



**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
August 17, 2010 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
Bermudez, Jorge		Unaffiliated
Bivens, Danny	Office of Public Utility Counsel	Residential Consumer (Alternate Representative for Sheri Givens)
Crowder, Calvin	American Electric Power Service Corporation	Investor Owned Utility
Doggett, Trip	ERCOT	President and Chief Executive Officer
Doll, Laura		Unaffiliated
Dreyfus, Mark	Austin Energy	Municipal
Fehrenbach, Nick	City of Dallas	Commercial Consumer (Proxy for Andrew Dalton, beginning with Agenda Item 10)
Gent, Michehl		Unaffiliated, Acting Board Chairman
Helton, Bob	International Power America Services	Independent Generator
Karnei, Clifton	Brazos Electric Power Cooperative, Inc.	Cooperative (Proxy for Miguel Espinosa)
Patton, A.D.		Unaffiliated
Ryall, Jean	Constellation Energy Commodities Group	Independent Power Marketer
Smitherman, Barry T.	Public Utility Commission of Texas	Commission Chairman
Zlotnik, Marcie	StarTex Power	Independent Retail Electric Provider

Staff and Guests:

Anderson, Ken	Commissioner, Public Utility Commission of Texas (through Agenda Item 10)
Brenton, Jim	ERCOT



Cleary, Mike	ERCOT
Day, Betty	ERCOT
Dumas, John	ERCOT
Hobbs, Kristi	ERCOT
Jones, Brad	Luminant Energy
Leady, Vickie	ERCOT
Magness, Bill	ERCOT
Manning, Charles	ERCOT
Morgan, Richard	ERCOT
Nelson, Donna	Commissioner, Public Utility Commission of Texas
Petterson, Michael	ERCOT
Prochazka, Scott	CenterPoint Houston Electric, Segment Alternate
Roark, Dottie	ERCOT
Saathoff, Kent	ERCOT
Seely, Chad	ERCOT
Walker, Mark	NRG Texas, Segment Alternate
Whittle, Brandon	DB Energy Trading, Segment Alternate
Yager, Cheryl	ERCOT

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

Michehl Gent, ERCOT Acting Board Chairman, determined a quorum was present and called the meeting to order at approximately 10:09 a.m.

Barry T. Smitherman, Chairman of the Public Utility Commission of Texas (Commission), called an Open Meeting of the Commission to order to consider matters which had been duly posted with the Texas Secretary of State for August 17, 2010.

Chairman Gent pointed out the Antitrust Admonition, noted that a security admonition would be developed as discussed at the Special Board meeting on the prior day, and asked for notice if there were any such concerns during discussions in the meeting. He also noted the emergency evacuation route on the screen in the meeting room. Chairman Gent noted that Danny Bivens, Alternate Representative for the Office of Public Utility Counsel and Residential Consumer Segment, was attending the meeting in place of Sherry Givens and that Miguel Espinosa had given his proxy for the meeting to Clifton Karnei.

Chairman Gent welcomed Laura Doll as ERCOT’s newest Unaffiliated Director, pending Public Utility Commission of Texas (Commission) approval, whose term began on August 1, 2010.

Chairman Gent took the Agenda Items in the following order for scheduling convenience.

Consent Agenda (Agenda Item 2)

Chairman Gent announced that Nodal Protocol Revision Request (NPRR) 242 was being removed from the Consent Agenda at the request of ERCOT staff. Chairman Gent requested approval of the following items on the Consent Agenda:



- Agenda Item 3a – July 19, 2010 Special Board of Directors Meeting Minutes;
- Agenda Item 3b – July 20, 2010 Board of Directors Meeting Minutes; and
- NPRRs 091, 218, 228, 233, 236, 237 and 245.

Bob Helton moved to approve the above-noted items on the Consent Agenda. Jorge Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions. Clifton Karnei inquired whether the motion included the minutes identified as Agenda Items 3a and 3b in the Consent Agenda. In an abundance of caution, Chairman Gent requested a motion on such Agenda Items. **Mr. Karnei moved to approve the July 19, 2010 Special Board of Directors Meeting Minutes and the July 20, 2010 Board of Directors Meeting Minutes as presented (Agenda Items 3a and 3b, respectively) on the Consent Agenda. Ms. Doll seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

Approval of July 19, 2010 Special Board of Directors Meeting Minutes and July 20, 2010 Board of Directors Meeting Minutes (Agenda Items 3a and 3b)

The minutes of the July 19, 2010 Special Board of Directors Meeting and July 20, 2010 Board of Directors Meeting were approved as part of the Consent Agenda under Agenda Item 2.

Chief Executive Officer (CEO) Update (Agenda Item 4)

Trip Doggett, ERCOT President and CEO, provided the Board with the CEO Update and responded to the Board's questions. Mr. Doggett requested that Calvin Opheim, ERCOT Manager of Load Forecasting and Analysis, provide background on ERCOT's load forecasting, which he did. Mr. Opheim responded to the Board members' questions on this topic.

