

**MINUTES OF THE BOARD OF DIRECTORS OF
THE TEXAS REGIONAL ENTITY DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744
February 16, 2009

Directors

Jan Newton, Chair		Unaffiliated
Michehl Gent, Vice Chair		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Commission of Texas (PUC)	
Mark Armentrout		Unaffiliated
Don Ballard ¹	Office of Public Utility Counsel	Residential Small Consumer
Brad Cox	Tenaska Power Services	Independent Power Marketer
Miguel Espinosa		Unaffiliated
Nick Fehrenbach ²	City of Dallas	Commercial Consumer
Bob Helton	International Power America	Independent Generator
Charles Jenkins	Oncor Electric Delivery Company	Investor Owned Utility
Bob Kahn	Electric Reliability Council of Texas, Inc. (ERCOT ISO)	ERCOT ISO, CEO
A.D. Patton		Unaffiliated
Robert Thomas	Green Mountain Energy	Ind. Retail Electric Provider
Dan Wilkerson ³	Bryan Texas Utilities	Municipal

Segment Alternates

Jean Ryall (Ind. Power Marketer)

Other Attendees

Larry Grimm, Texas RE CEO & CCO
 Susan Vincent, Texas RE Director, Legal Affairs
 Victor Barry, Texas RE Director, Compliance
 Todd Brewer, Texas RE Senior Financial Analyst
 Ryan Clay, Texas RE Senior Paralegal
 Judith James, Texas RE Manager, Standards
 Sarah Hensley, Texas RE Standards Coordinator
 Nancy Capezzuti, ERCOT VP & CAO
 Don Jones, Reliant Energy
 Eric Goff, Reliant Energy
 Liz Jones, Oncor
 Chris Brewster, City of Eastland
 Dan Jones, Potomac Economics

¹ Robert Thomas designated Don Ballard as his proxy for a portion of this meeting.

² Andrew Dalton designated Nick Fehrenbach as his proxy for this meeting.

³ Clifton Karnei designated Dan Wilkerson as his proxy for this meeting.

Call to Order

Pursuant to notice duly given, the meeting of the Texas Regional Entity (Texas RE) Board of Directors (Board) convened at approximately 2:37 p.m. on February 16, 2009. Chair Newton called the meeting to order and ascertained that a quorum was present.

Election of Board Chair and Vice Chair

The Directors discussed whether the Board should have an election for Chair and Vice Chair, since Texas RE was part of the Electric Reliability Council of Texas, Inc. (ERCOT ISO) legal entity (although a functionally separate division), and the ERCOT ISO Board of Directors had already selected a Chair and Vice Chair for 2009. The Directors agreed to formally elect a Chair and Vice Chair and then discussed the value of electing the same or different Chair and Vice Chair than those selected by the ERCOT ISO Board of Directors.

Don Ballard made a motion nominating Jan Newton to serve as Chair and Michehl Gent to serve as Vice Chair of the Texas Regional Entity Board for the year 2009; Nick Fehrenbach seconded the motion. The Board approved the motion by unanimous voice vote.

Approval of Previous Minutes

Dan Wilkerson made a motion to approve the minutes of the November 18, 2008 Board meeting; Miguel Espinosa seconded the motion. The motion passed by voice vote with abstentions from Mark Armentrout, Nick Fehrenbach, and Robert Thomas.

CEO Report

Larry Grimm provided an update on the activities of Texas RE since the November meeting. Mr. Grimm told the Board that Texas RE staff has continued their Nodal Protocol reliability metric discussions with the Public Utility Commission of Texas (PUCT) staff and the ERCOT Technical Advisory Committee (TAC) Chair. Mr. Grimm also informed the Board that Texas RE has been monitoring the development of PRR 787 – which changes the QSE performance metric for SCPS scoring. Mr. Grimm told the Board that Texas RE staff had provided written comments to the Reliability and Operations Subcommittee (ROS) in opposition to PRR 787, because Texas RE believes that the revision would leave the metric basically meaningless. Mr. Grimm noted that only approximately five violations had been found in 2008, so the metric was not difficult to pass. Dr. Patton stated that PRR 787 appeared “risky and dangerous.” In response to a question by Robert Thomas asking Mr. Grimm to explain his concerns about the PRR in greater detail, Mr. Grimm explained that the proposed PRR 787 language would theoretically allow up to 1/3 of the QSEs to fail each month (a different 1/3 each month) with no protocol violation. This could result in a serious degradation of reliability. Mr. Upon the request of Mark Armentrout, Mark Bruce, TAC Chair, made some general comments about his understanding of the various market participant positions with regard to PRR 787. Chair Newton asked for Mr. Grimm and Texas RE staff to continue monitoring PRR 787 through the stakeholder process and update the Texas RE and ERCOT ISO Boards as needed.

Mr. Grimm announced that the 25th Annual ERCOT Operations Training Seminar will take place on Mondays through Thursdays beginning on March 9, 2009 and ending on April 16, 2009, at the Austin Wyndham Garden Hotel.

Mr. Grimm informed the Directors that North American Electric Reliability Corporation (NERC) is currently being assessed by the Federal Energy Regulatory Commission (FERC), as required by statute every three years. He explained that the FERC assessment was intended to assess the quality of the NERC and Regional Entity operations and the compliance of the eight Regional Entities with their delegation agreements. Mr. Grimm stated that he would send an e-mail to the Directors with a link to a survey on the NERC website.

Mr. Grimm said he was also pleased to report that Texas RE would be relocating to its new office space at the Terrace Two on the North-bound frontage road of Loop 1 (between Loop 360 and Barton Skyway) on either the weekend of February 28th or March 6th, depending on the completion of the finish-out.

