

**DRAFT MINUTES OF THE
TEXAS REGIONAL ENTITY ADVISORY COMMITTEE**
Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744
July 20, 2009

Committee Members

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

Other Directors

Bob Helton	IPA	Independent Generator
Steve Bartley	CPS Energy	Municipal

Other Attendees

Larry Grimm, Texas RE CEO and CCO
 Susan Vincent, Texas RE Director, Legal Affairs
 Victor Barry, Texas RE Director, Compliance
 Elaine Conces, Texas RE IT Manager
 Derrick Davis, Texas RE Corporate Counsel
 Ryan Clay, Texas RE Senior Paralegal
 Tony Shiekhi, Texas RE Stakeholder Management Manager
 Judith James, Texas RE Standards Manager
 Todd Brewer, Texas RE Senior Financial Analyst
 Rashida Caraway, Texas RE Compliance Engineer
 Richard Morgan, ERCOT ISO CIO
 Nancy Capezzuti, ERCOT ISO VP and CAO
 Chuck Manning, ERCOT ISO
 Bill Wullenjohn, ERCOT ISO
 Kent Saathoff, ERCOT ISO
 Deann Walker, CenterPoint Energy
 Mark Bruce, MJB Energy Consulting
 Jennifer Windler, LCRA
 Eric Goff, Reliant Energy

Call to Order

Chair Michehl Gent called the open session of the Texas Regional Entity ("Texas RE") Advisory Committee ("Committee") meeting to order at approximately 2:23 p.m.

Approval of Previous Minutes

Mark Armentrout made a motion to approve the minutes of the June 15, 2009 Committee meeting; Jan Newton seconded the motion. The motion passed by unanimous voice vote.

Texas RE Administrative Update

Larry Grimm provided an update on the activities of Texas RE since the June meeting including:

- Update on Texas RE separation activities:
 - Texas RE launched its new separate website (www.texasre.org) earlier this month.
 - Draft 1 of the Texas RE Bylaws has been completed and is presented to the Committee for review and comments.
 - Currently making proposed revisions to the Amended Delegation Agreement with NERC (assuming legal separation), but many details hinge on the finalization of the new Texas RE Bylaws.
- Texas RE has been apprised that it will be reviewed, as an independent division of ERCOT ISO, during the special Sunset Review of ERCOT ISO during the Public Utility Commission of Texas Sunset Review. In response to a question from Jan Newton asking if Texas RE will have costs associated with the Sunset Review, Susan Vincent responded that it would, and Texas RE expected the Review would take up a significant amount of staff time and require some outside counsel assistance; so, Texas RE was in the process of estimating the cost anticipated for the Review process.
- The Texas RE's 2010 Business Plan & Budget (BP&B) has been submitted to NERC and will be considered by the NERC Board of Trustees at its August 5, 2009 meeting.
 - Regions will all likely need to amend their approved 2010 Business Plans & Budgets to include performing Technical Feasibility Exceptions (TFEs). NERC pulled TFEs out of their first draft budget, and the regions are in the process of estimating the cost of TFEs. At this point, the regions do not know how many TFEs will be submitted, or how long it will take to process a single TFE. Based on these unforeseen factors, Texas RE will most likely be submitting a proposed supplemental budget to the Board and then to NERC.
 - TFE is a procedure by which a Responsible Entity to which the NERC Critical Infrastructure Protection (CIP) Standards apply may request and receive approval for an exception from the terms of certain requirements of the CIP Standards on the grounds of technical feasibility or technical limitations.
- Texas RE's finding of violation by the Army Corps of Engineers was chosen to move forward to FERC as a test case Notice of Penalty (NOP), for jurisdictional concerns between FERC and other federal departments.
- PRR 822 (Removing Access to Restricted Computer Systems, Control Systems and Facilities) status update – Protocol Revision Subcommittee (PRS) vote on the request to grant urgent status failed due to a lack of a quorum. However, PRR 882 will be considered at the next PRS meeting, which is on Thursday July 23rd. The Committee expressed concern that the PRS members might not have appropriately considered the

Board's concerns and request for urgency. Mark Bruce noted that this was a preliminary vote and it is not uncommon for an urgent request to fail because of a lack of a quorum, particularly in the summer. Chair Gent said that he would raise this issue at the ERCOT ISO Board meeting the following day. Ms. Newton and Miguel Espinosa suggested that the email vote process may need to be modified.

