



**MINUTES OF THE BOARD OF DIRECTORS MEETING
OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

Electric Reliability Council of Texas, Inc.
7620 Metro Center Drive, Room 206, Austin, Texas 78744
January 20, 2009 at 10:00 a.m.

Pursuant to notice duly given, the meeting of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) convened on the above-referenced date.

Meeting Attendance:

Board Members:

Director	Affiliation	Segment
Armentrout, Mark		Unaffiliated
Ballard, Don	OPUC	Residential Consumer
Cox, Brad	Tenaska Power Services	Independent Power Marketer
Dalton, Andrew	Valero Energy Corp.	Industrial Consumer
Espinosa, Miguel		Unaffiliated
Gent, Michehl		Unaffiliated, Vice Chairman
Helton, Bob	IPA	Independent Generator
Jenkins, Charles	Oncor Electric Delivery	Investor Owned Utility
Kahn, Bob	ERCOT President/CEO	
Karnei, Clifton	Brazos Electric Coop	Cooperative
Newton, Jan		Unaffiliated, Chairman
Patton, A.D.		Unaffiliated
Smitherman, Barry T.	Chairman	Public Utility Commission of Texas
Thomas, Robert	Green Mountain Energy	Independent Retail Electric Provider
Wilkerson, Dan	Bryan Texas Utilities	Municipal

Staff and Guests:

Adib, Parviz	APX
Anderson, Kenneth	Public Utility Commission
Barry, Victor	Texas RE
Bell, Wendell	TPPA
Boren, Ann	ERCOT
Brandt, Adrienne	Austin Energy
Brenton, Jim	ERCOT
Brewer, Todd	Texas RE
Brewster, Chris	City of Eastland
Bruce, Mark	MJB Energy Consulting
Byone, Steve	ERCOT
Campbell, Jo	STEC
Capezzuti, Nancy	ERCOT



Cleary, Mike
Cochran, Seth
Coleman, Katie
Crowder, Calvin
Crozier, Richard
Day, Betty
Doggett, Trip
Drost, Wendell
Ebbs, Penny
Fenolgis, Walt
Fox, Kip
Gage, Theresa
Goff, Eric
Grable, Mike
Grendel, Steve
Grimes, Mike
Grimm, Larry
Hancock, Misti
Harrell, Patty
Hinsley, Ron
Huerta, Miguel
Ierullo, Bruno
Jones, Brad
Jones, Don
Jones, Liz
King, Kelso
Kolodziej, Eddie
McClendon, Shannon K.
McDonald, Carol
McMurray, Mark
Meyer, John
Moore, John
Morelock, Kevin
Morris, Sandy
Nelson, Donna
Oehler, Melissa
Ogelman, Kenan
Packard, Michael
Reid, Walter
Roark, Dottie
Ryall, Jean
Saathoff, Kent
Seibert, Dave
Seymour, Cesar
Smith, Barry
Soutter, Mark

Utilicast
RBS Sempra
TIEC
AEP Service Corp.
Brownsville
ERCOT
ERCOT
AREVA
ERCOT
EMMT
AEP
ERCOT
Reliant
ERCOT
ERCOT
Horizon Wind Energy
Texas RE
ERCOT
DC Energy
ERCOT
Steel Mills
ERCOT
Luminant
Reliant
Oncor
King Energy Consulting
Customized Energy Solutions
TAC Vice Chair
ERCOT
Direct Energy
STEC
EOn
Utilicast
LCRA
Public Utility Commission
Public Utility Commission
CPS Energy
STEC
Wind Coalition
ERCOT
Constellation Energy
ERCOT
ERCOT
Suez
AEP
Invenergy



Stephenson, Randa	Luminant
Troutman, Jennifer	AEP Energy Partners
Troxtehl, David	ERCOT
Vade, Henry	Pace Global
Vincent, Susan	Texas RE
Wagner, Marguerite	PSEG Texas
Walker, DeAnn	CenterPoint Energy
Walker, Mark	NRG Texas
Westbrook, Susan	ERCOT
Wittmeyer, Bob	DME
Wullenjohn, Bill	ERCOT
Yager, Cheryl	ERCOT

Call to Order Open Session (Agenda Item 1)

At 10:08 a.m., Jan Newton, Chair of the ERCOT Board, called the meeting to order, and remarked that this is a significant day with the inauguration of the 44th President of the United States. Barry T. Smitherman, Chairman of the Public Utility Commission of Texas (Commission), called to order a meeting of the Commission, acknowledging the presence of Commissioners Anderson and Nelson. Chairman Newton read a resolution honoring former Chairman Mark Armentrout for his three years of service as ERCOT Board Chair.

Chairman Newton then mentioned that the Nodal Program, given the Commission and other concerns, is at an important crossroads, with the Board and ERCOT Staff continuing to diligently work on the Program's path forward. She noted that fresh ideas and Board openness are needed, and that locking down scope and delivering on-time and on-budget are the critical points.

