



ERCOT Finance & Audit Committee Meeting
7620 Metro Center Drive, Austin, Texas
Met Center, Conference Room 168
October 21, 2008; 7:30am – 10:00am*

Item #	Agenda Item Type	Description/Purpose/Action Required	Presenter	Time
1.		Call to order Executive Session	C. Karnei	7:30am
2.	Decision required	2a. Approval of executive session minutes (Vote) (09/16/08)	C. Karnei	7:30am
	Informative	2b. Discuss ERCOT nepotism policy	N. Capezzuti	7:33am
	Informative	2c. Internal Audit status report	B. Wullenjohn	7:40am
	Informative	2d. EthicsPoint update	B. Wullenjohn	7:42am
	For discussion	2e. Review draft 2009 Internal Audit plan	B. Wullenjohn	7:50am
	For discussion	2f. Discuss responsibility for performing REC program audits	B. Wullenjohn	8:10am
	For discussion	2g. Internal Audit resources discussion	B. Wullenjohn	8:15am
	For discussion	2h. Quarterly private discussion with Chief Audit Executive	B. Wullenjohn	8:20am
	For discussion	2i. Debt financing proposal	C. Yager	8:25am
		Recess Executive Session		8:35am
		Convene General Session		
3.	Decision required	Approval of general session meeting minutes (Vote) (09/16/08)	C. Karnei	8:35am
4.	Decision required	Debt financing proposal (Vote)	C. Yager	8:37am
5.	For discussion	Debt and liquidity update	C. Yager	8:45am
6.	For discussion	Quarterly review of investment results	C. Yager	8:50am
7.	Decision required	Approval of engagement of external auditor for other services (Vote)	M. Petterson	8:55am
8.	For discussion	External auditor independence and review of the 2008 financial audit plan	S. Barry	9:05am
9.	Decision required	Updates to the standard form guarantee (Vote)	C. Seely	9:10am
10.	For discussion	Credit update – draft credit standard	C. Yager	9:25am
11.	For discussion	Financial update	M. Petterson	9:35am
12.	For discussion	Budget planning - Updated Nodal budget; 2009 updated base operations; 2010	M. Petterson	9:40am
13.	Informative	Committee Briefs (Q&A only)	All	9:45am
14.	Informative	Future agenda items	S. Byone	9:50am
		Adjourn ISO meeting	C. Karnei	9:55am

* Background material is enclosed or will be distributed prior to meeting. All times shown in the agenda are approximate. The date of the next Finance & Audit Committee Meeting is to be determined. The location remains at ERCOT, 7620 Metro Center Drive, Austin, Texas 78744, in Room 168.

Decision required
For discussion

3. Approval of General Session Minutes Clifton Karnei

- **Approval of General Session Minutes**
 - Vote 09/16/08

DRAFT ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
MINUTES OF THE ISO FINANCE & AUDIT COMMITTEE – GENERAL SESSION
 7620 Metro Center Drive – Austin, Texas 78744
 September 16, 2008

Pursuant to notice duly given, the Finance & Audit Committee of the Electric Reliability Council of Texas, Inc. convened on the above-referenced date. Clifton Karnei confirmed that a quorum was present and called the meeting to order at approximately **8:00 a.m.** The Committee met in Executive Session from **8:00 a.m. to 8:50 a.m.**, at which time it recessed to General Session.

General Session Attendance

Committee members:

Cox, Brad	Tenaska Power Services	Independent Power Marketer	Present
Espinosa, Miguel (Vice Chair)	Unaffiliated Board Member	Unaffiliated Board Member	Present
Fehrenbach, Nick	City of Dallas	Consumer	Present
Gent, Michehl	Unaffiliated Board Member	Unaffiliated Board Member	Present
Jenkins, Charles	Oncor	Investor Owned Utility	Present
Karnei, Clifton (Chair)	Brazos Electric Cooperative	Cooperative	Present
Thomas, Robert	Green Mountain Energy	Ind. Retail Electric Provider	Present
Wilkerson, Dan	Bryan Texas Utilities	Municipal	Present

Other Board Members and Segment Alternates:

Bartley, Steve	CPS Energy	Municipal	Present
Smitherman, Barry T.	Public Utility Commission	Chairman	Present
Walker, Mark	NRG Texas	Independent Generator	Present

ERCOT staff and guests present:

Byone, Steve	ERCOT – Vice President and Chief Financial Officer
Doolin, Estrellita	ERCOT – Assistant General Counsel
Garcia, Diana	Maxwell, Locke & Ritter, LLP
Leady, Vickie	ERCOT – Associate Corporate Counsel
Lester, Suzanne	ERCOT – Executive Assistant - Finance
Petterson, Mike	ERCOT – Controller
Porter, Lea Anne	ERCOT – Director, Compensation & Benefits
Troxell, David	ERCOT – Director, Program Management Office
Wullenjohn, Bill	ERCOT – Director, Internal Audit
Yager, Cheryl	ERCOT – Treasurer
Zimmerhanel, AJ	Maxwell, Locke & Ritter, LLP

Approval of Prior Meeting General Session Minutes

Nick Fehrenbach moved to approved the minutes for the General Session of the Finance & Audit Committee meeting held on August 19, 2008. Robert Thomas seconded the motion. The motion passed by unanimous voice vote with no abstentions.

2007 401(k) Audit Report

Lea Ann Porter referred to the ERCOT 401(k) Savings Plan Audit Report and related documents that were distributed prior to the meeting and introduced representatives of the company that conducted the audit, Maxwell, Locke & Ritter, LLP (MLR). A. J. Zimmerhazel

reported that no issues were noted in the audit and that MLR had issued the cleanest opinion possible. He distributed copies of the ERCOT management representation letter and responded to questions. Miguel Espinosa requested that the ERCOT CEO sign management representation letters in the future. In response to PUCT Chairman Smitherman's question regarding the value change in the assets held since December 2007, Ms. Porter responded that she would provide an update.

Charles Jenkins moved to recommend that the Board accept the 401(k) Savings Plan Audit Report. Nick Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Annual Charter Review and Committee Structure

Reference was made to the existing Finance & Audit Committee Charter that was distributed prior to the meeting. Bill Wullenjohn led a discussion of the pros and cons of splitting the Finance and Audit Committee into two separate committees--a Finance Committee and an Audit Committee. The discussion included a review of committee structures and meeting frequency at the other Independent System Operators. After a lengthy discussion, the Committee agreed to make no changes to the structure or any other aspect of the existing Committee Charter.

Miguel Espinosa moved to approve the Finance & Audit Committee Charter. Robert Thomas seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Financial Update

Cheryl Yager reported on efforts related to interim financing alternatives. She noted that ERCOT is moving forward with obtaining additional funding from the existing lenders and expects to close on the financing by November 1, 2008.

Michael Petterson referred to the Financial Summary that was distributed prior to the meeting. He noted that ERCOT's year-to-date financial performance was favorable relative to approved budget. He reported that ERCOT is forecast to end 2008 with a favorable financial variance.

Other Items

Steve Byone informed the Committee that the Nodal Project budget (actual and committed charges) would likely reach the \$319 million limit in October or November 2008. He noted that a revised base budget was forthcoming and that Bob Kahn would provide more information during the Board meeting later that day.

Committee Briefs

Mr. Byone referred to materials distributed prior to the meeting for the following areas:

1. Market Credit
2. Internal Control Management Program (ICMP)
3. Enterprise Risk Management (ERM)
4. Project Management Organization (PMO)

Michehl Gent referred to the status for Workforce on the Risk Management Event Profile Matrix ("Stop Light Report") and commented that the status was getting worse. Mr. Byone responded that steps were being taken to improve both items on the report with elevated risk level (i.e. Workforce and Disclosure). The two areas on the report with reduced risk level (i.e. Customer Choice and Administration, Settlement & Billing) were also discussed.

Future Agenda Items

Mr. Byone identified the following future agenda items:

1. Engagements of external auditors for other services (pre-approval policy)
2. Credit Update
3. Assessment of the adequacy and effectiveness of the Internal Audit staff (annual review)
4. Review requirements for membership in the Credit Work Group
5. Review and approve Credit Work Group charter
6. Quarterly review of investment results
7. Committee briefs
8. Future agenda items
9. Financial update (favorable variance)
10. Budget update (2009 & 2010)

Adjournment

Clifton Karnei adjourned the meeting at approximately 9:50 a.m.

Estrellita J. Doolin
Assistant General Counsel and
Finance & Audit Committee Secretary

4. Debt Financing Proposal (Vote) Cheryl Yager

- **Vote on item discussed in Executive Session**

- **Completed \$100 million additional debt financing as approved in August**
- **Due to combination of financial market instability, Nodal re-planning and base operating needs, staff is proposing an additional increase in available debt capacity of up to \$200 million**
- **Details on proposed financing structure to be discussed in Executive Session of full Board meeting**

6. Quarterly Review of Investment Results

Cheryl Yager

Electric Reliability Council of Texas, Inc.
Summary of Investment Results
Third Quarter 2008
(in 000's)

Return for the quarter ended September 30, 2008	Balance at Sept 30	Average Bal for Qtr	Interest 3rd Qtr	Yield 3rd Qtr	% of portfolio at Sept 30
Reserve Primary Fund (Operating and Mkt) (Note 1)	44,574	72,444	424.0	2.32%	20.0%
Reserve Primary Fund (TRE) (Note 1)	3,268	3,268	19.0	2.31%	1.5%
Reserve US Government Fund (Deposits/Restricted) (Note 2)	147,920	161,795	922.0	2.26%	66.3%
Other cash net of outstanding checks (Note 3)	27,216				12.2%
Total cash and cash equivalents (est)	222,978	237,507	1,365.0	2.28%	100.0%

Benchmark data (Note 4)	Benchmark Information		
	ERCOT Yield	Ranking iMoneyNet	Top Funds within category
Reserve Primary Fund (Operating, Mkt, TRE)	n/a	n/a	n/a
Reserve US Government Fund	n/a	n/a	n/a

Note 1: The Reserve held Lehman Brothers securities in their Primary Fund at the time Lehman Brothers filed for bankruptcy protection. The Lehman securities represented approximately 1.2% of that Fund. When it became known that they held these securities, The Reserve experienced a high level of redemption requests and temporarily ceased redemptions from this fund. With SEC oversight, The Reserve is currently pursuing an orderly liquidation of this fund; however, there is not currently a clear timetable defined for the redemption of these funds and thereby the return of ERCOT's investment.

Note 2: The Reserve's US Government Fund also experienced a high level of redemption requests and temporarily ceased redemptions from this fund. With SEC oversight, The Reserve is also pursuing an orderly liquidation of this fund; however, there is not currently a clear timetable defined for the redemption of these funds and thereby the return of ERCOT's investment.

Note 3: All other cash held by ERCOT was held in bank accounts as of September 30, 2008. Presently, excess funds are held in Treasury and Treasury-backed money market accounts at JPMorgan Chase and Federated or in bank accounts.

Note 4: Given that these funds are in the process of being liquidated, no benchmark data is provided.

Note 5: No individual securities held at September 30, 2008.

Statement of Compliance

Upon a review of the investment activity for the 3 month period ended September 30, 2008, I have no knowledge of any ERCOT action that does not comply with that required by the Investment Standard. However, investments in The Reserve Primary and US Government funds do not comply with the objectives in the ERCOT Investment Standard for the period from September 16, 2008 to September 30, 2008. ERCOT has issued valid redemption requests for all investments held in these funds but has not yet received the proceeds. This out of compliance condition is expected to continue until final distributions are received from the funds.

Signature on file
Cheryl Yager, Treasurer

Signature on file
Steve Byone, Chief Financial Officer



6. Quarterly Review of Investment Results

Cheryl Yager

Highlights of Investment Standard

Objectives

Safety - conservative investments; diversification of credit risk

Liquidity - access to funds to meet operating requirements

Return on Investment - obtaining a benchmark rate in line with the goals of Safety and Liquidity

Other requirements of Investment Standard

Invest only in authorized instruments

Establish internal controls over the investment program

Ensure internal controls are reviewed periodically by internal audit and annually by external auditors

Report quarterly to the BOD and F&A on the status of the current investment portfolio

Ensure ERCOT Investment Standard is reviewed annually by F&A

Money market accounts

ERCOT uses Money market funds (MMF) that comply with Rule 2a-7 because they 1) have a stated objective to preserve capital, 2) require high quality instruments (may hold no more than 5% of middle-rated securities – A2/P2 or equivalent), 3) require diversification – no more than 5% of assets in a MMF may be invested in any one security and 4) restrict the tenor of investment instruments - instruments must mature in less than 13 months and the average maturity of all holdings in a MMF cannot extend beyond 90 days.

MMF are one of the most liquid forms of investment; funds can typically be moved in and out of a fund within one business day.

MMF rates are compared to other MMF rates to ensure reasonable return on investment

MMFs are authorized instruments

Ensure that only authorized individuals initiate transactions. Review rates weekly to ensure reasonableness.

Reviewed by internal and external auditors annually.

Quarterly reports provided to F&A and BOD.

Reviewed annually; last reviewed in November 2007

The Reserve

- 1) Met the requirements of Rule 2a-7
- 2) Had a reputation as a conservative money manager
- 3) Had been in business as a professional money manager since 1971
- 4) Held approximately \$125 billion in its portfolio of funds

Met ERCOT's need to access funds daily

Maintained reasonable rates of return

7. Approval of Engagement of External Auditor for Other Services

Mike Petterson

<Vote>



MEMORANDUM

To: Finance & Audit Committee
From: M. Petterson
Date: October 14, 2008
Re: Approval of engagement of external auditors for other services

Objective

1. As required by the Finance and Audit Committee charter, alert members of the Finance and Audit Committee in writing that ERCOT has renewed for 2009 its subscription to Comperio, a comprehensive, web-based accounting database provided by PricewaterhouseCoopers, ERCOT's independent audit firm, costing approximately \$2,000 per year.

Background

1. In early 2006, the Finance and Audit Committee amended its charter to include language consistent with the requirements established in Section 202 of Sarbanes-Oxley.
2. That Section of the law calls for preapproval from the Finance and Audit Committee for engagement of external auditors for "other services".
3. It was agreed at the time of the charter amendment that generally ERCOT staff should make the request for "preapproval" using the standard decision template (with other essential supporting documentation) used for Board and Board Committee meetings.
4. It was also agreed at the time of the charter amendment that engagements for "other services" totaling less than \$5,000 should be communicated in writing to the members of the Finance and Audit Committee at the first meeting following the engagement for the "other services" at issue. This threshold amount is well below the de minimus exceptions provided for in Section 202 (5 percent of the fees paid by ERCOT to PricewaterhouseCoopers).

Presentation by Sean Barry

Materials to be provided at meeting

9. Market Participant (MP) Guarantee Agreement Chad Seely

- **Background**

- At its special meeting on 02/06/08, the Finance & Audit (F&A) Committee asked:
 - ERCOT Staff to do the following:
 - Work with outside counsel to review the MP Guarantee Agreements and propose changes that would strengthen the documents.
 - Report back to the F&A Committee on the proposed changes, including how the changes will strengthen the document.
 - Credit Work Group (CWG) to review proposed changes and provide comments on MP Guarantee Agreements.
- On 02/08/08, ERCOT Legal sent out its proposed redline draft of the MP Guarantee Agreement to the CWG.
- CWG created a Subgroup to work with ERCOT Legal and outside counsel on changes to the MP Guarantee Agreement.
- After multiple draft versions, the CWG approved a new MP Guarantee Agreement and Foreign MP Guarantee Agreement in September 2008.

- **Concessions Made From Original Proposed Draft**

- 1) Express Affirmations of Ownership or Benefit

- Proposed recitations to be made by a parent company indicating a minimum level of ownership (5%). Consistent with “Affiliate” definition in ERCOT Protocols.
- Deleted in favor of a more general assertion of a reasonable expectation of benefit.
- Conclusion: Minor improvement over current version.

- 2) Scope of Guaranteed Obligations

- Proposed expansion of the guaranteed liabilities to include all obligations, contingent or otherwise, owing by a Market Participant to ERCOT.
- Deleted in favor of a scope limited to obligations arising under the applicable Market Participant Agreement, ERCOT Protocols, the related market and operating guides and certain other specified liabilities.
- Conclusion: Moderate improvement over current version.

- **Concessions Made From Original Proposed Draft (cont)**

- 3) Operation of Credit Support Amount

- Changes in the Credit Support Amount (the maximum guaranteed amount) must be accepted in writing by both guarantor and ERCOT.
 - Rejected a proposal to provide for a simplified annual revision procedure.
 - Market Participants also opposed an unlimited guaranteed amount.
 - Conclusion: Minor improvement over current version.

- 4) Demand and Funding Mechanism/Retention of Defenses

- Proposed general waivers of defenses by guarantors. Most, if not all, waivers were rejected. Some express waivers were added.
 - Except in specified instances, guarantors retain defenses to payment of the guaranteed obligations available to the Market Participant.
 - Provision expressly requiring receipt of funds within a specified number of days following ERCOT demand was deleted.
 - Conclusion: Minor improvement over current version.

9. Market Participant (MP) Guarantee Agreement Chad Seely

- **Concessions Made From Original Proposed Draft (cont)**

- 5) Termination Provision

- Proposed limitations of the ability of a guarantor to terminate the applicable Guarantee at any time.
 - Deleted in favor of allowing guarantor to terminate by written notice following expiration of 30-day notice period.
 - Conclusion: No improvement from current version.

- 6) Expanded Representations and Covenants

- An expanded list of representations were rejected.
 - Expanded covenants regarding compliance with ERCOT Protocols by the applicable guarantor and indemnities for breach of covenants and representations were rejected.
 - Conclusion: Minor improvement over current version.

- 7) Assignability

- Proposed limitations on assignments by the applicable guarantors were modified to (a) allow assignment of a guarantor's obligations in connection with a sale of substantially all the applicable guarantor's assets and (b) discharge of the former guarantor upon consummation of a permitted assignment.
 - Conclusion: Minor improvement over current version.

- **Conclusion**

- The new MP Guarantee Agreements are incrementally stronger than the current Board-approved versions. However, the MP Guarantee Agreements are still not as valuable as either cash deposits or letters of credit of similar amounts.

