit WG have reviewed PRR697 and do not believe it requires changes to credit monitoring activity or the calculation of liability.

- ***PRR705 – Emergency Interruptible Load Service (EILS) Interim Option – URGENT. Proposed effective date: April 19, 2007.*** This PRR would modify the ERCOT Protocols to allow for the use of an EILS when ERCOT declares an Emergency Electric Curtailment Plan (EECP) and has deployed all available Generation and LaaRs. ERCOT posted PRR705 on January 10, 2007. The submitter requested Urgent status, but on January 12, 2007, PRS did not grant Urgent status through email vote. On January 22, 2007, PRS voted unanimously to grant Urgent status to four PRRs (PRRs 702, 703, 704, and 705) addressing EILS with one opposing vote (Municipal Market Segment) and one abstention (Independent Retail Electric Provider (IREP) Market Segment). All Market Segments attended the vote. PRS then voted to table the EILS PRRs until its February 2007 meeting and requested a report responding to specific questions by ERCOT Staff, Wholesale Market Subcommittee (WMS) and Reliability and Operations Subcommittee (ROS). On February 22, 2006, PRS again tabled PRR705. On March 22, 2007, PRS voted to recommend approval of PRR705 as revised by PRS and comments submitted by ERCOT Staff and to take up the issue of the Non-Opt-In Entity (NOIE) exemption as a separate PRR with two opposing votes (Cooperative and Municipal Market Segments) and six abstentions (Municipal, IOU, Independent Generator (IG) and IREP Market Segments). All Market Segments attended the vote. On March 30, 2007, TAC voted to recommend approval of PRR705 as revised by ERCOT Staff comments dated March 28, 2007, with the understanding that Market Participants had little option but to approve this PRR under PUCT SUBST. R. §25.507. The motion passed with one (1) opposing vote (IPM) and seven (7) abstentions (IPM (4), IG (1), IREP (1) and Municipal (1) Market Segments). All Market Segments attended the vote. ERCOT credit staff and the Credit WG has reviewed PRR705 for credit implications and states that, while this PRR will impact amounts billed and collected, it does not affect how credit exposure is calculated or monitored. No credit implications.

PRR691 and PRR697 were approved as part of the Consent Agenda.

Mr. Karnei moved to approve PRR705. Mr. Gahn seconded the motion. Chairman Armentrout then opened the floor to discussion.

Nick Fehrenbach stated that he believes the EILS is a valuable service, but is not sure the current approach is the best approach. He stated that he believes the stakeholders committed a disservice to ERCOT by waiting until a PUCT rule required the service.

Mr. Gent asked how many customers might be interested in providing the service. Mr. Dreyfus replied that the Protocol requires between 500 and 1000 MW per Contract Period. Mr. Saathoff stated that ERCOT received bids for only 156 MW for the first April – May Contract Period. Mr. Fehrenbach mentioned that the first Contract Period had a short bid timeframe and, therefore, some Market Participants could not bid on this first Contract Period.

Chairman Armentrout asked Mr. Dreyfus to summarize the opposition to the PRR. Mr. Dreyfus stated that some Load already responds to market signals and drops off-line without any compensation during high price periods. Under the EILS as designed, those Loads must now stay on-line until ERCOT orders them off-line and they will now receive compensation where they might have otherwise responded “passively.”

William Taylor asked whether ERCOT staff considers EILS a useful reliability tool in light of the fact that not enough bids were received for the first Contract Period. Mr. Saathoff stated that, in light of the events of last April, having EILS available would be a useful tool and expressed hope that the minimum 500 MW of bids would be submitted for the June to September Contract Period.

Mr. Gent mentioned that this PRR had many abstentions at the TAC level and he wondered if any other PRRs had been approved by the Directors with as many abstentions. Mr. Saathoff stated that this PRR is unique as compared to all PRRs in the past.

Mr. Dreyfus stated that a task force is looking at other, different possible services to provide the same type of reliability tool.

Commissioner Parsley stated that the PUCT passed a rule to provide this service because ERCOT staff said it would be a useful tool. However, the PUCT realized that other services may be possible, as well.

There being no further discussion, Chairman Armentrout called for a vote on the outstanding motion. **The motion passed by unanimous voice vote with no abstentions.**

b. Load Profiling Guide Revision Request

This item was approved as part of the Consent Agenda.

c. Methodology for Reserve Margin Calculation

Mr. Dreyfus stated that the Generation Adequacy Task Force (GATF) has developed a new methodology for calculating the reserve margin in the ERCOT Region. The prior methodology was approved in 2005 but, due to the announcement of the mothballing of many Generation Resources, the GATF began to consider whether to change the reserve margin calculation.