Consent Agenda (Agenda Item 2)

The draft December 2008 Board minutes, Nodal Protocol Revision Request (NPRR) 140, and System Change Request (SCR) 751 were pulled from the consent agenda. **Bob Kahn, ERCOT President and Chief Executive Officer (CEO), moved to approve the remaining items on the Consent Agenda. Clifton Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Approval of December 9, 2008 Board Meeting Minutes (Agenda Item 3)

On page 9 of the draft minutes, Chairman Smitherman requested that "for \$660 million" be stricken from the second full paragraph, and "\$660 million" be inserted in place of "that amount." **Michehl Gent, Vice Chair of the ERCOT Board, moved to approve the December 2008 Board minutes as amended. Andrew Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**



Election of CEO and Ratification of Officers (Agenda Item 4)

Mr. Kahn announced the hiring of Charles "Chuck" Manning, formerly of Austin Energy and a former ERCOT Board Member, as ERCOT's Chief Compliance Officer (CCO). Chairman Newton reminded the Board that, pursuant to the ERCOT Bylaws, the ERCOT CEO and other officers must be ratified by the Board at least annually. **Mr. Armentrout moved to approve the slate of ERCOT officers with the addition of the CCO. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Kahn).**

Confirmation of TAC Chair and Vice Chair (Agenda Item 5)

Mr. Helton moved to confirm Mark Bruce, agent of FPL Energy LLC (NextEra Energy), as Chair of the Technical Advisory Committee (TAC), and Shannon McClendon, appointee of the Office of Public Utility Counsel (OPC), as Vice Chair. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

CEO Report (Agenda Item 6)

Mr. Kahn discussed the need for Nodal scope lock-down, and the related filing of Protocol Revision Request (PRR799), which he stated that ERCOT Staff intends to implement immediately. He mentioned that the Nodal schedule and budget will be presented to the Board in February, consistent with Commissioner expectations; that the Nodal Program had achieved a recent unprecedented success with the Common Information Model (CIM); and that the 2009 System Administration Fee (SAF) budget being presented for decision at this meeting represented an enormous effort to hold the line and cut several budget items in order to complete the fifth straight year of a flat or declining SAF.

Chairman Newton then noted the Special Board meeting set for Wednesday, January 21, 2009 regarding the Nodal Program, and thanked the Board for being available and Staff for preparing materials for discussion.

Don Ballard asked if PRR799 could be formally adopted at this meeting; Mike Grable, ERCOT Vice President and General Counsel, replied that the Protocols do not allow for adoption outside the normal and urgent processes. Kevin Gresham, Chairman of the Protocol Revision Subcommittee (PRS), then promised the Board that PRS would consider PRR799 at its Thursday meeting, and will work with Staff on a parking lot for whatever new change ideas may arise.

Operating Reports (Agenda Items 7a-d)

Chairman Newton reminded those in attendance that the Board held a Question and Answer (Q&A) Meeting for Board members regarding the Board materials on the afternoon of January 19, 2009.



Financial Summary and Quarterly Investment Report (Agenda Item 7a)

Steve Byone, ERCOT Vice President and Chief Financial Officer (CFO), pointed Board members to the quarterly investment results summary in their packet and noted that ERCOT had received \$86.9 million from The Reserve's U.S. Government fund, which represents the full principal balance from the fund plus interest. He further noted that, with that receipt, 95 percent of ERCOT funds held by The Reserve as of September 2008 have now been returned. He advised that ERCOT Staff will continue vigorously pursuing the remaining funds (approximately \$10 million), and there is a possibility of 30 percent of the remaining funds being distributed by March or April. He commented that the last \$10 million will take longer to recover due to disputes over priority and other litigation matters, but that liquidity issues for ERCOT have been mitigated.

Mr. Armentrout asked for debt profiles of ERCOT assuming various levels of revenue funding for Nodal, and Mr. Byone promised to provide them. Commissioner Anderson inquired whether Mr. Byone is confident that \$700,000 is the total amount of the loss to ERCOT from investments held at The Reserve. Mr. Byone responded that ERCOT has established a loss reserve of 1.5% (or approximately \$700,000) of the total amount of ERCOT's requested redemption of The Reserve's Primary Fund, based on ERCOT's best estimate of loss at this time consistent with accounting guidelines and standards. Mr. Byone and Mr. Grable further clarified that with conflicting redemption schemes being announced by The Reserve, no additional information from the U.S. Securities and Exchange Commission, and more than a dozen lawsuits and regulatory actions pending against The Reserve, the eventual loss amount could potentially be somewhat higher but that it was not possible to reasonably estimate further amounts at this time. Mr. Byone stated that as additional information becomes available, the current estimated loss amount will have to be adjusted either up or down. Mr. Byone advised that ERCOT will continue to follow applicable accounting guidelines and standards and will be continually assessing this situation prior to the final year-end close. Ms. Newton noted that ERCOT's situation has greatly improved over where it was even a month ago and requested continuing updates.

Mr. Dalton asked whether the loss will be uplifted, or charged to depositors; Mr. Byone recalled the prior Staff recommendation to the Board to fund the loss out of SAF funds, and a request that the Board communicate further instructions if they wanted different treatment for the loss. The Board had not done so to date, but Mr. Karnei agreed to add this topic to the February 2009 Finance and Audit (F&A) Committee agenda for final recommendation to the Board.

Grid Operations and Planning Report (Agenda Item 7d)

Kent Saathoff, ERCOT Vice President of System Operations, described a December 16, 2008 event in which Load acting as a Resource (LaaR) facilities were deployed. He mentioned preliminary data about two 345-kV lines tripping and that the root cause is being investigated. Mr. Gent asked for a further update, and noted that federal entities will likely investigate.

Market Operations Report (Agenda Item 7b)



Chairman Smitherman asked about market clearing price of energy (MCPE) prices, which appear to have fallen to very low levels in the balancing market. He noted that this will have a positive impact on keeping retail prices down. Ms. Newton also noted that both the Commission and the Board took quick, unprecedented action to solve the congestion-related price spikes during the summer.

