

**DRAFT MINUTES OF THE BOARD OF DIRECTORS OF
THE TEXAS REGIONAL ENTITY DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

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

November 18, 2008

Directors

Michehl R. Gent, Acting Chair ¹		Unaffiliated
Brad Cox	Tenaska Power Services	Independent Power Marketer
Andrew Dalton ²	Valero	Industrial Consumer
Miguel Espinosa		Unaffiliated
Bob Helton	International Power America	Independent Generator
Charles Jenkins	Oncor Electric Delivery Company	Investor Owned Utility
Clifton Karnei	Brazos Electric Power Cooperative	Cooperative
Jan Newton		Unaffiliated
Laurie Pappas ³	Office of Public Utility Counsel	Residential Small Consumer
A.D. Patton		Unaffiliated
Michelle Cutrer ⁴	Green Mountain Energy	Ind. Retail Electric Provider
Dan Wilkerson	Bryan Texas Utilities	Municipal

Other Attendees

Larry Grimm, Texas Regional Entity (Texas RE) CEO and CCO
 Susan Vincent, Texas RE Director, Legal Affairs
 Victor Barry, Texas RE Director, Compliance
 Todd Brewer, Texas RE Senior Financial Analyst
 Ryan Clay, Texas RE Senior Paralegal
 Judith James, Texas RE Manager, Standards
 Tony Shiekhi, Texas RE Manager, Stakeholder Management

Call to Order

Pursuant to notice duly given, the meeting of the Texas Regional Entity Division of Electric Reliability Council of Texas, Inc. (Texas RE) Board of Directors convened at approximately 9:20 a.m. on November 18, 2008. Acting Chair Michehl Gent called the meeting to order and ascertained that a quorum was present.

¹ Mark Armentrout designated Michehl Gent as his Proxy for this meeting.

² Nick Fehrenbach designated Mr. Andrew Dalton as his Proxy for this meeting.

³ Don Ballard designated Laurie Pappas as his Alternative Representative for this meeting.

⁴ Robert Thomas designated Michelle Cutrer as his Alternate Representative for this meeting.

Approval of Previous Minutes

Miguel Espinosa made a motion to approve the minutes of the September 15, 2008 Board meeting, with the spelling of Mr. Espinosa's name corrected; Dan Wilkerson seconded the motion. The motion passed by unanimous voice vote.

CEO Report

Larry Grimm provided an update on the activities of Texas RE since the September meeting. He told the Directors that Texas RE staff had successfully completed the Fall NERC Compliance Workshop on November 5th, with over 125 attendees from registered entities; critique results have been very favorable. He also informed the Directors that there will be at least two NERC Compliance Workshops in 2009, and probably a third Workshop that is specific to compliance with Critical Infrastructure Protection.

Mr. Grimm said that the NERC Load Serving Entity (LSE) registration meetings with market participants were continuing, and Texas RE staff thought that the market participants were near a consensus on the registration goals. He explained that NERC's LSE registration solution, approved by FERC, does not fit well in a competitive market such as ERCOT (since it requires distribution providers to be registered as LSEs), but he said that NERC and FERC acknowledged their solution was problematic in ERCOT.

Mr. Grimm informed the Directors that Texas RE was fully staffed with 25 employees. In response to questions by several Directors, he confirmed that, because of the difficulty in locating qualified compliance engineers, Texas RE was continuing to recruit additional engineers, with the hope of hiring at least one additional engineer for a 2009 position, before year end.

Operating Reports

Mr. Grimm asked if any Directors had questions about any of the Compliance, Finance or Standards operating reports.

Compliance Report

Dan Wilkerson asked Mr. Grimm to explain Texas REs position on ERCOT Protocol Revision Request (PRR) 777, the modification to the resource performance metric for wind only Qualified Scheduling Entities (QSEs). Mr. Grimm said that he basically agreed with the of statements Kent Saathoff and Trip Doggett at the ERCOT Board meeting, that this metric was of low value, and he would give the metric a value of 2 or 3 on a scale of 0 to 10.

In response to a question by Clifton Karnei, Mr. Grimm confirmed that the market participant objections to the LSE registration were not due to being registered as much as due to concerns about the appropriate allocation of responsibilities. Mr. Grimm also stated that several Regional Standards will probably be developed out of the LSE working group.

The Directors expressed concern about the issues leading to PRR 777 and Operating Guide Revision Request (OGRR) 208 and the resulting need to rush a solution through the ERCOT Board. In response to questions by Dr. Patton, Mr. Grimm responded that Texas RE advocated for a study to determine the impact on the region regarding OGRR 208. He added that Texas RE staff believed that the 2015 compliance date with OGRR 208 was too long if the study showed that retrofitting was needed for reliability. Regarding PRR 777, Mr. Grimm recommended that before this PRR is approved, a replacement metric (or metrics) for wind

generators should be approved and a comprehensive plan for quality metrics for wind generators should be developed.

