

**DRAFT MINUTES OF THE**

**TEXAS REGIONAL ENTITY ADVISORY COMMITTEE**

Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744

October 20, 2008

**Committee Members**

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Mark Armentrout		Unaffiliated
Don Ballard	Office of Public Utility Counsel	Residential Small Consumer
Miguel Espinoza		Unaffiliated
Jan Newton		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Commission of Texas (PUC)	(via telephone)

**Commissioners, other Directors and Segment Alternates**

Brad Cox	Tenaska	Independent Power Marketer
Nick Fehrenbach	City of Dallas	Consumer (Commercial)
Bob Helton	International Power America	Independent Generator
Charles Jenkins	Oncor	Investor Owned Utility
Bob Kahn	ERCOT	Chief Executive Officer
Dan Wilkerson	Bryan Texas Utilities	Municipal
Steve Bartley	CPS Energy	Seg Alt – Muni
Mark Walker	NRG Texas	Seg Alt – Ind. Generator

**Other Attendees**

Larry Grimm, Texas Regional Entity CEO and CCO  
 Susan Vincent, Texas Regional Entity  
 Victor Barry, Texas Regional Entity  
 Todd Brewer, Texas Regional Entity  
 Betty Sachnik, Texas Regional Entity  
 Steve Byone, ERCOT VP, CFO  
 Nancy Capezzuti, ERCOT VP, HR & OD  
 Mike Grable, ERCOT General Counsel  
 Mark Bruce, FPL Energy  
 Tim JohnPress, Ascendte Advisors  
 Kenan Ogdman, CPS Energy  
 Ronda Stephenson, Luminant  
 Jennifer Windler, LCRA

**Call to Order**

Chair Michehl Gent called the meeting of the Texas Regional Entity (“Texas RE”) Advisory Committee (“Committee”) of the Texas Regional Entity Division of Electric Reliability Council of Texas, Inc. (Texas RE) to order at approximately 3:00 p.m.

## **Approval of Minutes**

**Jan Newton made a motion for approval of the minutes from the September 15, 2008 Advisory Committee meeting; Don Ballard seconded the motion. The motion passed by unanimous voice vote.**

## **Texas RE Update**

### **Monthly Financials**

Larry Grimm summarized the financial information provided to the Committee, noting the \$450,000 favorable variance to budget, year to date. He told the Committee that with a new employee starting in two weeks, Texas RE had filled all positions included in its 2008 budget. Mr. Grimm asked the Committee whether, given the \$350,000 personnel savings (due to vacancies) reflected in the financials, Texas RE could fill two of the Compliance positions approved in the 2009 budget before the end of 2008. Mr. Grimm explained that a few potentially qualified candidates had been identified during the latest interview process. Nancy Capezzuti reminded the Committee of the scarcity of qualified Compliance candidates for Texas RE positions. After hearing positive comments from the Committee members, Chair Gent stated that the Committee found it acceptable if Texas RE could locate and hire qualified candidates for two of its 2009 positions before year end.

In response to a question by Chair Gent, Ms. Capezzuti informed the Committee that she expected to have results from the salary study by the February Committee meeting. Mr. Gent asked that the salary study be put as an agenda item for the February Committee meeting.

### **Business Plan & Budget Update**

Larry Grimm reported that on the previous Thursday, October 16, 2008, the Federal Energy Regulatory Commission (FERC) issued an Order conditionally accepting the 2009 Business Plan and Budget for North American Electric (NERC) and the Regional Entities. Mr. Grimm told the Committee that FERC requested NERC clarify or explain several areas in the business plans and budgets, such as the treatment of indirect costs (G&A expenses), primarily to improve consistency among the Regional Entities. FERC also requested that NERC improve the financial and performance metrics by the 2010 Business Plan & Budget filing. Mr. Grimm informed the Committee that FERC's only specific comments regarding Texas RE's budget and business plan were requests for clarification or explanation (such as the lack of interest income for 2009), which would not cause changes to the dollars in the Board-approved Budget.

## **Human Resources & Governance Issues**

### **Review Texas RE Ethics Agreement**

Chair Gent asked if any Committee members had any comments or questions about the Texas RE Ethics Agreement. The Committee agreed the information requested at the previous Committee meeting had been provided.

### **Annual Committee and Board Self Evaluation**

Chair Gent asked whether any member had comments about the proposed Committee or Board Self Evaluation forms. The Committee discussed the proposed questions in detail and confirmed that the proposed evaluation forms, with the Committee members' redlines included, were acceptable for the 2008 evaluations. Chair Gent noted that after the experience of the first year results the survey might need to be revised with more focus on compliance issues. Chair Gent and Jan Newton briefly discussed the results of the Human Resources Committee evaluation.

In response to a question by Chair Gent, Susan Vincent confirmed that the Board and Committee Self Evaluations would be distributed to the Board and Committee members in November with a request that they be returned by year end. She noted that Texas RE would compile the results for presentation at the February Board retreat.

