Date: March 10, 2009
To: ERCOT Board of Directors
From: Bob Kahn, ERCOT President and Chief Executive Officer, and Mike Cleary
Subject: Process for Evaluating Requests to Commit Nodal Discretionary Reserve Funds

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: March 17, 2009
Agenda Item No.: 7a

Issue:
Whether to adopt a process to establish stringent oversight of staff requests to commit Nodal discretionary reserve funds as described in Exhibit A.

Background/History:
At its Open Meeting on February 26, 2009, the Public Utility Commission of Texas (Commission) directed ERCOT to provide a written plan for spending any discretionary reserve funds related to the Nodal Program. The Commission has encouraged Board oversight of the spending of Nodal Program discretionary reserve funds as a method to safeguard Nodal Program budget overruns and ensure prudent fiscal management of the Nodal Program.

Key Factors Influencing Issue:
ERCOT is subject to the oversight of the Commission and must respond to the direction of the Commission prior to the Nodal fee-filing deadline of March 31, 2009.

Alternatives:
There are two alternatives:

1. Accept the proposed process as recommended for inclusion in the March 31, 2009 fee package; or
2. Modify the proposed process for inclusion in the March 31, 2009 fee package.

Conclusion/Recommendation:
ERCOT staff respectfully recommends that the Board approve and adopt the proposed process for requests to commit Nodal discretionary reserve funds as described in Exhibit A.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, the Public Utility Commission of Texas (Commission) directed ERCOT to provide a written plan for spending any discretionary reserve funds related to the Nodal Program at the Commission's Open Meeting on February 26, 2009;

WHEREAS, after due consideration of alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in ERCOT's best interest to approve and adopt the proposed process for requests to commit Nodal discretionary reserve funds as described in Exhibit A.

THEREFORE, BE IT RESOLVED, the Board hereby approves and adopts the proposed process for requests to commit Nodal discretionary reserve funds as described in Exhibit A.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its March 17, 2009 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

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

_____
Michael G. Grable
Corporate Secretary