



**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
October 21, 2008 at 10:00 a.m.

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

Meeting Attendance:

Board Members:

Director	Affiliation	Segment
Armentrout, Mark		Unaffiliated, Chair
Ballard, Don	OPC	Consumer/Residential and Small Commercial
Cox, Brad	Tenaska Power Services	Independent Power Marketer; Proxy to Jean Ryall after lunch
Dalton, Andrew	Valero Energy Corp.	Consumer/Industrial
Espinosa, Miguel		Unaffiliated (attended until Agenda Item 16)
Fehrenbach, Nick	City of Dallas	Consumer/Commercial (by proxy to Andrew Dalton at Agenda Item 15.d. for remainder of meeting)
Gent, Michehl		Unaffiliated, Vice Chair
Helton, Bob	IPA	Independent Generator (by proxy to Mark Walker at Agenda Item 7 until Agenda Item 15.d.)
Jenkins, Charles	Oncor Electric Delivery	Investor-Owned Utility
Kahn, Bob	ERCOT	ERCOT
Karnei, Clifton	Brazos Electric Coop.	Cooperative (by proxy to Dan Wilkerson at Agenda Item 15 for remainder of meeting)
Newton, Jan		Unaffiliated
Patton, A.D.		Unaffiliated
Smitherman, Barry T.	Chairman	Public Utility Commission of Texas
Thomas, Robert	Green Mountain Energy	Independent Retail Electric Provider (by proxy to Marcie Zlotnik at Agenda Item 15 for remainder of meeting)
Wilkerson, Dan	Bryan Texas Utilities	Municipal



Staff and Guests:

Abernathy, Rick	Eagle Energy Partners
Adib, Parviz	APX
Anderson, Kenneth	Public Utility Commission of Texas
Ashley, Kristy	Exelon
Barry, Victor	Texas RE
Bartley, Steve	CPS Energy
Bell, D.	WCTMWD
Bell, Wendell	TPPA
Benedict, Nathan	OPC
Brandt, Adrienne	Austin Energy
Brewster, Chris	City of Eastland
Brown, Jeff	Shell
Bruce, Mark	FPL Energy
Byone, Steve	ERCOT
Capezzuti, Nancy	ERCOT
Clemenhausen, Barbara	Topaz Power
Cochran, Seth	RBS Sempra
Comstock, Read	Direct Energy
Crowder, Calvin	AEP Service Corp.
Crozier, Richard	Brownsville
Day, Betty	ERCOT
Deskens, Andy	Wachovia Bank
Doggett, Trip	ERCOT
Dohrwardt, Bray	Direct Energy
Dreyfus, Mark	Austin Energy
Dumas, John	ERCOT
Firestone, Joel	Direct Energy
Forfia, David	ERCOT
Fox, Kip	AEP
Garrity, Tom	Siemens
Goff, Eric	Reliant
Gable, Mike	ERCOT
Grendel, Steve	ERCOT
Gurley, Larry	Luminant
Haas, Jason	Public Utility Commission of Texas
Harrell, Katherine	Third Planet
Hayslip, Darrell	EON
Hinsley, Ron	ERCOT
Hobbs, Kristi	ERCOT
Jones, Dan	Potomac Economics
Jones, Dan	Reliant
Jones, Liz	Oncor
Jones, Randy	Calpine



King, Kelso	King Energy
Leady, Vickie	ERCOT
McMurray, Mark	Direct Energy
McRae, Russ	Areva
Moore, John	EON
Morris, Sandy	LCRA
Moss, Steven	First Choice Power
Nelson, Donna	Public Utility Commission of Texas
Oldham, P.	TIEC
Rexrode, Caryn	Customized Energy Solutions
Ried, Walter	Wind Coalition
Roark, Dottie	ERCOT
Ross, Richard	AEP
Rowe, Evan	Public Utility Commission of Texas
Ryall, Jean	Constellation Energy
Saathoff, Kent	ERCOT
Sanders, Sheri	OPC
Schafer, Matt	FPLE
Seely, Chad	ERCOT
Seymour, Cesar	SUEZ
Soutter, Mark	Invenergy
Spears, Clay	Signal Hill
Steckleih, Chris	Direct Energy
Stephenson, Ronda	Luminant
Troutman, Jennifer	AEP
Troxtehl, David	ERCOT
Vincent, Susan	Texas RE
Wagner, Marguerite	PSEG Texas
Walker, DeAnn	CenterPoint Energy
Walker, Mark	NRG Texas
Wattles, Paul	ERCOT
Weston, Tisa	ERCOT
Wittmeyer, Bob	DME
Wullenjohn, Bill	ERCOT
Yager, Cheryl	ERCOT
Yoho, Lisa	Citigroup Energy
Zion, Mark	TPPA
Zlotnik, Marcie	StarTex

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

Mark Armentrout, Chairman, called the Meeting of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) to order at 10:12 a.m. Barry T. Smitherman, Public Utility Commission of Texas (PUCT) Chairman, called to order an open meeting of the PUCT.



