



**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
May 20, 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; Proxy for Miguel Espinosa
Ballard, Don	Office of Public Utility Counsel	Residential Consumer
Cox, Brad	Tenaska Power Services Co.	Independent Power Marketer
Dalton, Andrew	Valero Energy Corp.	Industrial Consumer; Proxy for Nick Fehrenbach
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
Thomas, Robert	Green Mountain Energy Company	Independent Retail Electric Provider
Wilkerson, Dan	Bryan Texas Utilities	Municipal; Proxy for Charles Jenkins

Staff and Guests:

Anderson, Kenneth	PUCT
Bell, Wendell	TPPA
Brandt, Adrienne	Austin Energy
Brenton, Jim	ERCOT
Brewster, Chris	City of Eastland
Bruce, Mark	MJB Energy Consulting
Byone, Steve	ERCOT
Capezzuti, Nancy	ERCOT



Carroll, Marianne	Brown McCarroll
Cleary, Mike	ERCOT
Cochran, Seth	RBS Sempra
Crozier, Richard	Brownsville
Cutrone, Chris	OPUC
Day, Betty	ERCOT
Delenela, Ann	ERCOT
Doggett, Trip	ERCOT
Doolin, Estrellita	ERCOT
Dreyfus, Mark	Austin Energy
Farley, Karen	ERCOT
Forfia, David	ERCOT
Gage, Theresa	ERCOT
Goff, Eric	Reliant
Grable, Mike	ERCOT
Grendel, Steve	ERCOT
Hobbs, Kristi	ERCOT
Howard, Richard	ERCOT
Hudson, Paul	
King, Kelso	King Energy
Kolodziej, Eddie	Customized Energy Solutions
Leady, Vickie	ERCOT
Manning, Charles	ERCOT
Morgan, Richard	ERCOT
Morris, Sandy	LCRA
Nelson, Donna	PUCT
Oehler, Melissa	PUCT
Ply, Janet	ERCOT
Roark, Dottie	ERCOT
Saathoff, Kent	ERCOT
Seibert, Dave	ERCOT
Seymour, Cesar	Suez
Son, Peter	E.On
Stephenson, Randa	Luminant
Tamby, Jeyant	Sungard
Taylor, William	Calpine
TroxteLL, David	ERCOT
Vadie, Henry	
Walker, Mark	NRG Texas
Wittmeyer, Bob	Denton Municipal Electric
Wullenjohn, Bill	ERCOT
Zerwas, John	PUCT



Call Open Session to Order (Agenda Item 1)

Jan Newton, Chairman, called the meeting to order at approximately 10:07 a.m., and determined that a quorum was present.

Consent Agenda (Agenda Item 2)

The following items were handled in the consent agenda:

- Item 8a – Protocols Revision Requests (PRRs) 797 and 800; and
- Item 8b – Nodal Protocols Revision Requests (NPRRs) 157, 163, 166 and 167.

The April 22, 2009 Board Minutes and System Change Request 753 were removed from the consent agenda for consideration under Agenda Items 3 and 8c, respectively.

Andrew Dalton asked Bob Kahn, ERCOT President and Chief Executive Officer, if any of the NPRRs had any potential impact on scope or budget. Mr. Kahn replied that PRR800 will have an impact of approximately \$8,000 which will be handled with internal staffing, but that none of the NPRRs would impact the Nodal scope or budget.

Mr. Dalton moved to approve the items on the Consent Agenda. Bob Helton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Approval of April 22, 2009 Minutes (Agenda Item 3)

Chairman Newton asked the Board if anyone had any additional changes to the April 22, 2009 Minutes other than the suggested changes distributed prior to the meeting. Mike Grable, ERCOT Vice President and General Counsel, confirmed that the distributed changes included changes made at the Board's Question and Answer (Q&A) Meeting held on the afternoon of April 21, 2009.

Mr. Helton moved to approve the April 22, 2009 Minutes. Mark Armentrout seconded the motion. The motion passed by unanimous voice vote with one abstention (Brad Cox).

CEO Report (Agenda Item 4)

Mr. Kahn began the CEO Report by assuring the Board that all PRRs, NPRRs, and similar proposed revisions that may affect the Nodal Program go through the CEO Review Process. He continued that going forward he would include a report, beginning next month, to indicate the impacts, if any, from proposed revision requests to the Nodal Program.

