

OPEN SESSION MINUTES OF SPECIAL NODAL PROGRAM COMMITTEE
MEETING OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

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

January 19, 2009 at 1:00 p.m.

Committee Members Present

Bob Helton, Chair
Jean Ryall, Vice Chair
Miguel Espinosa
A.D. Patton
Robert Thomas
Mark Armentrout

Other Board Members

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Don Ballard
Brad Cox
Michehl Gent
Charles Jenkins
Jan Newton
Barry Smitherman
Mark Walker

ERCOT Staff

Bob Kahn
Jim Brenton
Nancy Capezzuti
David Forfia
Mike Grable
Ron Hinsley
Vickie Leaday
Matt Morais
Janet Ply
Chad Seely
Dave Seibert
Bill Wullenjohn

Others

Mike Cleary with Utilicast
Beth Garza

Bob Helton convened the Open Session of the meeting of the Special Nodal Program Committee (Committee) of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) at approximately 2:15 p.m. The agenda items were taken out of order.

Vote on Matters from Executive Session (Agenda Item No. 7)

The Committee unanimously recommended the proposed amendment to the ABB contract for Board approval; the motion was made by Jean Ryall and seconded by Mark Armentrout.

Approval of December 8, 2008 Minutes (Agenda Item No. 8)

Mr. Helton asked if there were any changes to the Committee minutes. Mark Armentrout noted the minutes should reflect him as a Committee Member. Subject to that correction, Mr. Armentrout moved to approve the general session minutes for the December 8, 2008 Committee meeting, and A.D. Patton seconded the motion, which passed unanimously.

Utilicast Nodal Program Review Including Reports # 8 and 9 (Agenda Item No. 11)

Mike Cleary of Utilicast discussed Utilicast's assessment of the Nodal schedule and budget. In discussing what went wrong in the pre-May 2008 process, Mr. Cleary identified the following issues: 1) poor initial assessment and estimate of the Nodal Program; and 2) inadequate controls. Mr. Cleary noted the following improvements: 1) better Nodal Program controls; 2) greater executive accountability and responsibility; 3) improved Nodal Program controller performance; and 4) high quality Nodal Program staffing. Turning to the \$660 million Nodal budget estimate, Mr. Cleary noted the estimate was a reasonable "not to exceed" estimate. Mr. Cleary stated these costs are primarily related to human resources, including internal employees and contractors. Mr. Cleary noted that the Nodal budget needs to be challenged, and specifically that the costs and performance of vendors and contractors can and should improve. Despite his opinion that the Nodal budget estimate was reasonable, Mr. Cleary stated that it could be exceeded. Mr. Cleary identified integration and the stakeholder process as major risks to completion of Nodal in accordance with the estimated budget and schedule.

The Committee then discussed the reporting structure of the Nodal Program controller, which presently is part of the Nodal Program and does not report to ERCOT Finance. In response to statements that the controller should be independent from the Nodal Program, Mr. Cleary noted his disagreement and stated that to ensure appropriate interactions between the controller, operations and the Nodal Program, and because the office was a finance function, the controller should actually be part of ERCOT Finance.

In discussing the identified risks of integration and Market Participant (MP) readiness, Jan Newton noted that integration is the primary risk. With respect to MP readiness, Mr. Kahn noted that a new process gives him (i.e. ERCOT CEO) the ability to stop proposed Protocol and system changes at a very early stage. The Committee then noted the potential for Transition Plan Task Force (TPTF) to create an obstacle to implementation and discussed the idea of changing the committee structure generally to create a more efficient process. Mr. Helton noted that he would oversee the issues related to MP

readiness and committee impact on Nodal implementation. The impact of zonal changes to Nodal implementation was then raised and Mr. Cleary stated that the relevant entities should be circumspect in their consideration of zonal changes to avoid distracting resources from the Nodal effort. The Committee noted that ERCOT is looking at that issue, and that any zonal change that is allowed to proceed should also have a Nodal benefit.

The Committee then discussed Report #9. Mr. Cleary stated that the report was in its preliminary stages, but noted that Nodal Program teams were focused on core functions and that they needed to be focused on integration, and that integration coordination needs to be improved. Mr. Cleary stated that integration issues need to be addressed as soon as possible, and that progress has been made in this area. Janet Ply noted that process changes had been made to improve the integration effort. Mr. Armentrout noted that appropriate review of release management is critical to identifying issues that can be fixed versus those that reflect design flaws.

The Open Session adjourned at approximately 3:45 p.m.



Matthew T. Morais
Committee Secretary