Mr. Armentrout reminded the Board that, while credit and Nodal issues are important, the primary business of ERCOT is to maintain reliability, run markets, and ensure open access to the grid. These duties require good, hard work by ERCOT staff, and he asked ERCOT management to thank their staff on behalf of the Board for their hard work.

Consent Agenda (Agenda Item No. 2)

Mr. Armentrout noted that all items on the Consent Agenda had been removed for discussion or revision.

Chairman Smitherman then remarked that it does not appear that the three PUCT Commissioners can attend the Question and Answer (Q&A) sessions held the day before the Board Meeting, and even though no Board actions are taken at Q&A sessions, he is interested in finding a way for all three Commissioners to participate. He advised that he is communicating with the Attorney General's Office on this topic.

At this time, Mr. Armentrout reminded the Board and attendees of the Antitrust Admonition that was displayed on the screen in the meeting room.

Approval of Minutes (Agenda Item No. 3)

Mr. Armentrout noted that there were two edits to be made to the various sets of minutes presented to the Board for approval. Mike Grable, ERCOT Vice President and General Counsel, noted that on page four of the August 28, 2008 Board Meeting Minutes, A.D. Patton requested that "regression software" be changed to "regression analysis." Mr. Grable further noted that on the September 16, 2008 Board Meeting Minutes, Brad Cox asked that it be noted that he stepped out of the Board Meeting for the Technical Advisory Committee (TAC) Report and that his Segment Alternate, Jean Ryall, sat in his place for that item only.

Jan Newton moved to approve the September 16, 2008 Board Meeting Minutes as amended. The motion was seconded by Bob Kahn. The motion passed by unanimous voice vote with no abstentions.

Ms. Newton moved to approve the September 23, 2008 Board Meeting Minutes. The motion was seconded by Miguel Espinosa. The motion passed by voice vote with three abstentions (Bob Kahn, Don Ballard and Nick Fehrenbach).

Michehl Gent moved to approve the August 28, 2008 Board Meeting Minutes as amended. The motion was seconded by Mr. Fehrenbach. The motion passed by voice vote with one abstention (Charles Jenkins).

CEO Report (Agenda Item No. 4)

Bob Kahn, ERCOT President and Chief Executive Officer (CEO), reported on the recently completed North American Electric Reliability Corporation (NERC) audit. He explained that ERCOT anticipated receiving and responding to a draft audit report soon, and would keep the Board fully informed.



He also reported on his recent trip with Chairman Armentrout to attend NERC's Cyber Security Summit meeting in Washington, D.C. on September 23, 2008. The conference focused on known and emerging cyber security issues. He said that NERC wanted to raise the profile of cyber security and anticipated that there will be more from NERC and the Federal Energy Regulatory Commission (FERC) on that topic.

Operating Reports (Agenda Item No. 5)

The following Operating Reports were presented to the Board.

Financial Summary (Agenda Item No. 5.a.)

The Board had no questions or comments at that time.

Investment Update (Agenda Item No. 5.a., continued)

Steve Byone, ERCOT Vice President and Chief Financial Officer (CFO), provided the Investment Management Update presentation, previously distributed to the Board for their review, on ERCOT's current investment status. Mr. Byone discussed the purpose of ERCOT investing activity, the management and oversight of investing activity, the recent events impacting investments, and next steps. Mr. Grable added that, while Mr. Byone correctly described the history of ERCOT's interactions with The Reserve regarding priority of redemption requests, it would now be up to the U.S. Securities and Exchange Commission (SEC) to decide the process by which redemptions would be paid.

Don Ballard inquired about the reasoning for having all money-market funds in one investment company. Mr. Byone replied that the Investment Standard calls for variety among the investments themselves, and both Reserve funds in which ERCOT was invested held a variety of investments. However, ERCOT will now look at establishing a concentration limit per fund, and Mr. Byone reported that, currently, ERCOT is using two money managers until ERCOT has an updated Investment Standard.

Michehl Gent, Vice Chairman, asked if the SEC was going to allow The Reserve to delay payouts of ERCOT's funds. Mr. Byone replied that he could not predict the SEC's actions, but that some fund investments would not be fully mature for up to a year. Mr. Gent further inquired if The Reserve outsourced their accounting. Mr. Byone replied that he did not know.

Market Operations Report (Agenda Item No. 5.b.)