In addition, Mr. Kahn addressed the request from Barry T. Smitherman, Public Utility Commission of Texas (Commission) Chairman, for an analysis on the impact of the proposed climate change legislation on the electric market and ERCOT. He advised that ERCOT responded to the Chairman's request and issued its report on May 12, 2009, entitled "Analysis of Potential Impacts of CO₂ Emission Limits on Electric Power Costs in the ERCOT Region,"



which is available on the ERCOT.com web site. Mr. Kahn commended Dan Woodfin, Warren Lasher and their team for the report.

Mr. Kahn reported on the current outbreak of the swine influenza virus. He reported that ERCOT took the spread of the virus very seriously due to its potential severity. He noted that currently the virus does not appear to be as serious as first thought and that the Centers for Disease Control and Prevention (CDC) had recently lifted travel restrictions to Mexico. He advised that ERCOT implemented its pandemic plan which included working with the U.S. Department of Homeland Security, speaking with other Independent System Operators (ISOs), working with Market Participants through market notices, and keeping ERCOT Staff apprised of developments as they arose.

Call Open Meeting of Public Utility Commission of Texas to Order

At the conclusion of the CEO Report, Commissioner Smitherman called to order an open meeting of the Commission to consider matters which have been duly posted with the Texas Secretary of State (TXSOS) for May 20, 2009.

Operating Reports (Agenda Item 5a to 5d(1))

Chairman Newton reminded those in attendance that the Board held its regular Q&A Meeting regarding the Board materials on the afternoon of April 21, 2009. She opened this portion of the meeting to additional questions regarding the Financial Summary Report, Market Operations Report, Information Technology (IT) Report, Grid Operations and Planning Report and Emergency Interruptible Load Service (EILS) Update.

Financial Summary Report (Agenda Item 5a)

In response to a question from Chairman Smitherman, Steve Byone, ERCOT Vice President and Chief Financial Officer (CFO) confirmed that the Vendor Activity Report is correct in listing JPMorgan Chase twice due to separate debt obligations, but that the two JPMorgan entities would be consolidated going forward.

Market Operations Report (Agenda Item 5b)

Mr. Kahn pointed out that, beginning this month and continuing for the foreseeable future, the Market Operations Report also includes an Advanced Metering Update to ensure ERCOT is transparent on the progress of this important project. No questions were presented.

IT Report (Agenda Item 5c)

No questions were presented.

Grid Operations and Planning Report (Agenda Item 5d)

No questions were presented.



Emergency Interruptible Load Service (EILS) Update (Agenda Item 5d(1))

Kent Saathoff, ERCOT Vice President of System Operations, noted that updated slides were distributed to the Board which added current procurement results that were not available when the Board materials were distributed. He provided the Board with an update on the EILS Program.

Mr. Armentrout asked about the timing of EILS participant testing. Mr. Saathoff responded that EILS participants are only tested in the first contract period. Mr. Armentrout asked about the consequences to the EILS participants if they fail the test the first time. Mr. Saathoff responded that EILS participants are given two chances to pass the test, and if they do not pass the test the second time, they are eliminated from the EILS Program.

Mr. Armentrout further asked if EILS and Loads acting as Resources (LaaRs) are counted toward the Reserve Margin calculations. Dan Woodfin, ERCOT Director of System Planning, and Mr. Saathoff replied that LaaRs are counted toward Reserve Margin and EILS are not.

Mr. Dalton asked how ERCOT is looking at ancillary services as a whole. He reminded the Board that since the inception of the EILS Program responsive reserve procurements can increase by 500 megawatts at times and a LaaR study has been released that has more LaaR being able to participate in the ancillary service market. He asked if ERCOT has reviewed those interplays to determine the actual EILS needs. Mr. Dalton further expressed concerns that these services be procured in the most cost-efficient manner to limit the amount of uplift to consumers. Mr. Saathoff replied that the EILS Program is difficult to evaluate in those terms, as it is not used every day like other ancillary services and is more analogous to a reliability insurance policy. He added that EILS is viewed by some as a seed program to get more load participation at ERCOT. He stated that ERCOT is very conscious of the costs related to the EILS Program, which is the reason that not all bids are accepted. Mr. Dalton requested that, prior to execution of new EILS contracts, ERCOT conduct a cost-benefit analysis to be provided to the Board.

