



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

Electric Reliability Council of Texas, Inc.
7620 Metro Center Drive, Room 206
November 17, 2008 at 10:00 a.m.

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

Meeting Attendance:

Board Members:

Director	Affiliation	Segment
Armentrout, Mark		Unaffiliated, Chair – present until prior to vote on PRR777 in Agenda Item 11; by Proxy to Miguel Espinosa for vote on NPRR 145 in Agenda Item 11 and thereafter
Cox, Brad	Tenaska Power Services Co.	Independent Power Marketer
Dalton, Andrew	Valero Energy Corp.	Industrial Consumer
Espinosa, Miguel		Unaffiliated
Fehrenbach, Nick	City of Dallas	Commercial Consumer
Gent, Michehl		Unaffiliated, Vice Chair
Helton, Bob	International Power America Services Inc.	Independent Generator
Jenkins, Charles	Oncor Electric Delivery Company	Investor-Owned Utility
Kahn, Bob	ERCOT	ERCOT – present until prior to vote on PRR777 in Agenda Item 11
Karnei, Clifton	Brazos Electric Power Cooperative Inc.	Cooperative
Newton, Jan		Unaffiliated – present until prior to vote on PRR777 in Agenda Item 11; by Proxy to Clifton Karnei for vote on NPRR 145 in Agenda Item 11 and thereafter
Pappas, Laurie	Office of Public Utility Counsel (OPUC)	Residential Consumer; by Proxy from Don Ballard
Patton, A.D.		Unaffiliated
Smitherman, Barry T.	Chairman, Public Utility Commission of Texas (PUCT)	PUCT
Wilkerson, Dan	Bryan Texas Utilities	Municipal



Zlotnik, Marcie	StarTex Power	Independent Retail Electric Provider; Segment Alternate
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Staff and Guests:

Abernathy, Rick	Eagle Energy
Adib, Parviz	APX
Anderson, Kenneth	Commissioner, PUCT
Anderson, Troy	ERCOT
Ashley, Kristy	Exelon
Barrow, Les	CPS Energy
Barry, Victor	Texas RE
Bell, Wendell	TPPA
Brandt, Adrienne	Austin Energy
Brenton, Jim	ERCOT
Bruce, Mark	FPL Energy
Byone, Steve	ERCOT
Capezzuti, Nancy	ERCOT
Clay, Ryan	Texas RE
Cochran, Seth	RBS Sempra
Comstock, Read	Direct Energy
Crozier, Richard	Brownsville
Day, Betty	ERCOT
Doggett, Trip	ERCOT
Donohoo, Ken	Oncor
Dreyfus, Mark	Austin Energy
Ebbs, Penney	ERCOT
Farrell, Katherine	Third Planet, Higher Power
Firestone, Joel	Direct Energy
Gage, Theresa	ERCOT
Goff, Eric	Reliant
Grable, Mike	ERCOT
Grimes, Mike	Horizon Wind
Gurley, Larry	Luminant
Hayslip, Darrell	EON
Headrick, Bridget	PUCT
Hinsley, Ron	ERCOT
Hobbs, Kristi	ERCOT
Houston, John	CenterPoint Energy
Jones, Brad	Luminant
Jones, Liz	Oncor
Jones, Randy	Calpine
King, Kelso	King Energy
Kolodziej, Eddie	Customized Energy Solutions
Leady, Vickie	ERCOT



Liebmann, Diana	Haynes Boone
Magness, Bill	Casey, Gentz & Magness
Morris, Sandy	LCRA
Moss, Steven	First Choice Power
Ogelmann, Kenan	CPS Energy
Reid, Walter	Wind Coalition
Roark, Dottie	ERCOT
Robles, Kristin	Reliant
Ryall, Jean	Constellation Energy
Saathoff, Kent	ERCOT
Schwarz, Brad	EON
Seely, Chad	ERCOT
Seymour, Cesar	Suez
Sims, Robert	AES
Troxtehl, David	ERCOT
Vincent, Susan	Texas RE
Walker, DeAnn	CenterPoint Energy
Walker, Mark	NRG Texas
Wattles, Paul	ERCOT
Westbrook, Susan	ERCOT
Wittmeyer, Bob	DME
Wullenjohn, William	ERCOT

Call Open Session to Order (Agenda Item No. 1)

Mark Armentrout, Chairman of the ERCOT Board, opened the meeting at 10:03 a.m. and congratulated ERCOT Staff on getting through a tricky shoulder month in October with no significant grid events. He announced that the Board would take Executive Session and possibly other items out of order so that he, Bob Kahn, and Jan Newton could be present for certain significant agenda items before they had to leave for a time-sensitive legislative meeting.

