

Board of Directors Meeting
Texas Regional Entity – a Division of ERCOT
 Room 206, 7620 Metro Center Drive, Austin, Texas
 February 16, 2008 at 2:30 p.m.**

| Item | Topic | Presenter | Time** |
|-------------|--|------------------|---------------|
| 1. | Call to Order Open Session | L. Grimm | 2:30 p.m. |
| 2. | Elect Board Chair* (Vote) | L. Grimm | 2:31 p.m. |
| 3. | Approval of November 18, 2008 Minutes* (Vote) | Chair | 2:33 p.m. |
| 4. | CEO Report | L. Grimm | 2:35 p.m. |
| 5. | Operating Reports | | |
| | A. Compliance Report (Q&A)* | V. Barry | 2:40 p.m. |
| | B. Standards Report (Q&A)* | J. James | 2:45 p.m. |
| 6. | Standard Authorization Request – SAR-001* (Vote) | J. James | 2:50 p.m. |
| 7. | Review Board Self Evaluation Results* | S. Vincent | 3:00 p.m. |
| 8. | Texas RE Advisory Committee Report | M. Gent | 3:05 p.m. |
| | A. Approval of Expanded Scope of the Advisory Committee* (Vote) | M. Gent | 3:06 p.m. |
| | B. Approval of CEO Employment terms* Discussion in Executive Session - (Vote) | M. Gent | 3:10 p.m. |
| | C. Approval of Texas RE Strategic Plan* (Vote) | L. Grimm | 3:15 p.m. |
| | D. Financial Report (Q&A)* | T. Brewer | 3:20 p.m. |
| | E. Budget Calendar Discussion* • Approval of June Board Meeting* (vote) | L. Grimm | 3:25 p.m. |
| 9. | Other Business | Chair | 3:35 p.m. |
| 10. | Future Agenda Items* | Chair | 3:37 p.m. |
| | Convene Executive Session | | |
| 11. | Executive Session | Chair | 3:40 p.m. |
| | A. Approval of November 18, 2008 Minutes* (Vote) | Chair | 3:41 p.m. |
| | B. Confidential Compliance Update* | L. Grimm | 3:45 p.m. |
| | C. Governance, Personnel Matters, and/or Legal Advice | S. Vincent | 3:50 p.m. |
| | • Review Salary Survey Results* | N. Capezzuti | 3:45 p.m. |
| | • Assess CEO Performance and Compensation* (Vote) | Chair | 3:50 p.m. |
| | Reconvene to Open Session | | |
| 12. | Vote on Matters from Executive Session (Vote) | Chair | 3:55 p.m. |
| | Adjourn Texas RE Board Meeting | | |

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

** All times shown in the Agenda are approximate.

The next Board Meeting will be held on May 18, 2009 at 7620 Metro Center Drive

Date: February 9, 2009
To: Texas RE Board of Directors (Board)
From: Larry Grimm, Texas RE CEO and CCO
Subject: Approval of Texas RE Board Chair and Vice Chair

Texas Regional Entity Board of Directors Meeting Date: February 16, 2009
Agenda Item No.: 2

Issue:
Election of the 2009 Texas RE Board Chair and Vice Chair.

Background/History:

New Directors were seated at the Electric Reliability Council of Texas, Inc. (ERCOT) annual membership meeting on December 9, 2008. Pursuant to Section 4.4 of the ERCOT Amended and Restated Bylaws, approved on September 17, 2007 (Bylaws), the Directors must elect a Chair (who must be an Unaffiliated Director) and Vice Chair of the Board annually; and the Directors need to do so for the upcoming year.

Key Factors Influencing Issue:

- Need for 2009 Chair and Vice Chair, in accordance with the Bylaws.
-

Alternatives:

- Elect a Board Chair and Vice Chair.
 - Wait to make a decision.
-

Conclusion/Recommendation:

Texas RE staff respectfully requests that the Board elect a Chair and Vice Chair for 2009.

RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS REGIONAL ENTITY, A DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

, 2009

WHEREAS, the Board of Directors (“Board”) of Texas Regional Entity, an independent division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation, deems it desirable and in the best interest of Texas Regional Entity to elect a Chair and Vice Chair of the Board for the upcoming year;

THEREFORE be it RESOLVED, that the Board hereby elects _____ as Chair and _____ as Vice Chair, to serve until the 2010 Board is seated.

CORPORATE SECRETARY’S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the February 16, 2009 Texas Regional Entity Board of Directors Meeting, the Board of Directors of Texas Regional Entity approved the above referenced resolution. The motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2009.

Susan Vincent
Corporate Secretary

**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



**TEXAS
REGIONAL
ENTITY™**

An Independent Division of ERCOT

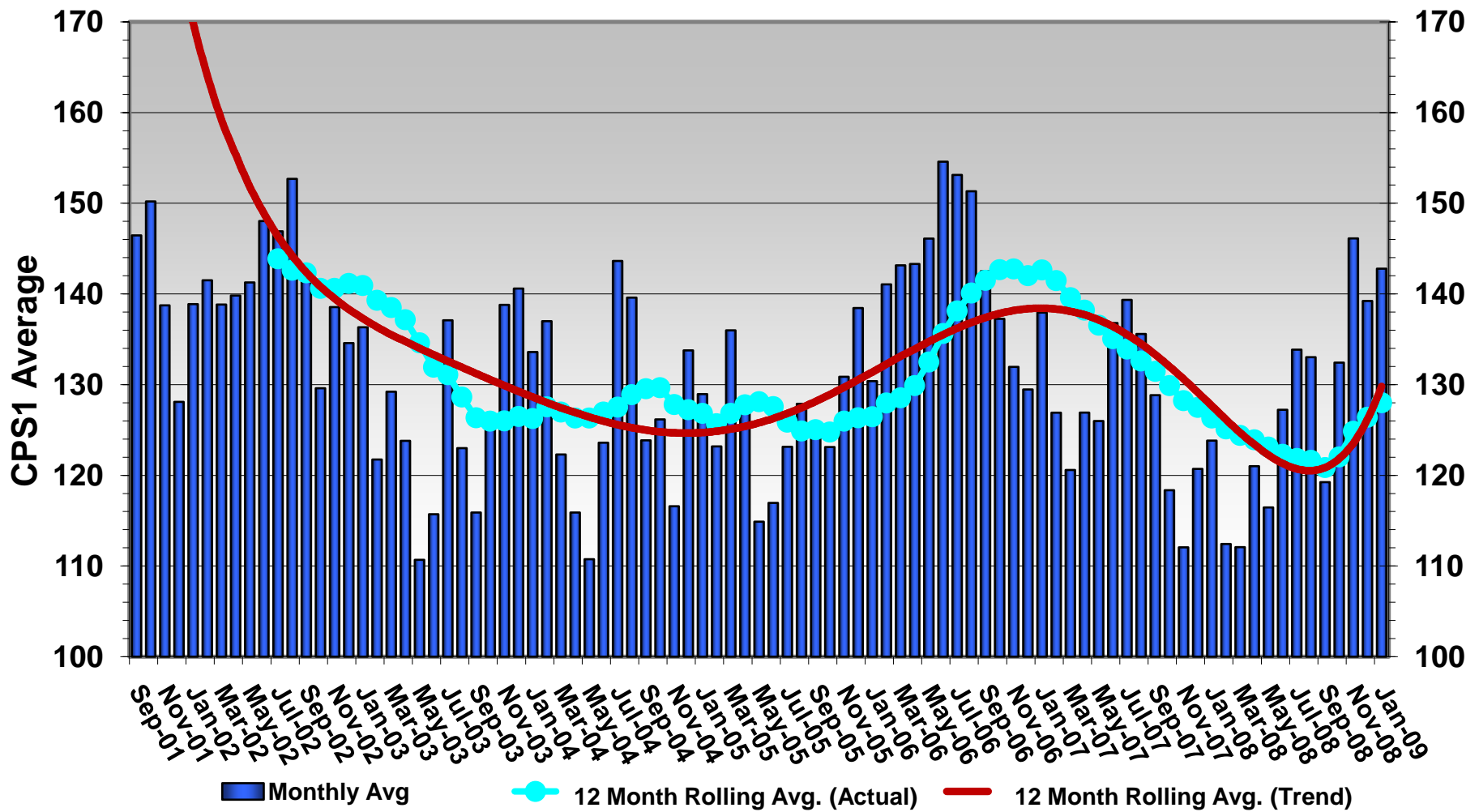
Texas Regional Entity Compliance Report

Board of Directors
February 16, 2009

Overview

- **January 2009 ERCOT's CPS1 Monthly Performance**
- **January 2009 SCPS2 Scores for Non-Wind and Wind Only QSEs**
- **December 2009 Resource Plan Performance Metrics for Non-Wind and Wind Only QSEs**
- **January 2009 Compliance Progress**
- **Update on Key Issues**

January 2009 ERCOT's CPS1 Monthly Performance



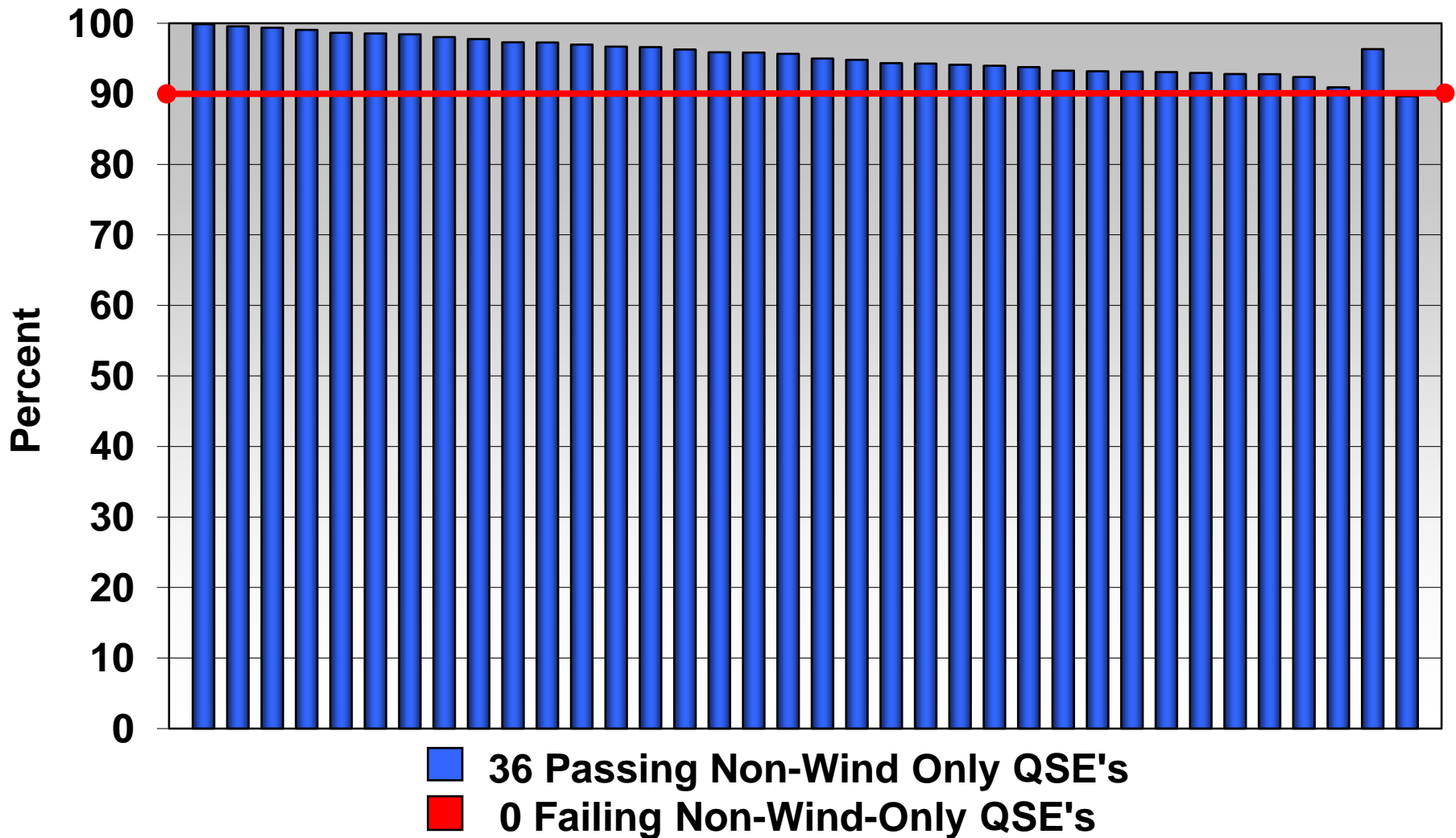
Analysis of CPS1 Monthly Performance

- **Purpose**: To maintain Interconnection steady-state frequency within defined limits by balancing real power demand and supply in real-time
- **CPS1 is one reliability measure of how well the ERCOT region managed the BPS**
- **The measure is based on a rolling 12 month average**
- **ERCOT region's frequency performance is determined by NERC Control Performance Standard 1 (CPS1)**

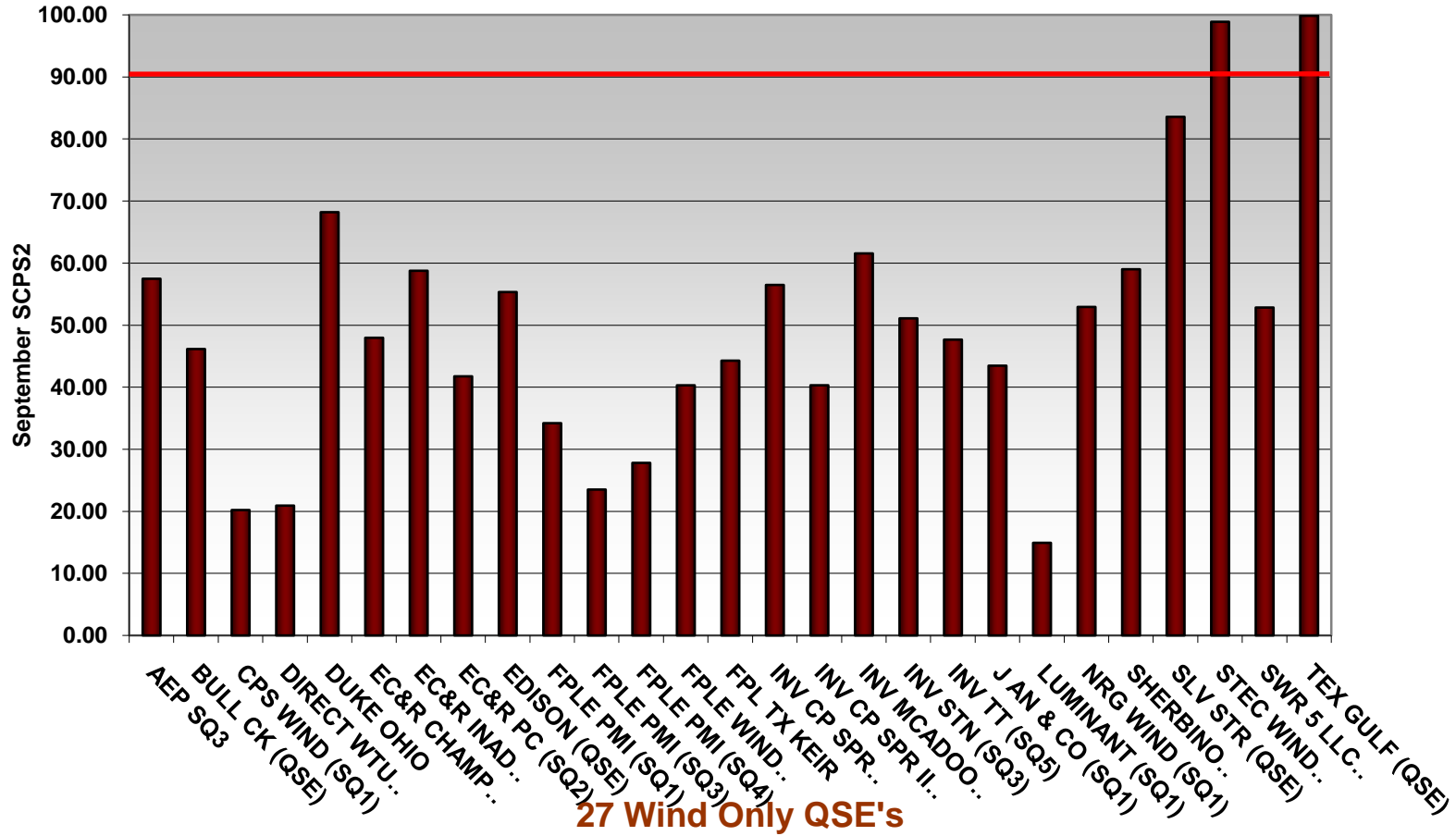
Analysis of CPS1 Monthly Performance (cont.)

- **Seasonal fluctuation is expected**
- **Scores for individual months can be adversely affected by events (such as hurricanes)**
- **A detailed formula can be found in NERC Reliability Standard BAL-001-0a**
- **Per ERCOT ISO, recent improvements in CPS1 have been partially attributed to a reduction in non-conforming loads (e.g. steel mills) due to the economic downturn**

December 2008 SCPS2 Scores for Non-Wind Only QSEs



December 2008 SCPS2 Scores for Wind Only QSEs



Analysis of December 2008 SCPS2 Scores

- **This is a schedule focused metric**
- **Calculations are Portfolio Based by QSE**
- **Because of variations in the wind, it is more difficult for wind generators to match their scheduled generation to their actual output**
- **A detailed formula can be found in Protocol 6.10.5.3**
- **4th Straight month that all non-wind only QSEs passed**

December 2008 Resource Plan Performance Metrics for Non-Wind Only QSEs

| Resource Plan Performance Metric | ID | | | | | | | | | | | | | | | | | |
|----------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | DK | DE | IP | AP | AO | HA | BY | BC | JA | AY | AM | AR | BR | DF | CI | AD | BJ | JD |
| Resource Status | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 99 | 99 | 100 | 99 | 99 | 100 | 100 | 100 | 100 |
| LSL as % of HSL | 99 | 96 | 98 | 93 | 95 | 92 | 99 | 100 | 92 | 100 | 100 | 100 | 98 | 100 | 95 | 98 | 100 | 99 |
| DA Zonal Schedule | 100 | 100 | 99 | 100 | 100 | 100 | 100 | 100 | 100 | 90 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 98 |
| AP Zonal Schedule | 99 | 99 | 99 | 100 | 100 | 99 | 100 | 100 | 100 | 92 | 100 | 100 | 100 | 100 | 98 | 99 | 100 | 99 |
| Down Bid & Obligation | 99 | - | - | 96 | 100 | 97 | 93 | 99 | 99 | 97 | 36 | 100 | 48 | 98 | 98 | 98 | 97 | 99 |
| Total Up AS Scheduled | - | 100 | - | 100 | 97 | 100 | 98 | 100 | 99 | 98 | 99 | 98 | 97 | 88 | - | - | - | 85 |

| Resource Plan Performance Metric | ID | | | | | | | | | | | | | | | | |
|----------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | CF | JO | DA | DP | BG | JV | JU | CX | FK | HW | IN | IZ | BX | CC | CD | AC | CQ |
| Resource Status | 100 | 100 | 99 | 100 | 100 | 99 | 99 | 100 | 100 | 100 | 99 | 100 | 100 | 100 | 98 | 100 | 100 |
| LSL as % of HSL | 99 | 97 | 100 | 100 | 98 | 100 | 100 | 99 | 92 | 93 | 100 | 98 | 100 | 99 | 97 | 100 | 96 |
| DA Zonal Schedule | 99 | 97 | 98 | 100 | 99 | 100 | 100 | 100 | 100 | 99 | 100 | 100 | 99 | 100 | 100 | 100 | 99 |
| AP Zonal Schedule | 98 | 99 | 98 | 100 | 100 | 99 | 96 | 93 | 99 | 100 | 98 | 99 | 99 | 98 | 100 | 100 | 99 |
| Down Bid & Obligation | 98 | 94 | 94 | 96 | 98 | - | - | 93 | 100 | 96 | 95 | 98 | 95 | 94 | 93 | 98 | 96 |
| Total Up AS Scheduled | 100 | 97 | 94 | 99 | 99 | 99 | 100 | 95 | 96 | 97 | 95 | 91 | 99 | 98 | 96 | - | 100 |

 4 Consecutive Failing Scores

 3 Consecutive Failing Scores

 2 Consecutive Failing Scores

 1 Failing Score

Analysis of December 2008 Resource Plan Performance Metrics for Non-Wind Only QSEs

- **AM – City of Austin DBA Austin Energy (QSE)**
 - First time failing the Resource Plan Performance Metric Down Bid & Obligation measure. AEN was informed about their failing score and are investigating the cause.
- **BR – City of San Antonio City Public Service (QSE)**
 - First time failing the Resource Plan Performance Metric Down Bid & Obligation measure. CPS was notified of their failing score and acknowledge the score. The City of San Antonio City Public Service found the problem and have corrected their procedures.

Analysis of December 2008 Resource Plan Performance Metrics for Non-Wind Only QSEs (cont.)

- **DF – Constellation Energy Commodities Group Inc (QSE)**
 - Second time failing the Resource Plan Performance Metric Total Up AS Scheduled Obligation measure. Constellation was notified and acknowledged the score and has corrected the problem.
- **JD – Energy Co Marketing and Trading LLC (QSE)**
 - First time failing the Resource Plan Performance Metric Total Up AS Scheduled Obligation measure. Energy Co was notified and acknowledge the score. They explained the cause of the low score and are taking steps to correct the problem.

December 2008 Resource Plan Performance Metrics for Wind Only QSEs

| Resource Plan Performance Metric | ID | | | | | | | | | | | | | | |
|----------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | JG | BT | JF | JS | HJ | BH | JY | JM | JW | JL | GR | GS | HS | BF | BE |
| DA Zonal Schedule | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 97 | 100 | 100 | 100 | 97 | 98 |
| AP Zonal Schedule | 100 | 100 | 98 | 99 | 98 | 99 | 99 | 100 | 100 | 99 | 100 | 100 | 100 | 100 | 100 |
| Down Bid & Obligation | 100 | 93 | 99 | 93 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 99 | 100 | 100 |

| Resource Plan Performance Metric | ID | | | | | | | | | | | | | | |
|----------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| | FX | JH | JI | JN | JJ | JT | JC | HE | JQ | JP | JK | JE | JR | IV | |
| DA Zonal Schedule | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | |
| AP Zonal Schedule | 100 | 100 | 100 | 99 | 100 | 100 | 100 | - | 99 | 100 | 100 | 100 | - | 100 | |
| Down Bid & Obligation | 100 | 100 | 99 | 100 | 100 | 100 | 100 | - | 100 | 100 | 100 | 100 | 94 | 96 | |



4 Consecutive Failing Scores



3 Consecutive Failing Scores



2 Consecutive Failing Scores



1 Failing Score

Note: Wind only QSEs do not have Resource Status, LSL as a percentage of HSL and Total up AS Scheduled scores.

January Compliance Activities

- **There were 3 recordable events involving the SPS activation for Wind GOs that are being reviewed by Texas RE**
- **Three NERC Audits were Conducted**
- **Critical Infrastructure Protection (CIP) Self Certifications were due January 31, 2009**
 - 156 Registered Entities (RE)
 - 147 met deadline
 - 8 needed help with certification statements
 - 1 was granted an extension
 - As of February 6, 2009, 155 of 156 RE's have successfully submitted

Update on Key Issues

- **Texas RE Compliance portal went live on December 31, 2008 and was used successfully for the CIP Self-Certification submissions**

25th Annual ERCOT Operations Training Seminar

- **Target Audience** - Qualified Scheduling Entity (QSE) and Transmission/Distribution Service Provider (TDSP) operators and those who provide management, supervision and support for the operators. The seminar is also open to power marketers, retail electric providers and others associated with the Bulk Electric System.
- **COST:** \$299 until March 1, 2009, then \$349
- **Location:** [Wyndham Garden Hotel – Austin](#)

Seminar Schedule

25th Annual ERCOT Operations Training Seminar:

| <u>Session</u> | <u>Seminar Date</u> | <u>Deadline</u> |
|----------------|------------------------|-----------------|
| Session 1 | Mar. 9 - 12, 2009 | Feb. 19, 2009 |
| Session 2 | Mar. 16 - 19, 2009 | Feb. 26, 2009 |
| Session 3 | Mar. 23 - 26, 2009 | Mar. 5, 2009 |
| Session 4 | Mar. 30 – Apr. 2, 2009 | Mar. 12, 2009 |
| Session 5 | Apr. 6 - 9, 2009 | Mar. 19, 2009 |
| Session 6 | Apr. 13 - 16, 2009 | Mar. 26, 2009 |

http://www.ercot.com/services/training/Operations_Training_Seminar

- **Public Utility Commission of Texas (PUCT) and Texas RE requested an update from the TAC on the plan and progress for developing Nodal Protocols and Operating Guides monitoring programs and metrics**
 - Letter was sent to TAC Chair in December 2008
 - Response was requested by February 2, 2009
 - TAC did not respond by February 2, 2009
 - ERCOT ISO is drafting new section on Operating Guides related to Nodal metrics
 - NOGRR will need input from market participants

Nodal Metrics Development (Continued)

- TAC discussed the development process on February 5, 2009 meeting
- TAC will provide draft TAC work plan
- ROS will discuss moving the metrics development forward on February 12, 2009 meeting
- Texas RE and PUCT staff will participate and monitor the development process

Load Serving Entity (LSE)

- **NERC Regional Reliability Standards Working Group Meeting was held in Austin in January with other Regional Entities, NERC and FERC**
- **FERC staff suggested the proposed regional standard to remove LSE function from the six standards would not be approved**
- **Slight modifications to the LSE registration plan**
 - Attempt the full Joint Registration Organization (JRO) registration with those six standards included
 - Otherwise concurrent LSE registration

PRR & OG Highlights

- **PRR 787** – Drastically reduces reliability. Market participants are able to pass this metric as it exists today and does not impose an unreasonable burden on the market. Texas RE has filed comments. Texas RE opposes any move to reduce the rigor of SCE monitoring.
- **PRR 796** – Requires clarification. As written, it weakens the Resource Plan Metrics. Texas RE has provided written comments on this PRR.

