



**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
December 9, 2008 at 1:30 p.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:

<u>Director</u>	<u>Affiliation</u>	<u>Segment</u>
Armentrout, Mark		Unaffiliated
Ballard, Don	Office of Public Utility Counsel	Consumer/Residential
Cox, Brad	Tenaska Power Services Co.	Independent Power Marketer
Dalton, Andrew	Valero Energy Corp.	Consumer/Industrial
Espinosa, Miguel		Unaffiliated; by Proxy to Michehl Gent at beginning of Agenda Item 17
Fehrenbach, Nick	City of Dallas	Consumer/Commercial
Gent, Michehl		Unaffiliated; Proxy for Miguel Espinosa beginning at Agenda Item 17
Helton, Bob	International Power America Services	Independent Generator
Jenkins, Charles	Oncor Electric Delivery Company	Investor Owned Utility
Kahn, Bob	ERCOT	President and Chief Executive Officer
Karnei, Clifton	Brazos Electric Power Cooperative	Cooperative; by Proxy to Dan Wilkerson beginning at 3:00 p.m. during Agenda Item 10
Newton, Jan		Unaffiliated
Patton, A.D.		Unaffiliated
Smitherman, Barry T.	Chairman	Public Utility Commission of Texas (PUCT or Commission)
Thomas, Robert	Green Mountain Energy Company	Independent Retail Electric Provider
Wilkerson, Dan	Bryan Texas Utilities	Municipal; Proxy for Clifton Karnei beginning at 3:00 p.m. during Agenda Item 10



Staff and Guests:

Adib, Parviz	APX
Anderson, Kenneth	PUCT
Barry, Sean	PricewaterhouseCoopers
Barry, Victor	Texas Regional Entity (Texas RE)
Bartley, Steve	CPS Energy
Bell, Wendell	Texas Public Power Association
Brandt, Adrienne	Austin Energy
Brenton, Jim	ERCOT
Brewster, Chris	City of Eastland
Brown, Deryl	Hudson Energy Services
Bruce, Mark	FPL Energy
Byone, Steve	ERCOT
Capezzuti, Nancy	ERCOT
Cleary, Mike	Utilicast
Cochran, Seth	Sempra Trading
Comstock, Read	Direct Energy
Crozier, Richard	Brownsville Public Utilities Board
Day, Betty	ERCOT
Doggett, Trip	ERCOT
Drost, Wendell	Areva
Forfia, David	ERCOT
Fox, Marilyn	Fox Smolen
Gage, Theresa	ERCOT
Garza, Andres	City of Wharton
Gates, Vikki	Structure
Goff, Eric	Reliant Energy
Grable, Mike	ERCOT
Greer, Clayton	J. Aron and Company
Grubbs, David	City of Garland
Haas, Jason	PUCT
Headrick, Bridget	PUCT
Hinsley, Ron	ERCOT
Hobbs, Kristi	ERCOT
Jones, Don	Reliant Energy
Jones, Liz	Oncor
King, Kelso	King Energy
Leady, Vickie	ERCOT
Moore, John	E.On
Morris, Sandy	Lower Colorado River Authority
Moss, Steven	First Choice Power
Ogelman, Kenan	CPS Energy
Oldham, Phillip	TIEC
Owens, Frank	Texas Municipal Power Authority
Perry, Chris	Gerdaul AmeriSteel



Reid, Walter	Wind Coalition
Rexrode, Caryn	Customized Energy Solutions
Roark, Dottie	ERCOT
Ryall, Jean	Constellation Energy
Saathoff, Kent	ERCOT
Seymour, Cesar	SUEZ
Shumate, Walt	Shumate & Associates
Soutter, Mark	Invenergy
Spears, Clay	Signal Hill Wichita Falls Power
Stewart, Roger	Higher Power and Third Planet
Trostle, Kay	Chaparral Steel
Troutman, Jennifer	AEP Energy Partners
Troxell, David	ERCOT
Turner, Dave	Utilicast
Vasquez, Leticia	Platts
Walker, DeAnn	CenterPoint Energy
Walker, Mark	NRG Texas
Wittmeyer, Bob	Denton Municipal Electric
Wullenjohn, William	ERCOT

Call Open Session to Order (Agenda Item 1)

Mark Armentrout, Chairman of the ERCOT Board, opened the meeting at approximately 1:33 p.m., and Barry T. Smitherman, Chairman of the PUCT, immediately convened an open meeting of the PUCT.