IT Report (Agenda Item 7c)

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

Grid Operations and Planning Report (Agenda Item 7d) – Continued

Chairman Newton entertained questions on the Grid Operations and Planning Report, but there were none.

Nodal Update (Agenda Item 8)

Ron Hinsley, ERCOT Vice President and Chief Information Officer, presented an update on the Nodal Program. He explained that: no critical-path items have been missed during the months under which the new schedule has been in place; CIM is working and had processed information through 900 market rules and been validated with zero errors; progress continues on other systems; Staff will get a final proposed schedule and budget to the Board in February; and scope is locked and the Program will build what is planned today. He also thanked stakeholders for working with staff on NPRR164 and System Change Request (SCR) 752.

Bob Helton advised that the Special Nodal Program (SNP) Committee was identifying dates to meet twice monthly and that the SNP Committee would work closely with the Finance and Audit Committee in relation to recommendations regarding the Nodal Program to the Board.

Mr. Hinsley reported that Information Lifecycle Management (ILM) business requirements are set and the ILM project is underway. In response to questions about data-center needs, Mr. Hinsley explained that ILM is about data storage, and that the need for data-center capacity is a different and larger question. The Board then discussed that this issue has been known for more than a year, that the unexpected continuation of the zonal market is a related issue, and that whether and how to control any zonal-market changes while that market remains in place is a difficult decision that will have to be addressed.

Mr. Hinsley turned to budget matters, noting that ERCOT incurred \$10.5 million in actual expenditures in December 2008, which was considerably less than the \$19 million spending forecast for that month, due to delayed hardware purchases, lower-than-expected end-of-year accruals, and decreased spending on internal and external resources.

Mr. Dalton inquired about Staff reporting on stand-alone benefits that could be salvaged if the Nodal Program is discontinued. Mr. Hinsley stated that he will report on that topic to the Board at its February meeting. He concluded by stating that the Program Staff are confident in the state and prospects of the Nodal Program.



Special Nodal Program (SNP) Committee Report & Utilicast Nodal Program Review (Agenda Items 9 & 9a)

Mr. Helton reported that the SNP Committee is examining the Nodal governance structure, including stakeholder groups, the Nodal budget, and is considering how best to achieve the goal of a functional Nodal market being in place in 2010. He advised that the SNP Committee will meet semi-monthly for the foreseeable future to get all necessary work done. He also discussed Utilicast's Nodal Report #8. Mr. Armentrout commented that when stakeholder testing and examination begins, the pressure on ERCOT to make changes to Nodal will become intense. He also noted that the largest remaining risk is if integration testing reveals the need for major system changes. Mike Cleary of Utilicast noted that it is time for the collaborative, stakeholder process to end so the team can focus on delivering. Mr. Ballard agreed, and noted that if stakeholder technical advice continues to be needed it should come through the Nodal Committee. He also requested regular Nodal Controller reports.

Mr. Cleary delivered an update on Utilicast's Report #9, noting the need to define roles, responsibilities, and scope – who is accountable and how integration will be accomplished, requiring multiple perspectives and an enterprise-wide solution. In response to Mr. Dalton, Mr. Cleary stated that he is increasingly confident that Nodal can succeed, but only if scope is locked down and the Program focuses on Nodal and not on managing stakeholder relations.

Mr. Helton commented that the SNP Committee will be working to define what a “successful” Nodal launch will look like.

Financial Summary and Quarterly Investment Report (Agenda Item 7a) – Continued

Mr. Byone reported back on questions relating to projected debt levels, noting unknowns and significant assumptions and explained that the handout being distributed covered life-to-date spending for the entire Nodal Program. The Board then discussed prospective Nodal funding levels and its view, expressed in the \$0.38 interim fee request, that a higher fee is prudent to avoid going into the debt markets (for increased debt capacity) as long as possible. Commissioner Nelson asked for confirmation of her understanding that ERCOT has enough money to fund Nodal for the near term, and Mr. Byone confirmed that while ERCOT must use its existing debt capacity to continue funding Nodal, ERCOT has sufficient debt capacity for roughly six months. By mid-summer 2009, however, ERCOT will need additional debt capacity to support Nodal given the proposed budget and the current surcharge level.

Mr. Helton requested an update on the plan for Nodal delivery at the upcoming Board Strategic Planning Event in February.

Approval of Revisions to ERCOT Regional Planning Group (RPG) Charter and Procedures (Agenda Item 10)

Dan Woodfin, ERCOT Director of System Planning, presented the TAC-approved version of the ERCOT RPG Charter and Procedure and noted that defining project tiers is critical. Since John



Meyer, on behalf of South Texas Electric Cooperative (STEC), intended to speak on this topic, Chairman Smitherman announced this issue may be a contested case before the Commission and that he and Commissioners Anderson and Nelson would be excusing themselves from this portion of the meeting, at which point all three Commissioners left for the duration of this agenda item. Mr. Meyer asked that "Tier Four" be revised so that it would not include out-of-ERCOT, generation-interconnection-related projects. Mr. Dalton stated that industrial consumers share this concern. **Mr. Dalton moved to remand the ERCOT RPG Charter and Procedure to TAC. Mr. Ballard seconded the motion.**

Mr. Woodfin and Mr. Grable cautioned that ERCOT Staff analysis of the economics of a generation interconnection is inconsistent with the deregulated generation market and that STEC's issue is essentially a policy call that belongs to the Commission. Charles Jenkins agreed and commented that he was not in favor of remand, that the Board should approve the Charter as presented and that the RPG could address STEC's concerns. Mr. Gent inquired about TAC's vote and whether the issues raised by STEC were considered. Mr. Woodfin responded that this particular issue was not raised until a week and a half prior to this Board meeting. Dan Wilkerson and Brad Cox suggested approving the Charter as drafted and asking TAC to consider further revisions as proposed by STEC. The Board members, Mr. Bruce, Ms. McClendon and Mr. Grable discussed the concept of neutral projects and TAC procedures. Mr. Dalton mentioned that he was amenable to a friendly amendment and would be willing to remand the issue of neutral project and approve the RPG Charter; and Mr. Ballard stated that he found this acceptable. Mr. Jenkins stated his preference for not altering the language of the Charter without advance consideration, but then mentioned that he would prefer to move forward with the Charter on some basis at this Board meeting.