Mike Grable, ERCOT Vice President and General Counsel, announced that the Board would be asked to consider and act on a critical matter that, due to exigent circumstances, had not been noticed for a vote. Chairman Armentrout then read a series of remarks congratulating Mark Dreyfus on his two-year stint as Chairman of the Technical Advisory Committee (TAC) into the record. **Miguel Espinosa moved to approve the resolution honoring Mr. Dreyfus. The motion was seconded by Michehl Gent. The motion passed by unanimous voice vote with no abstentions.**

Consent Agenda (Agenda Item No. 2)

Mr. Armentrout noted that Board members had requested that Protocol Revision Request (PRR) 769, PRR777, the open session Minutes of the October 21, 2008 Board Meeting, and Nodal Protocol Revision Request (NPRR) 145 be removed from the consent agenda. **Mr. Gent moved to approve the remaining items on the consent agenda. The motion was seconded by Mr. Kahn. The motion passed by unanimous voice vote with no abstentions.**



Approval of October 21, 2008 Board Meeting Minutes (Agenda Item No. 3)

Barry T. Smitherman, PUCT Chairman, noted a correction to the Nodal Update (Agenda Item No. 6) of the October 21, 2008 Board Meeting Minutes, and clarified that he had said his concern was that ERCOT is building a program that looks like or has the characteristics of a prototype. Mr. Grable noted two corrections received from Dr. A.D. Patton, reflecting a missing “not” in a statement from Mr. Garrity in the Nodal Update and replacing “set” with “steady state” in a statement in the TAC Report. **Dan Wilkerson moved to approve the October 21, 2008 Board Meeting Minutes as amended. The motion was seconded by Bob Helton. The motion passed by unanimous voice vote with no abstentions.**

CEO Report (Agenda Item No. 4)

Due to schedule and time constraints, no CEO Report was delivered at the meeting.

Executive Session (Agenda Item Nos. 14, 14.a. through d.)

Mr. Armentrout adjourned the meeting to Executive Session at approximately 10:27 a.m. and reconvened the open session at approximately 11:50 p.m.

Nodal Interim Budget Authority (Agenda Item No. 6.a.) and Nodal Interim Rate Relief Request (Agenda Item No. 8.b.)

Mr. Armentrout took up these two agenda items together.

Chairman Smitherman noted that Kenneth Anderson, PUCT Commissioner, had arrived and convened an open meeting of the PUCT.

Regarding Agenda Item 8.b., Clifton Karnei, Chairman of the Finance and Audit (F&A) Committee of the ERCOT Board, announced that the F&A Committee recommended a fee request of \$0.22, and that while he personally opposed an amount that low, he moved approval of it as the Committee’s Chair. The motion was seconded by Mr. Cox. Mr. Grable commented that a motion on Agenda Item 8.b. was fine, but that the Board needed to address the budget request under Agenda Item 6.a. before voting on Agenda Item 8.b.

Ron Hinsley, ERCOT Vice President and Chief Information Officer, invited questions on Agenda Item 6.a. regarding Nodal interim budget authority. Mr. Hinsley explained that the average Nodal monthly burn rate for 2008 was used to determine the expected spending for the next few months, that is, \$12 million per month. Andrew Dalton asked about the status of the Nodal monthly burn rate, which he expected to be lowered to the range of \$7 million to \$9 million. Mr. Hinsley replied that the Nodal Program had lowered expenses (such as by changes in contracting staff), but that December 2008 in particular included many end-of-year items that are expected to result in a \$19 million month. Mr. Dalton asked if budgetary authority for all of 2009 was strictly required, and Mr. Hinsley replied that shorter approval is possible but that there are many variables to consider. Bob Helton also commented on the burn rate, and reminded the Board that, with limited information available, it is difficult to ascertain the data on which all of the numbers are based.

Mr. Gent asked whether, with the lowered fee proposed by the F&A Committee for Agenda Item 8.b., the Board could still approve the full budget amount requested under Agenda Item 6.a., and



Mr. Grable advised the Board could do so. Mr. Gent further requested edits to the resolution related to Agenda Item 6.a., to more clearly tie it to the PUCT-led Cost-Benefit Analysis (CBA) and other limitations and conditions to emphasize its interim and temporary nature, and Mr. Grable agreed to make conforming edits to the proposed resolution.

