

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

Electric Reliability Council of Texas, Inc.
7620 Metro Center Drive, Room 206
May 20, 2008 at 10:00 a.m.

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

Meeting Attendance:

Board Members:

Director	Affiliation	Segment
Armentrout, Mark		Unaffiliated; Board Chairman
Pappas, Laurie	OPUC	Consumers/Residential & Small Commercial – Proxy for Don Ballard
Cox, Brad	Tenaska Power Services	Independent Power Marketers
Dalton, Andrew	Valero Energy Corp.	Consumers/Industrial
Espinosa, Miguel		Unaffiliated
Fehrenbach, Nick	City of Dallas	Consumers/Commercial
Gent, Michehl		Unaffiliated; Board Vice-Chairman
Helton, Bob	IPA	Independent Generators
Jenkins, Charles	Oncor Electric Delivery	Investor-Owned Utilities
Kahn, Bob	ERCOT President/CEO	
Karnei, Clifton	Brazos Electric Coop	Electric Cooperatives
Newton, Jan		Unaffiliated
Thomas, Robert	Green Mountain Energy	Independent Retail Electric Providers
Wilkerson, Dan	Bryan Texas Utilities	Municipally-Owned Utilities

Staff and Guests:

Ashley, Kristy	Exelon
Atkinson, Mike	AREVA
Barrow, Les	CPS Energy
Barry, Stacy	ERCOT
Bell, Wendell	TPPA
Boehmer, Greg	ERCOT – Consulting
Bojorquez, Bill	ERCOT
Brandt, Adrienne	Austin Energy
Brenton, Jim	ERCOT
Brewer, Todd	Texas Regional Entity
Bruce, Mark	FPL Energy
Byone, Steve	ERCOT
Cochran, Seth	Sempra Trading
Cote, Daryl	ERCOT

Crozier, Richard	Brownsville
Day, Betty	ERCOT
Dreyfus, Mark	Austin Energy
Drost, Wendell	AREVA
Druhan, Roger	AREVA
Firestone, Joel	Direct Energy
Forfia, David	ERCOT
Fox, Kip	AEP
Gage, Theresa	ERCOT
Goodman, Dale	ERCOT
Greer, Clayton	J Aron
Grimm, Larry	Texas Regional Entity
Gross, Blake	AES
Hancock, Misti	ERCOT
Harrell, Patty	DC Energy
Hinsley, Ron	ERCOT
Hobbs, Kristi	ERCOT
Hudson, Paul	PUCT
Jones, Don	Reliant
Jones, Liz	Oncor
Kerr, Stephen	ERCOT
King, Kelso	King Energy
Kitowski, Charles	EnergyCo
Kolodziej, Eddie	Customized Energy Solutions
Luparello, J.	Lloyd Gosselink
McMurray, Mark	Direct Energy
Moore, Sheri	CenterPoint Energy
Morris, Sandy	Lower Colorado River Authority
Oldham, P.	TIEC
Parsley, Julie	PUCT
Roark, Dottie	ERCOT
Ryall, Jean	Constellation
Schubert, Eric	BP
Seymour, Cesar	SUEZ
Shumete, W.	Shumete & Associates
Stephenson, Randa	Luminant
Sullivan, Jerry	ERCOT
Trefney, Floyd	Reliant Energy
Trostle, Kay	Chaparral Steel
Troutman, Jennifer	Direct Energy
Twiggs, Thane	Direct Energy
Vincent, Susan	Texas Regional Entity
Wagner, M.	PSEG
Walker, DeAnn	CenterPoint Energy
Wullenjohn, Bill	ERCOT

1. Call to Order/Announcements

Mark Armentrout, Chairman, called the meeting to order at approximately 10:10 a.m., pointed out the Antitrust Admonition and determined a quorum was present. Commissioner Parsley called to order an open meeting of the Public Utility Commission of Texas (PUCT).

2. Consent Agenda

The following items were handled in the consent agenda:

- Item 8a - Load Profiling Guide Revision Request (LPGRR) No. 030
- Item 8b - Nodal Protocols Revision Request (NPRR) No. 108
- Item 8c - Protocols Revision Request (PRR) No. 756

Mr. Fehrenbach moved to approve the items on the Consent Agenda. Mr. Cox seconded the motion. The motion passed by unanimous voice vote with no abstentions.

3. Nominating Committee Report

Chairman Armentrout reported that the committee voted to nominate Mr. Espinosa for a third term as an ERCOT Director by a unanimous vote. Chairman Armentrout commended Mr. Espinosa for his work. The committee also nominated Professor A.D. Patton for submission to ERCOT members as a Director to take the place Ms. Lewis Gallagher recently vacated.

4. Approval of Minutes

Mr. Gent moved to approve the minutes with a revision to the language associated with NPRR099 as shown in **Exhibit A** hereto. Mr. Wilkerson seconded the motion. The motion passed by unanimous voice vote with two abstentions (Messrs. Kahn and Karnei).

5. Chief Executive Officer Report

Bob Kahn, ERCOT President and Chief Executive Officer (CEO), reported that ERCOT applied to the IRS to be reclassified as a non-profit organization under §501(c)(4) of the Internal Revenue Code. ERCOT recently received approval for that reclassification. This should lead to a refund of a significant amount of sales/use taxes paid over the last several years. Mr. Karnei asked if the refund would come as a matter of course or if the State will contest the request. Steve Byone, ERCOT's Chief Financial Officer (CFO), stated that ERCOT is early in the refund process, but does not anticipate that the matter will be litigated.

