



**DRAFT 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  
March 17, 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	Office of Public Utility Counsel	Residential Consumer
Brown, Deryl	Hudson Energy Services, LP	Independent Retail Electric Provider (Segment Alternate)
Cox, Brad	Tenaska Power Services Co.	Independent Power Marketer
Crowder, Calvin	American Electric Power Service Corp.	Investor Owned Utility (Segment Alternate)
Dalton, Andrew	Valero Energy Corp.	Industrial Consumer
Espinosa, Miguel		Unaffiliated
Fehrenbach, Nick	City of Dallas	Commercial Consumer
Gent, Michehl		Unaffiliated, Board Vice Chairman
Helton, Bob	International Power America Services	Independent Generator
Kahn, Bob	ERCOT	President and Chief Executive Officer
Karnei, Clifton	Brazos Electric Power Cooperative, Inc.	Cooperative
Newton, Jan		Unaffiliated, Board Chairman
Patton, A.D.		Unaffiliated
Smitherman, Barry T.	Public Utility Commission of Texas	Commission Chairman
Wilkerson, Dan	Bryan Texas Utilities	Municipal

Staff and Guests:

Adams, John	ERCOT
Adib, Parviz	APX
Albrecht, Brittney	ERCOT
Anderson, Kenneth	Public Utility Commission of Texas
Barrow, Les	CPS Energy



Bartley, Steve	CPS Energy
Bell, Wendell	TPPA
Bevill, Rob	GMEC
Blakely, Eric	TXU Energy
Boren, Ann	ERCOT
Brandt, Adrienne	Austin Energy
Brenton, Jim	ERCOT
Brewster, Chris	City of Eastland
Brown, Deryl	Hudson Energy Services
Bruce, Mark	MJB Energy Consulting
Byone, Steve	ERCOT
Capezzuti, Nancy	ERCOT
Cleary, Mike	ERCOT
Cochran, Seth	Sempra
Coleman, Katie	TIEC
Crowder, Calvin	AEP Service Corp.
Crozier, Richard	Brownsville
Cutrone, Chris	Office of Public Utility Counsel
Doggett, Trip	ERCOT
Doolin, Estrellita	ERCOT
Dreyfus, Mark	Austin Energy
Drost, Wendell	AREVA
Felton, Trey	ERCOT
Fenoglio, Walt	EMMT
Firestone, Joel	Direct Energy
Fox, Kip	AEP
Goff, Eric	Reliant
Grable, Mike	ERCOT
Greer, Clayton	J. Aron
Grimes, Mike	Horizon Wind Energy
Gurley, Larry	Energy Markets Consulting
Headrick, Bridget	Public Utility Commission of Texas
Jeffries, Don	Opportune
Jones, Brad	Luminant
Jones, Dan	Potomac Economics
Jones, Don	Reliant
Jones, Randy	Calpine
King, Kelso	King Energy Consulting
Kleckner, Tom	ERCOT
Kolodziej, Eddie	Customized Energy Solutions
Lane, Terry	LS Power
Leady, Vickie	ERCOT
Manning, Charles	ERCOT
McClendon, Shannon	TAC Vice Chair
Medina, Eric	Opportune
Morris, Sandy	LCRA



Nelson, Donna	Public Utility Commission of Texas
Oehler, Melissa	Public Utility Commission of Texas
Ogelman, Kenan	CPS Energy
Orr, John	Constellation
Pieniazek, Adrian	NRG Texas
Reynolds, Jim	Power and Gas Consulting LLC
Roark, Dottie	ERCOT
Rowe, Evan	Public Utility Commission of Texas
Ryall, Jean	Constellation Energy
Seely, Chad	ERCOT
Seibert, Dave	ERCOT
Seymour, Cesar	SUEZ
Smallwood, Aaron	ERCOT
Smith, Mark	Chaparral
Soutter, Mark	Invenergy
Spangler, Bob	Luminant
Troutman, Jennifer	AEP Energy Partners
Troxell, David	ERCOT
Twiggs, Thane	Citigroup
Vincent, Susan	Texas Regional Entity
Wagner, Marguerite	PSEG Texas
Wittmeyer, Bob	DME
Wullenjohn, Bill	ERCOT

### **Call to Open Session to Order (Agenda Item 1)**

At approximately 10:08 a.m., Jan Newton, Chairman of the ERCOT Board, called the meeting to order, determined a quorum was present, and pointed out the Antitrust Admonition. Chairman Newton welcomed the Segment Alternates, Deryl Brown for the Independent Retail Electric Provider segment and Calvin Crowder for the Investor Owned Utility segment. She invited all ERCOT Board members to the ISO Board meetings being hosted by SPP over Memorial Day (May 27-28, 2009) at Las Colinas, Texas. Chairman Newton also reminded the Board that the meeting was being streamed and recorded as a test webcast by TexasAdmin.com. Mike Grable, ERCOT Vice President and General Counsel, advised that it was anticipated that ERCOT would be able to extend an open invitation to the webcast next month.

### **Consent Agenda (Agenda Item 2)**

The following items were handled in the consent agenda:

- Agenda Item 3a – February 17, 2009 Minutes. Andrew Dalton distributed proposed written clarifications to his attributed statements on page 8 of the draft February 17, 2009 Minutes;
- Agenda Item 3b – February 18, 2009 Minutes. Don Ballard suggested an addition to his attributed statements on pages 18-19 to include that “Mr. Ballard was stunned by the Board’s actions;”



- Agenda Item 11a (in part) – Protocol Revision Requests (PRRs) 785 and 786; and
- Agenda Item 11c – Load Profiling Guide Revision Requests (LPGR032).

**Bob Helton moved to approve Agenda Items 3a as amended, 3b as amended, 11a (PRRs 785 and 786), and 11c on the Consent Agenda. Mr. Ballard seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

#### **CEO Report (Agenda Item 4)**

Bob Kahn, ERCOT President and Chief Executive Officer (CEO), welcomed Mike Cleary, formerly of Utilicast, LLC, as ERCOT Senior Vice President and Chief Technology Officer who would be responsible for oversight of the Nodal Program. Mr. Kahn advised, as discussed at the Special Nodal Program Committee meeting on the prior day, that the Nodal Program is on schedule for all critical path issues, that the last software delivery (MMS5) is expected by the end of the month, and that ERCOT is bringing on more experienced people for the integration effort. Mr. Kahn asked Trip Doggett, ERCOT Senior Vice President and Chief Operating Officer, to address the Luminant and CPS plant retirements and generation adequacy. Mr. Doggett advised that Dan Woodfin, ERCOT Director of System Planning, reviewed the retirements and that ERCOT is above 12.5% through 2013. Mr. Kahn also reported on the CFE ties to Mexico which became available for commercial transactions on March 11, 2009, and which were previously only available for emergency transfers. He further reported that the total capacity for the lines is 286 MW, including 150 MW from Sharyland, 100 MW from Laredo, and 36 MW from Eagle Pass, and that one ERCOT Market Participant currently has a contract with CFE.