Mr. Doggett noted Andrew Dalton's absence at the meeting and congratulated Mr. Dalton and his wife on the recent birth of their child.

Mr. Doggett also recognized ERCOT's Technical Principals for their subject matter expertise – John Adams for Grid Operations, James Brenton for Cyber Security, Steve Myers for Operating Standards, Sai Moorthy for Enterprise Architecture, and Kenneth Ragsdale for Market Design and Analysis. Chairman Gent commented that ERCOT is considered the gold standard in the industry internationally, due largely to its staff such as these Technical Principals.

Financial Summary Report (Agenda Item 5)

Chairman Gent invited comments or questions regarding the Financial Summary Report. Chairman Smitherman requested supporting information on certain vendors identified on Slide 11 of the Financial Summary Report and asked for Mike Petterson, ERCOT Controller, to coordinate with him after the meeting, which Mr. Petterson agreed to do. Chairman Smitherman also requested information on ERCOT's payments to North American Electric Reliability Corporation (NERC) noted on Slides 11 and 13 of the Financial Summary Report. Mr. Petterson responded that the bulk of the payments were likely the ERCOT Region's assessment for the



NERC operating budget. Chairman Smitherman asked that Mr. Petterson review them and provide such information after the meeting. Chairman Smitherman requested information on ERCOT's payments to TXU Energy and Gexa Energy on Slide 15 of the Financial Summary Report along with some others. Mr. Petterson agreed to provide such information after the meeting. Chairman Smitherman encouraged ERCOT staff to shop competitively for electricity rates. Mr. Petterson replied that ERCOT does shop competitively for its electricity rates and issued a request for proposal in the last year. Chairman Smitherman added that he had another list of ERCOT vendors for which he would like Mr. Petterson to provide supporting information.

Market Operations Report (Agenda Item 6)

Chairman Gent invited comments or questions regarding the Market Operations Report. A.D. Patton requested an explanation regarding the month-over-month increase in Capacity Cost – Out-of-Merit Capacity (OOMC) on Slide 16 of the Market Operations Report from March 2010 compared to the same period in 2009. Mr. Helton also inquired about increased OOMC activity. Kent Saathoff, ERCOT Vice President of Grid Operations and System Planning, responded that he would research this matter. Betty Day, ERCOT Director of Commercial Operations, and Mike Cleary, ERCOT Senior Vice President and Chief Operating Officer, reported on the resettlement in connection with the June 17, 2010 Load Frequency Control (LFC) test.

Information Technology (IT) and Facilities Report (Agenda Item 7)

Chairman Gent invited comments or questions regarding the IT and Facilities Report. Richard Morgan, ERCOT Vice President and Chief Information Officer, provided an update to the IT and Facilities Report and responded to the Board members' questions on such report.

Grid Operations and Planning Report (Agenda Item 8)

Chairman Gent invited comments or questions regarding the Grid Operations and Planning Report. Mr. Saathoff responded to Board members' questions regarding the Grid Operations and Planning Report.

Technical Advisory Committee (TAC) Report (Agenda Items 9, 9a, 9b and 9c)

Chairman Gent invited Brad Jones, TAC Chair, to provide a report on recent TAC activities.

Protocol Revision Request (PRR) (Agenda Item 9a)

- PRR847 – Additional Exemptions for Uninstructed Resource Charge [Formosa].
 - Proposed Effective Date: September 1, 2010.
 - CEO Determination: No opinion on whether or not PRR847 is necessary prior to the Texas Nodal Market Implementation Date.
 - ERCOT Impact Analysis: No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; existing business functions can accommodate this PRR; and, no impacts to ERCOT grid operations and practices.



- Revision Description: This PRR proposes two (2) changes to Section 6.8.1.15.1, Uninstructed Resource Charge Process: (1) when a Qualified Scheduling Entity (QSE) is given a verbal Dispatch Instruction from ERCOT, the QSE shall be exempt from any Uninstructed Resource Charge during the specified verbal Dispatch Instruction time period, provided that the QSE followed instructions to within the Schedule Control Error (SCE) of the verbal Dispatch Instruction given; and, (2) after a Load acting as a Resource (LaaR) has been activated, the QSE representing the LaaR can request a three (3) hour extension for scheduling under paragraph (11) of Section 6.10.6, Ancillary Service Deployment Performance Conditions, and during this rescheduling time, a Private Use Network shall not incur Uninstructed Resource Charges for three (3) hours as the Load returns back to service.
- Procedural History: PRR847 was posted on March 15, 2010. On April 22, 2010, the Protocol Revision Subcommittee (PRS) unanimously voted to table PRR847. On May 20, 2010, PRS unanimously voted to recommend approval of PRR847 as amended by the May 13, 2010 Formosa comments. On June 17, 2010, PRS unanimously voted to endorse and forward the May 20, 2010 PRS Report as amended by the June 7, 2010 ERCOT comments as revised by PRS and the Impact Analysis for PRR847 to TAC. On July 1, 2010, TAC unanimously voted to recommend approval of PRR847 as recommended by PRS in the June 17, 2010 PRS Report with an effective date of August 1, 2010. On July 20, 2010, the ERCOT Board remanded PRR847 to TAC. On August 5, 2010, TAC unanimously voted to recommend approval of PRR847 as recommended by TAC in the July 1, 2010 TAC Report.

