
**MINUTES OF THE
TEXAS REGIONAL ENTITY ADVISORY COMMITTEE**

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

November 18, 2008

Committee Members

Michehl R. Gent, Chair ¹		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Miguel Espinosa		Unaffiliated
Jan Newton		Unaffiliated
Laurie Pappas ²	Office of Public Utility Counsel	Residential Small Consumer

Other Directors and Segment Alternates

Charles Jenkins	Oncor	Investor Owned Utility
Clifton Karnei	Brazos Electric Cooperative	Cooperative
Dan Wilkerson	Bryan Texas Utilities	Municipal
Nick Fehrenbach (via telephone)	City of Dallas	Consumer (Commercial)

Other Attendees

Larry Grimm, Texas Regional Entity CEO and CCO
Susan Vincent, Texas Regional Entity Director, Legal Affairs
Victor Barry, Texas Regional Entity Director, Compliance
Todd Brewer, Texas Regional Entity Senior Financial Analyst
Ryan Clay, Texas Regional Entity Senior Paralegal
Nancy Capezzuti, ERCOT VP, HR & OD
Rick Abernathy, Eagle Energy
Michelle Cutrer, Green Mountain Energy
Philip DiPastena (via telephone)
Don Jones (via telephone)
Jennifer Windler, LCRA

Call to Order

Vice Chair A. D. Patton 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 8:14 a.m.

Approval of Minutes

Jan Newton made a motion for approval of the minutes from the October 20, 2008 Advisory Committee meeting; Laurie Pappas seconded the motion. The motion passed by unanimous voice vote.

¹ Mark Armentrout designated Chair Michehl Gent as his Proxy for this meeting.

² Don Ballard, Public Utility Counsel, designated Laurie Pappas as his Alternative Representative for this meeting.

Texas RE Update

Mr. Grimm informed the Committee that with the addition of a newly hired compliance engineer, Texas RE was now fully staffed with 25 employees. Mr. Grimm noted that in 2007, Texas RE had only 22 budgeted full time positions and 14 employees.

Jan Newton asked Mr. Grimm whether Texas RE had experienced success in recruiting any additional personnel to fill positions budgeted for 2009 early, as discussed in September. Mr. Grimm responded that Texas RE was continuing to try to recruit engineers and still hoped to hire at least one new compliance engineer by the end of the calendar year.

Dr. Patton asked Mr. Grimm whether having Texas RE employees working more than 40 hours per week was becoming a problem. Mr. Grimm and Victor Barry responded that the morale in Texas RE was high and Texas RE employees were working at a very high level and continuing to strive to be the best Regional Entity.

Mr. Grimm highlighted that Texas RE under-spent its 2008 budget year-to-date by about \$450,000.

Mr. Grimm told the Committee that FERC had announced it would audit Texas RE in 2009. The period covered in the audit will be from May 18, 2007 to the present. Mr. Grimm informed the Committee that WECC and FRCC (two other Regional Entities that were affiliated with a Regional Coordinator – a NERC registered entity) had received similar FERC notices of audit. Mr. Grimm noted that FERC had just completed its audit of Southwest Power Pool (SPP), but the audit results were not yet public. Mr. Espinosa asked Mr. Grimm if there were any items of concern for the upcoming audit, particularly based upon the experience of SPP. Mr. Grimm responded that he did not believe that Texas RE would have the same issues as SPP, because Texas RE did not share staff with ERCOT ISO (as SPP did with the RTO), but he hoped that the SPP audit results would become public soon so that Texas RE could see the areas on which FERC was concentrating during its audits. Mr. Espinosa asked Texas RE if they knew the date when the FERC audit would begin. Mr. Grimm responded that Texas RE staff will have a face-to-face kick off meeting with FERC the first full week in January. In response to a question from Ms. Newton, inquiring about whether the Texas RE Board would be subject to the FERC audit, Susan Vincent responded that FERC could ask Board members about items relating to Board activities, so the Directors needed to retain all documents relating to their duties.

In response to a question from Laurie Pappas asking about the impact of the FERC audit on the day-to-day operations of Texas RE, Mr. Grimm responded that it will have a pretty big effect and that Texas RE had talked internally about getting temporary resources as needed. Ms. Vincent stated that the general counsel from SPP indicated that a lot of the audit will be reviewing email and documents for possible privilege. Mr. Grimm informed the Committee that Texas RE would probably have to seek outside counsel to assist Texas RE Legal.

Human Resources & Governance Issues

Texas RE Strategic Plan

At the request of Ms. Newton, Mr. Grimm provided a brief overview of the draft Texas RE Strategic Plan; highlighting that Texas RE staff will continue to:

- Focus efforts on improving performance, increasing efficiency, and raising the level of effectiveness of each program
- Work with the Public Utility Commission of Texas and industry participants to develop Nodal Protocol metrics
- Increase communications and coordination with stakeholders

Ms. Newton said that she was encouraged with the comments of Mr. Grimm. Ms. Newton also stated that Texas RE needs to balance its obligation of conducting compliance audits and meeting with market participants to educate them on the process.

Dr. Patton stated that his biggest concern for the region was system reliability, and he would like to see this front and center in the strategic plan. He explained that proper planning criteria and that operating rules and procedures need to be established and adhered to by market entities (i.e. command and control and maintenance practices) to maintain reliability of the Bulk Power System. Mr. Grimm agreed to address Dr. Patton's concerns in the revised Strategic Plan.

Dr. Patton and the other Committee members discussed other issues, suggested clarifications, and improvements relating to the draft Strategic Plan with Texas RE staff.

Chair Michehl Gent joined the meeting at approximately 8:35 a.m.

Charles Jenkins suggested that Texas RE staff consider developing a "road map" for the development of regional standards, instead of just letting stakeholders submit Standard Authorization Requests (SARs) without a greater plan. Mr. Grimm agreed that this could be added to the Strategic Plan, because Texas RE was striving to take a leadership role in regional standards development. Mr. Grimm noted that Texas RE has taken the initiative to (1) develop Regional Standards to include Critical Infrastructure Information Protection (CIP) standards for Generator Owners and Transmission Owners and (2) work with market participants to obtain consensus on the entities performing "Load Serving Entity" functional requirements.

Chair Gent said that he sent Larry Grimm, Susan Vincent, and the Committee members a copy of NERC's most recent Strategic Plan (which is a 5-year plan) to use as a model in developing a more in-depth Strategic Plan for Texas RE. Chair Gent suggested that the Committee recommend to the Texas RE Board that an interim strategic plan should be adopted for Texas RE next month, and that the Committee would continue to work on a more long term and in-depth strategic plan. The Committee members and Texas RE staff agreed with Chair Gent's recommendation. In a response from Chair Gent asking if this was Texas RE's first attempt in developing a strategic plan, Mr. Grimm stated that it was the first strategic plan from Texas RE.

Committee Self Evaluation


Ms. Vincent informed the Committee that they would receive an email from her to complete the Committee Self Evaluation via an electronic tool (survey monkey) within the week. She told them that if they preferred to fill out a hard copy of the survey, they could send her the completed evaluation form and she would input the results into the tool.

Executive Session

At 8:50 a.m., Chair Gent adjourned the open session portion Committee meeting and the Committee members went into executive session. After returning from Executive Session, Chair Gent announced that the Committee had voted to recommend a financial auditor to the Texas RE Board of Directors.

Adjournment

Chair Gent adjourned the Committee meeting at approximately 9:20 a.m.



Susan Vincent
Corporate Secretary