Charles Jenkins pointed out that ERCOT spending is near hard limits for spending. He noted that while ERCOT needed additional authority, the Board wanted to keep close tabs on spending. He suggested that for budget authority under Agenda Item 6.a., the Board could consider a compromise of approving \$36 million for three months, that is, until the February 2009 Board meeting, at which time more information would be available. He recommended a longer timeframe on Agenda Item 8.b. due to regulatory litigation complexities and costs. Messrs. Cox and Helton agreed that the Board should do only what is needed today, given how much more data is expected to be available in the coming months.

Mr. Armentrout expressed to the Board that a shorter timeframe could create issues for the \$12 million monthly average, in that some lower, later months offset the expected \$19 million due in December 2008. Nick Fehrenbach asked when the Board's current \$319.5 million budget cap would be exceeded, and Mr. Hinsley replied that the Nodal Program was at approximately \$308 million through October 2008. Steve Byone, ERCOT Vice President and Chief Financial Officer, advised that the Board-approved budget limit would be reached at the end of this month. **In relation to Agenda Item 6.a., Mr. Fehrenbach moved for Board approval of Nodal spending authority not to exceed \$44 million, in addition to the currently approved \$319.5 million Nodal Program budget, to allow ERCOT to continue the Nodal Program until the February 2009 Board meeting.** Assuming a \$12 million burn rate, Messrs. Byone and Hinsley agreed that ERCOT could make that timing and amount work. **The motion was seconded by Dr. Patton, and Laurie Pappas offered a friendly amendment to require ERCOT to not spend money on the Nodal Program after February 2009 without further Board approval, which was accepted by Mr. Fehrenbach. The motion passed by voice vote with one opposed (Dr. Patton) and no abstentions.**

Returning to Agenda Item 8.b., Mr. Cox withdrew his second of the motion before the Board.

Ms. Newton commented that ERCOT is in precarious circumstances, with the Board needing to continue Nodal funding while important Program decisions are pending, including the CBA, and also while credit markets are in turmoil. As fiduciaries, she continued, it is important for the Board to be conservative with ERCOT debt, and therefore she leaned toward funding more Nodal costs through a fee increase. She summarized for those in attendance that, in Executive Session under the "Litigation" posting, the Board had discussed potential regulatory litigation in terms of a fee-filing to request an increased Nodal surcharge rate. She mentioned that Board members had discussed debt/equity splits of 50-50 and 25-75, and related fee levels. She explained that Staff's proposal of 100% revenue funding was driven by concerns about prudence for ERCOT, but that such a fee level could have significant market impacts, and that by the same token a 40% revenue level seemed too low to preserve ERCOT's financial flexibility in light of current credit market circumstances.



Mr. Espinosa clarified that the debt levels being discussed are forward-looking only, and that the existing 28% revenue-funding level was not being changed. He added that the 75% revenue-funding level, going forward, was expected to keep ERCOT out of the debt markets until 2010. Mr. Jenkins replied that 50-50 seems to be a good balance, and that even at that level ERCOT seemed unlikely to need additional debt capacity until late in 2009, perhaps after the permanent fee case is resolved. Mr. Cox agreed, cautioning against too significant a burden being placed on one market segment.

Ms. Pappas stated that 50% is not enough, given ERCOT's existing debt profile especially compared with other Independent System Operators (ISOs), while Mr. Helton expressed that 50% is appropriate and the Board needs to act incrementally. Mr. Helton stated that he appreciated Ms. Pappas' concerns about ERCOT's level of debt, but he noted that other ISO debt positions match their market redesign efforts. Mr. Dalton added that he is concerned about debt at a non-profit organization like ERCOT, and that Nodal is looking underfunded so ERCOT needs to catch up sooner rather than later. He also advocated a holistic approach to scrubbing ERCOT's revenue needs, and noted that he could support 75% Nodal revenue funding but not less. Mr. Karnei agreed, given the extreme credit markets, and further reminded the Board of the need to be prudent regarding ERCOT financial risks.