Review of New Texas RE Website

Elaine Conces, Texas RE Information Technology Manager, gave the Committee members a brief overview of the new Texas Regional Entity website (www.texasre.org). Ms. Newton suggested putting a link under "Quick Links" that will allow a user to easily file a complaint. Ms. Conces agreed with Ms. Newton's suggestion, and said that Texas RE staff knew that improvements would need to be made over the next few months.

Monthly Financial Report

Todd Brewer provided an overview of Texas RE Financial Report to the Committee:

In June, Texas RE had 31 employees on staff, excluding interns, which is 1.0 employee less than budget. Chair Gent asked whether revenue was going to be over budget for both statutory and non-statutory. Mr. Brewer explained that non-statutory revenue will be less than budget, because Texas RE forecasts that expenses will be less than budgeted and revenue is determined by the expense reimbursement method. (Non-statutory expenses to date are less than budget; therefore, revenue may be less than budget.)

Ms. Newton asked about the professional services expense forecast and inquired about the variance expected in 2009. Mr. Brewer indicated that there were direct expenses incurred in 2009 that were not budgeted in professional services. Instead, those expenses were budgeted in facilities and support.

Human Resources & Governance Issues

Draft Bylaws for Separate Texas RE

Chair Gent informed the Committee that he and Mr. Armentrout had met to discuss the draft Bylaws and would send comments to Ms. Vincent for the preparation of the second draft of the Texas RE Bylaws. Ms. Newton asked the Committee if they believed five Board members would be appropriate for Texas RE or whether fewer Directors would be better. Don Ballard questioned why public *ex officio* board members were non-voting members in the draft Bylaws. The Committee discussed the composition of the proposed new Texas RE Board of Directors. Mr. Armentrout informed the Committee that he will take the Texas RE Bylaws to the ERCOT ISO Human Resources and Governance Committee (HR&G) to solicit input. Mr. Ballard questioned the need for the Texas RE Bylaws to be reviewed by HR&G and wanted to understand if this Committee would be making any changes. Mr. Armentrout responded that no changes would be made to the Texas RE Bylaws by HR&G and that only comments would be solicited from HR&G. Ms. Vincent explained that Texas RE planned on sending the draft Texas RE Bylaws to all market participants after the Board's comment and review period. Ms. Newton commented on the potential conflict with HR&G reviewing the Texas RE Bylaws. Mr. Ballard suggested renaming Texas Regional Entity during the separation process.

Discussion of Possible Delegation Agreement Revisions

Ms. Vincent informed the Committee that the Texas RE Delegation Agreement with NERC must be amended for any legal separation, but the details of some of the required modifications would depend upon the ultimate modifications to the Texas RE Bylaws. Mr. Armentrout indicated that time is of essence and that all comments related to the Texas RE Bylaws needed to be submitted to Ms. Vincent within seven (7) days, close of business July 27, 2009.

Operating Reports (Q&A)

Standards Report

Judith James, Texas RE Standards Manager, gave a brief overview of the status of SAR-001 which among other things gives ERCOT ISO a one-quarter vote in the standards development process. She informed the Committee that ERCOT ISO had intervened and filed a protest, seeking a full vote for ERCOT ISO, and Austin Energy filed comments in support of ERCOT ISO's protest. Mr. Ballard asked the Committee who authorized ERCOT ISO staff to file a protest to SAR-001, and Ms. Newton commented that the ERCOT ISO Board would discuss the matter the following day. Ms. James also informed the Committee that she and a Texas RE standards drafting team (comprised of ERCOT region registered entities) that was working on SAR-003 (which proposes revisions to BAL—001) were meeting with FERC on August 27th, to discuss the draft standard. In response to a question by Chair Gent, Ms. James confirmed that NERC was invited and expected to be present when the Texas RE stakeholder team was to meet with FERC.

