

Texas Regional Entity Advisory Committee Meeting
Room 206, 7620 Metro Center Drive, Austin, Texas
March 16, 2009 at 2:30 p.m.**

Item	Topic	Presenter	Time**
1.	Call to Order	M. Gent	2:30 p.m.
2.	Approval of February 16, 2008 Minutes* (Vote)	M. Gent	2:35 p.m.
3.	Texas Regional Entity Administrative Update	L. Grimm	2:40 p.m.
4.	Human Resources & Governance Issues	M. Armentrout	2:50 p.m.
	A. Director Input on 2009 Goals and KPIs*	M. Gent	2:55 p.m.
	B. Audit & Investigation Process Discussion	L. Grimm	3:00 p.m.
5.	Finance & Audit Issues	M. Espinosa	3:08 p.m.
	A. Monthly Financial Information (Q&A)*		3:10 p.m.
6.	Other Business	M. Gent	3:15 p.m.
7.	Future Agenda Items*	M. Gent	3:20 p.m.
	Convene Executive Session		
8.	Executive Session	M. Gent	3:24 p.m.
	A. Approval of February 16, 2009 Minutes* (Vote)	M. Gent	3:25 p.m.
	B. Discussion of Privileged, Contract, Governance, Ethics, Personnel or Legal Matters*	M. Gent	3:28 p.m.
	<ul style="list-style-type: none"> • Privileged governance structure discussion* • Privileged market compensation discussion 		
	Reconvene Open Session		
9.	Vote on Matters from Executive Session, if applicable (Vote)	M. Gent	3:55 p.m.
	Adjourn Committee Meeting	M. Gent	3:56 p.m.

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

** All times shown in the Agenda are approximate.

The next Committee Meeting will be held on April 20, 2009 at
7620 Metro Center Drive, Austin, Texas.

DRAFT MINUTES OF THE

TEXAS REGIONAL ENTITY ADVISORY COMMITTEE

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

February 16, 2009

Committee Members

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Mark Armentrout		Unaffiliated
Don Ballard	Office of Public Utility Counsel	Residential Small Consumer
Miguel Espinosa		Unaffiliated
Jan Newton		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Commission of Texas	

Other Directors and Segment Alternates

Brad Cox	Tenaska	Independent Power Marketer
Nick Fehrenbach	City of Dallas	Lg. Commercial Consumer
Charles Jenkins	Oncor	Investor Owned Utility
Robert Thomas	Green Mountain Energy	Ind. Retail Electric Provider
Dan Wilkerson	Bryan Texas Utilities	Municipal

Other Attendees

Larry Grimm, Texas Regional Entity CEO and CCO
Susan Vincent, Texas Regional Entity Director, Legal Affairs
Victor Barry, Texas Regional Entity Director, Compliance
Judith James, Texas Regional Entity Manager, Reliability Standards
Todd Brewer, Texas Regional Entity Senior Financial Analyst
Ryan Clay, Texas Regional Entity Senior Paralegal
Nancy Capezzuti, ERCOT VP and CAO
Don Jones, Reliant Energy
Eric Goff, Reliant Energy

Call to Order

Chair Gent called the meeting of the Texas Regional Entity (Texas RE) Advisory Committee (Committee) to order at approximately 1:40 p.m. and immediately adjourned the meeting into executive session.

Convene Open Session

At 2:10 p.m., Chair Gent adjourned executive session and convened the open session of the Committee meeting.

Approval of Executive Session Items

Jan Newton made a motion to approve the PwC engagement letter and CEO compensation discussed in Executive Session approval; Mark Armentrout seconded the motion. The motion passed by unanimous voice vote.

Approval of Minutes

Don Ballard made a motion to approve the minutes from the January 15, 2009 Committee meeting; Miguel Espinosa seconded the motion. The motion passed by voice vote.

Texas RE Update

Mr. Grimm informed the Committee that he would give his Texas RE update during the subsequent Board meeting.

Expanded scope of the Advisory Committee

After a brief discussion of the reasons why the Committee needed an expanded scope, **A.D. Patton made a motion to recommend the Board of Directors (Board) expand the scope of the Advisory Committee to include discussion of compliance matters in months when the Board did not meet, so long as all Directors were allowed to attend the executive session discussions on compliance. Jan Newton seconded the motion; the motion passed by unanimous voice vote.**

Texas RE Strategic Plan

Chair Gent reminded the Committee that the proposed 2009 Strategic Plan was intended to be a working document. Mr. Gent then opened the floor to any questions pertaining to the Strategic Plan. The Committee briefly discussed certain language in the Strategic Plan. In response to a question by Chairman Smitherman, Texas RE staff agreed that it should consider rewording the phrase the "unduly influenced" (on the first page of the Strategic Plan), in the next version of the Strategic Plan, unless this language was required by the ERCOT Bylaws or the Texas RE Delegation Agreement.

