



**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  
Austin, Texas 78744  
December 15, 2009 at 1:30 p.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
Crowder, Calvin	AEP Service Corp.	Investor Owned Utility
Dalton, Andrew	Valero Services, Inc.	Industrial Consumer
Doggett, Trip	ERCOT	Interim President and Chief Executive Officer
Dreyfus, Mark	Austin Energy	Municipal
Espinosa, Miguel		Unaffiliated
Fehrenbach, Nick	City of Dallas	Commercial Consumer
Gent, Michehl		Unaffiliated, Board Vice Chairman
Helton, Bob	International Power America Services	Independent Generator
Karnei, Clifton	Brazos Electric Power Cooperative Inc.	Cooperative
Newton, Jan		Unaffiliated, Board Chairman
Patton, A.D.		Unaffiliated
Ryall, Jean	Constellation Energy Commodities Group	Independent Power Marketer (after Agenda Item 3)
Smitherman, Barry T.	Public Utility Commission of Texas (PUCT)	Commission Chairman
Torrent, Gary	Office of Public Utility Counsel	Residential Consumer; Proxy for Don Ballard
Zlotnik, Marcie	StarTex Power	Independent Retail Electric Provider

Staff and Guests:

Anderson, Kenneth	PUCT - Commissioner
Barrow, Les	CPS Energy
Bell, Wendell	TPPA
Bowman, Roy	ERCOT
Brewster, Chris	City of Eastland



Bruce, Mark	MJB Consulting
Capezzuti, Nancy	ERCOT
Cleary, Mike	ERCOT
Cochran, Seth	Sempra
Crowder, Calvin	AEP Service Corp.
Day, Betty	ERCOT
Doolin, Estrellita	ERCOT
Drost, Wendell	Areva
Fournier, Margarita	Competitive Assets
Grable, Mike	ERCOT
Gresham, Kevin	E.ON Climate & Renewables
Headrick, Bridget	PUCT
Hellinghauser, Bill	EDF Trading
Hobbs, Kristi	ERCOT
Holloway, Milton	Center for the Commercialization of Electric Technologies (CCET)
Jones, Dale	Pedernales Electric Cooperative, Inc.
Jones, Randy	Calpine
Kimbrough, Todd	NextEra Energy
King, Kelso	King Energy Consulting
Kolodziej, Eddie	Customized Energy Solutions
Kremling, Barry	Guadalupe Valley Electric Cooperative
Lane, Terry	LS Power
Leady, Vickie	ERCOT
Manning, Charles	ERCOT
McPhee, Eileen	Lloyd Gosselink, Attorneys at Law
Morehead, Julianna	ERCOT
Morgan, Richard	ERCOT
Morris, Sandy	LCRA
Nelson, Donna	PUCT – Commissioner
Ogelman, Kenan	CPS Energy
Oswalt, Vicki	Consumer Residential TAC
Prochazka, Scott	CenterPoint Houston Electric
Roark, Dottie	ERCOT
Ryall, Jean	Constellation Energy
Saathoff, Kent	ERCOT
Sandidge, Clint	Sempra Energy Solutions
Schubert, Eric	BP Energy Company
Soutter, Mark	Invenergy
Troutman, Jennifer	AEP Energy Partners
Walker, Mark	NRG Texas
Wullenjohn, Bill	ERCOT
Zion, Mark	Texas Public Power Association (TPPA)



### **Call Open Session to Order and Announce Proxies (Agenda Item 1)**

Jan Newton called the meeting to order at approximately 1:32 p.m., pointed out the Antitrust Admonition and determined a quorum was present. She noted that, earlier in the morning, ERCOT's Corporate Members confirmed and approved ERCOT's 2010 Board of Directors. She welcomed the new Board members.

Barry T. Smitherman, Public Utility Commission of Texas (Commission) Chairman, noted that he called an open meeting of the Commission to order during ERCOT's Annual Meeting earlier in the morning to consider matters which have been duly posted with the Texas Secretary of State for December 15, 2009. He added that, since the Commission's meeting had not been adjourned, the Commission's open meeting was continuing during the Board meeting.

Ms. Newton offered condolences on behalf of the entire Board to former Board member Brad Cox and his family for the passing of Mr. Cox's son over the prior weekend.

### **Election of Board Chair and Vice Chair (Agenda Item 2)**

**Ms. Newton moved to elect Michehl Gent as Vice Chair of the 2010 Board. Andrew Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Bob Helton moved to elect Ms. Newton as Chair of the 2010 Board. Mark Armentrout seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

### **Committee Member Preference for 2010 (Agenda Item 3)**

Chairman Newton reminded the Board members about the Committee Member Preference Form for 2010. Mike Grable, ERCOT Vice President and General Counsel, provided additional background related to completion of the form.