Lunch (Agenda Item 12)

Ms. Newton adjourned the meeting for lunch at 12:30 p.m. to allow Board Members to consider the RPG Charter issue before voting. The meeting returned from the lunch break at 1:21 p.m.

Approval of Revisions to ERCOT Regional Planning Group Charter and Procedures (Agenda Item 10, Continued)

Mr. Dalton revised his previous motion and proposed to delete certain language in the ERCOT RPG Charter and Procedure, Section 2.1.1. Mr. Jenkins pointed out that the Board was not taking a position with regard to the issues raised by STEC, but rather that the issues may require further vetting. **Mr. Ballard seconded the revised motion. The revised motion passed by unanimous voice vote with no abstentions.**

Wind Primer on Technical and Operational Issues (including CPS1 Sensitivity Analysis) (Agenda Item 11)

Mr. Saathoff described various challenges, including the need to: schedule sufficient resources to meet demand; maintain adequate dynamic reactive power capabilities to control voltage; address depletion of frequency-control regulation and reduced grid inertia; address low-voltage-ride-through (LVRT) issues; and identify and meet any other risks. He also described how ERCOT is



meeting those challenges. Mr. Armentrout and Mr. Saathoff discussed assumptions related to CPS1 performance, net load calculations, and North American Electric Reliability Council (NERC) requirements. Mr. Dalton proposed limiting wind output to enable wind-provided regulation-up service, and also other wind-provided Ancillary Services. Mr. Saathoff agreed that the Wind Operations Task Force is considering such ideas, but that ERCOT must manage the Services it has right now to maintain reliability.

Chairman Smitherman noted that additional focus on storage is needed and ERCOT should look to the likely federal funding that will be coming, and also noted that coastal wind has certain characteristics that make it better for reliability purposes. Mr. Ballard requested faster action and a hard deadline on wind-related metrics and an all-encompassing plan for integrating wind. Chairman Smitherman agreed, noting that legislators are also asking what the “wind plan” is, and Mr. Gent and Commissioner Anderson agreed as well. Mr. Bruce, on behalf of TAC, reported that the February TAC meeting is scheduled to address both near-term and long-term wind priorities, and that TAC is looking at “best practices” and talking to other regions about their approaches. Mr. Gent noted that other regions are very impressed with Texas’s efforts on wind.

Mr. Saathoff promised Commissioner Anderson a report on the LVRT capabilities of existing wind resources shortly, possibly by February. Following additional discussion of storage, Mr. Dalton requested an update next month on the accuracy of the AWS Truewind forecast tool and how to get it more accurate.

Chairman Newton mentioned that TAC needed to get its prioritization done as a foundation for the discussion at the Board’s Strategic Planning Event in February. Chairman Smitherman also requested that, in the next meeting or two or at the Strategic Planning Event, a presentation be made on storage.

Discussion of Ancillary Service and Transmission Cost Allocation (Agenda Item 13)

Mr. Grable explained his memorandum, and that transmission postage-stamp rates are set by Texas statute, but the allocation of ancillary service costs is determined by ERCOT Protocol. Dr. A. D. Patton noted his concerns regarding the over-socialization of costs, and that beneficiaries and cost-causers in the market do not receive proper price signals. He requested that the Board consider whether some Ancillary Service costs, and perhaps transmission costs, should be assigned rather than uplifted.

TAC Report (Agenda Item 14)

Mark Bruce, TAC Chair, delivered the TAC Report.

PRRs 753, 778, 779, 780, 781, 783, 788 and 792 (Agenda Item 14a)

PRR753 – PRR Appeals Process [ERCOT]. Proposed effective date: February 1, 2009. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR provides for a more structured process for parties to appeal the decisions pertaining to PRRs



made by the Protocol Revision Subcommittee (PRS) and TAC. This proposal also provides timelines for appealing PRS and TAC decisions and makes accommodating provisions for PRRs on an Urgent timeline. PRR753 was posted on February 4, 2008. On March 20, 2008, PRS voted to recommend approval of PRR753 as revised by PRS. There was one (1) abstention from the Independent Generator Market Segment. On April 18, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On May 8, 2008, TAC voted to recommend approval of PRR753 as recommended by PRS. There were eight (8) opposing votes from the Consumer (4) and Independent Retail Electric Provider (IREP) (4) Market Segments. On June 17, 2008, the ERCOT Board remanded PRR753 to TAC with the directive to resolve the following issues: (i) correct the cross reference in Section 21.4.11.2, Appeal of TAC Action; (ii) add a limitation on the distribution of materials that are not timely submitted according to this Section to paragraph (f) of Section 21.4.11.2.1, Appeal of TAC Action – Normal Timeline; (iii) remove unfettered access to an expedited appeal process from paragraph (a) of Section 21.4.11.2.2, Appeal of TAC Action – Expedited Timeline, or develop criteria and a process to determine eligibility for an expedited appeals process; and (iv) review and synchronize the potential timing issues identified during the ERCOT Board discussion, including potential manipulation of the schedule. On July 17, 2008, PRS unanimously voted to recommend approval of PRR753 as revised by PRS to address the ERCOT Board concerns. On August 7, 2008, TAC unanimously voted to recommend approval of PRR753 as revised by TAC. On August 19, 2008, the ERCOT Board tabled PRR753. On November 17, 2008, the ERCOT Board remanded PRR753 to TAC with the directive to address the portions of the appeals process that are not covered in the ERCOT Board Policies and Procedures. On December 4, 2008, TAC unanimously voted to recommend approval of PRR753 as amended by ERCOT comments and requested that the ERCOT Board publicly post the applicable sections of the Board Policies and Procedures pertaining to the appeals process to the ERCOT Board.