Mr. Armentrout made a motion to recommend the Texas RE Strategic Plan to the Texas RE Board of Directors for approval; Jan Newton seconded the motion. The motion passed by unanimous voice vote.

In response to a question from Ms. Newton about the Texas RE headcount, Mr. Grimm informed the Committee that Texas RE was in the process of recruiting additional personnel to fill the 2009 vacancies.

Budget Calendar Discussion / Additional Board Meeting in June 2009

Mr. Grimm explained that the 2010 Texas RE Business Plan and Budget would not be ready for Board approval until June, due to certain NERC requirements and deadlines, and Ms. Vincent explained that the Board needed to accept the financial statement audit report in May to meet Delegation Agreement requirements. The Committee briefly discussed the need for an additional Board meeting in June.

Miguel Espinosa made a motion to recommend that the Board hold an additional Board

of Directors meeting on June, 15, 2009; Mark Armentrout seconded the motion. The motion passed by unanimous voice vote.

Adjournment

Chair Gent adjourned the Texas RE Advisory Committee at approximately 2:34 p.m.

Susan Vincent
Corporate Secretary

Texas Regional Entity 2009 Goals and Key Performance Indicators

	Key Performance Indicator	Pct.	Current Quarter Performance	Score	Status/Comments
1	Meet responsibilities as a Regional Entity and maintain independence from the ERCOT ISO.	25%			Audit to determine whether Texas RE is operating in compliance with (1) the Delegation Agreement between NERC and Texas RE, (2) the Texas RE Bylaws, and (3) other obligations and responsibilities as approved by FERC.
2	Prepare Texas RE Business Plan & Budget and conduct base operations within approved budget.	15%			Final Texas RE Board-approved BP&B due to NERC on July 8 th .
3	Effectively manage the NERC Compliance Monitoring and Enforcement Program.	20%			Perform in accordance with Delegation Agreement and NERC Rules of Procedure; meet all submittal schedules; participate in NERC, FERC, and Stakeholder activities as required.
4	Monitor and investigate non-compliance with ERCOT Protocols and Operating Guides.	15%			Monitor (not in real-time) Stakeholder performance and investigate all instances of potential non-compliance identified by Texas RE Staff or reported to Texas RE by the ERCOT ISO or other Stakeholder(s).
5	Manage the Texas RE Standards Development Process.	10%			Effectively facilitate and coordinate the activities of the Reliability Standards Committee (RSC) and Standard Drafting Teams (SDTs).
6	Effectively communicate with the Industry, Regulators, and other Stakeholders.	15%			Routinely communicate with NERC Staff and other Regional Entity Staff at varying levels, to implement and maintain consistency and uniformity regarding compliance monitoring and enforcement, and standards development programs and discuss program issues; provide monthly Board reports on compliance activities; discuss Protocol compliance activities and related matters with PUCT Staff; regularly provide updates to Stakeholders related to Texas RE and NERC activities on website and in Stakeholder meetings; continue to develop IT automation tools for reporting and communication.
		100%			

KPI 1: Meet Responsibilities as a Regional Entity and Maintain Independence from the ERCOT ISO

Goal	Pct of KPI	Measurement	Status/Score	Performance
Receive a favorable audit from FERC.	60%	Audit report indicates Texas RE effectively operating as a Regional Entity and maintaining its independence from the ERCOT ISO.		Operate in compliance with the Delegation Agreement between NERC and Texas RE. Operate in compliance with the Texas RE Bylaws. Operate in compliance with all other obligations and responsibilities as approved by FERC.
Respond as required to all FERC Requests for Information.	20%	Respond to requests in accordance with FERC directives.		All responses submitted to FERC as agreed to between FERC and Texas RE.
Maintain an effective relationship with FERC Staff.	20%	Good and positive relationship is maintained and nurtured.		Openly communicate, effectively interact, and maintain credibility with FERC Staff.
	100%			

KPI 2: Prepare Texas RE Budget and Conduct Base Operations within Approved Budget