He began by recapping the current methodology and then outlined the proposed changes. The first change is in the treatment of new generation. The new methodology will take into account only resources with a signed interconnection agreement and a permit from the Texas Commission on Environmental Quality. The second revision involves a change in the capacity value for wind generation from 2.6% of installed capacity to 8.7% of installed capacity based on historical data. The next change eliminates the “high” and “low” reserve margin calculations,

eliminates the “publicly announced thermal units” calculation and adds “uncommitted resources” (*i.e.* remaining mothballed capacity, remaining DC tie capacity and new units with transmission interconnection studies in process but no signed interconnection agreement).

Chairman Armentrout stated that the reserve margin is the most quoted data out of ERCOT and he recommends separating the “language” issues from the “substantive” issues.

Mr. Gent asked how often the Loss of Load Probability (LOLP) study for wind resources will be updated. Mr. Bojorquez stated that the study will take place once every two years.

Chairman Hudson stated that “uncommitted resources” are those at some point in the study process and wondered if that number might be over-inflated. Mr. Bojorquez stated that only resources that have requested a full interconnection study would be included in the calculation. The request for a full interconnection study implies that the resource owner is serious about building the new resource.

Mr. Karnei raised some questions regarding the calculation of various numbers as presented. Mr. Bojorquez indicated that he would have to do some research to respond to the question.

Commissioner Smitherman asked for an explanation of how capacity for private networks is calculated. Mr. Bojorquez stated that the Protocols require private networks to provide to ERCOT the total internal Load and generation net of that Load. Commissioner Smitherman asked if ERCOT audits the data provided by Market Participants. Mr. Bojorquez stated that ERCOT does not audit the data, but analyzes historical data and has found that Market Participants have been fairly accurate in providing data.

Commissioner Smitherman asked how ERCOT calculates “mothballed units” as “Resources.” Mr. Bojorquez stated that, each year, Market Participants provide their probability of returning a mothballed unit to service. Commissioner Smitherman suggested that the wording could be improved.

Mr. Dalton asked about whether this calculation takes into account the difference between units needing “air” permits versus other types of permits. A recommendation was made that there should be a reference to “permits” and not just “air permits.”

Several additional comments were made regarding language and format.

Mr. Taylor stated that the Directors should be careful about suggesting language changes because much of the language currently used may derive from the Protocols or North American Electric Reliability Corporation (NERC) standards. The Directors could cause more confusion by recommending language changes.

Mr. Fehrenbach stated that the “uncommitted resources” number is not realistic. Additionally, he asked whether the report would explain the change in percentage of wind resources taken into account. He also recommended showing last year’s data with the updated wind calculation.

Commissioner Smitherman suggested doing the report once per year – in June – and again in December of every even-numbered year. This will avoid any allegations of data manipulation.

Mr. Karnei moved to remand this issue to TAC to take into account the matters raised at today's meeting. Chairman Armentrout suggested revising the motion to state that the Directors approve the methodology, but recommend language, timing and format changes consistent with today's discussion. Mr. Karnei agreed to the revision suggested by Chairman Armentrout. Mr. Dalton seconded the revised motion. The motion passed by unanimous voice vote with no abstentions.

In conclusion, Mr. Dreyfus presented a brief review of matters being considered by various task forces reporting to the TAC.

10. Finance & Audit (F&A) Committee Report

Clifton Karnei, Chair of the F&A Committee, stated that the committee met with ERCOT's internal audit staff this morning and there are fourteen audits for 2006 and 2007 on the Nodal project. Several are already completed and nine more are scheduled.

The Credit WG made a report on its recent activities. The committee re-appointed Morgan Davies of Calpine as the Chair of the Credit WG and Amanda List of Strategic Energy was approved as the Vice Chair (to be effective next month).

Also, the committee will issue a Request for Proposal (RFP) for a study of the acceptable level of credit risk in the ERCOT Region and a report to the Directors will follow.

a. Authority for Additional Debt Financing

ERCOT staff requested more than \$200 million of additional debt. The committee had several questions and, as a result, this issue will come before the full Board in May, 2007.

b. 2006 Audited Financial Statements

Mr. Karnei stated that PricewaterhouseCoopers (PwC) has concluded its audit and provided a clean opinion. There is a resolution (Attachment A) to approve the report.

Mr. Karnei moved to approve the resolution set forth in Attachment A. Mr. Gahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Karnei then stated that the committee will have a workshop on regarding the Texas Regional Entity (TRE) budget next month. He also mentioned that, depending on ERCOT's level of debt, a variance may be needed to ERCOT's debt policy. This issue may come before the full Board in May, 2007.