PRR753 was approved as part of the Consent Agenda (Agenda Item 2).

PRR778 – Clarification of Authorized Representative [ERCOT]. Proposed effective date: February 1, 2009. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR codifies the definition of “Authorized Representative” in Section 2, Definitions and Acronyms, and clarifies the need to designate “Authorized Representatives” for registration for all registered Entities. PRR778 and its corresponding Impact Analysis were posted on September 19, 2008. On October 23, 2008, PRS unanimously voted to recommend approval of PRR778 as amended by Luminant comments. On November 20, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On December 4, 2008, TAC unanimously voted to recommend approval of PRR778 as recommended by PRS.

PRR778 was approved as part of the Consent Agenda (Agenda Item 2).

PRR779 – Transparency for PSS and Full Interconnection Studies [PSEG Texas]. Proposed effective date: February 1, 2009. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no



impact to grid operations. This PRR updates Sections 1, Overview, and 12, Market Information System, to provide transparency to the status of Power System Stabilizer (PSS) Equipment and interconnection requests. PRR779 was posted on September 19, 2008. On October 23, 2008, PRS voted to recommend approval of PRR779 as amended by Oncor comments and as revised by PRS with one (1) opposing vote from the Consumer Market Segment. On November 20, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On December 4, 2008, TAC voted to recommend approval of PRR779 as recommended by PRS. There was one (1) abstention from the Cooperative Market Segment. Credit review is pending.

Mr. Helton moved to approve PRR779. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

PRR780 – Extending Black Start Service Bid Timeline [ROS]. Proposed effective date: February 1, 2009. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR changes the Black Start Service bids from a one-year period to a two-year period. PRR780 was posted on September 23, 2008. On October 23, 2008, PRS unanimously voted to recommend approval of PRR780 as submitted. On November 20, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On December 4, 2008, TAC unanimously voted to recommend approval of PRR780 as recommended by PRS.

PRR780 was approved as part of the Consent Agenda (Agenda Item 2).

PRR781 – EILS Self-Provision Formula Correction and Clarifications [ERCOT]. Proposed effective date: February 1, 2009. No budgetary impact; no additional full-time equivalents needed; ongoing support will be absorbed by current staff; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR proposes to correct terms contained in the settlement equations related to Emergency Interruptible Load Service (EILS) Self-Provision to make the formulas consistent with the verbal description of EILS Self-Provision settlement and the author's stated original intent. This PRR also makes clarifications in language contained in paragraph (3)(d) of Section 6.5.12, EILS, related to Qualified Scheduling Entities' (QSEs') EILS Self-Provision options in cases where less than 1,000 MW of EILS has been offered, and adds copies of definitions that are applicable to both equations in this Section. PRR781 and its corresponding Impact Analysis were posted on September 23, 2008. On October 23, 2008, PRS unanimously voted to recommend approval of PRR781 as submitted. On November 20, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On December 4, 2008, TAC unanimously voted to recommend approval of PRR781 as recommended by PRS. PRR781 was approved as part of the Consent Agenda (Agenda Item 2).

PRR783 – Elimination of the Non-ERCOT LSE Fee [AEP] – URGENT. Proposed effective date: To be determined. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR eliminates language within Section 9.7.3, Texas Non-ERCOT Load



Serving Entity Fee, which describes the Texas Non-ERCOT LSE fee. PRR783 was posted on October 2, 2008. On November 20, 2008, PRS unanimously voted to recommend approval of PRR783 as submitted. On December 18, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On January 8, 2009, TAC unanimously voted to grant PRR783 Urgent Status. TAC also unanimously voted to recommend approval of PRR783 as recommended by PRS and requested the earliest possible implementation and effective date. Credit review is pending.

PRR783 was approved as part of the Consent Agenda (Agenda Item 2).

PRR788 – Ramp Rate Limits for Existing WGRs [FPL Energy] – URGENT. Proposed effective date: February 1, 2009. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR proposes a requirement that certain existing Wind-powered Generation Resources (WGRs) limit the unit ramp rate to ten percent (10%) per minute of their nameplate capacity ratings as registered with ERCOT. PRR788 was posted on December 9, 2008. On December 11, 2008, PRS granted PRR788 Urgent status via email vote. On December 18, 2008, PRS voted to recommend approval of PRR788 as amended by Luminant comments and as revised by PRS with one (1) abstention from the Municipal Market Segment. On January 8, 2009, TAC voted to recommend approval of PRR788 as recommended by PRS with one (1) abstention from the Independent Power Marketer (IPM) Market Segment.