#### **Consent Agenda (Agenda Item 2) – Continued, and Approval of Board Meeting Minutes – February 18, 2009 Minutes (Agenda Item 3b) – Continued**

**Mr. Ballard moved to reconsider the approval of the February 18, 2009 Minutes and to add to Smart Grid and Advanced Metering (Agenda Item 10) on page 3 of the Minutes that “Ms. Day expressed confidence that ERCOT will go live and be prepared December 1, 2009, with market interface information for full deployment and implementation of the AMS market information.” Ms. Day clarified that ERCOT would meet requirements by the end of December 2009. Mr. Ballard agreed with the clarification and moved to reconsider the vote with such clarification. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Mr. Ballard reflected on lessons learned over the past month and a half from the legislative session and commented that the end-use customer for electricity is ERCOT’s customer, is the reason for ERCOT’s mission, and is ERCOT’s mission. Mr. Kahn responded that ERCOT must fulfill the statutory requirements and four missions identified in PURA, including that ERCOT must provide reliable electricity at a reasonable price for the end-use customer. Mr. Ballard further commented that transparency is important and that the ERCOT Board has been proactive and smart about webcasting meetings; however, he was concerned that the broadcasting, whether by internet or audio, is not free to the public and that ERCOT would not have the resources to provide free broadcasting and archived broadcasts. Chairman Newton clarified that the Board



fully supported Mr. Ballard's proposal to broadcast the meetings, was taking action to do so, and was in the process of receiving feedback on costs through the H.R. and Governance Committee. Nancy Capezzuti, ERCOT Vice President and Chief Administrative Officer, and Mr. Grable further clarified that the intent is to provide the webcast free to the public. Chairman Newton asked for an update on the webcasting at next month's Board meeting. Mr. Helton added that the Board needs to be setting up a long-term viable market for the benefit of the consumers. Mr. Ballard noted that he fully supported the ERCOT organization as it is currently constituted, that he could not make decisions without Market Participants and without everyone in the market, and that ERCOT is here to serve electric customers.

### **Operating Reports (Agenda Item 5a-d)**

Chairman Newton reminded those in attendance that the Board held its regular Question and Answer (Q&A) Meeting regarding the Board materials on the afternoon of March 16, 2009. She opened this portion of the meeting to additional questions.

#### **Financial Summary Report (Agenda Item 5a)**

Chairman Newton solicited additional questions regarding the Financial Summary Report, but there were none.

#### **Market Operations Report (Agenda Item 5b)**

Chairman Newton solicited additional questions regarding the Market Operations Report, but there were none. Mr. Doggett distributed updated Report slides to those Board members who were not physically present for the Board Q&A Meeting.

#### **IT Report (Agenda Item 5c)**

Chairman Newton solicited additional questions regarding the IT Report, but there were none.

#### **Grid Operations and Planning Report (Agenda Item 5d)**

Chairman Newton solicited additional questions regarding the Grid Operations and Planning Report, but there were none. Mark Armentrout expressed his thanks to ERCOT staff and the Technical Advisory Committee (TAC) for their work that has resulted in an improvement in wind forecasting and decreases in balancing energy prices, which lowers retail prices, and for the tracking reports of the interconnection requests. Andrew Dalton asked if the source data for the charts on pages 4 and 5 of the Report was the same. John Adams, ERCOT Director of Operations Support, confirmed that they were the same.

### **Nodal Update (Agenda Item 6)**

Mr. Doggett presented the Nodal Update and reviewed the Nodal Program highlights in the materials previously provided to the Board. Mr. Doggett noted that the all tasks on the Program critical path are currently on schedule. He advised that a draft graphic that would display progress in completing projects as requested by Barry T. Smitherman, Chairman of the Commission, had been forwarded to Chairman Smitherman, that Mike Cleary was working with Chairman Smitherman to improve the graphic, and that the graphic will be updated and provided at next month's Board meeting. He noted that MMS is now in pre-FAT testing and will be in



FAT testing by mid-April 2009. Mr. Doggett provided an update on audit points from Utilicast Report Nos. 8 and 9 and on Nodal Program Risks. Mr. Ballard asked about the reasoning behind engaging a third-party negotiator for the long-term vendor contracts. Mr. Doggett responded that often third-party negotiators have significantly more extensive experience, including with specific vendors, than ERCOT. Mr. Ballard noted that this exposed the issue of contract management and contract negotiation within ERCOT and that ERCOT needs to improve this area. Mr. Cleary replied that this area needs improvement and that third-party negotiators often get the best deal due to their experience with vendors. Mr. Ballard mentioned that contract management and contract negotiation skills are very specific and that ERCOT needs to acquire them in order to achieve success.

Chairman Smitherman, noting the arrival of Commissioner Kenneth W. Anderson, Jr., called to order an open meeting of the Public Utility Commission of Texas (Commission).

Chairman Newton stated that the Board has been concerned with this area for some time and the actions of ERCOT leadership are addressing Mr. Ballard's noted concern and allowing ERCOT to move into integration with the strongest contracts and team available to get the most favorable terms and to get the job done. Mr. Cleary added that ERCOT is focusing on a long-term partnership with vendors over the next five to seven years so that all bargaining points are leveraged to get the best deal for this Nodal Program implementation and for the maturing markets. Mr. Ballard mentioned that he was confident that ERCOT was moving in the right direction, but that contract management and contract negotiation at ERCOT was critical. Chairman Newton noted that the Special Nodal Committee Program Committee would stay on top of contract negotiation and contract approval on behalf of the Board.

Mr. Doggett continued his presentation on Nodal Program Risk, including: the need to update integration testing strategy; Nodal integration test (iTest) and EDS environments; information transmitted over external web services; zonal resource constraints for Nodal Program; and data center space concerns. Chairman Newton requested that the Board meeting agenda include a standing item on data center concerns. Mr. Doggett discussed cost management and the financial tracking of the Nodal Program budget, including accruals, with the process being engrained at the project manager level over the last two months. Mr. Doggett added that Mr. Cleary will be addressing this matter again in the coming months and that Steve Byone, ERCOT Vice President and Chief Financial Officer, will be more involved in the future. Mr. Armentrout asked about the definition of test environment in the context of iText and the length of time to determine if the testing has worked. Mr. Cleary advised that the iTest environment should replicate what actual Nodal operations should actually look like and that he would have to provide a timeline at a later date since there were many variables to consider. Mr. Dalton inquired whether ERCOT was on budget and schedule. Mr. Doggett replied that ERCOT was on budget and schedule, that the percentage of tasks complete and on time was trending up, and that he would provide tracking in the future. Mr. Dalton asked about the new Nodal leadership. Mr. Cleary responded that he would include a personnel update in this report going forward and that a continuous personnel review would be performed. Mr. Cleary added that if the new personnel did not perform within the first two to three weeks, he would address the situation immediately. Chairman Newton requested that tasks be tracked as those which are critical or near-critical so that the Board could gain additional insight into the tasks and that the Board is notified of the completion of projects.