Mr. Helton stated he believed some EILS providers had failed their unannounced testing. Mr. Saathoff noted that Mr. Helton was probably referring to EILS resources that did not meet their required availability factors during the October 2008 to January 2009 contract period due to the economic downturn. Mr. Helton asked how ERCOT handles such EILS participants. Mr. Saathoff noted that if EILS providers had not met their contractual availability for a contract period then payments are reduced or eliminated and the EILS resource can be banned from the program. Mr. Saathoff further noted that ERCOT staff had discussed the recent availability shortfalls with Commission staff and that a joint decision had been made that, due to the severity of the economic downturn, EILS resources would not be disqualified in this one instance, although their payments were reduced accordingly. Mr. Helton asked whether this topic had been discussed with the Texas Regional Entity (Texas RE). Mr. Saathoff did not think it had. Mr. Helton expressed his concern that stressed economic conditions could possibly affect reliability. Chairman Smitherman noted that Sam Jones, former ERCOT President and CEO, recommended another tool for load response after the April 17, 2006 event and that the Commission implemented a rule adopting EILS in response to that recommendation.



Michehl Gent, Board Vice-Chair, asked when an event occurs, how long it takes to initiate the EILS Program, how the determination is made that it needs to be initiated, how the EILS participants are paid and what is the testing frequency. Mr. Saathoff responded that LaaRs are deployed if the responsive reserves drop below 1750 megawatts. If the frequency does not recover, then the EILS Program is deployed, which is the last step before firm load shed. Mr. Saathoff further stated that all EILS load is represented by Qualified Scheduling Entities (QSEs), that the QSEs representing EILS participants are called, and that they have ten minutes to shed their load. He said that EILS participants are paid at the end of the contract period when availability is confirmed. Mr. Saathoff added that new EILS participants are tested before a contract is signed.

Mr. Dalton asked if any EILS participants have been tested more than once. Mr. Saathoff responded that he believed some EILS participants have been tested twice, and they passed on the second test. Mr. Dalton asked if there are ongoing, random, compliance-related EILS testing. Mr. Saathoff stated that he would require additional information in order to respond to the question accurately and that he would follow up with the Board on this testing topic.

Commissioner Kenneth Anderson inquired about those EILS participants with economic conditions who did not meet their required availability. Mr. Saathoff replied that payments were not made or were reduced according to the ERCOT Protocols. Mr. Grable added that, in this instance, EILS participant payments would be withheld on a sliding scale depending on how badly they missed their 95 percent availability requirement. Commissioner Anderson also inquired as to the frequency of testing. Mr. Helton added that this appeared to be a compliance issue.

Mr. Grable confirmed that EILS participants are paid seventy (70) days after the end of the contract which allows all data to be provided and validated as to the EILS participants having met their availability. He further stated that ERCOT has the authority under Protocol Section 6.10.13.2 to test an EILS participant at any time at ERCOT's discretion.

Nodal Update (Agenda Item 6)

Mike Cleary, ERCOT Senior Vice President and Chief Technology Officer (CTO), presented the Nodal Program Update and reviewed the Nodal Program materials previously provided to the Board. Mr. Cleary reviewed the timeline, milestones performance, risks and issues to achieving Nodal's major milestones (including resource conflict for Advanced Metering and Nodal Program, handling CMM delays for Nodal Program, zonal resource constraints for Nodal Program, developing NMMS business processes and procedures, reconciling Protocols, systems and market expectations, and data center capacity concerns), people, Program initiatives and financials.

Mr. Cleary and Janet Ply, Nodal Program Director, discussed missing three of thirteen milestones (that is, State Estimator Statistics Extract EMS Phase 3, EMS release 6.5x SPR Patch 2 FAT complete, and MIS Build 11 complete into iTest) and that mitigation is underway. Mr. Gent asked if the delay shown on the EMS System is related to a missing patch on the software



or does it have something to do with the functional operation of the system. Mr. Cleary responded that the delay is an extract from the EMS System into the information that is contained within the data warehouse. He said it had nothing to do with the core functionality of the EMS System, but rather with a change in specifications that created a delay.

Mr. Helton requested that Mr. Cleary explain that while some important milestones were missed, it does not necessarily mean that there will be an impact to the critical path for the EMMS schedule. Mr. Cleary confirmed that none of the missed milestones will impact the overall schedule and budget. He added that he made a commitment to the Board that he would provide full disclosure.