In response to a question from Dr. Patton, Mr. Byone stated that ERCOT does hope to receive all funds back from the currently illiquid The Reserve money-market funds and that ERCOT had a \$50-million credit facility available until November 2009 that was put in place primarily to cover potential needs for the collateral that is tied up in The Reserve. Mr. Byone added, however, that ERCOT was trying to be prudent in planning for what could happen if The Reserve funds are not returned as expected. Dr. Patton expressed support for a middle ground, and concern that debt could be getting out of hand.

Mr. Armentrout stated that the issues had been put on the table for the Board's consideration, and moved to recess for lunch at 12:38 p.m. until 1:08 p.m., with a decision to come after the break.

Lunch (Agenda Item No. 10)

The meeting recessed for lunch.

Nodal Interim Rate Relief Request (Agenda Item No. 8.b.) -- Continued

Mr. Armentrout reconvened the meeting at 1:18 p.m. Following a brief discussion of the timing regarding a regulatory filing, Mr. Grable distributed a revised draft resolution for this item with the Board's requested changes in language.

Dan Wilkerson stated a desire to smooth the Nodal fee over time and a prediction that the 50% revenue-funding level might come closer to doing that. **Mr. Karnei moved for approval of a \$0.38 fee, or 75% revenue-funding level. The motion was seconded by Mr. Gent. The motion passed with ten in favor, four opposed (Messrs. Cox, Helton, Jenkins and Wilkerson) and one abstention (Mr. Kahn, who noted that he would be a witness in the coming regulatory litigation).**



F&A Committee Report (Agenda Item Nos. 8, 8.a. and 8.c.)

Mr. Karnei delivered the F&A Committee report, noting that the F&A Committee had an extensive executive session focusing on Internal Audit and EthicsPoint matters. The F&A Committee also had a discussion with Sean Barry with PricewaterhouseCoopers (PwC) regarding the SAS70 audit, and Mr. Karnei reported that no issues had been identified as yet. He added that the SAS70 audit report may be issued in the first week of December 2008. The F&A Committee also discussed ERCOT investments practices and compared ERCOT policies to other independent system operators (ISOs). The Committee instructed ERCOT staff to rework the Investment Standard, and the Committee proposed for Board approval some clerical edits to the Financial Standard (Agenda Item No. 8.c.). **Mr. Karnei moved to approve the Financial Standard as amended. The motion was seconded by Mr. Espinosa. The motion passed by unanimous voice vote with no abstentions.**

Mr. Karnei then noted ERCOT staff's expectation of a positive variance of \$5 million to \$6 million at year end 2008, even with a \$12.5 million debt payment, which could be postponed, being made as scheduled. He did add that the payment would be made toward the revolver, rather than the term loan, to preserve borrowing capacity. Finally, the F&A Committee reviewed auditor meetings and plans for 2009, scheduled the Committee's self-assessment, and discussed the form Market Participant Guarantee with Credit Work Group (CWG) leadership, and asked CWG to re-work their proposed form. Mr. Karnei also thanked Chairman Smitherman for his significant work with the Committee.

Human Resources and Governance (HR&G) Committee Report (Agenda Item Nos. 9, 9.a. and 9.b.)

Ms. Newton gave the HR&G Committee Report, listing the External Relations update and tomorrow's Senate Business and Commerce Committee hearing as key points. Ms. Newton requested that ERCOT staff distribute a key-messages document to the entire Board.

Ms. Newton asked Mr. Grable to explain Agenda Item No. 9.a., and Mr. Grable noted that the proposed increase in the Unaffiliated Directors compensation cap was simply an effort to reflect that the Board Chair is intended to receive an additional \$10,000 in recognition of increased duties, but that the flat cap on compensation for all Unaffiliated Directors did not reflect this difference. The redline version of the Board Policies and Procedures reflects an increase to the cap for the Board Chair only by \$10,000. **Ms. Newton moved to approve the additional \$10,000 increase to the Unaffiliated Directors compensation cap for the Board Chair. The motion was seconded by Mr. Karnei. The motion passed by voice vote, with two abstentions (Messrs. Armentrout and Patton).** Mr. Dalton commented that the HR&G Committee plans to revisit the entire topic of Board member compensation next year.

Mr. Grable also explained Agenda Item No. 9.b., which is a proposal to remand PRR753 to TAC so that TAC can decide what rules to apply to appeals to TAC from subcommittees. **Ms. Newton moved to remand PRR753 to TAC. The motion was seconded by Mr. Armentrout. The motion passed by unanimous voice vote with no abstentions.**

Mr. Dreyfus noted that, despite Chairman Armentrout's kind words earlier in the meeting, he was confident that PRR753 would be his lasting legacy.