- **Next Steps**

- F&A Committee Options
 - Approve the new MP Guarantee Agreements as accepted by the CWG and recommend approval to ERCOT Board of Directors.
 - Approve the original proposed draft of the MP Guarantee Agreement submitted by ERCOT Legal.
 - Instruct ERCOT Staff to work further with CWG on additional revisions to MP Guarantee Agreements.
- CWG has asked ERCOT Legal to work on an evergreen amendment to the MP Guarantee Agreements.



Appendix



MARKET PARTICIPANT GUARANTEE AGREEMENT

This GUARANTEE ("*Guarantee*") is made by the undersigned entity ("*Guarantor*") in favor of ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. ("*ERCOT*") in consideration of ERCOT's entering into a Standard Form Market Participant Agreement ("*Agreement*") with the Market Participant identified on the signature page hereof ("*Participant*"). Guarantor is the beneficial owner of a direct or indirect interest in Participant and will directly benefit from the extension of credit to Participant under the Agreement.

In consideration of credit heretofore or hereafter granted by ERCOT to Participant pursuant to the Agreement, Guarantor hereby unconditionally, absolutely and irrevocably guarantees to ERCOT the due and punctual payment of any and all amounts which Participant may now or in the future owe ERCOT under the Agreement, and pursuant to the ERCOT Protocols as defined in the Agreement (collectively, the "*Obligations*"). Notwithstanding the foregoing, the maximum amount for which Guarantor shall be liable hereunder shall not exceed \$_____, plus Expenses (as defined below); provided, however, that Guarantor acknowledges and agrees that if Participant's required creditworthiness limit exceeds such amount at any time, and if ERCOT provides notice to Participant and Guarantor of such fact, ERCOT may require that, if the Agreement is to continue, the amount of Obligations guaranteed hereby be increased to an amount required by the Agreement and the ERCOT Protocols. Guarantor is liable for the full payment of the Obligations, subject to the immediately preceding sentence, as a primary obligor. This is a continuing guarantee for payment and not of collection.

If Participant defaults in the punctual payment of any of the Obligations, Guarantor shall, immediately on demand and without presentment, protest, notice of protest, notice of nonpayment, notice of intent to accelerate, notice of acceleration or any other notice whatsoever (all of which are expressly waived), pay the amount due thereon (subject to the foregoing limitation) to ERCOT.

The obligations of Guarantor hereunder are absolute and unconditional irrespective of (i) the invalidity or unenforceability of the Agreement, (ii) the bankruptcy or insolvency of Participant, (iii) any claim for setoff or any defense which Participant could assert on the Obligations, including, without limitation, force majeure, breach of warranty, and fraud, (iv) any substitution, release or exchange of any other guaranty of or security for any of the Obligations, (v) the existence or terms of any other agreements between Guarantor and any party, including the Participant, and (vi) to the fullest extent permitted by applicable law, irrespective of any other circumstances whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Guarantee that the obligations of Guarantor hereunder shall be absolute and unconditional under any and all circumstances. However, with respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of the Participant under the Agreement and the ERCOT Protocols. Guarantor does not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have, after full and final payment of the Obligations, against others liable on the Obligations. Guarantor's rights of subrogation and reimbursement are subordinate in all respects to the rights and claims of ERCOT, and Guarantor may not exercise any rights it may acquire by way of subrogation under this Guarantee, by payment made hereunder or otherwise, until all of the Obligations have been fully and finally paid.

It is not necessary for ERCOT, in order to enforce Guarantor's payment hereunder, first to proceed against Participant or resort to any collateral, security or other guarantors or obligors, if any, or pursue any other remedy. Any collateral, security or obligations of any other guarantors or obligors, if any, may be sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice, apart from ERCOT's initial demand under this Guarantee, or further assent from Guarantor. Guarantor's liability is several and

independent of any other guarantees in effect with respect to any part of the Obligations and may be enforced regardless of the existence of any other guarantees.

Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, by Participant to ERCOT with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of bankruptcy or reorganization of Participant.

No payment by Guarantor shall entitle Guarantor, by subrogation or otherwise, to any right against Participant, including any payment by Participant or out of property of Participant, except after the full payment and discharge of all of the Obligations. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Guarantor hereby expressly waives any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guarantees, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Chapter 51 of the Texas Property Code, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times.

The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges that this Guarantee applies to all Obligations arising prior to the effective date of the termination of this Guarantee, whether by notification of termination, or by expiration of the term.

Guarantor agrees to pay to ERCOT, upon demand, all costs and expenses, including third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties are set forth on the signature page of this Guarantee.

This Guarantee shall bind the heirs, personal representatives, successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns.

No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

This Guarantee shall be governed by, and constructed in accordance with, the laws of the State of Texas, without regard to any rule or provision on conflict of laws.

This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of the Participant.

Participant: _____
[Name of Participant]
a _____
[Type of entity/jurisdiction of organization]

Date of Standard Form Market Participant Agreement: _____, 200__.

EXECUTED by GUARANTOR this _____ day of _____, 200__:

[Name of Guarantor]
a _____
[Type of entity/jurisdiction of organization]

Address: _____

Telephone: _____

Facsimile: _____

By: _____
Name: _____
Title: _____

ACCEPTED by ERCOT this _____ day of _____, 200__:

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Address: 7620 Metro Center Drive
Austin, Texas 78744
[For notice and payment]

By: _____
Name: _____
Title: _____

Telephone: _____
Facsimile: 512.225.7020



FOREIGN MARKET PARTICIPANT GUARANTEE AGREEMENT

This GUARANTEE ("*Guarantee*") is made by the undersigned entity ("*Guarantor*") in favor of ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. ("*ERCOT*") in consideration of ERCOT's entering into a Standard Form Market Participant Agreement ("*Agreement*") with the Market Participant identified on the signature page hereof ("*Participant*"). Guarantor is the beneficial owner of a direct or indirect interest in Participant and will directly benefit from the extension of credit to Participant under the Agreement.

In consideration of credit heretofore or hereafter granted by ERCOT to Participant pursuant to the Agreement, Guarantor hereby unconditionally, absolutely and irrevocably guarantees to ERCOT the due and punctual payment of any and all amounts which Participant may now or in the future owe ERCOT under the Agreement and pursuant to the ERCOT Protocols as defined in the Agreement (collectively, the "*Obligations*"). Notwithstanding the foregoing, the maximum amount for which Guarantor shall be liable hereunder shall not exceed \$ _____, plus Expenses (as defined below); provided, however, that Guarantor acknowledges and agrees that if Participant's required creditworthiness limit exceeds such amount at any time, and if ERCOT provides notice to Participant and Guarantor of such fact, ERCOT may require that, if the Agreement is to continue, the amount of Obligations guaranteed hereby be increased to an amount required by the Agreement and the ERCOT Protocols. Guarantor is liable for the full payment of the Obligations, subject to the immediately preceding sentence, as a primary obligor. This is a continuing guarantee for payment and not of collection.

If Participant defaults in the punctual payment of any of the Obligations, Guarantor shall, immediately on demand and without presentment, protest, notice of protest, notice of nonpayment, notice of intent to accelerate, notice of acceleration or any other notice whatsoever (all of which are expressly waived), pay the amount due thereon (subject to the foregoing limitation) to ERCOT.

The obligations of Guarantor hereunder are absolute and unconditional irrespective of (i) the invalidity or unenforceability of the Agreement, (ii) the bankruptcy or insolvency of Participant, (iii) any claim for setoff or any defense which Participant could assert on the Obligations, including, without limitation, force majeure, breach of warranty, and fraud, (iv) any substitution, release or exchange of any other guaranty of or security for any of the Obligations, (v) the existence or terms of any other agreements between Guarantor and any party, including the Participant, and (vi) to the fullest extent permitted by applicable law, irrespective of any other circumstances whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Guarantee that the obligations of Guarantor hereunder shall be absolute and unconditional under any and all circumstances. However, with respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of the Participant under the Agreement and the ERCOT Protocols. Guarantor does not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have, after full and final payment of the Obligations, against others liable on the Obligations. Guarantor's rights of subrogation and reimbursement are subordinate in all respects to the rights and claims of ERCOT, and Guarantor may not exercise any rights it may acquire by way of subrogation under this Guarantee, by payment made hereunder or otherwise, until all of the Obligations have been fully and finally paid.

It is not necessary for ERCOT, in order to enforce Guarantor's payment hereunder, first to proceed against Participant or resort to any collateral, security or other guarantors or obligors, if any, or pursue any other remedy. Any collateral, security or obligations of any other guarantors or obligors, if any, may be sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice, apart from ERCOT's initial demand under this Guarantee, to or further assent from Guarantor. Guarantor's liability is several

and independent of any other guarantees in effect with respect to any part of the Obligations and may be enforced regardless of the existence of any other guarantees.

Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, by Participant to ERCOT with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of bankruptcy or reorganization of Participant.

No payment by Guarantor shall entitle Guarantor, by subrogation or otherwise, to any right against Participant, including any payment by Participant or out of property of Participant, except after the full payment and discharge of all of the Obligations. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Guarantor hereby expressly waives any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guarantees, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Chapter 51 of the Texas Property Code, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times.

The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges that this Guarantee applies to all Obligations arising prior to the effective date of the termination of this Guarantee, whether by notification of termination, or by expiration of the term.

Guarantor agrees to pay to ERCOT, upon demand, all costs and expenses, including third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties and the Guarantor's email address are set forth on the signature page of this Guarantee. Such information regarding a party may be changed by such party by written notice to the other party. In addition, Guarantor shall maintain, at all times, a registered agent in Texas. Guarantor's registered agent in Texas is set forth on the signature page of this Guarantee, and Guarantor shall provide ERCOT with written notification of any change of its registered agent or the address thereof.

This Guarantee shall bind the heirs, personal representatives, successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns.

No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

All references in this Guarantee to sums denominated in dollars or with the symbol "\$" refer to the lawful currency of the United States of America. If, for the purposes of obtaining or enforcing judgment against

Guarantor in any court in any jurisdiction in connection with this Guarantee, it becomes necessary to convert into any other currency (such other currency being referred to as the “**Judgment Currency**”) an amount due in any currency (“**Obligation Currency**”) other than the Judgment Currency under this Guarantee, the conversion shall be made at the rate of exchange prevailing on the business day immediately preceding the date of actual payment of the amount due, in the case of any proceeding in the courts of the State of Texas or in the courts of any other jurisdiction that would give effect to such conversion being made on such date, or, the date on which the judgment is given, in the case of any proceeding in the courts of any other jurisdiction (the applicable date as of which such conversion is made pursuant to this paragraph being hereinafter referred to as the “**Judgment Conversion Date**”). If, in the case of any proceeding in the court of any jurisdiction referred to in the preceding sentence, there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual receipt for value of the amount due, Guarantor shall pay such additional amount (if any and in any event not a lesser amount) as may be necessary to ensure that the amount actually received in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of the Judgment Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgment Conversion Date.

This Guarantee shall be governed by, and constructed in accordance with, the laws of the State of Texas, without regard to any rule or provision on conflict of laws.

Any dispute relating in any manner to this Guarantee shall be resolved through binding arbitration. Arbitration proceedings shall be conducted pursuant to the International Arbitration Rules of the American Arbitration Association (AAA) in effect at the time the dispute first arises by one (1) or three (3) arbitrator(s) appointed in accordance with such Rules within ten (10) calendar days of submission of the dispute. The number of arbitrators forming the arbitral panel shall be mutually agreed upon by the parties, but if they cannot agree, then the AAA shall determine same. The arbitration shall be held in such city as is agreed upon by the parties, but if they cannot agree, then such arbitration shall be held in Austin, State of Texas, United States of America. The arbitration shall be conducted simultaneously in English and in the primary language of Guarantor. The English version of this Guarantee shall be the controlling document in the arbitration proceeding. The procedural laws of the civil district courts of the State of Texas, U.S.A. shall govern the arbitral proceeding regardless of the situs of the arbitration. The arbitral panel shall set a limited time period and establish procedures designed to reduce the cost and time for discovery, while allowing the parties an adequate opportunity, in the discretion of the arbitral panel, to discover relevant information from opposing parties about the subject matter of the dispute. The arbitral panel shall award actual damages to the prevailing party, but may not award any special, indirect, punitive or consequential damages nor reasonable attorneys fees and arbitration costs to either party. The arbitral award shall fully and finally settle the dispute. Recognition and enforcement of the arbitral award shall be governed by the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Judgment upon the award may be entered in any court in any country, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the law of such jurisdiction may require or allow. Each party shall bear its own costs and fees, including, but not limited to its share of any arbitration fees, unless otherwise ordered by the arbitrator(s).

BY AGREEING TO BINDING ARBITRATION, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM. FURTHERMORE, WITHOUT INTENDING IN ANY WAY TO LIMIT THIS AGREEMENT TO ARBITRATE, TO THE EXTENT ANY CLAIM IS NOT ARBITRATED, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF SUCH CLAIM. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS GUARANTEE.

This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of the Participant.

Participant: _____
[Name of Participant]
a _____
[Type of entity/jurisdiction of organization]

Date of Standard Form Market Participant Agreement: _____, 200__.

EXECUTED by GUARANTOR this ___ day of _____, 200__:

[Name of Guarantor] Address: _____

a _____
[Type of entity/jurisdiction of organization] Telephone: _____
Facsimile: _____
Email Address: _____
By: _____
Name: _____
Title: _____
Guarantor's Registered Agent in Texas:
Name: _____
Address: _____

Attest: _____
Name: _____
Title: _____

ACCEPTED by ERCOT this ___ day of _____, 200__:

ELECTRIC RELIABILITY COUNCIL OF
TEXAS, INC. Address: 7620 Metro Center Drive
Austin, Texas 78744
[For notice and payment]
By: _____ Telephone: _____
Name: _____ Facsimile: 512.225.7020
Title: _____



MARKET PARTICIPANT GUARANTEE AGREEMENT

This GUARANTEE (~~–~~“Guarantee”) is made by the undersigned entity (together with its permitted successors and permitted assigns, “Guarantor”) in favor of ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. (together with its successors and assigns, “ERCOT”).

Recitals

A. ~~in consideration of~~ ERCOT’s ~~has~~ entered into a Standard Form Market Participant Agreement (as the same may be modified through the procedure for modifying ERCOT Protocols described in the ERCOT Protocols, “~~Agreement~~”) with the Market Participant identified on the signature page hereof (together with its permitted successors and permitted assigns, “~~Participant~~”).

B. Pursuant to the Agreement and the related ERCOT Protocols (as such term is defined in the Agreement), ERCOT may extend credit to Participant from time to time.

C. It is expressly agreed and understood by and among Participant, ERCOT and Guarantor that: (1) the execution and delivery to ERCOT of this Guarantee is a condition precedent to ERCOT entering into or continuing the Agreement and the extension of credit to Participant pursuant to the Agreement and the related ERCOT Protocols, (2) ERCOT has relied, and will continue to rely, upon this Guarantee (including renewals hereof) in entering into transactions as contemplated by the Agreement and the related ERCOT Protocols, and (3) ERCOT would not enter into the Agreement, or otherwise enter into or continue transactions with Participant, without this Guarantee.

D. [ALTERNATIVE 1 FOR GENERAL USE; SEE ALSO ADDITIONAL REPRESENTATIONS] Guarantor is the ~~beneficial owner of a direct or indirect interest in Participant~~ direct or indirect beneficial owner of at least 5% of the outstanding capital shares, membership interests, partnership interests or other ownership interests of Participant, the value of the consideration and benefit received and to be received by Guarantor, directly or indirectly, as a result of ERCOT entering into the Agreement and Guarantor executing and delivering this Guarantee, is reasonably worth at least as much as the liability and obligation of Guarantor hereunder, and ~~will directly benefit from~~ the extension of credit to Participant ~~under~~ pursuant to the Agreement has benefited directly and may reasonably be expected to continue to benefit Guarantor directly.

D. [ALTERNATIVE 2 FOR USE WITH EXPRESS FINANCE DEPARTMENT APPROVAL AND INDEPENDENT THIRD-PARTY GUARANTOR; SEE ALSO CHANGED REPRESENTATIONS] Pursuant to that certain [INSERT TITLE OF AGREEMENT] (“~~Reimbursement Agreement~~”), Guarantor has contracted with Participant for the express purpose of providing this Guarantee for the benefit of ERCOT, the value of the consideration and benefit received and to be received by Guarantor pursuant to the Reimbursement Agreement is reasonably worth at least as much as the liability and obligation of Guarantor hereunder.

E. In connection with the foregoing, Guarantor desires to guarantee to ERCOT the prompt and full payment of the Obligations (as defined below) upon the terms and conditions contained in this Guarantee.