## **Finance & Audit Update**

### **Space Update**

Mr. Grimm reported that Texas RE had a non-binding letter of intent to lease office space near the intersection of MOPAC and Ben White Blvd./Loop 360. He informed the Committee that, after looking at many spaces and considering the difficulty in finding suitable space for a two-year lease, Texas RE believed that this space would be the best option for Texas RE pending ERCOT's relocation of Met Center. Chair Gent noted that the Committee would review the details of the cost of the new location in executive session. Mr. Grimm added that Texas RE has seven new FTEs budgeted for 2009 and that IMM is also adding staff in 2009. The Committee asked about furnishings expenses and Mr. Grimm explained that the existing furniture in the proposed office space was included with the lease, so minimal furniture, which would be used in the Met Center relocation, would need to be purchased. Ms. Newton asked what would happen if ERCOT's new space was not ready for Texas RE when the new Texas RE lease ended by or before January 2011. Mr. Grimm explained that ERCOT was aware of the need and had promised to have the new location ready for Texas RE in January 2011. Ms. Capezzuti stated that ERCOT would do all it could to coordinate the required timing of the new ERCOT facility.

Further discussion was deferred to Executive Session.

### **Compliance Hotline Update**

Susan Vincent provided the Committee with an overview of the Texas RE Compliance Hotline. She told the Committee that Texas RE recommended that a Board member receive any reports that Mr. Grimm and Ms. Vincent were conflicted from reviewing, at least for the time being. She explained that, due to the potential conflict of interest, ERCOT Legal did not want the ERCOT Internal Audit staff to review Texas RE Compliance Hotline reports, and using an external method of reporting would be fairly expensive (over \$1,000/month). After detailed discussion of all issues, the Committee agreed that the Chair and Vice Chair of the Committee and the Chair of the Board would receive any Compliance Hotline reports that named Ms. Vincent and Mr. Grimm and, in the unlikely event that a significant number of such reports were received, the Committee would reassess.

### **Regional Entity Metrics from NERC F&A Meeting**

Chair Gent explained that he had obtained the Regional Entity Metrics and asked Texas RE to send these to the Committee members for their information. Chair Gent called attention to the last page of the materials, which included the budget sheet and independent trustees' fees, noting that the metrics reflected that Texas RE and its Board were responsible and cost conscious.

Mark Armentrout expressed the need for additional metrics, to better compare Texas RE's performance to the other Regional Entities. He asked Texas RE staff to determine the best metrics to use for this comparison and recommend these improved metrics to the Committee.

In response to a question by Jan Newton asking whether these comparisons would be done annually, Mr. Grimm explained that metrics would be prepared annually, but the metrics would very possibly change. Ms. Newton asked that the Committee be provided with updated metrics information prior to the next (2010) budget filing. Chair Gent added that the metrics provided for Texas RE metrics were positive.

Don Ballard cautioned about pushing staff for more and more detail. Mr. Ballard also expressed his concern with conversation about and with Texas RE staff at the recent Technical Advisory Committee (TAC) meeting. He wanted the Board to clarify that TAC did not have oversight of Texas RE and, if TAC had concerns with Texas RE activities, it was not TAC's role to criticize or take Texas RE staff to task.

Bob Helton stated that he thought that communication with Texas RE was better than ever and he was happy that there was more communication. Mr. Helton said that Texas RE should state only what the regulation was rather than the way to meet the regulation, and he said Texas RE should be careful of making advocacy statements. Mr. Grimm told the Committee that Texas RE wants to be transparent and wants to raise reliability concerns. Mr. Grimm explained that Texas RE has the responsibility, under its delegated duties, to bring reliability concerns to the forefront in the ERCOT Region.

Mark Bruce stated that the Texas RE reports discussed at TAC contained useful information, but as a broader conversation, he thought it was useful to discuss how market participants and Texas RE staff could better interact. Mr. Bruce noted that each group was still trying to find its role. Victor Barry said that many changes have taken place. He explained that Texas RE wants what is best for reliability, but it would not define solutions. Mr. Barry said Texas RE fully expected market participants to raise questions. Ms. Newton said that she fully supports Texas RE being outspoken about reliability gaps or gray areas.

Mr. Armentrout noted that these issues were more appropriately for the Board and should be discussed during a Board meeting. Bob Helton said he wanted to keep this communication going.

### **Other Business**

Ms. Vincent told the Committee that, because of scheduled legislative hearings (requiring the presence of significant ERCOT staff that normally participated in Board meetings) on November 18, 2008, ERCOT's November Committee and Board meetings might be changed to Monday the 17<sup>th</sup>. After discussion, the Committee agreed to move the Texas RE November meetings to Tuesday, November 18<sup>th</sup> if ERCOT needed to change its meetings to Monday November 17<sup>th</sup>. The Committee also agreed that, if the meetings were moved to Tuesday, the Committee meeting would begin at 8:00 a.m. and the Board meeting would begin at 9:00 a.m. Texas RE staff agreed to work with ERCOT staff to send the Committee and Board email notification of the confirmed November meeting dates and times. Ms. Vincent informed the Committee that, if the December Committee meeting was held December 8<sup>th</sup>, Texas RE staff would not be able to send written materials to the Board or Committee members in advance of the meeting.

### **Future Agenda Items**

Chair Gent reminded everyone that Nancy Capezzuti's salary survey results should be on the February Committee Agenda.

Mark Armentrout stated that, now that Texas RE has a year and one-half of experience, he would like a report on how special investigations have evolved over time, in a theoretical sense. This should be provided at a future Committee meeting in early 2009.

### **Executive Session**

At 3:48 p.m., Chair Gent adjourned the open session portion of the Committee meeting and the Committee members went into executive session. All Non-Committee Directors were asked to leave the room, as well as any audience members. Mr. Gent informed all persons present that since there were no voting items to consider after the executive session concluded, the Committee meeting would not be reconvened in open session.

**Adjournment**

Chair Gent adjourned the Committee meeting, following Executive Session, at approximately 4:05 p.m.

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Susan Vincent  
Corporate Secretary