Texas RE Year End Stats – 2008 NERC Reliability Standards

- **From January 1, 2008 to December 31, 2008, Texas RE has conducted, processed, reviewed, or issued the following:**
 - Audits: 40
 - Spot-Checks: 8
 - Self-Certifications: 231
 - CIP Self-Certifications: 123
 - Complaints: 3 related to NERC Standard Violations
 - Compliance Violation Investigation (CVI): 1 Texas RE led; 1 NERC led
 - Self Reports reviewed: 12

Texas RE Year End Stats- 2008 NERC Reliability Standards (Continued)

- Notices of Violation Issued: 38
- Number of Notices of Violation closed: 211
- Number of Mitigation Plans received: 41
- Number of Mitigation Plans approved by NERC: 29

Texas RE Year End Statistics- 2008 ERCOT Protocols

- **From January 1, 2008 to December 31, 2008, Texas RE has conducted, processed reviewed or issued the following:**
 - Incidents: 10 related to ERCOT Protocols and Operating Guides
 - Notices of violation issued: 24
 - Number of notices of violation closed: 14
 - Number of mitigation plans received: 23
 - Number of mitigation plans accepted by Texas RE: 18

Texas RE Year End Stats – 2007 NERC Reliability Standards

- **From January 1, 2007 to December 31, 2007, Texas RE has conducted, processed, reviewed, or issued the following:**
 - Audits: 14
 - Spot-Checks: 12
 - Self-Certifications: 165
 - CIP Self-Certifications: 168
 - Complaints: 0 related to NERC Standard Violations
 - Compliance Violation Investigation (CVI): 0 Texas RE led; 0 NERC led
 - Self Reports reviewed: 79

Texas RE Year End Stats – 2007 NERC Reliability Standards (Continued)

- Notices of Violation Issued: 229
- Number of Notices of Violation closed: 0
- Number of Mitigation Plans received: 222
- Number of Mitigation Plans approved by NERC: 201

NERC Standards Violations

| | Registered Entity | Violation Date | Violation Status | Category | Violation Severity Level | Risk Factor | Mitigation Plan Status | Texas RE Assessment of Reliability Impact |
|----|-------------------|----------------|------------------|-----------|--------------------------|-------------|-------------------------------|---|
| 1 | T | 10/20/08 | Preliminary | Technical | High | Medium | Submitted | Large |
| 2 | T | 10/20/08 | Preliminary | Technical | High | Medium | Submitted | Large |
| 3 | T | 10/20/08 | Preliminary | Technical | High | Medium | Submitted | Large |
| 4 | T | 10/20/08 | Preliminary | Technical | Severe | High | Submitted | Large |
| 5 | T | 10/20/08 | Preliminary | Technical | High | High | Submitted | Large |
| 6 | F | 3/17/08 | Preliminary | Technical | Severe | High | Submitted* | Medium |
| 7 | T | 10/10/08 | Preliminary | Technical | High | Medium | Submitted* | Medium |
| 8 | W | 11/17/08 | Preliminary | Technical | Severe | High | Submitted* | Medium |
| 9 | Q | 9/22/08 | Preliminary | Technical | Severe | High | Approval (by NERC) | Small |
| 10 | U | 9/24/08 | Preliminary | Technical | Severe | High | Submitted | Small |
| 11 | F | 10/10/08 | Preliminary | Technical | Moderate | High | Submitted | Small |
| 12 | V | 11/3/08 | Preliminary | Technical | Severe | High | Not Submitted | Small |
| 13 | V | 11/3/08 | Preliminary | Technical | Severe | Medium | Not Submitted | Small |
| 14 | A | 10/3/07 | Confirmed | Admin | Severe | Lower | Approved, Extension Requested | Minimal |
| 15 | A | 10/3/07 | Confirmed | Admin | Severe | Lower | Approved, Extension Requested | Minimal |
| 16 | A | 10/3/07 | Confirmed | Admin | Severe | Lower | Approved, Extension Requested | Minimal |
| 17 | A | 10/3/07 | Confirmed | Admin | Severe | Medium | Approved, Extension Requested | Minimal |

| | Registered Entity | Violation Date | Violation Status | Category | Violation Severity Level | Risk Factor | Mitigation Plan Status | Texas RE Assessment of Reliability Impact |
|----|-------------------|----------------|------------------|-----------|--------------------------|-------------|--------------------------------|---|
| 18 | A | 10/3/07 | Confirmed | Admin | Severe | Medium | Approved, Extension Requested | Minimal |
| 19 | A | 10/3/07 | Confirmed | Technical | Lower | High | Approved, Extension Requested | Minimal |
| 20 | C | 1/16/08 | Alleged | Admin | Lower | Medium | Approved, Completed* | Minimal |
| 21 | C | 1/16/08 | Alleged | Admin | High | Medium | Approved, Completed* | Minimal |
| 22 | D | 2/15/08 | Preliminary | Technical | Severe | High | Submitted* | Minimal |
| 23 | D | 2/15/08 | Preliminary | Technical | Severe | High | Submitted* | Minimal |
| 24 | D | 2/15/08 | Preliminary | Technical | Severe | Medium | Submitted* | Minimal |
| 25 | D | 2/15/08 | Preliminary | Technical | Severe | Medium | Submitted* | Minimal |
| 26 | D | 2/15/08 | Preliminary | Technical | Severe | Medium | Submitted* | Minimal |
| 27 | D | 2/15/08 | Preliminary | Admin | Lower | Medium | Submitted* | Minimal |
| 28 | D | 2/15/08 | Preliminary | Admin | Lower | Medium | Submitted* | Minimal |
| 29 | D | 2/15/08 | Preliminary | Admin | High | Medium | Submitted* | Minimal |
| 30 | D | 2/15/08 | Preliminary | Admin | Lower | Medium | Submitted* | Minimal |
| 31 | D | 2/15/08 | Preliminary | Admin | Severe | Medium | Submitted* | Minimal |
| 32 | D | 2/15/08 | Preliminary | Admin | Severe | Lower | Submitted* | Minimal |
| 33 | E | 2/28/08 | Preliminary | Admin | Moderate | Lower | Approved, Completed* | Minimal |
| 34 | E | 2/28/08 | Preliminary | Admin | Moderate | Medium | Approved, Completed* | Minimal |
| 35 | M | 8/4/08 | Alleged | Technical | Lower | Medium | Not Required (non-enforceable) | Minimal |

| | Registered Entity | Violation Date | Violation Status | Category | Violation Severity Level | Risk Factor | Mitigation Plan Status | Texas RE Assessment of Reliability Impact |
|----|-------------------|----------------|------------------|-----------|--------------------------|-------------|------------------------|---|
| 36 | T | 10/20/08 | Preliminary | Technical | Lower | Medium | Submitted | Minimal |
| 37 | T | 10/20/08 | Preliminary | Technical | Severe | High | Submitted | Minimal |
| 38 | T | 10/20/08 | Preliminary | Technical | Lower | Medium | Submitted | Minimal |
| 39 | T | 10/20/08 | Preliminary | Technical | Severe | Lower | Submitted | Minimal |
| 40 | T | 10/20/08 | Preliminary | Technical | Moderate | Medium | Submitted | Minimal |
| 41 | F | 11/18/08 | Preliminary | Technical | TBD | Medium | Not Submitted | Minimal |
| 42 | F | 11/18/08 | Preliminary | Technical | Severe | Medium | Not Submitted | Minimal |
| 43 | T | 12/8/08 | Alleged | Technical | Not Specified | Lower | Completed | Minimal |
| 44 | Z | 12/18/08 | Preliminary | Technical | TBD | Lower | Not Submitted | Minimal |

Pre June 18th NERC Standards Violation

| | Registered Entity | Violation Date | Violation Status | Category | Violation Severity Level | Risk Factor | Mitigation Plan Status | Texas RE Assessment of Reliability Impact |
|---|-------------------|----------------|------------------|-----------|--------------------------|-------------|------------------------|---|
| 1 | R | 6/27/07 | Alleged | Technical | Moderate | Lower | Approved, Completed | Small |

Legend:

- Violation Status – Preliminary, Alleged, Confirmed
- Category – Technical, Training, Administrative
- Violation Severity Level – Lower, Moderate, High, Severe
- Risk Factor – High, Medium, Lower
- Mitigation Plan Status – Not Submitted, Submitted, Approved (by NERC), (After Approval - On Schedule, Behind Schedule, Extension Requested, Completed)
- Texas RE Assessment of Risk to System –Minimal, Small, Medium, Large, Immense

* Entity is in settlement discussions

ERCOT Protocols & Operating Guides Violations

| | Protocol/Operating Guide | Brief Description | Violation Date | Violation Status | Discovery Method | Mitigation Plan Status |
|----|--------------------------|--|----------------|------------------|------------------|------------------------|
| 1 | OG2.9.2 | Automatic Firm Load Shedding | 7/24/2008 | Alleged | Self-Reporting | Submitted |
| 2 | P6.10.5.3 | SCE Monitoring Criteria | 9/17/08 | Alleged | Data Gathering | Submitted |
| 3 | P5.4.4 | Compliance with Dispatch Instructions | 9/22/08 | Alleged | Spot Check | Submitted |
| 4 | P6.3.2 | QSE Responsibilities | 9/24/08 | Alleged | Event | Submitted |
| 5 | OG8.3.3 | QSE Responsibilities | 9/24/08 | Alleged | Incident | Submitted |
| 6 | P6.5.7.2 P16.2.2 | QSE Responsibilities | 11/4/08 | Initial | Incident | Submitted |
| 7 | P6.10.5.4 | Responsive Reserve Services Deployment | 11/12/08 | Initial | Incident | Submitted |
| 8 | P4.10.2 P4.10.5 | QSE Scoring Review | 11/12/08 | Initial | Data Submittal | Submitted |
| 9 | P4.10.2 P4.10.6 | QSE Scoring Review | 1/7/09 | Alleged | Data Submittal | Submitted |
| 10 | OG1.8.2 | System Operating Training Requirements | 1/13/09 | Alleged | Compliance Audit | Not Submitted |

Legend:

- Violation Status – Initial, Alleged, Confirmed
- Discovery Method – Compliance Audit, Investigation, Self-Reported, Spot Check, Self-Certification, Data Submittal, Incident Report, Data Gathering
- Mitigation Plan Status – Not Submitted, Submitted, On Schedule, Behind Schedule, Extension Requested, Extension Requested/Granted, Completed



**TEXAS
REGIONAL
ENTITY™**

An Independent Division of ERCOT

Texas Regional Entity Standards Report

Board of Directors
February 16, 2008

SAR-001-TRE-02 – ERCOT ISO VOTE

- Provision for ERCOT ISO to Have a Vote in the Regional Standards Process, subject of Standard Authorization Request (SAR) 001-TRE-002
 - Agenda Item 5 requests Board Approval
 - Ballot passed to give ERCOT ISO a $\frac{1}{4}$ vote
 - All documents posted on February 3, 2009
 - Ballot results presented at the February 4, 2009 RSC meeting
 - Materials included with Item 5

SAR-002, 003, and 004

- SAR-002 Development of Regional UFLS Program
 - Drafting team will start drafting after more is known about continent -wide effort.
- SAR-003 FERC-Ordered Variance ERCOT CPS2 Waiver
 - Team met February 5, 2009. Will meet again February 26th.
 - Goal to have draft ready for public comment in March 2009.
- SAR-004 Include Transmission Owners and Generation Owners in List of Applicability of CIP Sabotage Reporting Standard
 - RSC determined this SAR was potentially redundant and voted in October 2008 to not post at this time.



**TEXAS
REGIONAL
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An Independent Division of ERCOT

Provision to Give ERCOT ISO a Vote Final Ballot Results

February 16, 2009

Judith A. James

Provision to Give ERCOT ISO a Vote

Final Ballot Results

- **SAR-001: Provision to Give ERCOT ISO ¼ Vote in the Standards Development Processes**
- **Of 46 Texas RE Registered Ballot Body (RBB) members, 37 joined the ballot pool for this provision.**
- **Of 37 ballot pool members, all 37 cast ballots, including one abstention.**
- **At least one in each of seven segments voted (quorum is five).**
- **Need ≥ 4.67 affirmative segments to pass.**
- **Provision received 1.20 negative segment.**
- **Provision received 5.80 affirmative segments.**
- **Therefore, Provision to Give ERCOT a Vote PASSES.**

How Segments Voted on Provision

| | COM | IND | RES | COOP | GEN | PM | REP | IOU | MUNI | TOTALS |
|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| Affirmative | 3 | 3 | 1 | 3 | 7 | 4 | 2 | 5 | 2 | 30 |
| Negative | 0 | 0 | 0 | 2 | 0 | 1 | 0 | 0 | 3 | 6 |
| Abstentions | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Pool Members | 3 | 3 | 1 | 5 | 7 | 5 | 3 | 5 | 5 | 37 |

Comments Received with Ballots

- **Eight comments received.**
- **Comments in three categories:**
 - Agree with 1/4 vote (2 comments)
 - Disagree with 1/4 vote, give 0 vote instead (2 comments)
 - Disagree with 1/4 vote, give 1 vote instead (4 comments)
 - All Comments have been responded to and posted.

One Response to All Comments

A majority of the SAR-001 Standard Drafting Team (SDT) believes that giving the ERCOT ISO a one-fourth segment vote allows it a voice in the regional reliability standards processes with as much of a segment vote as any single other ERCOT member company, considering there are, on average, about four member companies per segment that usually vote.

A minority of the SAR-001 SDT believes that creating an ISO segment with a fractional vote is inconsistent with all existing NERC processes, and is inconsistent with the voting weights that other ISOs receive in their respective regions.

Next Steps for Provision to Give ERCOT ISO Vote

- **Present to ERCOT Board February 17 for official vote and approval.**
- **If approved, prepare standard presentation packet and present to NERC for posting February 25.**
- **Accepted by NERC within 30 days, March 25.**
- **45 day Public Comment period finishes May 8.**
- **Analyze Comments by June 19.**
- **Prepare FERC packet and send to FERC, June 30.**
- **Final FERC Order Approving SAR-001, August 31.**

- SAR-005, 006, and 007 – Regional variances to remove LSE applicability from MOD-017 through MOD-021 and EOP-002
 - SDT met December 17, 2008 and January 9, 16, 23, & 30, 2009.
 - New direction based on FERC input that using the regional standards development process to remove a function was not appropriate.
 - These SARs are on hold for now.
 - Joint agreement will be worked on instead and the LSE Working Group will meet February 20, 2009 to start drafting it.

Date: February 9,,2009
To: Board of Directors
From: Judith James, Texas RE Manager, Standards
Subject: Approval of Provision for the ERCOT ISO to Participate and have a ¼ Vote in the Regional Standards Processes

ERCOT Board of Director Meeting Date: February 16, 2009

Agenda Item No.: 6

Issue:

Approval of a Provision for the ERCOT ISO to Participate and have a ¼ Vote in the Processes (Provision), which was the subject of SAR-001 and proposes to modify and clarify the Texas RE Standards Development Process (Process) to:

- Permit ERCOT ISO a vote of ¼ on all regional standards processes
 - Clarify that the Texas RE Board will approve regional standards, variances, and standards process provisions, instead of the ERCOT Board
 - Clarify the terms ballot pool and registered ballot body (RBB)
 - Clarify the Standards Committee (RSC) voting procedures and the RBB qualification process
-

Background/History: The Texas RE Reliability Standards Committee (RSC) is a balanced committee, comprised of the seven ERCOT region market segments. The RSC: (1) considers and determines which regional Standard Authorization Requests (SARs) will be assigned for development in the ERCOT region, and (2) votes to recommend whether proposed regional standards, variances, or modifications to the Standards Development Process should be presented for a vote by all market participants, pursuant to the Texas RE Standards Development Process (Process). When Texas RE was first formed and initially drafted its processes, Electric Reliability Council of Texas, Inc. (ERCOT ISO) was not authorized to be a member of RSC or vote on actions thereof. (Under the ERCOT bylaws, ERCOT ISO is not considered a member and is not in any ERCOT market segment.)

ERCOT ISO initiated SAR-001 in December 2007 to request a revision to the Process to include the ERCOT ISO as a voting member of Texas RE's RSC. Using the Process to change the voting process is appropriate, pursuant to Appendix B, Section III of the Process: "Significant changes to this process shall begin with the preparation of a SAR and be addressed using the same procedure as a request to add, modify, or delete an ERCOT-Specific Reliability Standard."

The RSC accepted SAR-001 for development of this Provision in January 2008, and the Reliability & Operations Subcommittee nominated a Standard Drafting Team (SDT) in February, which was approved in March 2008. The SDT held its first meeting in early May to begin drafting the appropriate documents to give ERCOT ISO a vote in the regional standards processes. The documents needing revision to accomplish the original purpose of SAR-001 included the Texas RE Standards Development Process (Process) and the Reliability Standards Committee Procedure.

In June, the SDT revised SAR-001 to also include the following:

- Clarification that the Texas RE Board of Directors would approve standards and provisions in the process instead of the ERCOT Board of Directors
- Revision of the Registered Ballot Body (RBB) Procedure to provide ERCOT ISO representation and a vote on the RBB
- Additional minor revisions to the standards development process documents to promote clarification and consistency of process (including the RSC voting procedures, the RBB qualification process, and the terms “ballot pool” and “registered ballot body”)

The SDT met approximately once per month to accomplish the revised purpose of SAR-001, and drafts of all three documents were completed in October 2008. The documents were posted for public comment in November 2008.

In December 2008, the RSC met to discuss all comments received. The primary issue presented to and commented upon by the public was the weight of the ERCOT ISO vote. The SDT was split on the appropriate weight to assign ERCOT ISO’s vote. Two team members wanted one segment vote, and three team members wanted a one-fourth segment vote. After considering all comments and analyzing the issue, the RSC voted to authorize the Texas RE Reliability Standards Manager (RSM) to assign a weight of a one-fourth segment to the ERCOT vote and to present the Provision for a membership vote and comment (using the Reliability Standards Tracking Site).

A ballot pool was established according to the Process and voting on the Provision commenced on the morning of January 19, 2009, for the required 15-day period. Voting ended on February 2, 2009, and the ballot results were certified and posted along with responses to all comments, on February 3 in accordance with the Process. The SDT in conjunction with the RSM prepared the responses. With the current seven segments, a standard requires a vote of at least 4.67 or higher to pass. This ballot passed with a 5.8 affirmative segment vote. On February 4, 2009, the RSC met to review the results and formally authorize this Provision to be submitted to the Texas RE and ERCOT Boards for approval.

The Process requires that a proposed standard be submitted to the regional entity Board of Directors (which is currently defined in the Process as the ERCOT Board) for consideration. The Process requires the Board to receive the following informational package (which is included as Exhibit A hereto):

- The draft Standard and any modification or deletion of other related existing Standard(s)
- Implementation Plan (including recommending field testing and effective dates) (There is no formal implementation plan for this provision because it is only a process change that will be implemented upon final approval of all regulatory authorities.)
- Technical Documentation supporting the draft Standard
- A summary of the vote and summary of the comments and responses that accompanied the votes

The Board must consider the results of the voting, dissenting opinions or comments, and any advice offered by the RSC and may:

- Approve the proposed standard;

- Remand the proposed standard to the RSC with comments and instructions; or
- Disapprove the proposed standard without recourse.

The Board may not substantively modify the proposed standard. Once the standard is approved by the Board, the proposed modifications included in this provision to give ERCOT ISO a vote will be submitted to NERC for approval and filing with FERC.

Key Factors Influencing Issue:

The Process requires the ERCOT Board to approve, disapprove, or remand any proposed standard. Texas RE requests that the Texas RE Board provide the ERCOT Board with its recommendation regarding approval of the Provision to Give ERCOT ISO a ¼ Vote in the Regional Standards Processes.

Because ERCOT ISO is required to be compliant with all regional standards and variances approved by the RSC and the Board, it seems appropriate to provide ERCOT ISO a vote in the development process. Nearly all members agreed that ERCOT ISO should have some vote (although two market participants suggested otherwise) the primary member debate was regarding the weight of the ERCOT ISO vote. The ballot on the Provision to give ERCOT ISO a one-fourth vote passed, but comments included with the votes opposed to the Provision (which are provided in Exhibit A), indicated that some members believe ERCOT ISO should have a whole vote.

Members in favor of allowing ERCOT ISO a one-fourth vote argued that this would allow ERCOT ISO to be treated similarly with the other market segments. Although each segment currently has one vote, normally more than one member votes in a segment; so, member votes normally amount to only a fraction (and close to a one-fourth) of a vote. Members also argued that, while ERCOT ISO has significant reliability responsibilities, it does not have the same financial risks as other market participants. Because ERCOT ISO's funding originates from other market participants, members argued that ERCOT ISO would be biased toward "extra" reliability rather than the proper balance between reliability and economics. Some market participants argued that, because they had a good track record for developing rules for reliable operation of the ERCOT region, ERCOT ISO should receive the same voting privileges as other market participants (1/4 of a vote), regardless of its size or responsibility.

The primary argument in favor of ERCOT ISO receiving a whole vote, even though it is the only member of its segment, was that ERCOT ISO vote is registered for seven of the 14 NERC unctions and has substantial reliability and NERC standard obligations. Given its role and history, ERCOT ISO possesses valuable information for review of regional variances and standards that may be necessary in the ERCOT region. In addition, allowing ERCOT ISO to have one full segment vote is consistent with the voting status of ERCOT ISO on the ERCOT and Texas RE Boards.

All proposed modifications to the regional standards development processes and procedures (including the clarification that the Texas RE Board, as the regional entity Board, and not the ERCOT Board, must approve standards) were not objected to and received no comments from voting members.

Texas RE recommends that ERCOT ISO receive a vote and recommends the Board approve all other modifications in this Provision as improvements to the Process.

Alternatives:

- Approve the Provision as written;
 - Remand the Provision to the RSC with comments and instructions regarding the amount of vote allocated to ERCOT ISO;
 - Remand the Provision to the RSC with comments and instructions regarding any other matters; or
 - Disapprove the Provision without recourse.
-

Conclusion/Recommendation:

Texas RE requests that the Board take action on the Provision. The RSC recommended at its February 4, 2009 meeting that the Board approve the Provision, as approved by the RBB, to allow ERCOT ISO to have a one-fourth vote on all regional standards processes and to make all requested modifications to the Process and the other regional standards process documents.

RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS REGIONAL ENTITY, A DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

February 16, 2009

WHEREAS, the board of directors (the "Board") of Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation deems it desirable and in the best interest of Texas Regional Entity to approve Provision for the ERCOT ISO to Participate and have a ¼ Vote in the Processes (the "Provision"); and

WHEREAS, the Reliability Standards Committee has recommended approval of the Provision;

THEREFORE be it RESOLVED, that the Provision, a copy of which is attached hereto as Attachment A and incorporated herein for all purposes, is hereby recommended to the ERCOT Board of Directors by the Texas Regional Entity Board.

CORPORATE SECRETARY'S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the February 16, 2009 Texas Regional Entity Board Meeting, the Board of Directors of Texas Regional Entity approved the above referenced Resolution. The Motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , 2009.

Susan Vincent
Corporate Secretary

Texas Regional Entity Standard Authorization Request (SAR) 001

| <u>List of SAR-001 Documents</u> | <u>Page #</u> |
|--|---------------|
| Standard Authorization Request SAR-001-TRE-02 | 1 |
| Standard Drafting Team Member List and Affiliation | 5 |
| Background to SAR-001 Issue | 6 |
| Background Position One | 7 |
| Background Position Two | 8 |
| Texas RE Standard Development Process, Revised with ¼ vote | 9 |
| Reliability Standards Committee Procedure, Revised with ¼ vote | 44 |
| Registered Ballot Body Procedure, Revised with ¼ vote | 52 |
| Public Comments and Responses | 56 |
| RBB List of Members | 65 |
| SAR-001 Ballot Pool List of Members | 66 |
| Ballot Pool Comments and Responses (includes individual votes) | 68 |
| Official Voting Results (includes segment tally) | 73 |

E-mail completed form to:
TexasRegionalEntityInformation@ercot.com

Standard Authorization Request Form (SAR)

Texas RE to Complete

SAR No: 001
Version 2

Title of Proposed Standard Revision to Texas RE Documents to Provide for the ERCOT ISO to Participate and have a Vote in the Processes

Request Date December 4, 2007

| SAR Requester Information | SAR Type (Check a box for each one that applies.) | |
|---|--|---|
| Name H. Steven Myers | <input type="checkbox"/> | New Standard |
| Primary Contact H. Steven Myers Manager, Operating Standards ERCOT | <input type="checkbox"/> | Revision to existing Standard |
| | <input checked="" type="checkbox"/> | Revision to the Standard Development Process |
| Telephone 512-248-3077 | <input type="checkbox"/> | Withdrawal of existing Standard |
| Fax 512-248-3055 | <input type="checkbox"/> | Variance to a NERC Standard (Indicate which one) |
| E-mail smyers@ercot.com | <input type="checkbox"/> | Urgent Action |

7620 Metro Center Drive
Austin, TX 78744
Tel: 512.225.7000
Fax: 512.225.7165

Purpose (Describe what the standard action will achieve in support of bulk power system reliability.)