Operating Reports

Mr. Grimm asked if any Directors had questions about any of the Compliance, Finance or Standards operating reports. Chairman Smitherman expressed his interest in the two coastal wind farms on page 7 of the compliance report (SCPS2 Scores for Wind Only QSEs), and after a brief discussion Texas RE staff agreed to provide the Chairman with updated and more detailed information as soon as possible. Chairman Smitherman also referenced the extremely low scores of down bid and obligation for "AM" and "BR" on the December 2008 Resource Plan Performance Metrics for Non-Wind Only QSEs (page 9 of the compliance report), and asked Texas RE staff explain similar scores in the future.

Approval of Standard Authorization Request (SAR) 001

Judith James, Texas RE Reliability Standards Manager, gave a short presentation of the history, substance, and varying positions regarding SAR-001. In response, Mr. Gent stated that he believes a one-quarter vote (for any entity) could set a bad precedence, and asked Ms. James why ERCOT ISO was not approved for a full vote by the Reliability Standards Committee (RSC). Ms. James explained that the majority of the RSC determined that as a company, ERCOT ISO should only receive a one-quarter vote because it was the only entity in its proposed segment and this was similar to the portion of representation other stakeholders have within their market segments. Ms. Newton asked Ms. James if ERCOT ISO would be the only ISO in the country without a full vote. Ms. James explained that it was not and presented the voting process for all eight Regional Entities. Dr. Patton stated that he would be in favor of ERCOT ISO receiving a full vote in the RSC versus the recommended one-quarter vote. Brad Cox asked if someone from ERCOT would provide a comment to the Directors. Mike Grable, ERCOT General Counsel, stated that he and Steve Myers had lobbied for a full vote for ERCOT by their submission of SAR-001; so, ERCOT ISO was not happy with the outcome. Mr. Grable then thanked Texas RE staff for their work with SAR-001. Ms. Vincent explained to the Directors that the delegation agreement currently states that each SAR shall be approved by the ERCOT ISO Board, and this SAR allows for the Texas RE Board to approve future SARs (not the ERCOT ISO Board). Mr. Grimm clarified that SAR-001 will probably not be the last SAR on which the ERCOT ISO Board would have to vote because SAR-001 will likely not be approved by FERC until approximately August 2009. The Directors then discussed the option of approving or remanding SAR-001 with instructions to allow ERCOT ISO a full vote. A number of Directors expressed displeasure with the one-quarter vote, but all Directors voiced agreement that ERCOT ISO did need some vote on SARs. Several Directors said that they did not want to delay the implementation of SAR-001 with a remand to try to give ERCOT ISO a greater vote. Mr. Fehrenbach stated that the ERCOT ISO Board could instruct ERCOT staff to file a SAR at the following day's ERCOT ISO Board meeting.

Don Ballard made a motion to approve SAR-001; Bob Helton seconded the motion. Chair Newton asked for any additional comments from the Directors. The motion passed by voice vote with 14 votes in favor and Dr. Patton voting in opposition.

Board Self-Evaluation Results

Ms. Vincent asked the Directors if there were any questions relating to the Board Self-evaluation results. Chair Newton asked if Texas RE staff identified internal or external areas that need improvement when dealing with Board members. Mr. Grimm and Ms. Vincent stated that they were able to identify several areas that would make the Board process work more smoothly, and Ms. Vincent stated that the next Board Self-evaluation survey will not be as time consuming.

Texas RE Advisory Committee Update

Mr. Gent informed the Board that the Texas RE Advisory Committee took the following actions at its meeting earlier that day:

- Recommended modified compensation for the Texas RE CEO, which the Board would discuss in executive session.
- Approved a 2008 financial audit engagement letter with PricewaterhouseCoopers.
- Recommended expanding the scope of the Advisory Committee to allow members to discuss compliance matters during months when the Board does not meet, as long as all Directors are permitted to attend executive sessions during any compliance-related discussions.

Bob Helton made a motion to authorize the Texas RE Advisory Committee to discuss compliance matters on months when the Board does not meet, as long as all Directors are permitted to attend executive sessions during any compliance-related discussions; Mark Armentrout seconded the motion. The motion passed by unanimous voice vote.

Mr. Thomas left the meeting at approximately 3:45, assigning his proxy to Don Ballard.

- Recommended the proposed 2009 Texas RE Strategic Plan. The Board briefly discussed the Texas RE 2009 Strategic Plan.

Dr. Patton made a motion to approve the recommended 2009 Texas RE Strategic Plan; Miguel Espinosa seconded the motion. The motion passed by voice vote with one abstention by Don Ballard.

- Recommended an additional Board meeting in June 2009, because of the need to accept the financial audit in May and to approve the 2010 Business Plan & Budget in June.

Miguel Espinosa made a motion to approval an additional Texas RE Board meeting on June 15, 2009; Dr. Patton seconded the motion. The motion passed by unanimous voice vote.

Executive Session

At 3:43 p.m., Chair Newton adjourned the open session meeting and the Board went into executive session.

Reconvene Open Session

At 4:06 p.m. Chair Newton adjourned the executive session portion of the Board meeting and reconvened the meeting to open session.

Michehl Gent moved to approve the 2009 terms of employment for Larry Grimm, Texas RE CEO, as discussed in the executive session and recommended by the Texas RE Advisory Committee; Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote.

Adjournment

Chair Newton adjourned the February 16, 2009 Board meeting at approximately 4:09 p.m.



Susan Vincent
Corporate Secretary