

**MINUTES OF THE
TEXAS REGIONAL ENTITY ADVISORY COMMITTEE**
Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744
April 21, 2009

Committee Members

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Mark Armentrout		Unaffiliated
Don Ballard	Counsel, Office of Public Utility Counsel	Residential Small Consumer
Miguel Espinosa		Unaffiliated
Jan Newton		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Commission of Texas	

Other Attendees

Larry Grimm, Texas Regional Entity CEO and CCO
 Susan Vincent, Texas Regional Entity Director, Legal Affairs
 Jeff Whitmer, Texas Regional Entity Manager, Compliance Enforcement
 Mark Henry, Texas Regional Entity Manager, Compliance Audits
 Tony Shiekhi, Texas Regional Entity Manager, Stakeholder Management
 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
 Jennifer Windler, LCRA
 Eric Goff, Reliant Energy
 Kenan Ogelman, CPS Energy

Call to Order and Executive Session

Chair Gent called the open session of the Texas Regional Entity ("Texas RE") Advisory Committee ("Committee") meeting to order at approximately 10:30 a.m. and immediately recessed the meeting for an Executive Session.

Open Session Reconvened

At 10:58 the Committee returned to Open Session.

Don Ballard moved for the Committee to direct Texas RE staff to draft a letter to the NERC Board of Trustees, on behalf of the Committee expressing the deep concern and disappointment with the proposed Interpretation Response to reliability standard PRC-005, Requirement 1. Jan Newton seconded the motion. The Committee discussed the issue briefly, and A.D. Patton stated that the current Interpretation Response by the NERC stakeholders to PRC-005, R1 was short sighted and contrary to reliability. The motion passed by unanimous voice vote.

Texas RE Update

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

- The annual Under Frequency Load Shedding survey (which verifies Transmission and Distribution Service Providers (TDSPs) have the correct amount) will be conducted.
- On April 29, 2009 Texas RE is hosting an educational workshop on reliability standards development and requirements for reliability of the Bulk Electric System on May 6, 2009. The compliance workshop agenda is located at <http://www.ercot.com/calendar/2009/05/20090506-TRESCW>. There may be one or two more workshops later this year. Ms. Newton requested a copy of the workshop's agenda.
- The ERCOT Operations Training Seminar ended on April 16, 2009. 656 people attended this year's training seminar over a six week period. This is the most attendees over the 25 year history of the training seminar. 95 percent of the attendees rated the seminar as good or better.
- Texas RE staff has determined that NOGRR 0025 (which adds Section 9 to incorporate metrics to be monitored and reported on for QSEs, Resources, TDSPs and ERCOT) still lacks the proper metrics at this time. Texas RE is concerned that the TAC will not incorporate appropriate reliability metrics by July 31, 2009.

Dr. Patton asked if Texas RE was comfortable with PRR 800 (which removes the WGR QSEs exemption established in PRR 777). Mr. Grimm confirmed that Texas RE staff is comfortable with PRR 800, in its current form, and that it will be considered by the Protocol Revision Subcommittee (PRS) later this month. In response to a question by Mr. Armentrout asking if PRR 800 "goes far enough", Jeff Whitmer, Texas RE Manager, Enforcement, informed the Committee that the Texas RE staff commented on PRR 800 and the Protocol Revision Subcommittee (PRS) incorporated the comments, so Texas RE is satisfied with PRR 800 in its current form. Mr. Ballard commented on the overall process of Protocol revision requests indicating that the process should be strictly followed.

Human Resource & Governance Issues

Recommend 2009 Goals and KPIs

Upon request by Chair Gent, Mr. Grimm reviewed the changes made to the Texas RE 2009 Key Performance Indicators (KPIs) since the last Committee meeting. Dr. Patton asked the Committee if it would be appropriate to increase the percentage of the goal of conducting compliance analyses of significant events in KPI 3 to 35%, given the significance of the importance of investigating events. The Committee agreed that the last two goals of KPI 3 (comply with NERC CMEP timelines and develop internal CMEP-related procedures) should be reduced to 5% each, and the investigation of events goal should be increased to 35% of the KPI.

Mark Armentrout made a motion to incorporate the aforementioned changes to KPI 3 and recommend the modified Texas RE 2009 KPIs to the full Board for approval; Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote.

Approval of Minutes

Mr. Armentrout made a motion to approve the minutes from the March 16, 2009 Committee meeting; Ms. Newton seconded the motion. The motion passed by unanimous voice vote.

