

DRAFT MINUTES OF THE

TEXAS REGIONAL ENTITY ADVISORY COMMITTEE

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

December 8, 2008

Committee Members

| | | |
|-------------------------|---|----------------------------|
| Michehl R. Gent, Chair | | Unaffiliated |
| A.D. Patton, Vice Chair | | Unaffiliated |
| Mark Armentrout | | Unaffiliated |
| Don Ballard | Office of Public Utility Counsel | Residential Small Consumer |
| Miguel Espinosa | | Unaffiliated |
| Jan Newton | | Unaffiliated |
| Barry T. Smitherman | Commissioner, Public Utility Commission of Texas | |

Other Directors and Segment Alternates

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|----------------|--|-------------------------|
| Steve Bartley | CPS Energy | Municipal – Segment Alt |
| Calvin Crowder | American Electric Power Service Corporation | IOU – Segment Alt |

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 and CAO
Eric Goff, Reliant
Don Jones, Reliant
Randa Stephenson, Luminant
Kenan Ogelman, CPS Energy
Bridget Headrick, PUCT
Cesar Seymour, Suez Energy

Call to Order

Chairman Gent called the meeting of the Texas Regional Entity (“Texas RE”) Advisory Committee (“Committee”) to order at approximately 2:35 p.m.

Approval of Minutes

Jan Newton made a motion for approval of the minutes from the November 18, 2008 Committee meeting; A.D. Patton seconded the motion. The motion passed by voice vote with one abstention from Mark Armentrout.

Texas RE Update

Mr. Grimm updated the Committee regarding administrative matters at Texas RE, including:

- Texas RE is fully staffed and is looking to fill 2009 vacancies with qualified candidates as they emerge
- The Texas RE intern accepted a full time position as a Compliance Engineer beginning January 1, 2009
- Overall, Texas RE has under-spent its operating budget \$438,000, year-to-date
- Memorandum of Understanding (MOU)-related expenses paid to ERCOT are continuing to trend significantly higher than planned, due to the development of cost drivers and signing the MOU mid-year. The budgeted amount for the ERCOT services was significantly lower than actual cost (post-MOU) and is forecast to be about \$365,000 higher than budget for 2008. Mr. Grimm explained that this expense category is budgeted appropriately for 2009.
- ERCOT has signed a sublease for the new Texas RE office space, and Texas RE currently plans to move to the new space in late January 2009.

In response to a question from Mr. Espinosa asking where Texas RE will hold its Board and Committee meetings once they move to a different location, Mr. Grimm told the Committee that Texas RE would continue to have its 2009 Board and Committee meetings at the Met Center.

Chairman Barry Smitherman of the Public Utility Commission of Texas joined the meeting at 2:36 via telephone.

The Committee briefly discussed the ERCOT and Texas RE engineering intern program, and both Mr. Grimm and Ms. Capezzuti confirmed to the Committee that this continued to be a very beneficial program to locate and recruit qualified engineering students.

In response to a question from Ms. Newton asking if the SPP FERC audit results were available to the public, Mr. Grimm said that the results were not available yet, but SPP hoped to have the results available by year's end. Mr. Grimm told the Committee that once the SPP audit results are available to the public, Texas RE would review the audit results and use them as a tool for the upcoming Texas RE FERC audit. Mr. Grimm also noted that Texas RE had received the first data request from FERC on December 4, 2008, containing 32 requests for information that were due to FERC on December 29, 2008. Mr. Grimm said that he could make these questions available to the Committee if they wished, and the Committee decided to address this issue in executive session.

Financial Report

Todd Brewer answered questions from the Committee about the Financial Report.

Human Resources & Governance Issues

Committee Self Evaluation

Ms. Vincent informed the Committee that Texas RE had received 5 responses to the Committee Self Evaluation and 10 responses from the Board Self Evaluation. In response to questions by the Committee, Ms. Vincent explained that Committee members should have received two

separate emails (one for the Committee Self Evaluation and the other for the Board Self Evaluation) from which they could click on links to complete the two evaluations. Ms. Vincent told the Committee that she would bring the results to the February Board and Committee meetings. The Committee members strongly encouraged each other to complete both evaluations.

Texas RE Strategic Plan

Chairman Gent reminded the Committee members that they would vote to recommend the Texas RE Strategic Plan to the full Board for action at the February 2009 Board meeting. He noted that this Strategic Plan would be a working document that could be used until a long-term Strategic Plan was developed.