Brad Jones, TAC Chair, noted that PRR847 was the same version that was presented to the Board previously.

Mr. Helton moved to approve PRR847 as recommended by TAC. Ms. Doll seconded the motion. The motion passed by voice vote with one opposed (Nick Fehrenbach) and no abstentions.

Nodal Protocol Revision Requests (NPRRs) (Agenda Item 9b)

- NPRR091 – Scarcity Pricing and Mitigated Offer Cap During the Period Commencing on the Nodal Market Implementation Date and Continuing for a Total of Forty-five (45) Days [Transition Plan Task Force (TPTF)].
 - Proposed Effective Date: Upon Texas Nodal Market Implementation.
 - CEO Determination: No opinion on whether or not NPRR091 is necessary prior to the Texas Nodal Market Implementation Date.
 - ERCOT Impact Analysis: Estimated cost, in the \$50,000 to \$100,000 range; temporary staffing impacts, to develop functionality; ERCOT Market Management System (MMS) and MIS will be modified for implementation of NPRR091; and no significant additional high-level impacts to business functions or grid operations and practices are anticipated.
 - Revision Description: This NPRR adds a provision to Section 3.19, Constraint Competitiveness Tests, that all transmission constraints are treated as non-competitive constraints during an initial thirty (30) Operating Day period, beginning with the Texas Nodal Market Implementation Date; and a new Section 4.4.11.2, Scarcity Pricing and



Mitigated Offer Cap During Nodal Startup, which requires that the System-Wide Offer Cap (SWCAP) be set to the higher of \$180 or 18 mmBtu heat rate times the Fuel Index Price (FIP) during an initial forty-five (45) Operating Day period, beginning with the Texas Nodal Market Implementation Date. This new Section also establishes an Energy Offer Curve floor adjusted to -\$50 per Megawatt Hour (MWh).

- Procedural History: NPRR091 was posted on December 5, 2007. On December 13, 2007, the Protocol Revision Subcommittee (PRS) unanimously voted to table NPRR091. On January 17, 2008, PRS voted to table NPRR091 until the February 21, 2008 PRS meeting. The motion passed with one (1) abstention from the Independent Retail Electric Provider (IREP) Market Segment. On February 21, 2008, PRS voted to set the values of the X at \$180 per MWh with a heat rate of 18 mmBtu per MWh, and establish an Energy Offer Curve floor of -\$50 per MWh. The motion passed by roll call vote. On March 20, 2008, PRS unanimously voted to table NPRR091 pending development of the final Impact Analysis. On May 22, 2008, PRS unanimously voted to table NPRR091 pending development of the final Impact Analysis. On July 17, 2008, PRS voted to endorse the Impact Analysis and PRS Recommendation Report for NPRR091 and forward the documents to TAC. There was one (1) opposing vote from the Consumer Market Segment and one (1) abstention from the Investor Owned Utility (IOU) Market Segment. On August 7, 2008, TAC voted to table NPRR091 until the TAC meeting following the establishment of a revised Texas Nodal Market Implementation Date. There were four (4) opposing votes from the Consumer Market Segment. On January 6, 2010, TAC voted to table NPRR091 for one (1) month. There was one (1) opposing vote from the IREP Market Segment. On February 4, 2010, the motion to recommend approval of NPRR091 as recommended by PRS in the July 17, 2008 PRS Report and as revised by TAC failed via roll call vote. TAC then voted to table NPRR091 for one (1) month. There was one (1) opposing vote from the IREP Market Segment. On March 4, 2010, TAC unanimously voted to table NPRR091 and request that the Wholesale Market Subcommittee (WMS) provide comments on the Options under consideration. On April 8, 2010, TAC unanimously voted to recommend approval of NPRR091 as recommended by PRS in the July 17, 2008 PRS Report and as amended by the March 29, 2010 WMS comments. TAC then unanimously voted to reconsider NPRR091. Upon reconsideration, TAC unanimously voted to refer NPRR091 to WMS. On June 3, 2010, TAC unanimously voted to recommend approval of NPRR091 as amended by the May 26, 2010 WMS comments. On June 15, 2010, the ERCOT Board tabled NPRR091.