Election of Board Chair and Vice Chair (Agenda Item 2)

Bob Kahn, ERCOT President and Chief Executive Officer (CEO), asked for nominations for the positions of Chair and Vice Chair of the Board for 2009. **Dr. A.D. Patton moved to nominate Jan Newton for Board Chair. The motion was seconded by Mr. Armentrout. The motion passed by unanimous voice vote with no abstentions.**

Bob Helton moved to nominate Michehl Gent for Vice Chair. The motion was seconded by Miguel Espinosa. The motion passed by unanimous voice vote with no abstentions.

Chairman Smitherman thanked Mr. Armentrout, on behalf of the PUCT, for his service as Board Chair, leading the Board, being available for stakeholders and the PUCT, and for his continuing service as a Director. Ms. Newton noted that she was honored to serve an Unaffiliated Board Member and to serve now as Board Chair. She also noted that she was grateful to Mr. Armentrout and looked forward to continuing to work with him, and that ERCOT faced many challenges but had exciting opportunities also.

At this point in the meeting, Ms. Newton assumed the role of Board Chair.

Committee Member Preference for 2009 (Agenda Item 3)

Chairman Newton noted that Directors had Committee Preference forms in their materials, and that completed forms needed to be returned to the ERCOT Legal Department.



Retreat Agenda Topic Discussion (Agenda Item 4)

Chairman Newton reminded the Board that the Strategic Planning Meeting is a little more than two months away, and that input on possible discussion topics is needed. She listed items that have been proposed already by Board members and by ERCOT Staff, including: the ERCOT Strategic Plan, Mission, and Vision; Ethics Training; Smart Grid and Advanced Metering; Reliability Strategies related to Variable Generation; ERCOT – Texas Regional Entity (Texas TRE) Structure; Credit Issues and Oversight; Generation Adequacy; ERCOT Study “Horsepower;” and the findings and status of the Technical Advisory Committee (TAC) and Subcommittees Organizational Review Task Force (TASOR TF). Chairman Smitherman requested that emerging technology, such as, storage, be included in the Smart Grid discussion. In addition, Chairman Smitherman mentioned the changes in leadership of federal entities such as the Department of Energy (DOE), Federal Energy Regulatory Commission (FERC), and Environmental Protection Agency (EPA) as a good retreat topic. Don Ballard suggested a discussion of Board and Staff strategic plans, and how they are matched to key risks. Dr. Patton inquired about the topic of cost allocation. Michael Grable, ERCOT Vice President and General Counsel, responded that this topic will be placed on the January 2009 Board agenda.

Chairman Newton requested that any further input from the Board be communicated to the ERCOT Legal Department.

Confirmation of TAC Representatives (Agenda Item 5)

Chairman Newton asked for a motion to confirm the 2009 TAC representatives. **Mr. Karnei moved to approve the 2009 TAC representative. The motion was seconded by Andrew Dalton. The motion passed by unanimous voice vote with no abstentions.**

Consent Agenda (Agenda Item 6)

Chairman Newton noted that Board members had asked to remove Protocol Revision Request (PRR) 775 and the November 17, 2008 minutes from the Consent Agenda. **Mr. Helton moved to approve the remaining items on the Consent Agenda (PRR770, PRR773 and PRR774). The motion was seconded by Mr. Dalton. The motion passed by unanimous voice vote with no abstentions.**

Approval of November 17, 2008 Minutes (Agenda Item 7)

Mr. Grable noted edits that were received from Mr. Dalton regarding voltage ride through, Mr. Helton regarding Operating Guide Revision Request (OGRR) 208, and Dr. Patton regarding a correction of a dissenting vote. The Board deferred action until Board members had a chance to review the additions proposed by Mr. Dalton, which were later circulated to all present Board members.