Mr. Armentrout asked if the network management models, system release seven, are the last due functionality release. Mr. Cleary responded that system release seven is the most recent release. Janet Ply responded that release seven is predicated on release six and cannot continue without resolution of release six. Mr. Armentrout asked about the differences between release six and release seven. Mr. Cleary responded that release six has all the functionality required to gather information from Market Participants and release seven is when ERCOT will have to use the information from the Market Participants to integrate it into the other applications. Mr. Armentrout further asked why the credit system was coming in with three different releases. Ms. Ply responded that the credit system was actually one release that was split into three parts so that functionality could be separated and so that testing could be completed at each level. Mr. Wilkerson agreed with Mr. Armentrout's concerns.

A. D. Patton asked the delay created by the renaming of the database and the persons responsible for the renaming. Mr. Cleary responded that the change was done through the IT Department on behalf of the Nodal Program because databases needed to be set up in the test and production environments and the database could not use same name for each environment, but that the impact was not completely understood at the time.

Mr. Dalton inquired about the "parking lot" concept and whether it was limited to NPRRs. Mr. Cleary confirmed it was only for NPRRs. Mr. Cleary also pointed out that once go-live occurs, there will more than likely be an influx of NPRRs due to Market Participants seeing all applications working together. Chairman Newton commented that once Nodal goes-live, the system needs to be stabilized during testing and after go-live to identify areas where the Protocols may or may not be executing exactly the way they were meant to before the "parking lot" concept is implemented. Mr. Cleary agreed that the first two months after go-live will provide information regarding how stable the systems are and what changes will have to be made immediately. Mark Bruce, Technical Advisory Committee (TAC) Chair, explained that TAC's expectation is that there will be two groups of NPRRs in the "parking lot" – one group is NPRRs that are being worked on currently and that provide additional functionality beyond the point where the scope of the Nodal Project is locked down and the other group is those that would be assumed to be there as part of the Protocols but that cannot be implemented. Mr. Cleary then informed the Board that a Market Participant readiness coordinator had been hired and that \$5 million in additional unplanned work had been absorbed.



Chairman Newton mentioned that the Commission and the Board have been very interested in the vendor re-negotiations and requested confirmation that an update would be provided during the Executive Session portion of the meeting. Mr. Cleary confirmed an update would be provided.

Mr. Byone provided the Board with the monthly financial review of actual spending relative to the current Nodal Program budget. He noted that April 2009 was close to budget, that is, \$1.4 million under budget, with a total of \$13.6 million under budget for the year. Mr. Byone explained that the actual program-to-date costs are \$371.0 million versus budgeted costs of \$384.6 million. Mr. Cleary mentioned that \$4 million was taken out of the cumulative variance consistent with Board directives received in April. Mr. Byone advised that next month he would have better information on the drivers of the variances, but that he continued to have a high confidence level in actual spending amounts reported for the Nodal Program.

Chairman Smitherman asked about the interest rate assumptions under “Finance Charges” in the projections and, given the tools ERCOT is reviewing for interest rate management, the possibility of interest cost decreasing or increasing. Mr. Byone responded that there is a possibility the cost will change as it is driven by two key factors – one is the amount of debt that is incurred and the second is the rate that is assumed for the financing; each would impact the total amount of interest costs. Mr. Byone noted that the rate assumed in the presentation was about 5.5% to 6.0% depending on time period (historical versus future costs). Mr. Byone said he believed there was a strong possibility that the financing costs could be lowered as ERCOT takes some of the steps that are being proposed.

Mr. Helton asked, that while ERCOT does not know all the risks that will be realized, whether the debt would also have a downward effect on the finance changes if rather than paying down \$380 million ERCOT only had to pay down \$300 million. Mr. Byone replied that this is possible. He further stated that if the budget contingency or even other budgeted funds are not spent, the amount borrowed would be lower, which in turn would lower the total interest cost. He noted that the interest rate assumption is a key variable to which Mr. Helton added that so is the Nodal surcharge-rate.

Mr. Gent requested clarification on the term “number of resources” asking if that meant number of people. Mr. Cleary replied that term was based on the full time equivalent (FTE) numbers.

Chairman Newton asked if the information on the Monthly Budget to Actual Variance would potentially be modified month-to-month so that the Board has a better idea of where the budget stands. Mr. Byone stated that the month-to-month budgets have the potential to change, and that rolling numbers will be presented monthly.