Dr. Patton asked about the expected relationship between ERCOT ISO's CCO position and Texas RE CEO and staff. Ms. Capezzuti explained that the ERCOT CCO will interface with Texas RE, NERC, and FERC as appropriate and that he or she would be the single point of contact for all ERCOT ISO compliance matters.

Mr. Armentrout stated that the Committee and Board members might want to look into the strategic issues of the ISO and how Texas RE fits into that and perhaps the committee should look at the goals of the ERCOT annual retreat and see if Texas RE should attend. Mr. Armentrout told Mr. Grimm that he should talk to Bob Kahn, ERCOT President and CEO, and discuss whether Texas RE should attend the ERCOT Board retreat.

Chairman Gent asked Mr. Armentrout whether there was any talk or movement of an organizational separation of Texas RE from ERCOT ISO. Mr. Armentrout informed the Committee that ERCOT Legal had been studying this issue and that there will be a forthcoming report.

In response to a question by Mr. Ballard about the origin of the Texas RE Strategic Plan, Mr. Grimm stated that it started from a draft that Texas RE staff had created. He explained that the current version contains redlines including comments from Committee members at the last Committee meeting. Mr. Gent reminded the Committee that he wanted to have the Texas RE Strategic Plan in place to help demonstrate separation from ERCOT ISO.

Compliance Report

The Committee discussed the November 2008 SCPS2 scores for wind-only QSEs. Ms. Newton expressed her frustration that this particular score seemed meaningless but there were no other wind-only measures in place. She asked if there was anything Texas RE could do until there was another approved metric in place for wind-only QSEs. Mr. Barry stated that there needs to be a new measure for wind-only QSEs. Dr. Patton stated that he would recommend not eliminating any of these metrics until there was something else in place, and Mr. Barry concurred. Mr. Armentrout asked how many committees a proposed metric would have to go through to get passed and Mr. Barry responded that it would typically go through three to four stakeholder committees. Mr. Ballard asked if Texas RE could create a new enforceable metric at the regional entity level. Mr. Barry told the Committee that Texas RE has no authority to enforce a metric that it alone developed – because it would not be either a Protocol or a regional standard. Mr. Armentrout asked Texas RE staff to bring to the Board and Committee what Texas RE's legal authority is, and what it is able to do. Mr. Barry noted that the Technical

Advisory Committee (TAC) may be concerned with this approach, since it would be outside of the Protocol process, but Mr. Ballard said that an alternative efficient process should be considered, regardless.

The Committee discussed the November 2008 Violation Tracking Report. Chairman Smitherman joined the Committee meeting (in person) at 3:08 p.m.

In response to a question from a Committee member asking if Texas RE needed anything from the Advisory Committee members in order to process the violations faster, Mr. Barry responded that Texas RE has all the necessary tools to complete these processes, but they were waiting on NERC approvals. Mr. Gent explained to the Committee that everything has the same priority at NERC, so it is very difficult to see anything expedited on NERC's end.

Mr. Armentrout asked if it would be appropriate for the Committee to discuss the ERCOT ISO audit from Texas RE in open or executive session; Ms. Vincent informed the Committee that they could discuss the ERCOT ISO audit only in executive session.

In response to a question from Ms. Newton about slide 17, bullet number two of the Compliance Report, Ms. Vincent explained that the Public Utility Commission was helping to incentivize TAC's organization on Nodal Protocol reliability metrics development. Mr. Barry noted that much progress has been made with TAC leadership to formalize a Nodal metric development process; so, most issues had been resolved. Dr. Patton expressed to the Committee that he has been kept in the dark about the activities of TAC, and he would like to be better informed as to what TAC and their subcommittees are doing. The Committee members expressed agreement, and Chairman Smitherman reminded the Committee that they are entitled to any amount of information from TAC at any time. Mr. Gent stated that he will relay Chairman Smitherman's statement to the ERCOT Board. Mr. Barry stated that TAC needs to develop a plan with a schedule for 1) enhancing Protocols to address wind performance, and 2) Nodal metrics development. The Committee members agreed that this was an important ERCOT ISO Board discussion item.

Executive Session

At 3:16 p.m., Chair Gent adjourned the open session portion Committee meeting and the Committee members went into executive session.

Adjournment

Chair Gent adjourned the Committee meeting at approximately 3:51 a.m.

Susan Vincent
Corporate Secretary