A.D. Patton asked whether there will be testing for robustness. Mr. Cleary replied that there would be and that ERCOT must ensure that Nodal works at go live and can maintain operations and markets to regional levels. Mr. Dalton asked whether ERCOT had all the resources it needs to run the Zonal market for the next year and a half while ERCOT builds toward Nodal. Mr. Doggett responded that ERCOT could do so based on what is known today, but that ERCOT is always monitoring its resources and currently re-evaluating whether ERCOT may require “Zonal” business resources to be more engaged in the integration testing process than originally planned. Mr. Dalton inquired about whether ERCOT needs to stop all PRRs. Mr. Dalton requested that the Board is kept apprised of these matters. Mr. Doggett replied that ERCOT is getting close to that point and that the CEO review is working well to identify NPRR challenges. Mr. Cleary mentioned that if there is any risk to Nodal or Zonal, he would bring it to the Board, and that there should be no further enhancements to either Nodal or Zonal unless absolutely necessary. Mr. Dalton mentioned that he would like to see a cost-benefit analysis through TAC since it assists the Board in its decisions. Mr. Kahn noted that these decisions would only make it to the Board if they pass his review and that there have been some Nodal Protocol Revision Requests (NPRRs) that he has not approved.

### **Special Nodal Program Committee Report (Agenda Item 7)**

Mr. Helton delivered the Special Nodal Program (SNP) Committee Report. Mr. Helton addressed the Nodal contracts and, in reference to Mr. Ballard’s earlier comments, stated that in addition to contract negotiations, it is critical to manage the contracts and get cost-effective services and that Mr. Cleary would be instrumental in doing so. Mr. Helton noted that it is instrumental to track tasks to know whether they may hit the critical path and that the SNP Committee is also monitoring the tasks which are the next level down from the critical path. He added that the Nodal budget is being re-forecasted to understand the reasons for the \$16 million variance from October 2008 to January 2009 and that the SNP Committee will be working with Mr. Cleary on this matter. Mr. Helton advised that Utilicast will be issuing Report #10, which will review infrastructure and interfaces and will confirm that ERCOT is actually ready for integration. Mr. Ballard asked what success of the Nodal Program would look like. Mr. Helton responded that a list to define success is being developed. Mr. Cleary noted that it will be communicated clearly although the final result may not be the market wants in every respect. Mr. Ballard asked whether the Nodal Program was prepared to incorporate what advanced metering requires. Mr. Doggett responded that improvements to the advanced metering aggregator were built into the Nodal software and that due to the delay in finalizing Nodal, the enhancements now need to be built onto Zonal. Mr. Ballard commented on Mr. Cleary’s observation that the prior integration resource plan seems to be poorly defined and that the estimated resources appear to be excessive. Mr. Cleary replied that he needed to set the context -- integration was not planned well, functional testing was being attempted in the integration environment, there was a level of complex scenarios that would be more suited to market trials, and in excess of 100 resources were identified to physically do integration testing. He added that project managers are now responsible for whole solutions and that integration testing resources were being moved. Mr. Cleary mentioned that he was analyzing how much of the budget was needed to complete integration and how much should be allocated to discretionary funds. He continued that he was reluctant to reduce the budget today since the first time that all solutions would be coordinated is at the market trials and that there could be a difference between the solution and market



expectations at that time. Mr. Ballard thanked Mr. Cleary for his candor and requested that Mr. Cleary report to the Board where the budget can be trimmed and where the Board can be effective. Chairman Newton advised that Mr. Cleary reports to Mr. Kahn and to the Board and that Mr. Cleary must continue his openness and candor to the Board with regard to positives and negatives. Mr. Ballard asked about the scope concerns regarding the external web services solution. Mr. Cleary replied that ERCOT has not defined what ERCOT is prepared to accept from the market. Mr. Grable added, with respect to oversight of the budget, that these are not one-time decisions, that the Board has continuing rights and fiduciary duties to decrease spend, and that the Commission has plenary budget authorization even apart from the coming Nodal surcharge docket. He noted that Mr. Cleary has been working on a document for ongoing oversight of spend and, when appropriate, ERCOT will work to decrease the budget. Mr. Cleary noted that he had no problem being honest with the Board, regardless of whether it jeopardized his employment. Mr. Kahn advised that the Board had his complete commitment to be open, honest and transparent about the Nodal Program and that if ERCOT staff needs to do more, then the Board simply needs to let him know.

#### **Process for Evaluating Requests to Commit Nodal Discretionary Reserve Funds (Agenda Item 7a)**

Mr. Grable noted Nick Fehrenbach's two edits to the process for evaluating requests to commit Nodal discretionary reserve funds and requested any further edits from the Board. Mr. Grable explained that this information will be contained in a filing with the Commission due March 31, 2009. Chairman Newton advised that this process is responsive to a request made by the Commission. Chairman Smitherman inquired about the exclusion of financing and contingency costs. Mr. Grable confirmed that this process related to direct project capital costs only. **Mr. Fehrenbach moved for approval of the process with his two suggested edits. Mr. Helton seconded the motion.** Chairman Smitherman asked if Commissioners Anderson and Nelson had any additional comments. Commissioner Nelson responded that she may have some. Chairman Newton deferred action on this Agenda Item until after the lunch break.

#### **Possible Rescheduling of April and May Board Meetings from Tuesdays to Wednesdays to Avoid Legislative Conflicts (Agenda Item 8)**

Chairman Newton suggested that, due to possible Legislative conflicts in April and May 2009, the Board meetings be changed from Tuesday, April 21, 2009 to Wednesday, April 22, 2009 and from Tuesday, May 19, 2009 to Wednesday, May 20, 2009. **Mr. Ballard moved to change the April and May 2009 Board meeting dates to April 22, 2009 and May 20, 2009, respectively. Mr. Armentrout seconded the motion. The motion passed by voice vote with two opposed (Messrs. Fehrenbach and Gent).** Mr. Grable noted that any changes to the Texas Regional Entity and Board Q&A Meetings would be determined at a later time.