Brad Cox suggested that issues similar to the voltage ride-through issue should probably originate at ERCOT Planning. Mr. Grimm responded that he agreed, because this should be looked at during the interconnection request phase. Mr. Cox asked, and Mr. Gent affirmed, that this issue should be addressed at the next ERCOT ISO Board meeting.

Mr. Helton noted that the Board should not rely on Texas RE to ensure reliability, the ERCOT ISO should be held accountable for reliability. He said that Texas RE should be held accountable for compliance. The other Directors agreed with Mr. Helton's statement.

In response to a question from Ms. Newton, Mr. Barry confirmed that the Board should continue to expect to see Texas RE providing special reports (i.e. areas of concern). Mr. Barry explained that Texas RE staff attends Technical Advisory Committee (TAC) and Reliability and Operations Subcommittee (ROS) meetings to answer questions and provide input advice, but he noted that Texas RE has no authority to (nor would they) direct solutions,. Mr. Barry said that Texas RE looks to the Board for guidance to see how far it should raise issues with ERCOT and these working groups. Mr. Gent stated that he believed that, in his view, it is better to ask for forgiveness instead of permission, so Texas RE should continue to raise issues of concern. Mr. Dalton stated that if Texas RE sees something in TAC that is a concern to reliability, then the Board needs to know before they vote on that issue. Mr. Helton said Texas RE should not put itself into a position that recommends a solution, because this would be overstepping its role.

The Board discussed Texas RE's role under Section 800 of NERC's Rules of Procedure, as noted on Slide 22 of the Compliance Report. Dr. Patton noted that ERCOT ISO did some of the "analyzing" of reliability by performing studies. Mr. Grimm agreed that, because Texas RE didn't have sufficient engineering staff, Texas RE relied on many studies by the ERCOT ISO. The Directors discussed adequacy criteria and the reserve requirements, but determined that this was really an ERCOT ISO issue.

Mr. Dalton highlighted that the standards development process is an important tool of Texas RE to ensure reliability in the region. In response to concerns that Texas RE's role was primarily regarding events that had already occurred, Mr. Dalton confirmed that Texas RE had a "going forward" role in commenting on PRRs and proposing standards.

Mr. Gent referred the Directors to the ERCOT CPS1 Monthly Performance slide and commended ERCOT ISO and Texas RE for their efforts. Mr. Gent also asked, regarding Slide 9, that the wind-only generators be depicted in a separate table in future reports.

In response to Dr. Patton's question about why qualified staff is not readily available in the job market (slide 27), Mr. Grimm stated that the pool of individuals with the education and experience needed was shrinking, but that Texas RE and ERCOT ISO were beefing up their recruiting at major universities, such as Texas A&M and University of Texas, to look for new engineers.

Financial Report

In response to Clifton Karnei's question asking why Texas RE was so far off budget on line item 71 (Support – HR, Treasury, Finance, BOD, etc.), Mr. Grimm explained that these were costs paid to ERCOT, and Texas RE and ERCOT had reached agreement on the Memorandum of

Understanding in mid-2008. The actual costs paid to ERCOT were significantly more than anticipated by Texas RE when the 2008 budget was developed in early 2007. Mr. Karnei suggested that if Texas RE can find these services cheaper somewhere else, then they should contract with another vendor.

Texas RE Advisory Committee Report

Texas RE Strategic Plan

Mr. Gent informed the Board that the Texas RE Advisory Committee met earlier in the morning and decided that an interim strategic plan should be adopted for Texas RE before the February Board meeting and that Texas RE staff the Committee would continue to work on a more long term and in-depth strategic plan.

Board Self Evaluations

Ms. Vincent informed the Directors that they will receive an email from her to complete the Board Self Evaluation via an electronic tool (survey monkey) within the week. She told them that if they preferred to fill out a hard copy of the survey, they could send her the completed evaluation form and she would input the results into the tool.

Other Business

Mr. Grimm informed the Directors that Texas RE had supplied them with a Board Calendar for the year 2009 and that they should expect to receive a Texas RE Board Resource Manual shortly after the first of the year. Also, Mr. Grimm noted the fact that only the Texas RE Advisory Committee will meet in the month of December. He explained that, due to the short time frame (the meeting date is December 8th), Texas RE staff would not have enough time to send the materials to the Directors a week prior to the meeting. Mr. Karnei told Mr. Grimm that the Directors would like to still receive the Board materials from Texas RE, but they can send them when they are available.

Mr. Karnei also suggested that the start time for Texas RE Board meetings should be extended from its current one hour meeting time, because the Directors don't seem to have enough time to cover all the issues with Texas RE within an hour's time. Texas RE staff agreed to propose extended Board meeting times for the Board consideration.

Future Agenda Items

Recognizing that Texas RE has been operating independently for over a year now, Ms. Newton asked Mr. Grimm to supply the Board with a "lessons learned" at the February Board meeting. Mr. Grimm agreed to Ms. Newton's request.

Executive Session

At 10:10 a.m., Acting Chair Gent adjourned the open session meeting and the Board went into executive session.

Adjournment

Acting Chair Gent adjourned the executive session portion of the Board meeting at 10:25 a.m.

Susan Vincent
Corporate Secretary