

**DRAFT MINUTES OF THE BOARD OF DIRECTORS OF
THE TEXAS REGIONAL ENTITY DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744

January 18, 2010

Directors

Jan Newton, Chair		Unaffiliated
Michehl Gent, Vice Chair		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Commission of Texas (PUC)	
Calvin Crowder	American Electric Power Service Corp.	Investor Owned Utility
Mark Dreyfus	Austin Energy	Municipal
Miguel Espinosa		Unaffiliated
Nick Fehrenbach	City of Dallas	Commercial Consumer
Sheri Givens	Office of Public Utility Counsel (OPUC)	Residential Small Consumer
Bob Helton	International Power America	Independent Generator
Clifton Karnei	Brazos Electric Cooperative	Cooperative
A.D. Patton		Unaffiliated
Jean Ryall	Constellation Energy	Independent Power Marketer
Marci Zlotnik	StarTex Power	Independent REP

Other Attendees (Attending in person)

Larry Grimm, Texas RE CEO & CCO
 Susan Vincent, Texas RE Director, Legal Affairs
 Derrick Davis, Texas RE Corporate Counsel
 Victor Barry, Director of Compliance
 Jeff Whitmer, Texas RE Manager, Compliance Enforcement (via telephone)
 Don Jones, Texas RE Manger, Reliability Standards
 Sarah Hensley, Texas RE Standards Coordinator
 Jennifer Taylor, Texas RE Senior Paralegal
 DeAnn Walker, CenterPoint Energy
 Liz Jones, Oncor
 Kip Fox, AEP
 Chuck Manning, ERCOT ISO
 Bridget Headrick, Public Utility Commission of Texas
 Jennifer Windler, LCRA
 Jimmy Sikes, City of Georgetown

Note: Other attendees attended by publicly available conference call

Call to Order

Pursuant to notice duly given, the meeting of the Texas Regional Entity (Texas RE) Board of Directors (Board) convened on January 18, 2010. Chair Jan Newton ascertained that a quorum was present, reviewed the Antitrust Admonition with the Directors, and called the meeting to order at approximately 9:40 a.m.

Election of Chair and Vice Chair

Clifton Karnei made a motion to re-elect Jan Newton as Chair and Michehl Gent as Vice Chair of the Board for another term. Bob Helton seconded the motion. The motion passed by unanimous voice vote.

Approval of Previous Minutes

Nick Ferhenbach made a motion to approve the minutes from the December 14, 2009 meeting. Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote.

CEO Report

Chief Executive Officer (CEO) Larry Grimm announced that Don Jones has joined Texas RE as the Manager, Reliability Standards, noting that Mr. Jones has over 25 years of experience and has both a B.S. in Electrical Engineering and a law degree. Mr. Jones served as an advisor to Commissioner Parsley and has been actively involved in the ERCOT electric power market and stakeholder activities for several years.

Mr. Grimm provided the Board with an overview of the Federal Energy Regulatory Commission (FERC) Order issued January 8, 2010 regarding Texas RE's audit. There were a total of four areas of concern, three of which will be resolved through the legal separation from ERCOT ISO. The fourth area of concern was addressed with the recent hiring of an additional engineer to perform more thorough reviews of ERCOT's regional reliability assessments before submission to North American Electric Reliability Corporation (NERC) and also to support event investigations.

Mr. Grimm thanked the Board for being proactive in the handling of the separation discussions last year. Mr. Grimm stated that Texas RE was in good position to separate from ERCOT ISO because of the Board's foresight.

Mr. Grimm updated the Board on the progress of the Transmission Operator (TOP) Joint Registration Organization (JRO) between the transmission owners and ERCOT ISO. Mr. Grimm stated that the parties have met several times to come up with draft matrices. Mr. Grimm indicated that both sides submitted their own matrix to Texas RE for review. Texas RE gave an extension until the end of January for an agreement, but Mr. Grimm advised the Board that this deadline also would need to be extended. He said that ERCOT ISO and the transmission companies were making progress, but the extensions were intended to allow them to correctly document the relationship. Texas RE is continuing to work with the parties in order to get a JRO in place. Ms. Vincent informed the Board that NERC had set the deadline for January 8th for the matrix to be completed in order to get the parties to work quickly on the JRO, and NERC agreed that the proposed deadline extension would allow the parties to work things out. Ms. Vincent added that it had been difficult and complicated work and everyone worked

hard during the holidays. Mr. Gent noted it seemed the parties were on the right track in this regard.

Mr. Grimm presented the Board with an update on the January 5, 2010 Order issued by FERC rejecting the US Army Corps of Engineers request for rehearing of FERC's October 15, 2009 Order. The order addressed FERC's jurisdiction over federal entities related to the application of reliability standards under §215 of the Federal Power Act. Mr. Grimm noted this was a significant ruling for Texas RE because the violation selected to address the jurisdictional issue was issued by Texas RE. Chair Newton noted this ruling was a good thing because it meant federal agencies must also comply with reliability standards.

The Board briefly discussed FERC's order discussing smart meters. Mr. Gent commented that he has seen the order regarding this issue and he offered to circulate it to the Board for their review. Chairman Barry Smitherman noted that since CenterPoint had received two hundred million in funding for smart meters in the ERCOT region, he would be interested in seeing the order.