Trip Doggett, ERCOT Executive Vice President and Chief Operating Officer, commented that he had received questions regarding slides 16 and 17 in the presentation. He advised that from this point forward he will remove slide 16 if there were no objections. None of the Board members objected to this proposed change in format.

IT Report (Agenda Item No. 5.c.)

The Board had no questions or comments at that time.

Grid Operations Report (Agenda Item No. 5.d.)

Andrew Dalton asked about the wind forecasting noted on page five of the presentation. Kent Saathoff, ERCOT Vice President of System Operations, responded that August was a difficult



month for wind and load forecasting. He pointed out that August had very unusual weather, such as one tropical storm and one hurricane. He further pointed out that wind forecasting is still in its early stages and the model is being trained.

System Planning Report (Agenda Item No. 5.e.)

The Board had no questions or comments at that time.

Nodal Update (Agenda Item No. 6)

Ron Hinsley, ERCOT Vice President and Chief Information Officer, provided an update, via presentation, on the Nodal Program.

Chairman Smitherman noted that there is currently not a Nodal schedule in place. He asked how ERCOT is able to track progress. Mr. Hinsley replied that ERCOT is using internal benchmarking despite the absence of a fully developed and agreed schedule.

Mr. Gent said that the Board placed great emphasis on holding the Nodal Protocol Revision Requests (NPRRs) that were not directly related to the Nodal Program. He asked if ERCOT was still following that practice. Mr. Hinsley responded affirmatively. Chairman Armentrout asked if ERCOT is using the new process of proposing NPRRs. Mr. Kahn stated that any NPRRs that go before the Board for approval have been approved by him first.

Chairman Armentrout asked, as the PUCT reviews the plan to evaluate the costs of the Nodal Program, when ERCOT believes that they will announce to the market the new Nodal schedule. Mr. Grable stated that he did not think ERCOT staff could answer that as there will be no ERCOT-developed schedule until the PUCT-led Cost-Benefit Analysis is complete.

Mr. Hinsley introduced Thomas Garrity of Siemens Energy Inc. (Siemens), who provided the Board with a presentation on the Network Model Management System.

Chairman Smitherman asked Mr. Garrity if other Independent System Operators (ISOs) were pursuing the same best-of-breed approach as ERCOT or were going with commercial-off-the-shelf (COTS) systems, and further asked about delays or cost overruns. Mr. Garrity replied that in his experience, the predominant approach worldwide has been to go with a single vendor, although he felt that the conventional wisdom that this means reduced risk is not necessarily true, because it means long-term reliance on a single vendor, limiting flexibility and options. He added that best-of-breed is more demanding and challenging up-front, but he believed that it was the best solution in the long run. He further explained that in the United States and Canada the current thinking is to go with best-of-breed components. He commented that the United Kingdom is generating a new system that would suggest they are going toward 'best of breed' also. He mentioned that as far as development projections, those that have gone into production have blown away all budgets and cost estimates and are evaluating whether they have received all functionality.

Chairman Smitherman asked if the California Independent System Operator (CAISO) is the closest comparison to ERCOT in this instance. Mr. Garrity replied affirmatively and noted that CAISO is significantly behind schedule.



Ms. Newton asked whether, integration aside, ERCOT faces other key risks. Mr. Garrity replied that ensuring that ERCOT and all vendors create agreed common data, and further agree on how it will be transferred and translated, is a key risk. A.D. Patton asked whether integration issues could have been addressed earlier. Mr. Garrity responded that he could not answer the historical question, but stated that all vendors know now how all of the systems work together and knew how to get the program working.

Chairman Smitherman stated his concern that ERCOT is building a program that looks like or has the characteristics of a prototype and asked Mr. Garrity if it will work, and also whether it might become obsolete by the time it goes live. Mr. Garrity responded that there are risks to being on the leading edge but that they are known and are not insurmountable, and that ERCOT and the vendors have clear vision of how to complete the Nodal program. He added that ERCOT was guarding against obsolescence by incorporating new technology as it is developed.

For scheduling reasons, the Agenda Items were taken out of order at this time.

Special Nodal Program Committee Report (Agenda Item Nos. 11 and 11.a.)

Bob Helton, Special Nodal Program Committee (Nodal Committee) Chair, provided a brief update on the first meeting of the Nodal Committee. Mr. Helton reported that the Committee took the lessons learned so far in the Nodal Program and particularly in Internal Audit's review of third-party oversight of the Nodal Program to date, and incorporated those lessons into a Request for Proposal (RFP) for a third-party vendor and in the Nodal Committee Charter. He said that the Nodal Committee would make a recommendation to the Board on the RFP in the Executive Session of the Meeting.