Mr. Kahn also stated that ERCOT had to file an update to its business continuity plan by May 1, 2008.

Mr. Kahn stated that ERCOT has updated its Capacity, Demand and Reserves Report to indicate that reserve margins are forecast to increase significantly. Chairman Armentrout asked about inclusion of energy efficiency programs in the report. Bill Bojorquez, ERCOT Vice President of

System Planning, stated that ERCOT staff consulted with Public Utility Commission of Texas (PUCT) staff regarding inclusion of those programs. Ms. Newton asked if this new data would impact decisions to invest in additional generation. Mr. Kahn stated that this new data indicates the willingness of companies to invest in new generation in the ERCOT Region.

Chairman Armentrout asked if Emergency Interruptible Load Service (EILS) is included in this data. Mr. Bojorquez stated that EILS is not factored into this report because they are short-term contracts.

Mr. Kahn stated that the Nodal Common Information Module (CIM) will not be delivered on time and, as a result, the 168-hour test will not take place as originally planned. Mr. Gent asked about data standardization and Jerry Sullivan, Executive Director of the Texas Nodal Market Implementation Program (TNMIP), stated that ERCOT has been actively involved in the standardization process and, in fact, the data language is not as “standard” as companies would like. Mr. Espinosa asked about ERCOT’s comfort level regarding AREVA’s new proposed delivery date for the CIM. Mr. Kahn stated that ERCOT is not particularly confident about the proposed delivery date.

Mr. Kahn stated that, due to these delays, ERCOT no longer anticipates a December 1, 2008 “go-live” date for the Nodal market and ERCOT staff and Market Participants will begin working toward establishing a new date. Ms. Newton stated that, although this information is disappointing, everyone wants a high quality product delivered. She also raised a question about the effect of the delay on the budget and asked for a budget update next month. Mr. Helton agreed and stated that the Transition Plan Task Force (TPTF) and the Technical Advisory Committee (TAC) should ensure that a fully functional market is put into place at “go-live.” Commissioner Parsley stated that many companies are watching this development and the PUCT has ordered a start date of January 1, 2009. If Nodal “go-live” will not take place by that date, ERCOT must make a filing at the PUCT to change that date. Mike Grable, ERCOT’s General Counsel, stated that ERCOT will make a filing to change the deadline as needed.

Chairman Armentrout stated that he has met with AREVA representatives regarding these issues.

6. Operating Reports

Chairman Armentrout invited comments or questions regarding the Financial Summary, Market Operations Report, Grid Operations Report, System Planning Report and Information Technology (IT) Report. No questions/issues were raised.

7. Nodal Update

Mr. Sullivan reported the status on the following items:

- Scope - Green
- Quality - Amber
- Schedule - Amber
- Cost - Green

Mr. Sullivan reported that Early Delivery System (EDS) 2 (State Estimator Performance and Accuracy) is in “red” status and EDS 4 (Verify Outage Evaluation System Functionality and System Failover) is also in “red” status.

Mr. Sullivan reported that ERCOT readiness is in “green” status but may change to amber due to staffing issues. In turn, Market Participant readiness is in “red” status primarily due to registration forms not being submitted or being incomplete when submitted. Mr. Wilkerson asked if ERCOT relies on the Market Participant readiness web site to determine readiness. Mr. Sullivan stated that the TNMIP team interacts with ERCOT Account Managers to determine Market Participant readiness. Mr. Helton asked about the status of submission of Resource Asset Registration Forms (RARFs). Mr. Sullivan stated that many market notices have been disseminated and ERCOT staff is working with Market Participants to assist in submitting those forms correctly.

Mr. Sullivan then discussed the development of various “health” checks for the TNMIP – CIM importer, integration, system performance, 168-hour test and business processes. Because the CIM delivery has been pushed back to June 13th, the remainder of the market implementation schedule has been compressed, delaying the start of the 168-hour test to mid-to-late September. As a result, the December 1, 2008 “go-live” date is no longer feasible.

Stephen Kerr, the Project Manager leading the integration activities for the TNMIP, recapped the team’s work on integration activities. He also reviewed the status of integration efforts (including a 93% success rate for submissions). He stated that the integration activities have been affected by late deliveries of end-point systems.

Daryl Cote, another Project Manager on the TNMIP team, presented a go-live planning procedure and stated that the procedure has more than forty-five major milestones and more than 1,000 steps that must take place during the go-live period (defined as 10/1/08 through 1/4/09). He stated that regression tests are imperative before go-live and one such test will take place immediately after the 168-hour test and another will occur immediately before the go-live date. Chairman Armentrout asked about the processes surrounding the “turning off” of zonal systems and Mr. Cote stated that ERCOT will ask QSEs to submit data to zonal and nodal systems at the same time for fourteen days. Additionally, ERCOT and Market Participants must keep their zonal systems active for thirty days after go-live. Mr. Cote also stated that thirty days before the go-live date would be the “freeze” date for code changes. Chairman Armentrout asked if processes were in place to ensure that date is met. Mr. Sullivan stated that ERCOT management is working on those processes.