NPRR091 was approved as part of the Consent Agenda (Agenda Item 2).

- NPRR218 – Resolution of Alignment Item A71 - Add Protocol Description of the Power Balance Penalty Factor used in the SCED [ERCOT].
 - Proposed Effective Date: Upon Texas Nodal Market Implementation.
 - CEO Determination: Necessary prior to the Texas Nodal Market Implementation Date.
 - ERCOT Impact Analysis: No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; and no impacts to ERCOT grid operations and practices.



- Revision Description: This NPRR will add a description of the power balance penalty factor to the Nodal Protocol sections that describe the implemented constraint set utilized in the SCED optimization.
- Procedural History: NPRR218 was posted on March 23, 2010. On April 22, 2010, PRS unanimously voted to table NPRR218. On May 20, 2010, PRS unanimously voted to refer NPRR218 to WMS and the Nodal Advisory Task Force (NATF). On June 17, 2010, PRS voted to recommend approval of NPRR218 as amended by the June 16, 2010 WMS comments as revised by PRS. There was one (1) abstention from the Consumer Market Segment. On July 22, 2010, PRS voted to endorse and forward the June 17, 2010 PRS Report and Impact Analysis for NPRR218 to TAC. There was one (1) abstention from the Consumer Market Segment. On August 5, 2010, TAC unanimously voted to recommend approval of NPRR218 as recommended by PRS in the July 22, 2010 PRS Report.

NPRR218 was approved as part of the Consent Agenda (Agenda Item 2).

- NPRR228 – Resolution of Alignment Items A2, A80, A83 and A93 – As-Built Treatment and Settlement of Combined Cycle Generation Resources in ERCOT Market Systems [ERCOT].
 - Proposed Effective Date: Upon Texas Nodal Market Implementation.
 - CEO Determination: Necessary prior to the Texas Nodal Market Implementation Date.
 - ERCOT Impact Analysis: No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; and no impacts to ERCOT grid operations and practices.
 - Revision Description: This NPRR revises the Nodal Protocol language to include a description of the treatment and Settlement of Combined Cycle Generation Resources in the ERCOT Day-Ahead, reliability and Real-Time systems.
 - Procedural History: NPRR228 was posted on April 23, 2010. On May 20, 2010, PRS unanimously voted to table NPRR228 for one (1) month. On June 17, 2010, PRS unanimously voted to recommend approval of NPRR228 as amended by the May 18, 2010 ERCOT comments as revised by PRS. On July 22, 2010, PRS voted to endorse and forward the June 17, 2010 PRS Report and Impact Analysis for NPRR228 to TAC. There was one (1) abstention from the Consumer Market Segment. On August 5, 2010, TAC unanimously voted to recommend approval of NPRR228 as recommended by PRS in the July 22, 2010 PRS Report and as revised by TAC.

NPRR228 was approved as part of the Consent Agenda (Agenda Item 2).

- NPRR233 – Clarifying Method of Enforcing CRR Auction Limitation on Market Submissions [ERCOT].
 - Proposed Effective Date: Upon Texas Nodal Market Implementation.
 - CEO Determination: Necessary prior to the Texas Nodal Market Implementation Date.
 - ERCOT Impact Analysis: Estimated cost, in the \$50,000 to \$100,000 range; no ERCOT staffing impacts; minor modifications will be made to the CRR Application to change CRR allocation methods; no impacts to ERCOT business functions; and no impacts to ERCOT grid operations and practices.



- Revision Description: This NPRR clarifies the procedures and system configurations that will be utilized to ensure market transactions for CRR Auctions do not exceed the system capabilities.
- Procedural History: NPRR233 was posted on May 13, 2010. On May 20, 2010, PRS unanimously voted to table NPRR233 for one (1) month. On June 17, 2010, PRS unanimously voted to recommend approval of NPRR233 as amended by the May 19, 2010 Luminant comments as revised by PRS. On July 22, 2010, PRS voted to endorse and forward the June 16, 2010 PRS Report and Impact Analysis for NPRR233 to TAC. There was one (1) abstention from the Consumer Market Segment. On August 5, 2010, TAC unanimously voted to recommend approval of NPRR233 as recommended by PRS in the July 22, 2010 PRS Report.

NPRR233 was approved as part of the Consent Agenda (Agenda Item 2).