He further advised that the Nodal Committee recommended to the Board that it adopt the Nodal Committee Charter, as amended at the Nodal Committee Meeting. **Mr. Gent moved to approve the Nodal Committee Charter, as amended at the Nodal Committee Meeting. Clifton Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Last, Mr. Helton provided the Board with the final list of the Nodal Committee members. They are: Bob Helton (Chair), Miguel Espinosa, Nick Fehrenbach, A.D. Patton, Robert Thomas, Jean Ryall (Vice Chair) and Steve Bartley. Mr. Helton also reminded the Board members and attendees that everyone can attend the Nodal Committee meetings.

Human Resources & Governance Committee Report (Agenda Item Nos. 10, 10.a. and 10.b.)

Jan Newton, Chair of the Human Resources and Governance (HR&G) Committee, provided a brief update on the HR&G Committee. She reported that Bill Wullenjohn, ERCOT Director of Internal Audit, provided an overview of the IBM Nodal Reassessment Report to the HR&G Committee, but that the HR&G Committee was very supportive of the creation of the Nodal Committee and that the Nodal Committee would directly oversee further Nodal Program issues. Don Ballard, Public Counsel, added that the Committee discussed ERCOT Internal Audit's role in Nodal oversight and that Internal Audit will monitor the third-party reviewer along with the Nodal Committee.



Ms. Newton noted that the HR&G Committee had finalized their response to the PUCT regarding the R.W. Beck Study and that ERCOT staff is preparing a letter summarizing the Board's views.

Ms. Newton also reported that the HR&G Committee unanimously favored looking into broadcasting future Board meetings via the Internet, and that the Committee asked ERCOT staff to get more information on specific vendor proposals.

Mr. Grable discussed the Board Policies and Procedures and reminded the Board that ERCOT needed an approved appeal procedure; he also requested that the Board delegate to ERCOT staff the task of updating the Policies and Procedures to reflect the Unaffiliated Director Compensation changes that were approved at the September 16, 2008 Board meeting. **Ms. Newton moved to approve the Board Policies and Procedures, as discussed. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Ms. Newton advised that the HR&G Committee also reviewed the HR&G Committee Charter and proposed two revisions, both to reflect the Committee's role on compensation matters. **Ms. Newton moved to approve the HR&G Committee Charter, as amended. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.** Finally, Ms. Newton commented that the HR&G Committee briefly discussed the current unprecedented financial and market conditions, and expressed that the Committee felt satisfied that there was adequate Board governance regarding these conditions.

Finance & Audit Committee Report (Agenda Item Nos. 9, 9.a. and 9.b.)

Clifton Karnei, Finance and Audit Committee (F&A Committee) Chair, reported the F&A Committee reviewed ERCOT's nepotism policy and believes it is appropriate.

He advised that the F&A Committee had reviewed the Internal Audit status report, recent EthicsPoint submissions, and the risk-based 2009 Internal Audit Plan, and further that the Committee agreed it is appropriate for Internal Audit to perform renewable-energy audits of Market Participants and increase its staffing from seven to eight. Mr. Karnei also reported that the F&A Committee met with Mr. Wullenjohn as Chief Audit Executive in Executive Session for a quarterly private meeting.

Mr. Karnei mentioned ERCOT's need for additional debt financing to meet current and projected obligations, which would be discussed in Executive Session.

He noted that the F&A Committee reviewed ERCOT's debt, received a liquidity update, reviewed quarterly investment results, and met with PricewaterhouseCoopers (PWC) regarding the 2009 financial audit plan. He further mentioned that the F&A Committee is not recommending approval on the revised standard form guarantee today, but rather is going to remand the form to the Credit Work Group (CWG) to review the form and request specific reasons why the guarantee form recommended by outside counsel and supplied by ERCOT Legal was not used.



Mr. Karnei advised that the F&A Committee recommended that the Board reaffirm the current F&A Committee Charter without any changes. Don Ballard stated that he would not oppose the Charter but that he continues to believe that the F&A Committee should be separated into two committees. **Mr. Karnei moved to reaffirm the F&A Committee Charter. Mr. Jenkins seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Mr. Byone informed the Board that a revised 2009 budget was scheduled for presentation in December, and that if it slips into January a one-month budget for January 2009 would be presented in December, at a minimum.

Lunch (Agenda Item No. 8.)

The meeting broke for lunch.

TAC Report (Agenda Item Nos. 7, 7.a.-7.e.)

Mark Dreyfus, TAC Chair, provided the Board with the TAC Report.