Agreements

Section 1. In consideration of credit heretofore or hereafter granted by ERCOT to Participant pursuant to the ~~–~~Agreement or the related ERCOT Protocols, Guarantor hereby unconditionally, absolutely and irrevocably guarantees to ERCOT the ~~due and~~ punctual payment ~~when~~

due, whether on a scheduled date, by lapse of time, by acceleration of maturity, or otherwise any and all of the Obligations. ~~of any and all amounts which Participant may now or in the future owe ERCOT under the Agreement, and pursuant to the ERCOT Protocols as defined in the Agreement (collectively, the “Obligations”). As used in this Guarantee, the term “Obligations” means, collectively: (a) any and all indebtedness, liabilities and sums of money now or hereafter due or owing to ERCOT pursuant to, or arising under, the Agreement or any of the ERCOT Protocols; (b) all liabilities of Participant for future advances, extensions of credit or other value at any time given or made by ERCOT to, or for the benefit of, Participant pursuant to the Agreement or any of the ERCOT Protocols, whether or not any such advances, extensions of credit or value is given pursuant to a commitment of ERCOT or is required by the Agreement or the ERCOT Protocols; (c) any and all other indebtedness, of every kind and character, of Participant to ERCOT now or at any time hereafter existing, created or arising, regardless of whether such present or future indebtedness be direct or indirect, related or unrelated, liquidated or unliquidated, primary or secondary, joint, several, or joint and several, or fixed or contingent; (d) any and all interest and expenses (including attorneys’ fees) contemplated to be paid by Participant pursuant to the Agreement or the ERCOT Protocols, in each instance whether or not allowed under any Debtor Relief Law (including all post-petition interest accruing after the commencement of any bankruptcy or insolvency proceeding by or against Participant, whether or not allowed in such proceeding), and all other amounts that would be part of the indebtedness but for the operation of Debtor Relief Laws; and (e) all costs, expenses and fees, including, without limitation, court costs and attorneys’ fees, arising in connection with the collection of any or all amounts, indebtedness, obligations and liabilities of Participant to ERCOT described in clauses (a) through (d) of this sentence. For purposes of this Guarantee, the term “Debtor Relief Laws” shall mean Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts, or other debtor relief, or similar laws affecting the rights of creditors.~~

Section 2. _____ Notwithstanding the foregoing, the maximum amount of the Obligations for which Guarantor shall be liable personally hereunder shall not exceed \$_____, ~~plus the sum of the following from time to time: (a) the then-applicable Credit Support Amount (as defined below); plus (b) interest (to the extent contemplated to accrue in respect of the Obligations pursuant to the Agreement or the ERCOT Protocols) accrued in respect of the Obligations from and after the date on which written demand is made for payment hereunder by ERCOT; plus (c) Expenses (as defined below); provided, however, that Guarantor acknowledges and agrees that if Participant’s required creditworthiness limit exceeds such amount at any time, and if ERCOT provides. For purposes of this Guarantee, the term “Credit Support Amount” shall mean the amount designated as such on the signature page to this Guarantee or such greater amount as may be designated by ERCOT pursuant to written notice to Participant and Guarantor~~^[EL1] of such fact, ERCOT may require that, if the Agreement is to continue, the amount of Obligations guaranteed hereby be increased to an amount required by the Agreement and the ERCOT Protocols in accordance with the Agreement and the related ERCOT Protocols.

Section 3. _____ Guarantor is liable for the full payment of the Obligations, subject to the immediately preceding sentence limitation provided in Section 2, as a primary obligor. This is a continuing guarantee for payment and not of collection. ~~If Participant defaults in the punctual payment of any of the Obligations, Guarantor shall, immediately on demand and without Guarantor acknowledges and agrees that Guarantor may be required to pay the Obligations in full without assistance or support from Participant or any other person. Guarantor agrees that if all or any part of the Obligations shall not be punctually paid when due, whether on the scheduled payment date, by lapse of time, by acceleration of maturity or otherwise, Guarantor shall (provided, however, that the failure of ERCOT to make such demand shall neither relieve nor discharge Guarantor in any respect of its obligations under this Guarantee, any condition or requirement of such demand to Guarantor’s liability under this Guarantee being hereby waived by Guarantor), pay at or before 5:00PM Central Prevailing Time on the first~~

Business Day immediately following the issuance of written demand by ERCOT to Guarantor the amount due on the Obligations to ERCOT at its address as set forth on the signature page hereto. ERCOT may, but shall have no obligation to, make such demand(s) at any time coincident with or after the time for payment of all or part of the Obligations, and such demand(s) may be made from time to time with respect to the same or different items of the Obligations. Such demand shall be made, given and received in accordance with the notice provisions hereof; provided, however, the failure to make, give or receive demand in accordance with the notice provisions hereof shall neither relieve nor discharge Guarantor in any respect of its obligations under this Guarantee, any condition or requirement such demand to Guarantor's liability under this Guarantee being hereby waived by Guarantor. Guarantor's obligations hereunder are absolute and immediate without requirement of presentment, protest, notice of protest, notice of nonpayment, notice of intent to accelerate, notice of acceleration or any other notice whatsoever (all of which are expressly waived), pay the amount due thereon (subject to the foregoing limitation) to ERCOT except as may expressly be required hereunder.

Section 4. If Guarantor is or becomes liable, by endorsement or otherwise, for any indebtedness or obligations owing by Participant to ERCOT, the liability of Guarantor for such other indebtedness shall not in any manner be impaired or affected hereby or the limits contained herein, and the rights of ERCOT hereunder shall be cumulative of any and all other rights that ERCOT may have against Guarantor. If Participant is or becomes indebted to ERCOT for any indebtedness other than the Obligations, any payment received or recovery realized upon any such other indebtedness of Participant to ERCOT may be applied, in ERCOT's sole discretion, to indebtedness of Participant to ERCOT other than the Obligations, except to the extent paid by Guarantor on the Obligations or specifically required by Law or written agreement of ERCOT to be applied to the Obligations. This Guarantee is independent of, and shall not be limited by, any other guaranty now existing or hereafter given. Further, Guarantor's liability under this Guarantee is in addition to any and all other liability Guarantor may have in any other capacity, including, without limitation, its capacity as a general partner or managing member of Participant.

Section 5. Guarantor hereby expressly waives: (a) any right to revoke this Guarantee with respect to the Obligations, except as may be expressly set forth at Section 12 below; (b) any right relating to the timing, manner or conduct of ERCOT's enforcement of rights against Participant's assets or any collateral from time to time pledged by Participant to secure the Obligations; (c) if Guarantor and Participant (or any other person) have each pledged assets to secure the Obligations, any right to require ERCOT to proceed first against collateral pledged by Participant (or any other person) before proceeding against the collateral pledged by Guarantor; (d) promptness, diligence, notice of any default, notice of nonpayment or nonperformance, notice of acceleration or intent to accelerate, acceptance or notice of acceptance of this Guarantee, presentment, notice of protest, notice of dishonor, notice of the incurring by Participant of additional indebtedness, notice of any suit or other action by ERCOT against Participant or any other person, any notice to any person liable for the obligation which is the subject of the suit or action, and all other notices and demands with respect to the Obligations and this Guarantee.

Section 6. The obligations of Guarantor hereunder are absolute and unconditional irrespective of: ~~(i)a~~ the invalidity or unenforceability of the Agreement, ~~(ii)b~~ the bankruptcy or insolvency of Participant, ~~(iii)c~~ any claim for setoff or any defense which Participant could assert on the Obligations, including, without limitation, force majeure, breach of warranty, and fraud, ~~(iv)d~~ any substitution, release or exchange of any other guaranty of or security for any of the Obligations, ~~(v)e~~ the existence or terms of any other agreements between Guarantor and any party, including ~~the~~ Participant, and ~~(vi)f~~ to the fullest extent permitted by applicable law, irrespective of any other circumstances whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Guarantee that the obligations of Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

Section 7. ~~However, w~~With respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of ~~the~~ Participant under the Agreement and the ERCOT Protocols, subject to the subordination herein provided. Guarantor does not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have, after full and final payment of the then due and unpaid Obligations, against others liable on the Obligations. Guarantor's rights of subrogation and reimbursement are subordinate in all respects to the rights and claims of ERCOT, and Guarantor may not exercise any rights it may acquire by way of subrogation under this Guarantee, by payment made hereunder or otherwise, until all of the Obligations then due and payable have been fully and finally paid.

Section 8. It is not necessary for ERCOT, in order to enforce Guarantor's payment hereunder, first to proceed against Participant or resort to any collateral, security or other guarantors or obligors, if any, or pursue any other remedy. Any collateral, security or obligations of any other guarantors or obligors, if any, may be sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice, apart from ERCOT's initial demand under this Guarantee, or further assent from Guarantor. Guarantor's liability is several and independent of any other guarantees in effect with respect to any part of the Obligations and may be enforced regardless of the existence of any other guarantees.

Section 9. Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, by Participant to ERCOT with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of ~~bankruptcy or reorganization of Participant~~application of any Debtor Relief Laws.

Section 10. No payment by Guarantor shall entitle Guarantor, by subrogation or otherwise, to any right against Participant, including any payment by Participant or out of property of Participant, except after the full payment and discharge of all of the Obligations then due and payable. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Section 11. Guarantor hereby expressly waives any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guarantees, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Chapter 51 of the Texas Property Code, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times.

Section 12. This Guarantee shall become effective as of the date set forth on the execution page hereof and shall continue in full force and effect for a term ending on the first anniversary of such date ("Renewal Date"), and from year-to-year thereafter, unless sooner terminated by mutual written agreement of ERCOT and Guarantor or unilaterally by Guarantor pursuant to the express terms of this Section 12. Guarantor may revoke or terminate this Agreement (a) effective on the Renewal Date or any anniversary of the Renewal Date or at any other time in any year by giving to ERCOT at least ninety (90) days prior written notice of Guarantor's election to terminate this Guarantee as of the Renewal Date or such anniversary or such other date thereof, or (b) if ERCOT shall have provided written notice to Participant and Guarantor of an increase in the Credit Support Amount, effective ninety (90) days after

ERCOT's receipt of written notice of revocation in response to such increase. The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges and agrees that this Guarantee applies to all Obligations arising or committed prior to the effective date of the termination or revocation of this Guarantee and shall continue in full force and effect until such Obligations shall be indefeasibly paid in full, whether by notification of termination, or by expiration of the term.

Section 13. Guarantor hereby represents and warrants to ERCOT, which representations shall be deemed repeated [continually] that:

_____ (a) [ALTERNATIVE 1 TO BE USED GENERALLY] (i) Guarantor is the direct or indirect beneficial owner of at least 5% of the outstanding capital shares, membership interests, partnership interests or other ownership interests of Participant, (ii) the value of the consideration and benefit received and to be received by Guarantor, directly or indirectly, as a result of ERCOT extending credit to Participant or otherwise entering into the transactions contemplated by the Agreement and the ERCOT Protocols, and Guarantor executing and delivering this Guarantee, is reasonably worth at least as much as the liability and obligation of Guarantor hereunder, and (iii) the transactions contemplated by the Agreement have benefited and may reasonably be expected to benefit Guarantor, directly or indirectly;

_____ [ALTERNATIVE 2 TO BE USED WITH RECITAL D, ALTERNATIVE 2] (i) the value of the consideration and benefit received and to be received by Guarantor pursuant to the Reimbursement Agreement is reasonably worth at least as much as the liability and obligation of Guarantor hereunder, (ii) a true, correct and complete copy of the Reimbursement Agreement has been delivered to ERCOT and the continuation of this Guarantee is not contingent upon the continuation of such Reimbursement Agreement, and (iii) the transactions contemplated by this Agreement and the Reimbursement Agreement have benefited and may reasonably be expected to benefit Guarantor, directly or indirectly;

_____ (b) this Guarantee is duly authorized and valid, and is binding upon and enforceable against Guarantor;

_____ (c) Guarantor is not, and the execution, delivery and performance by Guarantor of this Guarantee will not cause Guarantor to be, in violation of any law or in breach of or in default (or at risk of acceleration of indebtedness) under any contract, agreement or restriction by which Guarantor is bound or affected;

_____ (d) (i) Guarantor is duly organized, validly existing, and in good standing under the laws of the state of its organization, (ii) is qualified or registered to conduct business in the State of Texas, and (iii) and has full power and authority to enter into and perform this Guarantee;

_____ (e) there is no litigation pending or, to the knowledge of Guarantor, threatened, before or by any tribunal against or affecting Guarantor which (i) could reasonably be expected to result in a Material Adverse Effect (as defined below) or (ii) seeks to limit, prevent, enjoin or delay the Guarantor's performance of its obligations under this Guarantee;

_____ (f) all financial statements and information heretofore furnished to ERCOT by Participant on behalf of Guarantor do, and all financial statements and information hereafter furnished to ERCOT by Participant on behalf of Guarantor will, fully and accurately present the condition (financial or otherwise) of Guarantor as of their dates and the results of Guarantor's operations for the periods therein

specified, and, since the date of the most recent financial statements of Guarantor heretofore furnished to ERCOT, no Material Adverse Change¹ has occurred in the financial condition of Guarantor, nor, except as heretofore disclosed in writing to ERCOT, has Guarantor incurred any material liability, direct or indirect, fixed or contingent;

(g) no bankruptcy or insolvency proceedings are pending or contemplated by or against Guarantor, and, after giving effect to this Guarantee, Guarantor is solvent, is not engaged or about to engage in business or a transaction for which the property of Guarantor is an unreasonably small capital, and has not incurred and will not incur debts that will be beyond Guarantor's ability to pay as such debts mature;

(h) Guarantor is familiar with, and has independently reviewed books and records regarding, the financial condition of Participant; however, Guarantor is not relying on such financial condition or the collateral as an inducement to enter into this Guarantee;

(i) Guarantor has reviewed and fully understands the provisions contained in this Guarantee, the Agreement and the ERCOT Protocols;

(j) **NEITHER ERCOT, PARTICIPANT NOR ANY AFFILIATE OF EITHER ERCOT OR PARTICIPANT HAS MADE ANY REPRESENTATION, WARRANTY OR STATEMENT TO GUARANTOR IN ORDER TO INDUCE GUARANTOR TO EXECUTE THIS GUARANTEE, AND GUARANTOR HEREBY EXPRESSLY WAIVES ANY CLAIM OF FRAUDULENT INDUCEMENT TO EXECUTE THIS GUARANTEE AND FURTHER DISCLAIMS ANY RELIANCE ON STATEMENTS OR REPRESENTATIONS OF ERCOT IN WAIVING SUCH A CLAIM;** and

(k) Guarantor has, independently and without reliance upon ERCOT, and based upon such documents and information as Guarantor has deemed appropriate, made its own analysis and decision to enter into this Guarantee.

Section 14. Guarantor covenants and agrees that, so long as this Guarantee remains in effect:

(a) Guarantor will keep itself fully apprised of Participant's financial and business condition, and Guarantor shall be responsible for obtaining for itself information regarding Participant, the Agreement and the ERCOT Protocols including, without limitation, any changes in the financial or business condition of Participant, and Guarantor acknowledges and agrees that ERCOT shall have no duty at any time to notify Guarantor of any information which ERCOT may have or acquire concerning Participant or to investigate or inform Guarantor of the financial or business condition or affairs of Participant or any change therein;

(b) **GUARANTOR WILL INDEMNIFY, DEFEND AND HOLD ERCOT HARMLESS FROM AND AGAINST ANY LOSS, COST OR EXPENSE INCURRED OR ARISING AS A RESULT OF ANY REPRESENTATION, WARRANTY OR COVENANT OF GUARANTOR**

¹ For purposes of this Guarantee, the term "**Material Adverse Changes**" shall mean any change in the business, property, ****prospects,**** condition (financial or otherwise) or results of operations of the Guarantor and its subsidiaries which could reasonably be expected to have a Material Adverse Effect. The term "**Material Adverse Effect**" shall mean a material adverse effect on (i) the business, property, condition (financial or otherwise), results of operations, or prospects of the Guarantor and its subsidiaries taken as a whole, (ii) the ability of the Guarantor to perform its obligations under this Guarantee, or (iii) the validity or enforceability of this Guarantee or the rights or remedies of ERCOT hereunder.

BEING FALSE, INCORRECT, INCOMPLETE OR MISLEADING IN ANY MATERIAL RESPECT;
and

(c) Guarantor's representations, warranties, covenants, waivers and agreements set forth in this Guarantee are a material inducement to ERCOT to enter into the Agreement and extend credit to Participant and shall survive the execution hereof and any bankruptcy, foreclosure, transfer of security or other event affecting Participant, Guarantor, any other person, or any security for all or any part of the Obligations.

Section 15. This Guarantee is executed and delivered as an incident to transaction negotiated and consummated in Travis County, Texas, and shall be governed by and construed in accordance with the Laws of the State of Texas, other than the conflicts of laws principles thereof. Guarantor, for itself and its successors and assigns, hereby irrevocably (i) submits to the non-exclusive jurisdiction of the state and federal courts in the State of Texas, (ii) waives, to the fullest extent permitted by Law, any objection that may now or in the future have as to the venue of any action, proceeding or litigation arising out of or in connection with this Guarantee brought in the District Court of Travis County, Texas, or in the United States District Court for the Western District of Texas, Austin Division, and (iii) agrees that any legal action or proceeding against Guarantor arising out of or in connection with this Guarantee may be brought in any one of the foregoing courts. Guarantor hereby agrees that service of process upon Guarantor may be made by certified or registered mail, return receipt requested, at its address specified herein. Nothing herein shall affect the right of ERCOT to serve process in any other manner permitted by law or shall limit the right of ERCOT to bring any action or proceeding against Guarantor or with respect to any of Guarantor's property in courts in other jurisdictions. Any action or proceeding by Guarantor against ERCOT shall be brought only in a court located in Travis County, Texas. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Guarantor acknowledges that these waivers are a material inducement to ERCOT's agreement to enter into the Agreement, that ERCOT has already relied on these waivers and will continue to rely on each of these waivers in related future dealings. The waivers in Section 15 are irrevocable, meaning that they may not be modified either orally or in writing, and these waivers apply to any future renewals, extensions, amendments, modifications, replacements or renewals of this Guarantee.

Section 16. If any provision of this Guarantee or the application thereof to any person or circumstance shall, for any reason and to any extent, be judicially declared to be invalid or unenforceable, then neither the remaining provisions of this Guarantee nor the application of such provision to any other person or circumstance shall be affected thereby, and the remaining provisions of this Guarantee, or the applicability of such provision to other persons or circumstances, as the case may be, rather shall remain in effect and be enforceable to the maximum extent permitted by applicable law.

Section 17. From time to time, at the request of ERCOT, Guarantor will (a) promptly correct any defect, error or omission which may be discovered in the contents of this Guarantee; (b) execute, acknowledge and deliver (or cause to be executed, acknowledged and delivered) such further documents and instruments and perform such further acts and provide such further assurances as may be necessary, desirable, or proper, in ERCOT's opinion, (i) to carry out more effectively the purposes of this Guarantee and the transactions contemplated hereunder, or (ii) to confirm the continuation of the rights created under this Guarantee for the benefit of ERCOT, including reaffirmation of the obligations hereunder from time to time upon the renewal hereof and the applicability of any changes in the Credit Support Amount.

Section 18. Time is of the essence in this Guarantee with respect to all of Guarantor's obligations hereunder.

Section 19. The recitals and introductory paragraphs hereof are a part hereof, form a basis for this Guarantee and shall be considered *prima facie* evidence of the facts and documents referred to therein.