- NPRR236 – Resolution of Alignment Item A83 partially, A86, A87 partially, A88 partially, and A142 – Clarify Default Actions for Missing Data and Range of Valid Data Entries for Energy Offers [ERCOT].
 - Proposed Effective Date: Upon Texas Nodal Market Implementation.
 - CEO Determination: Necessary prior to the Texas Nodal Market Implementation Date.
 - ERCOT Impact Analysis: No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; and no impacts to ERCOT grid operations and practices.
 - Revision Description: This NPRR clarifies system actions if the Qualified Scheduling Entity (QSE) cancels a Resource Parameter submission, if a Current Operating Plan (COP) is not submitted for any hour, and/or if a conflict in Resource Status is encountered. The NPRR also clarifies that in each hour only one (1) Combined Cycle Generation Resource in a Combined Cycle Train may be assigned one (1) of the On-Line Resource Status codes.
 - Procedural History: NPRR236 was posted on May 13, 2010. On May 20, 2010, PRS unanimously voted to table NPRR236. On June 17, 2010, PRS unanimously voted to recommend approval of NPRR236 as submitted. On July 22, 2010, PRS unanimously voted to endorse and forward the June 17, 2010 PRS Report as revised by PRS and Impact Analysis for NPRR236 to TAC. On August 5, 2010, TAC unanimously voted to recommend approval of NPRR236 as recommended by PRS in the July 22, 2010 PRS Report.

NPRR236 was approved as part of the Consent Agenda (Agenda Item 2).

- NPRR237 – Resolution of Alignment Items A22, A143, A148, A153, A160 and A169 – Clarification of NERC Reliability Standards and MIS Posting Requirements [ERCOT].
 - Proposed Effective Date: Upon Texas Nodal Market Implementation.
 - CEO Determination: Necessary prior to the Texas Nodal Market Implementation Date.
 - ERCOT Impact Analysis: No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; and no impacts to ERCOT grid operations and practices.



- Revision Description: This NPRR resolves Alignment Items A22, A143, A148, A153, A160 and A169 by clarifying the role of NERC Reliability Standards in relation to Protocols and several MIS posting requirements.
- Procedural History: NPRR237 was posted on May 13, 2010. On May 20, 2010, PRS unanimously voted to table NPRR237 for one (1) month. On June 17, 2010, PRS voted to recommend approval of NPRR237 as amended by the June 8, 2010 CenterPoint comments. There was one (1) abstention from the IOU Market Segment. On July 22, 2010, PRS unanimously voted to endorse and forward the June 17, 2010 PRS Report as amended by the July 9, 2010 ERCOT comments and Impact Analysis for NPRR237 to TAC. On August 5, 2010, TAC unanimously voted to recommend approval of NPRR237 as recommended by PRS in the July 22, 2010 PRS Report and as revised by TAC.

NPRR237 was approved as part of the Consent Agenda (Agenda Item 2).

- NPRR242 – Synchronization of Nodal Protocols with PRR792 [ERCOT].
 - Proposed Effective Date: Upon Texas Nodal Market Implementation.
 - CEO Determination: Necessary prior to the Texas Nodal Market Implementation Date.
 - ERCOT Impact Analysis: No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; and no impacts to ERCOT grid operations and practices.
 - Revision Description: This NPRR synchronizes the Nodal Protocols with PRR792, Revised Renewable Portfolio Standards Allocation Process, Pursuant to P.U.C. SUBST. R. 25.173, approved by the ERCOT Board on January 20, 2009.
 - Procedural History: NPRR242 was posted on June 2, 2010. On June 17, 2010, PRS voted to recommend approval of NPRR242 as submitted. There was one (1) abstention from the IREP Market Segment. On July 22, 2010, PRS voted to endorse and forward the June 17, 2010 PRS Report and Impact Analysis for NPRR242 to TAC. There was one (1) abstention from the Consumer Market Segment. On August 5, 2010, TAC unanimously voted to recommend approval of NPRR242 as recommended by PRS in the July 22, 2010 PRS Report.

Kristi Hobbs, ERCOT Manager of Market Rules and Stakeholder Support, noted that ERCOT staff had filed clarification comments on NPRR242.

Calvin Crowder moved to approve NPRR242 as modified by ERCOT staff's comments. Nick Fehrenbach seconded the motion. The motion passed by unanimous voice vote with no abstentions.

- NPRR245 – Protocol Synchronization and As-Built Clarification for RUC Shortfall Calculation [ERCOT].
 - Proposed Effective Date: Upon Texas Nodal Market Implementation.
 - CEO Determination: Necessary prior to the Texas Nodal Market Implementation Date.
 - ERCOT Impact Analysis: No budgetary impact; no ERCOT staffing impacts; no impacts to ERCOT computer systems; no impacts to ERCOT business functions; and no impacts to ERCOT grid operations and practices.



- Revision Description: This NPRR proposes revisions to paragraphs (9) and (10) of Section 5.7.4.1.1, Capacity Shortfall Ratio Share, to conform these paragraphs with paragraph (1), and to clarify how to perform Settlements pursuant to paragraph (1).
- Procedural History: NPRR245 was posted on June 7, 2010. On June 17, 2010, PRS voted to recommend approval of NPRR245 as submitted. There were two (2) abstentions from the Consumer and Independent Generator Market Segments. On July 22, 2010, PRS voted to endorse and forward the June 17, 2010 PRS Report and Impact Analysis for NPRR245 to TAC. There was one (1) abstention from the Consumer Market Segment. On August 5, 2010, TAC unanimously voted to recommend approval of NPRR245 as recommended by PRS in the July 22, 2010 PRS Report.