This action will revise the Texas Regional Entity Standards Development Process to include the ERCOT ISO as a voting member of the Registered Ballot Body and the Reliability Standards Committee in addition to the other established market segment membership. In addition this action proposes modification to the Standards Development Process document in order to bring it into conformance with the FERC Order on the Delegation Agreement. This SAR also proposes other minor revisions to promote clarification and consistency of process implementation.

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Industry Need (Provide a justification for the development or revision of the standard, including an assessment of the reliability and market interface impacts of implementing or not implementing the standard action.)

The ERCOT ISO, at present, is not authorized to be a member of the RSC and to vote on actions thereof. Since the ERCOT ISO will be held accountable for compliance with the requirements of Regional Standards developed by the RSC, the ERCOT ISO should be on equal footing with other participants. To the best of ERCOT ISO's knowledge, every other region that includes an ISO or RTO includes the ISO or RTO in the Regional Standards Committee's voting procedures as a full participant. The process document needs to be changed to be consistent with the FERC order on the Delegation agreement.

Brief Description (Provide a paragraph that describes the scope of this standard action.)

This action will revise the Texas Regional Entity Standards Development Process to include the ERCOT ISO as a voting member of the Registered Ballot Body and the Reliability Standards Committee in addition to the other established market segment membership.

Deleted: The scope is to change the basic membership and voting provisions of the Texas Regional Entity Standards Development Process to provide for inclusion of the ERCOT ISO.¶

Detailed Description (Provide a description of the proposed project with sufficient details for the standard drafting team to execute the SAR.)

Attached is a redline version of the Texas Regional Entity Standards Development Process document with included proposed revisions. Please note that this is not a SAR to write a Standard, but to use the Texas RE Standards Development Process to develop changes to the Texas RE Standards Development Process.

The Texas RE Reliability Standards Process also requires other minor revisions to promote clarification and consistency of process implementation

- Clarification between Texas RE BOD and ERCOT BO
- Ballot Pool v. Registered Ballot Body
- Clarification on Registered Ballot Body qualification
- Clarification on RSC voting to conform to Paragraph 241 "Committees and Subordinate Organizational Structures (Criterion 4)" of ftp://ftp.nerc.com/pub/sys/all_updl/docs/ferc/20070419_delegation_agreement_order.pdf
- For a quorum on the reliability standards committee, a minimum of one vote in each of at least five of seven sectors is required. Each sector has one vote and each voting member has an equal fraction of the sector vote. Approval of a standard requires 4.67 affirmative votes.

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Reliability Functions

For a more detailed description of the Reliability Functions please refer to [NERC Function Model V3](#)

| The Standard will Apply to the Following Functions (Check box for each one that applies.) | |
|--|--|
| <input type="checkbox"/> Transmission Owner | <input type="checkbox"/> Transmission Service Provider |
| <input type="checkbox"/> Generator Owner | <input type="checkbox"/> Generator Operator |
| <input type="checkbox"/> Balancing Authority | <input type="checkbox"/> Interchange Authority |
| <input type="checkbox"/> Reliability Coordinator | <input type="checkbox"/> Purchasing-Selling Entity |
| <input type="checkbox"/> Resource Planner | <input type="checkbox"/> Load-Serving Entity |
| <input type="checkbox"/> Distribution Provider | <input type="checkbox"/> Planning Coordinator |
| <input type="checkbox"/> Transmission Planner | <input type="checkbox"/> Transmission Operator |

Reliability and Market Interface Principles

| Applicable Reliability Principles (Check box for all that apply.) | |
|--|---|
| <input type="checkbox"/> | 1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards. |
| <input type="checkbox"/> | 2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand. |
| <input type="checkbox"/> | 3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably. |
| <input type="checkbox"/> | 4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained and implemented. |

| | |
|--|--|
| <input type="checkbox"/> | 5. Facilities for communication, monitoring and control shall be provided, used and maintained for the reliability of interconnected bulk power systems. |
| <input type="checkbox"/> | 6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions. |
| <input type="checkbox"/> | 7. The security of the interconnected bulk power systems shall be assessed, monitored and maintained on a wide area basis. |
| <input type="checkbox"/> | 8. Bulk power systems shall be protected from malicious physical or cyber attacks. |
| Does the proposed Standard comply with all of the following Market Interface Principles? (Select 'yes' or 'no' from the drop-down box.) | |
| 1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes | |
| 2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes | |
| 3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes | |
| 4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes | |

Related Standards

| Standard No. | Explanation |
|--------------|-------------|
| | |
| | |
| | |
| | |

Related SARs

| SAR ID | Explanation |
|--------|-------------|
| | |
| | |
| | |

| <i>Name</i> | <i>Company</i> | <i>Segment</i> |
|-----------------------|-----------------------|-----------------------|
| Mike Grable | ERCOT | ERCOT ISO |
| Stephen C. Knapp | Constellation Energy | IPM |
| Steve Myers | ERCOT | ERCOT ISO |
| Raborn L. Reader, Jr. | EPCO Holdings | Consumer-Industrial |
| Jesse Dillard | City of Dallas | Consumer-Commercial |
| Jerry Ward* | Luminant | IOU |

*Chair

Background Information
For
Texas RE SAR-001
Provision for ERCOT ISO to Participate and
Have a Vote in the Regional Standard Development Processes

The ERCOT ISO, at present, is not authorized to be a voting member of the Reliability Standards Committee (RSC) or the Texas Regional Entity Registered Ballot Body (RBB) and to vote on actions thereof.

The ERCOT ISO is a NERC- registered entity and will be held accountable for compliance with the requirements of Regional Standards developed by the RSC. ISOs and RTOs in other regions are allowed voting privileges at their corresponding RSCs. The proposed changes of this Standard Authorization Request (SAR) contemplate providing voting rights to the ERCOT ISO.

This action will revise the Texas Regional Entity Standards Development Process to include the ERCOT ISO as a voting member of the Registered Ballot Body and the Reliability Standards Committee compatible with the voting status of the other established market segment membership.

The SAR-001 Standard Drafting Team (SDT) has purposely not defined the weight of the ERCOT ISO's vote, using the default "X" in the revised documents instead. The SDT members have two views on the appropriate value of X. Position 1 is that X=one (1) whole segment vote, and Position 2 is that X=one-fourth (1/4) segment vote. Your comment on whether ERCOT ISO should have a vote and the weight of that vote (value of X) is desired.

This SAR proposes other modifications to the Standards Development Process document in order to bring it into conformance with the FERC Order on the Delegation Agreement. This SAR also incorporates other minor revisions to promote clarification and consistency of process implementation. Please note that within the Texas RE Standards Development Process document, there are 34 paragraphs that are numbered. These are called "common attributes" among delegation agreements, and by FERC Order must remain substantively intact from the original agreement; therefore, they have been highlighted in green and yellow so that they may be easily distinguished as having not been substantively changed.

The documents modified to implement this SAR are posted on the Reliability Standards Tracking site and include:

- The Texas RE Standards Development Process
- The Registered Ballot Body Procedure
- The Reliability Standards Committee Procedure

Additionally, along with this Background paper, two position papers are also posted to clarify the reasoning behind each position or value of X. They are:

- Position One
- Position Two

The Standard Drafting Team for SAR-001 encourages your review of the posted documents and your feedback with respect to them by answering the five questions that appear in the Reliability Standards Tracking Site. This public comment period will open November 1 and continue through November 30. At the conclusion of the comment period, responses to your comments will be posted in December, and your comments and answers will be considered in redrafting the documents before presenting them again to the Reliability Standards Committee in January.

Position One

Give ERCOT ISO one whole segment vote in the regional processes

The ERCOT ISO shall have one vote on the RSC. The ERCOT ISO is significantly impacted by the development, applicability, and responsibility for compliance with numerous NERC (and, eventually, Regional) Reliability Standards Requirements. ERCOT is the Registered Entity responsible for compliance with more Standards and more Requirements than any other entity in the region. As such, the ERCOT ISO should have equal status as an entity participating in the standards development process, the activities of the RSC, and all relevant responsibilities associated with those processes and activities.

ERCOT having one full vote on the RSC is also consistent with the voting status of every other independent system operator (ISO) or regional transmission operator (RTO) in North America on their respective RSCs, as well as with the ERCOT ISO's one full vote on the ERCOT and Texas RE Boards of Directors.

The ERCOT ISO has been designated by the Public Utility Commission of Texas (PUCT) to be the ISO for the ERCOT Interconnection. The ERCOT ISO is assigned responsibility to ensure reliable operations within the ERCOT Interconnection. This assignment gives multiple functional responsibilities to the ERCOT ISO. The ERCOT ISO directs and coordinates system planning, operations planning, and system operations activities in conjunction with multiple ERCOT entities, including, but not limited to, Resource Entities, Transmission and Distribution Service Providers, Qualified Scheduling Entities, Load-Serving Entities, and Purchasing-Selling Entities. In these roles, the ERCOT ISO has the most prominent responsibility for the reliability of bulk electric system operations for the ERCOT Interconnection.

Moreover, the ERCOT ISO is registered with NERC as the responsible entity for many of the NERC-defined "Functional Entities". NERC will hold the registered "Functional Entities" accountable for performance in compliance with the applicable standards Requirements. At present, the ERCOT ISO is registered as the Reliability Coordinator (RC), the Transmission Operator (TOP), the Balancing Authority (BA), the Interchange Authority (IA), the Planning Authority (PA), the Resource Planner (RP), and the Transmission Service Provider (TSP).

The purpose of Reliability Standards is to ensure the reliability of bulk electric system operations, and given the ERCOT Interconnection's market structure and reliability mechanisms, ERCOT ISO possesses invaluable information that can inform the RSC's review of regional adjustments that are required. ERCOT ISO is eager to become a member of the RSC and begin contributing to the important work of the Committee, and believes that, in light of all the facts, one vote is appropriate.

On the other hand, there is no valid reason to arbitrarily assign ERCOT one-fourth of a vote. If four coops attend an ERCOT meeting, they effectively each get one-fourth vote within their segment. But if two show up, they each get half-votes, and if Coop X is the only one to show up, Coop X gets 1 vote. Why the ISO segment is the only one that should be automatically and permanently diminished by 75 percent is not clear.

Position Two

Give ERCOT ISO one-fourth segment vote in the regional processes

The ERCOT Region has a long history of market participant participation and setting rules for operation and settlement by committee action with a very successful track record for reliability. SAR-001 seeks a vote for the ERCOT ISO like other market participants on Texas RE votes. It is agreed that the ISO should get a vote like other market participants.

The balance between reliability and cost is always considered without shorting reliability. Since the decision to open a competitive market, ERCOT committees have functioned with voting privileges that did not consider market participant size or functional responsibility.

For example, some municipal and cooperative electric entities may own only a distribution system to serve a few hundred retail customers, while others may own or operate a system with thousands of megawatts of generation, as well as transmission facilities and distribution systems serving thousands of customers. Both of these entities are treated as equal voting members on ERCOT TAC and Subcommittees. It is not unusual for four of these entities to attend an ERCOT meeting, effectively giving each of them one-fourth of a vote within their segment.

This position is to extend the right to vote on the RSC and in the RBB to the ERCOT ISO on the same basis as many other ERCOT MPs, which would be one-fourth of a vote.

Operation of the Bulk Electric System is a balance between financial considerations and reliability considerations. While ERCOT has significant reliability responsibilities, they do not have the same financial risks as other Market Participants. ERCOT's funding originates from other market participants so their bias if any would be toward "extra" reliability rather than the proper balance between reliability and economics. Market participants have a good track record for developing rules for reliable operation of the ERCOT system. Because of this configuration, we believe that ERCOT should receive the same voting privileges as other market participants, regardless of size or responsibility, and not become a "super- MP" with special voting privileges.

This position is to give the ERCOT ISO a vote like other market participants, a one-fourth of a segment vote.

Texas Regional Entity Standards Development Process

Appendix to Exhibit C to the Delegation Agreement Between NERC and ERCOT

October 19, 2006

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| A NERC RELIABILITY STANDARD DEFINES CERTAIN OBLIGATIONS OR REQUIREMENTS OF ENTITIES THAT OPERATE, PLAN, AND USE THE BULK POWER SYSTEMS OF NORTH AMERICA. | | |

THE OBLIGATIONS OR REQUIREMENTS MUST BE MATERIAL TO RELIABILITY AND MEASURABLE. EACH OBLIGATION AND REQUIREMENT SHALL SUPPORT ONE OR MORE OF THE STATED RELIABILITY PRINCIPLES AND SHALL BE CONSISTENT WITH ALL OF THE STATED RELIABILITY AND MARKET INTERFACE PRINCIPLES. 6

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I. Introduction

This document defines the fair and open process for adoption, approval, revision, reaffirmation, and deletion of an Electric Reliability Council of Texas, Inc. (ERCOT) Regional-Specific Reliability Standard (Regional Standard) by the Texas Regional Entity ("Texas RE"), a division of ERCOT, Electric Reliability Council of Texas, Inc. ("Texas RE"). ~~Standard~~Regional Standards provide for the reliable regional and sub-regional planning and operation of the Bulk Power System (BPS), consistent with Good Utility Practice within a Regional Entity's ("RE's") geographical footprint.

The process for obtaining an ERCOT Regional Variance to a NERC Reliability Standard shall be the same as the process for obtaining a Regional Standard. Throughout this document, where the term Regional Standard is used, the same process will be applied to a Regional Variance.

Due process is the key to ensuring that Regional Standards are developed in an environment that is equitable, accessible and responsive to the requirements of all interested and affected parties. An open and fair process ensures that all interested and affected parties have an opportunity to participate in a ~~Standard~~Regional Standard's development.

Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system has a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

1 Proposed ~~ERCOT Regional-Specific Standards (Regional Standards)~~ shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA. No ~~Standard~~Regional Standard shall be effective within the Texas RE area unless filed by NERC with FERC and approved by FERC.

2ERCOT-Specific Regional Standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. ~~An ERCOT-Specific~~A Regional Standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. ~~An ERCOT-Specific~~A Regional Standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

3ERCOT-Specific Regional Standards, when approved by FERC, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the Texas RE area, regardless of membership in the region.

II. Background

The Texas RE may develop, through their own processes, separate StandardRegional Standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain a Regional Variance; or otherwise address issues that are not addressed in NERC Reliability Standards.

NERC Reliability Standards and ERCOT-SpecificRegional Standards are all to be included within the Texas RE's Compliance Program.

StandardRegional Standards are developed consistent with the following philosophies according to the process defined within this document:

- Developed in a fair and open process that provides an opportunity for all interested parties to participate;
- Does not have an adverse impact on commerce that is not necessary for reliability;
- Provides a level of BPS reliability that is adequate to protect public health, safety, welfare, and national security and does not have a significant adverse impact on reliability; and
- Based on a justifiable difference between regions or between sub-regions within the Regional geographic area.

The NERC Board of Trustees has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. As these principles are fundamental to reliability and the market interface, these principles provide a constant beacon to guide the development of reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards. Persons and committees that are responsible for the Texas RE StandardStandards Process shall consider these NERC Principles in the execution of those duties.

NERC Reliability Standards are based on certain reliability principles that define the foundation of reliability for the North American BPS. Each StandardRegional Standard shall enable or support one or more of the reliability principles, thereby ensuring that each StandardRegional Standard serves a purpose in support of reliability of the North American BPS. Each StandardRegional Standard shall also be consistent with all of the reliability principles, thereby ensuring that no StandardRegional Standard undermines reliability through an unintended consequence.

While NERC Reliability Standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that BPS reliability and electricity markets are inseparable and mutually interdependent, all StandardRegional Standards shall be consistent with the market interface principles. Consideration of the market interface principles is intended to ensure that StandardRegional Standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

III. ~~Regional Reliability Standard~~ Regional Standard Definition

A NERC Reliability Standard defines certain obligations or requirements of entities that operate, plan, and use the Bulk Power Systems of North America. The obligations or requirements must be material to reliability and measurable. Each obligation and requirement shall support one or more of the stated reliability principles and shall be consistent with all of the stated reliability and market interface principles.

The Texas RE may develop, through its own processes, separate ~~Standard~~ Regional Standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain a Regional Variance; or that cover matters not addressed in NERC Reliability Standards. Regional Criteria may be developed and exist in ERCOT Protocols, Operating Guides, and/or Procedures separately from NERC Reliability Standards, or may be proposed as NERC Reliability Standards. Regional Criteria that exist separately from NERC Reliability Standards shall not be inconsistent with or less stringent than NERC Reliability Standards.

IV. Roles in the Texas Regional Entity (RE) Reliability Standards Development Process

4 Originator – Any person, acting as a representative of an organization which is directly and materially affected by the operation of ERCOT's BPS, is allowed to request a ~~Standard~~ Regional Standard be developed or an existing ~~Standard~~ Regional Standard modified, or deleted, by creating a ~~Standard~~ Regional Standards Authorization Request (SAR) as described in Appendix B to this document.

Texas RE Board of Directors (Texas RE BOD) – The ~~ERCOT-Texas RE BOD~~ Board of Directors shall act on any proposed ~~Standard~~ Regional Standard that has gone through the process. Once the ~~Standard~~ Regional Standard is approved by the Federal Energy Regulatory Commission (FERC), compliance with the ~~Standard~~ Regional Standard will be enforced consistent with the terms of the ~~Standard~~ Regional Standard.

6 Registered Bballot Bbody (RBB) – The ~~R~~ Registered ~~b~~ Ballot ~~b~~ Body ~~is comprised of all entities or individuals that qualify for one of the Texas RE Segments and are registered with the Texas RE as potential ballot participants. This includes the ERCOT Independent System Operator (ERCOT ISO)s and all entities or individuals that are part of an ERCOT-a) qualify for one of the Texas RE Market Participant stakeholder sSegments and ; are registered with TERCOT exas RE as potential ballot participants in the voting on standards; and are current with any ERCOT designated fees or have received a fee waiver. Each member of the registered ballot body is eligible to vote on standards.~~

Ballot Pool - Each ~~standard action~~ Regional Standard has its own ballot pool formed of interested members of the Registered Ballot Body. ~~The ballot pool will ensure, through its vote, the need for and technical merits of a proposed standard action and the appropriate consideration of views and objections received during the development process. The ballot pool votes to approve each standards action.~~ Through the voting process, the ballot pool will ensure that the need for and technical merits of a proposed Regional Standard are appropriately considered.

The ballot pool will also ensure that appropriate consideration of views and objections are received during the development process. ~~Each standard action has its own ballot pool formed of interested members of the registered ballot body.~~

Reliability and Operations Subcommittee (ROS) – A balanced subcommittee comprised of the seven (7) ERCOT Market Participant Segments responsible for reviewing events and issues as they may impact ERCOT system reliability and operations. Meetings of the ROS are open to all interested parties. The ERCOT ISO is an active participant in all ROS discussions; however, it does not have a vote.

5 Reliability Standards Committee (RSC) – A balanced committee comprised of entities representing the seven (7) ERCOT Market Participant Segments and the ERCOT ISO that will consider which requests for new or revised StandardRegional Standards shall be assigned for development (or existing StandardRegional Standards considered for deletion). The RSC will also vote to recommend whether proposed new or revised StandardRegional Standards should be presented for a vote to all ERCOT Market Participants (the Registered Ballot Body).

Reliability Standards Manager (RSM) – A person or persons on the Texas RE staff assigned the task of ensuring that the development, revision or deletion of StandardRegional Standards is in accordance with this document. The RSM works to ensure the integrity of the process and consistency of quality and completeness of the StandardRegional Standards. The RSM manages the StandardRegional Standard Development Process, and coordinates and facilitates all actions contained in all steps in the process.

Reliability Standards Staff – Employees of the Texas RE that work with or for the Reliability Standards Manager.

Standard Drafting Team (SDT) – A team of technical experts, assigned by the ERCOT Reliability and Operations Subcommittee (ROS), and typically includes a member of the Texas RE staff and the Originator, assigned the task of developing a proposed Regional SS standard based upon an approved SAR using the StandardRegional Standard Development Process contained in this document.

Texas RE Segments – The seven (7) ERCOT Market Participant Segments and the ERCOT ISO.

V. Texas RE ReliabilityRegional Standards Development Process

A. Assumptions and Prerequisites

The process for developing and approving Standards is generally based on the procedures of the American National Standards Institute (ANSI) and other standards-setting organizations in the United States and Canada. The Regional Standards development process has the following characteristics:

- **Due process** – Any person representing an organization with a direct and material interest has a right to participate by:

- a) Expressing an opinion and its basis,
 - b) Having that position considered, and
 - c) Appealing any negative decision
- **Openness** – Participation is open to all organizations that are directly and materially affected by ERCOT regions's BPS reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in ERCOT, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of SDTs are open to all interested parties ~~ERCOT's Membership, and to other. Alls and all~~ proposed SARs and StandardRegional Standards are posted for comment on the Texas RE Website.
 - **Balance** – The Texas RE Standards Development Process strives to have an appropriate balance of interests and shall not be dominated by any single interest category.

B. ~~Regional Reliability StandardRegional Standards~~ Development Process Steps

Note: The term “days” below refers to calendar days.

7 The Texas RE will coordinate with NERC such that the acknowledgement of receipt of a standardRegional Standard request identified in Step 1, notice of comment posting period identified in Step 4, and notice for vote identified in Step 5 below are concurrently posted on both the Texas RE and NERC websites.

Step 1 – Development of a Standards Authorization Request (SAR) to Develop, Revise, or Delete a Regional Reliability StandardRegional Standard

Any entity (Originator) which is directly or materially impacted by the operation of the BPS within the geographical footprint of the Texas RE may request, via a submittal of a Standard Authorization Request (SAR) form, ~~for~~ the development, modification, or deletion of an ERCOT-Regional Standard or Regional Variance. The following entities may submit a SAR:

- Any market participant,
- ~~Any entity that is an ERCOT Member,~~
- PUCT Staff,
- ERCOT Staff,
- TRE Staff, and
- Any entity that resides (or represents residents) in Texas the ERCOT Region or operates in the ~~Texas~~ERCOT Region electricity market.

Any such request shall be submitted to the Texas RE ~~Reliability Standards ManagerRSM~~, or his/her designee. The SAR form may be downloaded from the Texas RE Website.

8 An acceptable SAR contains a description of the proposed StandardRegional Standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed StandardRegional Standard.

The ~~Reliability Standards Manager~~SM will verify that the submitted SAR form has been adequately completed. The ~~Reliability Standards Manager~~SM may offer the Originator suggestions regarding changes and/or improvements to enhance clarity ~~and assist the ERCOT community to understand~~ the Originator's intent and objectives. The Originator is free to accept or reject these suggestions. Within 15 days the ~~RSM~~Reliability Standards Manager will electronically acknowledge receipt of the SAR.

9The ~~Reliability Standards Manager~~SM will ~~post all forward all~~ adequately completed SARs ~~for public viewing and possible comment to the RSC.~~ Within 60 days of receipt of an adequately completed SAR, the RSC shall determine the disposition of the SAR and ~~if needed~~ post for review and ~~possible comment.~~

10The disposition decision and decision process shall use the normal "business rules and procedures" of the RSC then in effect. The RSC may ~~vote to~~ take one of the following actions ~~by motion and majority vote:~~

- Accept the SAR as a candidate for: development of a new ~~Standard~~Regional Standard, revision of an existing ~~Standard~~Regional Standard, or deletion of an existing ~~Standard~~Regional Standard. The RSC may, in its sole discretion, expand or narrow the scope of the SAR under consideration. The RSC shall prioritize the development of SARs as may be required based on the number of SARs under development at any time.
- Reject the SAR. If the RSC rejects a SAR, a written explanation for rejection will be delivered to the Originator within 30 days of the decision.
- Remand the SAR back to the Originator for additional work. The ~~RSM~~Reliability Standards Manager will make reasonable efforts to assist the Originator in addressing the deficiencies identified by the RSC. The Originator may then resubmit the modified SAR using the process above. The Originator may choose to withdraw the SAR from further consideration prior to re-submittal to the RSC.

11Any SAR that is accepted by the RSC for development of a ~~Standard~~Regional Standard (or modification or deletion of an existing ~~Standard~~Regional Standard) shall be posted for public viewing on the Texas RE Website ~~and their.~~ ~~SARs will be posted and the~~ status ~~will be updated accordingly as appropriate.~~ publicly noted at regularly scheduled (appropriately two weeks) intervals.

Any documentation of the deliberations of the RSC concerning SARs shall be made available according to normal "business rules and procedures" of the RSC then in effect.

Texas RE Staff shall submit a written report to the ~~ERCOT Texas RE Texas RE~~ BOD on a periodic basis (at least quarterly at regularly scheduled ~~ERCOT Texas RE Texas RE~~ BOD Meetings) showing the status of all SARs that have been brought to the RSC for consideration.

Step 2 – Formation of the Standard Drafting Team and Declaration of Milestone Date

Upon acceptance by the RSC of a SAR for development of a new StandardRegional Standard (or modification or deletion of an existing StandardRegional Standard), the RSC shall direct the ROS to assemble a qualified balanced slate for the SDT. The Reliability Standards ManagerSM will solicit drafting team nominees. The SDT will consist of a group of people (~~members of ERCOT and, as appropriate, non-members~~) who collectively have the necessary technical expertise and work process skills. The Reliability Standards ManagerSM will recommend a slate of ad-hoc individuals or a pre-existing task force, work group, or similar for the SDT based upon the ROS' desired team capabilities.

The RSMeliability Standards Manager will iensure that team membership receives all necessary administrative support. This support typically includes a Texas RE staff member and the Originator if he/she chooses to participate. The ROS appoints the SDT interim chair (should not be a Texas RE staff person) ~~of the SDT~~. The SDT will elect the permanent Chair and Vice-chair at its first meeting.

12The Reliability Standards ManagerSM submits the proposed list of names of the SDT to the ROS. The ROS will either accept the recommendations of the Reliability Standards ManagerSM or modify the SDT slate, as it deems appropriate within 60 days of accepting a SAR for development.