Ms. Newton then noted that a response to the PUCT on the Beck Report had been finalized and would be shared with the Board; that ERCOT staff would be bringing a proposal to the Board by the first quarter of 2009 on broadcasting Board meetings; that the Committee is monitoring staffing levels for reliability studies; and that the Committee will undertake its self-assessment next month.

TAC Report (Agenda Item Nos. 11, 11a. through d.)

Mr. Dreyfus provided the Board with the TAC Report.

Mr. Dreyfus reported that TAC met to consider the following PRRs:

PRR769 – EECF Media Appeal Change [Operations Working Group (OWG)]. Proposed effective date: December 1, 2008. No budgetary impact; no additional FTEs needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR removes the required energy conservation media appeal from Emergency Electric Curtailment Plan (EECP) Step 2 and adds it to Step 3. This PRR also allows ERCOT management to issue a media appeal for energy conservation at management's discretion, without requiring the ERCOT Chief Executive Officer's authorization. PRR769 was posted on July 22, 2008. On August 21, 2008, the Protocol Revision Subcommittee (PRS) unanimously voted to recommend approval of PRR769 as submitted. On September 24, 2008, PRS voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. There was one (1) abstention from the Independent Power Marketer (IPM) Market Segment. On October 2, 2008, TAC unanimously voted to recommend approval of PRR769 as recommended by TAC. On October 21, 2008, the ERCOT Board remanded PRR769 to TAC. On November 6, 2008, TAC unanimously voted to recommend approval of PRR769 as amended by ERCOT Comments.

Mr. Helton moved to approve PRR769. The motion was seconded by Mr. Armentrout. Mr. Fehrenbach raised concern about whether moving the mandatory media appeal later in the emergency steps could negatively impact Emergency Interruptible Load Service (EILS) bids. **Mr. Armentrout made a friendly amendment to move the effective date of this revision to February 1, 2009, which coincides with the end of the current EILS contract period. Mr. Helton accepted the amendment. After further discussion of the potential effects of timing of the steps on pricing, Mr. Armentrout withdrew his second to Mr. Helton's motion. Dr. Patton seconded Mr. Helton's motion including the friendly amendment to move the effective date to February 1, 2009.** Mr. Armentrout commented that should the motion pass, he suggested that ERCOT staff determine the economic impact, if any, of this PRR. **The motion passed by voice vote with one opposed (Mr. Fehrenbach) and no abstentions.**

PRR777 – WGR QSE Metric Correction – URGENT [J. Aron]. Proposed effective date: December 1, 2008. No budgetary impact; no additional FTEs needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR exempts Wind-powered Generation Resource (WGR) Qualified Scheduling Entities (QSEs) from the Resource Plan metric that compares Day Ahead and Adjustment Period



Schedules to Resource Plans. PRR777 was posted on September 28, 2008. On October 23, 2008, PRS unanimously voted to grant PRR777 Urgent status. PRS also unanimously voted to recommend approval of PRR777 as amended by QSE Manager Working Group (QMWG) comments. On November 6, 2008, TAC unanimously voted to recommend approval of PRR777 as recommended by PRS. *Credit review pending.*

Clayton Greer of J. Aron & Company spoke in favor of this revision, noting that there is a mismatch between Resource Plans and Schedules for Wind-powered Generation Resources (WGRs) only, because WGRs are unique among generation Resources in that they are required to follow an ERCOT Resource Plan and not their own.

Dr. Patton expressed opposition, stating that if the metric is good for other generating Resources it should be good for wind as well, and that Texas Regional Entity (Texas RE) staff raised J. Aron and Company's failures in their report for tomorrow's Texas RE Board meeting.

Ms. Newton inquired as to the timing of the wind metrics to which Mr. Greer replied that they were in process. Mark Bruce of FPL provided comments on the day ahead planning as it relates to wind resources.

Mr. Greer and Mr. Helton replied to Dr. Patton's comments that this is simply a change away from fictional numbers to allow the use of accurate numbers. Kent Saathoff, ERCOT Vice President of System Planning and Grid Operations, expressed that ERCOT staff believed strongly in PRR763, which had mandated the ERCOT-wide Resource Plan for wind, but that this change was not significant.

