



**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
July 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, Chair
Ballard, Don	OPC	Consumers/Residential & Small Commercial
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, Vice Chair
Helton, Bob	IPA	Independent Generators
Jenkins, Charles	Oncor Electric Delivery	Investor Owned Utilities
Kahn, Bob	ERCOT	ERCOT
Karnei, Clifton	Brazos Electric Coop	Cooperatives
Newton, Jan		Unaffiliated
Patton, A.D.		Unaffiliated
Thomas, Robert	Green Mountain Energy	Independent Retail Electric Providers
Wilkerson, Dan	Bryan Texas Utilities	Municipalities

Staff and Guests:

Abernathy, Rick	Eagle Energy – Lehman Bros.
Adib, Parviz	APX
Armendariz, Matt	Texas Industrial Energy Consumers (TIEC)
Ashley, Kristy	Exelon
Barry, Sean	PricewaterhouseCoopers (PwC)
Barry, Victor	TRE
Bell, Wendell	TPPA
Bojorquez, Bill	ERCOT
Bradley, Beth	Aces Power Marketing
Brandt, Adrienne	Austin Energy
Brenton, Jim	ERCOT
Brewer, Tim	Texas Regional Entity (TRE)



Brewster, Chris	City of Eastland
Byone, Steve	ERCOT
Capezzuti, Nancy	ERCOT
Clay, Ryan	TRE
Cochran, Seth	RBS Sempra Commodities
Comstock, Read	Direct Energy
Crozier, Richard	Brownsville
Day, Betty	ERCOT
Doggett, Trip	ERCOT
Doggett, Trip	ERCOT
Drost, Wendell	Areva
Forfia, David	ERCOT
Fox, Kip	American Electric Power (AEP)
Gage, Theresa	ERCOT
Giuliani, Ray	ERCOT
Goff, Eric	Constellation
Goodman, Dale	ERCOT
Grable, Mike	ERCOT
Greer, Clayton	J Aron
Grendel, Steve	ERCOT
Gresham, Kevin	Reliant Energy, Inc.
Haas, Jason	PUC
Harrell, Patty	DC Energy
Hinsley, Ron	ERCOT
Hobbs, Kristi	ERCOT
Jones, Don	Reliant Energy
Jones, Liz	Oncor
King, Kelso	King Energy
Kolodziej, Eddie	Customized Energy Solutions
Lane, Terry	LS Power
Leady, Vickie	ERCOT
Magness, Bill	Casey, Gentz and Magness, LLP
Mass, Annette	Office of Public Utility Commission (OPC)
McMurray, Mark	Direct Energy
Morro, Sandy	Lower Colorado River Authority (LCRA)
Ogelman, Kenan	CPS
Oldham, Phillip	TIEC
Orr, John	Constellation
Pieniasek, Adrian	NRG Texas
Roark, Dottie	ERCOT
Saathoff, Kent	ERCOT
Seymour, Cesar	SUEZ
Shiekhi, Tony	TRE
Skillern, Don	IBM
Smallwood, Aaron	ERCOT
Spillman, Matt	Structure



Stephenson, Randa	Luminant
Sullivan, Jerry	ERCOT
Troxell, David	ERCOT
Vincent, Susan	TRE
Wagner, M.	PSEG
Wittmeyer, Bob	DME
Ross, Ned	FPLE
Wullenjohn, Bill	ERCOT

1. Call to Order/Announcements

Mark Armentrout, Chairman, called the meeting to order at approximately 10:14 a.m., pointed out the Antitrust Admonition, and determined that a quorum was present.

Chairman Armentrout remarked that, given the fact ERCOT had convened two emergency board meetings in the last 50 days to address market and pricing issues, he had good feelings about the process working. He publicly thanked ERCOT staff, especially in the System Operations and Market Operations groups, and expressed his appreciation for all ERCOT staff for helping during the tough times. He commented that it is easy to second-guess staff when something goes wrong, but that not enough gets said when things are working well. He asked that Trip Doggett, Senior Vice President and Chief Operating Officer, send a message to all ERCOT staff from the Board thanking them for their hard work.