Upon approval of the SDT slate by the ROS, the RSC will declare a preliminary date on which the SDT is expected to have ready a completed draft StandardRegional Standard and associated supporting documentation available for commentseconsideration—by—the stakeholdersERCOT Membership.

Step 3 – Work and Work Product of the Standard Drafting Team

The RSMeliability Standards Manager will collaborate with the SDT to then develop a work plan for completing the Standard development work, including the establishment of milestones for completing critical elements, of the work in sufficient detail to ensure that the SDT will meet the date objective established by the RSC or the SDT shall propose an alternative date. This plan is then delivered to the RSC for its concurrence to ensure that the objectives established by the RSC are met.

The SDT is to meet, either in person or via electronic means as necessary, establish sub-work teams (made up of members of the SDT) as necessary, and performs other activities to address the parameters of the SAR and the milestone date(s) established by the RSC.

The work product of the SDT will consist of the following:

- A draft StandardRegional Standard consistent with the SAR on which it was based.
- An assessment of the impact of the SAR on neighboring regions, and appropriate input from the neighboring regions if the SAR is determined to impact any neighboring region.

- An implementation plan, including the nature, extent and duration of field-testing, if any.
- Identification of any existing ~~Standard~~Regional Standard that will be deleted, in part or whole, or otherwise impacted by the implementation of the draft ~~Standard~~Regional Standard
- Technical reports and/or work papers that provide technical support for the draft ~~Standard~~Regional Standard under consideration.
- Document the perceived reliability impact should the ~~Standard~~Regional Standard be approved.

Upon completion of these tasks, the SDT submits these documents to the RSC, which will verify that the proposed ~~Standard~~Regional Standard is consistent with the SAR on which it was developed.

The SDT regularly (at least once each month) informs the RSC of its progress in meeting a timely completion of the draft ~~Standard~~Regional Standard. The SDT may request RSC scope changes of the SAR at any point in the ~~Standard~~Regional Standard Development Process.

The RSC may, at any time, exercise its authority over the ~~Standard~~Regional Standards Development Process by directing the SDT to move to Step 4 (below) and post ~~for comment~~ the current work product for comment. If there are competing drafts, the RSC may, at its sole discretion, have posted the version(s) of the draft ~~Standard~~Regional Standard for comment on the Texas RE Website. The RSC may take this step at any time after a SDT has been commissioned to develop the ~~Standard~~Regional Standard.

Step 4 – Comment Posting Period

13 At the direction from the RSC, the ~~Reliability Standards Manager~~RSM then facilitates the posting of the draft ~~Standard~~Regional Standard on the Texas RE Website, along with a draft implementation plan and supporting documents, for a 30-day comment period. The ~~RSM~~Reliability Standards Manager shall also ~~inform~~give notice of the posting to ERCOT Members and other all potentially interested entities inside or outside of the ERCOT region of which Texas RE is aware the posting. The RSM will utilize the using typical membership communication procedures ~~then currently~~ in effect or ~~by~~ other means as deemed appropriate.

Within 30 days of the conclusion of the 30-day comment posting period, the SDT shall convene and consider changes to the draft ~~Standard~~Regional Standard, the implementation plan, and/or supporting technical documents based upon comments received. ~~Based upon these comments,~~ the SDT may then elect to return to Step 3 to revise the draft ~~Standard~~Regional Standard, implementation plan, and/or supporting technical documentation.

14 The SDT shall prepare a “modification report” summarizing the comments received and the changes made as a result of these comments. The modification report also summarizes comments that were rejected by the SDT and the reason(s) that these comments were rejected, in part or whole. Responses to all comments will be posted on the Texas RE Website no later than the next posting.

Step 5 – Posting for Voting by ERCOT Membership the Registered Ballot Body Pool

15 Upon recommendation of the SDT drafting team, and if the RSC concurs that all of the requirements for development of the standard have been met, the Reliability Standards Manager SM shall post the proposed standard and implementation plan for ballot on the Texas RE Website. RSM and shall also announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

16 The Reliability Standards Manager SM will schedule a Vote by from the ERCOT Membership RBB by among the Registered Ballot Body Pool which is to be scheduled to commence no sooner than 15 days and no later than 30 days following this posting.

The RSM shall send a notice to every entity in the Registered Ballot Body (RBB) to notify them of an opportunity to become a part of the Registered Ballot Pool fo establish a ballot pool for a this Regional Standard or a Regional Variance to a NERC Reliability Standard. action at least 30 days prior to the start of a ballot. This notice should precede the start of the ballot by at least 30 days. The purpose of this notice is to establish a ballot pool to participate in the consensus development process and ballot the proposed action.

18 All members of the Registered Ballot Body are eligible to participate in voting on proposed new Regional Standards, Regional Standard revisions, or Regional Standard deletions. There shall be one person designated as the primary representative of each entity. Those members of the RBB that sign up for the Ballot Pool become that pool. The purpose of this notice is to establish a ballot pool to participate in the consensus development process and ballot the proposed action. The ballot pool may be established earlier in the development process to encourage active participation in the development process.

17 The Texas RE Registered Ballot Pool shall be able to vote on the proposed standard during a 15-day period. Votes shall be submitted electronically, or through other means as approved by the RSC.

The Registered ERCOT Membership ballot pPool shall be allowed to vote over a period of 15 days. It is expected that votes will be submitted electronically, but may be submitted through other means as approved by the RSC. All members of ERCOT Voting Entities as defined in Appendix A are eligible to participate in voting on proposed new Standard Regional Standards, Standard Regional Standard revisions, or Standard Regional Standard deletions. Each member company shall have one vote. ERCOT ISO shall have X vote. The contact designated as primary representative to the Texas RE is the voting member with the secondary contact as the backup.

Voting is an advisory to the ERCOT Texas RE BOD. The voting results will be composed of only the votes from ERCOT Members Registered Ballot Pool members who have responded eding within the 15-day voting period. Votes may be accompanied by comments explaining the vote, but are not required. All comments shall be responded to and posted to the Texas RE Website prior to going to the RSC or ERCOT Texas RE BOD.

Step 6A – Membership Registered Ballot Pool Voting Receives 4.672/3 or Greater Affirmative Votes of the Texas RE Segments

~~17~~ The Texas RE rRegistered bBallot bBody shall be able to vote on the proposed standard during a 15-day period.

~~Votes shall be submitted electronically, or through other means as approved by the RSC.~~

~~18~~ All members of ERCOT the Registered Ballot Body are eligible to participate in voting on proposed new Regional sStandards, Regional sStandard revisions, or Regional sStandard deletions. There shall be one person designated as the primary representative of each entity.

~~19~~ At least one (1) ERCOT Member Rrepresentative from ~~six~~five (56) of the ~~eight~~seven (78) Texas REERCOT Market Participant Segments must vote to constitute a quorum. Each ERCOT Market Participant Segment shall have one (1) Segment Vote. The representative of each Voting ERCOT Member shall receive an equal fraction of its Segment Vote. ~~The ERCOT ISO shall have 1/4 vote.~~

Step 6A – Registered Ballot Pool Voting Receives 2/3 or Greater Affirmative Votes of the Texas RE Segments

If a draft ~~Standard~~Regional Standard receives ~~2/3~~4.67 or greater affirmative votes during the 15-day voting period, the RSC will forward the ~~Standard~~Regional Standard to the ~~ERCOT Texas RE BOD~~ for action (Step 7).

Step 6B – Membership Voting Does Not Receive 4.672/3 Affirmative Votes of the Texas RE Segments

If a draft ~~Standard~~Regional Standard does not receive ~~4.672/3~~ or greater affirmative votes during the 15-day voting period, the RSC may:

- Revise the SAR on which the draft ~~Standard~~Regional Standard was based and remand the development work back to the original SDT or a newly appointed SDT. The resulting draft ~~Standard~~Regional Standard and/or implementation plan will be posted for a second voting period. The RSC may require a second comment period prior to a second voting period. The second posting of the draft ~~Standard~~Regional Standard, implementation plan, and supporting documentation shall be within 60 days of the RSC action.
 - If a draft ~~Standard~~Regional Standard receives ~~4.672/3~~ or greater affirmative votes during the second voting period, the RSC will forward to the ~~ERCOT Texas RE BOD~~ for action (Step 7).
 - If a draft ~~Standard~~Regional Standard does not receive ~~4.672/3~~ or greater affirmative votes during the second voting period, the RSC will refer the draft ~~Standard~~Regional Standard and implementation plan to the ~~ERCOT Texas RE~~

BOD. The RSC may also submit an assessment, opinion, and recommendations to the [ERCOT-Texas RE](#) BOD (Step 7).

- Direct the existing SDT to reconsider or modify certain aspects of the draft [StandardRegional Standard](#) and/or implementation plan. The resulting draft [StandardRegional Standard](#) and/or implementation plan will be posted for a second voting period. The RSC may require a second comment period prior to the second voting period. The second posting of the draft [StandardRegional Standard](#), implementation plan, and supporting documentation shall be within 60 days of the RSC action.
 - If a draft [StandardRegional Standard](#) receives [4.672/3](#) or greater affirmative votes on the second voting period, the RSC will forward it to the [ERCOT-Texas RE](#) BOD for action (Step 7).
 - If a draft [StandardRegional Standard](#) does not receive [4.672/3](#) or greater affirmative votes on the second voting period, the RSC will refer the draft [StandardRegional Standard](#) and implementation plan to the [ERCOT-Texas RE](#) BOD. The RSC may also submit an assessment, opinion, and recommendations to the [ERCOT-Texas RE](#) BOD (Step 7).
- Recommend termination of all work on the development of the [StandardRegional Standard](#) action under consideration and so notify the [ERCOT-Texas RE](#) BOD.

Step 7 – Action by the [Texas RE](#) Board of Directors

A proposed [Regional Reliability StandardRegional Standard](#) submitted to the [ERCOT-Texas RE](#) BOD for action shall be publicly posted at least 10 days prior to action by the [Texas RE](#) BOD. At a regular or special meeting, the [ERCOT-Texas RE](#) BOD shall consider adoption of the draft [StandardRegional Standard](#). The [Texas RE](#) BOD shall be provided with an “informational package” which includes:

- The draft [StandardRegional Standard](#) and any modification or deletion of other related existing [StandardRegional Standard\(s\)](#)
- Implementation Plan (including recommending field testing and effective dates)
- Technical Documentation supporting the draft [StandardRegional Standard](#)
- A summary of the vote and summary of the comments and responses that accompanied the votes.

The [Texas RE](#) BOD will consider the results of the voting and dissenting opinions. The [Texas RE](#) BOD will consider any advice offered by the RSC and may:

- Approve the proposed [Regional Reliability StandardRegional Standard](#);
- Remand the proposed [Regional Reliability StandardRegional Standard](#) to the RSC with comments and instructions; or
- Disapprove the proposed [Regional Reliability StandardRegional Standard](#) ~~action~~ without recourse.

20 Under no circumstances may the ~~board~~ Texas RE BOD substantively modify the proposed ~~ERCOT-Regional Specific Reliability~~ Standard.

21 Once a ~~n-ERCOT-Regional-Specific-Reliability~~ Standard is approved by the Texas RE BOD, the standard will be submitted to NERC for approval and filing with FERC.

Step 8 – Implementation of a Regional Reliability Standard

Upon approval of a draft ~~Standard~~ Regional Standard ~~action~~ by the ~~ERCOT-Texas RE~~ BOD, the ~~Reliability Standards Manager~~ RSM will notify the membership of such action of the Texas RE BOD through the normal and customary membership communication procedures and processes then in effect. The ~~RSM~~ Reliability Standards Manager will take whatever steps are necessary to have a ~~Standard~~ Regional Standard reviewed and/or approved by NERC or any successor organization.

C. Regional Reliability Standard Regional Standards Integration

Once the ~~r~~ Regional ~~reliability~~ ~~s~~ Standard is approved by FERC the ~~Reliability Standards Manager~~ RSM shall notify the stakeholders of the effective date. The ~~RSM~~ Reliability Standards Manager will also notify the Texas RE Compliance Staff for integration into the Texas RE Compliance Program.

Appendix A – Stakeholder Representation

The Texas RE stakeholder representation for ~~ERCOT-Regional-Specific-Reliability-Standards-(Standards)~~ development is as follows:

I. Balanced Decision-Making in Committees

~~A~~The Reliability Standards Committee (RSC), comprised of representatives from ~~all-market segments~~the Texas RE Segments (Independent Generators, Investor-Owned Utilities, Independent ~~ss~~Power Marketers, Retail Electric Providers, Municipally-Owned Utilities, Cooperatives, ~~and~~ Consumers, ~~and~~ ERCOT ISO), ~~is~~ to provide balanced decision-making and due process for ~~ERCOT-Specific-Reliability-Standard~~Regional Standards and Regional Variances. The RSC will receive, consider, and vote upon requests for new or revised ~~ERCOT-Specific-Reliability-Standard~~Regional Standards and Regional Variances.

The RSC will consider any requests for ~~ERCOT-Specific-Reliability-Standard~~Regional Standards or Regional Variances from parties that are directly and materially affected by the operation of the ERCOT Region Bulk Power System.

II. ~~ERCOT Board of Directors~~Texas RE Board of Directors (BOD)

The Texas RE is a division of the Electric Reliability Council of Texas (ERCOT), a Texas non-profit corporation that is the Independent System Operator for the ERCOT Region, and is governed by a combination independent and balanced stakeholder board, as required by Section 39.151 of the Texas Public Utility Regulatory Act (PURA). The Texas RE BOD includes the following individuals:

- Five independent individuals who are unaffiliated with any electric market participant who are each approved by the Texas Public Utility Commission (PUCT) for ~~a~~ three-year terms;
- Six electric market participant representatives from each of the following market segments: Independent Generators, Investor-Owned Utilities, Independent Power Marketers, Independent Retail Electric Providers, Municipally-Owned Utilities, and Cooperatives;
- Three Consumer representatives;
- CEO of ERCOT (as ex officio voting Director); and
- Chairman of the PUCT (as ex officio non-voting Director).

Although the ~~ERCOT-Texas RE~~ BOD will have the final vote on proposed ~~ERCOT-Specific-Reliability-Standard~~Regional Standards and Regional Variances, the ~~ERCOT~~Texas RE BOD will not have involvement in ~~Reliability-Standard~~Regional Standard compliance and enforcement activities. ~~The PUCT will provide due process (a hearing).~~

III. Registered Ballot Body

A Registered Ballot Body will be comprised of representatives from ~~all-market segments~~the Texas RE Segments (Independent Generators, Investor-Owned Utilities, Independent Power

Marketers, Retail Electric Providers, Municipally-Owned Utilities, Cooperatives, ~~and Consumers, and ERCOT ISO~~), to provide balanced decision-making on ~~ERCOT-Specific Reliability Standard Regional Standard~~s and ~~Regional Variances~~. ~~The Ballot Pool will be formed from the Registered Ballot Body. The Ballot Pool will vote on all proposed new or revised ERCOT-Specific Reliability Standard Regional Standard~~s and ~~Regional Variances~~.

~~Entities entitled to vote (Voting Entities) are the ERCOT ISO, ERCOT Corporate Members, ERCOT Associate Members, and ERCOT Adjunct Members. Voting Entities must align themselves each calendar year with a Segment for which they qualify or, for Adjunct Members, a Segment to which they are similar. Voting Entities that align themselves with a Segment must be aligned with that same Segment for all ERCOT subcommittees, and remain aligned with that Segment for the entire calendar year. For the Residential sub-segment of the Consumer Segment, Voting Entities are limited to the Standing Representative or their designated Alternate Representative. Only one representative of each Voting Entity present at the meeting may vote. In the event that a representative of an ERCOT Market Participant Segment Voting Entity abstains from a vote, the Segment Vote is allocated among the members casting a vote; except for the Consumer Segment.~~

~~At all meetings, each ERCOT Market Participant Segment shall have one (1) Segment vote. The representative of each Voting ERCOT Member shall receive an equal fraction of its Segment vote. The ERCOT ISO shall have X vote. Each Segment shall have one (1) Segment Vote. The representative of each ERCOT Market Participant Segment Voting Entity, present at the meeting and participating in the vote, shall receive an equal fraction of its Segment's Vote, except for the Consumer Segment which shall be divided into three sub-segments (Residential, Commercial, and Industrial) that receive one third of the Consumer Segment Vote. For the Consumer Segment, if no representative from a sub-segment is present at a meeting, such sub-segment's fractional vote is allocated equally to the sub-segment(s) that are present. If a representative from a sub-segment abstains from a vote, the fraction of the Consumer Segment Vote allocated to such representative is not included in the vote tally.~~

~~Entities entitled to vote (Voting Entities) are ERCOT Corporate Members, ERCOT Associate Members, and ERCOT Adjunct Members. Voting Entities must align themselves each calendar year with a Segment for which they qualify or, for Adjunct Members, a Segment to which they are similar. Voting Entities that align themselves with a Segment must be aligned with that same Segment for all ERCOT subcommittees, and remain aligned with that Segment for the entire calendar year. For the Residential sub-segment of the Consumer Segment, Voting Entities are limited to the Standing Representative or their designated Alternate Representative. Only one representative of each Voting Entity present at the meeting may vote. In the event that a representative of a Voting Entity abstains from a vote, the Segment Vote is allocated among the members casting a vote; except for the Consumer Segment.~~

~~In the majority of cases, e-mail electronic votes for the purpose of approving an ERCOT-Specific Reliability Standard Regional Standard will be conducted. For e-mail votes, a representative of each Voting Entity shall have one (1) vote. Each Segment shall have one (1) Segment Vote and participation requires casting a vote or abstaining. The same rules apply to e-mail electronic voting as voting at a meeting.~~

Appendix B – Principles, Characteristics, and Special Procedures

I. Principles

Due process is the key to ensuring that regional reliability standards are developed in an environment that is equitable, accessible and responsive to the requirements of all interested and affected parties. An open and fair process ensures that all interested and affected parties have an opportunity to participate in the development of a standard.

The Texas RE develops ~~ERCOT-Specific Reliability Standard~~Regional Standards with due consideration of the following principles, in accordance with the steps outlined in this procedure. The process must ensure that any ~~ERCOT-Specific Reliability Standard~~Regional Standard is technically sound and the technical specifications proposed would achieve a valuable reliability objective.

The standards development process has the following characteristics:

- **22Open** – Participation in the development of ~~an ERCOT-Specific Reliability Standard~~Regional Standard shall be open to all organizations that are directly and materially affected by ERCOT bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in ERCOT, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to ERCOT members and others.
- **23Balanced** – The Texas RE ~~Standard~~Standards Development Process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.
- **24Inclusive** – Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the ERCOT Bulk Power System in the Texas RE area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.
- **25Fair due process** – The Texas RE ~~Reliability~~ Standards Development Process shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.
- **26Transparent** – All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.
- **27** Does not unnecessarily delay development of the proposed ~~ERCOT-Specific Reliability Standard~~Regional Standard.

NERC has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. These principles are to be used to guide the development of reliability standards, including regional reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards.

28 Each ~~ERCOT-Specific Reliability Standard~~ Regional Standard shall enable or support one or more of the reliability principles, thereby ensuring that each ~~Standard~~ Regional Standard serves a purpose in support of the reliability of the ERCOT bulk power system. Each ~~Standard~~ Regional Standard shall also be consistent with all of the reliability principles, thereby ensuring that no ~~Standard~~ Regional Standard undermines reliability through an unintended consequence.

29 While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all ~~ERCOT-Specific Reliability Standard~~ Regional Standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

II. ~~Regional Reliability Standard~~ Regional Standard Characteristics and Elements

a. Characteristics of a ~~Regional Reliability Standard~~ Regional Standard

The following characteristics describe objectives to be considered in the development of ~~ERCOT-Specific Reliability Standard~~ Regional Standards:

- 1. Applicability** – Each ~~ERCOT-Specific Reliability Standard~~ Regional Standard clearly identifies the functional classes of entities responsible for complying with the standard, with any specific additions or exceptions noted. Such functional classes include: Reliability Coordinators, Balancing Authorities, Transmission Operators, Transmission Owners, Generator Operators, Generator Owners, Interchange Authorities, Transmission Service Providers, Market Operators, Planning Authorities, Transmission Planners, Resource Planners, Load-Serving Entities, Purchasing-Selling Entities, and Distribution Providers. Each ~~ERCOT-Specific Reliability Standard~~ Regional Standard identifies the geographic applicability of the standard. A standard may also identify any limitations on the applicability of the standard based on electric facility characteristics.
- 2. Reliability Objectives** – Each ~~ERCOT-Specific Reliability Standard~~ Regional Standard has a clear statement of purpose that describes how the standard contributes to the reliability of the ERCOT bulk power system.

3. **Requirement or Outcome** – Each ~~ERCOT-Specific Reliability Standard~~Regional Standard states one or more requirements, which if achieved by the applicable entities, will provide for a reliable bulk power system, consistent with good utility practices and the public interest.
4. **Measurability** – Each performance requirement is stated so as to be objectively measurable by a third party with knowledge or expertise in the area addressed by that requirement. Each performance requirement has one or more associated measures used to objectively evaluate compliance with the requirement. If performance can be practically measured quantitatively, metrics are provided to determine satisfactory performance.
5. **Technical Basis in Engineering and Operations** — Each ~~ERCOT-Specific Reliability Standard~~Regional Standard is based upon sound engineering and operating judgment, analysis, or experience, as determined by expert practitioners in that particular field.
6. **Completeness** — Each ~~ERCOT-Specific Reliability Standard~~Regional Standard is complete and self-contained. Supporting references may be provided with standards, but they are not part of the standard and do not impose mandatory requirements.
7. **Clear Language** - Each ~~ERCOT-Specific Reliability Standard~~Regional Standard is stated using clear and unambiguous language. Responsible entities, using reasonable judgment and in keeping with good utility practice, are able to arrive at a consistent understanding of the required performance.
8. **Practicality** — Each ~~ERCOT-Specific Reliability Standard~~Regional Standard establishes requirements that can be practically implemented by the assigned responsible entities within the specified effective date and thereafter.
9. **Consistent Terminology** — To the extent possible, ~~ERCOT-Specific Reliability Standard~~Regional Standards use a set of standard terms and definitions that are approved through the regional standards development procedure.

Although ~~ERCOT-Specific Reliability Standard~~Regional Standards have a common format and process, several types of standards may exist, each with a different approach to measurement:

- **Technical standards** are related to the provision, maintenance, operation, or state of electric systems, and will likely contain measures of physical parameters that are technical in nature.
- **Performance standards** are related to the actions of entities providing for or impacting the reliability of the bulk power system, and will likely contain measures of the results of such actions or qualities of performance of such actions.
- **Preparedness standards** are related to the actions of entities to be prepared for conditions that are unlikely to occur, but are nonetheless critical to reliability, and will likely contain measures of such preparations or the state of preparedness.

b. **Elements of a Regional Reliability Standard**

30 To ensure uniformity of regional reliability standards, ~~an ERCOT-Specific Reliability Standard~~ Regional Standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

31 All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

Table 1 – Performance Elements of a Regional Reliability Standard

| | |
|----------------------------------|---|
| Identification Number | A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference. |
| Title | A brief, descriptive phrase identifying the topic of the standard. |
| 32 Applicability | Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire Texas RE area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described. |
| Effective Date and Status | The effective date of the standard or, prior to approval of the standard, the proposed effective date. |
| Purpose | The purpose of the standard. The purpose shall explicitly state what outcome will be achieved or is expected by this standard. |
| Requirement(s) | Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. |
| Risk Factor(s) | The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below: A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to normal condition. |

| | |
|-----------------------------|---|
| | <p>A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p> |
| <p>33 Measure(s)</p> | <p>Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p> |

Table 2 – Compliance Elements of a ~~Regional Reliability Standard~~ Regional Standard

| | |
|--|--|
| <p>34 Compliance Monitoring Process</p> | <p>Defines for each measure:</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity that is responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving. • Violation severity levels. |
|--|--|

Supporting Information Elements

| | |
|------------------------------|--|
| Interpretation | Any interpretation of regional reliability standard that is developed and approved in accordance with Section VI “Interpretation of Standard <u>Regional Standards</u> ” in Appendix B of this procedure, to expound on the application of the standard for unusual or unique situations or to provide clarifications. |
| Implementation Plan | Each regional reliability standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard. |
| Supporting References | <p>This section references related documents that support reasons for, or otherwise provide additional information related to the regional reliability standard. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Glossary of terms • Developmental history of the standard and prior versions • Notes pertaining to implementation or compliance • Standard<u>Regional Standard</u> references • Standard<u>Regional Standard</u> supplements • Procedures • Practices • Training references • Technical references • White papers • Internet links to related information |

III. Maintenance of the Texas RE Reliability Standards Development Process

Significant changes to this process shall begin with the preparation of a SAR and be addressed using the same procedure as a request to add, modify, or delete ~~an ERCOT-Specifica~~Reliability StandardRegional Standard.

The RSC has the authority to make ‘minor’ changes to this process as deemed appropriate by the RSC and subject to the RSC voting practices and procedures then in effect. The Reliability Standards Manager, on behalf of the RSC, shall promptly notify the ERCOTTexas RE BOD of such ‘minor’ changes to this process for their review and concurrence at the next ERCOTTexas RE BOD meeting.

IV. Maintenance of ~~Regional Reliability Standard~~Regional Standards

The ~~RSM~~Reliability Standards Manager shall ensure that each ~~Standard~~Regional Standard is reviewed at least once every five years from the effective date of the Standard or the latest revision to the ~~Standard~~Regional Standard, whichever is the later. The review process shall be conducted by soliciting comments from the stakeholders. If no changes are warranted, the ~~Reliability Standards Manager~~RSM shall recommend to the ~~ERCOT~~Texas RE BOD that the ~~Standard~~Regional Standard be reaffirmed. If the review indicates a need to revise or delete a ~~Standard~~Regional Standard, a SAR shall be prepared and submitted in accordance with the standards development process contained in this process.