Mr. Dalton requested clarification on the differences between the actual budget and the contingency. Mr. Cleary responded that the Nodal team should be able to come before the Board and have information on what is necessary to finish the project. He stated that if there is a case of something they know about now and expect to do in the future that will not be in the funds that are given back to the contingency. Mr. Cleary further stated that the only unknowns at this point are the potential risks. Mr. Byone added that if the Nodal team identifies a permanent difference,



the difference should be given to the Board, rather than rolled back into the Nodal Program. Donna Nelson, Commissioner, stated that the point should be to make it more difficult to spend any differences, so that the Nodal Program has an overall lower cost in the end.

Special Nodal Program Committee (SNPC) Report (Agenda Item 7)

Mr. Helton, SNPC Chair, provided the Board with the SNPC Report. He advised that the SNPC is working very closely with TAC leadership in relation to the Nodal Program to address the delaying of any functionality and that SNPC will also provide an update at the June 2009 Board meeting on the development of a new stakeholder group which would be akin to the former Transition Plan Task Force.

TAC Report (Agenda Item 8)

Chairman Newton invited Mr. Bruce to present the TAC Report.

PRRs (Agenda Item 8a)

PRRs 797 and 800 were approved as part of the consent agenda under Agenda Item 2.

Mr. Bruce notified the Board that PRR800 has a system change associated with it and a small cost impact less than \$50,000 (likely closer to \$10,000 or less). He noted that TAC had discussed ERCOT absorbing costs associated with system changes made to benefit Texas RE or at the request of Texas RE. Mr. Grable noted that this is not an administrative fee issue and that these costs are addressed through a Texas RE reimbursement under a Memorandum of Understanding (MOU) with ERCOT which gets charged to Texas RE's budget. Mr. Bruce noted that the methodology for these charges will become increasingly important as TAC addresses NOGRR025, which is an extensive project that will be concluded soon and which is subject to possible Texas RE requests for additional system changes to add reporting features. Chairman Newton requested a plan to address these types of system impacts and budgeting items.

NPRRs (Agenda Item 8b)

NPRRs 157, 163, 166 and 167 were handled as part of the consent agenda under Agenda Item 2.

Mr. Bruce noted that only NPRRs that do not have Nodal impacts and have passed PRR799 are being brought before the Board and that if an NPRR has an impact, it will be specifically identified as such.

System Change Request (SCR) (Agenda Item 8c)

SCR753 – Transmission Outage Notice Detail Enhancements [Reliant Energy]. Proposed effective date: Upon System Implementation. Minor cost impact to be managed under the operations and management (O&M) budgets of the affected departments; a System Investigation Report (SIR) will be initiated to implement this SCR – will take approximately one month upon ERCOT Board approval; no additional full-time equivalents needed; changes will be made to the



Market Operations System (public); no impact to ERCOT business functions; no impact to grid operations. This SCR proposes to enhance ERCOT's publishing of transmission Outage detail by requesting the publication of additional data which exists in the ERCOT database. SCR753 was posted on November 21, 2008. On February 12, 2009, the Reliability and Operations Subcommittee (ROS) unanimously voted to recommend approval of SCR753 as amended by the Operations Working Group (OWG) comments. On March 12, 2009, ROS unanimously voted to endorse and forward the ROS Recommendation Report and Impact Analysis to TAC for approval. On April 9, 2009, TAC unanimously voted to recommend approval of SCR753 as recommended by ROS.

Mr. Bruce stated that SCR753 is essentially enhancing the transparency of operations associated with resource outages and transmission outages by making available to the market non-confidential information which already exists in ERCOT's systems which ERCOT can see when it is queried, but which the Market Participants cannot easily access.

Mr. Gent expressed concern that the redlining made it appear that more information was deleted than added. Mr. Bruce replied that the deletions to the blackline language in the SCR were actually deletions to the proposed new language, which was not obvious from the materials. Mr. Bruce requested that ERCOT send a market notice to Market Participants indicating where the information is located (including the URL) and what information is available. Mr. Doggett agreed to do so.

Mr. Gent moved to approve SCR753. Mr. Armentrout seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Parking Deck Concept for NPRRs (Agenda Item 8d)

Mr. Bruce explained that, with the implementation of PRR799, the ERCOT CEO evaluates submitted NPRRs to determine if each NPRR is necessary prior to the Texas Nodal Market Implementation Date (TNMID). He stated that a process is needed to manage NPRRs that the ERCOT CEO determines are not necessary prior to the TNMID and that on April 23, 2009, the Protocol Revision Subcommittee (PRS) unanimously recommended approval of a parking deck concept for NPRRs. He further stated that on May 7, 2009, TAC recommended approval of the parking deck concept whitepaper for NPRRs with one abstention from the Independent Power Marketer Market Segment.