2. Consent Agenda

The following items were handled in the consent agenda:

- Item 3a – Approval of June 6, 2008 Minutes
- Item 3b – Approval of June 17, 2008 Minutes
- Item 9(b) - Nodal Protocol Revision Requests (NPRR111, NPRR117, NPRR118, NPRR119, NPRR120, NPRR122, NPRR123 and NPRR130)
- Protocol Revision Request (PRR761)

Mr. Armentrout requested that NPRR097, listed on the agenda as a consent item, be removed from the consent agenda for further discussion during the TAC portion of the Agenda.

Mr. Espinosa moved to approve the items on the Consent Agenda as set forth in Exhibits A and B attached hereto, with the exception of NPRR097. Mr. Wilkerson seconded the motion. The motion passed by unanimous voice vote with no abstentions.

3. Approval of Minutes

This matter was handled in the consent agenda.



4. Chief Executive Officer Report

Bob Kahn, ERCOT President and Chief Executive Officer (CEO), reported on the status of Nodal metrics. He noted that while he finds it unacceptable to see the word “amber” in reports tracking Nodal readiness, he reasoned that some items are in amber status due to various delays, including scheduling delays. He also noted that there will be more emphasis on ERCOT staff being ready when Nodal goes live, and announced that a successful test of Nodal real-time systems was recently completed.

5. Operating Reports

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

There were no comments or questions and Mr. Armentrout pointed out that questions regarding these reports are often handled at the question and answer session that is held every Monday before the Board meeting.

6a. Nodal Program Update

Ron Hinsley, Vice President and Chief Information Officer (CIO), gave an update on the Texas Nodal Market Implementation Program (TNMIP), including specific discussions of ERCOT staff readiness, system-wide load frequency testing, CIM integration, scope control, cost, and Nodal delivery status.

Mr. Hinsley reported that the Frequency Control test was conducted on June 25th as a full test of the new Nodal systems across the ERCOT region. It was considered a success. Frequency did not drop while on the Nodal system for 29 minutes. This test was run by ERCOT staff, which produced a high level of confidence in the readiness of personnel for this aspect of Nodal Go-Live. Mr. Gent asked whether there were any unusual events during testing. Mr. Saathoff replied that there were none to his knowledge, but there would be more tests between now and Go-Live. He also stated that ERCOT received a CPS1 score of 160 during that short time, indicating that Nodal would likely have a positive effect on ERCOT’s CPS1 score.

Mark Dreyfus, Technical Advisory Committee (TAC) Chairman, stated that he has been asked if ERCOT is delayed on Nodal delivery, how can they be testing? Mr. Hinsley replied that with the CIM importer delay, ERCOT has used a static model of CIM. He noted that thus far, downstream effects are working. Mr. Doggett added that he was very pleased with Market Participant performance during the test and noted that they were well prepared on the way in and on the way out.

Mr. Hinsley reported that currently, Nodal readiness is in amber status, but the issues are resolvable. Nodal delivery is red based on scheduling issues and unanticipated costs. He continued that groups are getting through training, but not all are complete. In the area of staffing, ERCOT is currently understaffed. ERCOT needs to be at 98%, but at this time, ERCOT



is only at 95%. IT is currently staffed at 97%, and System Planning only has one vacant position that needs to be filled, so progress is being made.

Mr. Hinsley further reported that Market Participant readiness is currently in amber status. Thus far, ERCOT has received 100% of survey responses from Qualified Scheduling Entities (QSEs) and Transmission and/or Distribution Service Providers (TDSPs) with resources. ERCOT has received 81% of responses from Load Serving Entities (LSEs) which is up from 67% last month. He also noted that Market Participant registration is very close to being complete.

The Nodal team plans to have an updated schedule and budget to present to the Board at the September Board Meeting.