Mr. Helton reminded people that zonal systems and data may need to remain in place in connection with potential audits or investigations by the Texas Regional Entity.

Mr. Sullivan then invited Mike Atkinson and Roger Druhan of AREVA to speak regarding the new proposed delivery date for the CIM. Mr. Atkinson stated that AREVA is focused on getting the project completed. He stated that he is chagrined by the delay and is not 100% confident of the new date. Mr. Dalton asked about a date on which Mr. Atkinson would have 100% confidence. Mr. Atkinson replied that he could not provide such a date, but is 85% sure AREVA

will meet the June 13th date.

Finally, Mr. Sullivan presented an update of the TNMIP budget. Through March 2008, the TNMIP is currently approximately \$3 million under budget. Mr. Gent asked about the financial effect of extending the go-live date. Mr. Sullivan stated that the current “burn rate” is approximately \$10 million per month.

8. Technical Advisory Committee Report

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

a. Load Profiling Guide Revision Request

This item was handled in the consent agenda.

b. Nodal Protocol Revision Requests

This item was handled in the consent agenda.

c. Protocol Revision Requests

This item was handled in the consent agenda.

d. Other Matters

Mr. Dreyfus made a brief presentation regarding distributed renewable generation metering and settlements, including a recap of language from the relevant legislation. Mr. Dreyfus stated that ERCOT has submitted a request to the PUCT to define the term “net metering” as used in the legislation. The PUCT, through its Substantive Rule 25.213, clarified that net metering requires two meters (for in-flow and out-flow) and interval data recorder meters for systems greater than 50 kilowatts. Mr. Dreyfus stated that a distributed generation customer will have a significantly different load profile than a typical customer. Mr. Gent asked who pays for advanced meters. Mr. Dreyfus stated that the wires companies may include the cost of advanced meters in their rates.

Mr. Dreyfus then reported that there are no unfunded projects at this time and commented that TAC recognized there had been on-going process improvements in ERCOT’s Program Management.

Finally, Mr. Dreyfus presented an update on the February Emergency Electric Curtailment Plan (EECP) event. He stated that the Performance Disturbance Compliance Working Group (PDCWG) made a report to the Reliability and Operations Subcommittee (ROS) which identified contributing factors and provided a list of areas for follow-up activity (short-term load forecast and Resource Plan updates). Additionally, a Wind Workshop took place on March 17, 2008. Issues developed at that workshop were forwarded to ROS and the Wholesale Market Subcommittee (WMS). Additionally, the Texas Regional Entity brought issues to the ROS for

review.

In light of this work, Mr. Dreyfus concluded that ERCOT faces a challenge regarding how to develop a better understanding of how to incorporate wind technologies into system operations. The first step includes using a wind forecast for planning purposes. On-going work will focus on interconnection standards, performance measures, ancillary service issues, training and grid maintenance. Finally, he stated that a Wind Operations Task Force (WOTF) has been created under the ROS.

Chairman Armentrout commended stakeholders for their work on these issues. Mr. Dalton asked if curtailment of wind resources in light of changing weather conditions has been considered. Mark Bruce, TAC Vice-Chair, stated that several suggestions from the GE wind study are being considered. One suggestion involves new Ancillary Services. He stated that stakeholders are looking at those issues and will consider all possibilities. Mr. Gent asked for copies of his slides.

Lunch

The meeting adjourned for lunch at 12:15.

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

Mr. Karnei, F&A Committee Chair, stated that the committee met this morning and considered the following matters:

a. Final Review of Proposed 2009 Budget, Proposed Fees and Financial Performance Measures

The committee recommends a fee of \$0.5698/MWh for 2009. Mr. Karnei stated that the RMS presented some concerns about amounts proposed for the capital budget for retail projects. Mr. Byone then presented information clarifying the budget items addressing retail-related projects.

Mr. Karnei moved to approve the proposed 2009 budget as set forth in Exhibit B attached hereto. Mr. Espinosa seconded the motion.

Mr. Byone stated that several line items in the budget had changed from that which was presented to the Board in April, but the total budget number remained the same. He then referred to a schedule which summarized the changes. Ms. Jennifer Frederick stated that RMS still believes project funding for advanced metering is not sufficiently addressed in the proposed budget. Mr. Byone also reminded everyone that ERCOT would include testimony in the fee case filing to address PUCT directives requesting information on staff time allocation for possible use in allocating the ERCOT fee. **The motion passed by unanimous voice vote with no abstentions.**

b. Application of the 2007 Actual vs. Budget Revenue Requirement Variance

Mr. Karnei stated that ERCOT ended the year with a \$2.5 million surplus. The committee is not making a recommendation regarding how to handle those funds this month, but will do so in the future.

c. Additional Matters

Mr. Karnei reported that there were no material changes to the ERCOT Financial Statements and, therefore, the financial statements were accepted.

Mr. Karnei stated that there will probably not be a credit risk statement to present to the Directors in June.

11. H.R. & Governance Committee

Jan Newton, the committee Chair, stated that the committee met this morning and considered the following matters:

- Theresa Gage presented a report on the status of external affairs
- Dale Goodman presented the results of the Market Participant survey
- Mr. Grable presented information on proposed changes to the Board policies and procedures. A vote will take place next month.
- Mr. Grable mentioned that a proposed PRR regarding appeals to the Board was circulated to Directors. That item will come before the Board for a vote soon.