## **Semiannual Compliance and Internal Control Update (Agenda Item 9)**

Mr. Byone presented the Semiannual Compliance and Internal Control Update, including a review of the “stoplight” report. Mr. Armentrout inquired as to risk associated with Compliance. Mr. Doggett replied that operations compliance was identified as a yellow rating (outside management tolerance) until Chuck Manning was hired as ERCOT’s Chief Compliance Officer and until ERCOT is confident that it is audit-ready. Chairman Smitherman pointed out that a number of things can happen simultaneously which create unanticipated risk or can magnify the risk that an organization faces. Mr. Byone agreed and noted examples where ERCOT’s practices incorporate potential multiple event scenarios, namely that the credit model is being modified to take a more holistic view of all significant dynamics that may impact credit risk in the ERCOT market and that the grid operations team has been undertaking more broad scenario views to understand how combined events may impact the ERCOT grid. Mr. Byone added that the ERCOT management team regularly discusses potential issues to be addressed, that progress continues to be made on this new and evolving program, and that ERCOT management is open to Board and Commission input for enhancements. Chairman Smitherman requested a defined procedure for percolating those combined event issues (that would be potentially debilitating to the market) to the Board so that the Board could take action. Mr. Byone agreed that management could summarize the extent of current scenario planning for the Board so that the Board could determine whether they were robust enough. Mr. Byone then addressed ERCOT’s open audit points and illustrated the positive trend of closing the various open audit points. He noted that ERCOT is not required to comply with all the provisions of the Sarbanes Oxley Act as are public entities, but ERCOT was very close to doing so with many of ERCOT’s activities. Mr. Ballard asked whether ERCOT would be subject to the Sarbanes Oxley Act and the Federal Sentencing Guidelines if it obtained Section 501(c)(3) status. Mr. Byone replied that based on his understanding, obtaining such 501(c)(3) status should not alter the current level of applicability of the Sarbanes Oxley Act to ERCOT. Mr. Grable clarified that ERCOT is currently subject to very limited portions of the Sarbanes Oxley Act as a non-public organization and that any conversion to Section 501(c)(3) status should not affect the current applicability of the Sarbanes Oxley Act to ERCOT. Mr. Ballard requested an update on the applicability of the Federal Sentencing Guidelines if ERCOT obtained 501(c)(3) status.

## **Process for Evaluating Requests to Commit Nodal Discretionary Reserve Funds (Agenda Item 7a) – Continued**

Mr. Grable distributed red-lined versions of the process for evaluating requests to commit Nodal discretionary reserve funds based on input received from Mr. Fehrenbach. Commissioner Nelson referenced the Nodal budget discussion under Agenda Item 6 and requested monthly reporting so that the planned and actual spend could be easily reconciled. She further noted that the process as written did not address the outcome of unspent funds, that is, whether they would be returned to the discretionary reserve fund or allocated to another project. Mr. Cleary responded that this is one piece of the overall budget management process which needs to be in place, that ERCOT would have budgetary control initiatives in place to manage the vendors, contracts and resources for effectiveness and efficiency, that the changes in project requirements would be reviewed, that he would review all of these issues, that he would report to the Board on the budget versus actual spend, that he would not take resources away from where they are needed, and that ERCOT



would be diligent as to the budgetary spend. He added that any surplus funds would be added to the discretionary funds and that if any additional funds were required, he would make the request to the Board and would provide the reasoning for the request. Commissioner Nelson requested that the process be revised to address both noted issues. Possibilities regarding the method of handling the unspent funds were discussed. Mr. Grable generally summarized the proposed modifications as, before any request for discretionary funds from the Board is made, the Board will decide whether funds may be reallocated from another project and the Board will decide whether excess funds in a project will be included in the discretionary fund. Mr. Ballard requested clarification on the term “discretionary funds.” Chairman Newton, Mr. Cleary and Mr. Helton advised that these are contingency funds with added controls – specifically, those funds which are to be managed exclusively at the discretion of the Board. Chairman Newton deferred the vote until after the lunch break so that revisions to the process could be distributed to the Board members for their consideration.

### **Lunch (Agenda Item 10)**

Chairman Newton adjourned the meeting for lunch at approximately noon. The meeting reconvened at approximately 12:50 p.m.

### **Process for Evaluating Requests to Commit Nodal Discretionary Reserve Funds (Agenda Item 7a) – Continued**

Mr. Grable distributed a red-lined version of the process that he had prepared, including edits and review by Messrs. Cleary, Kahn and Doggett and Aaron Smallwood, ERCOT Director of Nodal Finance. Commissioner Nelson advised that the noted modifications to the process were acceptable. **Mr. Helton moved to approve the process for evaluating requests to commit Nodal discretionary reserve funds as modified. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

### **Technical Advisory Committee Report (Agenda Items 11 and 11a-f)**

Chairman Newton invited Mark Bruce, TAC Chair, to report on recent TAC activities.

### **Protocol Revision Requests (PRR784, PRR785, PRR786) (Agenda Item 11a)**

*PRR784 – Delete Use of Boundary Generation Resources to Resolve CRE Congestion [J. Aron]. Proposed effective date: April 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 removes language regarding resolution of Congestion on a Closely Related Element (CRE) by Boundary Generation Resources from Section 7.3.2, Resolution of Zonal Congestion. PRR784 was posted on October 28, 2008. On December 18, 2008 the Protocol Revision Subcommittee (PRS) voted to recommend approval of PRR784 as submitted with four (4) abstentions from the Independent Power Marketer (IPM), Independent Retail Electric Provider (IREP), Consumer, and Municipal Market Segments. On January 22, 2009 PRS unanimously vote to endorse and forward the PRS Recommendation Report and Impact Analysis for PRR784 to TAC. On February 5, 2009 TAC voted to recommend approval of PRR784 as recommended by PRS. There were two (2) opposing votes from the Independent Generator and Investor Owned Utility (IOU) Market Segments.



Mr. Fehrenbach asked about the reasoning for not exempting wind in PRR784 if this was just a wind issue. Mr. Bruce replied that wind raised this issue, but TAC ultimately determined that ERCOT does use this functionality for any unit for any purpose and a system change would be required. Mr. Adams agreed. **Dr. Patton moved to approve PRR784. Mr. Helton seconded the motion. The motion passed by voice vote with one opposed (Mr. Fehrenbach).**

***PRR785 – Timing for Required Black Start Unit Load Carrying Test [ERCOT]. Proposed effective date: April 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 required Black Start Unit Load Carrying Test from once every six (6) years to once every five (5) years. PRR785 and its corresponding Impact Analysis were posted on November 20, 2008. On December 18, 2008 PRS unanimously voted to recommend approval of PRR785 as submitted. On January 22, 2009 PRS unanimously vote to endorse and forward the PRS Recommendation Report and Impact Analysis for PRR785 to TAC. On February 5, 2009 TAC unanimously voted to recommend approval of PRR785 as recommended by PRS.