### **Board Retreat Discussion (Agenda Item 4)**

Chairman Newton noted, earlier in the year as part of its cost containment discussions, that the Board had kept the option open to have a Board Retreat, like the one typically held each February. Mark Armentrout, Chairman of the H.R. & Governance (HR&G) Committee, reported that the HR&G Committee concluded that the Board should continue its practice of holding a Board Retreat for purposes of Board orientation and refresher training coordinated by ERCOT's Legal staff. He added that the HR&G Committee believed that the Board Retreat would be an appropriate venue to discuss strategic matters for the upcoming year. He noted that webcasting costs should be evaluated in choosing a venue for the Board Retreat. Mr. Gent and Mr. Helton also noted their support for holding a 2010 Board Retreat.

Chairman Newton suggested that a Board Retreat be held immediately after the February 2010 Board meeting, that is, on Wednesday, February 17, 2010. Mr. Grable suggested that proposed Board Retreat agenda items be submitted to Chairman Newton as soon as possible.



Chairman Smitherman recommended that the Board Retreat be organized as economically as possible. Mr. Grable confirmed that the Board Retreat would be required to be webcast. Chairman Newton suggested that the Board Retreat be held at the Met Center absent any other economical alternatives.

Mr. Gent inquired whether there was any package to provide to new Board members in advance of the Board Retreat. Mr. Grable replied that the Unaffiliated Director Orientation materials are being updated and would be ready in advance of the Retreat, and that he would immediately circulate a copy of the most recent ethics presentation to the Board.

#### **Confirmation of Technical Advisory Committee (TAC) Representatives (Agenda Item 5)**

**Miguel Espinosa moved to confirm the TAC Representatives as presented. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

#### **Consent Agenda (Agenda Item 6)**

The following items were handled in the consent agenda:

- Agenda Item 7 – Approval of November 17, 2009 Board of Directors Meeting Minutes as modified by Mark Bruce, TAC Chair (that is, the modification of references noted as the “WGR issue” to the “WGR definition issue” and of other minor clerical matters); and
- Agenda Item 16a – Protocol Revision Requests (PRRs) 824, 827 and 840;
- Agenda Item 16b – Nodal Protocol Revision Request (NPRR) 196.

**Mr. Helton moved to approve the above-noted items on the Consent Agenda as modified. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

#### **Approval of Minutes of November 17, 2009 Board of Directors Meeting (Agenda Item 7)**

The minutes of the November 17, 2009 Board of Directors Meeting were modified and approved as part of the Consent Agenda under Agenda Item 6.

#### **Chief Executive Officer (CEO) Report (Agenda Item 8)**

Trip Doggett, ERCOT Interim President and CEO, reviewed the CEO Update presentation with the Board. Chairman Newton and Chairman Smitherman inquired about the Tres Amigas filings with the Federal Energy Regulatory Commission (FERC). Mr. Grable replied that ERCOT planned on intervening in this FERC docket but had not yet decided on any position on the filings themselves.

Mr. Doggett recognized the efforts of John Dumas and Warren Lasher for their contributions to the *IEEE Power and Energy Magazine* for the November/December 2009 issue. He noted that ERCOT is encouraging its subject matter experts to be more involved on a national level in areas such as wind integration. He also commended Jim Brenton, ERCOT Director of Critical



Infrastructure Protection (CIP) Standards, on his notable election by the North American Electric Reliability Corporation (NERC) CIP Committee to one of four voting positions on its Executive Committee. Mr. Doggett noted the charitable involvement of ERCOT employees in the construction of a home for Habitat for Humanity in Taylor. Chairman Newton expressed her gratitude to the ERCOT employees for their contributions not only to critical work tasks, but also to community activities. Kent Saathoff, ERCOT Vice President of System Planning and Grid Operations, and Mr. Grable responded to Dr. Patton's questions regarding available transfer capability.

### **Financial Summary Report (Agenda Item 9)**

Chairman Newton invited comments or questions regarding the Financial Summary Report. Roy Bowman, ERCOT Interim Chief Financial Officer, gave a brief update on an expected payment from The Reserve Fund in the first quarter of 2010.

Mr. Bowman and Mike Petterson, ERCOT Controller, responded to Chairman Smitherman's questions regarding interest rates and payments. Chairman Smitherman suggested that an interest rate sensitivity analysis for possible interest rate increases during 2010 would be a helpful topic for a Board meeting. Mr. Bowman and Mr. Petterson responded to Board members' questions regarding monthly differences in revenue-funded project expenditures, The Reserve Fund recovery and vendor activity report. Chairman Newton noted her appreciation of the significant efforts taken by ERCOT staff to control the 2009 budget.