NPRR245 was approved as part of the Consent Agenda (Agenda Item 2).

TAC Update (Agenda Item 9) – Continued

Mr. B. Jones reviewed the Guide Revision Requests approved by TAC and responded to the Board members' questions. Mr. B. Jones advised that no Board action on these Guide Revision Requests was necessary. Chairman Gent noted that the addition of the descriptive paragraphs for each of the Guide Revision Requests was helpful to the Board members.

Mr. B. Jones reviewed the Nodal Parking Deck with the Board members and responded to their questions on this topic. Mr. Karnei requested that the NPRRs in the Nodal Parking Deck be numbered, which Mr. B. Jones agreed to do.

Second Quarter 2010 Texas Renewable Implementation Plan (TRIP) Report to the Public Utility Commission of Texas (Agenda Item 9c)

Mr. B. Jones provided the Board with an update on the Second Quarter 2010 Texas Renewable Implementation Plan (TRIP) Report to the Public Utility Commission of Texas and responded to the Board members' questions on this topic. Mr. B. Jones noted that the wind portfolio continues to increase. Chairman Smitherman requested that Mr. B. Jones research wind information in a timely fashion in the non-ERCOT Region, considering transmission enhancements in the Southwest Power Pool, which Mr. B. Jones agreed to do.

TAC Update (Agenda Item 9) – Continued

Mr. B. Jones reviewed the Guiding Principles of the Nodal Market with the Board. Mr. B. Jones and Mr. Cleary responded to Board members' questions on this topic.

Mr. B. Jones concluded the TAC Update on these topics.

Endorsement of Houston Import Project (Agenda Item 10)

Dan Woodfin, ERCOT Director of System Planning, provided the Board with a presentation on the Endorsement of the Houston Import Project and responded to the Board members' questions. Mr. Helton requested an update on the status of the review of economic criteria from ERCOT



System Planning and inquired whether there would be any corresponding impact on the Houston Import Project.

Mr. Dreyfus disclosed that his employer, Austin Energy, performed an assessment of the proposed impact of the Houston Import Project and identified a direct impact on their system and system costs. Mr. Dreyfus added that, for this reason, he would abstain from any votes on this issue.

Mr. B. Jones advised that TAC supported the Houston Import Project and provided the TAC voting record.

Mr. Karnei disclosed that the Cooperative Segment abstained en masse from a TAC vote on the Houston Import Project primarily due to questions about the economics. Mr. Karnei disclosed that he planned to abstain from the vote.

Randy Jones with Calpine, provided the Board with a presentation regarding the Houston Import Project and responded to the Board members' questions.

The Board members and Commissioner Kenneth Anderson discussed the issues concerning the endorsement at length, the language of the Board resolution, and the differing roles of the Board and the Commission in the Houston Import Project. Mr. Karnei announced that he would no longer abstain from the vote since the Board would be endorsing rather than approving the Houston Import Project, which approval would be reserved for the Commission.

Clifton Karnei moved to endorse the Houston Import Project. Mr. Crowder seconded the motion. The motion passed by voice vote with three abstentions (Messrs. Dreyfus and Helton and Dr. Patton).

Lunch (Agenda Item 11)

The meeting adjourned for lunch at approximately 12:34 p.m. and reconvened at approximately 1:20 p.m.

Chairman Gent announced that there would be no voting items considered during Executive Session, other than the Executive Session minutes, and that the Board meeting would adjourn upon conclusion of Executive Session.

Nodal Program Update (Agenda Item 12)

Mr. Petterson provided the Monthly Financial Review for the Nodal Program and responded to Board members' questions on this topic. Chairman Smitherman inquired whether ERCOT staff was planning to provide the Board with possible options for use of the Board discretionary fund. Mr. Petterson confirmed that these options were expected to be presented with the full 2011 budget discussion at the September 2010 Board meeting.



Market Readiness Criteria Certifications – Outage Scheduler (OS) Go-Live (Agenda Items 13 and 13b)

Mr. Cleary and Mr. Ragsdale reviewed the Market Readiness Criteria Certifications, including those for Congestion Revenue Rights Go-Live and OS Go-Live with the Board and responded to the Board's questions on these topics.