PRR 785 was approved as part of the Consent Agenda (Agenda Item 2).

***PRR786 – Modifications to Emergency Interruptible Load Service (EILS) Settlement [Settlement and Data Aggregation Working Group (SDAWG)]. Proposed effective date: April 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 revises language to: (1) clarify that the first settlement of the EILS Contract Period shall utilize a Qualified Scheduling Entity (QSE) Load Ratio Share (LRS) which is based upon the Final Load for each Operating Day in the EILS Contract Period; (2) introduce a resettlement of EILS Contract Period settlement utilizing a QSE LRS which is based upon the True-Up Load for each Operating Day in the EILS Contract Period; (3) remove conflicting language about EILS disputes; (4) clarify the timing by which EILS settlement disputes must be submitted; and (5) move all language related to the timing of the EILS settlement process to Section 9.5.5, Resettlement of EILS. PRR786 was posted on November 21, 2008. On December 18, 2008 PRS voted to recommend approval of PRR786 as amended by the December 9, 2008 Commercial Operations Subcommittee (COPS) comments with one (1) abstention from the IPM Market Segment. On January 22, 2009 PRS unanimously vote to endorse and forward the PRS Recommendation Report and Impact Analysis for PRR786 to TAC. On February 5, 2009 TAC unanimously voted to recommend approval of PRR786 as recommended by PRS.

PRR 786 was approved as part of the Consent Agenda (Agenda Item 2).

### **Nodal Protocol Revision Requests (NPRR135, NPRR161) (Agenda Item 11b)**

Mr. Bruce advised that both NPRRs 135 and 161 were reviewed by Mr. Kahn and both are impact-free. Mr. Bruce also noted that NPRR135 was in process prior to the approval of PRR799.

***NPRR135 – Deletion of Unaccounted for Energy (UFE) Analysis Zone Language [ERCOT].***



*Proposed effective date: Upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; no impacts to ERCOT business functions; no impact to grid operations and practices.* This NPRR deletes an outdated section pertaining to UFE analysis. NPRR135 was posted on June 20, 2008. On July 17, 2008 the Protocol Revision Subcommittee (PRS) unanimously voted to table NPRR135 pending development and approval of corresponding PRR770, Deletion of UFE Analysis Zone Language. On December 18, 2008 PRS unanimously voted to recommend approval of NPRR135 as submitted. The Independent Generator Market Segment was not present for the vote. On January 22, 2009 PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis for NPRR135 to TAC. On February 5, 2009 TAC unanimously voted to table NPRR135. On March 5, 2009 TAC voted to recommend approval of NPRR135 as recommended by PRS with one (1) abstention from the Investor Owned Utility (IOU) Market Segment.

**Clifton Karnei moved to approve NPRR135. Dr. Patton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

***NPRR161 – Clarification of Establishing Decision-Making Authority of Managed Capacity [ERCOT].** Proposed effective date: Upon Texas Nodal Market Implementation. No incremental cost to ERCOT; no impact to ERCOT staffing; no impact to computer systems; no impacts to ERCOT business functions; no impact to grid operations and practices.* This NPRR clarifies Nodal Protocol language on the obligation to provide ERCOT designated decision-making authority over Resources when considering pricing safeguards and when testing for competitiveness in resolving system constraints. The NPRR aligns Nodal Protocol language with the Public Utility Commission of Texas (Commission) Order adopting paragraph (e) of P.U.C. SUBST. R. 25.502, Pricing Safeguards in Markets Operated by the Electric Reliability Council of Texas. NPRR161 was posted on October 16, 2008. On November 20, 2008, PRS unanimously voted to table NPRR161 until the December 18, 2008 PRS meeting. On December 18, 2009, PRS unanimously voted to recommend approval of NPRR161 as amended by the December 12, 2008 ERCOT comments. The Independent Generator Market Segment was not present for the vote. On January 22, 2009 PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis for NPRR161 to TAC. On February 5, 2009 TAC unanimously voted to table NPRR161. On March 5, 2009 TAC voted to recommend approval of NPRR161 as recommended by PRS with one (1) abstention from the IOU Market Segment.

Mr. Bruce noted, with regard to NPRR161, that the language should be modified so that the resource owner would make a “declaration” to ERCOT rather than an “informational submittal” and that this language change should be made throughout NPRR161 to provide consistency in the terms and to avoid ambiguity. **Michehl Gent moved to approve NPRR161 as modified. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

### **Load Profiling Guide Revision Requests (LPGRR032) (Agenda Item 11c)**

LPGRR032 – Profile Decision Tree Changes for Advanced Meters [Profiling Working Group (PWG)]. Proposed effective date: Upon System Implementation. No incremental cost – LPGRR032 will be managed under PR80027\_01 Advanced Metering – Interim Settlement



Solution; project time-line will be managed under PR 80027\_01; no additional full-time equivalents needed; minor modifications to SAS and Lodestar systems; no additional business processes required; no impact to grid operations. This LPGRR specifies a meter data type assignment of 'IDR' and a profile segment assignment other than 'IDRRQ' for Electric Service Identifiers (ESI IDs) with Advanced Meters. For ESI IDs that have a meter data type of IDR (includes Advanced Meters and Interval Data Recorders (IDRs)), the default weather sensitivity code assignment is changed to 'weather sensitive.' For simplicity, this change treats all ESI IDs that have a meter data type of 'IDR' in the same manner. The default weather sensitivity code assignment is not retroactive. LPGRR032 was posted on October 10, 2008. On November 21, 2008 the PWG was in consensus to recommend approval of LPGRR032 as amended by PWG comments. On December 18, 2008 the PWG was in consensus to endorse and forward the Impact Analysis and the PWG Recommendation Report to the Commercial Operations Subcommittee (COPS). On January 13, 2009 COPS unanimously voted to recommended approval of LPGRR032 with PWG comments and endorse the Impact Analysis. The Consumer Segment was not present for the vote. On February 5, 2009 TAC unanimously voted to recommend approval of LPGRR032 as recommended by COPS.

LPGRR032 was approved as part of the Consent Agenda (Agenda Item 2).

#### **Technical Advisory Committee Report (Agenda Item 11) -- Continued**

Mr. Bruce noted that Operating Guide Revision Requests 219 and 220 were approved by TAC. Mr. Gent inquired about OGRR 219 and the proposal to remove the time-error correction. Mr. Adams advised that the proposal came from NERC, that this was not a reliability issue, but rather a commercial issue, and that this was to enable ERCOT to do the test to determine whether this is needed for reliability.