Mr. Armentrout asked Mr. Gent, as Vice Chair of the ERCOT Board, to assume the Board Chair role for the remainder of the meeting as Mr. Armentrout, Ms. Newton and Mr. Kahn left the Board meeting to attend a legislative meeting.

Mr. Wilkerson inquired about the length of time that this Resource metric has been in place, and Mr. Greer replied that it had been in place for several years. Mr. Wilkerson suggested that ERCOT should leave all wind metrics in place until ERCOT has replacements. Mr. Helton suggested that work be done on real wind generation compliance metrics and mentioned that he would like to see other metrics. Mr. Dalton commented that he would prefer to see a bigger picture approach rather than a piecemeal one.

Mr. Cox moved to approve PRR777. The motion was seconded by Mr. Helton. The motion failed with seven in favor, two opposed (Messrs. Patton and Wilkerson) and one abstention (Mr. Gent).

Mr. Grable stated that PRR777 would remain pending at the Board for one month to see if the Board voted to take action at the December Board meeting.

Mr. Dreyfus reported that TAC met to consider the following NPRRs:



NPRR145 – PPAs as Resource-Specific Verifiable Costs [Verifiable Costs Working Group (VCWG)]. Proposed effective date: upon Texas Nodal Market Implementation. Minor cost impacts will be managed under the Operations and Management (O&M) budgets of affected department post Nodal Go-Live; ¼ FTE impact to Settlement and Billing area post Nodal Go-Live; no impacts to computer systems; existing business processes can accommodate NPRR145; no impact to grid operations and practices. This NPRR allows Power Purchase and Tolling Agreements (PPAs) to be used as Resource-specific verifiable costs documentation. NPRR145 was posted on July 25, 2008. On August 21, 2008, PRS voted to table NPRR145 until the September 18, 2008 PRS meeting with two (2) abstentions from the Investor-Owned Utility (IOU) and Independent Power Marketer (IPM) Market Segments. On September 24, 2008 PRS voted to recommend approval of NPRR145 as amended by WMS comments and as revised by PRS. There were three (3) opposing votes from the IPM, IOU, and Consumer Market Segments and one (1) abstention from the IOU Market Segment. On October 23, 2008, PRS voted to endorse and forward the Impact Analysis and the PRS Recommendation Report as amended by Reliant comments and as revised by PRS to TAC for approval. There were two (2) abstentions from the Consumer and Independent Generator Market Segments. On November 6, 2008, TAC unanimously voted to recommend approval of NPRR145 as recommended by PRS.

Mr. Fehrenbach expressed concern about using purchased-power agreements (PPAs) to support verifiable costs. **Mr. Karnei moved to approve NPRR145. The motion was seconded by Mr. Helton. The motion passed by unanimous voice vote.**

NPRR150 – Responsive Reserve Service Offer Floor [WMS]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; no high-level impacts to business processes; no high-level impacts to grid operations and practices. This NPRR continues the zonal Protocol provision which prohibits negative offers to provide RRS, thus avoiding substantial credit risk. NPRR150 was posted on August 28, 2008. On September 24, 2008, PRS voted to recommend approval of NPRR150 as submitted. There were four (4) abstentions from the Generator, IPM, and IOU (2) Market Segments. On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On November 6, 2008, TAC voted to recommend approval of NPRR150 as amended by ERCOT comments with two (2) abstentions from the Generator and IPM Market Segments. *The Credit WG reviewed NPRR150 and believes that it provides positive credit implications that have the potential to prevent large negative bids which can reduce credit exposure or liability for QSEs in the ERCOT Region.*

Ms. Pappas, Mr. Dalton and Mr. Belk (Lower Colorado River Authority) discussed NPRR150 and agreed that it may not be perfect language but that it is better than the current version. Mr. Fehrenbach stated that he felt this change is not consistent with a free market. **Dr. Patton moved to approve NPRR150. The motion was seconded by Mr. Karnei. The motion passed by voice vote with one opposed (Mr. Fehrenbach) and no abstentions.**

Mr. Dreyfus then gave the Board notice of Load Profiling Guide Revision Request (LPGRR) 031, which passed on an urgent basis, and also notice of several Operating Guide revisions and the creation of the Market Credit Work Group (MCWG).