### **Market Operations Report (Agenda Item 10)**

Chairman Newton invited comments or questions regarding the Market Operations Report. Betty Day, ERCOT Director of Markets, Mr. Saathoff, Mr. Doggett and Richard Morgan, ERCOT Vice President and Chief Information Officer, responded to Board members' questions on topics including migration from native affiliate retail electric providers, congestion management, and advanced metering. Chairman Smitherman noted the convergence of load prices for the four zones for November 2009 and the low level of the prices. With regard to discussions regarding the central clearinghouse function for advanced metering data, Mr. Grable clarified that no final decision had been made on the Transmission Service Providers' continuing to perform that role, or ERCOT taking it over. Mr. Helton thanked Mr. Saathoff and ERCOT staff for their forecasting efforts, which assist with cost causation and market solutions. Chairman Newton commended ERCOT staff for their efforts on advanced metering.

### **Information Technology (IT) Service Availability Metrics Report (Agenda Item 11)**

Chairman Newton invited comments or questions regarding the IT Service Availability Metrics Report. Mr. Morgan provided an update on the organization of the Report as requested by Mr. Helton. Mr. Morgan responded to Board members' question regarding resolution of recent issues, including those related to frequency control.

### **Grid Operations and Planning Report (Agenda Item 12)**



Chairman Newton invited comments or questions regarding the Grid Operations and Planning Report. Mr. Saathoff provided an update regarding the four recent watches for responsive reserve below 2500 megawatts.

### **Special Nodal Program (SNP) Committee Report (Agenda Item 13)**

Mr. Helton, SNP Committee Chairman, reported that the SNP Committee met on December 14, 2009, and considered in part the following matters:

- Nodal Program status;
- Protocol traceability update;
- Market readiness update; and
- Financial review.

### **Nodal Program Update (Agenda Item 14)**

Mike Cleary, ERCOT Senior Vice President and Chief Technology Officer, reflected on the significant progress on the Nodal Program that has been made over the last 12 months and thanked those who contributed to this achievement. Chairman Newton supported Mr. Cleary's comments. Mr. Gent also commended Mr. Helton and the Nodal team and commented that it was worth noting again that there are more funds in the Board's Nodal Discretionary Fund than there are remaining funds to be spent on the Nodal Program.

### **Overview of Expected Nodal Performance Impacts to IT (Agenda Item 15)**

Mr. Morgan provided the Board with an overview of expected Nodal performance impacts to IT. Chairman Newton requested that the Board receive ongoing status updates. Mr. Cleary noted that topics such as process monitoring and price validation would be integrated into the status updates and timelines for the monthly Nodal Program Updates for the SNP Committee and Board.

### **Technical Advisory Committee (TAC) Report (Agenda Item 16)**

Chairman Newton invited Mark Bruce, TAC Chair, to provide a report on recent TAC activities.

### **PRRs 821 and 839 (Agenda Item 16a)**

#### **PRR821**

**PRR821 – Update of Section 21, Process for Protocol Revision [ERCOT].**

**Proposed Effective Date:** January 1, 2010.

**CEO Determination:** No opinion on whether or not PRR821 is necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations.



**Revision Description:** This PRR updates Section 21, Process for Protocol Revision, to more effectively align with the current stakeholder process.

**Procedural History:** PRR821 was posted on July 13, 2009. On August 25, 2009, the Protocol Revision Subcommittee (PRS) unanimously voted to table PRR821 for one (1) month. On September 17, 2009, PRS unanimously voted to recommend approval of PRR821 as submitted. On October 22, 2009, PRS unanimously voted to endorse and forward the September 17, 2009 PRS Recommendation Report as amended by the September 29, 2009 ERCOT comments and Impact Analysis to TAC. On November 5, 2009, TAC unanimously voted to recommend approval of PRR821 as recommended by PRS in the October 22, 2009 PRS Recommendation Report as amended by the NextEra Energy comments and as revised by TAC.

**A.D. Patton moved to approve PRR821. Clifton Karnei seconded the motion. Mr. Grable requested clarification whether Dr. Patton intended to move to approve PRR821 as modified by ERCOT staff's comments. Dr. Patton clarified that he moved to approve PRR821 as amended by ERCOT staff. Mr. Karnei confirmed that he continued to second the motion. The motion passed unanimously by voice vote with no abstentions.**

#### PRR839

**PRR839 – Revised Resource Category Generic Fuel Costs [American Electric Power (AEP)] – URGENT.**

**Proposed Effective Date:** January 1, 2010.

**CEO Determination:** No opinion on whether or not PRR839 is necessary prior to the Texas Nodal Market Implementation Date.