Mr. Dreyfus reported that TAC met to consider the following Protocol Revision Requests (PRRs):

PRR765 – Time of Use Revisions [Profiling Working Group (PWG)]. Proposed effective date: November 1, 2008. No budgetary impact; no additional full-time equivalents (FTEs) needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR revises existing Protocol language to comply with item (l) of P.U.C. SUBST. R. 25.130, Advanced Metering. PRR765 was posted on June 10, 2008. On July 17, 2008, the Protocol Revision Subcommittee (PRS) unanimously voted to recommend approval of PRR765 as submitted. On August 21, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC. On September 4, 2008, TAC unanimously voted to recommend approval of PRR765 as recommended by PRS.

Mr. Fehrenbach questioned the naming convention in the PRR, and Mr. Dreyfus confirmed that it is consistent. **Mr. Karnei moved to approve PRR765. A.D. Patton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

PRR769 – EECF Media Appeal Change [Operations Working Group (OWG)]. Proposed effective date: November 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 allows ERCOT management to issue a media appeal for energy conservation at management's discretion, without requiring ERCOT CEO Authorization. PRR769 was posted on July 22, 2008. On August 21, 2008, 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.



Mr. Karnei moved to approve PRR769. Mr. Kahn seconded the motion.

Mr. Fehrenbach commented that, rather than removing the media -appeal requirement entirely, it could be moved to a later stage of EECF, because there is value in educating the public about emergency grid events. Mr. Grable replied that this is a requirement to appeal for conservation, and that public education about an emergency is a different topic entirely. Chairman Smitherman noted that ERCOT could be criticized for implementing rolling blackouts unless a conservation appeal had been made. Mr. Ballard asked Mr. Saathoff when he thought it would be beneficial to alert the media. Mr. Saathoff replied that if ERCOT is in step one of EECF and did not see itself getting out of it soon, then ERCOT should issue a public appeal. Mr. Kahn mentioned that he had no problem with later in the EECF process having a requirement to contact the media, and if for some reason ERCOT feels it is not necessary, then ERCOT could file something with the PUCT. Mr. Jenkins and Donna Nelson, PUCT Commissioner, both stated that ERCOT should be able to consider the appropriateness of an appeal in the situation, and that there are different types of emergency events: those that unfold slowly over hours, and those that happen very rapidly due to sudden changes. Chairman Armentrout suggested that the Board remand PRR769 back to TAC. Mr. Karnei withdrew his initial motion. **Andrew Dalton moved to remand PRR769 back to TAC. Charles Jenkins seconded the motion.** Before the vote, Mr. Ballard reiterated his strong preference that a media conservation appeal go out prior to rotating outages.

The motion passed by unanimous voice vote with no abstentions.

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

NPRR102 – Implementation of PUC SUBST. R. 25.505(f), Publication of Resource and Load Information [Transition Plan Task Force (TPTF)]. Proposed effective date: Upon Texas Nodal Market Implementation. Incremental cost to Nodal project (\$1.5M - \$2M); 1/4 FTE impact to Enterprise Information Services (EIS) area; impacts to ERCOT Systems include the Energy Management System (EMS), Market Management System (MMS), Commercial Systems (COMS), EIS, and the Market Information System (MIS); ERCOT will publish Load and Resource information pursuant to the disclosure requirements in P.U.C. SUBST. R. 25.505, Resource Adequacy in the Electric Reliability of Texas Power Region, paragraph (f), adopted under P.U.C. Project No. 33490, Rulemaking Proceeding to Address Pricing Safeguards in the Markets Operated by the Electric Reliability Council of Texas; no impact to grid operations. This NPRR incorporates the disclosure requirements pursuant to paragraph (f) of P.U.C. SUBST. R. 25.505. NPRR102 was posted on February 12, 2008. On February 21, 2008, PRS unanimously voted to recommend approval of NPRR102 as revised by ERCOT comments. On March 20, 2008, PRS unanimously voted to table NPRR102 pending the development of the final Impact Analysis. On May 22, 2008, PRS unanimously voted to table NPRR102 pending development of the final Impact Analysis. On September 24, 2008, PRS voted to endorse and forward the PRS Recommendation Report as revised by TPTF comments and the Impact Analysis to TAC for approval. There was one (1) abstention from the Consumer Market Segment. On October 2, 2008, TAC unanimously voted to recommend approval of NPRR102 as recommended by PRS.

