

**DRAFT MINUTES OF THE**

**TEXAS REGIONAL ENTITY ADVISORY COMMITTEE**

Texas Room, Comfort Suites Hotel- Austin Airport, 7501 E. Ben White Blvd., Austin Texas 78744

August 18, 2008

**Committee Members**

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Don Ballard	Office of Public Utility Counsel	Residential Small Consumer
Mark Armentrout		Unaffiliated
Miguel Espinosa		Unaffiliated
Jan Newton		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Council of Texas	

**Other Directors and Segment Alternates**

Brad Cox	Tenaska Power Services	Independent Power Marketer
Andrew Dalton	Valero	Industrial Consumer
Bob Helton	International Power America	Independent Generator
Charles Jenkins	Oncor Electric Delivery Company	Investor Owned Utility
Bob Kahn	CEO, ERCOT	
Clifton Karnei	Brazos Electric Power Cooperative	Cooperative
Robert Thomas	Green Mountain Energy	Ind. Retail Electric Provider
Dan Wilkerson	Bryan Texas Utilities	Municipal
Mark Walker	NRG Texas	Independent Generator

**Other Attendees**

Larry Grimm, Texas Regional Entity CEO and CCO  
 Susan Vincent, Texas Regional Entity Director, Legal Affairs  
 Victor Barry, Texas Regional Entity Director, Compliance  
 Todd Brewer, Texas Regional Entity Senior Financial Analyst  
 Ryan Clay, Texas Regional Entity Senior Paralegal  
 Lee Anne Porter, ERCOT Director of Compensation & Benefits  
 Liz Jones, Oncor Electric Delivery Company  
 Mark McMurray, Direct Energy  
 Tim JohnPress, Ascendte Advisors

**Call to Order**

Chairman Michehl Gent called the meeting of the Texas Regional Entity ("Texas RE") Advisory Committee ("Committee") of the Texas Regional Entity Division of Electric Reliability Council of Texas, Inc. (Texas RE) to order at approximately 2:00 p.m.

### **Approval of Minutes**

**Mark Armentrout made a motion for approval of the minutes from the July 14, 2008 Advisory Committee meeting; Jan Newton seconded the motion. The motion passed by unanimous voice vote.**

### **Texas RE Update**

Larry Grimm provided an update to the Advisory Committee outlining the following:

- Reorganization of Texas RE
- Proposed Flexible (4/40) Work Schedule
- Compliance Hotline Implementation
- Management Workshop

### **Reorganization of Texas RE**

Mr. Grimm informed the Committee that Texas RE will be reorganizing to better address the issues related to NERC and ERCOT Compliance Programs. Mr. Grimm stated that the Texas RE Compliance division will be comprised of four major program areas:

- Compliance Audits
- Events, Investigations & Enforcement
- Critical Infrastructure Protection (CIP)
- Stakeholder Management

Mr. Grimm explained that ERCOT ISO is the only market entity currently responsible for complying with the CIP requirements, but this would change in 2009. Chairman Gent asked if the CIP program area was expected to remain as a separate program area or whether Texas RE intended to include CIP within a different program area once CIP issues were under control. Mr. Grimm responded that, due to the emphasis on critical infrastructure issues at the federal level, CIP issues would likely continue to evolve for a number of years and Texas RE planned to retain the separate CIP program area. Mr. Grimm noted that only one FTE is assigned to the CIP program area.

In response to several Committee members' questions about the Texas RE staffing levels, Mr. Grimm stated that the current staffing level for Texas RE is 22 out of 25 FTEs filled with four positions open. He also reminded the Committee that, as explained during the 2009 budget approval process, because of the NERC and FERC requirement for Texas RE to add a CIP position in 2008 (instead of in 2009 as had been previously planned), a CIP specialist had been hired as a potential 26<sup>th</sup> position. Mr. Gent and other Committee members stated that they would like to keep the headcount at 25, even with the addition of the CIP analyst. Mr. Grimm noted that, given the current vacancy, it was unlikely that he would be able to fill more than 25 positions in 2008.