**ERCOT Impact Analysis:** No budgetary impact; no additional full-time equivalents needed; no system changes required; no impacts to business functions; no impact to grid operations or practices.

**Revision Description:** This PRR revises the Resource Category Generic Fuel Cost (RCGFC) for Direct Current (DC) Tie with non-ERCOT Control Area and Block Load Transfer (BLT) Resources to synchronize with the Nodal Protocols and to allow cost recovery for supplying this service.

**Procedural History:** PRR839 was posted on October 23, 2009. On October 28, 2009, PRS voted to grant PRR839 Urgent status via PRS email vote. On November 19, 2009, PRS voted to recommend approval of PRR839 as revised by the November 18, 2009 AEP comments and as revised by PRS. There were two (2) abstentions from the Municipal and Consumer Market Segments. On December 3, 2009, TAC voted to recommend approval of PRR839 as recommended by PRS in the November 19, 2009 PRS Recommendation Report with three opposing votes from the Consumer Market Segment and one (1) abstention from the Independent Generator Market Segment.

Dr. Patton, Calvin Crowder, Jennifer Troutman of AEP, Andrew Dalton, and Nick Fehrenbach discussed the PRR. Mr. Fehrenbach suggested that the PRR should be modified to reflect the entity from which the invoice would be received, that is, CFE.

**Chairman Newton moved to approve PRR839 with the modifications suggested by Mr.**



**Fehrenbach. Mr. Helton seconded the motion.** Mr. Dalton commented that one other possibility would be to remand it to TAC to consider whether the 10-percent adder is appropriate in this type of situation. **Chairman Newton called for a vote on the motion. The motion passed by voice vote with two opposed (Messrs. Dalton and Fehrenbach) and two abstentions (Dr. Patton and Mr. Crowder).**

**Dr. Patton noted that there is more than one DC tie and mentioned that the language of PRR839 should be reconsidered. Chairman Newton and Mr. Helton agreed that the language of PRR839 should be reconsidered.** Dr. Patton, Mr. Saathoff and Mr. Fehrenbach discussed possible language modifications. Mr. Dalton noted that a remand may have assisted with resolving some of these technical issues. Mr. Bruce modified the language of PRR830 to reflect “a tie from Mexico” and noted that “CFE” may require a definition, depending on its usage in the Protocols. **Chairman Newton moved to reconsider and approve PRR839 with the modifications previously suggested by Mr. Fehrenbach and currently suggested by Dr. Patton (as noted by Mr. Bruce). Mr. Helton seconded the motion.** Mr. Fehrenbach inquired about emergency block-load transfers over other DC ties. Mr. Saathoff deferred to Mr. Crowder for AEP’s position, who responded that AEP does not handle block-load transfers from Southwest Power Pool (SPP) and that power moved across DC ties are subject to FERC tariffs. **Chairman Newton called for a vote. The motion passed by voice vote with two opposed (Messrs. Dalton and Fehrenbach) and two abstentions (Dr. Patton and Mr. Crowder).**

PRRs 824, 827 and 840 were approved as part of the Consent Agenda under Agenda Item 6.

#### **NPRR (Agenda Item 16b)**

NPRR 196 was approved as part of the Consent Agenda under Agenda Item 6.

#### **Finance & Audit (F&A) Committee Report (Agenda Item 17)**

Mr. Karnei, F&A Committee Chairman, reported that the F&A Committee met earlier in the morning and considered in part the following matters:

- Approval of 2010 Internal Audit plan;
- Internal Audit status report;
- Internal Audit staffing and budget update;
- EthicsPoint update;
- Discussion with executive management about the assessment of the adequacy and effectiveness of Internal Audit staff;
- Review of ERCOT’s dealings with financial institutions that are also Market Participants;
- Update of 2009 financial forecast;
- Review of scope of annual financial audit;
- Review of external auditor quality control procedures and independence;
- Results of F&A Committee self assessment; and
- A contract matter item regarding financing to be discussed in Executive Session.





Kenneth Anderson, PUCT Commissioner, inquired about one of ERCOT's revolving credit facilities. Due to the specifics of the inquiry, Mr. Karnei offered to speak with Commissioner Anderson individually during a Board meeting break.

### **Human Resources & Governance (HR&G) Committee (Agenda Item 18)**

Mr. Armentrout, HR&G Committee Chairman, reported that the HR&G Committee met earlier in the morning and considered in part the following matters:

- Personnel turnover rates;
- CEO search;
- 2010 Key Performance Indicator (KPI) Matrix; and
- External Relations update.