Mr. Dreyfus noted that there were changes made to NPRR102 at the Q&A session on Monday, October 20, 2008: throughout the NPRR, “48 hours” was changed to “2 days.” **Mr. Fehrenbach**



moved to approve NPRR102 as modified. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

NPRR113 – Load Resource Type Indicator for Ancillary Service (AS) Trades and Self-Arranged AS [ERCOT]. Proposed effective date: upon Texas Nodal Market Implementation. Incremental cost to Nodal project (\$500K - \$1M); no ERCOT staffing impacts; impact to ERCOT Systems including MMS, EIS, and EMS; no impacts to business functions; increases reliability of overall grid operations. This NPRR adds an indicator to Self-Arranged Ancillary Services and Ancillary Service Trades to reflect if Responsive Reserve (RRS) services are being provided from a Generation Resource, Controllable Load Resource, or non-controllable Load Resource. NPRR113 was posted on March 11, 2008. On March 20, 2008, PRS unanimously voted to refer NPRR113 to TPTF for review. On April 18, 2008, PRS unanimously voted to recommend approval of NPRR113 as revised by TPTF comments. On May 22, 2008, PRS unanimously voted to table NPRR113 until the June 19, 2008 PRS meeting pending the development of the final Impact Analysis. 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 Consumer Market Segment. On October 2, 2008, TAC unanimously voted to recommend approval of NPRR113 as recommended by PRS.

Mr. Gent moved to approve NPRR113. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

NPRR124 – Resource Node Updated Definitions [ERCOT]. Proposed effective date: upon Texas Nodal Market Implementation. Incremental cost to the Nodal project (\$100K-\$150K); no ERCOT staffing impacts; impact to ERCOT Systems include MMS; no impacts to business functions; no impacts to grid operations and practices. This NPRR clarifies the definition of Resource Node and specifies the different Resource Node types that meet the Nodal Protocol requirements. NPRR124 was posted on April 10, 2008. On April 18, 2008, PRS unanimously voted to refer NPRR124 to the TPTF for review. On June 19, 2008, PRS unanimously voted to again refer NPRR124 to TPTF for further clarification. On July 17, 2008, PRS unanimously voted to recommend approval of NPRR124 as amended by TPTF comments and as revised by PRS. On September 24, 2008, PRS voted to endorse and forward the PRS Recommendation Report and Impact Analysis for NPRR124 to TAC for approval. There was one (1) abstention from the Consumer Market Segment. On October 2, 2008, TAC unanimously voted to recommend approval of NPRR124 as recommended by PRS.

Mr. Fehrenbach moved to approve NPRR124 as redlined based on the Q&A session discussion on Monday, October 20, 2008. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

NPRR129 – Section 15, Synchronization of Zonal Protocols [ERCOT]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; no impact to business functions; no impact to grid operations and practices. This NPRR synchronizes zonal Protocol Section 15, Customer Registration, with the current Nodal Protocols and moves Section specific definitions and acronyms to Nodal Protocol Section 2, Definitions and Acronyms. NPRR129 was posted on May



1, 2008. On May 22, 2008, PRS unanimously voted to refer NPRR129 to TPTF for review. On August 21, 2008, PRS voted to recommend approval of NPRR129 as amended by ERCOT comments with one abstention from the Consumer Market Segment. On September 24, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis for NPRR129 to TAC for approval. On October 2, 2008, TAC unanimously voted to recommend approval of NPRR129 as recommended by PRS.

Mr. Fehrenbach requested that any inconsistencies be part of the black-line language. **Mr. Fehrenbach moved to approve NPRR129 and requested that TAC review the two sections to ensure they are consistent and that they are consistent with current practices. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

NPRR144 – Five RUC Deployments Needed Before Requiring Verifiable Costs [Verifiable Costs Working Group (VCWG)]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; no impact to business functions; no impact to grid operations and practices. This NPRR will increase the time Qualified Scheduling Entities (QSEs) and Resources have to prepare verifiable cost submissions for units that are unlikely to be struck in the Reliability Unit Commitment (RUC) process. NPRR144 was posted on July 25, 2008. On August 21, 2008, PRS voted to recommend approval of NPRR144 as amended by TPTF comments with one (1) abstention from the Consumer Market Segment. On September 24, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis for NPRR144 to TAC for approval. On October 2, 2008, TAC unanimously voted to recommend approval of NPRR144 as recommended by PRS.

Mr. Fehrenbach pointed out that this issue has been an on going debate in various committees. **Mr. Fehrenbach moved that the Board reject NPRR144.** There was no second to this motion.