11. H.R. & Governance Committee

Carolyn Lewis Gallagher, Chair of the H.R. & Governance Committee, stated that Teresa Gage presented an update on legislative matters affecting the industry. She reported that, although there is a lot of activity for the industry at the Legislature, not much of it directly deals with ERCOT.

The committee also discussed the proposed Nodal committee and how to staff it. She asked any

Director interested in serving as the chair of that committee to contact Chairman Armentrout. If no one volunteers, Chairman Armentrout will appoint a chair.

The committee approved its new charter, which will come before the full Board next month. The committee also had another discussion about possible by-laws revisions.

a. Board Approval of Purchases and Contracts

The committee considered this matter this morning and proposes approval of a Resolution (Attachment B) which would require Board approval for contracts in excess of \$3 million (rather than \$1 million).

Ms. Gallagher moved to approve the Resolution. Mr. Cox seconded the motion. The motion passed by a vote of fourteen (14) to one (1) (Mr. Fehrenbach). Mr. Fehrenbach stated that he has concerns about putting \$3 million of authority into one person's hands. It was pointed out that the resolution requires the CEO and one Vice President to approve contracts between \$1 million and \$3 million.

Next, Ms. Gallagher stated that the committee decided to terminate the Retiree Medical Plan benefit. To allow for a smooth transition, the committee recommends that employees age 55 or older who have at least ten (10) years of employment with ERCOT have the option, until November 15, 2007, to elect continuation of this coverage and those doing so be allowed to extend their retirement date up to December 31, 2009.

Finally, Ms. Gallagher stated that three CEO candidates have been invited for interviews.

Chairman Armentrout stated that a search for a Chief Compliance Officer (COO) for the TRE will soon begin. Larry Grimm will serve as the acting COO.

12. Other Business

Mr. Jones stated that ERCOT expects to hear soon (potentially tomorrow) about whether the Federal Energy Regulatory Commission (FERC) approves the TRE Delegation Agreement.

Additionally, the FERC approved eighty-three (83) Reliability Standards that will go into effect in June.

No other business was raised.

13. Future Agenda Items

A discussion took place regarding whether certain items need to remain on the "future agenda items" list.

14. Executive Session (Part 2)

At approximately 2:10 p.m., the meeting adjourned into Executive Session to discuss litigation matters.

15. Votes after Executive Session

At 3:00 p.m., the meeting re-opened.

Mr. Wilkerson moved to approve the minutes of the March 21, 2007 Executive Session as circulated. Mr. Taylor seconded the motion. The motion passed by unanimous voice vote with no abstentions.

16. Adjournment

Chairman Armentrout adjourned the meeting at approximately 3:00 p.m.

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

James L. Thorne
Vice President, General Counsel & Corporate
Secretary

Attachment A

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

WHEREAS, the board of directors (the Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable to accept the ERCOT audited financial statements and Report on Audit of Financial Statements for the Years Ended December 31, 2006 and 2005 as presented by PricewaterhouseCoopers, LLP;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby accepts the ERCOT audited financial statements and Report on Audit of Financial Statements for the Years Ended December 31, 2006 and 2005 as presented by PricewaterhouseCoopers, LLP.

Attachment B

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

WHEREAS, the board of directors (the Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable to permit ERCOT staff, consistent with ERCOT's Delegation of Authority Corporate Standard, to approve purchases and contracts of up to \$1 million and, on conditions set forth below, for the Chief Executive Officer and President (CEO) and a Vice-President (VP) to approve purchases and contracts between the amount of \$1 million and \$3 million, in order to improve efficiencies without unnecessary risks;

NOW, THEREFORE, BE IT RESOLVED, that ERCOT staff, consistent with ERCOT's Delegation of Authority Corporate Standard, is still authorized to approve purchases and contracts of up to \$1 million, in accordance with the ERCOT Delegation of Authority Corporate Standard;

BE IT RESOLVED, that the ERCOT CEO, with one VP, is hereby additionally authorized to approve purchases and contracts of between \$1 million and \$3 million, so long as: (1) the expenditure is clearly associated with a specific line item in the current approved budget; (2) the expenditure will not cause the budget category or overall budget to be overrun; (3) the associated goods or services are obtained in accordance with ERCOT's Procurement Standard and operating procedures and internal controls; and (4) the Board is notified in writing, no less than quarterly, of the status of all contracts so approved and of all vendors with whom ERCOT has spent \$1 million or more in the previous 12 month period; and

BE IT RESOLVED, that the Board should again review authorization levels for purchases and contracts again in March 2009, when nodal implementation is anticipated to be nearing completion.