### **Ratification of Delegation of Authority to Benefits Committee and Ratification of Plan Amendments (Agenda Item 18a)**

Mr. Armentrout further reported that the HR&G Committee discussed and recommended the Board's ratification of delegation of authority to the Benefits Committee and ratification of Plan Amendments. Nancy Capezzuti, ERCOT Vice President and Chief Administrative Officer, clarified that the Board previously approved delegation of authority to the Benefits Committee for ERCOT's 401(k) Plan to handle administrative tasks related to the 401(k) Plan and that this delegation of authority related to all remaining welfare plans (including dental and vision).

**Mr. Armentrout moved to accept the HR&G Committee's recommendation to ratify the delegation of authority to the Benefits Committee and to ratify Plan Amendments as presented. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

### **Ratification of Unaffiliated Director and CEO Search Subcommittee (Agenda Item 19)**

Chairman Newton noted that the Nominating Committee had created a subcommittee of the Board for purposes of interviewing candidates for the Unaffiliated Director position and that the subcommittee members would be expected to attend all of the interviews and related meetings. She added that all Board members would be welcome to attend the interviews if they so desired.

**Chairman Newton moved to ratify the Unaffiliated Director and CEO Search Subcommittee (Subcommittee) in relation to the CEO search with the following Board members:**

- **Chairman Newton – an Unaffiliated Director currently serving as Chair of the Board;**
- **Michehl Gent – an Unaffiliated Director currently serving as Vice-Chair of the Board;**
- **Clifton Karnei – a Market Participant-elected Director currently serving as Chair of the Finance & Audit (F&A) Committee;**



- Miguel Espinosa – an Unaffiliated Director currently serving as Vice Chair of the F&A Committee;
- Bob Helton – a Director representing a Market Participant-elected Segment; and
- Andrew Dalton – a Director representing a Consumer-elected subsegment.

**Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Doggett).**

Mr. Armentrout commented that the most well-attended interviews in the past had been scheduled on the afternoon of the Board Retreat.

Mr. Helton thanked Mr. Grable and the ERCOT Legal team on their efforts related to the commodity-futures-legislation matter and encouraged ERCOT to continue to be involved in this matter. Mr. Grable replied that ERCOT is working closely with the Commission to modify the language of the Commodities and Exchange Act to reflect the Commission's authority over ERCOT.

#### **Adjunct Membership Approval of Panda Energy International Inc. (Agenda Item 20)**

Mr. Grable noted that Panda Energy International Inc. (Panda Energy) had been approved for adjunct membership previously, but currently did not fit any of the market segment criteria. Wayne Morton, Senior Director of Panda Energy, responded to questions from Commissioner Anderson, Chairman Newton, and Dr. Patton.

**Mr. Helton moved to approve adjunct membership for Panda Energy. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

#### **Other Business (Agenda Item 21)**

Chairman Newton again welcomed the new Board members. She also thanked Mr. Armentrout for his service on the ERCOT Board.

#### **Future Agenda Items (Agenda Item 22)**

Chairman Newton invited discussion on future agenda items. The following items were discussed:

- Low Voltage Ride-Through Study (requested by Dr. Patton to be scheduled by ERCOT staff);
- Reliability Study conducted by Dan Woodfin, ERCOT Director of System Planning (requested by Dr. Patton to be scheduled by ERCOT staff);
- Removal of Smart Grid Discussion (including Nodal, Advanced Metering and CREZ) future agenda item (requested by Chairman Newton); and
- Removal of Wholesale/Retail Market Interplay Presentation future agenda item (requested by Chairman Newton).



Mr. Helton inquired about Sunset Commission status updates. Mr. Grable noted that such updates are provided as part of the External Relations Updates to the HR&G Committee and committed to discussing this further with Mr. Helton.

**Executive Session (Agenda Items 23 to 27)**

Chairman Newton adjourned the meeting to Executive Session at approximately 3:39 p.m. Chairman Newton reconvened the meeting to General Session at approximately 5:12 p.m.

**Vote on Matters from Executive Session (Agenda Item 28)**

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

**Mr. Karnei moved to approve the Executive Session Contract Matter resolution in the Board materials noted as Agenda Item 26a as discussed and modified during Executive Session. Mr. Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

**Mr. Helton moved to approve the Executive Session Contract Matter resolution in the Board materials noted as Agenda Item 26b as presented. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with two abstentions (Mr. Armentrout and Mark Dreyfus).**

**Adjournment (Agenda Item 29)**

Chairman Newton adjourned the meeting at approximately 5:15 p.m.

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

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Michael G. Grable  
Corporate Secretary