V. Urgent Action

Under certain conditions, the RSC may designate a proposed ~~ERCOT-Specific Reliability Standard~~Regional Standard or revision to a standard as requiring urgent action. Urgent action may be appropriate when a delay in implementing a proposed standard or revision could materially impact reliability of the bulk power systems. The RSC must use its judgment carefully to ensure an urgent action is truly necessary and not simply an expedient way to change or implement a ~~Standard~~Regional Standard.

An ~~requester~~originator prepares a SAR and a draft of the proposed standard and submits both to the Reliability Standards Manager. The standard request must include a justification for urgent action. The Reliability Standards Manager submits the request to the RSC for its consideration. If the RSC designates the requested standard or revision as an urgent action item, then the Reliability Standards Manager shall immediately post the draft for pre-ballot review. This posting requires a minimum 30-day posting period before the ballot and applies the same voting procedure as detailed in Step 6.

Any ~~ERCOT-Specific Reliability Standard~~Regional Standard approved as an urgent action shall have a termination date specified that shall not exceed one year from the approval date. Should there be a need to make the standard permanent the standard would be required to go through the full ~~Standard~~Regional Standard Development Process. All urgent action standards require ~~Texas RE~~BOD, NERC, and FERC approval, as outlined for standards in the regular process.

Urgent actions that expire may be renewed using the urgent action process again, in the event a permanent standard is not adopted. In determining whether to authorize an urgent action standard for a renewal ballot, the RSC shall consider the impact of the standard on the reliability of the bulk power system and whether expeditious progress is being made toward a permanent replacement standard. The RSC shall not authorize a renewal ballot if there is insufficient progress toward adopting a permanent replacement standard or if the RSC lacks confidence that a reasonable completion date is achievable. The intent is to ensure that an urgent action standard does not in effect take on a degree of permanence due to the lack of an expeditious effort to develop a permanent replacement standard. With these principles, there is no predetermined limit on the number of times an urgent action may be renewed. However, each urgent action standard renewal shall be effective only upon approval by the ~~ERCOT~~Texas RE BOD, and approval by applicable governmental authorities.

Any person or entity, including the drafting team working on a permanent replacement standard, may at any time submit a standard request proposing that an urgent action standard become a permanent standard by following the full standards process.

VI. Interpretations of ~~Standard~~Regional Standards

All persons who are directly and materially affected by ERCOT's Bulk Power System reliability shall be permitted to request an interpretation of a ~~Standard~~Regional Standard. The person requesting an interpretation will send a request to the ~~Reliability Standards Manager~~RSM explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard.

The ~~Reliability Standards Manager~~RSM will assemble a team with the relevant expertise to address the clarification. The Interpretation Drafting Team (IDT) typically consists of members from the original SDT. The ~~Reliability Standards Manager~~RSM submits the proposed list of names of the IDT to the ROS. The ROS will either accept the recommendations of the ~~Reliability Standards Manager~~RSM or modify the IDT slate.

As soon as practical (not more than 45 days), the team will draft a written interpretation to the ~~Standard~~Regional Standard addressing the issues raised. Once the IDT has completed a draft interpretation to the ~~Standard~~Regional Standard addressing only the issues raised, the team will forward the draft interpretation to the ~~Reliability Standards Manager~~RSM. The ~~Reliability Standards Manager~~RSM will forward the draft interpretation to the Texas RE ~~Director of~~Chief Compliance Officer. The ~~Director of~~Chief Compliance Officer is to assess if the inclusion of the interpretation lessens the measurability of the ~~Standard~~Regional Standard. In addition the ~~Reliability Standards Manager~~RSM will forward the interpretation to the ROS. Barring receipt of an opinion from either the ~~Director of~~Chief Compliance Officer or ROS within 21 days, that the interpretation lessens measurability or is not technically appropriate for the ~~Standard~~Regional Standard, respectively, the ~~RSM~~Reliability Standards Manager will forward the interpretation to the RSC. The RSC will determine if the interpretation is consistent with the ~~Standard~~Regional Standard. The ~~Reliability Standards Manager~~RSM, on behalf of the RSC, will forward the interpretation to the ~~ERCOT Texas RE~~ BOD for informational purposes as being appended to the approved ~~Standard~~Regional Standard.

Note: In the event that the ~~Director of~~Chief Compliance Officer determines that measurability is lessened, the ~~Director of~~Chief Compliance Officer shall provide an explanation of his/her reasoning to the ~~RSM~~Reliability Standards Manager and IDT for inclusion in a subsequent reversion. The ROS shall in a similar manner provide an explanation of its reasoning if it determines that the interpretation makes the standard technically inappropriate. In either case, the IDT and ~~Reliability Standards Manager~~RSM will continue to re-circulate the interpretation as stated above.

The interpretation will stand until such time as the ~~Standard~~Regional Standard is revised through the normal process, at which time the ~~Standard~~Regional Standard will be modified to incorporate the clarifications provided by the interpretation.

VII. Appeals

Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the

development, approval, revision, reaffirmation, or withdrawal of ~~an ERCOT-Specifica~~ Reliability StandardRegional Standard shall have the right to appeal. This Appeals Process applies only to this ~~StandardRegional Standard~~s Process.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The final decisions of any appeal shall be documented in writing and made public.

The Appeals Process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

Level 1 Appeal

Level 1 is the required first step in the appeals process. The appellant submits a complaint in writing to the ~~RSMReliability Standards Manager~~ that describes the substantive or procedural action or inaction associated with a Reliability StandardRegional Standard or the ~~StandardRegional Standard~~s Process. The appellant describes in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the ~~RSMReliability Standards Manager~~ shall prepare a written response addressed to the appellant as soon as practical, but not more than 45-days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response will be made a part of the public record associated with the StandardRegional Standard.

Level 2 Appeal

If after the Level 1 Appeal the appellant remains unsatisfied with the resolution, as indicated by the appellant in writing to the Reliability Standards Manager, the Reliability Standards Manager shall convene a Level 2 Appeals Panel. This panel shall consist of five members total appointed by ERCOT's BOD. In all cases, Level 2 Appeals Panel Members shall have no direct affiliation with the participants in the appeal.

The ~~RSMReliability Standards Manager~~ shall post the complaint and other relevant materials and provide at least 30-days notice of the meeting of the Level 2 Appeals Panel. In addition to the appellant, any person that is directly and materially affected by the substantive or procedural action or inaction referenced in the complaint shall be heard by the panel. The panel shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal. The panel may in its decision find for the appellant and remand the issue to the RSC with a statement of the issues and facts in regard to which fair and equitable action was not taken. The panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections. The panel may not, however, revise, approve, disapprove, or adopt a Reliability StandardRegional Standard. The actions of the Level 2 Appeals Panel shall be publicly posted.

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to Texas RE's~~ERCOT's~~ BOD for consideration at the time the Texas RE BOD decides whether to adopt a particular ~~Reliability Standard~~Regional Standard. The objection must be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of the facts that justify that relief. The objection must be filed no later than 30-days after the announcement of the vote on the ~~Standard~~Regional Standard in question.

Appendix C – Sample ~~Standard~~Regional Standard Request Form

~~ERCOT-Specific Reliability Standard~~Regional Standard Authorization Request

The tables below provide a representative example of information in a ~~Regional Reliability Standard~~Regional Standard Authorization Request. The ~~RSM~~Reliability Standards Manager shall be responsible for implementing and maintaining the applicable form as needed to support the information requirements of the Texas RE ~~Standard~~Standards Process. The latest version of the form will be downloadable from the Texas RE's ~~Standard~~Standards Development Web page.

Texas RE ~~Reliability~~ Standard Authorization Request Form

Texas RE to complete

| |
|----------------------------|
| ID |
| Authorized for Posting |
| Authorized for Development |

Title of Proposed ~~Standard~~Regional Standard:

Request Date:

SAR ~~Requestor~~Originator Information

| Name: | SAR Type (Check one box.) | |
|--------------|----------------------------------|--|
| Company: | <input type="checkbox"/> | New Standard Regional Standard |
| Telephone: | <input type="checkbox"/> | Revision to Existing Standard Regional Standard |
| Fax: | <input type="checkbox"/> | Withdrawal of Existing Standard Regional Standard |
| Email: | <input type="checkbox"/> | Urgent Action |

Purpose (Describe the purpose of the proposed regional reliability standard – what the standard will achieve in support of reliability.)

Industry Need (Provide a detailed statement justifying the need for the proposed regional reliability standard, along with any supporting documentation.)

Brief Description (Describe the proposed regional reliability standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)

Reliability Functions

The **Standard Regional Standard** will Apply to the Following Functions (Check all applicable boxes.)

| | | |
|--------------------------|-------------------------------|---|
| <input type="checkbox"/> | Reliability Coordinator | The entity that is the highest level of authority who is responsible for the reliable operation of the Bulk Electric System, has the Wide Area view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision. |
| <input type="checkbox"/> | Balancing Authority | The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time. |
| <input type="checkbox"/> | Interchange Authority | Authorizes valid and balanced Interchange Schedules. |
| <input type="checkbox"/> | Planning Authority | The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems. |
| <input type="checkbox"/> | Transmission Service Provider | The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable transmission service agreements. |
| <input type="checkbox"/> | Transmission Owner | The entity that owns and maintains transmission facilities. |
| <input type="checkbox"/> | Transmission Operator | The entity responsible for the reliability of its "local" transmission system, and that operates or directs the operations of the transmission facilities. |
| <input type="checkbox"/> | Transmission Planner | The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority Area. |

| | | |
|--------------------------|---------------------------|---|
| <input type="checkbox"/> | Resource Planner | The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a Planning Authority Area. |
| <input type="checkbox"/> | Generator Operator | The entity that operates generating unit(s) and performs the functions of supplying energy and Interconnected Operations Services. |
| <input type="checkbox"/> | Generator Owner | Entity that owns and maintains generating units. |
| <input type="checkbox"/> | Purchasing-Selling Entity | The entity that purchases or sells, and takes title to, energy, capacity, and Interconnected Operations Services. Purchasing-Selling Entities may be affiliated or unaffiliated merchants and may or may not own generating facilities. |
| <input type="checkbox"/> | Distribution Provider | Provides and operates the “wires” between the transmission system and the customer. |
| <input type="checkbox"/> | Load-Serving Entity | Secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers. |

Reliability and Market Interface Principles

Applicable Reliability Principles *(Check all boxes that apply.)*

| | |
|--------------------------|---|
| <input type="checkbox"/> | 1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards. |
| <input type="checkbox"/> | 2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand. |
| <input type="checkbox"/> | 3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably. |
| <input type="checkbox"/> | 4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained, and implemented. |
| <input type="checkbox"/> | 5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk power systems. |
| <input type="checkbox"/> | 6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions. |
| <input type="checkbox"/> | 7. The security of the interconnected bulk power systems shall be assessed, monitored, and maintained on a wide-area basis. |

Does the proposed **StandardRegional Standard** comply with all of the following Market Interface Principles? *(Select ‘yes’ or ‘no’ from the drop-down box.)*

Recognizing that reliability is an Common Attribute of a robust North American economy:

1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes
2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes
3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes

4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes

Detailed Description (Provide enough detail so that an independent entity familiar with the industry could draft a standard based on this description.)

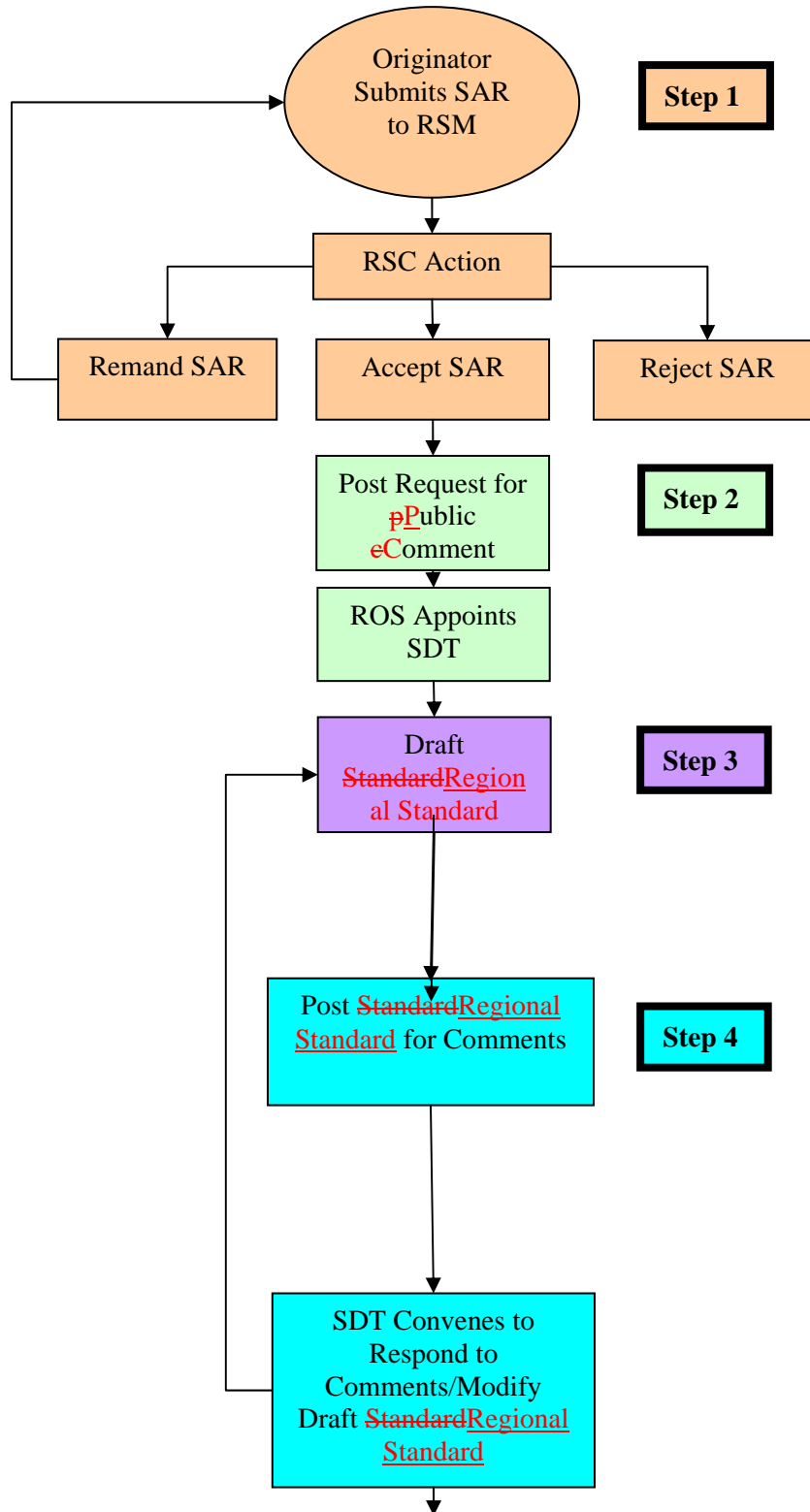
Related Standards

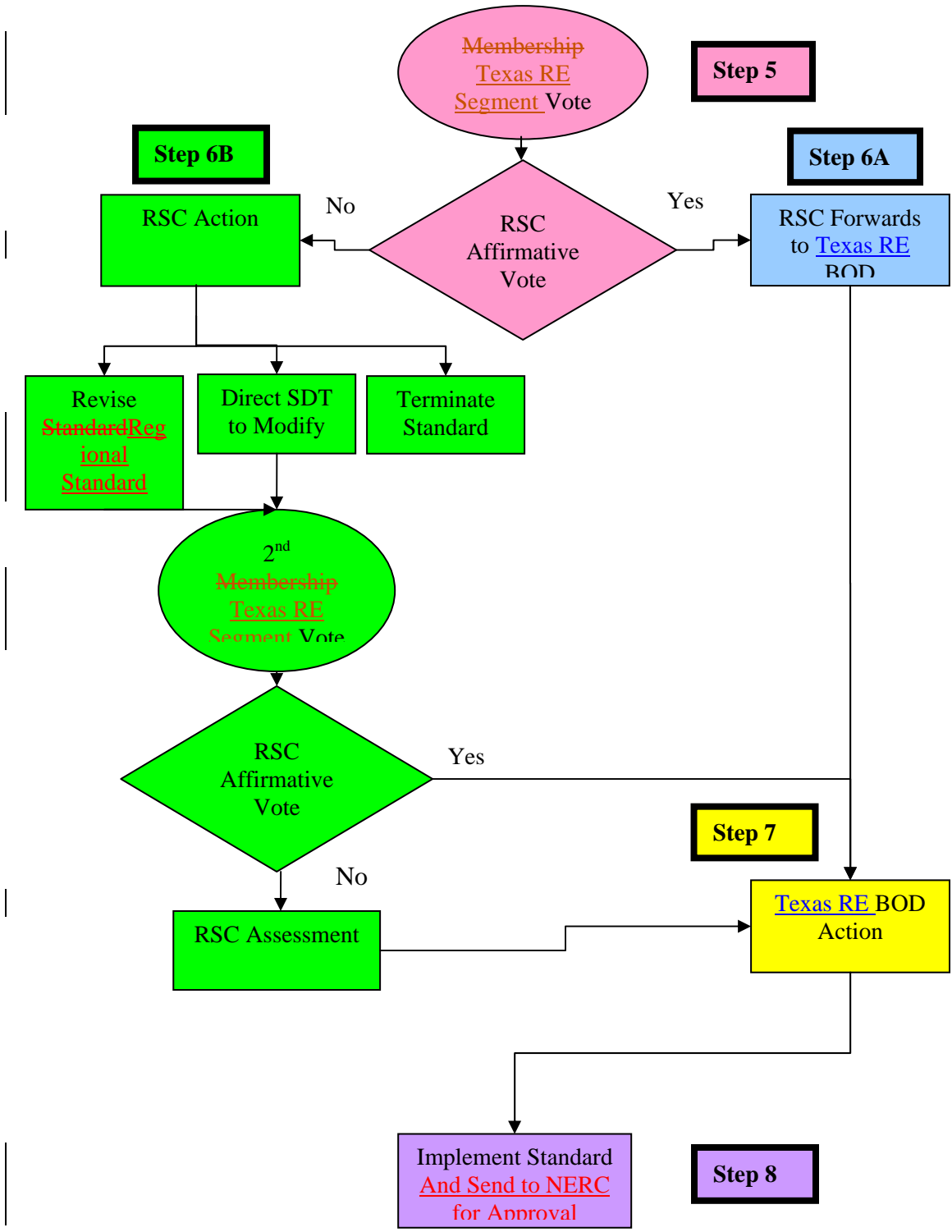
| Standard No. | Explanation |
|--------------|-------------|
| | |
| | |
| | |
| | |
| | |
| | |

Related SARs

| SAR ID | Explanation |
|--------|-------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

Appendix D – Process Flow Diagram





Reliability Standards Committee Procedure

Purpose

The following procedure is to define the roles of participants in the Reliability Standards Committee (RSC). This committee is responsible for review of Regional Standards Authorization Requests (SAR) and subsequent recommendations for revision, deletion or development of an ~~an-ERCOT-Specific~~ Regional Standard. The RSC will also vote to recommend a proposed new or revised Regional Standard to be presented for a vote to the Texas RE Registered Ballot Body ~~all ERCOT Member Participants~~. The RSC will receive, consider, and vote on requests for new or revised ~~ERCOT-Specific-ReliabilityRegional~~ Standards and Regional Variances. The RSC will consider any requests for ~~ERCOT-Specific ReliabilityRegional~~ Standards or Regional Variances from parties that are directly and materially affected by the operation of the ERCOT Bulk Power System.

Committee Structure

The RSC is a balanced committee comprised of representatives of the eight Texas RE Segments – the ERCOT ISO and the seven (7) ERCOT Market Participant Segments ~~ERCOT Member Representatives from all market segments~~ (Independent Generators, Investor-Owned Utilities, Independent Power Marketers, Retail Electric Providers, Municipally-Owned Utilities, Cooperatives, and Consumers), to provide balanced decision-making and due process for ~~ERCOT-Specific-ReliabilityRegional~~ Standards and Regional Variances.

Membership

For the purposes of establishing a quorum and voting on any SAR requesting Urgent Action, the RSC, shall elect (2) two Standing Representatives from each Texas RE Segment elected or appointed by the voting members of the respective Texas RE Segment, with the exception of the Consumer Segment and the ERCOT ISO. The Consumer Segment shall consist of three (3) sub-segments (Residential, Commercial, and Industrial), each with one (1) Standing Representative. The ERCOT ISO shall also have one (1) Standing Representative, or three Standing Representatives for an overall total of ~~15~~ sixteen (16) Standing Representatives.

~~RSC Standing Representatives shall be appointed or elected annually in December of each year for service in the following calendar year.~~

RSC nomination Process:

The Reliability Standards Manager (RSM) shall facilitate the election or the replacement of a RSC ~~Standing Representative member~~ from the applicable ~~industry segment~~ Texas RE Segment.

~~RSC Standing Representatives shall be appointed or elected annually by the members of their respective Texas RE Segments in December of each year for service in the following calendar year. All RSC Standing Representatives shall be appointed or elected annually by the Members of their respective Segments.~~ The term for all RSC Standing Representatives shall be one year. Any RSC Standing Representative may be reappointed or reelected for consecutive terms, without limitation. A vacancy shall be filled by the same means used to elect or appoint the previous RSC Standing Representative. No Entity shall participate in more than one Texas RE

Segment of the RSC. The Representatives of the RSC shall elect from amongst themselves a Chair and Vice-chair subject to approval by the ERCOT Texas RE Board of Directors (BOD). The final list of the RSC Standing Representativesmembers will be posted on the Texas Regional Entity (RE) website.

RSC Procedures and Process Timeline

The following details RSC activities and process timeline for addressing SARs as defined in Exhibit C of the Delegation Agreement between NERC and ~~Texas RE~~ ERCOT approved on April 19, 2007, per FERC Approved Delegation Agreement.

1. Upon receiving an adequately completed SAR, the RSC shall discuss the SAR at the next scheduled meeting. The RSC may, in its sole discretion, expand or narrow the scope of the SAR under consideration and shall prioritize the development of SARs as may be required based on the number of SARs under development at any time.
2. Within 60 days of receipt of an adequately completed SAR, the RSC shall determine the disposition of the SAR and post the SAR for review and possible comments.
3. The RSC may reject, remand or recommend the SAR by motion and voting methodology indicated later in this procedure.
4. A rejected SAR will be delivered to its Originator with a written explanation, within 30 days of the decision.
5. A remanded SAR will go back to the Originator for additional work. The Texas RE RSM will make reasonable efforts to assist the Originator in addressing the deficiencies identified by the RSC. The Originator may then resubmit the modified SAR using the process above. The Originator may choose to withdraw the SAR from further consideration prior to re-submittal to the RSC.
6. Upon acceptance of a SAR for development of a Regional Standard (or modification or deletion of an existing Regional Standard), the RSC shall direct the RSM to post the SAR and the related documents for public viewing on the Texas RE website. The RSC shall also direct the ERCOT Reliability and Operations Subcommittee (ROS) to assemble a qualified balanced slate for the Standard Drafting Team (SDT).
7. Following the approval of the SDT by the ROS, the RSC will declare a preliminary date on which the SDT is expected to have a completed draft Regional Standard and associated supporting documentation available for consideration by the Registered Ballot Body ~~ERCOT Membership~~.
8. The RSC is to verify all the work completed by the SDT to ensure that it meets the requirements of the proposed Regional Standard and is consistent with the SAR on which it was developed.
9. At the direction from the RSC, the RSM then facilitates the posting of the draft Regional Standard on the Texas RE website, along with a draft implementation plan and supporting documents, for a 30-day comment period.
10. The RSC may, at any time, exercise its authority over the Standards Development Process by directing the SDT to move to Step 4 of the Texas Regional Entity Standards Development Process and post the current work product for public comment. If there are competing drafts, the RSC may, at its sole discretion, have posted the version(s) of the draft Regional Standard for comment on the Texas RE website. The RSC may take this step at any time after a SDT has been commissioned to develop the Regional Standard.

11. Upon recommendation of the SDT, and if the RSC concurs that all of the requirements for development of the Regional Standard have been met, the RSM shall post the proposed Regional Standard and implementation plan for ballot on the Texas RE website and shall announce the vote of Texas RE Segments on whether to approve the Regional Standard, including when the vote will be conducted and the method for voting.
12. Depending on the ~~ERCOT Membership~~Texas RE Segment voting result, the RSC may take various actions as stated at Steps 6A and 6B of the Texas RE Standards Development Process.

As a summary:

- Votes \geq ~~4-67~~two-thirds (2/3) affirmative of the votes cast: The RSC will forward the Regional Standard and the supporting documents to the ~~ERCOT~~Texas RE BOD
- Votes $<$ two-thirds (2/3)~~4-67~~ affirmative of the votes cast: The RSC may:
 - ❖ Revise the SAR and remand the development work back to the original SDT or a newly appointed SDT for further work. This may require a second comment period and a second voting period.
 - ❖ Direct the existing SDT to modify certain aspects of the draft Regional Standard and/or implementation plan. This may require a second comment period and a second voting period.
 - ❖ Recommend termination of all work on the development of the Regional Standard action under consideration and to notify the ~~ERCOT~~Texas RE BOD.

In any case, the RSC may refer the draft Regional Standard and implementation plan to the ~~ERCOT~~Texas RE BOD. The RSC may also submit an assessment, opinion, and recommendations to the ~~ERCOT~~Texas RE BOD.

Regional Variances

Regional Variance(s) to NERC Reliability Standards may be developed using the Texas RE Standards Development Process. The RSC shall follow the same process in the development of these variances as for the development of a Regional Standard. Once a variance has been developed it shall be submitted to NERC for approval and for inclusion in the appropriate NERC Reliability Standard(s).