Operating Reports

Mr. Grimm reviewed the CPS scores showing a 12 month rolling average graph through December 2009 with the Board. He explained that the chart shows the scores are improving and are overall very good. Mr. Grimm also discussed a graph showing the past 3 years worth of scores, he noted scores are improving over time.

Chairman Smitherman discussed the December 2009 SCPS2 scores for wind only QSEs and asked Mr. Grimm to explain why some of the scores are better than others. Mr. Grimm explained that generally the larger the units, the lower the scores tend to be and the amount of time online is also a factor. Jeff Whitmer, Texas RE Manager, Compliance Enforcement agreed that the size of the facility is a factor and noted that the smaller the facility the easier it is to pass the metric. After a discussion about the need for the metric to be included in monthly Board materials, the Board ultimately agreed that until there is a new metric to replace this one, the Board should continue to receive this information. Chair Newton agreed and asked Texas RE to remind them of this discussion should the issue arise again.

The Board discussed the monthly violation tracking report. In response to Dr. Patton's comment that if ERCOT ever suffers a collapse it will be because of a relay problem, Mr. Barry noted that relays should work properly to stop problems, but many things could spark problems on the grid. Mr. Barry stated further that Texas RE is very concerned about it and will look into anything that appears to be a symptomatic problem. In response to Mr. Gent's question about if the Board could be kept abreast of when things "go right", Mr. Grimm noted that this was difficult for Texas RE to do, because it was hard to know if something had not happened, because it would appear to be "business as usual" and generally would be unknown to Texas RE. Mr. Grimm explained that part of the ERCOT Protocol Compliance Process includes event investigations, and Texas RE has approximately 15 events which will generate reports from ERCOT ISO or any other stakeholder in ERCOT if it meets a certain threshold.

Mr. Gent inquired about the technical feasibility exceptions ("TFEs") and noted the budget for the TFEs was \$400,000. Mr. Gent asked whether Texas RE is receiving the full amount of TFEs it expected. Mr. Grimm stated Texas RE had not received many to date, and the deadline for initial submission is January 31st. Mr. Grimm stated that Texas RE was continuing to monitor the situation and expected to receive more TFEs by the 31st, but that he was not sure how many to expect. Mr. Barry informed the Board most of the TFEs are information technology (IT) related and that he expected to see quite a few coming related to the NODAL project. Mr. Barry

noted that the submission process had turned out to be quite elaborate. He also advised the Board that Texas RE will hire more staff to handle this as it grows.

Regarding the monthly standards report, Mr. Gent noted last month that ERCOT ISO had been given a reprieve by the Board on filing for a full vote in the standards process with FERC. Ms. Vincent explained that the issue would be resolved with the new delegation agreement; ERCOT ISO would be in its own membership sector and would have clear voting rights.

Approve 2010 Chair and Vice Chair for Reliability Standards Committee

Clifton Karnei made a motion to confirm Rick Keetch as Chair and Frank Owens as Vice Chair of the Reliability Standards Committee (RSC). Bob Helton seconded the motion. The motion was approved by voice vote. Mr. Fehrenbach abstained from voting.

In response to Mr. Gent's question about how the RSC chair and vice chair were vetted, Don Jones replied that they were elected by their sectors and elected within the group and that each has been a committee member for at least one year.

In response to Dr. Patton's question related to who would conduct ERCOT Protocols compliance, Ms. Vincent explained the new Texas RE would continue to do this through the end of 2010, thereafter the Public Utility Commission would select an entity for this responsibility.

Texas RE Advisory Committee Report

Mr. Gent provided the Board with an overview of the discussions and actions of the Texas RE Advisory Committee (Committee) meeting. He said that the Committee had decided during its executive session to make a recommendation to the Board during its April meeting regarding CEO compensation and any comments regarding the Key Performance Indicators.

Other Business

Calvin Crowder informed the Board of an upcoming ERCOT technical conference to be held in Taylor to discuss competitive renewable energy zones (CREZ); he noted Texas RE's technical staff may wish to attend.

Chair Newton asked Ms. Vincent to give the Board a timeline on expectations as to the separation from ERCOT ISO. Ms. Vincent reviewed the steps that the new Texas Reliability Entity, Inc. Board would take in its first meeting. Ms. Vincent advised the Board that Texas Reliability Entity, Inc. was receiving membership applications and a membership vote will take place in early February. She said that after FERC approves the Delegation Agreement, it will take approximately 60 days to fully implement separation from ERCOT ISO. Ms. Vincent commented that Texas RE hoped to have FERC approval by May, meaning the actual separation could happen by July 1st, coinciding with ERCOT ISO's renewal of its employee benefit plans.

Future Agenda Items

The Board will discuss CEO compensation during its meeting in April.

Adjournment

Chair Newton adjourned the Texas RE Board of Directors meeting at approximately 10:23 a.m. and immediately opened the meeting for an Executive Session.

Open Session Reconvened

At 10:27 a.m. Chair Newton returned the Board to Open Session, stating that no action needed to be taken from the executive session.

Ms. Vincent and the Board briefly discussed formation particulars for the new Texas Reliability Entity, Inc.

Adjournment

Chair Newton adjourned the Texas RE Board of Directors meeting at approximately 10:34 a.m.

Susan Vincent
Corporate Secretary