At this time, Mr. Kahn read a press release regarding the delay in the Texas Nodal Market Implementation Date. Mr. Jenkins proposed having the Directors consider a new deadline only after unresolved issues get resolved. Mr. Kahn stated that a status update will be provided at the June Board meeting because the new due date for the AREVA software is June 13th.

12. CenterPoint Energy Rothwood Substation Project

Mr. Bojorquez presented the CenterPoint Energy Rothwood Substation Project. This station would be in the northwest part of Houston. Mr. Bojorquez stated that, currently, there is too much stress in the Tomball substation and the proposed substation would alleviate that stress. The total cost of the project is \$23 million and the facilities would be in place in 2010. This project is recommended for reliability reasons.

Mr. Espinosa moved to approve the project. Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.

13. Other Business

No other business was raised.

14. Future Agenda Items

Chairman Armentrout invited anyone to raise any items they wish to be addressed at future meetings.

Mr. Hinsley stated that the IBM update scheduled for June may be delayed for one month.

15. Executive Session

Chairman Armentrout adjourned the meeting to Executive Session at approximately 1:45 p.m.

16. Voting on Executive Session Items

Chairman Armentrout re-opened the open portion of the meeting when the Executive Session ended at approximately 2:30 p.m.

Mr. Helton moved to approve the Resolution attached to the Executive Session Minutes as Exhibit A. Mr. Thomas seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Kahn moved to approve the Resolution attached to the Executive Session Minutes as Exhibit B. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment

Chairman Armentrout adjourned the meeting at approximately 2:35 p.m.

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

Michael G. Grable
General Counsel & Assistant Corporate Secretary

Exhibit A

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

Electric Reliability Council of Texas, Inc.
2705 West Lake Drive, Room 252/253
Taylor, Texas 76574
April 15, 2008 at 10:00 a.m.

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

Meeting Attendance:

Board Members:

Director	Affiliation	Segment
Armentrout, Mark		Unaffiliated; Board Chairman
Pappas, Laurie	OPUC	Consumers/Residential & Small Commercial
Cox, Brad	Tenaska Power Services	Independent Power Marketers
Dalton, Andrew	Valero Energy Corp.	Consumers/Industrial
Espinosa, Miguel		Unaffiliated; Proxy for Michehl Gent
Fehrenbach, Nick	City of Dallas	Consumers/Commercial
Helton, Bob	IPA	Independent Generators
Jenkins, Charles	Oncor Electric Delivery	Investor-Owned Utilities
Newton, Jan		Unaffiliated
Thomas, Robert	Green Mountain Energy	Independent Retail Electric Providers
Wilkerson, Dan	Bryan Texas Utilities	Municipally-Owned Utilities

Staff and Guests:

Adib, Parviz	APX
Barry, Victor	Texas Regional Entity
Beck, Mike	ERCOT Contractor
Belk, Brady	Lower Colorado River Authority (LCRA)
Bell, Wendell	TPPA
Brandy, Adrienne	Austin Energy
Brewster, Chris	City of Eastland
Clay, Ryan	Texas Regional Entity
Cochran, Seth	Sempra Trading
Cooper, Tammy	TIEC
Day, Betty	ERCOT
Drost, Wendell	AREVA
Firestone, Joel	Direct Energy
Fox, Kip	AEP

Goff, Eric	Constellation
Greer, Clayton	J. Aron
Grimm, Larry	Texas Regional Entity
Grisham, Kevin	Reliant Energy
Headwick, Bridget	Public Utility Commission of Texas (PUCT)
Hobbs, Kristi	ERCOT
Jones, Liz	Oncor
King, Kelso	King Energy
Koebrich, Lisa	KPMG
Kolodrej, Eddie	Customized Energy Solutions
Lopez, Nieves	ERCOT
Miller, Melissa	Cielo Wind Power
Morris, Sandy	LCRA
Orr, John	Constellation
Owens, Frank	TMPA
Philips, Marji	PSEG Texas
Roark, Dottie	ERCOT
Ross, Richard	AEPSC
Rydeen, Twyla	---
Spilman, Matt	Strategic Energy
Stephenson, Randa	Luminant
Troutman, Jennifer	Direct Energy
Vincent, Susan	Texas Regional Entity
Walker, DeAnn	CenterPoint Energy
Wittmeyer, Bob	DME
Wullenjohn, William	ERCOT
Yager, Cheryl	ERCOT
Yoho, Lisa	Citigroup Energy
Zlotnik, Marcie	Startex Power

1. Call to Order/Announcements

Mark Armentrout, Chairman, called the meeting to order at approximately 10:25 a.m. and determined a quorum was present.

2. Consent Agenda

Mark Dreyfus, Technical Advisory Committee (TAC) Chair, requested removal of Protocol Revision Request (PRR) 743 from the Consent Agenda until the TAC addresses the handling of TCR (Transmission Congestion Right) refunds if nodal “go-live” does not take place on December 1, 2008. Chairman Armentrout consented to that course of action. Chairman Armentrout also removed PRR752 from the Consent Agenda for further discussion later in the meeting.

