

**MINUTES OF SPECIAL NODAL PROGRAM OVERSIGHT COMMITTEE MEETING
OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

7620 Metro Center Drive, Austin, Texas 78744, Room 224

November 17, 2008 at 3:30 p.m.

Committee Members Present

Bob Helton
Jean Ryall
Miguel Espinosa
Nick Fehrenbach
A.D. Patton

Other Board Members

Mark Armentrout
Michehl Gent
Brad Cox
Jan Newton

ERCOT Staff

Ron Hinsley
Bill Wullenjohn
Matt Morais
Janet Ply
Chad Seely
Brandon McElfresh
Estrellita Doolin

Utilicast Nodal Review Team Members

Mike Cleary (Team Lead)
Dave Turner
Kevin Morelock

Call to Order

Mr Helton opened the meeting at approximately 3:45 p.m.

Executive Session

Mr. Helton adjourned into Executive Session at 3:46 p.m.
The meeting emerged from Executive Session at 4:15 p.m.

Bob Helton re-convened the Open Session of the meeting of the Special Nodal Program Committee (Committee) of the Board of Directors (Board) of Electric Reliability Council of Texas (ERCOT) at approximately 4:20 p.m.

Nick Fehrenbach moved to approve the minutes for the October 20, 2008 meeting of the Committee. A.D. Patton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Nodal Interim Budget Authority

Mr. Helton stated the Nodal Program interim budget authority issue was addressed in the open meeting of the general session of Board, but noted that it would be addressed in the Nodal Subcommittee going forward.

Milestone Report

Mr. Helton noted the Committee would need to focus on critical path items as they materialize and are implemented in the development process. Ron Hinsley, ERCOT Vice President and Chief Information Officer, then provided an overview of the milestone report. Mr. Hinsley also noted the establishment of a new report that identified future project milestones related to non-critical path issues. Mr. Helton stated that if the issues identified in that report impact critical path issues, they need to be presented to the Nodal Subcommittee for discussion. Janet Ply, ERCOT Nodal Project Manager, then summarized the critical path items, focusing on NMMS, the CIM XML file and the release of NMMS Version 5. Ms. Ply noted that if critical path items slip in terms of timing, it will affect the end date of the Nodal Implementation Program.

Mr. Helton asked about the impact of CIM and XML files relative to other parts of the program, and Mr. Hinsley stated that they are pivotal points the development and implementation for other systems. Mr. Helton then asked if all sub-tasks are on track and Ms. Ply responded affirmatively. Mr. Helton then asked about the status of NMMS Version 5. After some discussion of the potential risks, Ms. Ply stated she was confident in completing that task in accordance with the anticipated timeframe, and Mr. Hinsley noted that the major risks are how the user interfaces communicate with the back-end of the system. Mr. Hinsley then stated that there is a website that describes the status of all projects.

Risks and Issues Review

Mr. Hinsley presented an overview of the major risks and issues to the Nodal Implementation Program. The top three issues identified by Mr. Hinsley were: 1) information lifecycle management (ILM) strategy; 2) completion of related business processes; and 3) the traceability between Nodal Protocols and Business Requirements. To address these issues, Mr. Hinsley stated: 1) ERCOT established a specific project to ensure adequate storage capability to address the ILM issue; 2) ERCOT is working with the Transition Plan Task Force (TPTF) to ensure business processes are satisfactorily completed; and 3) ERCOT is developing a tool to link Nodal Protocols to Business Requirements and will require TPTF approval of the links between the Nodal Protocols and Business Requirements.

Brad Cox asked if there were still potential issues associated with the release of all the modules. Mr. Hinsley stated that Releases 4 and 5 were not complete, and that these would determine if changes were necessary. Mr. Hinsley noted that he could not state with specificity when these Releases would be complete.

Utilicast Nodal Program Review including Report #8

Bill Wullenjohn, ERCOT Director of Internal Audit, introduced the Utilicast representatives present at the meeting as Mike Cleary (Team Lead), Kevin Morelock and Dave Turner. Mr. Wullenjohn briefly discussed the timeline for Utilicast's Nodal Program Review Report #8 that would cover validation of the new integrated schedule and budget. Mr. Wullenjohn added that the Utilicast team began their review work as scheduled on November 10, 2008. Each of the Utilicast team members present introduced themselves to the Committee and provided a brief overview of their expertise and background relevant to the Nodal Program Control Reviews. The Utilicast team then described the general scope of their review as including review of the projects, schedules, risks, staffing levels and skills, and methodologies.