Mr. Helton moved to approve the Market Readiness Criteria Certification of the OS Go-Live. Danny Bivens seconded the motion. The Board members, Mr. Cleary, Mr. Ragsdale and Bill Magness, ERCOT Interim Vice President and General Counsel, discussed the status of Nodal defects and the proposed language of the Board resolution on OS Go-Live. **Jean Ryall made a friendly amendment to delete paragraph 4 of the proposed Board Resolution for OS Go-Live, which was accepted by Mr. Helton and Mr. Bevins. Ms. Ryall made another friendly amendment to incorporate provisional approval of the certification until September 2010.** The Board members and ERCOT staff continued their discussions. **Mr. Helton withdrew his motion and then moved to approve the Market Readiness Criteria Certification of the OS Go-Live as presented in the proposed Board resolution in the Board materials (that is, containing the original paragraph 4). Mr. Bivens seconded the motion.** Calvin Crowder emphasized the need for status updates as noted in the proposed Board resolution. Ms. Ryall requested a briefing on all defects, a list of all manual workarounds, all known issues related to the Nodal Program, and transparency with the market of all known items which will not be automated, but will require a manual workaround. Dr. Patton called the question. **The motion passed by unanimous voice vote with no abstentions.**

Congestion Revenue Rights (CRR) Go-Live (Agenda Item 13a)

Mr. Ragsdale reviewed the Market Readiness Criteria Certification for CRR Go-Live with the Board.

Mr. Helton moved to approve the Market Readiness Criteria Certification for the CRR Go-Live as presented. Mr. Crowder seconded the motion. Mr. Ragsdale responded to the Board members' questions on this topic. **The motion passed by unanimous voice vote with no abstentions.**

Nodal Program Update (Agenda Item 12) – Continued

Mr. Ragsdale and Mr. B. Jones provided the Board with an update on the 168-Hour Test. Messrs. Ragsdale, B. Jones, Cleary and Kenan Ogelman, TAC Vice Chair, responded to the Board members' questions on this topic.

After discussion, Chairman Gent requested that the entire Board receive a copy of the presentation made by ERCOT staff to Ms. Ryall, Dr. Patton and Mr. Dalton during the prior week, which Mr. Cleary agreed to provide. After further discussion, Mr. Dreyfus requested a description of the process that ERCOT follows when it receives information from a Market Participant that something is not working correctly, including ERCOT's process for investigating



and following up on such report. Mr. Cleary offered to discuss the formal process with Mr. Dreyfus after the meeting and with the entire Board at the September 2010 Board meeting. Ms. Ryall requested this information a week prior to the next Board meeting to allow Board members' ample time for review.

Discussion regarding Board of Directors Meeting Schedule for Remainder of 2010 in consideration of Nodal Go-Live (Agenda Item 17)

Chairman Gent invited discussion regarding the Board meeting schedule for the remainder of 2010 in consideration of Nodal Go-Live on December 1, 2010. After discussion, Chairman Gent announced that a Board meeting would be scheduled in the afternoon on the Monday preceding the next Board meeting (that is, on September 20, 2010) for the special purpose of discussing the Nodal Program status in further detail in consideration of Nodal Go-Live. Chairman Gent invited Mr. Magness to review the issues associated with conference calls of Board members, which he did. Chairman Gent asked that Mr. Doggett continue sending weekly Nodal Program updates to the Board.

Nodal Program Update (Agenda Item 12) – Continued

Mr. Cleary provided background on and a summary of some key issues noted in the Market Reform Risk Assessment Report (Market Reform Report). Mr. Dreyfus requested a review by the Independent Market Monitor (IMM) of the Market Reform Report and a request for a meeting between the Non-Opt-In Entities and ERCOT staff on the Point-to-Point issue, which Mr. Cleary was organizing. Mr. Magness added that the Market Reform Report was posted publicly on the prior evening to the ERCOT website under Agenda Item 12 of the Board meeting materials.

After discussion, Chairman Gent requested a status report on the Market Reform Report at the next Board meeting to be specially convened for an in-depth review of Nodal Program matters, expected to be scheduled on September 20, 2010. Mr. Cleary agreed to do so and to work with the IMM with regard to the Nodal market going live. This concluded the Nodal Program Update.

Finance & Audit (F&A) Committee Report (Agenda Items 14)

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

- Internal Audit status reports;
- Internal Audit 2010 goals update;
- 2011 Internal Audit universe development;
- Ethics Point update;
- Quarterly private discussion with the Chief Audit Executive;
- Review of assumptions for preparation of the 2011 annual operating budget and discussion of budget approval schedule;
- Nodal Credit Risk Profile and status update;
- Market Credit Risk Standard audit requirement for 2010;



- Follow-up to Commissioner Anderson’s question regarding investment risk and diversification; and
- Review of First Priority Security Interest Agreement.

Cheryl Yager, ERCOT Treasurer, provided the Board with a brief presentation related to the Credit Work Group and credit in the Nodal market and responded to the Board’s questions on this topic. In response to Mr. Helton’s inquiries regarding “e” factors, Mr. Cleary responded that ERCOT staff would review the impact of “e” factors in market trials and consider whether there were additional ways to improve credit in the Day-Ahead Market. Mr. Karnei noted that this topic would be on the F&A Committee’s September and October 2010 meeting agendas and would be monitored closely until the credit go-live certification in October 2010. Chairman Gent called the Board’s attention to the Risk Management Event Profile Matrix contained each month in their materials.