The following items were handled in the consent agenda:

- PRR747
- Nodal Protocol Revision Requests (NPRRs) - NPRR092, NPRR100 and NPRR101

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

3. Approval of Minutes

Mr. Espinosa moved to approve the minutes from the March Board of Directors meeting. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

4. Chief Executive Officer (CEO) Report

No CEO report took place this month.

5. Operating Reports

Chairman Armentrout invited comments or questions regarding the Financial Summary, Market Operations Report, Grid Operations Report and Information Technology (IT) Report.

Mr. Thomas asked when implementation of SCR745 might take place. Mr. Hinsley, ERCOT's Chief Information Officer, stated that no firm date has been set.

Chairman Armentrout asked Mr. Hinsley to provide information regarding a recent, significant service outage. Mr. Hinsley stated that system changes relating to the implementation of SCR745 went well in the test environment but, when the changes were put into the production environment, they caused a fairly significant outage due to a hardware failure. Because of that failure, the servers could not communicate with the storage environment. Mr. Hinsley stated that the Directors had recently approved a project to upgrade the hardware.

Kent Saathoff, ERCOT's V.P. of System Operations, made one clarification regarding information on slide ten of his report.

Ms. Pappas stated that she wants to ensure that, when looking at the February Emergency Electric Curtailment Plan (EECP) event, ERCOT staff do not lose sight of the fact that wind forecasting was not the only issue and that the availability of conventional generation should also be addressed. Mr. Saathoff stated that the Reliability and Operations Subcommittee (ROS) is looking into that issue.

Mr. Hinsley reminded everyone that the market operations report covers February, while the I.T. report covers March.

6. CREZ Transmission Options Report to PUCT

Dan Woodfin, ERCOT's Director of System Planning, provided slides regarding the transmission options ERCOT reported to the PUCT earlier this month. Mike Grable, ERCOT General Counsel, stated that the PUCT is expected to make a decision on CREZ transmission in June 2008.

Mr. Dalton stated that he had asked for details regarding alleged cost savings and other matters related to wind generation. Mr. Woodfin then reiterated some of the assumptions used in generating the information ERCOT provided to the PUCT earlier this month. Mr. Dalton asked if ERCOT had a "preferred" plan. Mr. Woodfin stated that, in its filing with the PUCT, ERCOT designated certain plans as "recommended" by ERCOT for each scenario.

7. Nodal Update

Jerry Sullivan, ERCOT's Executive Director of the Texas Nodal Market Implementation Program (TNMIP), updated the Directors on the status of the TNMIP. He stated that, essentially, the status has not changed since last month's report. The quality of products received from vendors is generally good and he still anticipates a December 1, 2008 "go-live" date. The 168-hour test is scheduled to take place in approximately eighteen weeks. Basically, the Program status is as follows:

- Scope – Green
- Quality – Amber
- Schedule – Amber
- Cost – Red (pending PUCT approval of the new Nodal surcharge request)

Mr. Sullivan raised a concern about Market Participant readiness and reported that certain Qualified Scheduling Entities (QSEs) reported themselves not ready for Nodal implementation. Mr. Helton asked if training would be offered in other parts of the country. Patrick Coon, ERCOT's Manager of Wholesale Client Services, responded affirmatively.

Ms. Newton asked when readiness would become a critical issue with respect to the "go-live" date. Mr. Sullivan stated that, for QSE representing Resources, the issue would become critical in approximately one month. For QSEs with no Resources, the critical date would be late summer. Chairman Armentrout asked that Mr. Hinsley and Mr. Sullivan set up a conference call to talk about testing metrics.

Mr. Sullivan stated that ERCOT is the first Independent System Operator (ISO) to use a Common Interface Module (CIM) and it is extremely complicated. He believes the CIM creates the greatest risk to the December 1st "go-live" date.

Mr. Sullivan then described the "go-live" plan which stakeholders will review shortly and which ERCOT staff will bring to the Directors in June. Chairman Armentrout asked when the zonal system would be "turned off." Daryl Cote, EDS Project Manager, responded that a deadline is set forth in Section 21 of the Protocols. Additionally, because of settlements, resettlements and

disputes, the zonal settlement system will remain available for months after Nodal “go-live.” The Protocols state that grid operations can be returned to zonal for thirty days after the implementation of the Nodal system. Mr. Cote pointed out that, both zonal and nodal systems will run and QSEs representing Resources will submit transactions to both nodal and zonal systems for the first seven days after nodal “go-live.” After the initial seven days, ERCOT and Market Participants must be able to revert to their zonal systems, if necessary.

Ms. Pappas asked if ERCOT has a contingency plan in case reliability during the 168-test is adversely affected. Mr. Cote stated that ERCOT will not use the nodal system’s Load Frequency Control (LFC) to control the grid during the 168-hour test. However, immediately after the test -- if it goes well -- ERCOT will take control of the grid using the Nodal systems.

Mr. Sullivan then reported that the TNMIP remains on budget (with respect to the revised budget). Finally, he reported that IBM is undertaking a readiness study to ensure that ERCOT and Market Participants are ready for the December 1st “go-live” date.

Ms. Newton asked if ERCOT would be asking for more money for additional Nodal-related projects. Mr. Sullivan stated that the money for the new projects would come out of the already-approved budget.

