

Texas Regional Entity Advisory Committee Meeting
Room 206, 7620 Metro Center Drive, Austin, Texas
February 16, 2009 at 1:30 p.m.**

Item	Topic	Presenter	Time**
1.	Call to Order	M. Gent	1:30 p.m.
	Convene Executive Session		
2.	Executive Session	M. Gent	1:31 p.m.
	A. Approval of December 8, 2008 Minutes* (Vote)	M. Gent	1:32 p.m.
	B. Discussion of Privileged, Contract, Governance, Ethics, Personnel or Legal Matters	S. Vincent	1:35 p.m.
	• PwC Financial Audit Engagement Letter*(Vote)	M. Espinosa	1:40 p.m.
	• Review Salary Survey Results*	N. Capezzuti	1:45 p.m.
	• Recommend CEO Compensation* (Vote)	M. Gent	1:55 p.m.
	Convene Open Session		
3.	Approval of January 15, 2008 Minutes* (Vote)	M. Gent	2:05 p.m.
4.	Texas Regional Entity Administrative Update	L. Grimm	2:10 p.m.
5.	Human Resources & Governance Issues	J. Newton	2:20 p.m.
	A. 2009 Goals and Objectives (1 st Draft)*	L. Grimm	2:25 p.m.
	B. Recommend Expanded Scope of the Advisory Committee* (Vote)	J. Newton	2:30 p.m.
	C. Recommend Texas RE Strategic Plan* (Vote)	J. Newton	2:35 p.m.
6.	Finance & Audit Issues	M. Espinosa	2:40 p.m.
	A. Monthly Financial Information (Q&A)*	T. Brewer	2:41 p.m.
	B. Budget Calendar Discussion*	L. Grimm	2:45 p.m.
	• Recommend June Board Meeting*(Vote)		
7	Vote on Matters from Executive Session, if applicable (Vote)	M. Gent	2:50 p.m.
8.	Other Business	M. Gent	2:51 p.m.
9.	Future Agenda Items*	M. Gent	2:55 p.m.
	Adjourn Committee Meeting		

* Background material enclosed or will be distributed prior to or at meeting.

** All times shown in the Agenda are approximate.

The next Committee Meeting will be held on March 16, 2009 at
7620 Metro Center Drive, Austin, Texas.

DRAFT MINUTES OF THE

TEXAS REGIONAL ENTITY ADVISORY COMMITTEE

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

January 19, 2009

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

Charles Jenkins	Oncor	IOU
Mark Walker	NRG Texas	Seg Alt – Ind. Generator

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
Judith James, Texas Regional Entity Manager, Reliability Standards
Todd Brewer, Texas Regional Entity Senior Financial Analyst
Ryan Clay, Texas Regional Entity Senior Paralegal
Nancy Capezzuti, ERCOT VP and CAO
Don Jones, Reliant Energy
Mark McMurray, Direct Energy
Sean Barry, PricewaterhouseCoopers
Bridget Headrick, PUCT
Adrian Pieniazek, NRG Texas
Steve Reedy, ERCOT Senior CRR Engineer
Jim Brenton, ERCOT Director, Security
Marguerite Wagner, Public Service Enterprise Group (PSEG) Texas

Call to Order

Larry Grimm called the meeting of the Texas Regional Entity (“Texas RE”) Advisory Committee (“Committee”) to order at approximately 3:07 p.m.

Election of Committee Chair and Vice Chair

Mark Armentrout made a motion nominating Michehl Gent to serve as Chair and A. D. Patton to serve as Vice Chair of the Texas Regional Entity Advisory Committee for the year 2009; Don Ballard seconded the motion. The Committee approved the motion by unanimous voice vote.

Approval of Minutes

Miguel Espinosa made a motion for approval of the minutes from the December 8, 2008 Committee meeting; Jan Newton seconded the motion. The motion passed by unanimous voice vote.

Texas RE Update

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

- Texas RE timely responded to FERC's December 4, 2008 request for information (RFI) at the end of December and anticipated an additional (even more extensive) RFI in the near future. In response to Chair Gent's question asking if the RFI response was considered confidential, Mr. Grimm confirmed that it was confidential, but they could discuss in executive session and any member could receive a copy if desired.
- FERC approved Texas RE revisions to the Delegation Agreement between Texas RE and NERC without revision.
- NERC approved Texas RE's 2009 Compliance Monitoring and Enforcement Program Implementation Plan.
- The lease for Texas RE's new space was signed space and construction had just begun. Texas RE expects to move to the location, at MOPAC (Loop 1) and Highway 360 in March.
- Texas RE staff met with ERCOT ISO staff to discuss the roles and approach for each organization in the development of additional zonal Protocol and nodal Protocol metrics. Texas RE and ERCOT ISO agreed to assign staff members to identify needed metrics.

In response to a question by Ms. Newton, Larry Grimm responded that he thought the Nodal Protocols were still lacking compliance metrics which needed to be formulated and approved (under Protocols Section 8 – Performance Monitoring and Compliance) before the Nodal “go live” date. Mr. Grimm also agreed to update the Committee on the status of proposed Nodal metrics. Ms. Vincent reminded the Committee that, pursuant to NPRR 097, Nodal cannot “go live” until the ERCOT Board approves the Nodal metrics in the Operating Guides. Mr. Grimm informed the Committee that he and Lane Lanford, Executive Director of the PUCT, had sent a memorandum to TAC in December, requesting an update on TAC's progress on the Nodal Protocol metrics by February 2009. Mr. Grimm agreed to update the Committee and inform the Committee of the status of TAC's progress at the next Committee meeting.