Mr. Helton moved to approve PRR788. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

PRR792, Revised Renewable Portfolio Standards Allocation Process, Pursuant to P.U.C. SUBST. R. 25.173 [TIEC] – URGENT. Proposed effective date: February 1, 2009. No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations. This PRR modifies the Protocols to comply with Public Utility Regulatory Act, TEX. UTIL. CODE ANN. § 39.904(m-1) (Vernon 1998 & Supp. 2007) (PURA) and P.U.C. SUBST. R 25.173, Goal for Renewable Energy. PRR792 was posted on December 15, 2008. On December 17, 2008, the motion to grant PRR792 Urgent status failed via email vote. On December 18, 2008, PRS unanimously voted to grant PRR792 Urgent status. PRS also unanimously voted to recommend approval of PRR792 as revised by PRS. The Independent Generator Market Segment was not present for either vote. On January 8, 2009, TAC unanimously voted to recommend approval of PRR792 as revised by TAC.

PRR792 was approved as part of the Consent Agenda (Agenda Item 2).

NPRRs 140, 142, 152, 154, 155, 159, 160, 162 (Agenda Item 14b)

NPRR140 – Revision to Congestion Revenue Rights (CRR) Obligation Margin Adder [J. Aron]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; existing business processes can accommodate this NPRR; no impact to grid operations and practices. This NPRR



revises the margin adder for Point-to-Point (PTP) Obligations to a value "X" to be determined by the ERCOT Subcommittee process. NPRR140 was posted on July 14, 2008. On August 21, 2008, the Protocol Revision Subcommittee (PRS) unanimously voted to refer NPRR140 to the Transition Plan Task Force (TPTF) for review. On October 23, 2008, PRS unanimously voted to table NPRR140 until the November 20, 2008 PRS meeting. The Cooperative Market Segment was not present for the vote. On November 20, 2008, PRS voted to recommend approval of NPRR140 as amended by ERCOT comments and as revised by PRS with one (1) abstention from the Consumer Market Segment. On December 18, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On January 8, 2009, TAC unanimously voted to recommend approval of NPRR140 as recommended by PRS and to assign the variable values as recommended by the October 23, 2008 WMS comments.

Mr. Karnei noted that this NPRR has credit impacts that ERCOT Staff wanted to highlight for the Board. Cheryl Yager, ERCOT Treasurer, made a presentation to the Board summarizing the impact of NPRR 140, which changes how Nodal collateral requirements for CRRs (at the time of CRR auctions and ongoing collateral requirements) are set; she advised that this was the first time that a collateral requirement included a variable requirement to be set by TAC with Board approval. **After discussion, Chairman Newton moved that the language be approved as passed by TAC, but that TAC be directed to work with CWG and Staff on these issues. Mr. Cox seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

NPRR142 – EECF Media Appeal Change [Operations Working Group (OWG)]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; existing business processes can accommodate this NPRR; no impact to grid operations and practices. This NPRR moves the required energy conservation media appeal from Emergency Electric Curtailment Plan (EECP) Step 2 to Step 3 and allows ERCOT management to issue a media appeal for energy conservation at management's discretion, without requiring ERCOT CEO authorization. NPRR142 was posted on July 22, 2008. On August 21, 2008, PRS unanimously voted to refer NPRR142 to the TPTF for review. On September 24, 2008, PRS unanimously voted to recommend approval of NPRR142 as submitted. On October 23, 2008, PRS unanimously voted to table NPRR142 until the November 20, 2008 PRS meeting. On November 20, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report as amended by ERCOT comments and Impact Analysis to TAC for approval. On December 4, 2008, TAC unanimously voted to recommend approval of NPRR142 as recommended by PRS.

NPRR142 was approved as part of the Consent Agenda (Agenda Item 2).

NPRR152 – References to Section 22 Attachments [ERCOT]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; existing business processes can accommodate this NPRR; no impact to grid operations and practices. This NPRR corrects references in the Nodal Protocols to certain attachments to Section 22, Agreements, and re-letters Attachment K, Standard Form Emergency Interruptible Load Service (EILS) Agreement, as Attachment G. NPRR152 was posted on September 10, 2008. On September 24, 2008, PRS unanimously voted



to refer NPRR152 to TPTF for consideration. On October 23, 2008, PRS unanimously voted to recommend approval of NPRR152 as submitted. The Cooperative Market Segment was not present for the vote. On November 20, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On December 4, 2008, TAC unanimously voted to recommend approval of NPRR152 as recommended by PRS.

NPRR152 was approved as part of the Consent Agenda (Agenda Item 2).

NPRR154 – Corrections of Entities Able to Bid for Point-To-Point Obligations in the Day-Ahead Market [TPTF]. Proposed effective date: upon Texas Nodal Market Implementation. Incremental cost to Nodal project in the \$100K - \$250K range; no impact to ERCOT staffing; impact to ERCOT Market Management System (MMS) and Enterprise Integration Project (EIP) system; Qualified Scheduling Entities (QSEs) will be permitted to bid for PTP Obligations in the Day-Ahead Market (DAM); no impact to grid operations and practices. This NPRR provides clarifying language to indicate that only QSEs may bid for PTP Obligations in the DAM. NPRR154 was posted on September 15, 2008. On October 23, 2008, PRS voted to recommend approval of NPRR154 as submitted with one (1) abstention from the Consumer Market Segment. The Cooperative Market Segment was not present for the vote. On November 20, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On December 4, 2008, TAC voted to recommend approval of NPRR154 as recommended by PRS. There was one abstention from the Cooperative Market Segment.

Mr. Gent moved to approve NPRR154. Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.