Chairman Armentrout clarified that the budget is in “red” status because the PUCT has not yet approved the new Nodal surcharge. Chairman Armentrout then asked Mr. Sullivan to ensure that all issues get escalated to the Directors in a timely manner. He also stated that any “fixes” that are implemented must be double-checked to avoid a ripple effect through other systems.

8. 2009 Budget, Proposed Fees and Financial Plan

Steve Byone, ERCOT’s Chief Financial Officer, made a presentation regarding the proposed 2009 budget, fees and financial plan. He began by indicating that ERCOT management intends to request an approximate fifteen cent increase in the System Administration Fee (SAF) for 2009. He will present the budget to the Directors for approval next month.

Mr. Byone recapped the budget process to date, which has included open, public meetings. He also stated that the budget does not contain certain items, like advanced metering, that might arise between now and 2009.

Mr. Byone noted that, for several years, ERCOT’s SAF has declined or remained flat. The implementation of the Nodal market has been funded through debt and the Nodal surcharge for the last several years. That funding will cease in the near future and, in large part, creates the need for an increase of \$0.1527 in the SAF. Approximately 8.6 cents of the increase is for staffing, system support and hardware support related to new Nodal market. Additionally, 2.56 cents in the proposed budget relates to moving out of the Met Center facility due to space constraints related to the Nodal market.

An additional 2.34 cents relates to retiring debt and approximately six-tenths of one cent relates

to compliance with new Federal Reliability Standards.

ERCOT staff recommends funding the new control/data center at 60% debt through the year 2019 because of the anticipated useful life of the building. Taking this approach lowers the fee increase in the early years. The Finance & Audit (F&A) Committee endorsed this approach.

Mr. Byone then presented data on the impact of the ERCOT budget on the “average” household in Texas. Currently, that cost is approximately \$7.04 per year. For 2009, the impact would be \$9.13 per year and, when Nodal costs roll off the budget in 2013, that amount would drop to approximately \$7.36 per month.

Finally, Mr. Byone stated that some Market Participants have remarked that ERCOT’s capital budget for 2009 is too small in light of the fact that projects may be needed to fine-tune the Nodal market implementation. Mr. Byone stated that, if ERCOT finds itself cash-strapped in 2009 for critical projects, management would come back to the Directors for additional funding.

Mark Dreyfus, Technical Advisory Committee (TAC) Chair, stated TAC endorsed the Project Priority List (PPL) for 2009, but expressed concerns about the possibility of more money being needed for Nodal-related issues. Mr. Byone stated that the current budget proposal includes \$27.2 million for capital projects not related to the Met Center move. Of that amount, \$8.3 million is earmarked for already-identified Nodal-related projects and \$3.5 million is planned for unidentified Nodal-related projects.

Mr. Giuliani raised a question about the allocation of the ERCOT SAF. Mr. Grable stated that the PUCT has opened a project to consider that issue. ERCOT staff is reviewing time-tracking data in an attempt to allocate time/effort expended by ERCOT employees and present that information in that project.

Clayton Greer of J. Aron asked how that information would be presented. Mr. Grable stated that a presentation would probably be made in May at ERCOT’s Met Center office. Mr. Grable also stated that ERCOT staff would probably circulate information to Market Participants ahead of that presentation so they could provide comments or input.

Mr. Byone then stated that the proposed 2009 budget assumes a 1.7% growth rate in electric consumption and includes 736 ERCOT employees and that a detailed description of the need for each of those employees will be filed with ERCOT’s fee filing package.

Mr. Espinosa, Vice-Chair of the F&A Committee, stated that the F&A Committee has reviewed the proposed budget three times and remains in favor of the proposed budget.

Lunch

The meeting adjourned for lunch at 11:50 a.m.

10. Technical Advisory Committee Report

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

Mr. Dreyfus began by pointing out that the following items were handled in the Consent Agenda:

- PRR747; and
- NPRR092, NPRR100 and NPRR101.

Protocol Revision Requests (PRRs)

Mr. Dreyfus then stated that TAC considered the following PRRs and NPRRs:

PRR758 - Clarification of Language Related to Generation Netting for ERCOT Polled Settlement Meters. This PRR makes clear that the intent of Section 10.3.2.3, Generation Netting for ERCOT Polled Settlement Meters, is that metering may net generation and the Load associated with such generation, including construction and maintenance Load for the purposes of settlement. ERCOT posted NPRR758 on March 14, 2008. On March 20, 2008, PRS voted to grant Urgent status to PRR758, with one opposing vote (Consumer Market Segment) and one abstention (Municipal Market Segment). Also on March 20, 2008, PRS voted to recommend approval of PRR758 as revised by Luminant comments and PRS, with one abstention (Investor Owned Utility (IOU) Market Segment). On April 4, 2008, TAC voted to recommend approval of PRR758, with one abstention (IOU Market Segment).