Mr. Helton then asked about the progress of the review, and Utilicast responded that it was early in the process (i.e., the second week) and that they were in the process of conducting interviews with relevant ERCOT personnel, including Mr. Hinsley and Nodal Project Managers. Noting the purpose of the Utilicast report was to validate the ERCOT integrated schedule and budget, Mr. Helton asked Utilicast if the report will also address if the ERCOT Nodal Team is capable of completing the Nodal Program and, if there are viable alternatives to the current Nodal design. Utilicast stated the report would address these issues to the extent possible given the timing constraints on the review process.

Robert Thomas stated he would like Utilicast representatives present at all Nodal Subcommittee meetings. Mr. Wullenjohn confirmed that a representative from Utilicast has been requested to attend, in person, all of the Nodal Subcommittee meetings, and that this is a deliverable in the Utilicast Statement of Work. Mr. Wullenjohn added that this regular monthly interface between Utilicast and the Committee is intended to ensure full transparency between the Committee and Utilicast. Mr. Wullenjohn pointed out that the Committee is Utilicast's client. Mark Armentrout stated he would like the following processes established: 1) If Utilicast recommendations to the Nodal Subcommittee are rejected, Utilicast shall have the right to present the recommendation(s) to the full ERCOT Board of Directors; and 2) Disagreements between ERCOT staff and Utilicast shall be submitted in writing to the ERCOT CEO for review. Utilicast committed to establishing those processes.

A.D. Patton asked for Utilicast's impressions to date. Utilicast noted the importance of key individuals in Nodal Program oversight and stated the oversight of Mr. Hinsley and Ms. Ply strengthened the Nodal Program structure. Utilicast noted that market design by committee is an issue.

Mr. Cox inquired as to the feasibility of the project design and software platform. Utilicast replied that determination requires detailed review of each module and then all modules on an integrated basis, and that review wouldn't be complete until after the start of 2009. Utilicast noted the Nodal Program is close to a critical mass stage, and any change in the number of

modules that comprise the Nodal Program at that stage would create more problems than it would solve because the change in functionality would increase the scope of the Nodal Program.

Mr. Patton asked Utilicast to compare the Nodal Program to the PJM model. Utilicast stated the most relevant comparison was the PJM integration of Allegheny, ComEd and AEP, but noted PJM used an iterative approach, whereas the Nodal Program is more comparable to the “big bang” where the transition from zonal to nodal occurs all at once. Utilicast also noted the Nodal Program is using unproven technologies.

Mr. Armentrout stated that Utilicast should focus on the first deliverable, which is the review of the ERCOT budget and schedule, and Mr. Helton supported this position.

Jan Newton stated that assessment of vendor quality was necessary, for example, in terms of coordination. Utilicast noted that Nodal Program review requires assessment of internal processes, vendor external dependencies and Market Participants, and that all three issues need to be coordinated, but the ability to fully review all those issues is constrained by the timeframe for the review. Ms. Newton asked if the review could identify poorly performing vendors, and Utilicast responded it could, but the time value had to be maximized to achieve the goal of the report.

There were no additional questions for Utilicast. Mr. Wullenjohn noted that Utilicast would be producing weekly status reports and offered to provide those reports to interested Board Members. Mr. Helton and Mr. Armentrout indicated that they would like to receive the weekly status reports.

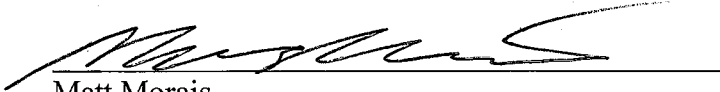
Cost-Benefit Analysis (CBA) Update Discussion

Mr. Hinsley indicated the draft CBA report is anticipated to be provided to the Public Utility Commission of Texas (PUCT) on December 10, 2008, and that release to ERCOT is expected on December 17, 2008, with the public release at the PUCT Open Meeting on December 18, 2008. Ms. Newton inquired as to whether it would be subject to notice and comment, and Mr. Armentrout stated that decision was within the purview of the PUC.

Other Business

Miguel Espinosa asked if delay in Nodal projects provides any additional funding to implement delayed zonal projects. Mr. Armentrout stated that issue cannot be addressed until the Nodal Program budget and schedule are made public. Mr. Espinosa noted that nodal and zonal projects need to be reviewed holistically. Mr. Helton then noted the Independent Market Monitor may comment on zonal projects that should be pursued. Beth Garza of the IMM stated the IMM was reviewing that issue with the intent of recommending zonal projects that can be implemented and provide value prior to the implementation of the Nodal Market. As a result of the need for zonal market projects, Ms. Garza noted that retaining the zonal market is not a zero cost option.

The Open Session meeting adjourned at approximately 5:30 PM.

A handwritten signature in black ink, appearing to read "Matt Morais", is written over a solid horizontal line.

Matt Morais
Assistant General Counsel