Mr. Hinsley continued that ERCOT is closely working with Areva on the issues surrounding CIM Integration. Areva is working on understanding their needs and ERCOT's needs. ERCOT should have CIM by the first part of September and they are building the schedule around that expectation. Mr. Armentrout asked when the original CIM was to be delivered. Mr. Hinsley said November of 2007. Mr. Armentrout pointed out that the delivery was almost a year behind. Mr. Hinsley concurred.

He further reported on today's spending versus anticipated spending. He said that through June a total of \$268 million has been spent. Mr. Armentrout asked what the monthly burn rate was. Mr. Hinsley stated that for July it was \$12 million and it is anticipated to be \$10 million in August. Mr. Hinsley noted that a new slide had been added showing total spending to date. He further stated that ERCOT currently has \$40 million in committed contracts. Of those contracts, many have 30 day opt-outs, so if ERCOT needed to terminate them, they can. He also noted that in the future ERCOT will ask the Board to approve a new contract for about \$5.4 million and PRRs that will add an additional \$4 million. This brings the new total to \$326 million, which is over by \$7 million.

Mr. Armentrout asked Steve Byone, ERCOT Vice President and Chief Financial Officer, if items that need to be capitalized will be. Mr. Byone responded in the affirmative.

6b. IBM Review of ERCOT and Market Readiness

Don Skillern of IBM gave the third party assessment of the ERCOT Nodal Project. He reported on Overall ERCOT Readiness and Market Participant readiness.

Mr. Skillern reported that in interviews with various Market Participants, concerns were expressed regarding readiness. They wanted to know where ERCOT is versus the Market Participants as far as preparedness. He indicated that there are activities currently underway that will determine those measurements. He noted that processes within ERCOT are being developed in an effort to improve measurements, yet there are still open recommendations being reviewed. Mr. Skillern added that certain Market Participants expressed concerns regarding training on network modeling areas, and he stated that an effort is underway to address this topic. Market Participants also had concerns regarding data model issues and Mr. Skillern stated that the Go-Live plan currently being developed will address their concerns.



The second item reported on was ERCOT's readiness, which is currently at a level of 98%. He noted that, when he looked at the procedures being developed, he found that the holistic view showed 50 departments were creating procedures, but in actuality only 17 of those departments were critical. Mr. Skillern concluded by saying that from the two assessments, he had produced a few recommendations that are currently being addressed.

Mr. Gent asked if Mr. Skillern had any recommendation regarding possible action against Areva. Mr. Skillern noted his opinion that ERCOT has taken appropriate steps, with executives from ERCOT meeting with executives from Areva; on-site monitoring by ERCOT; and continued emphasis on the need to work collaboratively.

7. Technical Advisory Committee (TAC) Report

Chairman Armentrout invited Mr. Dreyfus to report on recent TAC activities. The following matters were discussed:

b. Protocol Revision Requests (PRRs)

Mr. Dreyfus reported that TAC met to consider the following PRRs and recommends approving them, as set forth in the materials distributed to Directors:

- ***PRR757, Emergency Interruptible Load Service Formula Correction [ERCOT]. Proposed effective date: August 1, 2008. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations.*** This PRR corrects equations and variable subscripts to delete the undefined term "EILS Business Hours." PRR757 and its Impact Analysis (IA) were posted on March 7, 2008. On April 18, 2008, the Protocol Revisions Subcommittee (PRS) unanimously voted to recommend approval of PRR757 as revised by PRS. On May 22, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report as amended by ERCOT comments and IA to TAC for approval. On June 5, 2008, TAC voted to recommend approval of PRR757 as recommended by PRS. There were two abstentions from the Independent Power Marketer (IPM) Market Segment.

Mr. Gent moved to approve PRR757. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.