CEO Report (Agenda Item 8)

Mr. Kahn reported on last month’s Texas Senate Business and Commerce Committee hearing. He also mentioned that this was the second year in a row that ERCOT received an unqualified SAS 70 Type II Audit Report from PricewaterhouseCoopers (PwC), and this year the Report was issued with no exceptions noted.



Finance & Audit (F&A) Committee Report (Agenda Item 13)

Chairman Newton took the F&A Committee Report Agenda Item out of order so that Mr. Karnei could participate in the discussion. Mr. Karnei reported that the F&A Committee had provided an opportunity for the Credit Work Group and Market Participants to provide their comments with regard to the suggested edits as proposed by ERCOT Legal to ERCOT's Standard Form Market Participant Guarantee Agreement. He noted that the F&A Committee will review this matter further in January 2009. Mr. Karnei further reported on the favorable results of the Sagebrush Consulting Benefit-Claims Audit, which assessed the performance of ERCOT's claims administrator, and explained that the results indicated that the medical and dental claims accuracy was above industry standard. Mr. Karnei advised that the F&A Committee met with (PwC) to discuss the results of the 2008 SAS 70 audit. The F&A Committee learned that the audit was completed and (PwC) issued a clean report for the second year in a row and the 2008 report was issued with no exceptions noted. Mr. Karnei congratulated the ERCOT Staff on this report.

Review & Approval of January 2009 Operating Budget (Agenda Item 13a)

Mr. Karnei then raised Agenda Item 13a, and moved to approve, consistent with the F&A Committee recommendation, ERCOT management's proposal for a one-month budget covering January 2009 for ERCOT's base operating budget. The motion was seconded by Mr. Espinosa. The motion passed by unanimous voice vote with no abstentions. Mr. Karnei noted that the F&A Committee expects to receive a revised base operating budget for all of 2009 for consideration in January and the F&A Committee will subsequently make recommendation to the Board regarding approval of the revised 2009 budget.

Finance & Audit Committee Report (Agenda Item 13) – Continued

Returning to the F&A Committee report, Mr. Karnei informed the Board of the F&A Committee's review of ERCOT dealings with financial institutions that are also Market Participants or affiliated with Market Participants. Mr. Karnei also noted that ERCOT reported on the potential extent of loss to ERCOT from investments in The Reserve Primary Fund account. Mr. Karnei reported that ERCOT Staff has recorded a) a non-operating loss on investments in The Primary Fund of approximately \$500,000, in accordance with appropriate accounting treatment, resulting from The Reserve's recent, retroactive restatement of the Net Asset Value of the Primary Fund as of September 16, 2008 and b) interest expense of approximately \$500,000 for interest to be paid to market participants to keep depositors whole even though ERCOT is unsure whether interest will be received from The Reserve. He noted that, if the Board takes no action, these items would come out of ERCOT's system administration fee revenues and effectively lower the anticipated year-end surplus. He also noted that ERCOT will be revising the Investment Standard to make ownership of any such loss clearly defined, prospectively. Mr. Grable advised and confirmed that the recommended no-Board-action option is legally permissible, and he cautioned that there is no certainty that ERCOT's loss is confined to the \$500,000 amount. In response to questions from Mr. Ballard and Dr. Patton, Mr. Grable advised the Board that ERCOT is examining legal remedies with outside counsel and is tracking all transactional and other costs also.

Mr. Karnei then reported the Committee had reviewed results from the F&A Committee self-assessment before adjourning to Executive Session. During Executive Session, the F&A



Committee approved the proposed 2009 Internal Audit plan, reviewed the Internal Audit status report, received the Internal Audit staffing and budget update and received the EthicsPoint update. He added, during Executive Session, that the F&A Committee discussed the adequacy and effectiveness of the Internal Audit staff with ERCOT executive management and without Internal Audit members present. The Committee concluded that Internal Audit has been an asset to ERCOT management and that William Wullenjohn, ERCOT Director of Internal Audit, has built an excellent Internal Audit team.