Section 20. The Article, Section and Subsection entitlements hereof are inserted for convenience of reference only and shall in no way alter, modify, define, limit, amplify or be used in construing the text, scope or intent of such Articles, Sections or Subsections or any provisions hereof.

Section 21. All sums payable under this Guarantee shall be by wire transfer of immediately available funds, without offset, in lawful money of the United States of America, which shall at the time of payment be legal tender for the payment of public and private debts. All payments shall be remitted to ERCOT's bank account as designated by written notice to Guarantor, whether through demand for payment or otherwise.

Section 22. GUARANTOR TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY KNOWINGLY, INTENTIONALLY, IRREVOCABLY, UNCONDITIONALLY AND VOLUNTARILY, WITH, AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS GUARANTEE OR ANY CONDUCT, ACT, FAILURE TO ACT OR OMISSION OF OR BY ERCOT OR GUARANTOR, OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, PARTNERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH ERCOT OR GUARANTOR, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, OR IN THE ENFORCEMENT OF ANY OF THE TERMS OR PROVISIONS OF THIS GUARANTEE. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS GUARANTEE. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY GUARANTOR, AND GUARANTOR HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. GUARANTOR FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS GUARANTEE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 23. Guarantor agrees to pay to ERCOT, upon demand, all costs and expenses, including third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

Section 24. For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties are set forth on the signature page of this Guarantee.

Section 25. This Guarantee shall bind the ~~heirs, personal representatives,~~ successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns.

Section 26. No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

~~This Guarantee shall be governed by, and constructed in accordance with, the laws of the State of Texas, without regard to any rule or provision on conflict of laws.~~

Section 27. This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of ~~the~~ Participant.

Section 28. For Discussion Purposes – Patriot Act Language.

Participant: _____
[Name of Participant]
a _____
[Type of entity/jurisdiction of organization]

Date of Standard Form Market Participant Agreement: _____, 200__.

CREDIT SUPPORT AMOUNT: \$ _____

EXECUTED by GUARANTOR this ____ day of _____, 200__:

[Name of Guarantor]
a _____
[Type of entity/jurisdiction of organization]

Address: _____

Telephone: _____
Facsimile: _____

By: _____
Name: _____
Title: _____

ACCEPTED by ERCOT this ____ day of _____, 200__:

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Address: 7620 Metro Center Drive
Austin, Texas 78744
[For notice and payment]

By: _____
Name: _____
Title: _____

Telephone: _____
Facsimile: 512.225.7020



MARKET PARTICIPANT GUARANTEE AGREEMENT

This GUARANTEE (this “*Guarantee*”) is made by the undersigned entity (together with its permitted successors and assigns, the “*Guarantor*”) in favor of ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. (together with its successors and assigns, “*ERCOT*”).

Recitals

A. ERCOT has entered into a Standard Form Market Participant Agreement (as the same may be modified through the procedure for modifying ERCOT Protocols described in the ERCOT Protocols, “*Agreement*”) with the Market Participant identified on the signature page hereof (together with its permitted successors and permitted assigns, the “*Participant*”).

B. Pursuant to the Agreement and the related ERCOT Protocols (as such term is defined in the Agreement), ERCOT may extend credit to Participant from time to time.

C. It is expressly agreed and understood by and among Participant, ERCOT and Guarantor that: (1) the execution and delivery to ERCOT of this Guarantee is a condition precedent to ERCOT entering into the Agreement, the continuation of transactions with Participant pursuant to the Agreement and the extension of credit to Participant pursuant to the Agreement and the related ERCOT Protocols, (2) ERCOT has relied, and will continue to rely, upon this Guarantee in entering into transactions as contemplated by the Agreement and the related ERCOT Protocols, and (3) ERCOT would not enter into the Agreement, or otherwise enter into or continue transactions with Participant, without this Guarantee.

D. [ALTERNATIVE 1 FOR GENERAL USE] The value of the consideration and benefit received and to be received by Guarantor, directly or indirectly, as a result of ERCOT entering into the Agreement and Guarantor executing and delivering this Guarantee, is reasonably worth at least as much as the liability and obligation of Guarantor hereunder, and the extension of credit to Participant pursuant to the Agreement has or may reasonably be expected to benefit the Guarantor directly or indirectly.

D. [ALTERNATIVE 2 FOR USE WITH EXPRESS FINANCE DEPARTMENT APPROVAL AND INDEPENDENT THIRD-PARTY GUARANTOR] Pursuant to that certain [INSERT TITLE OF AGREEMENT] (“*Reimbursement Agreement*”), Guarantor has contracted with Participant for the express purpose of providing this Guarantee for the benefit of ERCOT.

E. In connection with the foregoing, Guarantor desires to guarantee to ERCOT the prompt and full payment of the Obligations (as defined below) upon the terms and conditions contained in this Guarantee.

Agreements

Section 1. In consideration of credit heretofore or hereafter granted by ERCOT to Participant pursuant to the Agreement or the related ERCOT Protocols, Guarantor hereby unconditionally, absolutely and, subject to the express provisions of Sections 9 and 20 hereof, irrevocably guarantees to ERCOT, as a primary obligor and not as a surety, the punctual payment when due (subject to any grace period applicable to the Obligations (as defined below)), whether on a scheduled date, by lapse of time, by acceleration of maturity, or otherwise any and all of the Obligations. As used in this Guarantee, the term “*Obligations*” means, collectively: (a) any and all indebtedness, liabilities and sums of money now or hereafter due or owing to ERCOT pursuant to, or arising under, the Agreement, the ERCOT Protocols or any of the ERCOT market and operating guides, including (without limitation) all scheduling, operating, planning, reliability and settlement policies, rules, guidelines and procedures

established from time to time in ERCOT; (b) any and all interest and out-of-pocket expenses (including reasonable attorneys' fees) contemplated to be paid by Participant pursuant to the Agreement, the ERCOT Protocols or any of the ERCOT market and operating guides, in each instance whether or not allowed under any Debtor Relief Law (including all post-petition interest accruing after the commencement of any bankruptcy or insolvency proceeding by or against Participant, whether or not allowed in such proceeding), and all other amounts that would be part of the Obligations but for the operation of Debtor Relief Laws; (c) all assessments and other amounts required to be paid by Participant to ERCOT in order to maintain the Agreement and the ability to conduct business with ERCOT notwithstanding the continuing right of Participant to dispute, contest or pursue rights of setoff of such assessments and other amounts pursuant to the alternative dispute resolution provisions of the ERCOT Protocols; and (d) all costs, expenses and fees, including, without limitation, court costs and attorneys' fees, arising in connection with the collection of any or all amounts, indebtedness, obligations and liabilities of Participant to ERCOT described in clauses (a) through (c) of this sentence. For purposes of this Guarantee, the term "**Debtor Relief Laws**" shall mean Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts, or other debtor relief, or similar laws affecting the rights of creditors.

Section 2. Notwithstanding the foregoing, the maximum amount of the Obligations for which Guarantor shall be liable hereunder shall not exceed the sum of the following from time to time: (a) the then-applicable Credit Support Amount (as defined below); plus (b) interest in respect of the Obligations (to the extent permitted by applicable state law, the Agreement, the ERCOT Protocols or any of the ERCOT market and operating guides) for periods after the date on which written demand is made for payment hereunder by ERCOT; plus (c) Expenses (as defined below). For purposes of this Guarantee, the term "**Credit Support Amount**" shall mean the amount designated as such on the signature page to this Guarantee as the same may be increased or decreased by written agreement between the Guarantor and ERCOT.

Section 3. Guarantor is liable for the full payment of the Obligations, subject to the limitation provided in Section 2, as a primary obligor. This is a continuing guarantee for payment and not of collection. Guarantor acknowledges and agrees that Guarantor may be required to pay the Obligations in full without assistance or support from Participant or any other person. Guarantor agrees that if all or any part of the Obligations shall not be punctually paid when due (subject to any grace period applicable to the Obligations), whether on the scheduled payment date, by lapse of time, by acceleration of maturity or otherwise, Guarantor shall pay promptly the amount due on the Obligations to ERCOT at its address as set forth on the signature page hereto. ERCOT may, but shall have no obligation to, make a demand(s) at any time coincident with or after the time for payment of all or part of the Obligations, and such demand(s) may be made from time to time with respect to the same or different items of the Obligations; provided, however, that the failure of ERCOT to make a demand shall neither relieve nor discharge Guarantor in any respect of its obligations under the Guarantee to pay the Obligations promptly when due. If made, any demand shall be made, given and received in accordance with the notice provisions hereof. Guarantor's obligations hereunder are absolute and immediate without requirement of any notice whatsoever, and all requirements of notice are hereby waived.

Section 4. If Guarantor is or becomes liable for any indebtedness or obligations owing by Participant to ERCOT other than through this Guarantee, the liability of Guarantor for such other indebtedness shall not in any manner be impaired or affected hereby or the limits contained herein, and the rights of ERCOT hereunder shall be cumulative of any and all other rights that ERCOT may have against Guarantor. If Participant is or becomes indebted to ERCOT for any indebtedness other than the Obligations, any payment received or recovery realized upon any such other indebtedness of Participant

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to ERCOT may be applied, in ERCOT's sole discretion, to indebtedness of Participant to ERCOT other than the Obligations, except to the extent paid by the Guarantor specifically in respect of the Obligations or as otherwise required by Law or written agreement of ERCOT to be applied to the Obligations. This Guarantee is independent of, and shall not be limited by, any other guaranty or collateral posted by or on behalf of Guarantor, in each instance whether now existing or hereafter given. Further, Guarantor's liability under this Guarantee is in addition to any and all other liability Guarantor may have in any other capacity, including, without limitation, its capacity as a general partner or managing member of Participant.

Section 5. Guarantor hereby expressly waives: (a) any right to revoke this Guarantee with respect to the Obligations except set forth in Section 9 below; (b) any right relating to the timing, manner or conduct of ERCOT's enforcement of rights against Participant's assets or any collateral from time to time pledged by, or on behalf of, Participant to secure the Obligations; (c) if Guarantor and Participant (or any other person) have each pledged assets to secure the Obligations, any right to require ERCOT to proceed first against collateral pledged by Participant (or any other person) before proceeding against the collateral pledged by Guarantor; (d) promptness, diligence, notice of any default, notice of nonpayment or nonperformance, notice of acceleration or intent to accelerate, acceptance or notice of acceptance of this Guarantee, presentment, protest, notice of protest, notice of dishonor, notice of the incurring by Participant of additional indebtedness, notice of any suit or other action by ERCOT against Participant or any other person, any notice to any person liable for the obligation which is the subject of the suit or action, and all other notices and demands with respect to the Obligations and this Guarantee; (e) any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guarantees, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times; and (f) any defense due to the Guarantor's failure to review the activities of Participant or any changes in the Agreement, the ERCOT Protocols or the related ERCOT market and operating guides (it being acknowledged and agreed that Guarantor bears all responsibility for monitoring the activities of the Participant in the ERCOT markets). In furtherance of the foregoing, Guarantor agrees that (i) it is not necessary for ERCOT, in order to enforce Guarantor's payment hereunder, first to proceed against Participant or resort to any collateral, security or other guarantors or obligors, if any, or pursue any other remedy available to ERCOT with respect to the Obligations and (ii) any collateral, security or obligations of any other guarantors or obligors, if any, may be sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice to, or further assent from, Guarantor.

Section 6. The obligations of Guarantor hereunder are absolute and unconditional irrespective of: (a) the invalidity or unenforceability of the Agreement due to the application of Debtor Relief Laws, (b) any substitution, release or exchange of any other guaranty of, or security for, any of the Obligations, and (c) the existence or terms of any other agreements between Guarantor and any party, including Participant.

Section 7. All rights of Guarantor to proceed against Participant in respect of payment hereunder, by subrogation or otherwise (a) are hereby subordinated and deferred to and until the full and final payment and discharge of the Obligations and (b) Guarantor may not exercise any rights it may acquire by way of subrogation under this Guarantee, by payment made hereunder or otherwise, until all of the Obligations then due and payable have been fully and finally paid. Subject to the subordination herein provided, with respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of Participant under the Agreement and the ERCOT Protocols. Guarantor does

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not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have after full and final payment of the then due and unpaid Obligations.

Section 8. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Section 9. The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges that this Guarantee applies to all Obligations arising or committed to prior to the effective date of the termination of this Guarantee, whether by notification of termination, or by expiration of the term. Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, made by Participant to ERCOT during the term of this Guarantee with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of application of any Debtor Relief Laws.

Section 10. Guarantor hereby represents and warrants to ERCOT, which representations shall be deemed repeated continually during the term hereof that:

(a) this Guarantee is duly authorized and valid, and is binding upon and enforceable against Guarantor (subject, in each instance, to the effect of applicable Debtor Relief Laws);

(b) the execution and delivery of, and the performance by Guarantor of its obligations under this Guarantee do not contravene (i) any provision of the Guarantor's organizational, constituent or governing documents, or (ii) any law, regulation, decree, order, judgment, resolution or any contractual restriction binding on Guarantor or its assets that could affect, in a materially adverse manner, the ability of the Guarantor to perform any of its obligations hereunder;

(c) Guarantor (i) is duly organized, validly existing, and in good standing under the laws of the state of its organization and (ii) and has full power and authority to enter into, and to perform its obligations under, this Guarantee;

(d) there is no litigation pending or, to the knowledge of Guarantor, threatened, before or by any tribunal against or affecting Guarantor which seeks to limit, prevent, enjoin or delay the Guarantor's performance of its obligations under this Guarantee, except as may be disclosed in the Guarantor's filing with the Securities and Exchange Commission;

(e) no bankruptcy or insolvency proceedings are pending or contemplated by or against Guarantor under any Debtor Relief Laws;

(f) ***NEITHER ERCOT NOR ANY AFFILIATE OF ERCOT HAS MADE ANY REPRESENTATION, WARRANTY OR STATEMENT TO GUARANTOR IN ORDER TO INDUCE***

GUARANTOR TO EXECUTE THIS GUARANTEE, AND GUARANTOR HEREBY EXPRESSLY WAIVES ANY CLAIM OF FRAUDULENT INDUCEMENT TO EXECUTE THIS GUARANTEE AND FURTHER DISCLAIMS ANY RELIANCE ON STATEMENTS OR REPRESENTATIONS OF ERCOT OR ANY AFFILIATE OF ERCOT IN WAIVING SUCH A CLAIM; and

(g) Guarantor has, independently and without reliance upon ERCOT, and based upon such documents and information as Guarantor has deemed appropriate, made its own analysis and decision to enter into this Guarantee.

Section 11. Guarantor hereby further covenants and agrees to ERCOT that:

(a) Guarantor will keep itself fully apprised of Participant's financial and business condition, and Guarantor shall be responsible, to the extent deemed necessary or advisable by Guarantor, for obtaining for itself information regarding Participant, the Agreement, the ERCOT Protocols and the ERCOT market and operating guides, and Guarantor acknowledges and agrees that ERCOT shall have no duty at any time to notify Guarantor of any information which ERCOT may have or acquire concerning Participant or to investigate or inform Guarantor of the financial or business condition or affairs of Participant or any change therein; and

(b) Guarantor's representations, warranties, covenants, waivers and agreements set forth in this Guarantee are a material inducement to ERCOT to enter into the Agreement and extend credit to Participant and shall survive the execution hereof and any bankruptcy, foreclosure, transfer of security or other event affecting Participant, Guarantor, any other person, or any security for all or any part of the Obligations.

Section 12. This Guarantee is executed and delivered as an incident to transaction negotiated and consummated in Travis County, Texas, and shall be governed by and construed in accordance with the Laws of the State of Texas, other than the conflicts of laws principles thereof. Guarantor, for itself and its successors and assigns, hereby irrevocably (i) submits to the non-exclusive jurisdiction of the state and federal courts in the State of Texas, (ii) waives, to the fullest extent permitted by Law, any objection that may now or in the future have as to the venue of any action, proceeding or litigation arising out of or in connection with this Guarantee brought in the District Court of Travis County, Texas, or in the United States District Court for the Western District of Texas, Austin Division, and (iii) agrees that any legal action or proceeding against Guarantor arising out of or in connection with this Guarantee may be brought in any one of the foregoing courts. Guarantor hereby agrees that service of process upon Guarantor may be made by certified or registered mail, return receipt requested, at its address specified herein. Nothing herein shall affect the right of ERCOT to serve process in any other manner permitted by law or shall limit the right of ERCOT to bring any action or proceeding against Guarantor or with respect to any of Guarantor's property in courts in other jurisdictions. Any action or proceeding by Guarantor against ERCOT shall be brought only in a court located in Travis County, Texas. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Guarantor acknowledges that these waivers are a material inducement to ERCOT's agreement to enter into the Agreement, that ERCOT has already relied on these waivers and will continue to rely on each of these waivers in related future dealings. The waivers in Section 12 are irrevocable on the part of both ERCOT and Guarantor and may not be modified without the agreement of both ERCOT and Guarantor in writing as required pursuant to Section 23 below;

these waivers apply to any future renewals, extensions, amendments, modifications, replacements or renewals of this Guarantee.

Section 13. If any provision of this Guarantee or the application thereof to any person or circumstance shall, for any reason and to any extent, be judicially declared to be invalid or unenforceable, then neither the remaining provisions of this Guarantee nor the application of such provision to any other person or circumstance shall be affected thereby, and the remaining provisions of this Guarantee, or the applicability of such provision to other persons or circumstances, as the case may be, rather shall remain in effect and be enforceable to the maximum extent permitted by applicable law.

Section 14. From time to time, at the reasonable request of ERCOT, Guarantor will (a) promptly correct any ministerial or administrative defect, error or omission which may be discovered in the contents of this Guarantee; (b) execute, acknowledge and deliver (or cause to be executed, acknowledged and delivered) such further documents and instruments and perform such further acts and provide such further assurances as may be necessary, desirable, or proper, in ERCOT's opinion, (i) to carry out more effectively the purposes of this Guarantee and the transactions contemplated hereunder, or (ii) to confirm the continuation of the rights created under this Guarantee for the benefit of ERCOT, including reaffirmation of the obligations hereunder from time to time upon the renewal hereof and the applicability of any changes in the Credit Support Amount.