- ***PRR759, Changes to Notification to Customer of Service Establishment [ERCOT]. Proposed effective date: August 1, 2008. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations.*** This PRR aligns Protocol Section 15.1.4.3, Notification to Customer of Service Establishment, with paragraph (l)(1) of P.U.C. SUBST. R. 25.474, Selection of Retail Electric Provider. This PRR will eliminate the move-in Customer notification. PRR759 and its IA were posted on March 19, 2008. On April 18, 2008, PRS unanimously voted to recommend approval of PRR759 as



submitted. On May 22, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and IA to TAC for approval. On June 5, 2008, TAC voted to recommend approval of PRR759 as submitted and recommended that the ERCOT Board direct ERCOT Staff to remove the costs related to move-in notifications from the 2009 system administration fee filing to be made at the PUCT later this year. There were eight opposing votes from the Municipal, Cooperative (4) and Investor Owned Utility (IOU) (3) Market Segments and two abstentions from the Independent Generator and IPM Market Segments.

Mr. Dreyfus stated that TAC directed him to ask ERCOT to update the recent fee filing made with the PUCT to note the reduction in the amount PRR759. Mr. Kahn stated that ERCOT had no problem with reducing amount, but will not make any changes to the fee filing. Mr. Gent suggested a Board vote on approval of PRR759 without a vote on the TAC fee filing recommendation, and Andy Gallo, ERCOT Assistant General Counsel, agreed that the fee filing issue is not part of PRR759, but rather is just part of TAC's recommendation.

Mr. Karnei moved to approve PRR759 with the exception of the language regarding the fee filing. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Ballard).

- ***PRR760, Emergency Interruptible Load Service (EILS) Availability Factor Clarification [ERCOT]. Proposed effective date: August 1, 2008. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations.*** This PRR clarifies a settlement and compliance provision relating to availability requirements for EILS Resources assigned to the alternate baseline. PRR760 and its IA were posted on March 24, 2008. On April 18, 2008, PRS unanimously voted to recommend approval of PRR760 as submitted. On May 22, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and IA to TAC for approval. On June 5, 2008, TAC voted to recommend approval of PRR760 as recommended by PRS. There was one opposing vote from the IPM Market Segment and one abstention from the IPM Market Segment.

Mr. Dreyfus stated that he has been asked by the TAC Committee to change the effective date of PRR760 from August 1, 2008 to October 1, 2008, due to August 1 being in the middle of an Emergency Interruptible Load Service (EILS) contract period. Mr. Gallo further explained that because it is the middle of an EILS contract period right now, changing the date to October 1 makes PRR760 effective with the next round of EILS bids, rather than the current one.

Mr. Ballard asked how many times the EILS program has had to go into effect. Mr. Saathoff replied that so far, there has not been a need to use the EILS program.

Mr. Fehrenbach moved to approve PRR760 with a change in the effective date from August 1, 2008 to October 1, 2008. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.



Mr. Dreyfus then returned to PRR757, indicating that he had received a request to change the effective date from August 1, 2008 to October 1, 2008 due to the same issues raised with PRR760.

Mr. Kahn moved to amend the previous vote on PRR757 to include a change in the effective date from August 1, 2008 to October 1, 2008. Mr. Wilkerson seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Ballard).

a. Nodal Protocol Revision Requests

This matter was moved from the consent agenda:

- *NPRR097, Changes to Section 8, Performance Monitoring and Compliance (formerly titled "Changes to Section 8 to Incorporate Role of TRE, the IMM, and the Concept of Market Compliance"). [TPTF] Proposed effective date: upon Texas Nodal Market Implementation. Estimated cost in the \$100,000 to \$250,000 range; staffing impacts, if any, will be determined through the normal budgeting process; system impacts to the Energy Management System (EMS), Electronic Data Warehouse (EDW), Management Information System (MIS), and Enterprise Information Project (EIP); NPRR097 will require ERCOT to measure and post Qualified Scheduling Entity (QSE) and QSE Resources performance to the MIS Certified Area; NPRR097 will improve performance monitoring for various areas in EMS. This NPRR incorporates relevant concepts from the TAC-approved EMS and Market Management System (MMS) Business Requirements and Conceptual Design Documentation to bring Section 8, Performance Monitoring and Compliance, language addressing Ancillary Service qualification testing and performance monitoring into conformance with the current Nodal market Ancillary Service deployment design. NPRR097 was posted on January 8, 2008. On February 21, 2008, the Protocol Revisions Subcommittee (PRS) unanimously voted to remand NPRR097 to the Texas Nodal Transition Plan Task Force (TPTF). On March 20, 2008, PRS unanimously voted to table NPRR097. On April 18, 2008, PRS unanimously voted to recommend approval of NPRR097 as amended by the 040108 ERCOT Comments. On May 22, 2008, PRS unanimously voted to table NPRR097 until the June 19, 2008 PRS meeting. On June 19, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis (IA) to TAC for approval. On June 26, 2008, TAC unanimously voted to recommend approval of NPRR097 as revised by TAC.*

Mr. Dreyfus indicated that the vote on NPRR097 was unanimous at TAC. Mr. Armentrout asked if improving the metrics means that this will be the final point. He clarified by stating that if the Board votes for NPRR097, it does not make it the final, once and for all vote. Mr. Gent asked if the requested changes are absolutely necessary. Mr. Dreyfus responded yes. Mr. Gent then directed the same question to Mr. Hinsley. Mr. Hinsley stated that his understanding was that all NPRRs presented for vote are necessary and essential for "go-live." Mr. Doggett pointed out that further refinement will occur with the details in the operating guides as well.

Mr. Wilkerson moved to approve NPRR097. Mr. Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.



- ***NPRR107, Nodal Emergency Interruptible Load Service (EILS) [ERCOT]. Proposed effective date: upon Texas Nodal Market Implementation.*** *Estimated cost less than \$50,000; staffing impacts, if any, will be determined through the normal budgeting process; ERCOT Market Information Distribution (MID), Market Information Repository (MIR) and MIS systems will be modified for implementation of this NPRR; no significant additional high-level impacts to business functions or grid operations and practices are anticipated.* This NPRR documents that, in the Nodal Market, EILS is deployed during an Emergency Electric Curtailment Plan (EECP), after all available Generation Resources and Loads acting as Resources (LaaRs) have been deployed. NPRR107 was posted on February 29, 2008. On March 20, 2008, PRS unanimously voted to refer NPRR107 to TPTF for review. On May 22, 2008, PRS unanimously voted to recommend approval of NPRR107 as amended by TPTF comments. On June 19, 2008, PRS unanimously voted to endorse and forward the IA and the PRS Recommendation Report as amended by ERCOT 061808 comments to TAC for approval. On June 26, 2008, TAC voted to recommend approval of NPRR107 as recommended by PRS. There were two abstentions from the Independent Power Marketer (IPM) Market Segment.

No issues were raised.

Mr. Kahn moved to approve NPRR107. Mr. Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.

- ***NPRR112, Emergency Base Point Price Revision [ERCOT]. Proposed effective date: upon Texas Nodal Market Implementation.*** *No incremental cost to ERCOT is anticipated; Staff impacts, if any, will be determined through the normal budgeting process; no significant additional high-level impacts to computer systems, business functions, or grid operations and practices are anticipated.* This NPRR clarifies the calculation of the Emergency Base Point Price per QSE per Resource by interval variable. NPRR112 was posted on March 5, 2008. On March 20, 2008, PRS voted to recommend approval of NPRR112 as submitted. There were three abstentions from the Consumer (1) and the IPM (2) Market Segments. On April 18, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and IA to TAC. On May 8, 2008, the TAC Chair remanded NPRR112 to PRS to review and reconcile inconsistencies between the graphs and the text in the relevant Nodal Protocol language. On June 19, 2008, PRS unanimously voted to recommend approval of NPRR112 as amended by TPTF comments and to forward to TAC for approval. On June 26, 2008, TAC voted to recommend approval of NPRR112 as recommended by PRS. There were four opposing votes from the Consumer Market Segment and two abstentions from the Independent Retail Electric Provider (IREP) Market Segment.