NPRR155 – Clarification of Authorized Representative [ERCOT]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; existing business processes can accommodate this NPRR; no impact to grid operations and practices. This NPRR clarifies the need to designate Authorized Representatives for registration for all registered Entities. NPRR155 was posted on September 19, 2008. On October 23, 2008, PRS unanimously voted to recommend approval of NPRR155 as amended by Luminant comments. The Cooperative Market Segment was not present for the vote. On November 20, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and the preliminary Impact Analysis to TAC for approval. On December 4, 2008, TAC unanimously voted to recommend approval of NPRR155 as recommended by PRS.

NPRR155 was approved as part of the Consent Agenda (Agenda Item 2).

NPRR159 – Resource Category Startup Offer Generic Cap for Wind Resources [Verifiable Cost Working Group (VCWG)]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; existing business processes can accommodate this NPRR; no impact to grid operations and practices. This NPRR changes the Resource Category Startup Offer Generic Cap for a Wind Resource from a value of \$7,200 to zero. NPRR159 was posted on October 3, 2008. On October



23, 2008, PRS unanimously voted to recommend approval of NPRR159 as amended by TPTF comments. The Cooperative Market Segment was not present for the vote. On November 20, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On December 4, 2008, TAC unanimously voted to recommend approval of NPRR159 as recommended by PRS.

NPRR159 was approved as part of the Consent Agenda (Agenda Item 2).

NPRR160 – Elimination of Non-ERCOT LSE Fee [AEP]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; existing business processes can accommodate this NPRR; no impact to grid operations and practices. This NPRR eliminates language within Nodal Protocol Section 9.16.2, Texas Non-ERCOT Load Serving Entity Fee, which describes the Texas Non-ERCOT LSE fee. NPRR160 was posted on October 8, 2008. On October 23, 2008, PRS unanimously voted to refer NPRR160 to TPTF for consideration. The Cooperative Market Segment was not present for the vote. On November 20, 2008, PRS unanimously voted to recommend approval of NPRR160 as submitted. On December 18, 2008, PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC for approval. On January 8, 2009, TAC unanimously voted to recommend approval of NPRR160 as recommended by PRS.

NPRR160 was approved as part of the Consent Agenda (Agenda Item 2).

NPRR162 – Change the Sign Convention of Net Real Power Consumption, LPC and MPC of Load Resources (formerly, Change the Sign Convention for Load Resources) [ERCOT]. Proposed effective date: upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; ERCOT Network Model Management System (NMMS) validation rules will be modified; existing business processes can accommodate this NPRR; no impact to grid operations and practices. This NPRR revises language for the sign convention for Load Resources and changes the Nodal Protocols so that low reasonability limit, Low Sustained Limit (LSL), telemetered values, High Sustained Limit (HSL) and high reasonability limit are all positive numbers for Load Resources. NPRR162 was posted on November 6, 2008. On November 20, 2008, PRS unanimously voted to recommend approval of NPRR162 as revised by TPTF comments and forward it and the preliminary Impact Analysis to TAC for approval. On December 4, 2008, TAC unanimously voted to recommend approval of NPRR162 as recommended by PRS. Credit review is pending.

NPRR162 was approved as part of the Consent Agenda (Agenda Item 2).

SCR751 (Agenda Item 14c)

SCR751 – Nodal – Power Balance Shadow Price Cap Curve for SCED (formerly, Nodal – Shadow Price Cap) – URGENT [Congestion Management Working Group (CMWG)]. Proposed effective date: upon Texas Nodal Market Implementation. Incremental cost to the Nodal project is less than \$50K; no additional full-time equivalents needed; ERCOT MMS systems will be modified to implement this SCR; no ERCOT business function impacts; no impact to grid operations. This SCR will convert the power balance penalty from a fixed value to a curve that is applied on a MW



basis. SCR751 was posted on October 30, 2008. On November 19, 2008, the Wholesale Market Subcommittee (WMS) unanimously voted to grant SCR751 Urgent status and to recommend approval as amended by the Transition Plan Task Force (TPTF) comments. On December 4, 2008, TAC unanimously voted to recommend approval of SCR751 as recommended by WMS.

Mr. Bruce described this SCR, and Mr. Hinsley confirmed the Nodal Program is planning to develop this – this SCR does not violate the new lock-down rule. **Mr. Helton moved to approve SCR751. Dr. Patton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Mr. Bruce reported on: PRR and NPRR statistics; stakeholder consensus that wind should not be assigned Ancillary Service costs because such Services benefit the entire system; efforts at Ancillary Service procurement optimization; the development of an issues matrix on wind; the appointment of NERC security committee representatives (Steve Martin, Oncor; David Grubbs, Garland Power and Light; Jim Brenton, ERCOT); the ERCOT system's favorable performance during and after Hurricane Ike; and the TAC goals for 2008. Mr. Bruce advised that the PRR and NPRR statistics would be posted to the ERCOT.com web site. Chairman Newton requested that Mr. Bruce also send the PRR and NPRR statistics by email to the Board.

Mr. Dalton, Commissioner Anderson, and Dr. Patton queried whether it is really not possible to quantify wind impacts on Ancillary Service costs. Mr. Bruce replied that metrics could be tried, but they would be arbitrary and that the alternative, "but-for the wind" case is difficult to build. Ms. McClendon promised the Board's concerns would be heard at TAC and that efforts would continue. Mr. Jenkins suggested that the focus for the next two years should be on getting the Nodal Program completed and that there should be a determination whether these issues rise to the point of taking focus away from Nodal.