Mr. Bruce advised that ERCOT requested the addition of two new North to Houston Closely Related Elements (CREs) and that a TAC motion to reject the CREs failed by one vote. He added that the lack of TAC action resulted in the CREs being approved and that the CREs are expected to be removed from the list upon Singleton-related construction completion. Dan Jones of Potomac Economics mentioned that he raised concerns at TAC, that the operational impacts may offset benefits, and that if he had a vote, he would have voted against the proposal. Mr. Adams stated that there were only two 345kV paths North to Houston and that the CREs were needed for reliability. Chairman Smitherman expressed his concern about the possibility of ineffective and expensive congestion management. He mentioned that this issue needs additional thought and that it probably needs a subcommittee discussion before the next Board meeting for a mitigation plan as soon as possible and before the 21-day period begins.

#### **Appeal of Protocol Revision Requests 776 & 791 (Agenda Item 11d)**

Mr. Bruce provided an update on PRRs 776 and 791. He explained that the motion to approve PRR 776 failed by one vote, the motion to approve the combination of PRRs 776 and 791 failed by one vote, and there was no motion to approve PRR 791 standing alone. He advised that PRR 776 alone had a one-month impact and that the combination of PRRs 776 and 791 as well as PRR 791 alone both had a three-to-six month impact with a cost of \$50,000 to \$100,000. Mr.



Bruce noted that all three versions remained tabled at TAC. Chairman Newton mentioned that TAC did what the Board directed, that she was concerned that this was outside the usual appeals process, and that some could argue that these items may not be properly before the Board for vote. Mr. Bruce stated that the “limbo” issue may be resolved next month with a new PRR proposed for adoption. Mr. Dalton disclosed to the Board in an effort to maintain transparency that his employer, Valero, is a member of TIEC and he served as Chair of TIEC, and further that he had discussed these relationships with Mr. Grable in advance of the meeting and they had both concluded that this relationship did not present a conflict of interest. **Mr. Dalton moved to approve PRR 776, which he noted was properly before the Board.** Mr. Dalton stated that the Board instructed TAC to bring this matter back to the Board, which TAC did, and that the language of the PRR 776 remained unchanged in its second time before the Board. Mr. Armentrout asked Mr. Grable to comment on whether PRR 776 was properly before the Board. Mr. Grable mentioned that he agreed with Mr. Dalton that the original appeal remained pending before the Board. He also concurred with Chairman Newton’s comments that there are those who believe otherwise. **Dr. Patton seconded the motion.** Mr. Ballard read from the prior month’s minutes on this topic and stated that there was nothing before the Board and that he did not know how this matter made it onto the agenda. Mr. Grable replied that the Board agenda is controlled by the Chairman and that staff advised that the prior appeal remains pending. Mr. Ballard responded that he did not believe that this matter should be on the pending Board agenda and asked that the Board reconsider its decision from the prior meeting. Chairman Newton noted that there was a motion and a second on the floor for vote. Dr. Patton asked about PRR 650 and price suppression due to non-spinning reserve deployment truncating scarcity signal. Mr. Bruce replied that ERCOT can deploy non-spin, but will re-price at scarcity level. Dr. Patton mentioned that demand response is important and that this is a reliability issue. He asked why the existing offer price doesn’t incent demand response. Mr. Bruce and Mr. Adams responded that non-spin had depressed prices and that the market is not getting the signal that ERCOT needs to deliver in order for them to deploy. Mr. Jones explained that PRR 776 is good for supply and demand – it allows non-spinning reserves to reflect actual cost to deploy non-spinning reserves and it corrects the ex post nature of PRR 650 and gives certainty. Chairman Smitherman requested information on the TAC vote tally. Mr. Bruce advised that 67% of the vote of the seated members of TAC is necessary in favor of the motion for the motion to pass. Chairman Smitherman asked for the reason that the consumer group abstained from the voting. Mr. Ballard responded that the consumer group looked to the Independent Market Monitor, that the consumer group was in favor of PRR 776, but that PRRs 776 and 791 should be considered together. Mr. Helton added that PRR 776 does deepen scarcity pricing and that this issue has given rise to PRR 791. Chairman Smitherman inquired about regulatory uncertainty. Mr. Helton referred to pending legislation that PRR 791 would address. Mr. Gent asked staff to comment on reliability. Mr. Doggett responded that ERCOT supported PRR 776 and needed load participation and that ERCOT had no opinion on PRR 791 and looked to the Independent Market Monitor for advice on this matter. Mr. Jones advised that appropriate price signals need be sent. Chairman Smitherman asked whether there was any impediment at the Commission that prevents small generators from offering at cap. Mr. Jones replied that all generators are susceptible to an allegation of manipulative bidding behavior. Mr. Cox announced that he would be abstaining from the vote on PRR 776 alone since he believed that PRRs 776 and 791 needed to be taken together since they provide a better long-term solution. Chairman Newton mentioned that she would have liked for the Board to direct back to TAC to either pass both or reject both, which



would allow TAC to fix the “limbo” issue and then address the PRRs at that time. The Board members further discussed their positions on PRRs 776 and 791. **Dr. Patton made a friendly amendment to strike language on page 2 of 22, which was accepted by Mr. Dalton. Chairman Newton called for a vote. The motion passed by voice vote with two abstentions (Chairman Newton and Mr. Kahn).**

**Mr. Helton moved to approve PRR 791 with a 16-hour change noted by Mr. Bruce.** Mr. Helton explained that even FERC markets with capacity payments are moving to this. Mr. Jones explained that, in an energy-only market, it is critical prices reflect shortage conditions and that PRR 791 could reduce prices and require the supply curve to be exhausted. Mr. Dalton noted that this situation should not be addressed in a PRR and that it should be addressed in rulemaking at the Commission. Mr. Fehrenbach mentioned that he took issue with artificial scarcity pricing, that 90% of load cannot shift pricing in real time so it increases the risk to REP and price to the market, and that he did not believe that it was a price signal, but rather an inappropriate transfer of wealth. Mr. Jones mentioned that he disagreed with Mr. Fehrenbach’s position. **Mr. Dalton seconded the motion. Chairman Newton called for a vote. The motion failed with six in favor (Messrs. Cox, Crowder, Espinosa, Helton, Karnei, and Wilkerson), six opposed (Messrs. Armentrout, Ballard, Deryl Brown, Dalton, and Fehrenbach, and Dr. Patton) and three abstentions (Chairman Newton and Messrs. Gent and Kahn).** Chairman Smitherman encouraged those in favor of PRR 791 to come to the Commission to convene a meeting with all appropriate stakeholders, including the Independent Market Monitor. Mr. Bruce asked about the failed motion to approve PRR 791. Mr. Grable noted that the failed motion is not considered a rejection and that the “PRR 791 Discussion Group” chaired by Larry Gurley could be a good vehicle for kick-starting the Commission-level discussions that Chairman Smitherman had invited.