Mr. Armentrout asked Mr. Dreyfus what the opposition was in his point of view. Mr. Dreyfus stated that the opposition was regarding the price cap. He said that a discussion at the TAC Committee meeting pointed out that the price cap could lead to gaming and many Market Participants do not agree with gaming, so they felt the need to put controls in place that would regulate gaming. Mr. Dreyfus indicated that he voted for NPRR112. Chris Brewster mentioned



his concern, as a consumer representative, regarding NPRR112. He has a general policy concern that the cap would essentially become a floor. He also stated that other consumers shared the same concerns. Mr. Fehrenbach stated that he has issues regarding NPRR112 because the resource owner does not have to submit an offer, but with NPRR112, they will automatically get an amount up to system cap. He said he felt it was wrong to pay system cap to the resource owner because they did not actually make an offer. Mr. Dalton asked Mr. Helton to explain when this NPRR might apply. Mr. Helton responded that EECF was one example. Mr. Patton requested clarification that NPRR112 doesn't address issues up to the emergency situation, but rather getting out of the emergency situation. Mr. Helton responded yes.

Mr. Helton moved to approve NPRR112 as set forth in the Resolution attached hereto. Mr. Cox seconded the motion. The motion passed by voice vote with no abstentions and two opposing votes. (Messrs. Ballard and Fehrenbach)

8. Report of Preparations for September 2008 NERC Audit

Mr. Doggett reported that ERCOT was notified by NERC that NERC and TRE will be auditing ERCOT between September 8th and 11th. A list of information needed for that audit is in the process of being developed from NERC reliability standards and reliability standard audit worksheets, and of the NERC audit questionnaire. ERCOT staff are meeting bi-weekly with a group of transmission owners to prepare as well. A letter will be going to the Market Participants stressing the importance of the audit and requesting support documentation prior to the audit.

Mr. Jenkins commented that with regard to this audit, obligations on ERCOT ISO have been in effect since June of last year, and it is critical that ERCOT get its list of required information to the transmission owners by August 8th, to give them time to prepare.

9. Review of Compliance and Internal Controls

Steve Byone, Vice President and Chief Financial Officer (CFO), made the following report of Internal Controls:

ERCOT has an internal control program that represents best efforts at voluntary compliance with Sarbanes-Oxley requirements. We also have an extensive set of policies and procedures which are reviewed and updated as needed. We are beginning to use automated processes in order to be as current as possible. Changes to these policies and procedures are then communicated to ERCOT staff.

Regarding Compliance, management conducts regular self-assessment of laws, protocols, contracts, etc. ERCOT is facing significant increases in compliance requirements, particularly in the areas of reliability standards and governance.

Mr. Byone further reported from the monthly "Stoplight Report" that the areas exceeding management tolerance include challenging areas such as Nodal scheduling, credit, workforce and technology issues.



10. Lunch

The meeting adjourned for lunch at 12:05 p.m.

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

Chairman Armentrout reconvened the meeting at 1:06 p.m. and immediately introduced Mr. Karnei to give the F&A Committee Report.

Mr. Karnei reported that the committee reviewed reports from Internal Audit, reviewed EthicsPoint issues, and received an update on negotiations with PricewaterhouseCoopers (PwC) for services. These negotiations should be complete and a recommendation will be given to the full Board in September. A report on Met Center relocation will be delivered in August.

Mr. Karnei also stated that the F&A Committee would have a recommendation ready by the August Board Meeting on procuring property for the Austin Control Center. Finally, Mr. Karnei reported that Sean Barry of PwC reported on first-half testing results for the SAS70 Audit and there were no exceptions.