Compliance Report

In response to a question from Dr. Patton asking about the failing of two (2) non-wind QSEs, Mr. Barry informed the Committee that one of the failing QSEs in the June 2009 SCPS2 Scores for Non-Wind Only QSEs Report was the same as last month and PUC staff is now involved.

Chair Gent asked Texas RE staff why the order of the entities on Resource Plan Metrics changed. Mr. Barry and Ms. Vincent explained to the Committee that Texas RE changed the chart to maintain confidentiality.

In response to Dr. Patton's questions about the July 13, 2009 workshop on the Nodal Protocol metrics, Mr. Barry explained that it went well and that the Nodal Protocols walk-through was successful.

Richard Morgan, ERCOT ISO CIO, asked to speak and expressed concern about IT services being provided to Texas RE for issuing reports to monitor Protocol compliance. Mr. Morgan stated that he estimated that Texas RE received nearly double the expected services from ERCOT ISO IT than were anticipated by ERCOT ISO IT under the MOU between Texas RE and ERCOT ISO. Ms. Vincent said that the MOU was intended to cover the administrative information technology services used by Texas RE and not to pay for needed system changes due to Protocol Revision Requests (PRRs). She explained that when certain wind metric PRRs were approved by the ERCOT ISO Board, there had not been a dollar impact included, because ERCOT ISO thought Texas RE would develop and pay for the needed changes or IT tools. Texas RE thought that ERCOT ISO would develop needed tools or system changes required for it to receive data in a manner it could evaluate, and Texas RE had no project budget. Ms. Vincent confirmed that any such project budget would come from the ERCOT ISO system administration fee – regardless of whether ERCOT ISO or Texas RE sponsored the project.

Mr. Grimm explained that going forward, particularly because the metrics would only be needed until Nodal went live, Texas RE would look at other methods for conducting the monitoring of these PRR metrics (so system changes or new tools did not need to be developed), such as spot checks, self-certifications, and incident reports.

In response to a question from Mr. Espinosa about how Texas RE receives data, Mr. Barry informed the Committee that Texas RE has read-only access to ERCOT data. Mr. Espinosa asked if Texas RE access to ERCOT data would change if Texas RE is separated from ERCOT ISO. Mr. Grimm confirmed that this access will need to remain even after the separation. He explained that NERC and FERC also had access to this data and the other regional entities had access to their respective regions' data as well.

Mr. Gent asked Ms. Vincent to send the Directors a link to see the publicly available NERC violations and fines.

Ms. Newton noted that page 23 of the Compliance Report stated "Budget request: Texas RE will require an additional 0.75 FTE to monitor and process the new exemptions." Ms. Newton asked if Texas RE was requesting action from this statement. Ms. Vincent informed the Committee that Texas RE was not making a budget request at this time, and that this was to inform the Committee that if the PRR was approved by the ERCOT ISO Board, it would have a resource impact on Texas RE. Mr. Grimm said that Texas RE could alternatively use spot checks and self certifications to identify the exemptions (with limited impact on its resources), instead of reviewing each one.

Dr. Patton expressed his concern about losing the Texas RE Compliance Report if Texas RE is separated from ERCOT ISO. Mr. Grimm informed the Committee that they would still have access to the public version of the Texas RE monthly Compliance Report. Ms. Vincent also informed the Committee that if Texas RE continues to monitor and report on Protocol Compliance, Texas RE would still report public and confidential Protocol matters to the ERCOT ISO Board. Ms. Newton asked that Chuck Manning, ERCOT ISO Chief Compliance Officer, Mr. Barry and Mr. Grimm create a process so that when Texas RE has separated, ERCOT ISO Board would continue to get the Texas RE Compliance Report.

Adjournment

Chair Gent adjourned the open session of the Texas RE Advisory Committee at approximately 3:38 p.m.

Susan Vincent
Corporate Secretary