#### **TAC Response to PUCT and TRE re: Nodal Protocols Section 8 (Agenda Item 11e)**

Mr. Bruce provided the timeline on the TAC response to the Commission and Texas RE regarding the Nodal Protocols Section 8. Mr. Dalton requested that the entire Board be copied on letters to the Commission. Mr. Bruce agreed to do so.

#### **Quarterly Renewables Report to PUCT (Agenda Item 11f)**

Mr. Bruce discussed TAC’s first quarterly renewables report to the Commission. Mr. Ballard commented that it was the best wind report yet. Dr. Patton mentioned that he was not in favor of general uplift since he believed it was a hidden tax on the consumer. Mr. Bruce mentioned that TAC believes that it has addressed this issue. Chairman Newton mentioned that Mr. Ballard and Dr. Patton were interested in seeing TAC re-address it and suggested that Mr. Bruce meet with Mr. Ballard and Dr. Patton.

Mr. Bruce mentioned that he will provide the renewables report in the future to the Board prior to submitting it to the Commission. He also noted that the LaaRs study is progressing and might be brought to the Board by the summer.

#### **Finance & Audit (F&A) Committee Report (Agenda Items 12 and 12a-b)**



Mr. Karnei, F&A Committee Chair, reported on the F&A Committee's meeting earlier in the day. Mr. Karnei noted that the Committee in Executive Session received its monthly EthicsPoint update and Internal Audit status report and performed its annual review of the Chief Audit Executive's performance and compensation. Mr. Karnei added that the F&A Committee, also in Executive Session, discussed its external audit strategy and that currently PricewaterhouseCoopers is engaged to perform ERCOT's financial and SAS70 audits. He stated that the Committee had directed ERCOT staff to solicit three-year proposals from the Big 4 accounting firms. Mr. Karnei further reported that, in General Session, the F&A Committee received an update on where ERCOT is holding cash investments and that ERCOT is holding them in Treasuries or repurchase agreements. He noted that the F&A Committee is reviewing the economics of ERCOT changing its current tax status from 501(c)(4) to 501(c)(3), primarily for the benefit of utilizing tax-exempt financing versus taxable financing and that the F&A Committee has requested that ERCOT staff revisit the economics and provide an update at a future F&A Committee meeting. Mr. Karnei advised that the F&A Committee received an update on debt funding and financing plans, that ERCOT will need to procure an additional \$141 million debt capacity by the middle of the summer, and that discussions have been initiated to procure that additional debt.

#### **Approval of Financial Corporate Standard (Agenda Item 12a)**

Mr. Karnei reported that the F&A Committee considered modifications to the Financial Corporate Standard resulting primarily from discussions at a Commission open meeting a couple of weeks ago. He reminded the Board that it attempted to target a 60/40 debt-revenue ratio for funding of projects although it was not a specific requirement, that the Commission has requested that it be made more of an explicit requirement, and that the Financial Corporate Standard was revised to address the Commission's instruction. Mr. Karnei explained that the F&A Committee discussed the advantages and disadvantages of such revisions to the Financial Corporate Standard. He noted that the advantages include compliance with the Commission's direction. He further noted that the disadvantages include that such a change reduces ERCOT's financing flexibility of being able to adjust ERCOT's debt-revenue percentage which will put more pressure on ERCOT's fee cases and which could require a change in the cut line on capital projects. He advised that the F&A Committee moved to recommend approval of the proposed Financial Corporate Standard. **Mr. Karnei moved to accept the F&A Committee's recommendation to approve the proposed Financial Corporate Standard. Mr. Ballard seconded the motion. Mr. Fehrenbach proposed a friendly amendment to modify the language of the Sources of Funding section of the Standard from "ERCOT *will* use combination of equity (revenue funding) and debt..." to "ERCOT *may* use combination of equity (revenue funding) and debt..." so that ERCOT has the ability to fund projects entirely with equity. Messrs. Karnei and Ballard accepted the friendly amendment.** Mr. Dalton agreed with Mr. Fehrenbach and mentioned that he would like ERCOT strive to get closer to 100% equity funding beyond extraordinary projects like the Nodal Program. Mr. Karnei stated that the F&A Committee reviewed historical percentages and that ERCOT historically has run well over 40% revenue funding excluding the Nodal Program. **The motion passed by unanimous voice vote with no abstentions.**





### **Reconsideration of Nodal Surcharge Rate (Agenda Item 12b)**

Mr. Karnei noted that, in relation to the Board's prior approval of a flat-fee option (Option 2) on February 17, 2009, the F&A Committee considered a revised Nodal surcharge rate due to the Commission's instruction to maintain at least a 60/40 debt-revenue ratio and the approved revised Financial Corporate Standard (Agenda Item 12a). He stated that the F&A Committee recommended the authorization of ERCOT staff to seek an increase in the Nodal surcharge rate consistent with historical ERCOT capex revenue funding options (40 percent) (Option 3, either Option 3a or 3b, depending on the Commission's actions). **Mr. Karnei moved to accept the F&A Committee's recommendation and authorize ERCOT staff to seek an increase in the Nodal surcharge rate consistent with historical ERCOT capex revenue funding options (40 percent) (Option 3, either Option 3a or 3b). Miguel Espinosa seconded the motion.** Mr. Ballard supported this change, but still preferred the rate-parity option (Option 4). Mr. Byone advised that the Nodal surcharge rate was still subject to the Commission's actions on ERCOT's pending rate filing. Mr. Ballard stated that ERCOT staff needed flexibility, but any settlement for less than 40% revenue funding would need to come to the Board. Mr. Karnei added that the ERCOT staff could not do so pursuant to the newly adopted Financial Corporate Standard. Mr. Byone mentioned that ERCOT should be at 40% revenue funding by the Nodal go live date. Mr. Kahn agreed. Mr. Dalton commented that this was a step in the right direction. Chairman Newton called for a vote on the pending motion. The motion passed by unanimous voice vote with one abstention (Mr. Fehrenbach).

### **Finance & Audit (F&A) Committee Report (Agenda Item 12) – Continued**

Mr. Karnei continued the F&A Committee Report. He stated that the F&A Committee received an update on PricewaterhouseCoopers' commencement of its audit of ERCOT's 2008 financial statements and that the audit report is expected to be presented for F&A Committee and Board approval next month.