Mr. Armentrout asked about a process similar to the "parking deck" by which a PRR that had been approved by the Board but did not "make the cut" would be held by TAC so that it did not cycle back through to the Board at any given time. Mr. Bruce replied that TAC has not held a PRR for quite some time and that this process is effectively the same as using the current greyboxing in the Protocols. Mr. Armentrout asked for the reasoning for a Board vote on a process currently in practice. Mr. Bruce replied that a vote was not required, but TAC thought it would be prudent to provide the concept to the Board for feedback.

Mr. Helton suggested that the concept go to the SNPC for review and comment at the June 2009 SNPC meeting prior to any Board vote.



Mr. Gent asked if an NPRR could be approved without there being an impact or cost benefit. Mr. Grable stated that the approvals of NPRRs are part of the committee processes and that the greater issue may be the consequences of subcommittees, TAC and the Board “approving” an NPRR that has no Impact Analysis (IA) or Cost-Benefit Analysis (CBA) attached to it. Mr. Cleary commented that this is a sensitive issue in the market, that it would be good for the Board to give process approval, and that the Market Participants know that there is a process of managing deferred risk functionality going forward. A.D. Patton inquired about the possibility of creating possible unfulfilled expectations amongst those proposing the PRRs. Mr. Bruce and the Board members discussed the historical issues encountered with greyboxing. Mr. Grable pointed out that the PRRs are not fully approved without IAs and CBAs.

Commissioner Nelson asked if, under the TAC proposal, NPRR actions could be appealed to the Commission. Mr. Bruce replied affirmatively since Protocol Section 21 applies to all PRRs and NPRRs. Commissioner Nelson pointed out that if such items are appealed to the Commission, the Commission would be without all needed documentation. Mr. Bruce agreed.

Chairman Newton suggested that the SNPC, on behalf of the Board, review the Parking Deck concept proposed by TAC and make a recommendation to the Board.

Mr. Armentrout stated that he believed that without this concept there would be more confusion and unnecessary use of Market Participant resources. He noted two proposed changes to Attachment B of the Board materials with the first change occurring in the fourth paragraph, “If the Board approves the NPRR, the NPRR language will be incorporated into the Nodal Protocols as grey-boxed language. . .” adding, “pending the cost benefit analysis and further prioritization of TAC.” He added the second change should occur in the last paragraph, changing the year 2012 to read “post go-live.” **Mr. Armentrout moved to approve the Parking Deck Concept for NPRRs, including the aforementioned changes to Attachment B.** Chairman Newton called for a second on the motion, but there was none.

Mr. Cox supported the SNPC’s review of the concept due to his concern regarding the likelihood that PRRs and NPRRs coming before the Board twice – once without IAs and CBAs, and then with IAs and CBAs.

Mr. Karnei moved that the Board refer the Parking Deck concept proposed by TAC to the SNPC for further evaluation and for report to the Board. Mr. Cox seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Helton requested that the Parking Deck Concept be added to both the SNPC agenda and the Board agenda for June.

Conclusion of TAC Report

Mr. Bruce concluded his report to the Board with a discussion on the ERCOT Planning Charter. Upon hearing a reference to a contested case pending before the Commission, the Commissioners and Commission staff physically left the meeting room until the conclusion of



the topic. Chairman Newton requested that the relevant materials on this topic be provided to the Board well in advance of the meeting and that the discussion on the ERCOT Planning Charter be deferred to the June 2009 Board meeting to allow the Board ample time to review the materials.

Mr. Helton requested that the restructured TAC engagement on Nodal be placed on the SNPC Agenda for June 2009.

Lunch (Agenda Item 9)

The meeting adjourned for lunch at approximately 12:15 p.m. and reconvened at approximately 1:10 p.m.