Following up on a query from a Committee member at the December Committee meeting, Mr. Grimm told the Committee that Texas RE's relationship with ERCOT ISO's Chief Compliance Officer (CCO) will be the same as its relationship with other market participant CCOs, and that he was looking forward to talking with the new ERCOT CCO.

Mr. Grimm announced to the Committee that the 2009 ERCOT Operations Training Seminar will be facilitated and coordinated by Texas RE staff with six (6) sessions of approximately 24 hours of instruction each, at the Austin Wyndham Hotel (March 9 – April 16, 2009).

Mr. Grimm said that the Southwest Power Pool (SPP) audit by FERC had concluded, and asked Ms. Vincent to give an overview. Ms. Vincent told the Committee that the SPP report identified three areas of FERC concern: (1) lack of independence of SPP Regional Entity (SPP RE) from SPP RTO, (2) need to improve oversight of regional functions by SPP RE Trustees to prevent conflicts of interest and assure independence of the reliability operations, and (3) adequacy of SPP RE's implementation of its compliance monitoring and enforcement program. Ms. Vincent said that SPP had agreed to hire a regional manager reporting to the Trustees and ensure the regional manager and SPP RE legal counsel kept SPP Trustees apprised of all RE operations), and FERC had authorized SPP RE to continue as a regional entity, as long as it timely filed and reported on progress with its compliance plan. In response to questions by the Committee, Ms. Vincent reminded the Committee that SPP RE and Texas RE were structured and operated very differently, and they could discuss details in executive session.

Financial & Audit Issues

In response to Mr. Grimm's request about questions on the Financial Report, Miguel Espinosa asked why Texas RE had a positive budget variance for 2008. Mr. Grimm explained that the variance was primarily attributable to vacancy savings, since Texas RE was not fully staffed until year end, and this savings was partially offset by the higher than anticipated ERCOT ISO administrative fees under the Memorandum of Understanding.

Sean Barry presented an overview of the PricewaterhouseCoopers (PwC) audit plan for the Texas RE 2008 financials and answered questions from the Committee members about the planned audit. Miguel Espinosa suggested that, in order to clarify the independence of Texas RE from ERCOT ISO, the engagement letter for the PwC audit should be signed by the Committee Chair. The Committee members agreed, and said they would discuss this in detail in executive session.

Governance Issues

Ms. Newton asked for the Committee to consider how they address the Texas RE Compliance Report every month. Susan Vincent noted that the Committee Charter scope included only administrative matters. Charles Jenkins confirmed that the non-unaffiliated Directors wanted the opportunity to be included in all compliance discussions. The Committee members concurred that they did want to discuss compliance matters each month, so compliance discussions would be timely. The Committee discussed whether to recommend to the Board that (1) the Board meet monthly or (2) the Committee discuss compliance matters in the months the Board did not meet – inviting all Directors to attend, even in executive session and taking no action). Ms. Newton and Chair Gent asked Ms. Vincent to bring a recommendation to the February 2009 Board meeting to allow the Committee to discuss compliance matters in the months the Board did not meet.

Compliance Report

Dr. Patton requested a monthly report on reliability-related issues that Texas RE noted in ERCOT, including comments on Protocol Revision Requests (PRRs) and Nodal Protocol Revision Requests (NPRRs). Don Ballard also requested a date certain for TAC to provide wind metrics or he would request that a different process be used for the development of the metrics. The Committee discussed the SPCS2 scores for the wind-only QSEs in the Compliance Report. Dr. Patton asked Texas RE to attempt to correlate the performance of various wind generating companies with the different wind generator technologies and

characteristics. Ms. Vincent suggested that preparing this type of study might be an ERCOT ISO function, and Mr. Armentrout asked Mr. Grimm to talk with Kent Saathoff to determine who best to create this report.

Chair Gent said he was concerned with the lengthy outstanding violations on the Violations Tracking Report. Mr. Barry informed the Committee that entity "A" is in the process of completing a mitigation plan, which will not be considered complete for several months, and entity "D" is in the final stages of settlement. Responding to a question from a Committee member, Mr. Barry assured the Committee that Texas RE does not believe there are any violations listed on the Violations Tracking Report that should be considered a threat to the Bulk Power System.

Adjournment to Executive Session

At 4:00 p.m., Chair Gent adjourned the open session portion of the Committee meeting, stating that the executive session of the Texas RE Advisory Committee would convene after the completion of the ERCOT ISO Q&A meeting and no open session would be re-convened.

Susan Vincent
Corporate Secretary

Please See

Board of Directors

Agenda Item 8A

Please See

Board of Directors

Agenda Item 8c

Please See

Board of Directors

Agenda Item 8D

Please See

Board of Directors

Agenda Item 8E

**Texas Regional Entity
Advisory Committee
Future Agenda Items - February 2009**

Item		Meeting
1.	Review 2008 Texas RE Lessons Learned	March 2009
2.	Review 2009 Goals and Objectives (Final Draft)	March 2009
3.	Discuss Texas RE Succession Planning	March 2009
4.	Discuss evolution of Special Investigations	March 2009
5.	Discuss 2010 Business Plan & Budget	April 2009
6.	Discuss Staffing/Headcount	April 2009
7.	Recommend acceptance of audited Financials	May 2009
8.	Recommend approval of 2010 Business Plan & Budget	May 2009
9.	Review and consider revisions to Bylaws	June 2009
10.	Review and consider modifications to Advisory Committee Charter	September 2009