Urgent Action

Under certain conditions, the Standing Representatives of the RSC may vote to designate a proposed ~~ERCOT Specific Reliability~~Regional Standard or revision to a Regional Standard, or development of a Regional Variance to a NERC Reliability Standard as requiring urgent action. The process for obtaining an ERCOT Regional Variance to a NERC Reliability Standard shall

be the same as the process for obtaining a Regional Standard. Throughout this document, where the term Regional Standard is used, the same process will be applied to a Regional Variance. Urgent action may be appropriate when a delay in implementing a proposed Regional Standard or revision could materially impact reliability of the ERCOT Bulk Power System. The RSC must use its judgment carefully to ensure an urgent action is truly necessary and not simply an expedient way to change or implement a Regional Standard. To initiate a request for urgent action for a SAR, a requester shall prepare the SAR and a draft of the proposed Regional Standard and submit both to the RSM. The SAR must include a justification for urgent action. The RSM will submit the request to the RSC for its consideration. If the Standing Representatives of the RSC approve urgent action for the requested standard or revision, then the RSM shall immediately post the draft for pre-ballot review and public comment. This posting requires a minimum 30-day posting period before the ballot and applies the same voting procedure as detailed in Step 6 of the Texas RE Standards Development Process.

Any ~~ERCOT-Specific-Reliability~~Regional Standard approved as an urgent action shall have a termination date specified that shall not exceed one year from the approval date. All urgent action Regional Standards require ~~ERCOT~~Texas RE BOD, NERC, and FERC approval, as outlined for Regional Standards in the regular process. Should there be a need to make the Regional Standard permanent, the Regional Standard would be required to go through the normal Texas RE Standards Development Process.

Urgent actions that expire may be renewed using the urgent action process again, in the event a permanent Regional Standard is not adopted. In determining whether to authorize an urgent action Regional Standard for a renewal ballot, the RSC shall consider the impact of the Regional Standard on the reliability of the Bulk Power System and whether expeditious progress is being made toward a permanent replacement Regional Standard. The RSC shall not authorize a renewal ballot if there is insufficient progress toward adopting a permanent replacement Regional Standard or if the RSC lacks confidence that a reasonable completion date is achievable. The intent is to ensure that an urgent action standard does not in effect take on a degree of permanence due to the lack of an expeditious effort to develop a permanent replacement standard. With these principles, there is no predetermined limit on the number of times an urgent action may be renewed. However, each urgent action standard renewal shall be effective only upon approval by the ~~ERCOT~~Texas RE BOD, NERC, and FERC. Any person or entity, including the SDT working on a permanent replacement Regional Standard, may at any time submit a standard request proposing that an urgent action Regional Standard become a permanent standard by following the normal Texas RE Standards Development Process.

RSC Voting

~~Each RSC Standing Representative and a~~ representative from each Voting Entity who is present at the meeting may participate in a vote. ~~Voting by phone is not allowed. For the purposes of this "RSC Voting" procedure, a "Representative" shall mean either an RSC Standing Representative or a Representative of a Voting Entity who is present at the meeting.~~

In order to take action, the RSC must reach a quorum. ~~In addition, A~~at least one Voting Entity ~~from (1) ERCOT Member Representative from five (5) six (6) of the eight (8) Texas RE seven (7)~~

~~ERCOT Market Participant~~ Segments must ~~vote~~ be present to constitute a quorum. Each ERCOT Market Participant Segment shall have one (1) Segment Vote. The ERCOT ISO shall have 1/4 vote.

~~Except for the Consumer Segment, At all meetings, each Segment shall have one (1) Segment Vote. For each ERCOT Market Participant Segments with multiple Representatives voting~~ Voting Entities, each Representative ~~The representative of each Voting Entity, each Voting Entity~~ participating in the vote, shall receive an equal fraction of each ERCOT Market Participant Segment's ~~its~~ Segment's Vote. For each ERCOT Market Participant Segment with a single Voting Entity participating in the vote, that Voting Entity shall receive the total ERCOT Market Participant Segment's Vote.

The Consumer Segment vote shall be divided into three sub-segments (Residential, Commercial, and Industrial) that receive one third of the Consumer Segment Vote. If no ~~Representative~~ Voting Entity from a Consumer sub-segment is present; such sub-segment's fractional vote is allocated equally to the participating sub-segment(s). If a ~~r~~ Representative Voting Entity from a sub-segment abstains from a vote, the fraction of the Consumer Segment Vote allocated to such ~~representative~~ Voting Entity is not included in the vote tally.

~~Each RSC Standing Representative and a representative from each Voting Entity who is present at the meeting may participate in a vote.~~

Entities entitled to vote (Voting Entities) are the ERCOT ISO, the Office of Public Utility Counsel, and ERCOT Corporate Members, ERCOT Associate Members, and ERCOT Adjunct Members. ~~Voting Entities who are Members must align themselves each calendar year with a Segment for which they qualify or, for Adjunct Members, a Segment to which they are similar.~~

In the event that a representative of any other Voting Segment abstains from a vote, the Segment Vote is allocated among the members casting a vote within the segment; except for the Consumer Segment.

E-Mail Voting:

In matters determined by the RSC Chair to require an urgent ~~or otherwise required~~ action prior to the next meeting, the RSC Chair may call a vote via electronic mail (e-mail vote) of the RSC Standing Representatives to make an urgency determination ~~may be utilized. A request for an e-mail vote can only be initiated by the Chair or Vice chair. Such~~ an urgency e-mail vote is permitted provided a notification is distributed to the RSC ~~Standing Representative~~ member list that includes a detailed description of the issue or proposition and accompanied by supporting documentation. For such urgency e-mail votes, a quorum of Standing Representatives must participate in the vote.

Meetings

Meetings of the RSC shall be open to all interested parties. The RSC shall hold meetings as needed and may use conference calls for discussions ~~or emails to conduct its business~~. The

agenda including the background materials will be posted on the Texas RE website in addition to being distributed to the RSC Standing Representatives, members, and other interested parties.

Chair and Vice-chair

The Standing Representatives of the RSC shall elect a Chair and Vice-chair from the RSC's standing membership for a term of one (1) year on a calendar year basis. The Chair and Vice-chair shall be confirmed by the ERCOT Texas RE BOD. The Chair shall be responsible for setting the agenda and presiding over meetings. The Vice-chair shall act as Chair at the RSC meetings in the absence of the Chair.

Registered Ballot Body Procedure

Purpose

This document explains the steps in establishing the Registered Ballot Body (RBB) and the subsequent Registered Ballot Pool (RBP) for the purpose of Voting by ~~Texas RE Segments—defined in the Texas RE Standards Development Process as the seven (7) ERCOT Market Participant Segments and the ERCOT ISO—ERCOT Membership~~ on proposed Regional Reliability Standards as detailed in Step 5 of ~~the~~ Texas Regional Entity Standards Development Process. ~~The Texas RE Segments are defined in the Texas Regional Entity Standards Development Process as the seven (7) ERCOT Market Participant Segments and the ERCOT ISO.~~

Membership

The Registered Ballot Body will be comprised of representatives from all ~~market segments~~ ~~Texas RE Segments~~ to provide balanced decision-making on ~~ERCOT-Specific Reliability~~ ~~Regional~~ Standards and Regional Variances. ~~The Ballot Body and~~ will vote on all proposed new or revised ~~ERCOT-Specific Reliability~~ ~~Regional~~ Standards and Regional Variances.

Entities entitled to vote (Voting Entities) are ~~the ERCOT ISO, the Office of Public Utility Counsel, and~~ ERCOT Corporate Members, ERCOT Associate Members, and ERCOT Adjunct Members. ~~Voting Entities who are Members must align themselves each calendar year with a Segment for which they qualify for or in the case of Adjunct Members, a Segment to which they are similar to. Member Voting Entities that align themselves with a Segment must be aligned with that same Segment for all ERCOT subcommittees, and remain aligned with that Segment for the entire calendar year.~~

~~Membership in ERCOT is open to any entity that meets any of the segment definitions as set forth in the ERCOT Bylaws. Members must be in an organization that either operates in the ERCOT region or represents consumers within the ERCOT region.~~

The ~~ERCOT m~~Members ~~and the Office of Public Utility Counsel~~ are organized by the following seven ~~m~~Market ~~s~~Segments:

- Consumers
- Cooperatives
- Independent Generators
- Independent Power Marketers
- Independent Retail Electric Providers
- Investor-Owned Utilities
- Municipals

Member Segment RBB Qualification Guidelines

The ~~RBB Member Segment~~ ~~segment~~ qualification guidelines are inclusive; i.e., any entity with a legitimate interest in the reliability of the ERCOT Bulk Power System that can meet any one of

the guidelines for a Texas RE Segmentsegment is entitled to belong to and vote in that Segmentsegment.

The general guidelines for ~~all Member Segments~~RBB activities ~~segments~~ are:

- RBB membership shall be consistent with the Texas RE Segments.
- Those RBB members who are ERCOT Members and the Office of Public Utility Counsel must qualify in one of the ERCOT Market Participant Segmentssegments as defined in Article 3 of ERCOT Bylaws
- At any given time, affiliated entities may collectively be registered only once within a segmentSegment.
- Corporations, organizations, and entities may participate freely in all meetings.
- The qualification guidelines and rules for joining ~~segments~~ERCOT Market Participant Segments will be reviewed periodically to ensure that the process continues to be fair, open, balanced, and inclusive.
- ~~Only one representative of each Voting Entity may vote. Voting Entities are limited to their Representative or their designated Alternate Representative.~~

Voting

Only one representative of each Voting Entity may vote. Voting Entities are limited to their Representative or their designated Alternate Representative.

The Reliability Standards Manager (RSM) shall send a notice to every entity in the Registered Ballot Body (RBB) to establish a ballot pool for a Regional Standard or a Regional Variance to a NERC Reliability Standard action at least 30 days prior to the start of a ballot. The purpose of this notice is to establish a ballot pool to participate in the consensus development process and ballot the proposed action. The ballot pool may be established earlier in the development process to encourage active participation in the development process.

Any member of the Registered Ballot Body may join or drop out of a ballot pool until the ballot period begins (Step 5 of Texas Regional Entity (RE) Standards Development Process). No Registered Ballot Body member may join or leave the ballot pool once the first ballot starts, including between the first ballot and a recirculation ballot (Step 6B of Texas Regional Entity Standards Development Process). The RSM shall coordinate changes to the membership of the ballot pool and publicly post the ballot pool for each action.

At least one (1) ~~ERCOT Member Representative~~representative from ~~five (5)~~six (6) of the eight (8) Texas RE ~~seven (7) ERCOT Market Participant~~Segments must vote to constitute a quorum.

If a quorum of the ballot pool is not established, the Regional Standard or Regional Variance to a NERC Reliability Standard will be balloted a second time, allowing a 15-business day period for the ballot. Should a quorum not be established with the second ballot, the RSM would re-

survey the Registered Ballot Body to establish interest in participating in a ballot in accordance with the procedures for ballot pool formation. A re-ballot will take place with the revised ballot pool.

Members of the ballot pool should submit any comments on the proposed Regional Standard or Regional Variance to a NERC Reliability Standard during the public comment period. If any comments are received during the ballot period, they shall be addressed in accordance with Step 4 of Texas Regional Entity Standards Development Process and included with the recirculation ballot.

The RSM shall facilitate the Standard Drafting Team (SDT), assisted by the requester, in preparing a response to all votes submitted with reasons. The member submitting a vote with reasons will determine if the response provided satisfies those reasons. In addition, each objector shall be informed that an appeals process exists within the Texas Regional Entity Standards Development Process (Appendix B, Section VII)

A negative vote that does not contain a statement of reason does not require a response.

If there are no negative votes with reasons from the first ballot, then the results of the first ballot shall stand.

The above segment is in accordance with the NERC Standards Development Process.

At all meetings On all voting items, each Market Participant Segment shall have one (1) Segment Vote. The ERCOT ISO shall have 1/4 vote. For Texas RE Segments with more than one ~~The representative of each~~ Voting Entity, participating in the vote, each Voting Entity representative shall receive an equal fraction of its Segment's Vote.

The Consumer Segment vote shall be divided into three sub-segments (Residential, Commercial, and Industrial) that receive one third of the Consumer Segment Vote. If no representative from a Consumer sub-segment is present; such sub-segment's fractional vote is allocated equally to the participating sub-segment(s). If a representative from a sub-segment abstains from a vote, the fraction of the Consumer Segment Vote allocated to such representative is not included in the vote tally.

In the event that a representative of any other Voting Segment abstains from a vote, the Segment Vote is allocated among the members casting a vote within the segment; except for the Consumer Segment.

If a draft Standard receives 4.67two-thirds (2/3) or greater affirmative votes during the 15-day voting period, the RSC will forward the Standard to the ERCOT-Texas RE BOD for action (Step 7 of the Texas RE Standards Development Process).

If a draft Standard does not receive 4.67two-thirds (2/3) or greater affirmative votes during the 15-day voting period, the RSC may take several steps at its own discretion based on Step 6B of the Texas RE Standards Development Process.

Reliability Standards Tracking Comments & Responses

2/4/09 4:56 pm

SAR-001-TRE-02 Provision for the ERCOT ISO to Participate and Have a Vote in the Processes

11/01/2008 through 11/30/2008

1. The drafting team has proposed to add voting privileges for the ERCOT ISO in the Reliability Standards Committee. Do you agree with this proposed change?

Name: **Barrow, Edwin L**
Phone: **210-353-3756**
Segment: **Municipally Owned Utility**
Answer: **Yes**

Organization: **CPS Energy**
Department: **Energy Market Operations**

Name: **Marsh, Tony**
Phone: **512-918-9501**
Segment: **Independent Retail Electric Provider**
Answer: **No**

Organization: **New Mexico Natural Gas dba Texas Power**
Department:

Name: **Bartos, Brian D**
Phone: **830-796-3741**
Segment: **Cooperative**
Answer: **Yes**

Organization: **Bandera Co-op**
Department:

Name: **Ness, Thad K**
Phone: **614-716-2053**
Segment: **Investor-Owned Utility**
Answer: **Yes**

Organization: **American Electric Power Service Corp.**
Department: **Regulatory Services**

Name: **McLeon, Richard A**
Phone: **361-485-6208**
Segment: **Cooperative**
Answer: **Yes**

Organization: **South Texas Electric Co-op**
Department: **Compliance**

Name: **Burke, Thomas**
Phone: **214-875-8425**
Segment: **Investor-Owned Utility**
Answer: **Yes**

Organization: **Luminant**
Department: **Regulatory**

Comment

The ERCOT ISO performs specific reliability functions, just as other Market Participants do, and should have voting privileges on the Reliability Standards Committee.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

Name: **Reader, Raborn L**

Phone: **713-381-4093**

Segment: **Consumer - Industrial**

Answer: **Yes**

Organization: **EPCO Holdings**

Department: **Energy Utilization**

Comment

The ERCOT ISO, as well as the other Market Participants, perform specific reliability functions and should have voting privileges concerning reliability standards.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

2. The drafting team has proposed to add voting privileges for the ERCOT ISO in the Texas RE Registered Ballot Body. Do you agree with this proposed change?

Name: **Barrow, Edwin L**
Phone: **210-353-3756**
Segment: **Municipally Owned Utility**
Answer: **Yes**

Organization: **CPS Energy**
Department: **Energy Market Operations**

Name: **Marsh, Tony**
Phone: **512-918-9501**
Segment: **Independent Retail Electric Provider**
Answer: **No**

Organization: **New Mexico Natural Gas dba Texas Power**
Department:

Name: **Bartos, Brian D**
Phone: **830-796-3741**
Segment: **Cooperative**
Answer: **Yes**

Organization: **Bandera Co-op**
Department:

Name: **Ness, Thad K**
Phone: **614-716-2053**
Segment: **Investor-Owned Utility**
Answer: **Yes**

Organization: **American Electric Power Service Corp.**
Department: **Regulatory Services**

Name: **McLeon, Richard A**
Phone: **361-485-6208**
Segment: **Cooperative**
Answer: **Yes**

Organization: **South Texas Electric Co-op**
Department: **Compliance**

Name: **Burke, Thomas**
Phone: **214-875-8425**
Segment: **Investor-Owned Utility**
Answer: **Yes**

Organization: **Luminant**
Department: **Regulatory**

Comment

Response

The ERCOT ISO performs specific reliability functions, just as other Market Participants do, and should have voting privileges on the Texas RE Registered Ballot Body.

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

Name: **Reader, Raborn L**
Phone: **713-381-4093**
Segment: **Consumer - Industrial**
Answer: **Yes**

Organization: **EPCO Holdings**
Department: **Energy Utilization**

Comment

See comments from #1 above.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

3. The drafting team is seeking comment on the weight of the ERCOT ISO vote in the Reliability Standards Committee. The ERCOT ISO should receive:

Name: **Barrow, Edwin L**
Phone: **210-353-3756**
Segment: **Municipally Owned Utility**
Answer: **One vote**

Organization: **CPS Energy**
Department: **Energy Market Operations**

Comment

Arguably, ERCOT ISO is impacted more than any other registered entity by the NERC Reliability Standards and regional standards and should be equally represented from a voting standpoint as other segments. It is an unfortunate oversight that ERCOT ISO was not included as a Texas RE Segment in the original development of the Delagation Agreement. The one-fourth vote proposal is totally arbitrary and has no basis.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

Name: **Marsh, Tony**
Phone: **512-918-9501**
Segment: **Independent Retail Electric Provider**
Answer: **Other (make comment)**

Organization: **New Mexico Natural Gas dba Texas Power**
Department:

Comment

Prior two answers are stated as "no". But, if this SAR were to pass then ERCOT should only be allowed 1/4 vote.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

Name: **Bartos, Brian D**
Phone: **830-796-3741**
Segment: **Cooperative**
Answer: **One vote**

Organization: **Bandera Co-op**
Department:

Name: **Ness, Thad K**
Phone: **614-716-2053**
Segment: **Investor-Owned Utility**
Answer: **One-fourth vote**

Organization: **American Electric Power Service Corp.**
Department: **Regulatory Services**

Comment

We support ERCOT having the right to participate and vote in the RSC; however, we don't think that any one entity should control a full segment vote. We would support anything up to 1/2 vote for ERCOT and this would be similar to the vote impact for any one RSC member.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

Name: **McLeon, Richard A**

Organization: **South Texas Electric Co-op**

Phone: **361-485-6208**
Segment: **Cooperative**
Answer: **One vote**

Department: **Compliance**

Name: **Burke, Thomas**
Phone: **214-875-8425**
Segment: **Investor-Owned Utility**
Answer: **One-fourth vote**

Organization: **Luminant**
Department: **Regulatory**

Comment

The ERCOT ISO's reliability functions are important, just as the reliability functions of the other market participants in the region are important. All Market Participants, regardless of size, have important roles to play in maintaining stable operation of the bulk electric system and no one market participant should have a "jumbo" vote on the Regional Standards Committee based on the number of reliability standards they are responsible for. If such a weighted system were developed, it would need to be applied to all market participants. □ The ERCOT Committees and Subcommittees have functioned well and kept the ERCOT system reliable without ERCOT having a vote or voting method based on MP organizational size.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

Name: **Reader, Raborn L**
Phone: **713-381-4093**
Segment: **Consumer - Industrial**
Answer: **One-fourth vote**

Organization: **EPCO Holdings**
Department: **Energy Utilization**

Comment

Each Market participants, large and small, contribute an important part to maintaining the reliability of the ERCOT system. Though the ERCOT ISOs reliability functions are important, they are just part of the over all group and should not be given a greater vote than the rest based on their size. From what I can tell, the the partial vote system seems to be working just fine in the ERCOT Committees and Subcommittees.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

4. The drafting team is seeking comment on the weight of the ERCOT ISO vote in the Texas RE Registered Ballot Body. The ERCOT ISO should receive:

Name: **Barrow, Edwin L**
Phone: **210-353-3756**
Segment: **Municipally Owned Utility**
Answer: **One vote**

Organization: **CPS Energy**
Department: **Energy Market Operations**

Name: **Marsh, Tony**
Phone: **512-918-9501**
Segment: **Independent Retail Electric Provider**
Answer: **Other (make comment)**
Comment

Organization: **New Mexico Natural Gas dba Texas Power**
Department:

Prior two answers are stated as "no". But, if this SAR were to pass then ERCOT should only be allowed 1/4 vote.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

Name: **Bartos, Brian D**
Phone: **830-796-3741**
Segment: **Cooperative**
Answer: **One vote**

Organization: **Bandera Co-op**
Department:

Name: **Ness, Thad K**
Phone: **614-716-2053**
Segment: **Investor-Owned Utility**
Answer: **One-fourth vote**
Comment

Organization: **American Electric Power Service Corp.**
Department: **Regulatory Services**

We support ERCOT having the right to participate and vote in the RBB; however, we don't think that any one entity should control a full segment vote. We would support anything up to 1/2 vote for ERCOT.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

Name: **McLeon, Richard A**
Phone: **361-485-6208**
Segment: **Cooperative**
Answer: **One vote**

Organization: **South Texas Electric Co-op**
Department: **Compliance**

Name: **Burke, Thomas**
Phone: **214-875-8425**
Segment: **Investor-Owned Utility**
Answer: **One-fourth vote**

Organization: **Luminant**
Department: **Regulatory**

Comment

See comments to SAR-001 Question 3 above.

Response

On December 16, 2008, the RSC approved the SAR-001 action to allow ERCOT ISO to have voting privileges on the RSC and the RBB, and assigned the weight of the vote to be one-fourth on both. The RSC also directed the RSM to post this action for a formal vote before the RBB as soon as possible.

Name: **Reader, Raborn L**
Phone: **713-381-4093**
Segment: **Consumer - Industrial**
Answer: **One-fourth vote**

Organization: **EPCO Holdings**
Department: **Energy Utilization**

5. The drafting team has proposed some technical clarifications as well as several typographical corrections to comply with the FERC Order on the Delegation Agreement. Do you support these changes?

