

Proposed Separation Plan January 11, 2010

Topic	Issue	Details	Plan	Complete
A. Initial Governance Decisions				
1.	Legal separation from ERCOT	Texas RE Board decision	6/15/09	10/19/2009 √
2.	Board Composition	<ul style="list-style-type: none"> 4 independent directors & Texas RE CEO PUCT Chair and OPUC Public Counsel (ex officio non-voting) 2 Affiliated (MRC chair & vice chair) 	8/17/09	10/19/2009 √
3.	Membership Sectors	<ul style="list-style-type: none"> Transmission Generation System Coordination LSE/PSE Municipal Utility Cooperative Utility 	8/17/09	10/19/2009 √
4.	Corporate name & Non-profit status	Texas Regional Entity 501(c)(3)	11/1/2009	10/19/2009 √
B. Prepare for governance and legal changes				
1.	Bylaws	Draft and obtain comments on 1 st draft	7/20/09 to 8/17/09	√
2.		Review comments on revised 2 nd draft	8/20/09 to 9/14/09	√
3.		Review Comments on 3 rd draft	10/19/2009	√
4.		Board Vote on bylaws draft (for submission to FERC as pre-filing)	10/19/2009	√
5.		Confirm "straw" membership acceptance (have pre-formation meeting to confirm intended membership sectors will approve proposed Bylaws prior to submission of pre-filing to FERC)	November 24, 2009	√
6.		Form new corporation to allow for membership vote approving bylaws	January 2010	January 1, 2010 √
7.		Confirm with formal membership vote prior to filing with NERC Board of Trustees	January 2010	February 5, 2010
8.	Delegation Agreement	Prepare delegation agreement modifications, per new bylaws – send out for comments	10/30/09	Updated through January 8, 2010
9.	Obtain input from regulators	<ul style="list-style-type: none"> PUCT (Executive Director, Chairman, Legal counsel) 	On-going	
10.		<ul style="list-style-type: none"> NERC (CEO, General Counsel) 	On-going	December 7, 2009 Pre-filing; February 2010 formal filing
11.		<ul style="list-style-type: none"> FERC (OER, OE, GC, and Chairman) 	6/10/2009 12/07/2009	December 7, 2009 Pre-filing; February 2010 formal filing

12.	Determine Director Competencies	The Board as an entirety shall have familiarity with regional system operation issues in the ERCOT Region and reflect expertise in: <ul style="list-style-type: none"> • Technical electric operations and reliability • Legal and/or senior corporate leadership • Financial and risk management • Regulatory matters 	In the Bylaws	√
13.	Find Directors	Retain search firm and source	February 2010 and On-going	
14.	Educate Directors	Prepare training materials and schedule meetings for training sessions	On-going	
C. Prepare for Separate Operations				
1.	Texas RE policies and procedures	Develop and adopt any needed additions	On-going	May 2010
	Protocol Compliance	Transition Protocol compliance files and activities with PUCT <ul style="list-style-type: none"> • Send current procedures to PUC (done) • Continue to perform Protocol compliance work through end of 2010 • Work with PUCT staff to assist with its transition plan • Provide training for and transition files to new compliance entity 	On-going	12/31/2010
2.	ERCOT equipment and administrative services	Transition <ul style="list-style-type: none"> • Human Resources and Benefits • Membership services • Finance (accounting, treasury, etc.) • Information Technology 	On-going	~April 2010 except HR, which will transition on Implementation (~June 2010)
3.	Transition contracts and other services	Transition contracts, equipment, software, etc.	On-going	May 2010 for non-HR services



Texas Reliability Entity, Inc. Separation Implementation Update

Board of Directors Meeting
January 18, 2010



Background & Overview

Background of Formation Activities

- **November 24, 2009 Straw Membership Meeting:**
 - Confirmed consensus regarding draft Bylaws and determined name – Texas Reliability Entity, Inc.
- **December 7, 2009:**
 - Texas RE discussed proposed amended Delegation Agreement (based upon the new Bylaws) and 2010 business plan & budget (Budget) with FERC senior staff
- **December 14, 2009:**
 - Texas RE Board recommended approval of Bylaws, Amended Delegation Agreement, and Amended 2010 Business Plan and Budget
- **January 1, 2010 –Texas Reliability Entity, Inc. formed**
 - Will perform administrative activities (approve legal documents and bank accounts, form nominating committee for independent directors) until FERC approves Delegation Agreement

Overview of Transition

- **Current Texas RE will continue to perform NERC activities under the current Delegation Agreement until after FERC approves new Delegation Agreement**
- **Independent Directors must be identified and approved by membership (at least 3 before implementation)**
- **When FERC approves Delegation Agreement and Budget for Texas Reliability Entity, Inc.:**
 - Implementation period (60 days) for transition
 - New Texas RE will hire employees of and transfer assets from current Texas RE
 - Delegated NERC (and Protocol compliance) activities will then transfer to new Texas RE
 - Membership may vote to select Sector representatives before or after FERC approval