Goal	Pct of KPI	Measurement	Status/Score	Performance
Develop achievable Texas RE Budget and Business Plan.	25%	Submit Texas RE Budget and Business Plan on time.		Draft #1 due to NERC on May 8 th ; Draft #2 due to NERC on May 29 th ; final Texas RE Board-approved BP&B due to NERC on July 8 th .
Receive a favorable Financial Audit.	25%	Successfully complete audit and submit report to NERC on time.		Obtain unqualified (“clean”) audit opinions; audit report due to NERC by 150 days after the end of the fiscal year.
Maintain effective Texas RE fiscal controls.	20%	Submit to NERC un-audited quarterly interim financial statements by the 20 th day after the end of the fiscal quarter.		Reports provided to NERC prior to January 20 th , April 20 th , July 20 th , & October 20 th .
File all required reports with NERC.	15%	95% of reports submitted to NERC on time.		All reports and information submitted to NERC in accordance with timelines and guidelines provided to Texas RE.
Assess and revise cost accounting procedures and methods.	15%	Complete assessment and revision process by June 30, 2009.		Ensure procedures and methods are revised as needed to enhance Texas RE’s operational and fiscal performance.
	100%			

KPI 3: Effectively Manage the NERC Compliance Monitoring and Enforcement Program

Goal	Pct of KPI	Measurement	Status/Score	Performance
Develop Texas RE Compliance Program Implementation Plan annually and submit to NERC.	15%	Submit annual plan to NERC by November 1 st for the following calendar year.		Develop 2010 Implementation Plan; collaborate as needed with NERC Staff and other Regional Entity Staff to ensure uniformity and consistency among Regions.
For 2009, complete all compliance audits.	15%	Complete all 38 scheduled audits completed and issue final reports by December 31, 2009.		Audit schedule followed – 21 on-site; 18 tabletop (off-site).
Conduct compliance analyses of significant events and take applicable enforcement actions in accordance with the NERC Compliance Monitoring and Enforcement Program (CMEP).	15%	Analyses conducted in accordance with processes and procedures and appropriate enforcement actions taken.		All analyses conducted in a timely manner and completed in accordance with processes and procedures.
Prepare and submit to NERC all required reports.	10%	95% of reports submitted to NERC on time.		Reports submitted to NERC in accordance with timelines and guidelines provided to the Regional Entities.
Maintain up-to-date NERC Regional Compliance Registry and provide updates to NERC.	15%	Keep registry up-to-date/provide updates to NERC within 5 business days of being received from the Registered Entity or as requested by NERC.		Compliance registry updated in accordance with NERC requirements and updates are promptly provided to NERC.
Comply with all NERC CMEP timelines.	15%	Meet timelines 95% of time.		Adhere to and meet established timelines.
Develop internal CMEP-related Texas RE Procedures.	15%	Procedures developed and completed by March 31, 2009.		Completed procedures to be submitted for Legal and/or IT review by March 31, 2009; Legal and/or IT review complete by April 30, 2009.
	100%			

KPI 4: Monitor and Investigate Non-Compliance with ERCOT Protocols and Operating Guides

Goal	Pct of KPI	Measurement	Status/Score	Performance
Revise ERCOT Compliance Process	40%	Revision completed and submitted for Legal and CEO review by March 31, 2009.		Process revision completed in accordance with schedule.
Prepare and submit to the PUCT all required/requested reports.	30%	Reports provided to the PUCT on agreed to schedule.		Reports provided in accordance with approved process.
Comply with all ERCOT Compliance Process timelines.	30%	Meet timelines 90% of time.		Adhere to and meet established timelines.
	100%			

KPI 5: Manage the Texas RE Standards Development Process

Goal	Pct of KPI	Measurement	Status/Score	Performance
Comply with the Texas RE Standards Development Process and associated timelines.	70%	Process facilitated, effective and measurable Regional Standards are developed, and timelines met 90% of time.		Adhere to and meet established timelines.
Maintain an effective Registered Ballot Body (RBB).	30%	Each segment within the RBB is adequately represented.		Ballot body maintained with all segments represented.
	100%			

KPI 6: Effectively Communicate With the Industry, Regulators, and Other Stakeholders.