Name: **Barrow, Edwin L**
Phone: **210-353-3756**
Segment: **Municipally Owned Utility**
Answer: **Yes**

Organization: **CPS Energy**
Department: **Energy Market Operations**

Name: **Marsh, Tony**
Phone: **512-918-9501**
Segment: **Independent Retail Electric Provider**
Answer: **Yes**

Organization: **New Mexico Natural Gas dba Texas Power**
Department:

Name: **Bartos, Brian D**
Phone: **830-796-3741**
Segment: **Cooperative**
Answer: **Yes**

Organization: **Bandera Co-op**
Department:

Name: **Ness, Thad K**
Phone: **614-716-2053**
Segment: **Investor-Owned Utility**
Answer: **No opinion**

Organization: **American Electric Power Service Corp.**
Department: **Regulatory Services**

Name: **McLeon, Richard A**
Phone: **361-485-6208**
Segment: **Cooperative**
Answer: **Yes**

Organization: **South Texas Electric Co-op**
Department: **Compliance**

Name: **Burke, Thomas**
Phone: **214-875-8425**
Segment: **Investor-Owned Utility**
Answer: **Yes**

Organization: **Luminant**
Department: **Regulatory**

Name: **Reader, Raborn L**
Phone: **713-381-4093**
Segment: **Consumer - Industrial**
Answer: **Yes**

Organization: **EPCO Holdings**
Department: **Energy Utilization**

TEXAS REGIONAL ENTITY
REGISTERED BALLOT BODY
JANUARY 28, 2009

SAR-001 Ballot Pool--- Yellow Highlighted

| | | |
|---|-------------------------|------------------------|
| Dow Chemical Company | Consumer, Industrial | Paul Gabba |
| Occidental Chemical Corporation | Consumer, Industrial | Joe Matranga |
| EPCO Holdings, Inc. | Consumer, Industrial | Raborn Reader |
| City of Dallas | Consumer, L. Commercial | Nick Fehrenbach |
| City of Lewisville | Consumer, L. Commercial | Phillip Boyd |
| Office of Public Utility Counsel | Consumer, Residential | Danny Bivens |
| City of Eastland | Consumer, S. Commercial | Chris Brewster |
| Bandera Electric Coop | Cooperative | Brian Bartos |
| Bluebonnet Electric Coop | Cooperative | Bil Kahanek |
| Brazos Electric Power Cooperative Inc. | Cooperative | Robert Kelly |
| Lower Colorado River Authority | Cooperative | Jim Clawson |
| Nueces Electric Cooperative, Inc. | Cooperative | Sarah Fisher |
| Pedernales Electric Coop | Cooperative | Dale Jones |
| Rayburn Country Electric Cooperative | Cooperative | Eddy Reece |
| San Bernard Electric Cooperative, Inc. | Cooperative | Don Roberts |
| South Texas Electric Cooperative, Inc. | Cooperative | Richard McLeon |
| Calpine Corporation | Independent Generator | Darrell Scruggs |
| Formosa Plastics Corp. | Independent Generator | David Lin |
| NextEra Energy Resources LLC | Independent Generator | Michael J. Sonnelitter |
| NRG Texas LLC | Independent Generator | Robert Bailey |
| Suez Energy Marketing NA Inc. | Independent Generator | Cesar Seymour |
| Topaz Power Group LLC | Independent Generator | Carlos Benavides |
| BP Alternative Energy | Independent Generator | Pamela Zdenek |
| E.ON Climate & Renewables NA, Inc. | Independent Generator | Amanda Stevenson |
| International Power America, Inc. | Independent Generator | Billy Shaw |
| Constellation Energy Commodities Group Inc. | Independent PM | Steve Knapp |
| Shell Energy North America LP | Independent PM | Jeff Brown |
| Exelon Generation Company LLC | Independent PM | Robin Boehnemann |
| Reliant Energy Inc. | Independent PM | Rick Keetch |
| Tenaska Power Services | Independent PM | Carolina Price |
| EPIC Merchant Energy ERCOT LLC | Independent PM | Gordon Scott |
| New Mexico Natural Gas LP d/b/a Texas Power | Independent REP | David Chase |
| Cirro Energy | Independent REP | David Cook |
| Direct Energy LP | Independent REP | Joel Firestone |
| American Electric Power | Investor Owned Utility | Thad K. Ness |
| CenterPoint Energy | Investor Owned Utility | John Brockhan |
| Oncor Electric Delivery Company | Investor Owned Utility | Michael Quinn |
| Texas-New Mexico Power Company | Investor Owned Utility | Rex McDaniel |
| Sharyland Utilities LP | Investor Owned Utility | Dwight Yarbrough |
| City of Georgetown | Municipal | Jimmy Sikes |
| CPS Energy | Municipal | Les Barrow |
| Denton Municipal Electric | Municipal | Jeff Morris |
| Garland Power & Light | Municipal | David Grubbs |
| New Braunfels Utilities | Municipal | Gregory Baumbach |
| Texas Municipal Power Agency | Municipal | Frank Owens |
| Austin Energy | Municipal | Mark Dreyfus |

Reliability Standards Tracking Ballot Pool Listing

SAR-001-TRE-02 Provision for the ERCOT ISO to Participate and Have a Vote in the Processes

| Company | Industry Segment | Name |
|--|--------------------------------------|-----------------------|
| American Electric Power Service Corp. | Investor-Owned Utility | Thad K Ness |
| Austin Energy | Municipally Owned Utility | Mark Dreyfus |
| Bandera Co-op | Cooperative | Brian D Bartos |
| BP Alternative Energy | Independent Generator | Pamela C Zdenek |
| Brazos Co-op | Cooperative | Robert M Kelly |
| Calpine | Independent Generator | Darrell Scruggs |
| CenterPoint | Investor-Owned Utility | John Brockhan |
| Cirro Group | Independent Retail Electric Provider | David L Cook |
| City of Dallas | Consumer - Commercial | Nikolaus K Fehrenbach |
| City of Eastland | Consumer - Commercial | CHRIS L BREWSTER |
| City of Georgetown | Municipally Owned Utility | Jimmy L Sikes |
| City of Lewisville | Consumer - Commercial | Phillip L Boyd |
| Constellation Energy Commodities Group | Independent Power Marketer | Stephen C Knapp |
| CPS Energy | Municipally Owned Utility | Edwin L Barrow |
| Direct Energy | Independent Retail Electric Provider | Joel B Firestone |
| Dow Chemical Company | Consumer - Industrial | Anthony Gabba |
| E.ON Climate & Renewables NA Inc. | Independent Generator | Amanda Stevenson |
| EPCO Holdings | Consumer - Industrial | Raborn L Reader |
| Exelon Generation | Independent Power Marketer | Robin Boehnemann |
| Garland Power & Light | Municipally Owned Utility | David L Grubbs |
| International Power America Services | Independent Generator | Billy S Shaw |
| Lower Colorado River Authority | Cooperative | Jim Clawson |
| New Mexico Natural Gas dba Texas Power | Independent Retail Electric Provider | David Chase |
| NRG Texas | Independent Generator | Robert Bailey |
| Occidental Chemical Corp. | Consumer - Industrial | Joe D Matranga |
| Office of Public Utility Counsel | Consumer - Residential | Danny E Bivens |
| Oncor Electric Delivery Company | Investor-Owned Utility | Timothy M Quinn |
| Reliant Energy | Independent Power Marketer | Rick A Keetch |
| San Bernard Co-op | Cooperative | Don Roberts |
| Sharyland Utilities | Investor-Owned Utility | Dwight L Yarbrough |
| Shell Energy North America (US), L.P. | Independent Power Marketer | Jeff Brown |
| South Texas Electric Co-op | Cooperative | Richard A McLeon |

Ballot Pool Listing

SAR-001-TRE-02 Provision for the ERCOT ISO to Participate and Have a Vote in the Processes

| <u>Company</u> | <u>Industry Segment</u> | <u>Name</u> |
|--------------------------------|----------------------------|--------------------|
| Suez Energy Marketing NA | Independent Generator | Cesar Seymour |
| Tenaska Power Services | Independent Power Marketer | Carolina M Price |
| Texas Municipal Power Agency | Municipally Owned Utility | Frank J Owens |
| Texas-New Mexico Power Company | Investor-Owned Utility | Rex P McDaniel |
| Topaz Power Group | Independent Generator | Carlos H Benavides |

Reliability Standards Tracking Detailed Ballot Voting Results

02/04/2009 4:55 pm

SAR-001-TRE-02 Provision for the ERCOT ISO to Participate and Have a Vote in the Processes

Ballot Period: 1

Voting Period: **01/19/2009** thru **02/02/2009**

Certified Date: **02/03/2009**

Certified Outcome: **PASSED**

| Consumer - Commercial | Yes | No | Abstain | Total Eligible Votes |
|------------------------|-----|--------------------------------------|---------|-------------------------|
| | 3 | 0 | 0 | 3 |
| Yes Voters | | | | |
| CHRIS LBREWSTER | | City of Eastland | | |
| Nikolaus KFehrenbach | | City of Dallas | | |
| Phillip LBoyd | | City of Lewisville | | |
| Consumer - Industrial | Yes | No | Abstain | Total Eligible Votes |
| | 3 | 0 | 0 | 3 |
| Yes Voters | | | | |
| Anthony Gabba | | Dow Chemical Company | | |
| Joe DMatranga | | Occidental Chemical Corp. | | |
| Raborn LReader | | EPCO Holdings | | |
| Consumer - Residential | Yes | No | Abstain | Total Eligible Votes |
| | 1 | 0 | 0 | 1 |
| Yes Voters | | | | |
| Danny EBivens | | Office of Public Utility Counsel | | |
| Cooperative | Yes | No | Abstain | Total Eligible Votes |
| | 3 | 2 | 0 | 5 |
| Yes Voters | | | | |
| Jim Clawson | | Lower Colorado River Authority | | |
| Richard AMcLeon | | South Texas Electric Co-op | | |
| Robert MKelly | | Brazos Co-op | | |
| No Voters | | | | |
| Brian DBartos | | Bandera Co-op | | |
| Don Roberts | | San Bernard Co-op | | |
| Non-Voters | | | | |
| Kahanek, William B | | Bluebonnet Electric Cooperative | | |
| Reece Jr., Eddy P | | Rayburn Country Co-op | | |
| Independent Generator | Yes | No | Abstain | Total Eligible Votes |
| | 7 | 0 | 0 | 7 |
| Yes Voters | | | | |
| Amanda Stevenson | | E.ON Climate & Renewables NA Inc. | | |
| Billy SShaw | | International Power America Services | | |
| Carlos HBenavides | | Topaz Power Group | | |
| Cesar Seymour | | Suez Energy Marketing NA | | |
| Darrell Scruggs | | Calpine | | |
| Pamela CZdenek | | BP Alternative Energy | | |
| Robert Bailey | | NRG Texas | | |
| Non-Voters | | | | |
| lin, david t | | Formosa Plastics Corp. | | |

Reliability Standards Tracking Detailed Ballot Voting Results

02/04/2009 4:55 pm

SAR-001-TRE-02 Provision for the ERCOT ISO to Participate and Have a Vote in the Processes

Ballot Period: 1

Voting Period: **01/19/2009** thru **02/02/2009**

Certified Date: **02/03/2009**

Certified Outcome: **PASSED**

| Independent Power Marketer | Yes | No | Abstain | Total Eligible Votes |
|--------------------------------------|-----|----|--|-------------------------|
| | 4 | 1 | 0 | 5 |
| Yes Voters | | | | |
| Carolina MPrice | | | Tenaska Power Services | |
| Rick AKeetch | | | Reliant Energy | |
| Robin Boehnemann | | | Exelon Generation | |
| Stephen CKnapp | | | Constellation Energy Commodities Group | |
| No Voters | | | | |
| Jeff Brown | | | Shell Energy North America (US), L.P. | |
| Independent Retail Electric Provider | Yes | No | Abstain | Total Eligible Votes |
| | 2 | 0 | 1 | 3 |
| Yes Voters | | | | |
| David Chase | | | New Mexico Natural Gas dba Texas Power | |
| Joel BFirestone | | | Direct Energy | |
| Abstentions | | | | |
| David LCook | | | Cirro Group | |
| Investor-Owned Utility | Yes | No | Abstain | Total Eligible Votes |
| | 5 | 0 | 0 | 5 |
| Yes Voters | | | | |
| Dwight LYarbrough | | | Sharyland Utilities | |
| John Brockhan | | | CenterPoint | |
| Rex PMcDaniel | | | Texas-New Mexico Power Company | |
| Thad KNess | | | American Electric Power Service Corp. | |
| Timothy MQuinn | | | Oncor Electric Delivery Company | |
| Municipally Owned Utility | Yes | No | Abstain | Total Eligible Votes |
| | 2 | 3 | 0 | 5 |
| Yes Voters | | | | |
| Frank JOwens | | | Texas Municipal Power Agency | |
| Jimmy LSikes | | | City of Georgetown | |
| No Voters | | | | |
| David LGrubbs | | | Garland Power & Light | |
| Edwin LBarrow | | | CPS Energy | |
| Mark Dreyfus | | | Austin Energy | |
| Non-Voters | | | | |
| morris, william j | | | Denton Municipal Electric | |

Reliability Standards Tracking Detailed Ballot Voting Results

02/04/2009 4:55 pm

SAR-001-TRE-02 Provision for the ERCOT ISO to Participate and Have a Vote in the Processes

Ballot Period: 1

Voting Period: **01/19/2009** thru **02/02/2009**

Certified Date: **02/03/2009**

Certified Outcome: **PASSED**

Voter Comments

Name: **Dwight LYarbrough**

Organization: **Sharyland Utilities**

Voted **YES**

Comment

Response

1/4 Vote

A majority of the SAR-001 Standard Drafting Team (SDT) believes that giving the ERCOT ISO a one-fourth segment vote allows it a voice in the regional reliability standards processes with as much of a segment vote as any single other ERCOT member company, considering there are, on average, about four member companies per segment that usually vote.

A minority of the SAR-001 SDT believes that creating an ISO segment with a fractional vote is inconsistent with all existing NERC processes, and is inconsistent with the voting weights other ISOs receive in their respective regions.

Name: **Rick AKeetch**

Organization: **Reliant Energy**

Voted **YES**

Comment

Response

This SAR will allow the ERCOT ISO to have a "seat at the table" and actively participate in RSC processes.

A majority of the SAR-001 Standard Drafting Team (SDT) believes that giving the ERCOT ISO a one-fourth segment vote allows it a voice in the regional reliability standards processes with as much of a segment vote as any single other ERCOT member company, considering there are, on average, about four member companies per segment that usually vote.

A minority of the SAR-001 SDT believes that creating an ISO segment with a fractional vote is inconsistent with all existing NERC processes, and is inconsistent with the voting weights other ISOs receive in their respective regions.

Name: **Brian DBartos**

Organization: **Bandera Co-op**

Voted **NO**

Comment

Response

Bandera Electric Cooperative believes ERCOT ISO should participate as a standing member in the Regional Standards Committee (RSC) and have a full vote. The RSC has a different function from market governance and therefore a different approach should be taken.

A majority of the SAR-001 Standard Drafting Team (SDT) believes that giving the ERCOT ISO a one-fourth segment vote allows it a voice in the regional reliability standards processes with as much of a segment vote as any single other ERCOT member company, considering there are, on average, about four member companies per segment that usually vote.

Reliability Standards Tracking Detailed Ballot Voting Results

02/04/2009 4:55 pm

SAR-001-TRE-02 Provision for the ERCOT ISO to Participate and Have a Vote in the Processes

Ballot Period: 1

Voting Period: **01/19/2009** thru **02/02/2009**

Certified Date: **02/03/2009**

Certified Outcome: **PASSED**

A minority of the SAR-001 SDT believes that creating an ISO segment with a fractional vote is inconsistent with all existing NERC processes, and is inconsistent with the voting weights other ISOs receive in their respective regions.

Name: **David LGrubbs**

Organization: **Garland Power & Light**

Voted **NO**

Comment

I have cast my vote in the negative. I do not believe ERCOT should have a vote in the Regional Standards process. I believe that ERCOT's opinion or vote should reflect the combined views of its members. The best indicator of that combined view is the vote cast by the membership. I acknowledge that many of the Standards will impact the ERCOT organization significantly and some standards may directly apply only to ERCOT (although the cost impact and operational issues will be felt by the membership). Therefore, ERCOT staff should be encouraged to participate in the development of Regional Standards and submit comments that would be considered by the standard drafting committees and the membership. I believe, however, the vote of the membership should stand independently regardless of the ERCOT staff opinion or vote.

Response

A majority of the SAR-001 Standard Drafting Team (SDT) believes that giving the ERCOT ISO a one-fourth segment vote allows it a voice in the regional reliability standards processes with as much of a segment vote as any single other ERCOT member company, considering there are, on average, about four member companies per segment that usually vote.

A minority of the SAR-001 SDT believes that creating an ISO segment with a fractional vote is inconsistent with all existing NERC processes, and is inconsistent with the voting weights other ISOs receive in their respective regions.

Name: **Don Roberts**

Organization: **San Bernard Co-op**

Voted **NO**

Comment

The proposed 1/4 ERCOT ISO voting weight is inadequate. SBEC feels the ERCOT ISO should be set at 1 complete vote.

Response

A majority of the SAR-001 Standard Drafting Team (SDT) believes that giving the ERCOT ISO a one-fourth segment vote allows it a voice in the regional reliability standards processes with as much of a segment vote as any single other ERCOT member company, considering there are, on average, about four member companies per segment that usually vote.

A minority of the SAR-001 SDT believes that creating an ISO segment with a fractional vote is inconsistent with all existing NERC processes, and is inconsistent with the voting weights other ISOs receive in their respective regions.

Name: **Edwin LBarrow**

Organization: **CPS Energy**

Voted **NO**

Comment

Response

Reliability Standards Tracking Detailed Ballot Voting Results

02/04/2009 4:55 pm

SAR-001-TRE-02 Provision for the ERCOT ISO to Participate and Have a Vote in the Processes

Ballot Period: 1

Voting Period: **01/19/2009** thru **02/02/2009**

Certified Date: **02/03/2009**

Certified Outcome: **PASSED**

CPS Energy agrees that ERCOT needs a seat at the table. We agree that following a structure similar to NERC's and placing the ISO in its own segment makes sense. However, it defies all logic to create a new segment and give it less voting strength than the other segments, which in all cases get one vote. Thus, we cannot support the SAR as written.

A majority of the SAR-001 Standard Drafting Team (SDT) believes that giving the ERCOT ISO a one-fourth segment vote allows it a voice in the regional reliability standards processes with as much of a segment vote as any single other ERCOT member company, considering there are, on average, about four member companies per segment that usually vote.

A minority of the SAR-001 SDT believes that creating an ISO segment with a fractional vote is inconsistent with all existing NERC processes, and is inconsistent with the voting weights other ISOs receive in their respective regions.

Name: **Jeff Brown**

Organization: **Shell Energy North America (US), L.P.**

Voted **NO**

Comment

Response

We believe that ERCOT needs to remain fair and independent in all of their activities and therefore it is not in the best interest of the market or the standards setting process to allow ERCOT to have vote.

A majority of the SAR-001 Standard Drafting Team (SDT) believes that giving the ERCOT ISO a one-fourth segment vote allows it a voice in the regional reliability standards processes with as much of a segment vote as any single other ERCOT member company, considering there are, on average, about four member companies per segment that usually vote.

A minority of the SAR-001 SDT believes that creating an ISO segment with a fractional vote is inconsistent with all existing NERC processes, and is inconsistent with the voting weights other ISOs receive in their respective regions.

Name: **Mark Dreyfus**

Organization: **Austin Energy**

Voted **NO**

Comment

Response

I do not understand the logic of creating a separate market segment for ERCOT, but limiting the weight of its vote to one-quarter the weight of other segments. ERCOT must be an equal partner with the market participants in compliance processes and decision-making. I would instead support giving ERCOT a full vote.

A majority of the SAR-001 Standard Drafting Team (SDT) believes that giving the ERCOT ISO a one-fourth segment vote allows it a voice in the regional reliability standards processes with as much of a segment vote as any single other ERCOT member company, considering there are, on average, about four member companies per segment that usually vote.

A minority of the SAR-001 SDT believes that creating an ISO segment with a fractional vote is inconsistent with all existing NERC processes, and is inconsistent with the voting weights other ISOs receive in their respective regions.

| | | TALLY TOTAL | | | |
|---|-------|-------------|------------------|---------------|-------------------|
| | | Tally Votes | Voting Structure | Motion Passes | Total Abstentions |
| Issue: SAR-001: Provision to Give ERCOT ISO 1/4 vote in Regional Standards Processes | | | | | |
| Date: February 3, 2009 | Clear | Record Vote | Segment Vote: | 5.800 | 1.200 |
| Prepared by: Sarah Hensley, Standards Development Coordinator | | | | | 1 |

| Sector / Entity | Representative | Present | Yes | No | Abstain |
|--|--------------------------|----------------------------|--------------|--------------|----------|
| Coop | | | | | |
| Bandera Co-op | Brian Bartos | y | | 0.200 | |
| Brazos Co-op | Robert Kelly | y | 0.200 | | |
| South Texas Electric Coop | Richard McLeon | y | 0.200 | | |
| San Bernard Co-op | Don Roberts | y | | 0.200 | |
| Lower Colorado River Authority | Jim Clawson | y | 0.200 | | |
| Segment Vote: | | 5 | 0.600 | 0.400 | 0 |
| Municipal | | | | | |
| CPS Energy | Edwin Barrow | y | | 0.200 | |
| Texas Municipal Power Agency | Frank Owens | y | 0.200 | | |
| Austin Energy | Mark Dreyfus | y | | 0.200 | |
| Garland Power & Light | David Grubbs | y | | 0.200 | |
| City of Georgetown | Jimmy Sikes | y | 0.200 | | |
| Segment Vote: | | 5 | 0.400 | 0.600 | 0 |
| Investor Owned Utilities | | | | | |
| American Electric Power Service Corp. | Thad Ness | y | 0.200 | | |
| CenterPoint | John Brockhan | y | 0.200 | | |
| Texas-New Mexico Power Company | Rex McDaniel | y | 0.200 | | |
| Oncor Electric Delivery Company | Timothy Quinn | y | 0.200 | | |
| Sharyland Utilities | Dwight Yarbrough | y | 0.200 | | |
| Segment Vote: | | 5 | 1.000 | 0.000 | 0 |
| Independent Generator | | | | | |
| Calpine | Darrell Scruggs | y | 0.143 | | |
| Suez Energy Marketing | Cesar Seymour | y | 0.143 | | |
| International Power America Services | Billy Shaw | y | 0.143 | | |
| BP Alternative Energy | Pamela Zdenek | y | 0.143 | | |
| NRG Texas | Robert Bailey | y | 0.143 | | |
| Topaz Power Group | Carlos Benavides | y | 0.143 | | |
| E.ON Climate & Renewables | Amanda Stevenson | y | 0.143 | | |
| Segment Vote: | | 7 | 1.000 | 0.000 | 0 |
| Consumers | | | | | |
| Divide Subsegments? | y | Consumer Vote Total | 1 | | |
| City of Lewisville | Comm Phillip Boyd | y | 0.111 | | |
| City of Eastland | Comm Chris Brewster | y | 0.111 | | |
| City of Dallas | Comm Nikolaus Fehrenbach | y | 0.111 | | |
| Dow Chemical Company | Indu Anthony Gabba | y | 0.111 | | |
| EPCO Holdings | Indu Raborn Reader | y | 0.111 | | |
| Occidental Chemical Corp. | Indu Joe Matranga | y | 0.111 | | |
| Office of Public Utility Counsel | Resi Danny Bivens | y | 0.333 | | |
| Segment Vote: | | 7 | 1.000 | 0.000 | 0 |
| Independent REP | | | | | |
| Direct Energy | Joel Firestone | y | 0.500 | | |
| Cirro Group | David Cook | y | | | a |
| New Mexico Natural Gas dba Texas Power | David Chase | y | 0.500 | | |
| Segment Vote: | | 3 | 1.000 | 0.000 | 1 |
| Independent Power Marketers | | | | | |
| Exelon Generation | Robin Boehnemann | y | 0.200 | | |
| Reliant Energy | Rick Keetch | y | 0.200 | | |
| Constellation Energy Commodities Group | Stephen Knapp | y | 0.200 | | |
| Shell Energy North America | Jeff Brown | y | | 0.200 | |
| Tenaska Power Services | Carolina Price | y | 0.200 | | |
| Segment Vote: | | 5 | 0.800 | 0.200 | 0 |
| All Sectors Voting Totals | | | | | |
| Segment Vote: | | 37 | 5.800 | 1.200 | 1 |



**TEXAS
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Texas Regional Entity Board of Directors Self-Evaluation Results

February 16, 2009

Texas RE Board Evaluations

- **12 of 16 Board Self-Evaluations completed**
- **Director responses indicate:**
 - Board has appropriate composition and number of directors
 - Newness of Committee made some items difficult to evaluate at this point
 - Directors are generally satisfied with agendas and information presented, but:
 - Need additional context for impact of data presented on grid reliability
 - Still some uncertainty about Board's role
 - Need more time to discuss certain items



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Closing Slide

Questions?

Details in Executive Session Materials

Date: February 9, 2009
To: Board of Directors (Board)
From: Michehl Gent, Chair, Texas Regional Entity Advisory Committee
Subject: Approval of Expanded Advisory Committee Scope

Texas RE Board of Director Meeting Date: February 16, 2009
Agenda Item No.: 8a

Issue:

Authorize the Texas Regional Entity Advisory Committee (Advisory Committee) to discuss compliance matters in months when the Board does not meet, as long as all Directors are permitted to attend executive session during any compliance-related discussions.

Background/History:

The Advisory Committee continues to meet monthly, and the Board normally meets quarterly. The Directors on the Advisory Committee desire to discuss compliance issues in the months when the Texas RE Board does not meet, in order to remain current regarding any compliance matters or concerns. The current scope and purpose of the Advisory Committee is for the consideration of administrative matters only, such as personnel, budget, compensation, financial audit, and financial matters, and does not include consideration or discussion of compliance-related matters. The Advisory Committee does not want to require the full Board (with its quorum and Director compensation requirements) to meet each month, but the Directors on the Advisory Committee would like to discuss compliance-related issues during their meetings in the months when the Texas RE Board does not meet. The Advisory Committee requests that its scope be expanded to allow it to discuss (but not take action on) compliance-related issues in any months in which the Board does not meet. The Advisory Committee desires that all Directors be permitted to attend all compliance-related discussions, even such discussions that must be held in executive session.

Key Factors Influencing Issue:

- Desire of Directors to stay current on compliance issues each month
 - Desire to allow compliance discussions without requiring a full monthly Board meeting
-

Alternatives:

- Allow requested expansion of Advisory Committee scope
 - Deny expanded scope of the Advisory Committee
-

Conclusion/Recommendation:

The Texas RE Advisory Committee recommends that the Board approve an expansion of the Advisory Committee scope to allow the Advisory Committee to discuss (but not take action on) compliance matters in months when the full Board does not meet, provided that all Directors may attend all executive session compliance discussions.

RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS REGIONAL ENTITY, A DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

, 2009

WHEREAS, the board of directors (the "Board") of Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation deems it desirable and in the best interest of Texas Regional Entity to expand the scope of the Texas Regional Entity Advisory Committee ("Advisory Committee") to allow it to discuss compliance matters;

THEREFORE be it RESOLVED, that the _____ is hereby authorized and approved by the Board in each and every respect.

CORPORATE SECRETARY'S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the February 16, 2009 Texas Regional Entity Board Meeting, the Board of Directors of Texas Regional Entity approved the above referenced Resolution. The Motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2009.

Susan Vincent
Corporate Secretary

Date: February 9, 2009
To: Texas RE Board of Directors (Board)
From: Michehl Gent, Chair, Texas RE Advisory Committee
Subject: Approval of Chief Executive Officer (CEO) and Chief Compliance Officer (CCO) Employment Terms

Texas Regional Entity Board Meeting Date: February 16, 2009

Agenda Item No.: 8b

Issue:

Review and evaluate the employment terms of the Texas Regional Entity CEO and CCO.

Background/History:

Section 6.5 of the ERCOT Bylaws requires that the Board establish and annually review the compensation of the chief executive officer of Texas RE. Larry Grimm has been employed by Texas RE as the CCO of since October 2007 and as the CEO since May 2008.

Key Factors Influencing Issue:

- The Bylaws requirement for the Board to evaluate the CEO and CCO compensation annually.
 - The Board's desire to review and recognize Mr. Grimm's performance.
-

Alternatives:

- Modify the terms of Mr. Grimm's salary.
 - Take no action.
-

Conclusion/Recommendation:

Texas Regional Entity staff respectfully requests that the Board review and establish Mr. Grimm's salary in order to allow the salary changes to be effective in April 2009 with the remainder of the Texas RE and ERCOT staff.

RESOLUTION OF THE TEXAS REGIONAL ENTITY BOARD OF DIRECTORS

, 2009

WHEREAS, the Texas Regional Entity Board of Directors (“Board”) deems it desirable and in the best interest of Texas Regional Entity to approve the terms of employment of Larry Grimm, the Chief Executive Office and Chief Compliance Officer;

THEREFORE be it RESOLVED, that the Board hereby approves new terms of employment for Larry Grimm to include \$_____ in base pay and _____.

CORPORATE SECRETARY’S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the _____, 2009 Texas Regional Entity Board of Directors meeting, the Board approved the above referenced resolution. The motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2009.