Texas Reliability Entity Membership

- **6 Membership Sectors**

- System Coordination and Planning (RC, BA, PA, RP, IA)
- Transmission and Distribution (TO, TP, DP, TOP, TSP)
- Cooperative Utility (with any NERC registration)
- Municipal Utility (with any NERC registration)
- Generation (GO, GOP)
- Load Serving and Marketing (and future Demand-Side function) (LSE, PSE)

Texas Reliability Entity Governance Structure

- **Board of Directors**
 - Hybrid Board – 9 Directors
 - 4 Independent Directors
 - Texas RE CEO
 - 2 Affiliated (membership) Directors
 - ◆ Chair of Member Representatives Committee
 - ◆ Vice Chair of Member Representatives Committee
 - PUCT Chair, *ex officio* non-voting
 - OPUC Public Counsel, *ex officio* non-voting
- **2 Committees**
 - Member Representatives Committee
 - Reliability Standards Committee
- **Transitional (2010) non-statutory (Protocol) activities in addition to delegated activities**

Member Representatives Committee (MRC)

- **2 representatives each from the 6 Membership Sectors (except Sectors with < 2 members) will serve annually and will annually select a chair and vice chair (from different Sectors – to provide “balance”) to serve as Board members**
- **Purpose**
 - Provide advice and recommendations to the Board, through its chair and vice chair (as directors) regarding:
 - Annual budgets and business plans
 - Funding mechanisms of Texas RE
 - Other matters relevant to reliability of the ERCOT BPS or compliance
 - Other matters pertinent to purpose and operations of Texas RE (except standards development)
 - May create subcommittees or working groups, if needed for specific topics

Reliability Standards Committee (RSC)

- **2 representatives from each of 6 Standards Development Sectors (except Sectors with < 2 members) will serve annually**
- **Purpose (similar to current committee)**
 - Review, participate in, and manage the Regional Standards Development Process, including proposed new or revisions to Regional Standards and Regional Variances
 - Coordinate the development of Regional Standards and variances with the development of national standards
 - Monitor, review, and comment on:
 - NERC (national) standards under development
 - NERC standards interpretation requests
 - Other standards development-related activities

Reliability Standards Committee Sectors

- **Standards Development Sectors**

- System Coordination and Planning
- Transmission
- Cooperative Utility
- Municipal Utility
- Generation
- Load Serving, Marketing, Demand Response, and ***any entity with a direct and material interest in the ERCOT region BPS that is not eligible for membership in any other Sector****

***Differs from Membership Sectors to allow participation by non-registered entities**

Next Steps & Upcoming Activities

Delegation Agreement and Budget Timeline

- **Next Steps in approval process:**
 - January 18, 2009 – Texas Reliability Entity, Inc. (New Texas RE) Board to approve Bylaws and Amended Delegation Agreement and 2010 Business Plan & Budget (BP&B)
 - Documents posted by January 11th
 - Late January – File Amended Delegation Agreement and BP&B with NERC Board of Trustees (BOT) for approval
 - February 11th – NERC F&A meeting
 - February 16th and 17th – NERC BOT meeting
 - Late February 2010 – Formally file Amended Delegation Agreement and 2010 BP&B with FERC

Corporate Membership Applications

- **Membership applications will be sent on or about January 12th via email to:**
 - The Primary Compliance Contact of each registered entity, and
 - The TexasRE_Info Listserv
- **Complete the email form (the completed email is the application) and send to Information@texasre.org)**
 - Your email response (completed as instructed) feeds into a membership database - be careful and use correct registered entity legal name!
 - Remember to notify your PCC if the application email should be forwarded to a different employee (only send one application per company)
 - Application can designate a different membership contact person
- **Send check for dues (\$250) to Texas Reliability Entity, Inc. to: Attn: Membership Services, 2700 Via Fortuna, Suite 225, Austin, Texas 78746**
 - Notify Texas RE if you have good cause and are unable to pay dues

Upcoming Corporate Membership Activities

- **Early February Membership Vote on Bylaws**
 - Need membership vote approving Bylaws prior to NERC BOT February 16th vote
 - Expect email membership vote to approve Bylaws in early February – Texas RE will provide at least 10 days notice of vote
 - Must be a registered member to vote
- **Membership must approve Independent Directors**
 - Need to have at least 3 Independent Directors approved by implementation (June)
 - Membership vote will be scheduled when candidates are identified by nominating committee
- **Other Sector Activities**
 - Sectors may hold elections for representatives for RSC and MRC at any time

Communication of Status

- **Texas RE will send membership information to registered entity Primary Compliance Contacts**
- **Texas RE staff will send general updates to Texas RE Information Listserv**
- **Send questions to Information@texasre.org**
- **Updates (sent to Information@texasre.org or PCCs) will be posted under Announcements on the Texas RE website**



Questions?

Send Questions to Information@texasre.org