### **H.R. & Governance Committee Report (Agenda Item 13)**

Mr. Armentrout, H.R. & Governance (HR&G) Committee Chair, reported on the HR&G Committee's meeting earlier in the day. He advised that, in General Session, the HR&G Committee discussed the merit increase cycle and received the external relations update. He noted that the employee engagement survey is postponed until April 2009. Mr. Armentrout mentioned that he would share information regarding executive compensation in Executive Session. He added, with regard to the Texas Regional Entity (Texas RE), that it was an appropriate time to complete an organizational assessment of the independent division structure for the Texas RE and that, pursuant to instructions received at a prior Texas RE Advisory Committee Meeting, Larry Grimm, Texas RE Chief Executive Officer and Chief Compliance Officer, was asked to share results of his study with ERCOT ISO in the HR&G Committee meeting due to the potential impacts on ERCOT ISO. Mr. Armentrout noted that no organizational decisions had been made, but if any changes are recommended, those recommendations would come before the Board and those changes would be worked through the delegation agreement with North American Electric Reliability Corporation (NERC).



### **Confirmation of Texas Regional Entity Reliability Standards Committee Chair and Vice Chair (Agenda Item 14)**

Mr. Grable advised that this Texas RE Agenda Item was placed on the ERCOT Board agenda since the current delegation agreement approved by Federal Energy Regulatory Commission (FERC) has the ERCOT Board listed as the governing body. Mr. Grimm announced that the Texas RE Reliability Standards Committee (RSC) members have elected Rick Keetch with Reliant Energy as Chair and Paul Johnson with American Electric Power as Vice-Chair and requested confirmation by the ERCOT Board. **Chairman Newton moved to approve and confirm the Texas RE RSC's elected Chair and Vice-Chair. Dr. Patton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

### **MarkeTrak Project Status (Agenda Item 15)**

Mr. Doggett advised the Board of changes to the MarkeTrak Project (PR70007\_01) decision template that the Board members received in advance of the meeting, that is, the requested additional funding of \$70,000 should be \$85,000 and the total not-to-exceed amount of \$1,697,000 should be \$1,712,000. Mr. Doggett mentioned that the MarkeTrak Project was successful, that it was scheduled to complete in January 2009, that the Project was reported to be under budget until December 2008, and that it was determined at the end of January 2009 that the budget had been exceeded. He explained that a process is now in place to avoid this type of situation in the future. **Chairman Newton moved to approve the requested additional funding of \$85,000 and the new total not-to-exceed amount of \$1,712,000 for the MarkeTrak Project. Mr. Ballard seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

### **Other Business (Agenda Item 16)**

Chairman Newton asked for any other business for the Board to consider. Mr. Grable mentioned, in relation to the Board's approval last month of Texas RE SAR-001, that the Board instructed ERCOT staff to file a new SAR proposing to raise the ERCOT (ISO Segment) vote from ¼ to one vote. Mr. Grable stated that he wanted to inform the Board that because the Board's approval is not the last step and the SAR must be approved by NERC and FERC, it would be best to wait until SAR-001 was in effect to proceed with the Board's instructions. Mr. Grable also reminded the Board members to sign and return their Ethics Agreements. Chairman Newton added that all Board members need to put in writing any potential conflicts of interest. Mr. Grable encouraged the Board members to discuss the potential conflicts with ERCOT Legal whenever in doubt and noted that the terms of any particular engagements which may pose a conflict are not being requested. Chairman Newton requested that Mr. Grable provide a report of such disclosures. Mr. Ballard requested that Mr. Grable maintain a repository for such disclosures. Mr. Grable disclosed that he and Dr. Patton have been in communication regarding Dr. Patton's recent divestiture of a small amount of Market Participant stock and invited questions about such matter, but there were none.

### **Future Agenda Items (Agenda Item 17)**



Chairman Newton invited discussion on any future agenda items. Mr. Ballard requested advanced metering regarding December 2009 go-live date and the permanent settlement solution on future agenda items. Chairman Newton responded that smart grid and all demand response items would be included. Mr. Dalton requested addressing the PRR “limbo” matter as a future agenda item. Mr. Grable replied that this issue is controlled by Section 21 of the Protocols, that he had drafted PRR804 as a starting point for stakeholders to discuss how to end the “limbo” issue, that PRR804 was granted urgency without any exception, and that it is currently on track to come before the Board in April 2009. Mr. Grable mentioned that Board members could become involved with regard to PRR804 in any stage of the process or could change the language at the Board level. Mr. Grable noted that the Board has the right to pull this issue from the Protocols and address it in the Board’s Policies and Procedures, but that would represent a deviation from practice in the past. Calvin Crowder inquired about the level of disclosure as it pertains to the affiliated directors and ERCOT vendor list. Mr. Grable replied that disclosures of personal (versus employer) vendor relationships are required. Nancy Capezzuti, ERCOT Vice President and Chief Administrative Officer, advised that 360-degree reviews were being conducted of ERCOT officers and that all of the Board members would be receiving the opportunity to provide feedback. Chairman Newton requested that monthly updates be included of data center storage expansion and updates on the Nodal vendor contract negotiations from Mr. Cleary over the next couple of months. Chairman Newton requested status on a plan to address vendor “finger pointing” as a future agenda item at an undetermined date. Mr. Grable noted that Chairman Smitherman requested a report on load actuals running beneath forecast at the April Board meeting. Mr. Bruce asked if it would be acceptable for TAC to report at the April 2009 meeting on Reliability Strategies and Renewable Generation with a component of that presentation being Wind Metrics. Chairman Newton agreed to such proposal.

### **Executive Session (Agenda Item 18)**

Chairman Newton adjourned the meeting to Executive Session at approximately 3:15 p.m. She reconvened the meeting to General Session at approximately 5:32 p.m.

### **Vote on Matters from Executive Session (Agenda Item 19)**

Chairman Newton called for a vote on matters from Executive Session.

**Mr. Gent moved to approve all contract matters presented to the Board for approval under the Contract Matters Agenda Item and further to approve the Advanced Metering Project moving to implementation. Mr. Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Mr. Gent moved to ratify Mr. Cleary as Senior Vice President and Chief Technology Officer. Chairman Newton seconded. The motion passed by unanimous voice vote with no abstentions.**

The vote on Approval of Employment and Terms for Chief Executive Officer [Agenda Item 18b(i)] was deferred to the April Board meeting.



**Adjournment (Agenda Item 20)**

Chairman Newton adjourned the meeting at approximately 5:35 p.m.

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

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Michael G. Grable  
Corporate Secretary