Mr. Helton moved to approve PRR758. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

PRR752 – Update to Posting Requirements of Standard QSE-Specific Market Reports. This PRR incorporates requirements from in PUCT Substantive Rule 25.505, *Resource Adequacy in the Electric Reliability Council of Texas Power Region*. Specifically, this PRR removes language from grey boxes, revises the disclosure dates from thirty to sixty days after the Operating Day and adds language requiring disclosure of specified information if the Market Clearing Price for Energy (MCPE) or the Market Clearing Price for Capacity (MCPC) exceeds a certain level. ERCOT posted this PRR and its Impact Analysis (IA) on December 17, 2007. On January 17, 2008, PRS unanimously voted to recommend approval of this PRR as submitted. On February 21, 2008, PRS reviewed the IA and unanimously voted to forward this PRR to TAC. On March 6, 2008, TAC unanimously voted to recommend approval of PRR752 as recommended by PRS.

Mr. Fehrenbach asked whether the PRR should be revised to require that ERCOT post the name of the bidder for the marginal megawatt instead of the last megawatt procured. Mr. Dreyfus stated that the language in the PRR uses the exact language from the PUCT Substantive Rule. Mr. Fehrenbach concurred that the proposed language tracks the PUCT rule, but he believes the PUCT actually wanted ERCOT to post the name of the company whose bid set the clearing price.

Mr. Helton stated that the PRR was designed to bring the Protocols into conformance with the PUCT rule and not necessarily go further. He opined that, if there is an issue with the PUCT rule, the proper forum is the PUCT, not the Protocols. Chairman Armentrout stated that PUCT rules go through a rigorous review and the Protocols should reflect what the rule states.

Mr. Dreyfus also reviewed some proposed language changes in Section 12.4.4.2.3.3(4) and a missing “and” from section 12.4.4.2.3.3(5).

Mr. Helton moved to approve PRR752 with the revisions discussed in this meeting. Mr. Cox seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Nodal Protocol Revision Requests (NPRRs)

NPRR099 - RMR Incentive Factor Payment. This NPRR removes ERCOT’s discretion to adjust the incentive payment factor for Reliability Must Run (RMR) units. ERCOT posted NPRR099 on January 8, 2008. On February 21, 2008, PRS voted to recommend approval of NPRR099 as submitted, with two opposing votes (Investor Owned Utility (IOU) and Independent Power Marketer (IPM) Market Segments) and one abstention (Cooperative Market Segment). On March 20, 2008, PRS unanimously voted to forward the PRS Recommendation Report and the IA to TAC. On April 4, 2008, TAC voted to recommend approval of NPRR099 as revised by TAC, with one opposing vote and one abstention (both from the IOU Market Segment).

DeAnn Walker of CenterPoint Energy provided the reason for her company’s negative vote on this NPRR. Mr. Fehrenbach provided some background on this NPRR at TPTF and stated that he is in favor of the NPRR. **Ms. Pappas moved to approve NPRR099. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

NPRR103 – Settlement of Power Imported via DC Ties and Block Load Transfer Under a Declared Emergency Condition. This NPRR adds Settlement formulas to pay a Qualified Scheduling Entity (QSE) for emergency energy imported over DC Ties and for energy supplied to Block Load Transfer (BLT) Load moved from the ERCOT Region to a non-ERCOT area during a declared Emergency Condition. ERCOT posted this NPRR on February 13, 2008. On February 21, 2008, PRS unanimously voted to recommend approval of NPRR103 as revised by ERCOT comments and PRS. On March 20, 2008, PRS unanimously voted to accept ERCOT comments dated March 19, 2008 and revise the Recommendation Report to NPRR103. Also on March 20, 2008, PRS unanimously voted to forward the PRS Recommendation Report and the IA to TAC. On April 4, 2008, TAC voted to recommend approval of NPRR103 as recommended by PRS, with one opposing vote (IPM Market Segment).

Mr. Wilkerson moved to approve NPRR103. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Additional items for consideration:

Mr. Dreyfus provided notice that TAC approved OGRR205, *Modify Responsive Reserve Service Obligation*, which clarifies that the minimum ERCOT Responsive Reserve Obligation is 2,300 MWs.

Mr. Dreyfus then stated that the TAC and its subcommittees reviewed the PPL for 2009 and each subcommittee approved the PPL with some reservations relating to the general uncertainty about post-Nodal costs and the scope of the PUCT's advanced metering project. As a result, the TAC approved the following motion:

To endorse the Project Priority List for 2009 for inclusion in the 2009 budget recognizing there are great uncertainties to be faced by this organization in 2009.

Managing Protocol Content During Texas Nodal Market Implementation

Mr. Dreyfus raised a concern regarding the potential failure to implement provisions of the Nodal Protocols, as understood by the stakeholders and approved by the Board and PUCT. This led to a need for a process to govern management of Protocol content as the Nodal "go-live" date approaches and immediately thereafter. Consequently, the TAC developed a process which begins with the Transition Plan Task Force (TPTF) assessing the scope of an issue that arises. The TPTF would then assign the issue to one of three categories:

- (1) **Needed for "Go-Live"** (meaning functionality must be available on the Texas Nodal Market Implementation Date)
- (2) **Approved Post "Go-Live"** (meaning the functionality is needed for the nodal market but can be deferred past the Texas Nodal Market Implementation Date); or
- (3) **Deferred Projects** (meaning the functionality is not needed on the Texas Nodal Market Implementation Date or not included in Approved Post "Go-Live" scope and requirements).

After assignment of the issue, ERCOT subject matter experts and Program Management Office personnel would review the recommendation and report to the TPTF on cost and schedule impact. TPTF would then notify the TAC of its assignment of an issue and the feedback from ERCOT staff. TAC would then follow its established processes regarding how to handle the issue.