Notice of Permian Basin Unit 5 RMR Agreement (Agenda Item 10)

Mr. Saathoff provided a brief description of the Permian Basin Unit 5 RMR Agreement. He said that this unit was one of fifteen units that were listed on Notice of Suspension of Operations forms (NSOs) from Luminant earlier in 2009. He advised that after ERCOT evaluated the units, it was determined that two of the fifteen units would need to continue operations – Permian Basin Unit 5 and Permian Basin Unit 6. He continued that Permian Basin Unit 5 was scheduled to cease operations on May 5, 2009, and that ERCOT entered into a Reliability Must Run (RMR) Agreement with Permian Basin Unit 5 to provide for the unit's availability. Mr. Saathoff advised that ERCOT must provide the Board with notice of any RMRs pursuant to the ERCOT Protocols. Mr. Saathoff noted that Permian Basin Unit 6 is still available. He added that Luminant did not plan to cease operations of that unit until September 30, 2009 at which point in time, ERCOT will probably enter into an RMR Agreement for Permian Basin Unit 6. He advised that the RMR Agreement with Permian Basin Unit 5 will terminate December 31, 2009 and, if an RMR Agreement is entered into with Permian Basin Unit 6, it will also terminate December 31, 2009.

Dr. Patton observed that RMR means moving a cost from a deregulated area to a regulated area and the cost is being uplifted to load. He commented that he believed that this is a continuous trend and that it does not send the right market signals and is not transparent. He suggested ERCOT seek non-RMR alternatives. Mr. Saathoff noted that ERCOT Staff is studying exit strategies from the RMR contracts.

Mr. Gent noted that on the RMR Agreement there were several "To Be Determined" blanks and also that there was not a termination date. Mr. Grable pointed out that the information in the Board materials was the NSO received, and not the RMR Agreement.

Mr. Helton asked if information regarding Permian Basin Unit 5 is required to be posted to the Internet according to the Protocols. Mr. Saathoff responded that the information should already be posted, but that he was unaware of having to call on either unit since the agreement went into effect.

Mr. Saathoff provided a subsequent update on the EILS testing, previously discussed under Agenda Item 5d(1), stating that ERCOT not only does unannounced tests upon entering the EILS



Program, but also conducts tests at least annually. Also, he stated that if during the year the contract amount is changed more than twenty percent, another test is conducted.

Carbon Study Report (Agenda Item 11)

Mr. Woodfin provided the Board with a presentation on the Carbon Study Report, which was prepared at the request of Chairman Smitherman.

Chairman Smitherman asked about the source of the \$7 per MMBtu gas price. Mr. Woodfin responded that it was derived from the EIA forecast for the 2013 timeframe. Chairman Smitherman inquired about the impact of filed legislation which requires the emissions to be three percent below the 2005 levels by 2012. Mr. Woodfin responded that for reporting purposes, ERCOT used the 2005 levels in the report to keep the scenarios constant. Chairman Smitherman asked if the Board could reasonably conclude that if the emissions were three percent below the 2005 levels, then the prices would be higher than those stated in the report. Mr. Woodfin agreed.

Mr. Karnei asked how much of the reductions in emissions are due to lower energy consumption and how much is due to change in dispatch from coal to gas. Mr. Woodfin answered that in all scenarios except two, the assumption was that the load would remain constant. Mr. Karnei praised ERCOT on the quality of the Carbon Study Report.

Ms. Newton noted that the Carbon Study Report received much media attention and asked if that generated inquiries to ERCOT. Mr. Woodfin responded that ERCOT received numerous media-related questions regarding the Carbon Study Report.

Mr. Ballard asked if ERCOT was going to update the findings based on new legislation. Mr. Kahn replied that ERCOT has not contemplated an update and currently has no plans to do so. Mr. Ballard requested that ERCOT staff be prepared to address any passed legislation. Chairman Smitherman commented that, due to the various new versions of the bill, he would not request an update until the passing of the legislation is more imminent. Mr. Grable noted that the legislation is presently being monitored.

Mr. Ballard asked about the methodology for translating a rise in wholesale costs into consumer costs. Mr. Woodfin directed Mr. Ballard to the Carbon Study Report's appendix which illustrates the change in load weighted average cost base LMPs. He explained that the differences in those scenarios can be multiplied by 1,000 kW hours to give the impact on a typical consumer.

Commissioner Nelson and Mr. Woodfin discussed the EIA gas-prices forecast and its validity given how volatile gas prices can be.

Commissioner Anderson, Chairman Newton and Mr. Armentrout commended ERCOT Staff on the quality of the Carbon Study Report.



Finance & Audit (F&A) Committee Report (Agenda Item 12)

Mr. Karnei, F&A Committee Chair, stated that the Committee met earlier in the morning and considered the following matters:

- Reports from the Internal Audit Staff;
- 2009 Audit Goals (which are on track for this year);
- EthicsPoint report;
- ERCOT's Debt Financing (specifically ERCOT's exposure to floating rate debt);
- ERCOT's Insurance Coverages;
- Solicitation of Bids for Financial Statement and SAS 70 Audit;
- Annual Review of Internal Audit Department Charter (which had no changes from last year);
- 2009 Operating Budget (with an emphasis on reducing cost expenses);
- 2010 Budget;
- Update on Investments; and
- Report from Credit Working Group (CWG) (including a report from Morgan Davies).