Mark Walker pointed out that generic costs will be much more limited under Nodal than in the zonal market, and that it will be very difficult for Market Participants to prove Verifiable Costs. Mr. Ballard asked how many more RUCs are anticipated and why was five picked as the limit. Mr. Dreyfus responded that he was not sure how many RUCs will be generated and that five was chosen because it is more than one and less than ten. **Mr. Walker moved to approve NPRR144. Mr. Wilkerson seconded the motion. Mr. Dalton proposed a friendly amendment to change the limit from 5 to 3, which was not accepted by the moving or seconding Directors. The motion passed by voice vote with two opposition votes (Messrs. Fehrenbach and Dalton).**

Mr. Dreyfus referred back to the TAC Report presentation and asked the Board to consider the MCPE Cap and Shadow Price Methodology. **Mr. Gent moved to approve the MCPE Cap and Shadow Price Methodology. The motion was seconded by Mr. Wilkerson. The motion passed by unanimous voice vote with no abstentions.**

At this time, John Dumas gave a presentation on Ancillary Services Methodology. Mr. Gent reported that not everyone may not be aware of how much consideration the Board gave to the low CPS2 scores. He further reported that this appears to not encourage wind generators to meet



their schedules. Mr. Dumas advised that what ERCOT is focusing on now is more how the wind units are performing, that it is still in a discussion phase and that they are actively developing accurate metrics.

Mr. Ballard reported that WMS has taken up cost allocation and that ROS has taken up better optimization. He further reported that he does not feel the methodology is fully developed and that it still does not have wind metrics. He advised that at this time he did not feel he could support the proposal.

Dr. Patton advised that he was concerned that the study may have been done inappropriately on a steady state basis and with disregard for transmission constraints. Mr. Dumas agreed that the study did not account for transmission. He further noted that the study only monitored one hour and that it was not representative of a whole day or whole year, but ERCOT wanted to get an idea of the effect of the resources.

Mr. Fehrenbach pointed out that the study is adjusting non-spin for the preceding 90 days and with wind being a seasonal product, he would assume that the forecasts are more predictable in June and in April. He commented that the prior 90 days were not necessarily indicative of the current month. Mr. Dumas replied that the study is not perfect, but it is an approach that links reserves and forecasts. Mr. Fehrenbach replied that he did not feel there was a clear need for this at this time.

Mr. Jenkins pointed out that most would recognize that with wind, adjustments need to be made and that all would agree that we don't know the final answer and there is further work to do, but he felt this was a step in the right direction.

Mr. Dalton asked why load is being penalized and why net load is not being calculated on wind generators so that they could be charged directly. Mr. Saathoff agreed that there is room to optimize this. But he advised that he felt strongly that changes need to be made now since we are going into a peak wind season and that ERCOT is open and willing to work with Market Participant groups to optimize this.

Chairman Armentrout asked if the costs are verifiable. Mr. Saathoff replied that we know what the prices will be, but it is harder to determine what the prices would have been.

Mr. Karnei mentioned that the Board's concerns are valid, but he believes this is incremental and necessary. **Mr. Karnei moved to approve the Ancillary Services Methodology.**

Dr. Patton asked for clarification regarding the additional costs and wanted to know if the costs are uplifted to everyone. Mr. Dumas replied that they are uplifted to load.

Mr. Dalton inquired if the Ancillary Services Methodology would be rolling out November 1, 2008. Mr. Dumas replied affirmatively. Mr. Dalton asked why there was such a push to approve this now rather than bundling this with the payment-allocation issue and approving it all at a later date. Mr. Dumas replied that there had been many discussions in the Wind Operations Task Force regarding increasing output from 5500 to 8500 megawatts by the end of the year. He



advised that ERCOT was trying to move quickly to keep up and that he thought this was the right first step. He mentioned that ERCOT will continue to work with stake holders and will review any new proposals that come in.

Mr. Gent seconded the motion made by Mr. Karnei. Chairman Armentrout suggested adding a friendly amendment requesting that ERCOT staff report back to the Board on costs related to Ancillary Services Methodology in six months. Mr. Dalton suggested a further amendment requesting that ERCOT staff report back on financial impacts in January 2009 and that he would like to have a recommendation from TAC on how ERCOT is going to deal with the expenses after a full quarter. Chairman Armentrout suggested that ERCOT staff provide a monthly report on the Ancillary Services Methodology and that the Board could discuss the issue at length at the Board Strategic Planning Event in February 2009. **Mr. Dalton revised his friendly amendment to have monthly updates and a fuller report three months from the November start date. The friendly amendment was accepted. As amended, the motion passed by voice vote with two opposed (Messrs. Fehrenbach and Ballard) and one abstention (Dr. Patton).**

Mr. Dreyfus concluded his presentation with a discussion of "Study Horsepower," expressing Market Participant concerns that ERCOT, and the market generally, may not have resources available to perform all required analyses. Mr. Doggett agreed with the concerns, and noted that staff resources are limited but that he is also trying to identify broad industry expertise that can assist. Mr. Saathoff noted that demands on ERCOT only increased over time, and that he was focusing on a reorganization of System Planning, working with Human Resources for more money, and looking for outside help as well. Clayton Greer, J Aron, noted that the market views this as a budgetary issue, and is asking the Board to allocate more resources to study and analysis. Mr. Patton stated his belief that far more study of wind is needed, and that resources in Operations generally and Compliance specifically need to be beefed up.