Operating Reports (Agenda Items 9, 9a-e)

Chairman Newton reminded those in attendance that the Board held a Question and Answer (Q&A) Meeting for Board members regarding the Board materials on the afternoon of December 8, 2008. She entertained questions on the Financial Summary Report, Market Operations Report, and IT Report, but there were none.

On the Grid Operations Report, Mr. Dalton noted that wind forecasting seemed to be improved, but still was way off for certain time periods. Kent Saathoff, ERCOT Vice President of System Operations, agreed and noted that the forecasting is very challenging, particularly when fronts are moving in with variable wind patterns, but that the model is improving. Mr. Dalton thanked Mr. Saathoff on the follow-up regarding Mr. Dalton's questions on low-voltage ride-through (LVRT).

Chairman Newton entertained questions on the System Planning Report, but there were none.

Approval of November 17, 2008 Minutes (Agenda Item 7) – Continued

Chairman Newton returned to the November 17, 2008 minutes, and asked for a motion to approve, including the three sets of edits. **Mr. Helton moved to approve the November 17, 2008 minutes, as amended. The motion was seconded by Mr. Dalton. The motion passed by unanimous voice vote with four abstentions (Messrs. Armentrout, Kahn and Thomas and Chairman Newton).**

Nodal Update (Agenda Item 10)

Ron Hinsley, ERCOT Vice President and Chief Information Officer, delivered a Nodal Program update, focusing on changes made in Program leadership and approach since May 2008. Responding to questions from Chairman Newton and Mr. Gent, he noted that Business Process and Protocol Traceability is currently about 20-25 percent complete and should be fully complete by March or April 2009, and he discussed the methods for tracking this progress. In response to a question from Chairman Smitherman, he also discussed the complexity and the unknowns about upcoming bug-fix and software-patch efforts, and the significant work remaining around system integration, which is approximately 5% complete today and will require significant effort in Releases 4 and 5.

Mr. Hinsley listed accomplishments to date, as well as work remaining to be done. He discussed the projected spend for the life of the Program, assuming the Commission orders it to continue. He and Chairman Smitherman discussed interest, capitalized interest, and debt-revenue funding assumptions. Mr. Byone added that the slides displayed assumed only the existing 16.9-cent Nodal surcharge through the end of development and not a higher amount, and promised



Chairman Smitherman an analysis that showed projected development period interest (loosely referred to as “capitalized interest”) through the anticipated December 2010 Program-completion date. Chairman Smitherman also noted that the contingency listed is a higher percentage than the prior contingency, and Mr. Hinsley replied that the new contingency is an appropriate amount for the current state of the project.

Mr. Ballard confirmed with Mr. Hinsley that the \$15 million contingency from the January 2007 budget has been exhausted, and noted that he had voted to approve that budget because he felt assured that it was enough. He added that the current numbers need to be correct and cannot be exceeded. Mr. Espinosa commented that he wanted a budget with zero contingency. Responding to a question from Mr. Ballard regarding stand-alone benefits of items in the Nodal Program, Mr. Hinsley stated that the Network Model Management System (NMMS), the AWS Truewind wind forecasting model, and much of the IT equipment were items that had been developed or purchased by the Nodal Program that were complete and would be useful to ERCOT regardless of the continuation of the Nodal Program. Mr. Hinsley stated that he would gather information on these stand-alone benefits. Chairman Newton encouraged Mr. Hinsley to take this feedback and continue to develop the numbers. Mr. Helton commented that it would be helpful to review these numbers and to develop the numbers on the costs to decommission the Nodal Program.

Mr. Dalton asked, as software nears completion, if there is an opportunity to negotiate better terms on external resource and labor costs. Mr. Hinsley replied that vendor development money is mostly spent, and the remaining money is for testing and other activities where ERCOT needs external-labor resources. Chairman Newton and Mr. Dalton cautioned ERCOT management to negotiate contracts and manage resources carefully and to keep spending under control.

Mr. Hinsley then discussed several risks and issues, including pulling of subject matter experts back onto zonal projects, database-refresh needs, and integrated lifecycle management schedule delays.