Market Credit Risk Standard Approval (Agenda Item 12a)

Mr. Karnei provided a brief history of the creation of the need for a Market Credit Risk Standard (Standard). He noted that the Standard as written does not address credit risk tolerances or action plans if risk tolerances are exceeded as originally recommended by an outside consultant, Oliver Wyman, Inc. Despite these limitations, he advised that the F&A Committee believes that this reporting Standard is a positive step in credit risk assessment and monitoring for the ERCOT market and that the F&A Committee is recommending the Standard for approval by the Board.

Mr. Karnei moved to approve the Market Credit Risk Standard. The motion was seconded by Mr. Wilkerson.

Chairman Newton asked if the missing elements were ever developed. Mr. Byone advised that the elements have not been fully developed. Chairman Newton asked if there was a timeline for developing the Standard further. Mr. Byone replied that the current version of the Standard will help provide an understanding of the risks and will help formulate a timeline upon which ERCOT would need to take additional steps.

Mr. Kahn added that he feels ERCOT is making progress with the creation of the Standard, but is eagerly anticipating a final Standard that can be enforceable. Mr. Helton reminded the Board that it decided to wait until Nodal implementation on fully developing the Standard and that the Board agreed to the timing of these steps when Oliver Wyman reported to the Board. Ms. Newton asked about the timing of obtaining meaningful data to initiate development of the Standard. Mr. Byone replied that ERCOT will begin getting results mid-summer and that he anticipated ERCOT would need to gather another six months of data history to determine any changes to the Standard.



Chairman Newton requested that the Board receive an update on the Standard by the end of the year or first of next year.

The motion passed by unanimous voice vote with no abstentions.

H.R. & Governance (HR&G) Committee (Agenda Item 13)

Mr. Armentrout, HR&G Committee Chair, stated that the Committee met earlier in the morning and considered the following matters:

- ERCOT – Texas Regional Entity (TRE) Relationship;
- Report on Turnover within ERCOT;
- Update on Employee Engagement Study (which did not indicate any significant problems);
- Review of Market Participant Survey (which will be completed on a bi-annual basis);
- Update on External Relations; and
- Review of Quarterly Accomplishments against the Key Performance Indicators.

Other Business (Agenda Item 14)

No other business was raised.

Future Agenda Items (Agenda Item 15)

Chairman Newton invited discussion on future agenda items. Mr. Gent suggested adding an item regarding seasonal assessments. Mr. Karnei suggested adding the model results as they relate to the Standard to the October 2009 Board meeting. Mr. Helton requested adding data storage for Nodal go-live with the TAC Report on Inter-Control Center Communications Protocol Program in July 2009. Mr. Bruce replied that it would all be addressed at the June 2009 Board meeting. Mr. Dalton suggested adding an EILS Update for the July or August 2009 Board meeting.

Executive Session (Agenda Item 16)

Chairman Newton adjourned the meeting to Executive Session at approximately 2:00 p.m. She reconvened the meeting to General Session at approximately 4:35 p.m.

Voting on Executive Session Items (Agenda Item 17)

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

Mr. Helton moved to approve Item 16c(3) as discussed in Executive Session. The motion was seconded by Mr. Wilkerson. The motion passed by unanimous voice vote with no abstentions.



Mr. Helton moved to approve Item 16c(4) as discussed in Executive Session. The motion was seconded by Mr. Karnei. The motion passed by unanimous voice vote with no abstentions.

Mr. Karnei moved to approve Item 16d(1) consistent with the proposed resolution. The motion was seconded by Mr. Wilkerson. The motion passed by unanimous voice vote with no abstentions.

Mr. Thomas moved to approve Item 16d(3) consistent with the proposed resolution. The motion was seconded by Mr. Cox. The motion passed by unanimous voice vote with no abstentions.

Mr. Gent moved to approve Item 16g. The motion was seconded by Mr. Helton. The motion passed by unanimous voice vote with no abstentions.

Adjournment (Agenda Item 18)

Chairman Newton adjourned the meeting at approximately 4:40 p.m.

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

Michael G. Grable
Corporate Secretary