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

Mr. Armentrout noted that Mr. Ballard had made a proposal to compensate customers who faced higher rates as a result of mass-transition switches to Providers of Last Resort (PoLR). He noted that Mr. Grable had drafted a memorandum opining that Mr. Ballard's proposal was not prohibited by governing law or corporate documents. Mr. Ballard responded that due to recent issues with market exits, he recommended that the Board have a chance to make a statement to the Market Participants with interest in this topic. Mr. Ballard noted that he intended to revise his proposal, to focus on the out-of-cycle meter-read fee associated with POLR transition. He asked the Board to consider compensating such customers for the expedited switching fees. He would prefer that the Board vote today, but can also take more formal action back with the F&A Committee.

Mr. Armentrout suggested that Mr. Ballard take his proposal to next month's F&A Committee meeting for more detailed review, and Mr. Ballard agreed to do so.

7. TAC Report (taken up again, out of agenda order)

a. Nodal Protocol Revision Requests (NPRRs)

Mr. Armentrout announced that Mr. Grable had, during the lunch hour, received a specific request from PUC Executive Director Lane Lanford to rescind the Board's action on NPRR097 to give PUC Staff a further opportunity to review it. **Mr. Armentrout moved to rescind the prior vote and table NPRR097 for one month. Mr. Espinosa seconded the motion.** Mr. Wilkerson raised the question about the authority to rescind an item that has been approved after it has already been voted upon by the Board. Mr. Grable responded that the answer is



affirmative as long as it is rescinded within the same meeting. **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 and considered the following matters:

The HR&G Committee reviewed the 2008 Benefit Plan. They were provided with an overview of what the plan currently encompasses and what possible changes are being looked at. There appears to be nothing out of the ordinary with the current plan. The HR&G Committee agreed that at this time, any possible changes could wait until after the Nodal market is implemented.

The HR&G Committee also reviewed the current ERCOT Employee Ethics Agreement and the ERCOT Directors Ethics Agreements. The HR&G Committee determined that both ethics agreements would remain the same for now with no changes. However, a new ethics agreement needs to be developed that reflects the fact that certain ERCOT ISO employees provide administrative support to TRE.

The HR&G Committee also received the quarterly update on Key Performance Indicators.

The HR&G Committee began a discussion of the R. W. Beck Study. They were unable to conclude the discussion, but reviewed several recommendations that dealt with Board governance issues, ERCOT management and ERCOT staffing. Currently, ERCOT staff is working on replying to the Study. The HR&G Committee will revisit and continue discussion of the Study at their August meeting, and then will present its findings at the Board's September meeting. Ms. Newton asked that anyone interested in the Study review it and provide feedback to the Committee.

13. AEP Presidio Transmission Project

Bill Bojorquez, ERCOT Vice President of System Operations, presented a report on the AEP Presidio Transmission Project.

Mr. Armentrout pointed out that there were several letters of endorsement from various cities endorsing the replacement of the equipment in question.

Mr. Kahn moved to approve the AEP Presidio Project. Mr. Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.

14. Other Business

No other business was raised.

15. Future Agenda Items



Chairman Armentrout invited anyone to raise items they wish to be addressed at future meetings. Chairman Armentrout made the following comments:

Mr. Armentrout recommended that after the CPS1 rating forecast, ERCOT staff should provide an update of wind QSEs and their performance. He requested this report sometime between September and November.

Mr. Armentrout also requested an EILS updated near the end of the year.

16. Executive Session

Chairman Armentrout adjourned the meeting to Executive Session at approximately 1:47 p.m.

17. Voting on Executive Session Items

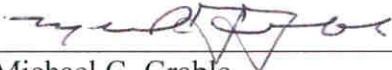
Chairman Armentrout reconvened the open session at 2:30 p.m.

Mr. Armentrout moved to approve the items from Executive Session. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment

After the Executive Session ended, Chairman Armentrout adjourned the meeting at approximately 2:37 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
Corporate Secretary