Mr. Bruce mentioned that he would bring a full list of wind issues to the Board by next month. At Dr. Patton's request, Mr. Bruce stated that he would look into direct load control.

Finance and Audit (F&A) Committee Report (Agenda Item 15, 15a)

Mr. Karnei reported on the F&A Committee's morning activities. Mr. Karnei advised that the Internal Audit Report revealed that the Internal Audit (IA) Department issued 31 Audit Reports in 2008 as compared to 35 in 2007, 22 in 2006, 7 in 2005, 7 in 2004, and 2 in 2003. He mentioned that, in its first ever external assessment, the Internal Audit Department received the highest rating possible from the Institute of Internal Auditors (IIA) during the external quality assessment that took place in Q1 of 2008, which is the equivalent of a "clean opinion". The F&A Committee received its monthly EthicsPoint update. In addition, Mr. Karnei reported that, as required by its Committee Charter and a Practice Advisory from the IIA, the F&A Committee held its quarterly private discussion with the Chief Audit Executive. The F&A Committee re-elected Mr. Karnei and Mr. Espinosa as Chair and Vice Chair, respectively, for the coming year and confirmed the election of Amanda List (Direct Energy) and Tim Coffing (Luminant) as Chair and Vice Chair of CWG for 2009. Mr. Karnei further reported on Mr. Ballard's proposal to revisit the issue of splitting the F&A Committee into separate finance and audit committees. Mr. Karnei explained that the F&A Committee discussed the pros and cons of such a proposal and



the F&A Committee concluded that it will maintain the current Committee structure and that Mr. Ballard is invited to re-visit this topic in the future.

Mr. Karnei advised that the F&A Committee also reviewed the 2009 revised base operating budget and 5-year financial plan. Mr. Petterson then introduced the budget proposal for the remainder of 2009, describing Staff's efforts to hold the SAF flat and reduce spending where possible while allowing for an expected headcount of 739 employees. Chairman Smitherman asked about cuts in Operations, and Trip Doggett, ERCOT Senior Vice President and Chief Operating Officer (COO), explained that he felt they were possible due to streamlining and automation, and that he was confident in the staffing numbers proposed. Mr. Saathoff agreed. Nancy Capezzuti, Vice President and Chief Administrative Officer (CAO), noted that some of the staff reductions included elimination of vacant positions. **After discussion among the Board and Staff, Mr. Karnei noted the F&A Committee's recommendation of the 2009 revised base operating budget as proposed by ERCOT management for approval, and moved to approve the budget for the remainder of 2009. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Mr. Karnei continued to report on the F&A Committee's review of collateral management practices and alternatives as well as its review of potential changes to investment practices. He added that Staff presented several options to the F&A Committee, and the F&A Committee had instructed staff to consider changing Protocols to clarify ownership for risk of loss, and propose updates to for increase controls over money market investments, limit the amount of investments in any one fund and, in the near term, to continue to limit authorized investment vehicles for ERCOT to money market funds invested in Treasury and Treasury-backed instruments. He noted that the F&A Committee hopes to review the Market Credit Risk Standard in March and that it discussed some of the key (seven) issues surrounding the CWG-approved Market Participant Guarantee Agreement. Mr. Karnei mentioned that the F&A Committee instructed Staff to re-draft the Guarantee Agreement form for the February meeting and include two of the seven key items in the update. He concluded by noting that one large capital project would be brought forward by Staff for the executive session.

H.R. & Governance (HR&G) Committee (Agenda Item 16, 16a)

Mr. Armentrout delivered this report, noting that he was elected Chair and Mr. Dalton was elected Vice Chair of the HR&G Committee for the coming year. He noted that the HR&G Committee approved its minutes, discussed personnel in its executive session and considered a change to the HR&G Committee's Charter. **Mr. Armentrout moved to approve a revision to the HR&G Committee Charter that requires representation from two, not three, different Market Participant segments. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Mr. Armentrout noted that the Committee had: received reports on external relations; discussed 2009 Key Performance Indicator (KPI) goals; reviewed a revised, stricter Flextime and Telecommunications Corporate Standard; discussed National Association of Corporate Directors (NACD) support needs; received an update on Board webcasting and consented to a trial effort at



the February Board meeting; reviewed the status of the Market Participant Survey Action Plan; and postponed consideration of ERCOT's recruiting strategy.

In response to a question from Mr. Ballard, Mr. Grable noted that Theresa Gage, ERCOT Governmental Relations Manager, sends legislative updates, including a weekly legislative bill spreadsheet, to the Board.

Chairman Smitherman inquired about the webcasting of Board meetings. Mr. Armentrout replied that it should promote more openness.

Future Agenda Items (Agenda Item 17)

Chairman Newton added a wind-metrics discussion to the February agenda.

Other Business (Agenda Item 18)

No other business was raised.

Executive Session (Agenda Item 19)

Chairman Newton adjourned the meeting to Executive Session at approximately 4:05 p.m. and reconvened the open session at approximately 5:59 p.m.

Vote on Matters from Executive Session (Agenda Item 20)

Mr. Helton moved to approve the Nodal not-to-exceed contract presented under Agenda Item 19b. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Gent moved to approve the Met Center Disposition Project changes presented under Agenda Item 19f. Mr. Ballard seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjourn (Agenda Item 21)

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

Board materials and presentations from the meeting are available on ERCOT's website at <http://www.ercot.com/committees/board/index.html>.

A handwritten signature in black ink, appearing to read "Michael G. Grable", is written over a horizontal line.

Michael G. Grable
Corporate Secretary