Special Nodal Program Committee Report (Agenda Item 11)

Mr. Helton reported on the Special Nodal Program Committee meeting and oversight activities, including the Committee’s review of contract not-to-exceed amounts, the Nodal Program budget and schedule review, and risk issues. Mr. Helton noted that Utilicast is expected to release its report around December 19, 2008. Mr. Helton explained that Utilicast had observed that the controls were not originally in place for the complexity of the Nodal Program. He then noted Utilicast had identified improvements in the Nodal Program since May, including a revamped Project Management Office (PMO) and addition of a Nodal Controller, which have assisted in better controls, transparency and financial reporting. He mentioned that Utilicast believes the draft budget is a good not-to-exceed estimate, but can be trimmed, and that there are schedule risks that require monitoring and management. He further commented that the schedule has risks, but Utilicast will assist the Committee with this review. Mr. Helton mentioned that the Committee also will review the risks on zonal impact.

Mr. Helton specifically mentioned that ERCOT Staff should not access any contingency funds without the approval of the Special Nodal Program Committee, and he as chair for the Special



Nodal Program Committee would be in contact with Mr. Karnei as chair of the F&A Committee on the Nodal Program budget.

Mr. Helton concluded by mentioning that integration was perceived by ERCOT Staff, the Special Nodal Program Committee and Utilicast to be the top risk to the Nodal Program.

Utilicast Nodal Program Review including Report #8 (Agenda Item 11a)

Mike Cleary of Utilicast delivered a report on the Nodal Program, further elaborating on Mr. Helton's comments and explaining risks such as scope creep, IT infrastructure and integration, plus the possible demands of Market Participant readiness (relating to testing and review time periods).

Mr. Cleary discussed the option of "forklifting" another Nodal Program and explained this option would offer too much cost for too little benefit. Mr. Cleary used the PJM program by way of example. He explained that there are some significant differences between ERCOT and PJM and significant changes would have to be made with the current construct of ERCOT, including giving up current ERCOT protocols and moving to PJM market rules, which would translate to significant effort to make this approach work. He cautioned that this option would not be a short process – (1) ERCOT would have to do an impact assessment to forklift another RTO/ISO system; (2) ERCOT would have to negotiate with another RTO/ISO and re-negotiate with vendors to purchase applications and reconfigure them; and (3) ERCOT would have to work with stakeholders in making these changes. He added that the Nodal Program is 75-80% complete with the applications (which should not be confused with the level of completion of the entire Nodal program). In response to Chairman Newton's request for his opinion, Mr. Cleary concluded by stating that Utilicast did not think forklifting was a good option and would not pursue this option. He recommended that ERCOT continue on the path that it is on as ERCOT can manage the issues.

Mr. Helton asked Mr. Cleary to assume hypothetically that ERCOT were able to work through all of the protocol differences between ERCOT and PJM and that PUCT directed ERCOT to forklift PJM's program. Mr. Helton then asked if Mr. Cleary's opinion would change; and Mr. Cleary responded that it would not since there were too many changes that would have to take place that would not reduce cost. Mr. Cleary stated that he did not believe further research on this option was a good use of Utilicast resources.

Mr. Cleary also discussed the option of bringing in a third-party system integrator who would come in at the start of the project and would provide a complete solution implementation. Mr. Cleary expressed his concerns that there would not be an overall benefit due to transaction costs and delays as the integrator brought in their own staff. He added that the benefit of a system integrator is bringing in people with industry experience and getting information socialized more quickly, but that overall benefit had to be measured in light of positive Nodal Program changes already made, such as the reorganized PMO. Utilicast's ultimate conclusion was that hiring a system integrator was not a good idea given the timing and the recent executive management ownership of the Nodal Program and new Nodal Program controls. In addition, he noted that a system integrator would want to bring his own people and there would be other risks that are not



known. Mr. Cleary commented that the Nodal program is in a much better place today and the budgets can be addressed on a more regular basis.

Chairman Newton asked if the Nodal Program can be delivered. Mr. Cleary said yes, subject to certain caveats and risks.