Mr. Grimm told the Committee that, in order to fully implement the new organizational plan and promote internal candidates, he would like to take some of the current vacancy savings in the Texas RE budget and apply those monies to salary adjustments outside of merit. Lea Anne Porter (ERCOT Director, Compensation & Benefits) stated that ERCOT policy states that if a division goes over its merit budget, then any additional salary increases requires Board

approval. The Committee members decided to discuss this issue more thoroughly in executive session.

#### **4/40 Flex Work Schedule**

Mr. Grimm informed the Committee that he was planning on establishing a four day work week for Texas RE personnel starting on September 1, 2008.

Mr. Armentrout asked for Mr. Grimm to address this matter in executive session.

Don Ballard arrived at approximately 2:10 p.m.

#### **Texas RE Compliance Hotline**

Mr. Grimm informed the Committee that since their previous month's meeting, Texas RE had implemented a Compliance Hotline with Ethics Point. Mr. Grimm explained that this was an anonymous reporting tool for both compliance issues and ethics issues and would be managed by Susan Vincent as Director, Legal Affairs, and reports not involving issues relating to Mr. Grimm would also be reviewed by him as CEO. Mr. Armentrout confirmed that that any reports would be presented to the Advisory Committee, in executive session, on a quarterly basis. The Committee questioned how reports naming the CEO and Legal would be managed, and Ms. Vincent stated that they planned to have Mr. Gent (as an Unaffiliated Director) receive such reports, since Texas RE did not have an internal auditor and it could be viewed as a conflict for ERCOT's internal auditor to obtain such information.

#### **Texas RE Management Workshop**

Mr. Grimm informed the Committee that Texas RE management will be attending a leadership workshop with Tim JohnPress on August 20, 2008.

#### **Finance & Audit**

Chairman Gent asked Mr. Espinosa to discuss any finance & audit matters he felt the Committee should look at. Mr. Espinosa asked Texas RE staff if they had hired a consultant to evaluate the division's processes and procedures. Ms. Vincent informed the Committee that Texas RE had used a consultant to provide comments on Texas RE's technical procedures, under the NERC Compliance Monitoring and Enforcement Procedure, but, due to conflicts of interest, the division had not located a consultant to assist with more detailed or desk procedures.

In a response to a question from Mr. Ballard asking how many registration appeals Texas RE has had, Mr. Grimm responded that there have been between four to five appeals, with one on appeal at the FERC level and two still in the process of settlement.

#### **Human Resources & Governance**

Chairman Gent asked Ms. Newton to discuss any human resources or governance matters she felt the Committee should look at. Ms. Newton reminded the Committee and Texas RE staff that the ERCOT and Texas RE Ethics Agreements are an annual responsibility that covers both entities. Ms. Newton suggested that the Memorandum of Understanding between ERCOT and Texas RE should include a reference to the Ethics Agreements.

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### **Approval of Committee Charter**

Ms. Newton referred the Committee to the Texas RE Advisory Committee Charter, included in the materials. Chairman Gent reminded the Committee that even after approval, the Committee Charter would continue to be a working document.

**Miguel Espinosa moved to recommend the Texas RE Advisory Committee Charter to the Board of Directors for approval; Jan Newton seconded the motion. The motion passed by unanimous voice vote.**

### **Executive Session**

At 2:35 p.m., Chairman Gent adjourned the open session portion Committee meeting and the Committee members went into executive session. All Non-Committee Directors were asked to leave the room, as well as any audience members. Mr. Gent informed all persons present that since there were no voting items to consider after the executive session concluded, the Committee meeting would not be reconvened in open session.

### **Adjournment**

Mr. Gent adjourned the Committee meeting at 3:36 p.m.

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Susan Vincent, Corporate Secretary