Section 15. Time is of the essence in this Guarantee with respect to all of Guarantor's obligations hereunder.

Section 16. The recitals and introductory paragraphs hereof are a part hereof, form a basis for this Guarantee and shall be considered *prima facie* evidence of the facts and documents referred to therein.

Section 17. The Article, Section and Subsection entitlements hereof are inserted for convenience of reference only and shall in no way alter, modify, define, limit, amplify or be used in construing the text, scope or intent of such Articles, Sections or Subsections or any provisions hereof.

Section 18. All sums payable under this Guarantee shall be by wire transfer of immediately available funds, without offset, in lawful money of the United States of America, which shall at the time of payment be legal tender for the payment of public and private debts. All payments shall be remitted to ERCOT's bank account as designated by written notice to Guarantor, whether through demand for payment or otherwise.

Section 19. EACH OF GUARANTOR AND ERCOT, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY KNOWINGLY, INTENTIONALLY, IRREVOCABLY, UNCONDITIONALLY AND VOLUNTARILY, WITH, AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS GUARANTEE OR ANY CONDUCT, ACT, FAILURE TO ACT OR OMISSION OF OR BY ERCOT OR GUARANTOR, OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, PARTNERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH ERCOT OR GUARANTOR, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, OR IN THE ENFORCEMENT OF ANY OF THE TERMS OR PROVISIONS OF THIS GUARANTEE. IT IS AGREED AND UNDERSTOOD BY EACH OF GUARANTOR AND ERCOT THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS

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AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS GUARANTEE. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY GUARANTOR AND ERCOT, AND EACH OF GUARANTOR AND ERCOT HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. EACH OF GUARANTOR AND ERCOT FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS GUARANTEE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 20. Guarantor agrees to pay to ERCOT, upon demand, all out-of-pocket costs and expenses, including reasonable third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

Section 21. For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties are set forth on the signature page of this Guarantee.

Section 22. This Guarantee shall bind the successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns pursuant to the terms of the Agreement. The Guarantor may not assign its rights nor delegate its obligations under this Guarantee, in whole or in part, without the prior written consent of ERCOT, and any purported assignment or delegation absent such consent is void, except for an assignment and delegation of all of the Guarantor's rights and obligations hereunder in whatever form the Guarantor determines may be appropriate to a partnership, corporation, trust or other organization in whatever form that succeeds to all or substantially all of the Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise to the satisfaction of ERCOT in its sole discretion. Upon written acknowledgment of said assumption in accordance with the foregoing to the satisfaction of ERCOT, the Guarantor shall be relieved of and fully discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

Section 23. No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

Section 24. This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of Participant.

Participant: _____
[Name of Participant]
a _____
[Type of entity/jurisdiction of organization]

Effective Date of Standard Form Market Participant Agreement: _____, 200__.

CREDIT SUPPORT AMOUNT: \$_____

ATTACHMENT A

EXECUTED by GUARANTOR this ____ day of _____, 200__:

[Name of Guarantor]

Address: _____

a _____
[Type of entity/jurisdiction of organization]

Telephone: _____

Facsimile: _____

By: _____
Name: _____
Title: _____

ACCEPTED by ERCOT this ____ day of _____, 200__:

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Address: 7620 Metro Center Drive
Austin, Texas 78744
[For notice and payment]

By: _____
Name: _____
Title: _____

Telephone: _____
Facsimile: 512.225.7020

**FOREIGN MARKET PARTICIPANT GUARANTEE AGREEMENT**

This GUARANTEE (this “*Guarantee*”) is made by the undersigned entity (together with its permitted successors and assigns, the “*Guarantor*”) in favor of ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. (together with its successors and assigns, “*ERCOT*”).

Recitals

A. ERCOT has entered into a Standard Form Market Participant Agreement (as the same may be modified through the procedure for modifying ERCOT Protocols described in the ERCOT Protocols, “*Agreement*”) with the Market Participant identified on the signature page hereof (together with its permitted successors and permitted assigns, the “*Participant*”).

B. Pursuant to the Agreement and the related ERCOT Protocols (as such term is defined in the Agreement), ERCOT may extend credit to Participant from time to time.

C. It is expressly agreed and understood by and among Participant, ERCOT and Guarantor that: (1) the execution and delivery to ERCOT of this Guarantee is a condition precedent to ERCOT entering into the Agreement, the continuation of transactions with Participant pursuant to the Agreement and the extension of credit to Participant pursuant to the Agreement and the related ERCOT Protocols, (2) ERCOT has relied, and will continue to rely, upon this Guarantee in entering into transactions as contemplated by the Agreement and the related ERCOT Protocols, and (3) ERCOT would not enter into the Agreement, or otherwise enter into or continue transactions with Participant, without this Guarantee.

D. [ALTERNATIVE 1 FOR GENERAL USE] The value of the consideration and benefit received and to be received by Guarantor, directly or indirectly, as a result of ERCOT entering into the Agreement and Guarantor executing and delivering this Guarantee, is reasonably worth at least as much as the liability and obligation of Guarantor hereunder, and the extension of credit to Participant pursuant to the Agreement has or may reasonably be expected to benefit the Guarantor directly or indirectly.

D. [ALTERNATIVE 2 FOR USE WITH EXPRESS FINANCE DEPARTMENT APPROVAL AND INDEPENDENT THIRD-PARTY GUARANTOR] Pursuant to that certain [INSERT TITLE OF AGREEMENT] (“*Reimbursement Agreement*”), Guarantor has contracted with Participant for the express purpose of providing this Guarantee for the benefit of ERCOT.

E. In connection with the foregoing, Guarantor desires to guarantee to ERCOT the prompt and full payment of the Obligations (as defined below) upon the terms and conditions contained in this Guarantee.

Agreements

Section 1. In consideration of credit heretofore or hereafter granted by ERCOT to Participant pursuant to the Agreement or the related ERCOT Protocols, Guarantor hereby unconditionally, absolutely and, subject to the express provisions of Sections 9 and 20 hereof, irrevocably guarantees to ERCOT, as a primary obligor and not as a surety, the punctual payment when due (subject to any grace period applicable to the Obligations (as defined below)), whether on a scheduled date, by lapse of time, by acceleration of maturity, or otherwise any and all of the Obligations. As used in this Guarantee, the term “*Obligations*” means, collectively: (a) any and all indebtedness, liabilities and sums of money now or hereafter due or owing to ERCOT pursuant to, or arising under, the Agreement, the ERCOT Protocols or any of the ERCOT market and operating guides, including (without limitation) all scheduling, operating, planning, reliability and settlement policies, rules, guidelines and procedures

established from time to time in ERCOT; (b) any and all interest and out-of-pocket expenses (including reasonable attorneys' fees) contemplated to be paid by Participant pursuant to the Agreement, the ERCOT Protocols or any of the ERCOT market and operating guides, in each instance whether or not allowed under any Debtor Relief Law (including all post-petition interest accruing after the commencement of any bankruptcy or insolvency proceeding by or against Participant, whether or not allowed in such proceeding), and all other amounts that would be part of the Obligations but for the operation of Debtor Relief Laws; (c) all assessments and other amounts required to be paid by Participant to ERCOT in order to maintain the Agreement and the ability to conduct business with ERCOT notwithstanding the continuing right of Participant to dispute, contest or pursue rights of setoff of such assessments and other amounts pursuant to the alternative dispute resolution provisions of the ERCOT Protocols; and (d) all costs, expenses and fees, including, without limitation, court costs and attorneys' fees, arising in connection with the collection of any or all amounts, indebtedness, obligations and liabilities of Participant to ERCOT described in clauses (a) through (c) of this sentence. For purposes of this Guarantee, the term "**Debtor Relief Laws**" shall mean Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts, or other debtor relief, or similar laws affecting the rights of creditors.

Section 2. Notwithstanding the foregoing, the maximum amount of the Obligations for which Guarantor shall be liable hereunder shall not exceed the sum of the following from time to time: (a) the then-applicable Credit Support Amount (as defined below); plus (b) interest in respect of the Obligations (to the extent permitted by applicable state law, the Agreement, the ERCOT Protocols or any of the ERCOT market and operating guides) for periods after the date on which written demand is made for payment hereunder by ERCOT; plus (c) Expenses (as defined below). For purposes of this Guarantee, the term "**Credit Support Amount**" shall mean the amount designated as such on the signature page to this Guarantee as the same may be increased or decreased by written agreement between the Guarantor and ERCOT.

Section 3. Guarantor is liable for the full payment of the Obligations, subject to the limitation provided in Section 2, as a primary obligor. This is a continuing guarantee for payment and not of collection. Guarantor acknowledges and agrees that Guarantor may be required to pay the Obligations in full without assistance or support from Participant or any other person. Guarantor agrees that if all or any part of the Obligations shall not be punctually paid when due (subject to any grace period applicable to the Obligations), whether on the scheduled payment date, by lapse of time, by acceleration of maturity or otherwise, Guarantor shall pay promptly the amount due on the Obligations to ERCOT at its address as set forth on the signature page hereto. ERCOT may, but shall have no obligation to, make a demand(s) at any time coincident with or after the time for payment of all or part of the Obligations, and such demand(s) may be made from time to time with respect to the same or different items of the Obligations; provided, however, that the failure of ERCOT to make a demand shall neither relieve nor discharge Guarantor in any respect of its obligations under the Guarantee to pay the Obligations promptly when due. If made, any demand shall be made, given and received in accordance with the notice provisions hereof. Guarantor's obligations hereunder are absolute and immediate without requirement of any notice whatsoever, and all requirements of notice are hereby waived.

Section 4. If Guarantor is or becomes liable for any indebtedness or obligations owing by Participant to ERCOT other than through this Guarantee, the liability of Guarantor for such other indebtedness shall not in any manner be impaired or affected hereby or the limits contained herein, and the rights of ERCOT hereunder shall be cumulative of any and all other rights that ERCOT may have against Guarantor. If Participant is or becomes indebted to ERCOT for any indebtedness other than the Obligations, any payment received or recovery realized upon any such other indebtedness of Participant

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to ERCOT may be applied, in ERCOT's sole discretion, to indebtedness of Participant to ERCOT other than the Obligations, except to the extent paid by the Guarantor specifically in respect of the Obligations or as otherwise required by Law or written agreement of ERCOT to be applied to the Obligations. This Guarantee is independent of, and shall not be limited by, any other guaranty or collateral posted by or on behalf of Guarantor, in each instance whether now existing or hereafter given. Further, Guarantor's liability under this Guarantee is in addition to any and all other liability Guarantor may have in any other capacity, including, without limitation, its capacity as a general partner or managing member of Participant.

Section 5. Guarantor hereby expressly waives: (a) any right to revoke this Guarantee with respect to the Obligations except set forth in Section 9 below; (b) any right relating to the timing, manner or conduct of ERCOT's enforcement of rights against Participant's assets or any collateral from time to time pledged by, or on behalf of, Participant to secure the Obligations; (c) if Guarantor and Participant (or any other person) have each pledged assets to secure the Obligations, any right to require ERCOT to proceed first against collateral pledged by Participant (or any other person) before proceeding against the collateral pledged by Guarantor; (d) promptness, diligence, notice of any default, notice of nonpayment or nonperformance, notice of acceleration or intent to accelerate, acceptance or notice of acceptance of this Guarantee, presentment, protest, notice of protest, notice of dishonor, notice of the incurring by Participant of additional indebtedness, notice of any suit or other action by ERCOT against Participant or any other person, any notice to any person liable for the obligation which is the subject of the suit or action, and all other notices and demands with respect to the Obligations and this Guarantee; (e) any and all rights to which it may be entitled by virtue of the laws of the State of Texas governing suretyship and guarantees, including, without limitation, any rights under Rule 31, Texas Rules of Civil Procedure, Section 17.001 of the Texas Civil Practice and Remedies Code and Chapter 34 of the Texas Business and Commerce Code, as any or all of the same may be amended or construed from time to time, or the common law of the State of Texas at all relevant times; and (f) any defense due to the Guarantor's failure to review the activities of Participant or any changes in the Agreement, the ERCOT Protocols or the related ERCOT market and operating guides (it being acknowledged and agreed that Guarantor bears all responsibility for monitoring the activities of the Participant in the ERCOT markets). In furtherance of the foregoing, Guarantor agrees that (i) it is not necessary for ERCOT, in order to enforce Guarantor's payment hereunder, first to proceed against Participant or resort to any collateral, security or other guarantors or obligors, if any, or pursue any other remedy available to ERCOT with respect to the Obligations and (ii) any collateral, security or obligations of any other guarantors or obligors, if any, may be sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice to, or further assent from, Guarantor.

Section 6. The obligations of Guarantor hereunder are absolute and unconditional irrespective of: (a) the invalidity or unenforceability of the Agreement due to the application of Debtor Relief Laws, (b) any substitution, release or exchange of any other guaranty of, or security for, any of the Obligations, and (c) the existence or terms of any other agreements between Guarantor and any party, including Participant.

Section 7. All rights of Guarantor to proceed against Participant in respect of payment hereunder, by subrogation or otherwise (a) are hereby subordinated and deferred to and until the full and final payment and discharge of the Obligations and (b) Guarantor may not exercise any rights it may acquire by way of subrogation under this Guarantee, by payment made hereunder or otherwise, until all of the Obligations then due and payable have been fully and finally paid. Subject to the subordination herein provided, with respect to any payments made by Guarantor to ERCOT under this Guarantee, Guarantor may succeed to any rights of Participant under the Agreement and the ERCOT Protocols. Guarantor does

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not waive or release any rights of subrogation, reimbursement or contribution which Guarantor may have after full and final payment of the then due and unpaid Obligations.

Section 8. All remedies, rights, powers and privileges granted to ERCOT pursuant to this Guarantee are cumulative. The exercise of any or all such rights by ERCOT shall not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor. No failure or delay by ERCOT in exercising any remedy, right, power or privilege pursuant to this Guarantee shall operate as a waiver, and any such remedy, right, power or privilege may be exercised by ERCOT at any time. No partial exercise of any such rights shall preclude further exercise or the exercise of any other remedy, right, power or privilege. No notice or demand by ERCOT upon Guarantor or any other guarantor of the Obligations shall preclude ERCOT from taking further action without notice or demand.

Section 9. The term of this Guarantee shall be for a period of one (1) year, commencing on the date set forth below. Notwithstanding the foregoing, this Guarantee may be terminated by Guarantor at any time by a written notification of termination given by Guarantor to ERCOT at the address shown below. Such termination shall be effective thirty (30) days after the receipt by ERCOT of such notification of termination. Guarantor acknowledges that this Guarantee applies to all Obligations arising or committed to prior to the effective date of the termination of this Guarantee, whether by notification of termination, or by expiration of the term. Notwithstanding any other provision in this Guarantee, this Guarantee shall continue in effect or shall be reinstated if at any time payment, or any part thereof, made by Participant to ERCOT during the term of this Guarantee with respect to any of the Obligations is rescinded, or must otherwise be repaid by ERCOT as a result of application of any Debtor Relief Laws.

Section 10. Guarantor hereby represents and warrants to ERCOT, which representations shall be deemed repeated continually during the term hereof that:

(a) this Guarantee is duly authorized and valid, and is binding upon and enforceable against Guarantor (subject, in each instance, to the effect of applicable Debtor Relief Laws);

(b) the execution and delivery of, and the performance by Guarantor of its obligations under this Guarantee do not contravene (i) any provision of the Guarantor's organizational, constituent or governing documents, or (ii) any law, regulation, decree, order, judgment, resolution or any contractual restriction binding on Guarantor or its assets that could affect, in a materially adverse manner, the ability of the Guarantor to perform any of its obligations hereunder;

(c) Guarantor (i) is duly organized, validly existing, and in good standing under the laws of the state of its organization and (ii) and has full power and authority to enter into, and to perform its obligations under, this Guarantee;

(d) there is no litigation pending or, to the knowledge of Guarantor, threatened, before or by any tribunal against or affecting Guarantor which seeks to limit, prevent, enjoin or delay the Guarantor's performance of its obligations under this Guarantee, except as may be disclosed in the Guarantor's filing with the Securities and Exchange Commission;

(e) no bankruptcy or insolvency proceedings are pending or contemplated by or against Guarantor under any Debtor Relief Laws;

(f) ***NEITHER ERCOT NOR ANY AFFILIATE OF ERCOT HAS MADE ANY REPRESENTATION, WARRANTY OR STATEMENT TO GUARANTOR IN ORDER TO INDUCE***

GUARANTOR TO EXECUTE THIS GUARANTEE, AND GUARANTOR HEREBY EXPRESSLY WAIVES ANY CLAIM OF FRAUDULENT INDUCEMENT TO EXECUTE THIS GUARANTEE AND FURTHER DISCLAIMS ANY RELIANCE ON STATEMENTS OR REPRESENTATIONS OF ERCOT OR ANY AFFILIATE OF ERCOT IN WAIVING SUCH A CLAIM; and

(g) Guarantor has, independently and without reliance upon ERCOT, and based upon such documents and information as Guarantor has deemed appropriate, made its own analysis and decision to enter into this Guarantee.

Section 11. Guarantor hereby further covenants and agrees to ERCOT that:

(a) Guarantor will keep itself fully apprised of Participant's financial and business condition, and Guarantor shall be responsible, to the extent deemed necessary or advisable by Guarantor, for obtaining for itself information regarding Participant, the Agreement, the ERCOT Protocols and the ERCOT market and operating guides, and Guarantor acknowledges and agrees that ERCOT shall have no duty at any time to notify Guarantor of any information which ERCOT may have or acquire concerning Participant or to investigate or inform Guarantor of the financial or business condition or affairs of Participant or any change therein; and

(b) Guarantor's representations, warranties, covenants, waivers and agreements set forth in this Guarantee are a material inducement to ERCOT to enter into the Agreement and extend credit to Participant and shall survive the execution hereof and any bankruptcy, foreclosure, transfer of security or other event affecting Participant, Guarantor, any other person, or any security for all or any part of the Obligations.