Mr. Dreyfus introduced Agenda Item No. 11.d., the appeals of Operating Guide Revision Request (OGRR) 208, and explained the October TAC action that: required voltage ride-through (VRT) abilities for WGRs with interconnection agreements after November 1, 2008; VRT abilities for WGRs with interconnection agreements before that date but after January 1, 2003 by 2015; and no VRT requirements for pre-2003 WGRs. The OGRR was appealed by four wind parties (E.On, FPL Energy, Horizon and Invenergy), and following discussions between those parties and ERCOT staff, three of the four (all but FPL Energy) and ERCOT staff brought comments on agreed compromise language before the November 6, 2008 TAC meeting that stripped the 2015 date and required an ERCOT-led study of VRT requirements, if any, that should be applied to existing WGRs. TAC then voted to endorse the compromise language, with the additional requirement that the study be complete and reported to Reliability and Operations Subcommittee (ROS) no later than June 2010. Mr. Dreyfus noted four negative votes at this TAC meeting, and that some appeared to be based on reliability concerns and some on process concerns.

John Moore (E.On) spoke in favor of the compromise language, and noted that Texas RE staff had made supportive comments as well. Mark Bruce (FPL Energy) then also spoke in support of the compromise, but noted that he also wanted the Board to make a broad policy statement against changing the rules to require enormously expensive retrofit of existing Resources without good scientific analysis of the need.

John Houston (CenterPoint Energy) spoke in favor of the OGRR as originally passed by TAC, expressing reliability concerns and noting that Federal Energy and Regulatory Commission (FERC) had implemented VRT without requiring a study and that Germany had implemented VRT with a retrofit requirement. He expressed regret over the length of the 2015 requirement and his belief that studies will indicate the need for VRT on existing units.

As TAC Advocate, Mr. Dreyfus agreed that reliability is a big concern and that if the study bears out the need, action will be taken very promptly, but also agreed with Mr. Bruce that retrofit requirements should be carefully considered, although they are sometimes needed. Mr. Gent invited ERCOT staff comments, and Mr. Grable noted that FERC indeed did not study the issue but also made its requirements prospective only, that ERCOT staff recognized this was procedurally unusual and recommended this approach only because a remand could endanger the effective date for new units going forward, and that ERCOT staff had always intended to conduct this study, regardless of the OGRR language.

Darrell Hayslip (E.On) expressed support for the compromise, as did Mr. Helton, while Mr. Gent noted that he had been on the losing side of this debate at the North American Electric Reliability Corporation (NERC) and FERC and felt strongly about the issue.

Ms. Pappas asked Mr. Grable about the unusual process and whether stakeholders had been shut out, and Mr. Grable explained that ERCOT staff had attempted to go to great lengths to provide all stakeholders with an opportunity to review and comment on the language, while still attempting to preserve the November 1, 2008 effective date.



Dr. Patton distributed a handout proposing further edits to the OGRR language, focusing on the study parameters; the timeline for implementation of VRT requirements; and cost-recovery for implementation costs.

Mr. Dreyfus then laid out the options before the Board. **Mr. Jenkins then moved to accept the appeal and modify OGRR208 consistent with the appellant/ERCOT Staff and TAC comments, and further to accept the redlining of OGRR208 proposed by Dr. Patton, except for the last bullet on cost recovery. Mr. Helton seconded.** Mr. Bruce sought removal of the 18-month implementation requirement until it is determined to be feasible, but Mr. Jenkins did not amend his motion. Victor Barry (Texas RE) then spoke, noting that this is a serious problem and an unorthodox approach, but that it was important to maintain the November 1, 2008 effective date.

At Mr. Gent's request, Mr. Grable restated the motion. Dr. Patton inquired about the timing of addressing this matter and asked for a staff response at the December Board meeting. **The motion passed by voice vote with one opposed (Mr. Dalton) and one abstention (Marcie Zlotnik).**

Operating Reports (Agenda Item Nos. 5, 5.a. through f.)

Due to time constraints, the Operating Reports were not discussed at the meeting.

Nodal Update (Agenda Item No. 7)

Due to time constraints, the Nodal Report was not discussed at the meeting.

Other Business (Agenda Item No. 12)

No other business was raised.

Future Agenda Items (Agenda Item No. 13)

Due to time constraints, future agenda items were not discussed at the meeting.

Adjourn (Agenda Item No. 16)

The meeting adjourned at 3:30 p.m.

Michael G. Grable
Corporate Secretary