Finance & Audit Issues

Monthly Financial Information

Todd Brewer responded to questions by Mr. Espinosa about the monthly financial information. In response to a question by Mr. Espinosa asking why Texas RE has not signed an MOU with ERCOT ISO, Ms. Vincent explained to the Committee that Texas RE had signed an MOU with ERCOT ISO in January 2008, but the parties were currently in the process of amending the MOU to adjust it for the Texas RE move from Met Center.

Mr. Espinosa also asked Ms. Vincent to summarize the legal expenses for the on-going FERC audit of Texas RE. Ms. Vincent stated that the expenditures to the Legal Department have remained relatively low to this point considering the depth of the responses and that a majority of the expenses are attributed to outside counsel review of possible privileged emails, printing and document indexing.

Ms. Newton pointed out that the “Consumable Expenses” and “Professional Services” categories on page 4 of the Financial Report were both above budget, but they had green arrows. Mr. Brewer indicated that the arrows should be yellow and agreed to make the correction in the future. Mr. Brewer responded to questions about the monthly report by Chair Gent.

Mr. Armentrout asked for Texas RE staff, starting in June to include a 2009 forecast column between the “Year to Date” and “Annual Budget” columns on page 6 of the Report. Mr. Brewer agreed to incorporate Mr. Armentrout’s request.

2010 Budget Overview

Mr. Grimm gave a brief overview and reflection on Texas RE’s 2009 performance and budget. Mr. Grimm stated he was proud of the Texas RE’s performance this past year. Mr. Grimm also indicated that the Texas RE would continue to work with NERC on process improvements. Chair Gent informed the Committee that NERC was staffing up to perform the CIP audits on nuclear facilities and requested that Texas RE auditors participate in future NERC nuclear audits that occurred in the ERCOT region.

Ms. Newton stated that since not all vacancies are filled the first month of each year, Texas RE might be over budgeting labor expenses. Ms. Newton noted that this category reflected an overage in 2008 as well as 2009. Ms. Newton also said that the Committee needs to understand the continued increase of Texas RE personnel staffing costs and determine when the ramp up would stabilize and flatten out. Chair Gent requested that the Texas RE attempt to “normalize the optics” reflected by the charts on page 10. Ms. Newton requested that the next budget presentation better describe the value added by the requested additional personnel.

In response to the Committee’s questions on the additional Compliance Enforcement personnel described on slide 20, Dr. Patton commented on the need to have sufficient personnel to perform the required compliance activities and said that a timely compliance analysis is essential for reliability. Mr. Grimm explained that Texas RE was trying to separate the tasks of compliance audits and any subsequent enforcement actions, in accordance with NERC’s preferred methodology.

Mr. Grimm told the Committee that the first draft of the Texas RE 2010 Business Plan and Budget (BP&B) was due to NERC on May 8, 2009.

Future Agenda Items

Mr. Armentrout asked Texas RE staff to add all significant BP&B dates to the list of Future Agenda Items. Ms. Vincent informed the committee that a new Confidentiality Agreement for ERCOT staff that provided services to Texas RE would be a future agenda item.

Compliance & Standards Discussion

Chair Gent noted that CPS1 was up in the ERCOT region from the previous month.

Dr. Patton discussed SAR 001 and the need to change ERCOT's ¼ vote to a full vote in the stakeholder process. In response to a question by Dr. Patton, Mr. Grimm explained that ERCOT ISO had not submitted a request for a new Standard Authorization Request to allow a full vote.

Chair Gent and the Committee generally discussed the listed compliance violations. In response to questions by the Committee, Mr. Grimm noted that Texas RE's relationship with NERC was very cooperative and that Texas RE works with NERC every step of the way through the compliance enforcement process. Mr. Armentrout generally discussed the Resource Plan metrics and the Committee agreed to discuss the details in Executive Session.

Chair Gent asked for TRE staff to elaborate on a recent frequency event. Jeff Whitmer explained that the oscillation event was caused by a stuck valve on a generating unit. Mr. Whitmer stated the unit was undergoing an approved test when this occurred and the event did not put the BPS at risk. The Committee briefly discussed the Conficker Virus and expressed concerns about potential impact to the BPS.

Adjournment

Chair Gent adjourned the Texas RE Advisory Committee into executive session at approximately 12:01 p.m., noting that the Committee would not return to open session.



Susan Vincent
Corporate Secretary