Human Resources & Governance (HR&G) Committee Report and Ratification of 2009 Unaffiliated Director Compensation (Agenda Items 15 and 16)

Dr. Patton, HR&G Committee Vice Chairman, reported that he was serving in the absence of Mr. Dalton, the HR&G Committee Chairman, and that the HR&G Committee met earlier in the morning and considered in part the following matters:

- External relations update;
- “Revolving Door” policies;
- Proposal for Board Approval of Revision Requests and Other Binding Documents;
- 2009 Compensation for Unaffiliated Member of the Board of Directors;
- Approval of modifications to ERCOT Code of Conduct;
- Second Quarter 2010 Key Performance Indicators;
- External communications plan; and
- Executive session personnel discussions.

Dr. Patton noted that the HR&G Committee recommended that a short Question-and-Answer Session after the Monday Board meeting to discuss TAC items which are not unanimous. Mr. Doggett suggested that, for the coming month, Board members direct any TAC questions to Ms. Hobbs prior to that Q&A Session.

Dr. Patton advised that the calculations related to the 2009 Unaffiliated Director compensation would be confirmed for accuracy and that the voting item related to Ratification of 2009 Unaffiliated Director Compensation was being deferred until the September 2010 meeting. He added that the HR&G Committee had moved to reconstitute the Subcommittee on Unaffiliated Director Compensation, all of which will be Market Participant members of the HR&G Committee.

With regard to the 2009 Unaffiliated Director overpayments, Chairman Smitherman expressed his surprise that this matter had not been brought to his attention previously. Chairman Smitherman requested that Mr. Magness and Mr. Doggett provide him with the following: a detailed explanation of how the 2009 overpayments occurred; information regarding change in



personnel related to the 2009 overpayments; information regarding change in procedures related to the 2009 overpayments; confirmation whether the ERCOT Internal Audit Department detected the 2009 overpayments through fraud audit prevention examination; information regarding potential overpayments in 2010; description of documentation received by Unaffiliated Directors regarding fees (for instance, check stubs and description of any taxes deducted); a detailed examination of expense reimbursement payment for 2009; and confirmation that previously supplied numbers were correct.

Chairman Smitherman inquired about the sample Board resolution approving ratification of the 2009 overpayments provided in the Board materials. Mr. Magness replied that this matter had been initially brought to the attention of the HR&G Committee and then last month to the attention of the F&A Committee. He added that there was an effort to bring this issue to the public and that this issue will be discussed further at the September 2010 meetings. With regard to the ratification, he noted that if any action by the Board were to be taken, it would relate to the ratification of the overpayments and that, otherwise, the compensation cap would stay in effect and it would be an issue of collection of the overpayment.

Commissioner Donna Nelson expressed her concern about the 2009 overpayments, supported Chairman Smitherman's requests for information, and requested the following: who discovered the 2009 overpayments; when were the 2009 overpayments discovered; the timing of disclosure from the all levels of employees to the CEO; when ERCOT sent tax documents (such as, 1099s) to the Unaffiliated Directors and the amounts reflected in those documents; whether the figures reflected on the tax documents match those noted on the decision template in the Board materials; to what extent there is an overlap or discussion with the staff; who is preparing the documents; who ultimately discovered the problem; what kind of training Unaffiliated Directors received on Board policies and procedures; and what process ERCOT has in place to report violations of Board policies and procedures.

Mr. Bermudez inquired as to the identity of ERCOT staff who will be maintaining records of meetings and the process for getting compensated for meetings. Mr. Doggett suggested that ERCOT staff hold a workshop for Unaffiliated Directors to review the reimbursement process.

Mr. Helton requested that the Board receive an update of the status of 2010 payments to Unaffiliated Directors and the projection on hitting the compensation cap. Chairman Smitherman supported the immediate notification (rather than waiting until the September 2010 Board meeting) to Unaffiliated Directors of the possibility of their hitting the compensation cap.

Future Agenda Items (Agenda Item 19)

Chairman Gent added Succession Planning for October 2010 to the Future Agenda Items.

Other Business (Agenda Item 18)

No other business was discussed by the Board at this time.



Executive Session (Agenda Items 20 to 25)

Chairman Gent adjourned the meeting to Executive Session at approximately 3:18 p.m.

Vote on Matters from Executive Session (Agenda Item 26) and Adjournment (Agenda Item 27)

As noted previously by Chairman Gent, there were no voting matters from Executive Session (other than Executive Session minutes which were approved during Executive Session). Chairman Gent adjourned the meeting directly upon conclusion of Executive Session at approximately 5:37 p.m.

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

Bill Magness
Interim Corporate Secretary