Section 12. This Guarantee is executed and delivered as an incident to transaction negotiated and consummated in Travis County, Texas, and shall be governed by and construed in accordance with the Laws of the State of Texas, other than the conflicts of laws principles thereof.

Guarantor, for itself and its successors and assigns, hereby irrevocably agrees:

(a) (i) to submit to the non-exclusive jurisdiction of the state and federal courts in the State of Texas, (ii) to waive, to the fullest extent permitted by Law, any objection that may now or in the future have as to the venue of any action, proceeding or litigation arising out of or in connection with this Guarantee brought in the District Court of Travis County, Texas, or in the United States District Court for the Western District of Texas, Austin Division, and (iii) that any legal action or proceeding against Guarantor arising out of or in connection with this Guarantee may be brought in any one of the foregoing courts. Guarantor hereby agrees that service of process upon Guarantor may be made by certified or registered mail, return receipt requested, at its address specified herein, or at the address of its Process Agent (as defined in Section 25 hereof). Nothing herein shall affect the right of ERCOT to serve process in any other manner permitted by law or shall limit the right of ERCOT to bring any action or proceeding against Guarantor or with respect to any of Guarantor's property in courts in other jurisdictions. Any action or proceeding by Guarantor against ERCOT shall be brought only in a court located in Travis County, Texas. The scope of each of the foregoing waivers is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Guarantor acknowledges that these waivers are a material inducement to ERCOT's agreement to enter into the Agreement, that ERCOT has already relied on these waivers and will continue to rely on each of these waivers in related future dealings. The waivers in Section

12 are irrevocable on the part of both ERCOT and Guarantor and may not be modified without the agreement of both ERCOT and Guarantor in writing as required pursuant to Section 23 below; these waivers apply to any future renewals, extensions, amendments, modifications, replacements or renewals of this Guarantee; or, alternatively,

(b) to resolve any dispute relating in any manner to this Guarantee through binding arbitration. Arbitration proceedings shall be conducted pursuant to the International Arbitration Rules of the American Arbitration Association (AAA) in effect at the time the dispute first arises, by one (1) or three (3) arbitrator(s) appointed in accordance with such Rules within ten (10) calendar days of submission of the dispute. The number of arbitrators forming the arbitral panel shall be mutually agreed upon by the parties, but if they cannot agree, then the AAA shall determine same. The arbitration shall be held in such city as is agreed upon by the parties, but if they cannot agree, then such arbitration shall be held in Austin, State of Texas, United States of America. The arbitration shall be conducted simultaneously in English and in the primary language of Guarantor. The English version of this Guarantee shall be the controlling document in the arbitration proceeding. The procedural laws of the civil district courts of the State of Texas, U.S.A. shall govern the arbitral proceeding regardless of the situs of the arbitration. The arbitral panel shall set a limited time period and establish procedures designed to reduce the cost and time for discovery, while allowing the parties an adequate opportunity, in the discretion of the arbitral panel, to discover relevant information from opposing parties about the subject matter of the dispute. The arbitral panel shall award actual damages to the prevailing party, but may not award any special, indirect, punitive or consequential damages nor reasonable attorneys' fees and arbitration costs to either party. The arbitral award shall fully and finally settle the dispute. Recognition and enforcement of the arbitral award shall be governed by the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Judgment upon the award may be entered in any court in any country, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the law of such jurisdiction may require or allow. Each party shall bear its own costs and fees, including, but not limited to its share of any arbitration fees, unless otherwise ordered by the arbitrator(s).

BY AGREEING TO BINDING ARBITRATION, EACH OF THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM. FURTHERMORE, WITHOUT INTENDING IN ANY WAY TO LIMIT THIS AGREEMENT TO ARBITRATE, TO THE EXTENT ANY CLAIM IS NOT ARBITRATED, EACH OF THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF SUCH CLAIM. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS GUARANTEE.

Section 13. If any provision of this Guarantee or the application thereof to any person or circumstance shall, for any reason and to any extent, be judicially declared to be invalid or unenforceable, then neither the remaining provisions of this Guarantee nor the application of such provision to any other person or circumstance shall be affected thereby, and the remaining provisions of this Guarantee, or the applicability of such provision to other persons or circumstances, as the case may be, rather shall remain in effect and be enforceable to the maximum extent permitted by applicable law.

Section 14. From time to time, at the reasonable request of ERCOT, Guarantor will (a) promptly correct any ministerial or administrative defect, error or omission which may be discovered in the contents of this Guarantee; (b) execute, acknowledge and deliver (or cause to be executed, acknowledged and delivered) such further documents and instruments and perform such further acts and

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provide such further assurances as may be necessary, desirable, or proper, in ERCOT's opinion, (i) to carry out more effectively the purposes of this Guarantee and the transactions contemplated hereunder, or (ii) to confirm the continuation of the rights created under this Guarantee for the benefit of ERCOT, including reaffirmation of the obligations hereunder from time to time upon the renewal hereof and the applicability of any changes in the Credit Support Amount.

Section 15. Time is of the essence in this Guarantee with respect to all of Guarantor's obligations hereunder.

Section 16. The recitals and introductory paragraphs hereof are a part hereof, form a basis for this Guarantee and shall be considered *prima facie* evidence of the facts and documents referred to therein.

Section 17. The Article, Section and Subsection entitlements hereof are inserted for convenience of reference only and shall in no way alter, modify, define, limit, amplify or be used in construing the text, scope or intent of such Articles, Sections or Subsections or any provisions hereof.

Section 18. Each of Guarantor and ERCOT hereby agrees that:

(a) All sums payable under this Guarantee shall be by wire transfer of immediately available funds, without offset, in lawful money of the United States of America, which shall at the time of payment be legal tender for the payment of public and private debts. All payments shall be remitted to ERCOT's bank account as designated by written notice to Guarantor, whether through demand for payment or otherwise.

(b) All references in this Guarantee to sums denominated in dollars or with the symbol "\$" refer to the lawful currency of the United States of America. If, for the purposes of obtaining or enforcing judgment against Guarantor in any court in any jurisdiction in connection with this Guarantee, it becomes necessary to convert into any other currency (such other currency being referred to as the "**Judgment Currency**") an amount due in any currency ("**Obligation Currency**") other than the Judgment Currency under this Guarantee, the conversion shall be made at the rate of exchange prevailing on the Business Day immediately preceding the date of actual payment of the amount due, in the case of any proceeding in the courts of the State of Texas or in the courts of any other jurisdiction that would give effect to such conversion being made on such date, or, the date on which the judgment is given, in the case of any proceeding in the courts of any other jurisdiction (the applicable date as of which such conversion is made pursuant to this paragraph being hereinafter referred to as the "**Judgment Conversion Date**"). If, in the case of any proceeding in the court of any jurisdiction referred to in the preceding sentence, there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual receipt for value of the amount due, Guarantor shall pay such additional amount (if any and in any event not a lesser amount) as may be necessary to ensure that the amount actually received in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of the Judgment Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgment Conversion Date. The term "rate of exchange" in this paragraph means the spot rate of exchange at which ERCOT would, on the relevant date at or about 12:00 noon, be prepared to sell the Obligation Currency against the Judgment Currency.

Section 19. EACH OF GUARANTOR AND ERCOT, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY KNOWINGLY, INTENTIONALLY, IRREVOCABLY, UNCONDITIONALLY AND VOLUNTARILY, WITH, AND UPON THE ADVICE

OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS GUARANTEE OR ANY CONDUCT, ACT, FAILURE TO ACT OR OMISSION OF OR BY ERCOT OR GUARANTOR, OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, PARTNERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH ERCOT OR GUARANTOR, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, OR IN THE ENFORCEMENT OF ANY OF THE TERMS OR PROVISIONS OF THIS GUARANTEE. IT IS AGREED AND UNDERSTOOD BY EACH OF GUARANTOR AND ERCOT THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS GUARANTEE. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY GUARANTOR AND ERCOT, AND EACH OF GUARANTOR AND ERCOT HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. EACH OF GUARANTOR AND ERCOT FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS GUARANTEE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 20. Guarantor agrees to pay to ERCOT, upon demand, all out-of-pocket costs and expenses, including reasonable third-party attorneys' fees, that may be incurred by ERCOT in attempting to cause satisfaction of Guarantor's liability under this Guarantee ("*Expenses*").

Section 21. For purposes of giving any notices hereunder, the addresses, telephone numbers, and facsimile numbers of the parties and the Guarantor's email address are set forth on the signature page of this Guarantee. Such information regarding a party may be changed by such party by written notice to the other party. In addition, Guarantor shall maintain, at all times, a registered agent in Texas (the "Process Agent"). Guarantor hereby irrevocably appoints its Process Agent as its true and lawful agent and attorney-in-fact in its name, place and stead to accept such service of any and all writs, processes and summonses. Guarantor further agrees that the failure of its Process Agent to give any notice of any such service of process to Guarantor shall not impair or affect the validity of such service or of any judgment based thereon. Guarantor consents and agrees that such service shall constitute in every respect, valid and effective service. Guarantor's Process Agent in Texas is set forth on the signature page of this Guarantee, and Guarantor shall provide ERCOT with written notification of any change of its Process Agent or the address thereof.

Section 22. This Guarantee shall bind the successors and assigns of Guarantor and shall inure to the benefit of ERCOT, its successors and assigns pursuant to the terms of the Agreement. The Guarantor may not assign its rights nor delegate its obligations under this Guarantee, in whole or in part, without the prior written consent of ERCOT, and any purported assignment or delegation absent such consent is void, except for an assignment and delegation of all of the Guarantor's rights and obligations hereunder in whatever form the Guarantor determines may be appropriate to a partnership, corporation, trust or other organization in whatever form that succeeds to all or substantially all of the Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise to the satisfaction of ERCOT in its sole discretion. Upon written acknowledgment of said assumption in accordance with the foregoing to the satisfaction of ERCOT, the Guarantor shall be relieved of and fully

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discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

Section 23. No modification of this Guarantee or waiver shall be valid unless in writing and signed by ERCOT and Guarantor and then only to the extent specifically set forth in such writing.

Section 24. This Guarantee supersedes and terminates any prior guarantee to ERCOT by Guarantor on behalf of Participant.

Participant: _____
[Name of Participant]
a _____
[Type of entity/jurisdiction of organization]

Effective Date of Standard Form Market Participant Agreement: _____, 200__.

CREDIT SUPPORT AMOUNT: \$_____

EXECUTED by GUARANTOR this ____ day of _____, 200__:

[Name of Guarantor]
a _____
[Type of entity/jurisdiction of organization]

Address: _____

Telephone: _____

By: _____

Name: _____
Title: _____

Facsimile: _____
Email _____ Address: _____

Guarantor's Process Agent in Texas:

By: _____
Name: _____
Title: _____
Address: _____

ACCEPTED by ERCOT this ____ day of _____, 200__:

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. Address: 7620 Metro Center Drive

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Austin, Texas 78744
[For notice and payment]

By: _____
Name: _____
Title: _____

Telephone: _____
Facsimile: 512.225.7020

Questions ?

For discussion

For discussion

- 2009 base operating budget approved by the Board in May 2008 assuming completion of the Nodal Program by December 2008
- Implementation of the nodal market will not be completed as assumed in the approved 2009 base operating budget
- Management will seek revised budgetary spending authority for 2009 as a result of the delay in implementation of the Nodal Program

- The schedule is very tight.
- There is no room for slippage of upstream activity.
- If all tasks are completed on time, the F&A and Board will be asked to approve a summary budget in December 2008 with more detailed, supporting budget documents to be provided in January 2009.
- If tasks are delayed, the F&A and Board may be asked to approve a one month budget in December 2008 (for activity in January 2009) and then approve the full, revised 2009 budget in January 2009.

12. Budget Planning – Updated 2009 Base Operating Budget

Mike Petterson

Date	2009 Revised Budget Preparation, Review and Approval Task
Friday, Oct. 10	Receive preliminary, revised 2009 Project Priority List (PPL) for base operations
Friday, Oct. 17	Receive preliminary, revised Nodal Program schedule, resource requirement plan, and budget
Monday, Oct. 20 - Wednesday, Oct. 22	Prepare consolidated resource requirement templates for all ERCOT departments
Thursday, Oct. 23 - Friday, Nov. 7	Calculate and compile categorical departmental budgets Conduct budget review meetings with departmental managers, directors, and officers
Monday, Nov. 10	Prepare and present to the executive team the preliminary, revised consolidated 2009 base operating budget and PPL
Tuesday, Nov. 11 - Friday, Nov. 14	Discuss with departmental managers and directors budget modifications, questions, and issues identified by the executive team
Wednesday, Nov. 19 - Friday, Nov. 21	Receive and verify revised resources requirement plans for the Nodal Program and PPL in 2009 Adjust, as necessary, the preliminary, revised 2009 base operating budget and PPL
Monday, Nov. 24	Prepare and present to the executive team the preliminary, revised and consolidated 2009 base operating budget and PPL
Monday, Oct. 20 - Friday, Nov. 28	<u>Special Nodal Program Committee</u> At times to be established by the members of the Special Nodal Program Committee, review and approve the management recommended, revised Nodal Program schedule, resource requirement plan, and budget
Friday, Nov. 28	Receive final Nodal Program schedule, resource requirement plans and budget as approved by the Special Nodal Program Committee of the ERCOT Board of Directors Adjust, as necessary, the preliminary, revised 2009 base operating budget and PPL
Monday, Dec. 1	Prepare and present to the executive team the final, revised 2009 base operating budget and PPL
Tuesday, Dec. 2	Distribute the management recommended, revised 2009 base operating budget and PPL to the members of the ERCOT Board of Directors
Tuesday, Dec. 9	<u>Finance & Audit Committee and Public Input Meeting</u> Discuss, review, and obtain from the Finance & Audit Committee a recommendation for approval by the ERCOT Board of the revised 2009 base operating budget and PPL (Vote) <u>Board of Directors Meeting</u> Discuss and review the revised 2009 base operating budget and PPL recommended by the Finance & Audit Committee Obtain approval from the ERCOT Board for the revised 2009 base operating budget and PPL (Vote)

12. Budget Planning – 2010 Base Operating Budget

Mike Petterson

Date	2010 Budget Preparation, Review and Approval Task
Monday, Apr. 13	Discuss with Executive Team the 2010 Strategic Plan & Budget
Monday, May 4	Prepare and present to the Executive Team the 2010 strategic planning & budgeting assumptions
Tuesday, May 19	<p><u>Finance & Audit Committee Meeting</u> Discuss and review the 2010 Budget/PPL Status Update</p> <p><u>Board of Directors Meeting</u> Discuss and review with the Board the strategic planning & budgeting assumptions (briefing & request for public comment)</p>
Thursday, Jun. 4	Prepare and present to Management the 2010 budget schedule and assumptions
Friday, Jun. 5 - Friday, Jun. 19	Managers prepare departmental budget requests and review with respective Director/VP
Tuesday, Jun. 9	Present and discuss with PUCT Staff the 2010 budget assumptions & timeline
Friday, Jun. 19	Managers submit departmental budget requests to Budget team
Monday, Jun. 22 - Friday, Jun. 26	Calculate & compile DRAFT Categorical Budget (Budget team)
Monday, Jun. 29 - Friday, Jul. 3	Review preliminary budget by Office with VP/Director/Manager and revise budgets (as necessary)
Monday, Jul. 6	Prepare and present consolidated schedules to the Executive Team for review
Monday, Jul. 6	Begin testimony preparation
Tuesday, Jul. 7 - Friday, Jul. 10	Work with Management Team to incorporate final adjustments
Monday, Jul. 13	Prepare and present consolidated schedules to the Executive Team for review
Tuesday, Jul. 21	<p><u>Finance & Audit Committee and Public Input Meeting</u> Prepare and present to the Finance & Audit Committee the Preliminary Budget/PPL (<i>Courtesy copy to all Board members</i>)</p>
Wednesday, Jul. 22 - Friday, Aug. 7	Distribute the consolidated schedules to PUCT Staff for review
Monday, Aug. 3	Prepare and present consolidated schedules to the Executive Team for review
Tuesday, Aug. 4	<p><u>Finance & Audit Committee Special Meeting</u> Discuss and review the 2010 Budget with the Finance & Audit Committee</p>
Friday, Aug. 7	Submit first draft of testimony
Monday, Aug. 10	Prepare and present consolidated schedules to the Executive Team for FINAL review
Tuesday, Aug. 18	<p><u>Board of Directors Meeting</u> Obtain Finance & Audit Committee recommendation for approval by the ERCOT Board of the 2010 Budget and discuss and review with the ERCOT Board the 2010 base operating budget</p>
Friday, Sept. 11	Finalize testimony
Tuesday, Sept. 15	<p><u>Board of Directors Meeting</u> Obtain approval from the ERCOT Board for the 2010 base operating budget and PPL/Vote</p>
Monday, Sept. 14 - Wednesday, Sept. 23	Review and finalize PUCT Fee Filing
Wednesday, Sept. 30	File fee case with PUCT

Q&A only

ERCOT Market Credit Status

as of 8/31/2008

as of 9/30/2008

Exposure in the ERCOT Market (owed to ERCOT)

QSEs that meet ERCOT Creditworthiness Standards

Ratings over BBB-

# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
9	48,689,494	7%	144,169,255	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	45	422,485,633	62%	646,050,024 S
Guarantee Agreements	18	214,968,756	31%	547,433,082 S
Total Exposure	72	686,143,883	100%	

# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
11	52,249,609	9%	153,577,709	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	53	367,649,882	61%	531,998,991 S
Guarantee Agreements	16	178,761,551	30%	503,233,082 S
Total Exposure	80	598,661,042	100%	

Other QSEs in the ERCOT Market (ERCOT owes)

QSEs that meet ERCOT Creditworthiness Standards

Ratings over BBB-

QSEs that do not meet ERCOT Creditworthiness Standards

Ratings below BBB- or not rated

Cash & Letters of Credit

Guarantee Agreements

9	(11,303,590)	-8%	81,405,958	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	51	(86,082,144)	-57%	41,243,974 S
Guarantee Agreements	7	(52,581,511)	-35%	193,997,000 S
Total	67	(149,967,245)	-100%	