Goal	Pct of KPI	Measurement	Status/Score	Performance
Manage and implement new Texas RE-related IT projects.	15%	<ul style="list-style-type: none"> Texas RE Website deployed by 4/30/09 and content kept up-to-date. Complete Document Management System by 12/31/09. Complete Portal-related projects by 4/30/09. 		<ul style="list-style-type: none"> Project start date was January 5, 2009. This project has been delayed due to other higher priority projects. Project start date projected to be April 2009. Projects started December 2008.
Communicate activities related to the Compliance and Standards Development Programs.	15%	Texas RE Staff to attend stakeholder meetings as needed/requested.		Texas RE Staff attend and participate in applicable stakeholder meetings; distribute updates and notices to market participants through the Texas RE Information list serve.
Coordinate communication activities related to the NERC/Texas RE Programs.	15%	Communications provided and coordinated as directed by NERC.		Regularly communicate and interact with NERC and Regional Entity Staffs at all levels to consistently and uniformly implement and maintain compliance, enforcement, and standards development programs.
Conduct Compliance Monitoring and Enforcement and Standards Development Program Informational Session(s).	15%	Sessions conducted.		Conduct workshops to inform and respond to questions from Registered Entities.
Effectively communicate with Regulators and Legislators.	40%	Visit and maintain open communications with FERC and PUCT Commissioners and key staff, and key Texas Legislators and their aides		Continue to meet and interact with key PUCT and FERC Staff; continue to further develop communications relationships at all levels of FERC, NERC, and PUCT. Interact with Legislators as needed.
	100%			



**TEXAS
REGIONAL
ENTITY™**

An Independent Division of ERCOT

Texas Regional Entity Financial Report

Texas RE Advisory Committee
March 16, 2009

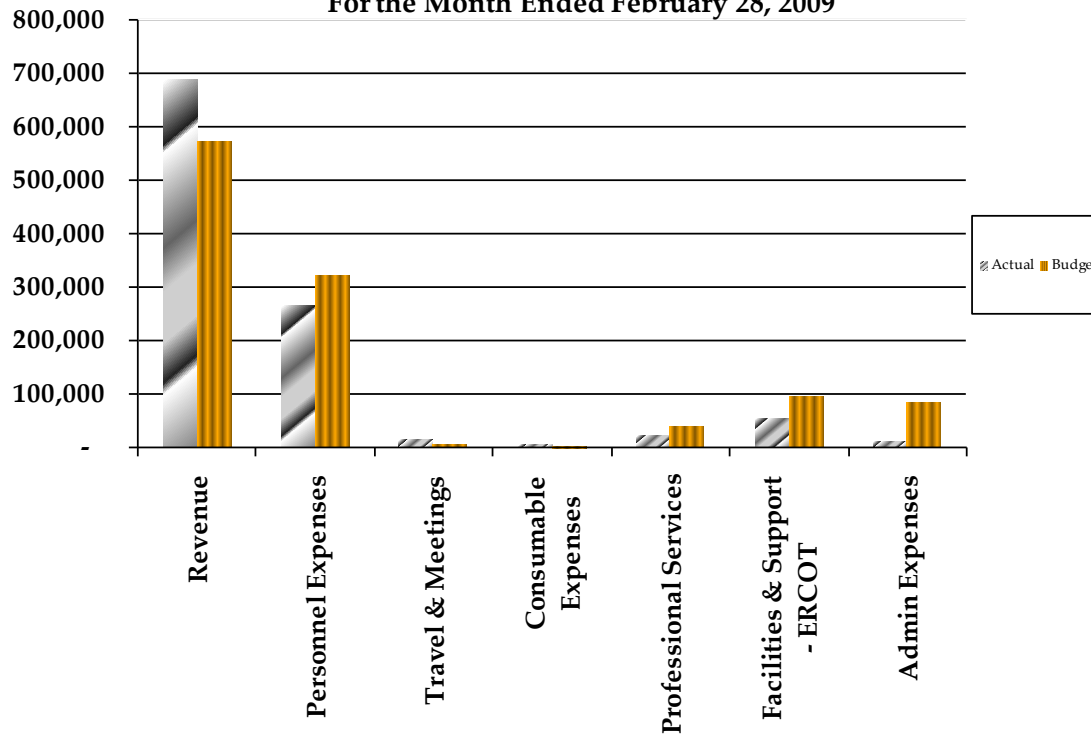
February 2009 Financial Accomplishments

- **Began 2010 Budget Planning – templates distributed to managers:**
 - Staff Planning
 - Salary Planning
 - Operating Expense Planning
 - Capital Budget Requests
- **2008 True-up of Texas RE Financial Results completed**