The last TAC item discussed by the Board was consideration of 2009 Commercial Significant Constraints (CSCs), including appeals of alternative CSC proposals. Presentations were provided by Mr. Dreyfus, Richard Ross of AEP as appellant in favor of option 3h, Barbara Clemenhagen of Topaz as the TAC Advocate for option 3i, and David Bell, General Manager of West Central Texas Municipal Water District, in favor of option 3b.

Mr. Dalton asked why Option 3b was voted down at WMS. Mr. Dreyfus responded that the consensus based on ERCOT's analysis was that there is a better likelihood of lower cost and better reliability with the other options.

A.D. Patton asked Mr. Ross to clarify the suggestion is that Option 3i will move the Oklaunion station to the west if it is currently in the west. Mr. Ross replied that it is in the 2008 west zone, which would be different than the 2009 west zone.

Mr. Dalton asked how many times the Oklanion-Bowman line was out. Beth Garza replied that she did not know precisely, but she believed that the outage percentage was in the single digits.

Chairman Smitherman asked Mr. Dreyfus to confirm that the voting on Option 3h was two in favor, twenty-three opposed and five abstentions, which Mr. Dreyfus did.



Chairman Armentrout pointed out that TAC members routinely advocate for their own companies and/or segments, but some phraseology in one of the appeal presentations was over and above an advocacy process, including a purported claim of discrimination. He asked if there was anything else that needed to be shared regarding issues that were not allowed to be brought up. Mr. Kahn explained that Ms. Garza and ERCOT Legal were prepared to discuss this claim and to advise that the Protocols had been followed. Ms. Garza responded that she and ERCOT Legal are prepared to go line by line and prove that there was no discrimination against any company or segment and that everyone had had sufficient notice of ERCOT staff's position and an opportunity to respond. Chairman Smitherman asked Mr. Grable if he felt that all legal requirements had been met. Mr. Grable replied affirmatively.

Mr. Karnei moved to approve Option 3i as recommended. Mr. Wilkerson seconded the motion. The motion passed by voice vote with one opposed (Mr. Fehrenbach) and one abstention (Mr. Dalton).

Reschedule of November 2008 Board Meeting Date (Agenda Item No. 12)

Mr. Grable advised the Board that the November 2008 Board Meeting needed to be rescheduled to Monday, November 17, rather than Tuesday, November 18, due to a legislative meeting. He noted that the reschedule of the November 2008 Board Meeting was added to the Agenda so that it could be publicly noted. Mr. Espinosa requested that ERCOT provide the Board with a revised schedule of all Board-related meetings.

Other Business (Agenda Item No. 13)

Chairman Armentrout asked the Board if they had any other non-voting business to discuss. The Board had no additional business.

Future Agenda Items (Agenda Item No. 14)

Chairman Armentrout asked the Board if they had any items to add to Future Agenda Items. The Board had no additional items.

Executive Session (Agenda Item Nos. 15, 15.a.-15.e.)

Chairman Armentrout adjourned the meeting to Executive Session at approximately 3:45 p.m.

Executive Session Voting Matters (Agenda Item No. 16)

Chairman Armentrout reconvened the open session at approximately 5:22 p.m.

Mr. Ballard moved to approve a contract item related to Independent Market Monitor (IMM) services under Agenda Item 15e. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Wilkerson moved to approve two contract items related to vendor not-to-exceed limitations under Agenda Item 15e. Mr. Gent seconded the motion. The motion passed by voice vote with one opposed (Mr. Fehrenbach) and no abstentions.



Mr. Helton moved to approve a contract item related to the hiring of a new vendor under Agenda Item 15e. Ms. Zlotnik seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Kahn moved to approve Resolution 1 for Agenda Item 15d. Mr. Cox seconded the motion. The motion passed by voice vote with two opposed (Messrs. Ballard and Dalton) and no abstentions.

Mr. Kahn moved to approve Resolution 2 for Agenda Item 15d. Mr. Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Wilkerson moved to approve Resolution 3 for Agenda Item 15d. Mr. Kahn seconded the motion. The motion passed by voice vote with two opposed (Messrs. Ballard and Dalton) and no abstentions.

Chairman Armentrout moved to approve a regulatory litigation filing under Agenda Item 15b. Mr. Gent seconded the motion. The motion passed by voice vote with one abstention (Mr. Ballard).

Adjournment

Chairman Armentrout adjourned the meeting at approximately 5:30 p.m.

A handwritten signature in black ink, appearing to read "Michael G. Grable". The signature is written in a cursive style and is positioned above a horizontal line.

Michael G. Grable
Vice President and Corporate Secretary