7	(10,345,463)	-20%	73,889,502	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	48	(25,887,119)	-49%	42,028,278 S
Guarantee Agreements	7	(16,674,719)	-32%	184,197,000 S
Total	62	(52,907,301)	-100%	

Total

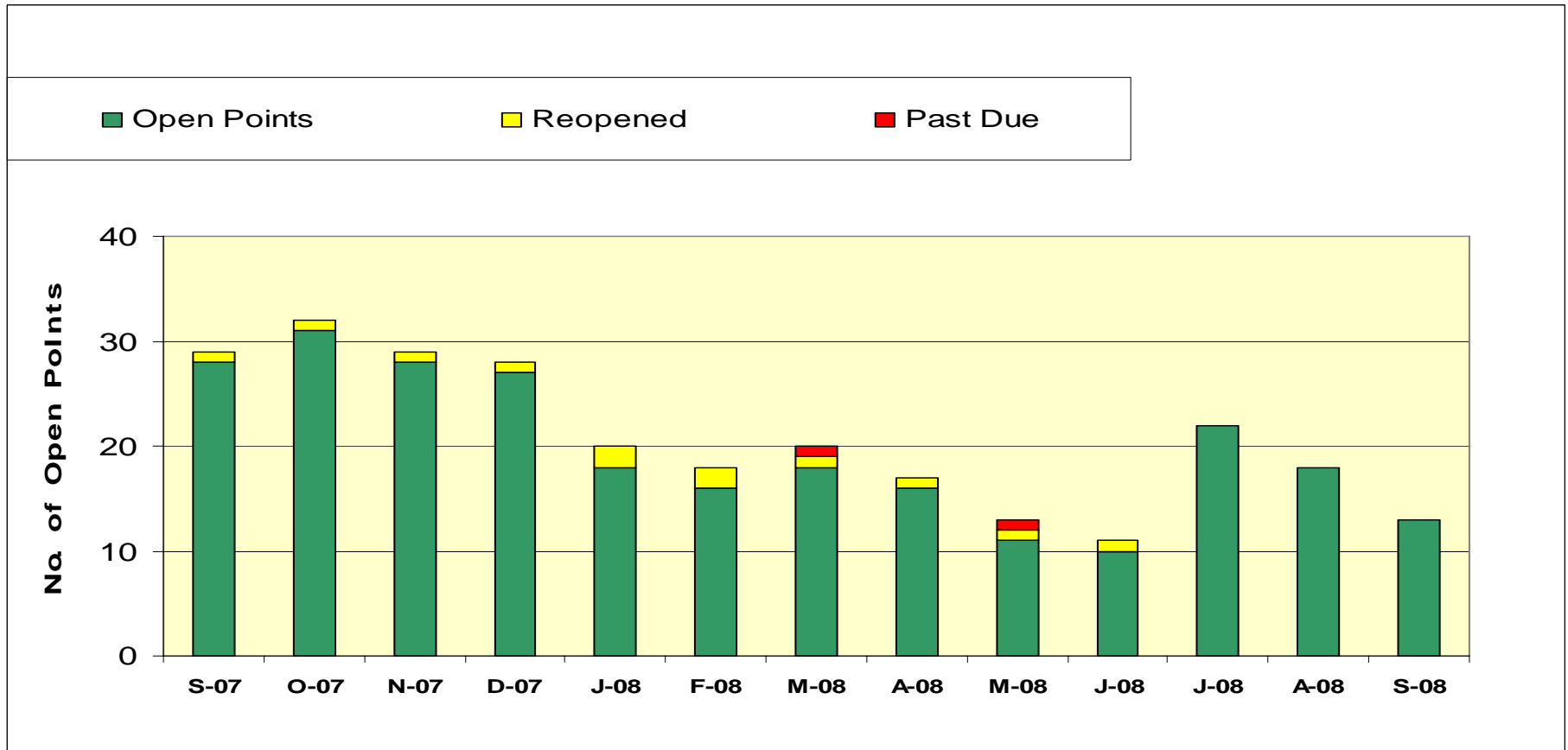
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142

U: Unsecured since these QSEs meet the creditworthiness standards
 S: Secured i.e. required to post collateral since these QSEs do not meet the creditworthiness standards

13. Committee Brief: ICMP – Status of Open Audit Points

Cheryl Moseley



Audits Completed	1	3	1	3	0	2	3	2	3	3	3	1	5
Points Added	4	20	1	5	0	5	11	3	0	6	11	2	0
Points Completed	15	17	4	6	8	7	9	6	4	8	0	6	5

Open audit points projected to be complete by September 30, 2009.

Audits Completed

(last 3 months)

Internal Audits

- REC Program Audits – Austin Energy Pilot Audit (Special Request)
- Nodal Procurement Compliance
- NERC CIP Standards –Procedural Readiness (Special Request – Part 1 of 2)
- Protocol 1.4 Independence Verification
- Internal Controls Tested
- Nodal Contractor Billings
- Q2 2008 Fraud Auditing Program

External Audits*

- Texas Nodal Program Controls – Review #6 (MP Nodal Readiness Evaluation) (IBM -Managed by IAD)
- Benefit Plan Audit (Maxwell, Locke & Ritter)

Open Audits

Internal Audits

- Cash and Investments
- Operational Procedure Compliance
- Vendor-Performed Background Checks & Drug Screens for Contractors
- Q3 2008 Fraud Auditing Program
- Protocol 1.4 Ethics Compliance
- Annual Employee Ethics Compliance Audit
- Retrospective Assessment of IBM's Independent Reviews of Nodal Program Controls (Special Request)

External Audits*

- SAS70 Audit (PricewaterhouseCoopers)

Planned Audits

(next 3 months)

Internal Audits

- PC Remediation Plan (Special Request - Part 2 of 2)
- NERC CIP Standards – Auditable Compliance (Special Request – Part 2 of 2)
- Annual Internal Quality Assessment Review – IIA Standards

External Audits*

- Texas Nodal Program Review- New Schedule and Budget Validation (Report #8; Selection of Vendor to perform Review TBD)
- 2008 Financial Audit (PricewaterhouseCoopers)

*NOTE: Conducted by resources other than the Internal Audit Department.

**Consultation/
Analysis Reports
Completed**
(last 3 months)

External Assessments

1 security assessment

**Open Consultation/
Analysis Reviews**

External Assessments

**Planned Consultation/
Analysis Reviews**
(next 3 months)

External Assessments

1 security assessment
planned for Nodal
1 security assessment
planned

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
RISK MANAGEMENT EVENT PROFILE MATRIX (as of October 1st, 2008)**

Strategic	Operational Excellence	Market Facilitation	Grid Reliability	Reporting	Legal and Regulatory Compliance
Strategy Development Corporate objective setting adequately incorporates informed stakeholder input, market realities and management expertise.	Performance Monitoring Clearly defined and actively monitored performance metrics linked to mission and goals - Performance status communicated and corrective action taken.	Customer Choice Market design promotes efficient choice by customers of energy providers with effective mechanisms to change incumbent market participants as desired.	Grid Operations Information required to operate the grid is efficiently gathered. Appropriate tools are prudently configured to efficiently operate the system.	Review Practices Prudent measures are taken to insure that company disclosures are properly vetted and not misleading.	Legal & Legislative Operations are conducted in compliance with all laws and regulations. Impacts of current and proposed legislation are understood and communicated.
Mission and Goals Corporate objectives and performance standards are understood and followed.	Business Practices Business planning, processes and management standards are effective and efficient.	Nodal Implementation Project Nodal Implementation on budget on schedule, and within defined scope.	Planning Long-range planning methods enable efficient responses to system changes that are necessary to maintain reliability standards.	Disclosure Reporting and other disclosures to intended parties is timely, accurate and effective.	Internal Control Compliance Internal Control Compliance, processes and management standards are effective and efficient.
New Strategic Plan needs to be integrated into the latest business planning cycle.	Revisions to Business Continuity, Emergency Response and Pandemic Preparedness plans completed, approved and tested. DR plans and testing (table top only) completed for commercial/corporate applications except Exchange and Citrix which have a plan but have not been tested. Market Ops BC/DR testing for zonal systems is scheduled for completion by Q2-09. Future efforts will now focus on adding nodal systems to BC/DR Plans to coincide with the start of the 168-hr test. The specific timing of this test will be determined after the revised Nodal Schedule has been approved.	The PMO restructuring is complete. Key ongoing activities include development of a Quality Practice, vendor management and improved risk program. The integrated schedule work has slowed pending the outcome of the new cost benefit analysis as ordered by the PUCT. The Nodal team will complete the final scheduling tasks with TPTF and TAC once analysis is completed. Budget development is underway; final numbers will be communicated in November. Network model management system release 5 is on track for an October 1 delivery to ERCOT. FAT testing to begin after the software is delivered. A data validation team has been formed to deliver a CIM XML file to be used by the EMS and MMS systems. A work plan has been finalized and deliverables identified. The CIM Importer from Areva has been delivered to ERCOT and testing continues in the ERCOT environments. The interface team remains on plan to complete interface release 2.	The Long Term System Assessment (LTSA) work has started. At the July Regional Planning Group meeting, a draft scope of work was discussed and we obtained helpful stakeholder feedback. The PUCT decision on CREZ Scenario 2 was very helpful in defining the starting point for the study. System Planning department staffing has improved, but staff augmentation will be required to complete the LTSA on time.	ERCOT is reviewing the format and content of nodal reporting to insure information is adequate to support BOD governance function.	ERCOT is developing a process to ensure changes to policies/procedures are periodically communicated to all ERCOT staff and contract workers.
Reputation Positive perceptions by stakeholders lead to less cost and greater flexibility resulting in enhanced enterprise value.	Workforce Organization design, managerial and technical skills, bench strength and reward systems aligned with corporate goals.	Counterparty Credit Maintain credit risk exposure for overall market within acceptable limits.	Bulk System Resources Market Participants construct and make available adequate bulk electric grid resources.	Communication Internal & external communications are timely and effective.	Industry Standards Business practices provide stakeholders with required assurances of quality.
Increased publicity associated with the delay of the Nodal market and the potential for associated cost increases, anticipated new fee filings for the nodal surcharge and System Administration fee, high congestion, high price volatility and recent credit defaults have the potential to negatively impact ERCOT's reputation.	Turnover concerns for both contractors and employees due to Nodal delay. The nodal readiness metric for employee staffing (currently at amber, with a 96% of critical nodal positions filled) at risk due to the recent increase of the target to a level of 98% staffing for nodal positions. ERCOT considering incentive programs and succession coverage for critical resources to mitigate this risk. ERCOT is currently recruiting for 35 open positions.	A draft Credit Risk standard has been circulated and is being reviewed with stakeholders. A proposal is expected to be submitted to F&A in November.			Initiation of ERO/TRE reliability standard Compliance Monitoring and Regional Entity Compliance Program in June introduces additional audit and penalty risks which ERCOT is still assessing. Although current decentralized compliance activities are adequate, ERCOT is in the process of centralizing the compliance function to provide more focus on these issues. The Chief Compliance Officer position is posted. The NERC Compliance Audit occurred September 9-12. Draft findings should be published in early October.
Fiscal Management ISO design requires competent, prudent and cost effective provision of services.	Technology Infrastructure Information systems, supporting facilities and data are effectively managed and are reliable.	Administration, Settlement & Billing Market rules fairly applied to all participants. Accounting is timely and accurately reflects electricity production and delivery.	Operational Responsibility Market participant conduct their operations in a manner which facilitates consistent grid reliability.	Adequacy and Integrity Robust processes exist to support management assertions embodied within financial reports.	Regulatory Filings Evidence, testimony and other supporting materials are compelling and successful.
ERCOT previously managed investments of Market Participant and the corporation's surplus cash via The Reserve. ERCOT was notified by The Reserve that there would be delays in the timing of redemptions from the funds due to a combination of larger than normal redemption requests as well as illiquidity in the market due to the on-going credit crisis. ERCOT is actively managing the situation with The Reserve and is working to recover of all invested funds as liquidity returns to the market.	Systems remain stable in nearly all areas. Retail systems struggling to maintain SLA levels, especially Texas Market Link (TML). A solution to improve TML performance on bid submission was implemented successfully and submission times have improved. Data Center constraints will exist until new facilities are built.		Response of generators and LaARs to grid operation events has been improving. Enhanced enforcement of NERC standards and ERCOT Protocols and Operating Guides will exist through the ERO / TRE and IMM which will provide additional incentive for improved performance. Increased wind generation will present additional operational challenges that a study indicated can be met. A joint ERCOT Staff and Market Participant Wind Operations Task Force is addressing several operational issues regarding wind generation and is making recommendations on changes to more reliably integrate wind generation.		ERCOT has withdrawn its fee increase request filed last June with the Public Utility Commission (PUC) in light of the delay in the nodal market implementation.

Year to Date Project Activity by Division

	Phase	Not Started	Initiation	Planning	Execution	Closing	Closed	Totals Excluding Non-Active	Cancelled	On Hold	Deferred	Totals by CART	Go-Live* (To Date)	Projected Go-Live (by Y.E.)
CART	Corporate Operations	8	0	8	10	3	13	42	8	1	4	55	9	11
	IT Operations	0	0	0	6	1	11	18	1	0	0	19	9	15
	Market/Retail Operations	0	1	2	6	2	7	18	1	1	13	33	7	10
	System Operations	0	0	1	3	1	2	7	0	0	0	7	2	5
	Totals by Phase	8	1	11	25	7	33	85	10	2	17	114	27	41
	Total Non-Active								29					

* Note: Some projects in Closing and Closed Status went live in 2007

* Projects Gone Live in September 2008

(SO) PR-50070_01 Phase I Unit Testing Automation and Electronic Submittal

(MORO) PR-40066_04 Lodestar 4.7 Upgrade









13. Committee Brief – PMO

David Troxtell

Year to Date Project Priority List (PPL) Status

PPL Iterations	Origination	Project Phases								Deferred Projects	Subtotal	Grand Total
		Not Started	Initiation	Planning	Execution	Closing	Closed	On Hold	Cancelled			
Original 2008 (October) PPL											64	
	PUCT										0	
	Market				1	1				1	3	
	ERCOT	8		6	13	2	8		8	16	61	
Unexpected Carry Over From 2007											30	
	PUCT										0	
	Market				1		1				2	
	ERCOT			1	5	2	17	2	1		28	
New Projects Added (Since PPL Approval in October 2007)											20	
	PUCT										0	
	Market				1						1	
	ERCOT		1	4	4	2	7		1		19	
2008 PPL Totals to Date											114	
	PUCT	0	0	0	0	0	0	0	0	0	0	
	Market	0	0	0	3	1	1	0	0	1	6	
	ERCOT	8	1	11	22	6	32	2	10	16	108	
Totals by Project Phase		8	1	11	25	7	33	2	10	17	114	

Year to Date Projects Over \$1 Million

(CART) Project Number and Description	Total Budget	Total Committed	Metrics	
(Duration) Phase (Sponsor)	Scheduled Completion		Schedule	Budget
(CO) PR-60075_01: Identity Access Management <i>Schedule stoplight red due to time taken to re-schedule around Nodal 168 hour test. Total committed reduced as a result of an adjusting entry to actuals.</i>	\$2.46M	\$2.19M		
<i>(2006-2009) Currently in Execution (B. Kahn)</i>	<i>Expected Completion 1st Qtr 2009</i>			
(CO) PR-80001_01: (2 sub-projects, PR-80001_02 & PR-80001_03) MET Center Facility Analysis Deployment Phase 2	\$70M	\$609K		
<i>(2008 - 2011) PR-80001_01, PR-80001_02 & PR-80001_03 currently in Planning (B. Kahn)</i>	<i>Expected Completion 4th Qtr 2011</i>			
(MO/RO) PR-70007_01: MarkeTrak Enhancements	\$1.62M	\$1.24M		
<i>(2007-2009) Currently in Execution (T. Doggett)</i>	<i>Expected Completion 1st Qtr 2009</i>			
(IO) PR-70054_01: (1 sub-project, PR-70054_02) Blade Refresh Deployment Phase 2	\$2.50M	\$2.18M		
<i>(2007-2008) PR-70054_01 Currently in Closed & PR-70054_02 Currently in Execution, (R. Hinsley)</i>	<i>Expected Completion 4th Qtr 2008</i>			