February 2009 Actual Workforce

February 2009 Operating Expenses

**Texas RE - Income Statement by Category
For the Month Ended February 28, 2009**

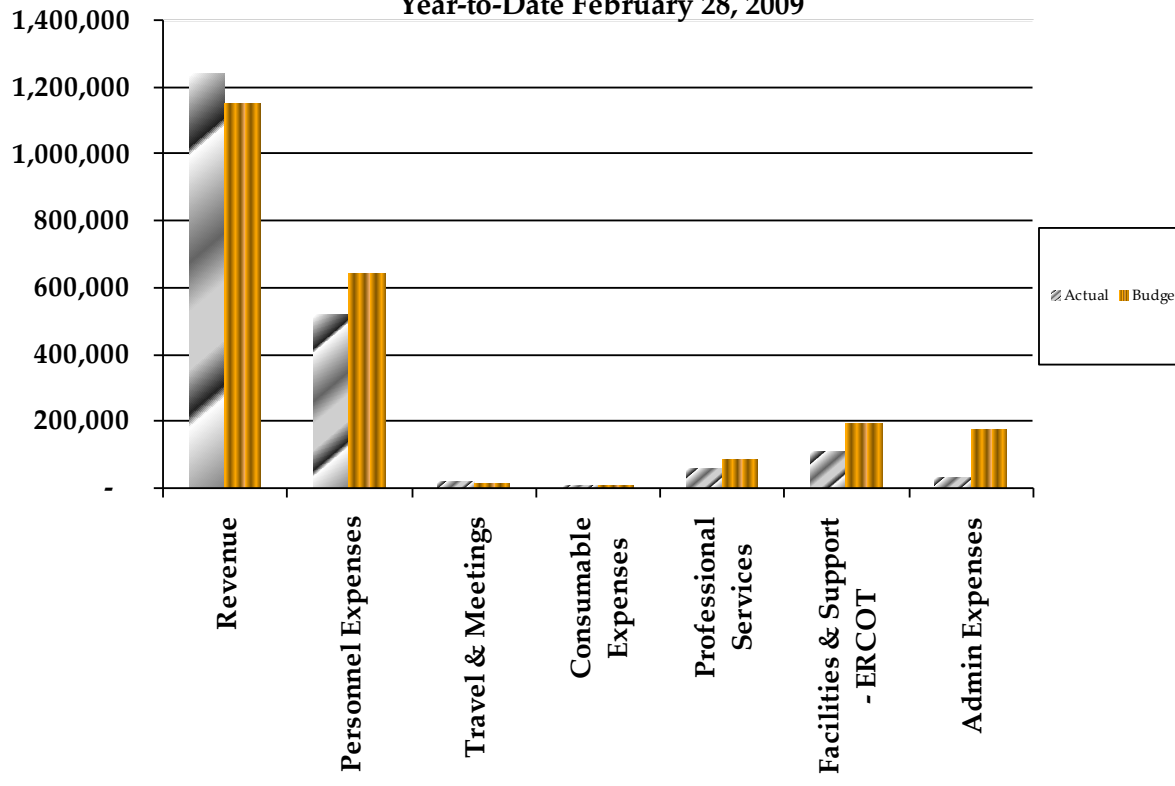


February Comments

- ➔ **Revenue** - Revenue is higher than budget due to the Operations Training Seminar.
- ➔ **Personnel Expenses** - Lower due to employee vacancies. Budget is 32 FTEs, we currently are staffed at 26 FTEs.
- ➔ **Travel & Meetings Expenses** - Slight Overspending due to Operations Training Seminar costs, timing variance.
- ➔ **Consumable Expenses** - On target for plan.
- ➔ **Professional Services** - Expenses for February 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.

YTD February 2009 Operating Expenses

Texas RE - Income Statement by Category
Year-to-Date February 28, 2009



YTD February Comments

- ➔ **Revenue** - Revenue is higher than budget due to the Operations Training Seminar.
- ➔ **Personnel Expenses** - Lower YTD due to employee vacancies. Budget is 32 FTEs, we currently are staffed at 26 FTEs.
- ➔ **Travel & Meetings Expenses** - Slight Overspending due to Operations Training Seminar costs, timing variance.
- ➔ **Consumable Expenses** - Currently spending less than plan.
- ➔ **Professional Services** - Expenses YTD February 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.