Chairman Smitherman asked, as a hypothetical, if a system integrator could be hired for \$660 million and incentivized by being told that every dollar they save under that amount could be kept as profit. Mr. Cleary said this is possible, but that the transaction-cost issue remains, and that the option has to be weighed against how good the team and the plan are if the project continues without a system integrator. He added that the integrator option adds cost at the end of the project also, when the integrator's personnel leave and the client has to re-staff to replace lost knowledge. He concluded by mentioning that ERCOT would need to be very certain that requirements and assumptions would not change while the integrator owned the project.

Mr. Helton asked how long an integrator would need to get up to speed, and Mr. Cleary estimated 3-5 months for contracting, negotiation, and staffing up (first with a core team and then a ramp up of the team), because the resources required are specialized and highly sought, and tend not to be available on the consulting bench. Chairman Newton asked if, in summary, a system integrator would take 3-5 months, probably not reduce cost, and add end-of-project risk, and Mr. Cleary replied that it could increase cost, in that companies with these skill sets are not cheap, and lost subject-matter-expert knowledge is valuable and difficult to replace. In response to questions from Messrs. Armentrout and Helton, Mr. Cleary added that existing staff would likely depart, taking valuable knowledge with them, and that it is possible to have a system integrator for at least part of the Nodal Program. He further commented that Utilicast's recommendation to the Special Nodal Program Committee would be to take a good look at the integration piece.

Mr. Cleary agreed with Chairman Smitherman that system integrators have developed Nodal markets elsewhere, but cautioned that none of them have taken on the full-market redesign that ERCOT is attempting, which makes ERCOT Nodal very complex, very large and something that will put ERCOT well ahead of the curve. In conclusion, Mr. Cleary answered a question from Dr. Patton by stating that a system integrator would likely not increase the chance of success, although he added that his answer might have been different prior to the recent Nodal Program redesign.

TAC Report (Agenda Item 12)

Mark Bruce, TAC Vice Chair, delivered the TAC report.

PRRs 770, 771, 773, 774 and 775 and Urgent PRR 776 (Agenda Item 12a)

PRR770 – Deletion of Unaccounted for Energy (UFE) Analysis Zone Language [ERCOT]. Proposed effective date: January 1, 2009. 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 deletes an outdated Section pertaining to UFE analysis. PRR770 and its corresponding Impact Analysis were posted on July 24, 2008. On



September 24, 2008, the Protocol Revision Subcommittee (PRS) unanimously voted to recommend approval of PRR770 as submitted. 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 unanimously voted to recommend approval of PRR770 as recommended by PRS.

PRR770 was approved as part of the Consent Agenda (Agenda Item 6).

PRR771 – Ramp Rate Limitation of 10% per minute of On-Line Capacity for Wind-powered Generation Resources [Reliability and Operations Subcommittee (ROS)]. Proposed effective date: January 1, 2009. No budgetary impact; no additional FTEs needed; no system changes required; existing business processes can accommodate this PRR; maintains system reliability. This PRR proposes a requirement for Wind-powered Generation Resources (WGRs) to limit the ramp rate to 10% per minute of nameplate capacity as registered with ERCOT. PRR771 was posted on July 25, 2008. On August 21, 2008, PRS unanimously voted to table PRR771. On September 24, 2008, PRS voted to recommend approval of PRR771 as amended by ERCOT comments. There were two (2) opposing votes from the Investor Owned Utility (IOU) and the Independent Generator Market Segments and one (1) abstention from the Independent Power Marketer (IPM) Market Segment. On October 23, 2008, PRS voted to endorse and forward the Impact Analysis and the PRS Recommendation Report as amended by FPL Energy comments and as revised by PRS to TAC for approval. There was one (1) opposing vote from the IOU Market Segment. On November 6, 2008, TAC voted to recommend approval of PRR771 as recommend by PRS with one (1) opposing vote from the IOU Market Segment.

Beginning discussion of PRR771, Mr. Bruce explained that the intention is to begin application of the ramp-rate limitation to those units that are clearly capable of compliance, and then – with new PRR788, to address older units. Dr. Patton mentioned that he had prepared edits, but that the changes he wanted could be addressed in PRR788.

The Board discussed the meaning of the “force majeure” language, and Messrs. Bruce and Grable assured the Board that the Texas RE and the PUCT are the ultimate enforcement authorities to determine whether force majeure applies to a particular situation.