13. Committee Brief – PMO David Troxtell

Baseline Budget vs. Actuals for Projects Closed in Lawson for 2008

Project	Description	Year Implemented	Baseline Budget	Actuals	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	Explanation
70044_01	MET Center Analysis	2007	\$ 236,900	\$ 105,765	\$ 131,135	55%	ERCOT labor less than forecasted and consulting fees and contractor costs were 40% less than forecasted. Additionally, should not have included contingency of 10% on the contracted amounts for contractor services and equipment.
60082_01	Dynamic Rating Data to TSP	2007	108,700.0	50,786	57,914	53%	60082_01 was an unusual project. It took much longer than planned to complete, but it also required much less work than expected. The project turned out to be more of a configuration item than a software development project.
70006_01	ERCOT.com Outage Notification	2007	118,400.0	57,612	60,788	51%	Scope split to deliver the remaining work in 70006_02.
70055_01	Additional Production SAN Capacity	2008	1,750,000.0	903,708	846,292	48%	There were significant cost savings regarding hardware due to price negotiations.
70026_01	Virtual Tape Backup	2007	1,350,000.0	768,534	581,466	43%	The \$581,466 variance for the 70026 project was due to price negotiations of hardware. All pricing was negotiated for lower costs than originally expected.
60097	Desk Side Standardization	2007	760,900.0	522,884	238,016	31%	Used internal resources more than anticipated (thus reducing the number of hours worked by contracted resources) for the desk-side systems replacement effort and Altiris redesign effort. Software purchased for hardware-independent imaging reduced the number of internal labor hours required for creating standards.
70037_01	OC-3 Microwave Replacement	2007	326,000.0	229,359	96,641	30%	Change Control 2, processed on December 17th 2007, decreased the project budget from 350,000 to 250,000 which left a budget variance of 8.9%. No re-baseline was requested.
60013_01	Enhanced Digital Certificate Program	2008	228,100.0	168,258	59,842	26%	The reason for the variance on the 60013_01 project was due to credits received from VeriSign in the amount of \$28,229. There was also \$20,135 for servers and operating systems that was not spent due to Nodal purchasing them for the MPIM project.
70005_01	MO SAS 70 Proc Optimization	2008	286,000.0	229,827	56,173	20%	Tasks over estimated by 10% and 10% contingency.
70053_01	Video Teleconferencing	2008	131,800.0	106,747	25,053	19%	Actuals is reduced due to a true-up with Accounting for project closure
60055_01	Enterprise Service Management	2008	1,612,800.0	1,334,826	277,974	17%	Savings through sales tax exemptions, maintenance charges booked to pre-pay accounts. Labor costs lower than budgeted.
70012_01	Secure Remote Access	2008	403,000.0	337,169	65,831	16%	Slight reduction in scope based on problems experienced during rollout with drive mapping, memory utilization on intranet controllers, and issues with VMWare.
70039_01	Risk and Compliance Management	2007	366,800.0	318,583	48,217	13%	Invoices were accrued against the project that should not have been which resulted in the lower actuals.
80022_01	Additional SAN Capacity for Projects	2008	1,950,000.0	1,717,133	232,867	12%	Internal labor costs were lower than budgeted because the project was completed early.
60099_01	TCC2 Finish-out and Annex Construction	2007	2,362,000.0	2,142,026	219,974	9%	
70050_01	EIS ETL Tool Implementation	2007	478,500.0	442,473	36,027	8%	
50031	EDW EMMS Decommission	2007	485,600.0	476,864	8,736	2%	
50123_03	Document Management - Ph III	2007	137,400.0	141,913	(4,513)	(3)%	
50024	Enhancements to SCR727	2007	1,607,300.0	1,674,678	(67,378)	(4)%	
70013_01	Corporate Document Management	2008	69,700.0	72,878	(3,178)	(5)%	
70035_01	REC 2007	2008	146,300.0	159,280	(12,980)	(9)%	

13. Committee Brief – PMO

David Troxtell

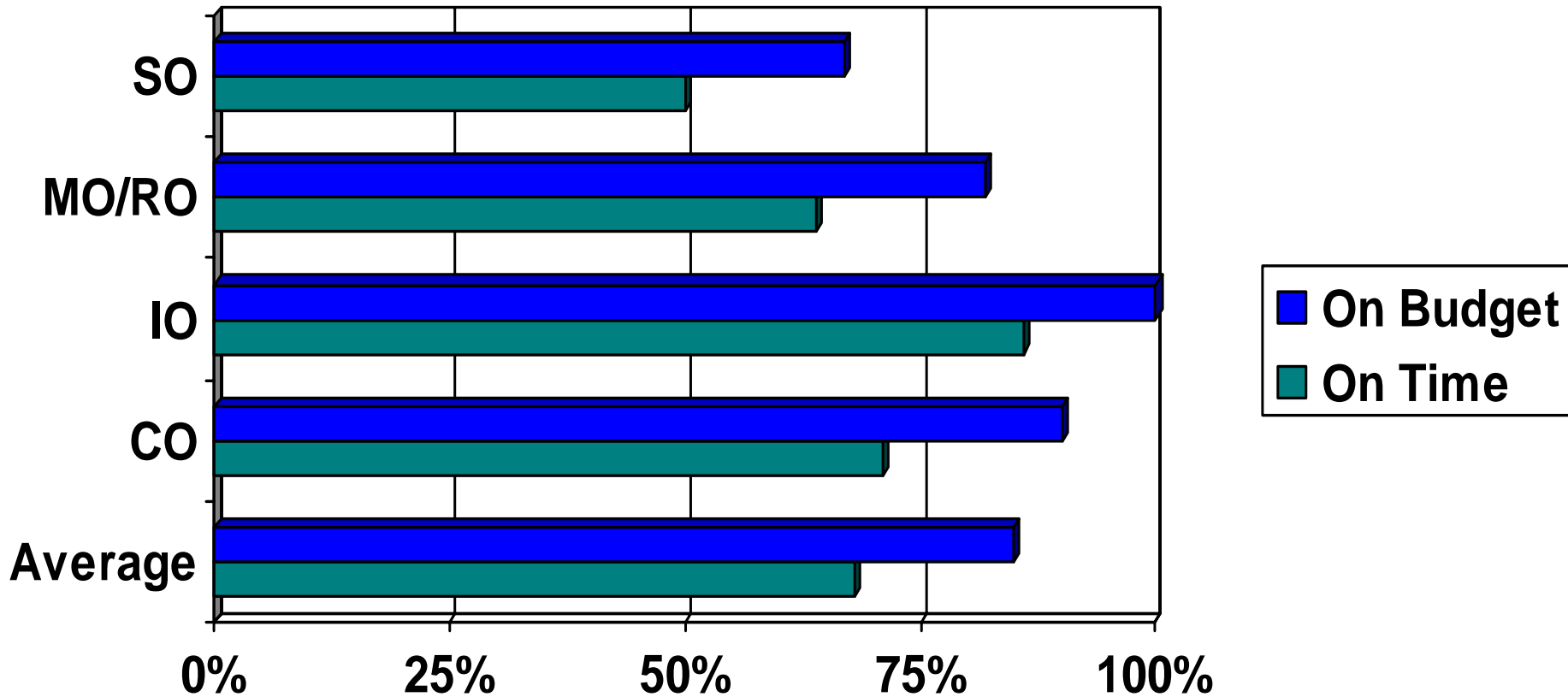
Baseline Budget vs. Actuals for Projects Closed in Lawson for 2008

Project	Description	Year Implemented	Baseline Budget	Actuals	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	Explanation
50137_02	Maestro Replacement - Ph II	2007	10,000	11,207	(1,207)	(12)%	PR-50137_02 had a change in scope and a budget reduction on the 2007 PPL to \$10,000 in early 1Q of 2007. The budget was allocated for a fixed-fee consultant contract of \$10,000 that was executed in December 2007. However, the PPL budget allocation did not account for additional travel expenses for the consultant, which amounted to a total of \$1,207 and was accrued in 2007.
50017_02	Collateral Calculation	2008	359,100	598,164	(239,064)	(67)%	Several iterations for requirements clarification required.
50071_01	Governor Analysis Enhancements	2008	92,000	160,901	(68,901)	(75)%	Business requested additional functionality adding to the scope of the project. The additional costs reflects the scope changes.
60086_01	Lawson Time Entry	2007	68,900	125,089	(56,189)	(82)%	original resources were replaced with contract resources that were at a higher rate as they brought specific Lawson experience.
70054_01	Blade Refresh	2008	2,224,760	1,980,449	244,311	11%	This subproject was closed and 70054_02 was opened to save monthly debt financing charges. The remaining budget for 2008 (275,240) is being rolled into 70054_02.
60073_01	eRecruiting Deliverables	2008	127,200	130,416	(3,216)	(3)%	Completed the project with FTE's instead of Contractors
60077_01	ERCOT_com Secured Area Enhancements	2007	353,452	284,399	69,053	20%	The AlgoSec software was negotiated and purchased at a much less cost than was originally estimated.
70023_01	Firewall Access Control Rationalization	2008	450,500	160,640	289,860	64%	The total budget was initially \$535K, but when we got to 2008 the current year budget was reduced to \$130K - this reduced the overall project budget to \$428K, which is the amount on the PSR.
70030_01	Tellabs DSC Replacement	2008	535,000	426,357	108,643	20%	Did not utilize contingency. The original plan was based on deploying cubicle spaces; the final plan did not utilize cubicle work spaces but tables against the walls (less expensive).
70038_01	ERCOT com Infrastructure Enhancement	2008	397,200	363,607	33,593	8%	Did not use contingency and equipment was \$14,000 less than forecasted.
70040_01	IMM TRE Build Out	2008	207,600	85,592	122,008	59%	Annual license fees not included in original estimate & additional Remedy licenses required due to address the standardization of the Ruby platform.
70041_01	Control Room Display Replacement	2008	418,300	366,562	51,738	12%	IT hardware cost reductions due to volume discount purchases.
70047_01	Corporate Application Environment True up	2008	220,500	320,677	(100,177)	(45)%	Did not use contingency.
70048_01	MV90xi System Upgrade	2008	89,200	73,452	15,748	18%	
70049_01	San Hardening	2007	880,000	805,429	74,571	8%	
80035_01	Intranet Assessment for HR and Communications	2008	14,600	13,053	1,548	11%	
		Count = 37	21,364,512	\$ 17,867,297	\$ 3,497,215	16%	

- NOTES:
1. Baseline budget does not include change controls that were approved without granting a new baseline budget.
 2. List and totals include projects delivered and reported in previous years Project Management reports but closed in Lawson in 2008.
 3. Favorable is when a project is delivered under budget. (UnFav)orable is when a project is delivered over budget.
 4. Explanations are not required for variance + or - 10%



2008 Active Projects Performance



Note: Includes projects started in previous years.
Projects that change to inactive states will impact results.

Go Live Projects for September

- **PR-40066_04 Lodestar 4.7 Upgrade**
 - **Scope:** Upgrade the current version of the Lodestar application from 3.7 to 4.7 along with associated databases from Oracle 9i to 10g in all Zonal environments. Implement metadata changes to support upcoming Nodal market systems.
 - **Deliverables:** Development testing, and rollout of new 4.7 code, 10g database upgrade, associated metadata changes, and new application server hardware and software for ERCOT Lodestar application allowing improved system performance and compatibility with the upcoming Nodal market settlement systems.
 - **Timeline:** February 2006 – September 2008

Go Live Projects for September

- **PR-50070_01 Phase I Unit Testing Automation and Electronic Submittal**
 - **Scope:** Provide a Web based Graphical User Interface for QSE's and System Operators to submit Real Power, Reactive Power and Unannounced Seasonal Test data. Automation of the unit test data submittal process to minimize human error while decreasing the lag time for updates to the ERCOT EMMS system. Improve the planning model accuracy by providing the ability to use actual data rather than the current process of using nameplate data.
 - **Deliverables:**
 - Web based Graphical User Interface for submitting Real Power, Reactive Power and Unannounced Seasonal Test data.
 - Database for persistent storage of all current and historical test data and supplemental documents.
 - The ability to review, approve and reject QSE Unit test data submittals for Net Dependable and Reactive Capability tests.
 - Application validates input data against preset checkpoints and limits.
 - Generation of a Batch Load file for updating the EMS system with the current unit test data.
 - **Timeline:** February 2007 – September 2008

ERCOT Enterprise Projects Summary Report

ERCOT Overall Projects Report

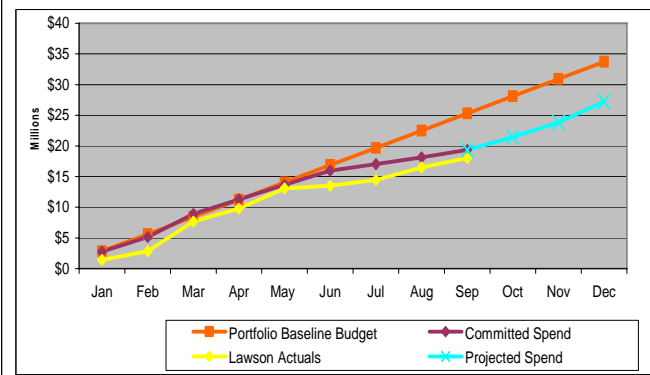
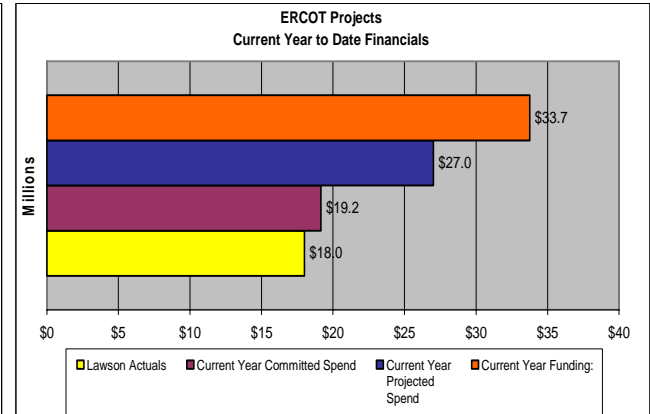
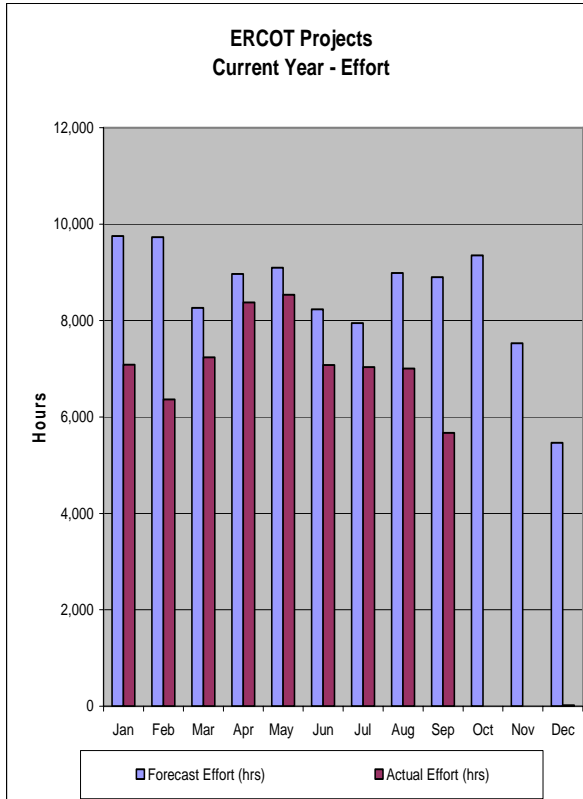
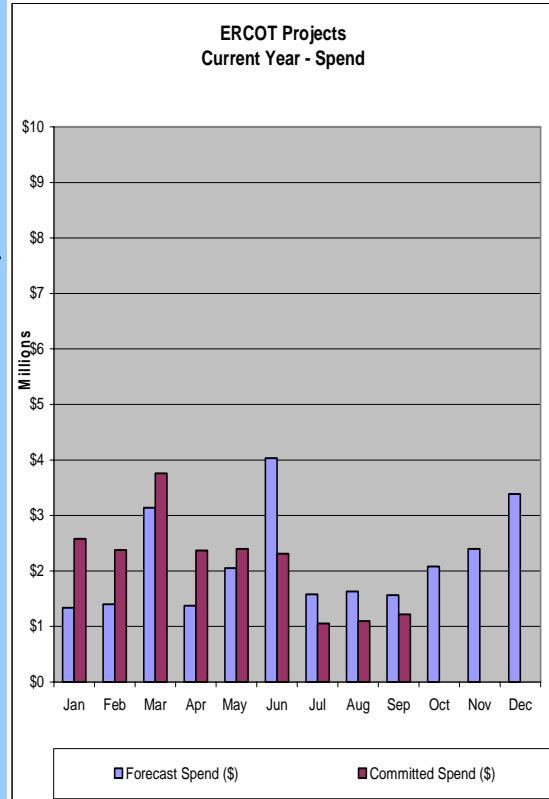
Reporting Period:

10/7/2008

Summary

ERCOT Projects Leadership		Projects in ERCOT's Portfolio					Portfolio Performance		
Executives		On Hold	Initiation	Planning	Execution	Closing	Schedule	Budget	Milestones
Kent Saathoff	Trip Doggett	2	1	11	26	7	Y	G	Y
Ron Hinsley	Steve Byone	Closed	33	Total Active		45			
		Cancelled	10	Projects Not Started:		8		Current Year Funding:	\$33,746,880

Portfolio Performance Summary



Notes

Note:
Project/Status Count/Budget Variance:
 CO:(4 Deferred); MORO:(13 Deferred); SO-DPO:(1 NODAL in Execution).



Future Agenda Items – November 2008

- **Approval of audit committee meeting planner for the upcoming year, confirm mutual expectations with management and the auditors**
- **Review and approval of Financial and Investment policies**
- **Perform Finance & Audit Committee self assessment**
- **Review the Company's dealing with any financial institutions that are also market participants**
- **Review CWG charter and membership requirements**
- **Review Credit standard**
- **Update on SAS 70 audit**
- **Update on debt financing / liquidity management**
- **Committee briefs**
- **Future agenda items**

F&A Yearly Schedule

Quarter 1

- √ •Elect officers and confirm financial qualifications
- √ •Review of external auditor quality control procedures and independence
- √ •Review scope of annual financial audit
- √ •Vote on CWG Chair/Vice Chair

Quarter 2

- √ •Report results of annual independent audit to the Board
- √ •Review the procedures for handling Reporting violations
- √ •Review results of annual audit, together with significant accounting policies (including required communications)
- √ •Review ERCOT Annual Report
- √ •Review operating plan and budget assumptions
- √ •Review and approve Internal Audit Department Charter
- √ •Conduct annual review of insurance coverage(s)
- √ •Review the Company's dealings with any financial institutions that are also market participants

Quarter 3

- √ •Appoint the independent auditors for upcoming year
- √ •Approval of independent auditor fees for upcoming year
- √ •Review of committee charter
 - Approve the Guidelines for Engagements of External auditors for Other Services (pre-approval policy)
- √ •Assessment of compliance, the internal control environment and systems of internal controls
- √ •Review and approval of annual operating budget
 - Report by CWG Chair on ERCOT credit policy
- √ •Review updated year-end forecast

Quarter 4

- Approve audit committee meeting planner for the upcoming year, confirm mutual expectations with management and the auditors
- Review and approval of Financial & Investment policies
- Approve scope of internal auditing plan for upcoming year
- Assessment of the adequacy and effectiveness of the Internal Audit staff
- Perform Finance & Audit committee Self Assessment
- Review requirements for membership in CWG
- Review and approve CWG charter
- Review updated year-end forecast
- Review the Company's dealings with any financial institutions that are also market participants

Recurring Items

- Review minutes of previous meeting
- Report monthly matters to the Board (chair)
- Review EthicsPoint activity
- Review significant audit findings and status relative to annual audit plan
- Review investment results quarterly