Susan Vincent
Corporate Secretary

Date: February 9, 2009
To: Board of Directors (Board)
From: Larry Grimm, Texas Regional Entity CEO and CCO
Subject: Approval of 2009 Strategic Plan

Texas RE Board of Director Meeting Date: February 16, 2009

Agenda Item No.: 8c

Issue:

Approval of the 2009 Texas Regional Entity (Texas RE) Strategic Plan.

Background/History:

The Texas RE Advisory Committee is expected to recommend approval of the 2009 Texas RE Strategic Plan, which is attached hereto and incorporated herein for all purposes. Given the newness of Texas RE, the Advisory Committee considers this document to be a work-in-progress, which will be reviewed and updated annually.

Key Factors Influencing Issue:

- Desire of Advisory Committee to have a Strategic Plan approved for Texas RE
-

Alternatives:

- Approve the proposed 2009 Strategic Plan, as recommended by the Advisory Committee
 - Propose modifications to or approve a revised 2009 Strategic Plan
-

Conclusion/Recommendation:

Texas RE requests that the Board approve a 2009 Texas RE Strategic Plan, as recommended by the Advisory Committee.

RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS REGIONAL ENTITY, A DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

, 2009

WHEREAS, the board of directors (the "Board") of Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation deems it desirable and in the best interest of Texas Regional Entity to approve a 2009 Texas Regional Entity Strategic Plan;

THEREFORE be it RESOLVED, that the 2009 Texas Regional Entity Strategic Plan, as set forth in Exhibit A and recommended by the Texas Regional Entity Advisory Committee is hereby approved by the Board in each and every respect.

CORPORATE SECRETARY'S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the February 16, 2009 Texas Regional Entity Board Meeting, the Board of Directors of Texas Regional Entity approved the above referenced Resolution. The Motion passed by

_____.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , 2009.

Susan Vincent
Corporate Secretary

Exhibit A

TEXAS REGIONAL ENTITY 2009 STRATEGIC PLAN

Introduction

The Texas Regional Entity (“Texas RE”) is an independent division of Electric Reliability Council of Texas, Inc. (“ERCOT ISO”), a Texas non-profit corporation. In May 2007, Texas RE executed a Delegation Agreement with the North American Electric Reliability Corporation (NERC), the Electric Reliability Organization (ERO) certified by the Federal Energy Regulatory Commission (FERC), pursuant to Section 215(c) of the Federal Power Act (FPA). In response to subsequent orders by the FERC, Texas RE and NERC signed an Amended and Restated Delegation Agreement on March 28, 2008.

In addition, pursuant to P.U.C. SUBST. R. 25.503, Texas RE monitors and reports to the Public Utility Commission of Texas (PUC) on material occurrences of non-compliance with ERCOT Protocols and Operating Guides (Protocols) that have the potential to impede ERCOT operations, or represent a risk to the reliability of the ERCOT Bulk Power System.

The purpose of Texas RE is to preserve and enhance reliability across the ERCOT Region by encouraging a culture of compliance among all users, owners, and operators of the ERCOT Bulk Power System. Texas RE’s core delegated functions are the development of reliability standards, compliance monitoring and enforcement of all reliability standards, compliance monitoring of and reporting on Protocols, reliability coordination, studies and assessments, and training. The Texas RE has prepared this plan to provide strategic direction for Texas RE’s activities in 2009 and beyond.

Mission

In order to fulfill its obligations, Texas RE will act in accordance with its Delegation Agreement, NERC Rules of Procedure, and the PUC-approved ERCOT Compliance Process to:

- Monitor, report, and enforce compliance with NERC Reliability Standards by all users, owners, and operators of the bulk power system in the ERCOT Region.
- Develop regional variances or standards which go beyond, add details to or implement NERC Reliability Standards.
- Monitor and report compliance with ERCOT Protocols by all Market Participants in the ERCOT Region.

Guiding Principles

Texas RE is committed to the following guiding principles, which will continue to guide its philosophies, practices, and operations:

- Independence – Texas RE will ensure clear independence from the ERCOT ISO and all ERCOT Market Participants and registered entities that are expected to comply with the reliability standards and Protocols, and will not be unduly influenced by the owners, operators, and users of the bulk power system being monitored.

- Ethics and Integrity – Texas RE will maintain the highest levels of professional and ethical conduct and integrity, and strive to exceed the expectations of those it serves.
- Inclusiveness – Texas RE will reach out to, encourage, and welcome the involvement of all industry participants.
- Fairness and Openness – Texas RE will embrace a philosophy of conducting its activities fairly, openly, and transparently to the extent possible under the Code of Conduct.
- Organizational Effectiveness and Efficiency – Texas RE is committed to using its resources in the most effective and efficient manner to be responsive to emerging challenges and fulfill its mission.

Strategic Drivers

Section 215 of the FPA established mandatory reliability standards and compliance obligations in the continental United States. FERC authorized NERC to develop standards for the reliable operation and planning of the bulk power system, to enforce compliance with those standards, and to conduct periodic assessments of the reliability and adequacy of the bulk power system. FERC further authorized NERC to delegate these responsibilities to eight Regional Entities through Delegation Agreements approved by FERC, and FERC provides oversight of the ERO and Regional Entity performance in the United States, pursuant to the FPA.

Since the adoption of §215 of the FPA authorizing FERC to establish an ERO, industry stakeholders have worked together with regulatory authorities to develop a consistent process and structure for the ERO. As the Self-Regulating Organization (SRO), the ERO develops standards for the reliable operation and planning of the bulk power system and enforces compliance with those standards. Under the legislation, FERC provides oversight of the ERO in the United States. The Texas RE supports and endorses the continued development and implementation of the SRO Model.

Each Regional Entity serves as an extension of NERC with a specific focus on assessment and enforcement of reliability standards within its respective region. As such, the Regional Entities are also the primary contacts with stakeholders. As a delegated Regional Entity, and pursuant to the terms of the Delegation Agreement between NERC and Texas RE, Texas RE is required to monitor, enforce, and assess compliance with mandatory reliability standards by all owners, operators, and users of the bulk power system in the ERCOT Region.

NERC, with input from the Regional Entities, stakeholders, and regulators, annually selects a subset of the NERC Reliability Standards and requirements to be actively monitored and audited in the NERC annual compliance program. Compliance is required with all NERC Reliability Standards whether or not they are included in the subset of Reliability Standards and requirements designated to be actively monitored and audited in the NERC annual compliance program. The Texas RE submits an Annual Implementation Plan for the subsequent year by November 1st of each year to NERC for approval that identifies all reliability standards to be actively monitored during each year, including additional reliability standards selected by Texas RE to be actively monitored by Texas RE. Texas RE's Annual Audit Plan is included in the Annual Implementation Plan.

The Texas RE monitors, enforces, and assesses compliance with mandatory reliability standards within the ERCOT Region as described in the Texas RE Compliance Monitoring and Enforcement Program. Texas RE also monitors, reports upon, and provides advice to the PUC if requested regarding compliance with the Protocols, as described in the ERCOT Compliance Process. This is accomplished through compliance monitoring and rigorous proactive compliance audits. The Texas

RE has also developed a Regional Reliability Standards Development Process for the development, revision, withdrawal, and approval of Texas RE Reliability Standards for the ERCOT Region. These standards specifically apply to the reliable planning and operation of the bulk power system in the ERCOT Region. Stakeholders are a significant voice in providing input for standards but must remain isolated from compliance reviews so that independence, integrity, and confidentiality of those reviews remain intact.

Strategic Objectives

Texas RE recognizes it has a major responsibility to promote the reliability of the ERCOT Bulk Power System. Texas RE will continue to identify reliability issues and their potential impact on future reliability and potential solutions or action items to address these issues.

Texas RE will continue to focus its efforts on the effective and efficient operation of its existing program areas, but will be open to expanding into other areas where Texas RE finds it necessary in order to improve reliability. In support of Protocol compliance, Texas RE will continue to emphasize compliance monitoring and reporting and will coordinate with the PUC and ERCOT market participants regarding the development of appropriate reliability compliance metrics for the Nodal Protocols, prior to the implementation of the Nodal market.

In support of NERC and ensuring the reliability of the bulk power system, Texas RE recognizes the need to, and benefit of, placing the greatest strategic focus over the next one to two years primarily on three key delegated functions:

- Regional Reliability Standards Development
- Compliance Monitoring and Enforcement
- Reliability Assessment and Performance Analysis

Management of these areas will be directed at improving performance, increasing efficiency, and raising the level of effectiveness of each program. Although particular focus will initially be placed on the above functions, Texas RE will continue to meet its obligations related to the remaining delegated functions as agreed upon in the FERC-approved Delegation Agreement between Texas RE and NERC. The Texas RE will continue to perform the statutory functions pursuant to the terms of the Delegation Agreement between NERC and Texas RE as well as non-statutory services related to ERCOT Protocol and Operating Guides compliance monitoring and reporting. These areas will be kept separate and there will be distinct funding regarding the activities determined to be statutory and in the furtherance of NERC's mission and activities that are determined to be non-statutory.

In addition, Texas RE continues to believe that its ability to accomplish its mission is strengthened by the active involvement of industry participants. This involvement is most effective when relevant groups of industry representatives are directly involved with the activities of NERC and Texas RE program areas. Texas RE benefits from the expertise of industry participants, the results achieve greater support because of broad participation in their development, and the volunteers gain greater insight and understanding of current issues. Texas RE is committed to active participation by broad industry representation and on drawing requisite expertise from the industry and active participation on program tasks. Texas RE will coordinate industry participant activities to ensure consistency and effective performance.

Regional Reliability Standards Development

Texas RE is responsible for and will play a significant role in the development of reliability standards that apply to registered entities throughout its footprint. This delegated function has been an area of high focus during the initial transition period and will continue to be a core area of focus in the coming years. Texas RE will provide a forum and support for the development of necessary Regional Reliability Standards. Along with the other Regional Entities, Texas RE supports consistency of standards and compliance enforcement across all regions. Texas RE Regional Reliability Standards will only be developed when there is clear and specific justification and rationale. A Regional Reliability Standard shall either be more stringent than a continent-wide Reliability Standard or shall be a regional difference that (a) addresses matters that the continent-wide Reliability Standard does not or (b) is necessitated by a physical difference in the bulk power system.

Compliance Monitoring and Enforcement

Through a rigorous program of monitoring, audits, assessments, investigations, mitigation activities, and the imposition of penalties and sanctions for non-compliance with reliability standards, Texas RE will strive to maintain a high level of reliable operation of the ERCOT Bulk Power System by its owners, operators, and users. Like Standards Development, the Compliance Monitoring and Enforcement delegated function has been an area of high focus during the initial transition period and will continue to be a core area of focus and competence in the coming years. Ensuring the reliable operation of the bulk power system will benefit all owners, operators, and users of the bulk power system, as well as consumers in the ERCOT Region.

Texas RE uses eight (8) different monitoring processes to collect information to confirm compliance with NERC Reliability Standards and the Protocols: Compliance Audits, Self-Certifications, Spot Checking, Investigations, Self-Reporting, Periodic Data Submittals, Exception Reporting, and Complaints.

The cornerstone of the Compliance Monitoring and Enforcement Program effort is the proper identification and registration of all owners, operators, and users of the ERCOT Bulk Power System. Registration is an activity that is delegated to Texas RE by the ERO and it requires significant review of the reliability functions performed by each entity to determine its applicability to the NERC registration criteria and Functional Model. The initial set of owners, operators, and users has been identified by the Texas RE. Further refinements of these registrations will be made to ensure proper alignment between the activities of the registered entities and the requirements of the Reliability Standards. This will likely result in a number of joint registration relationships. This is expected to result in a far more efficient and effective Compliance Monitoring and Enforcement Program.

Texas RE has implemented the Compliance Monitoring and Enforcement Program with a strong emphasis on independence, fairness, a high standard of ethics, and consistency. Although the Texas RE is obligated to levy financial penalties and sanctions as part of the enforcement efforts, emphasis has been on working with the registered entities to ensure compliance and mitigation of any non-compliance. These enforcement efforts must include reinforcing the importance of the Reliability Standards as well as emphasizing the importance of having a culture of compliance which includes positive behaviors and practices by registered entities.

Reliability Assessment and Performance Analysis

The Texas RE ensures that required annual assessments of expected bulk power system performance within the Texas RE footprint are completed. These include assessments of resource adequacy, short and long term transmission system assessments, and summer and winter

assessments. These formal assessments are performed by the ERCOT ISO in collaboration with other entities involved in transmission and generation activities within the Texas RE footprint. Texas RE also assesses other issues impacting regional reliability and analyzes major system events and disturbances to determine root causes, lessons learned, and compliance with Reliability Standards.

Other Strategic Objectives

While the three key areas of strategic focus described in the prior section will have a major influence on Texas RE's activities over the next one to two years, there are additional issues that Texas RE will pay particular attention to as it fulfills its mission of preserving and enhancing bulk power system reliability across the ERCOT Region. Each of these issues could have a significant impact on Texas RE's operation in the future.

Human Resources

Texas RE, as well as the entire industry, is facing a shrinking resource pool as the number of qualified new entries into the industry is limited and current employees are nearing retirement age. Texas RE is competing with many other organizations for the same resources. This will require that special attention be paid to staffing issues and succession planning.

Critical Infrastructure Protection

Cyber and physical security, or Critical Infrastructure Protection (CIP), have become areas of increased focus across the industry. Although NERC has developed an initial set of standards to address issues associated with CIP, this area requires a different skill set, expertise, and way of thinking than has typically resided within the electric power industry. Texas RE will continue to play an active and key role during the implementation of the CIP Standards requirements by educating stakeholders and in assessing and ensuring compliance to the CIP Standards so that the bulk power systems are properly protected from intrusion and compromise at all times.

Technology and Tools

Texas RE will be open to fostering new technology solutions to better accomplish Texas RE's role related to data collection and analysis. Texas RE will play a valuable role in identifying technology development opportunities and the tools needed.

Conclusion

Successful implementation of this strategic plan, along with the subsequent program area work plans and annual business plans, will enable Texas RE to achieve its mission and vision in an effective and efficient manner. Although the direction described in this current Strategic Plan has been carefully developed and with due diligence, Texas RE and the entire industry are operating in a dynamic and rapidly changing environment.

Texas RE will face new and changing demands now and into the future. As such, Texas RE will continue to be flexible in implementing the steps necessary to achieve its mission and vision. This will likely require Texas RE to make internal changes to enhance its organizational effectiveness and efficiency including modifying its internal structure, reorganizing existing staff, and proposing increases in staff. Texas RE expects the strategic statements above will need to be reviewed, revised, and supplemented on an annual basis.



**TEXAS
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An Independent Division of ERCOT

Texas Regional Entity Financial Report

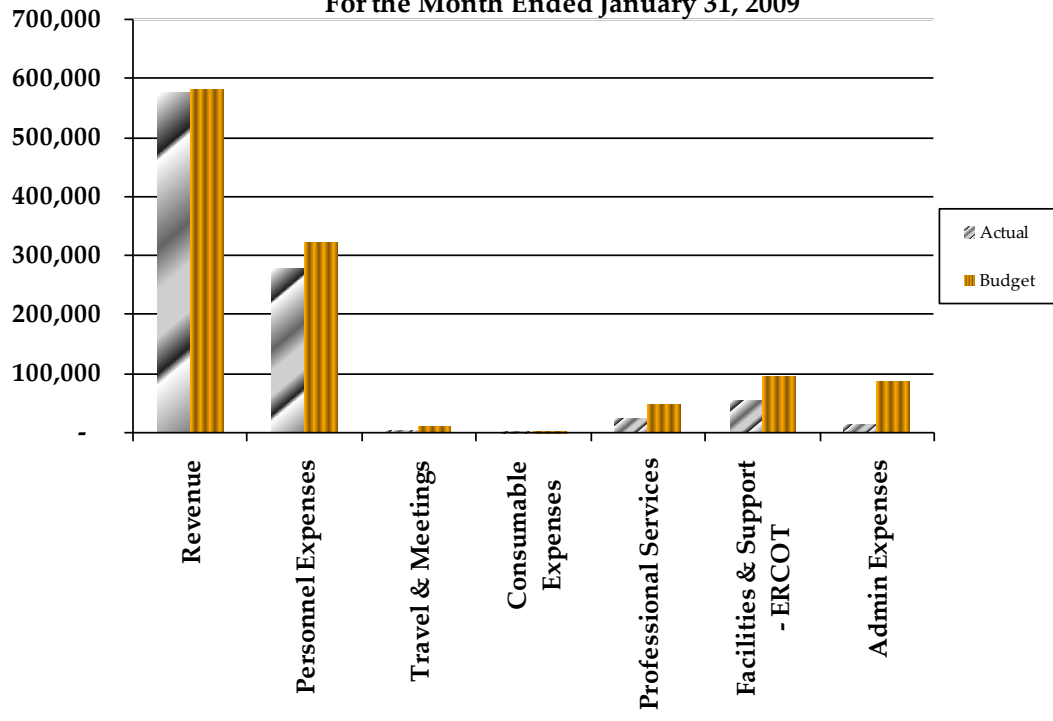
January 2009 Financial Overview

Board of Directors
February 16, 2009

January 2009 Actual Workforce

January 2009 Operating Expenses

Texas RE - Income Statement by Category
For the Month Ended January 31, 2009



January Comments

- ➔ **Revenue** - Revenue is slightly Less than budget for January primarily due to underspending on Non-Statutory Expenses.
- ➔ **Personnel Expenses** - Lower in January due to employee vacancies. Budget is 32 FTEs, we currently are staffed at 26 FTEs.
- ➔ **Travel & Meetings Expenses** - Underspending due to fewer employees traveling offsite (timing variance).
- ➔ **Consumable Expenses** - Supplies and printing were less budget in January due less demand for printing, and a carryover balance of office supplies from 2008.
- ➔ **Professional Services** - Expenses for January are less than plan primarily due to underspending in legal.
- ➔ **Facilities & Support** - The budget assumed that the office relocation would occur in January.
- ➔ **Administrative Expenses** - Variance is primarily driven by the budgeted cash/operating reserve. This variance will be used to fund Texas RE's approved cash reserve of \$855K.

January 2009 Operating Expenses

Texas Regional Entity
Income Statement
Statutory & Non-Statutory Consolidated
For the Period Ended January 31, 2009
Unaudited

| Group Rollup | Group Rollup Name | Actual | Period to Date Budget | Difference | Annual Budget |
|--|--|----------------|-----------------------|-----------------|------------------|
| Revenue | 1-Assessments | 556,324 | 582,323 | 25,999 | 6,969,021 |
| | 2-Workshops | - | - | - | 70,000 |
| | 3-Interest Income | - | - | - | |
| Total Revenue | | 556,324 | 582,323 | (25,999) | 7,039,021 |
| Personnel Expenses | 10-Salaries | 189,944 | 244,072 | 54,128 | 2,960,004 |
| | 11-Payroll Taxes | 19,774 | | (19,774) | |
| | 12-Employee Benefits | 16,161 | 77,149 | 60,987 | 936,105 |
| | 13-Saving and Retirement | 27,118 | | (27,118) | |
| Total Personnel Expenses | | 252,997 | 321,220 | 68,224 | 3,896,109 |
| Travel & Meetings | 20-Meetings & Training | 556 | | (556) | 105,000 |
| | 30-Travel | 4,633 | 8,479 | 3,846 | 112,685 |
| Total Travel & Meetings | | 5,189 | 8,479 | 3,290 | 217,685 |
| Consumable Expenses | 40-Office Supplies | | 860 | 860 | 10,200 |
| | 41-Postage & Shipping | 323 | 200 | (123) | 2,400 |
| | 42-Telecommunications | 400 | 967 | 567 | 11,600 |
| | 43-Printing & Copying | - | 100 | 100 | 1,200 |
| Total Consumable Expenses | | 723 | 2,127 | 1,403 | 25,400 |
| Equipment & Maintenance | 50-Equipment Maintenance | - | - | - | - |
| Professional Services & Consulting Expenses | 60-Professional Services-Legal | 1,656 | 29,167 | 27,511 | 350,000 |
| | 61-Professional Services-Accounting/Auditing | 4,167 | 3,750 | (417) | 45,000 |
| | 62-Professional Services-Other | 26,704 | 14,325 | (12,379) | 75,650 |
| Total Professional Services & Consulting Expenses | | 32,526 | 47,242 | 14,716 | 470,650 |
| Facilities & Support - ERCOT | 70-Rent & Improvements | 9,835 | 49,979 | 40,144 | 599,748 |
| | 71-Support (HR, Treas, Finance, BOD, etc.) | 25,790 | 26,388 | 598 | 316,654 |
| | 72-IT/MIS Support & Services | 17,734 | 19,000 | 1,266 | 228,000 |
| Total Facilities & Support - ERCOT Total | | 53,359 | 95,367 | 42,008 | 1,144,402 |
| Administrative Expenses | 73-IT/MIS Projects, Purchases & Maintenance | 11,191 | 6,212 | (4,979) | 63,993 |
| | 74-Employee Training | 1,662 | 550 | (1,112) | 7,440 |
| | 80-Depreciation Expense | 2,476 | 6,378 | 3,903 | 76,540 |
| | 82-Bank Fees | 23 | | (23) | |
| | 90-Miscellaneous Other | 175 | 74,235 | 74,060 | 890,640 |
| Total Administrative Expenses | | 15,527 | 87,376 | 71,849 | 1,038,613 |
| Total Expenses | | 360,322 | 561,810 | 201,488 | 6,792,859 |
| GAIN / (LOSS) | | 196,003 | 20,514 | 175,489 | 246,162 |

2010 Budget Calendar

Texas Regional Entity 2010 Business Plan & Budget Preparation Calendar

DRAFT

| Date | Activity |
|--|---|
| February 16 - April 3, 2009 | Texas RE Business Plan & Budget (BP & B) Preparation by Texas RE Departments |
| April 6 - April 10, 2009 | Prepare Draft #1 of BP & B for Texas RE Advisory Committee Review |
| April 13, 2009 | Draft #1 of BP & B to Texas RE Advisory Committee |
| April 20, 2009 | Texas RE Advisory Committee Discussion of and Comments on Draft #1 of BP & B |
| May 8, 2009 | Draft #1 of BP & B Due to NERC |
| May 11, 2009 | Draft #2 of BP & B to Texas RE Advisory Committee and Texas RE Board of Directors |
| May 18, 2008 (Propose 1 pm Start Time) | Texas RE Advisory Committee Detailed Review & Discussion of Draft #2 of BP & B |
| May 29, 2009 | Draft #2 of BP & B Due to NERC |
| May - June 2009 | NERC Staff to Review and Comment on RE BPs & Bs |
| June 8, 2009 | Final Proposed BP & B to Texas RE Advisory Committee and Board |
| June 15, 2009 | Final Proposed BP & B presented to Texas RE Advisory Committee and Board for Approval |
| July 8, 2009 | Texas RE Board Approved BP & B Due to NERC |
| August 5, 2009 | NERC Board of Trustees Meeting for Approval of NERC BP & B and RE Budgets |
| August 24, 2009 | NERC Submits BPs & Bs to FERC |

**Texas Regional Entity
2010 Business Plan & Budget Preparation Calendar**

DRAFT

| Date | Activity |
|--|---|
| February 16 - April 3, 2009 | Texas RE Business Plan & Budget (BP & B) Preparation by Texas RE Departments |
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Date: February 9, 2009
To: Texas RE Board of Directors (Board)
From: Larry Grimm, CEO and CCO
Subject: Approval of June 15, 2009 Board Meeting

Texas Regional Entity Board Meeting Date: February 15, 2009

Agenda Item No.: 8e

Issue:

Approval of June 16, 2009 Board meeting.

Background/History:

Texas Regional Entity does not believe it will be ready to seek Board approval of its proposed 2010 Budget until June 2009, due to certain NERC requirements. Texas RE still needs the Board to meet on May 18, 2009, in order for the Board to timely accept the 2008 Texas RE audited financial statements. Texas RE requests that the Board set an additional Board meeting for June 16, 2009, at which meeting Texas RE staff can present the proposed 2010 Business Plan & Budget.

Key Factors Influencing Issue:

- The Delegation Agreement and Bylaws requirement that the Board approve the proposed Business Plan & Budget prior to it being filed with FERC.
 - The need to obtain all required input from NERC prior to presenting the 2010 Business Plan & Budget to the Board for approval.
-

Alternatives:

- Add a June 15, 2009 Board meeting.
 - Add a different additional Board meeting in June 2009.
-

Conclusion/Recommendation:

Texas Regional Entity staff respectfully requests that the Board add a June 16, 2009 Board meeting to the 2009 Board Calendar.

RESOLUTION OF THE TEXAS REGIONAL ENTITY BOARD OF DIRECTORS

, 2009

WHEREAS, the Texas Regional Entity Board of Directors (“Board”) deems it desirable and in the best interest of Texas Regional Entity to schedule a June 15, 2009 Board meeting to the 2009 Board Calendar;

THEREFORE be it RESOLVED, that the Board hereby schedules an additional Board meeting for June 15, 2009.

CORPORATE SECRETARY’S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the _____, 2009 Texas Regional Entity Board of Directors meeting, the Board approved the above referenced resolution. The motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2009.

Susan Vincent
Corporate Secretary

**Texas Regional Entity
Board of Directors
Future Agenda Items - February 2009**

| Item | | Meeting |
|-------------|--|----------------|
| 1. | Review 2009 Goals and Objectives | May 2009 |
| 2. | Accept Audited Financials | May 2009 |
| 3. | Approve 2010 Budget and Business Plan | June 2009 |
| 4. | Consider Revisions to Bylaws | June 2009 |
| 5. | Review Texas RE Succession Plan | August 2009 |
| 6. | Review 2010 Goals | November 2009 |
| 7. | Select Financial Auditor for 2009 Financials | November 2009 |