Dr. Patton moved to approve PRR771 with the condition that PRR788 come before the Board within sixty days. Mr. Gent seconded. Following a discussion on simply delaying and taking the two items up together in a later month, Messrs. Grable and Saathoff advised the Board that delaying this PRR is not the best option. Chairman Newton proposed a friendly amendment to strongly urge TAC to bring PRR788 in sixty days, and if not then to deliver a report as to why. After Nick Fehrenbach also expressed concern about the timeline, Dr. Patton withdrew the original motion. **Mr. Fehrenbach moved to approve PRR771 and direct TAC to resolve the issue of applying ramp rates to all units within sixty days, or to present an update on the issue. The motion was seconded by Mr. Helton. The motion passed by unanimous voice vote with no abstentions.**



PRR773 – Setting the LSL Requirement for WGRs [QSE Managers Working Group (QMWG)]. Proposed effective date: January 1, 2009. 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 requires that a WGR Low Sustainable Limit (LSL) to be set at 10% of the name plate rating of the WGR. PRR773 was posted on July 28, 2008. On September 24, 2008, PRS voted to recommend approval of PRR773 as submitted with two (2) opposing votes from the IOU and Independent Generator Market Segments and three (3) abstentions from the IPM, IOU, and Consumer 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 unanimously voted to recommend approval of PRR773 as recommended by PRS.

PRR773 was approved as part of the Consent Agenda (Agenda Item 6).

PRR774 – Treatment of Financial Information as Confidential [J. Aron]. Proposed effective date: January 1, 2009. 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 clarifies that non-public financial information provided to ERCOT is to be treated as Protected Information. PRR774 was posted on August 15, 2008. On September 24, 2008, PRS unanimously voted to recommend approval of PRR774 as submitted. 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 unanimously voted to recommend approval of PRR774 as amended by J. Aron comments.

PRR774 was approved as part of the Consent Agenda (Agenda Item 6).

PRR775 – Change the Name of Emergency Electric Curtailment Plan (EECP) to Energy Emergency Alert (EEA) [ERCOT]. Proposed effective date: May 1, 2009. 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 changes the name of the Emergency Electric Curtailment Plan (EECP) to Energy Emergency Alert (EEA). This PRR also changes the defined term “Alert” to “Watch.” PRR775 and its corresponding Impact Analysis were posted on August 22, 2008. On September 24, 2008, PRS unanimously voted to recommend approval of PRR775 as amended by ERCOT comments. On October 23, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval with a new proposed effective date of May 1, 2009. On November 6, 2008, TAC unanimously voted to recommend approval of PRR775 as recommended by PRS.



Mr. Bruce introduced PRR775, explaining the intent to bring ERCOT's Emergency Electric Curtailment Plan (EECP) language into sync with the North American Electric Reliability Corporation's (NERC's) Energy Emergency Alert (EEA) steps. **Mr. Ballard moved to approve PRR775 as amended by the Operations Working Group (OWG) edits. The motion was seconded by Mr. Kahn. The motion passed by unanimous voice vote with no abstentions.**

Protocol Revision Request 777 (Agenda Item 12b)

Mr. Bruce introduced PRR777, which had been presented at November's Board meeting but had not been acted upon because a motion to pass had failed for lack of a two-thirds majority. He explained that PRR777 would strip meaningless requirements out of the Protocols, and that the existing language had been rendered meaningless by PRR763, which required Wind-powered Generation Resources to follow an ERCOT forecast for scheduling purposes. Mr. Helton agreed.

Dr. Patton questioned whether this PRR is urgent, given that it is simple, albeit meaningless, for WGRs to comply. Dr. Patton moved to remand PRR777 to TAC, with instructions to bring it back to the Board within 120 days after consideration of recently submitted ERCOT Staff comments. Mr. Ballard seconded the motion. Mr. Doggett commented that ERCOT Staff would be fine with stakeholder review of the Staff comments, and Victor Barry, on behalf of Texas RE, stated that the one WGR that had not been submitting the information had now begun complying. In response to Mr. Wilkerson, Mr. Barry added that the requirement is indeed meaningless, but he agrees with Dr. Patton that it is not ideal for metrics to be removed without replacement language being inserted.