February 2009 Operating Expenses

Texas Regional Entity
Income Statement
Statutory & Non-Statutory Consolidated
For the Period Ended February 28, 2009
Unaudited Management Report

Group Rollup	Group Rollup Name	Period to Date			Year to Date			Annual Budget
		Actual	Budget	Difference	Actual	Budget	Difference	
Revenue	1-Assessments	550,782	570,301	19,519	1,107,106	1,152,624	45,518	6,969,021
	2-Workshops	134,855	-	134,855	134,855	-	134,855	70,000
	3-Interest Income	504		504	1,124		1,124	
Total Revenue		686,140	570,301	115,840	1,243,085	1,152,624	181,497	7,039,021
Personnel Expenses	10-Salaries	204,110	244,189	40,078	394,054	488,260	94,206	2,960,004
	11-Payroll Taxes	15,753		(15,753)	35,575		(35,575)	
	12-Employee Benefits	16,222	77,224	61,003	32,383	154,373	121,990	936,105
	13-Saving and Retirement	27,044		(27,044)	54,162		(54,162)	
Total Personnel Expenses		263,129	321,413	58,284	516,174	642,634	126,460	3,896,109
Travel & Meetings	20-Meetings & Training	4,313		(4,313)	4,869		(4,869)	105,000
	30-Travel	8,915	6,281	(2,634)	13,548	14,759	1,211	112,685
Total Travel & Meetings		13,227	6,281	(6,947)	18,417	14,759	(3,657)	217,685
Consumable Expenses	40-Office Supplies	1,325	840	(485)	1,325	1,700	375	10,200
	41-Postage & Shipping	1,574	200	(1,374)	1,897	400	(1,497)	2,400
	42-Telecommunications	744	967	223	1,144	1,933	789	11,600
	43-Printing & Copying		100	100	-	200	200	1,200
Total Consumable Expenses		3,643	2,107	(1,536)	4,366	4,233	(133)	25,400
Equipment & Maintenance	50-Equipment Maintenance	-	-	-	-	3,600	3,600	-
Professional Services & Consulting Expenses	60-Professional Services-Legal	520	29,167	28,646	3,832	58,333	54,502	350,000
	61-Professional Services-Accounting/Auditing	5,143	3,750	(1,393)	9,309	7,500	(1,809)	45,000
	62-Professional Services-Other	16,282	5,575	(10,707)	42,986	19,900	(23,086)	75,650
Total Professional Services & Consulting Expenses		21,945	38,492	16,547	56,127	85,733	29,607	470,650
Facilities & Support – ERCOT	70-Rent & Improvements	9,835	49,979	40,144	19,670	99,958	80,288	599,748
	71-Support (HR, Treas, Finance, BOD, etc.)	25,825	26,388	563	51,615	52,776	1,161	316,654
	72-IT/MIS Support & Services	17,734	19,000	1,266	35,468	38,000	2,532	228,000
Total Facilities & Support – ERCOT Total		53,394	95,367	41,973	106,753	190,734	83,981	1,144,402
Administrative Expenses	73-IT/MIS Projects, Purchases & Maintenance	9,240	5,250	(3,990)	20,431	11,462	(8,969)	63,993
	74-Employee Training		550	550	1,662	1,100	(562)	7,440
	80-Depreciation Expense	2,476	6,378	3,903	4,951	12,757	7,806	76,540
	82-Bank Fees	233		(233)	256		(256)	
	90-Miscellaneous Other	531	73,950	73,419	706	148,185	147,479	890,640
Total Administrative Expenses		12,480	86,128	73,648	28,007	173,504	145,497	1,038,613
Total Expenses		367,818	549,787	181,969	729,843	1,115,197	385,354	6,792,859
GAIN / (LOSS)		318,323	20,514	297,809	513,242	37,427	566,852	246,162

2010 Budget Calendar

Texas Regional Entity 2010 Business Plan & Budget Preparation Calendar

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
Advisory Committee
Future Agenda Items - March 2009**

	Item	Meeting
1.	Discuss 2010 Business Plan & Budget	April 2009
2.	Discuss Staffing/Headcount	April 2009
3.	Recommend acceptance of audited Financials	May 2009
4.	Recommend approval of 2010 Business Plan & Budget	May 2009
5.	Discuss Texas RE Succession Planning	May 2009
6.	Review and consider revisions to Bylaws	June 2009
7.	Review and consider modifications to Advisory Committee Charter	September 2009