

DRAFT MINUTES OF THE

TEXAS REGIONAL ENTITY ADVISORY COMMITTEE

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

March 16, 2009

Committee Members

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Mark Armentrout		Unaffiliated
Gary Torrent ¹	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

Steve Bartley	CPS Energy	Municipally Owned Utilities
Brad Cox	Tenaska	Independent Power Marketer
Andrew Dalton (via telephone)	Valero Energy	Industrial Consumer
Nick Fehrenbach	City of Dallas	Lg. Commercial Consumer
Jean Ryall	Constellation Energy	Independent Power Marketer

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
 Derrick Davis, Texas Regional Entity Corporate Counsel
 Nancy Capezzuti, ERCOT VP and CAO
 Don Jones, Reliant Energy
 Eric Goff, Reliant Energy
 Mark Bruce, MJB Energy Consulting
 James Reynolds, Power & Gas Consulting LLC
 Mark Dryfus, Austin Energy
 Les Barrow, CPS Energy
 Bridget Headrick, Public Utility Commission of Texas (PUCT)
 Liz Jones, Oncor

¹ Don Ballard, Public Utility Counsel, designated Gary Torrent, Office of the Public Utility Counsel, as his proxy for the meeting.

Call to Order

Chair Gent called the meeting of the Texas Regional Entity ("Texas RE") Advisory Committee ("Committee") to order at approximately 2:33 p.m.

Approval of Minutes

A.D. Patton made a motion to approve the minutes from the February 16, 2009 Committee meeting; Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote.

Texas RE Update

Mr. Grimm provided the Committee with a Texas RE administrative update, including:

- Texas RE move to its new office at 2700 Via Fortuna, Suite 225 on March 2, 2009 had gone smoothly.
- An announcement is expected from the White House that Jon Wellinghoff will be designated as FERC Chairman.
- Rick Sergel (NERC President & CEO) and John Anderson (NERC Board of Trustees Chair) are meeting with the CEO and Board Chair of each Regional Entity. Mr. Grimm and Ms. Newton will be meeting with Mr. Sergel and Mr. Anderson on March 26, 2009 in Dallas. The meeting focus will be to discuss how the delegation agreement has worked with Texas RE at a very strategic level.
- Texas RE is continuing to work on Nodal Operating Guide Revision Request (NOGRR) 025 – Monitoring Programs for QSEs, TSPs, and ERCOT. This NOGRR adds Section 9 to the Operating Guides to incorporate metrics to be monitored and reported on for QSEs, Resources, TSPs, and ERCOT. In a December 8, 2008 memo, PUC & Texas RE requested that TAC develop monitoring programs and metrics pursuant to Nodal Protocols Section 8. Mark Bruce & TAC responded on March 6, 2009 that their goal was to define the required monitoring, reporting, and compliance language by July 31, 2009. Texas RE anticipates that the appropriate reliability metrics will be identified by this date.
- ERCOT Operations Training Seminar began on March 9, 2009 with 83 attendees at the first session. About 75% of the attendees were staff from TDSPs and QSEs. To date, over 600 people have registered to attend the seminar. In response to Mr. Espinosa's question to Mr. Grimm asking why Texas RE did not include the cost of the Operations Training Seminar in its 2009 budget, Mr. Grimm explained that the expense would be included in the March financials, because the seminar was held beginning in March. Todd Brewer explained that only the pre-paid registrations were reflected in the February financials, but the expenses of the seminar in March and April would offset the a registration fees collected from participants. Mr. Grimm noted that the cost of the 2009 seminar is higher than anticipated, because the seminar had to be held at a hotel this year, instead of Met Center, due to space constraints.

Human Resource & Governance Issues

Director Input on 2009 Goals and KPIs

Mr. Armentrout directed the Committee members to page one of the Texas RE Key Performance Indicators (KPIs), mentioned that KPI 1 is a critical success factor for Texas RE's governing structure, then asked for their input. Ms. Newton recommended adding "Board" to the list of entities listed on KPI 6; the other Committee members agreed. In response to a question by Chair Gent, asking why KP 1 (on page 2) seemed to be very "FERC-centric," Mr. Grimm explained that with the FERC audit of Texas RE during 2009, which was not expected to conclude until September, Texas RE believed that this audit would be a high priority in 2009.. Mr. Gent and the other Committee members agreed that this seemed appropriate, but asked Mr. Grimm to consider adding additional language that would carry over from year to year. Dr. Patton asked Chairman Smitherman if he believed that it was appropriate for Texas RE to project that 15% of their time would be used to monitor and investigate non-compliance with ERCOT Protocols and Operating Guides (KPI 4). Chairman Gent asked Mr. Grimm how much time Texas RE spends between statutory and non-statutory activities and Mr. Grimm responded that it is about an 85/15 split based on timekeeping. Dr. Patton then asked if Texas RE staff would re-evaluate and determine if 15% for KPI 4 was really appropriate.

Audit and Investigation Discussion

Mr. Grimm gave the Committee members a handout that described Texas RE's audit and Investigation processes. The Directors had a brief discussion regarding potential discussions of violations or penalties pertaining to ERCOT ISO. All Directors agreed that these topics should only be discussed in executive session. Ms. Newton reminded the Committee that any monetary penalty discussions pertaining to ERCOT ISO would be informational only (i.e. the Directors would not determine or influence any Texas RE violation or penalty conclusions).

Finance & Audit Committee Issues

Mr. Espinosa reported to the Committee that, year-to-date, Texas RE is operating under budget. In response to a question from Mr. Espinosa, Mr. Grimm confirmed that excess funds resulting from any under spending at the end of the year will be used to offset the Texas RE's 2010 budget. The Committee then discussed page 6 of the financial report (February 2009 Operating Expenses). Mr. Espinosa asked for Texas RE staff to make several modifications to the February 2009 Income Statement and email a revised copy to the committee members.

Ms. Newton inquired when Texas RE expects to hire additional personnel (who are budgeted for 2009) and Mr. Grimm responded that Texas RE had recently hired two new employees, but does not expect to be fully staffed until May or June 2009.

Mr. Grimm reminded the Committee that the first (rough) draft of the 2010 Texas RE Business Plan and Budget would be presented at the April Advisory Committee meeting.

Compliance Discussion

The Committee members reviewed and discussed the Compliance Report. Mr. Armentrout asked for Texas RE staff to provide a trend analysis for slides 5 and 6, similar to the trend shown in slide 3 (CPS1 performance).

The Committee members expressed their appreciation to the market participants for their January 2009 resource plan performance.

The Committee reviewed and discussed the February 2009 Violation Tracking Report. Responding to questions from Committee members, Texas RE staff assured the Committee that all known risks to the BPS have been mitigated, but numerous Mitigation Reports are still working their way through the NERC process. Mr. Gent expressed concern about the amount of time it was taking registered entities to complete mitigation plans. Mr. Grimm and Victor Barry explained that a number of the listed mitigation plans were approved and in place, but some required time to fully implement. In response to Mr. Gent's request for some additional metrics or clarification of the items shown in yellow (more than six months old), Mr. Barry agreed to develop a new checklist, showing progress, for the April meeting.

Ms. Newton asked that Mr. Grimm provide the Directors with an update on their meeting with Mr. Sergel and Mr. Anderson in April, and Mr. Gent asked Mr. Grimm to provide the Committee with an update of all of the NERC meetings he attends.

Adjournment

Chair Gent adjourned the Texas RE Advisory Committee into executive session at approximately 3:25 p.m., noting that the Committee would not return to open session.

Susan Vincent
Corporate Secretary