Mr. Armentrout requested clarification of the motion before the Board. **Dr. Patton withdrew his prior motion, and made a new motion to direct TAC to bring forward replacement metrics for WGRs within 120 days. The motion was seconded by Mr. Armentrout. The motion passed by unanimous voice vote with no abstentions. Dr. Patton then moved to approve PRR777. The motion was seconded by Mr. Armentrout. The motion passed by unanimous voice vote with no abstentions.**

OGRR214 (Agenda Item 12c)

Mr. Bruce introduced OGRR214, which cannot take effect without Board approval because it requires ERCOT system changes. He recommended approval with a January 1, 2009 effective date. **Mr. Fehrenbach moved to approve OGRR214 consistent with Mr. Bruce's comments. The motion was seconded by Mr. Wilkerson. The motion passed by unanimous voice vote with no abstentions.**

Finally, Mr. Bruce notified the Board of: TAC's passage of Retail Market Guide Revision Request (RMGRR) 065, Disconnect and Reconnect for Non-Payment Updates and Corrections; the creation of a new Critical Infrastructure Protection Working Group (CIPWG) under the Reliability and Operations Subcommittee (ROS); progress to date on wind integration planning and the availability of a quarterly Board update, which Chairman Newton agreed the Board would like to hear; and shared TAC's concern regarding the exchange between Chairman Troy Fraser and PUCT and ERCOT representatives at the November 18, 2008 Senate Business and Commerce Committee hearing regarding the stakeholder process. Mr. Armentrout informed Mr. Bruce that the Board is awaiting a TAC report on the appropriate cap on Load-acting-as-a-



Resource (LaaR) megawatts, and whether the “largest unit” test is still valid. Mr. Bruce responded that TAC will bring an update to the Board as soon as possible.

Human Resources & Governance (HR&G) Committee Report (Agenda Item 14)

Chairman Newton delivered the HR&G Committee Report, noting that Theresa Gage, ERCOT Government Relations Manager, had delivered an External Relations Update and had discussed legislative planning. She noted the overview of the Claims Audit provided by Nancy Capezzuti, ERCOT Vice President of Human Resources and Organizational Development, and noted that Ms. Capezzuti had presented a proposed Flextime and Telecommuting Corporate Standard, on which the Committee had given feedback and requested changes. Chairman Newton mentioned that the HR&G Committee was also working on their self assessment.

Other Business (Agenda Item 15)

Mr. Grable noted that the Director and Alternate Ethics Agreement is under review, and will be presented for signature at the January 2009 Board meeting. He welcomed feedback on the current form of agreement.

Future Agenda Items (Agenda Item 16)

Chairman Newton added several future items, including: an update on Cyber Security; LaaR Procurement Cap Report from TAC (January 2009); ERCOT 2009 KPI goals; Presentation on Business Continuity and Disaster Recovery Planning (1Q 2009); CEO and Office Compensation Review (March/April 2009); Legislative Update (April and May 2009); and Smart Grid Report (later in 2009). Dr. Patton also requested an April 2009 report on wind metrics and wind integration.

Executive Session (Agenda Item 17)

Chairman Newton adjourned the meeting to Executive Session at approximately 4:55 p.m. and reconvened the open session at approximately 5:57 p.m.

Vote on Matters from Executive Session (Agenda Item 18)

Mr. Armentrout moved to ratify Ms. Capezzuti as Vice President and Chief Administrative Officer, effective December 15, 2008, presented under Agenda Item 17b(1). The motion was seconded by Mr. Gent. The motion passed by unanimous voice vote with no abstentions.

Mr. Helton moved to approve four Nodal not-to-exceed contract increases, presented under Agenda Item 17d. The motion was seconded by Dr. A.D. Patton. The motion passed by voice vote with one opposed (Mr. Fehrenbach).

Adjourn (Agenda Item 19)

The meeting adjourned at approximately 6:00 p.m.

Michael G. Grable
Vice President, General Counsel and Corporate Secretary