Mr. Dreyfus then discussed the "grey box" policy, which provides that NPRRs with funded projects will appear in grey boxes with implementation dates once approved by the Board. The grey boxes will be managed through the NPRR process. NPRRs with projects without approved funding will be added to the PPL.

Mr. Dalton asked whether it is possible that a part of the design that was originally in the Nodal Protocols might still end up deferred. Mr. Dreyfus replied affirmatively.

Chairman Armentrout applauded the TAC's efforts to deal with the realities of nearing Nodal "go-live" and stated that the Finance Department will have to review how to fund various proposed projects.

Mr. Byone indicated that additional conversations may need to occur with PUCT representatives to determine appropriate funding mechanisms. Chairman Armentrout indicated that the second category in the template should be changed to read "Nodal Approved Go-Live" instead of "Approved Post Go-Live." **Chairman Armentrout moved for approval of the TAC proposal. Mr. Helton seconded the motion.**

Mr. Dalton asked whether the \$319 million budget contemplates this content management approach. Mr. Byone indicated that his interpretation is that the \$319 million budget is for items needed for "go-live" and not for costs after "go-live." Mr. Hinsley indicated that his understanding is that the budget includes items for "go-live" and everything currently in the Nodal Protocols. However, discussions will need to include items that may or may not be considered as already in the Nodal Protocols.

There being no further discussion, Chairman Armentrout called the question. **The motion passed with one negative vote (Mr. Dalton) and one abstention (Mr. Fehrenbach).**

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

Mr. Espinosa, F&A Committee Vice-Chair, stated that the committee met this morning and received a quality assessment of the internal audit department.

Mr. Byone then commented on the changes in the Board template regarding the annual audit of ERCOT's financial records. Sean Berry with PricewaterhouseCoopers (PwC) commented that there are two or three matters needed for due diligence before release of the final report, but he does not expect changes from the current version to the final version of the financial statements. Mr. Byone pointed out red-lining in the Resolution previously presented and Mr. Espinosa stated that the F&A Committee recommended accepting the revised language. Chairman Armentrout asked about the word "aspect" in the red-lined language.

Mr. Espinosa moved to approve the revised Resolution attached hereto as Exhibit G. Chairman Armentrout recommended adding "as approved by the Chair and Vice-Chair of the F&A Committee" after the word "aspect." Mr. Espinosa accepted the friendly amendment to his motion. Chairman Armentrout seconded the motion, as amended. The motion passed by unanimous voice vote with no abstentions.

12. H.R. & Governance Committee

Jan Newton, the committee Chair, stated that the committee met this morning and agreed to leave the new Director training in its current form. The committee also reviewed the Board procedures and discussed some proposed revisions.

13. Other Business

No other business was raised.

14. Future Agenda Items

Chairman Armentrout invited anyone to raise any items they wish to be addressed at future meetings. The following matters were discussed:

- Remove 2009 Budget Process Update (Item #1)
- Remove Follow up on CREZ Report Filings by ERCOT (Item #2)
- Remove IBM Update on Nodal (Item #7)

Mr. Giuliani encouraged Market Participants to turn in their satisfaction surveys.

15. Executive Session

Chairman Armentrout adjourned the meeting to Executive Session at approximately 2:05 p.m.

16. Voting on Executive Session Items

Chairman Armentrout re-opened the open portion of the meeting when the Executive Session ended at approximately 2:40 p.m.

Ms. Newton moved to approve the H.R. & Governance committee's proposal for CEO compensation as set forth in the Resolution attached as Exhibit A to the Executive Session minutes. Mr. Espinosa seconded the motion. The motion passed with ten votes in favor and two votes opposed (Ms. Pappas and Mr. Fehrenbach) and no abstentions.

Adjournment

Chairman Armentrout adjourned the meeting at approximately 2:45 p.m.

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

Michael G. Grable
General Counsel & Assistant Corporate Secretary

Exhibit B

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

WHEREAS, the Board of Directors (the "Board") of Electric Reliability Council of Texas ("ERCOT"), Inc. deems it desirable and in the best interest of ERCOT to approve the proposed 2009 Strategic Financial Plan & Budget ("Budget"), including capital requirements, operating and maintenance expenses (excluding depreciation and amortization) and debt service requirements, totaling \$223.3 million, to support the activities of ERCOT in 2009.

THEREFORE, IT IS HEREBY RESOLVED, that the Board hereby adopts the proposed 2009 Budget and 2009 ERCOT Fee Schedule, which includes a base operations budget of \$164.6 million, a project budget of \$47.6 million, \$1.7 million for market monitoring activities, \$8.6 million for a federally mandated pass-through charge established to recover an amount approved by FERC as the ERCOT region's share of the annual budgeted operating costs of the Electric Reliability Organization, and \$0.8 million for Protocol services performed by the Texas Regional Entity; and

BE IT FURTHER RESOLVED, that ERCOT is authorized to make a filing with the PUCT consistent with the approved Budget.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its May 20, 2008 meeting, the Board of Directors of ERCOT passed a motion approving the above Resolution by a unanimous voice vote with no abstentions.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 2008.

Michael G. Grable
Corporate Secretary