



**DRAFT MINUTES OF THE BOARD OF DIRECTORS MEETING OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

7620 Metro Center Drive, Room 206
Austin, Texas 78744
October 18, 2011 at 8:30 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
Barker, Laurie	Office of Public Utility Counsel	Residential Consumer; Alternate Representative for Sheri Givens
Bermudez, Jorge	Unaffiliated	Unaffiliated Director
Brown, Jeff	Shell Energy North America (US) LP	Independent Power Market Segment Alternate (Agenda Items 10 through 21 only)
Crowder, Calvin	American Electric Power Service Corporation	Investor Owned Utility (IOU)
Dalton, Andrew	Valero Services, Inc.	Industrial Consumer (except for Agenda Items 1 and 2); Proxy for Nick Fehrenbach [except for Agenda Items 1 through 4(c)]
Doggett, Trip	ERCOT	President and Chief Executive Officer (CEO)
Doll, Laura (Chair)	Unaffiliated	Unaffiliated Director
Dreyfus, Mark	Austin Energy	Municipal (except for Agenda Items 1, 2, 15, 16, 20, 23 and 24)
Espinosa, Miguel	Unaffiliated	Unaffiliated Director
Gent, Michehl (Vice Chairman)	Unaffiliated	Unaffiliated Director
Helton, Bob	International Power America Services Inc.	Independent Generator
Hendrick, Eric	Stream Energy	Independent Retail Electric Provider (REP)
Karnei, Clifton	Brazos Electric Power Cooperative Inc.	Cooperative
Nelson, Donna	Public Utility Commission of Texas (PUCT or Commission)	Chairman
Ryall, Jean	Constellation Energy Commodities Group	Independent Power Marketer (Agenda Items 1 through 9 only)



Schwertner, Ray	Garland Power & Light	Municipal Segment Alternate (Agenda Items 15, 16, 20, 23 and 24 only)
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Guests:

Anderson, Kenneth	PUCT Commissioner (except for Agenda Items 1 and 2)
Day, Betty	ERCOT Vice President of Business Integration
Dreyer, Jerry	ERCOT Vice President and Chief Information Officer
Dumas, John	ERCOT Director of Wholesale Market Operations
Gage, Theresa	ERCOT Director of External Affairs
Goodman, Dale	ERCOT Director of Market Services
Hobbs, Kristi	ERCOT Manager of Market Rules
Jones, Brad	Luminant, Technical Advisory Committee (TAC) Chair
Lathrop, Bert	ERCOT Director of Information Technology Infrastructure
Leady, Vickie	ERCOT Assistant General Counsel and Assistant Corporate Secretary
Magness, Bill	ERCOT Vice President, General Counsel and Corporate Secretary
Manning, Chuck	ERCOT Vice President of Human Resources and Chief Compliance Officer
Ogelman, Kenan	CPS Energy, TAC Vice Chair
Petterson, Mike	ERCOT Vice President of Finance and Treasury
Prochazka, Scott	CenterPoint Houston Electric, LLC – Investor Owned Utility Segment Alternate
Ruane, Mark	ERCOT Vice President of Credit and Enterprise Risk Management
Saathoff, Kent	ERCOT Vice President of Grid Operations and System Planning

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

Laura Doll, Board Chair, determined a quorum was present and called the meeting to order at approximately 8:30 a.m. At Chair Doll's request, all Board members in attendance introduced themselves and announced their affiliations and segments, if applicable; and all guests in attendance introduced themselves.

Chair Doll noted the Antitrust and Security Admonitions and requested notice if there were any such concerns during the discussion in the meeting. Chair Doll noted Nick Fehrenbach's absence and addressed the following Agenda Items in the order below.

September 20, 2011 Meeting Minutes (Agenda Item 2)

Chair Doll entered a motion to approve the September 20, 2011 Meeting Minutes (Minutes) as modified by ERCOT.

Miguel Espinosa moved to approve the Minutes as modified by ERCOT. Calvin Crowder seconded the motion. The motion passed by unanimous voice vote with no abstentions.



CEO Update (Agenda Item 3)

Trip Doggett provided the CEO Update. Mr. Doggett and Kent Saathoff, ERCOT Vice President of Grid Operations and System Planning, responded to questions and comments from the Board members.

Donna Nelson, Chairman of the Public Utility Commission of Texas (PUCT or 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 October 18, 2011.

Mr. Doggett, Michael Petterson, ERCOT Vice President of Finance and Treasury, Clifton Karnei, and Chair Doll provided the Board with comments regarding Miguel Espinosa's three terms of service on the Board as an Unaffiliated Director – the longest serving Unaffiliated Director with ERCOT. Chair Doll reported that it was Mr. Espinosa's last Board meeting as his final term would expire prior to the next regularly-scheduled Board meeting in December 2011. The Board unanimously passed a resolution honoring Mr. Espinosa and his service to ERCOT.

Operating Reports (Agenda Item 4)

Chair Doll requested presentation of the Operating Reports.

Financial Summary Report (Agenda Item 4a)

Mr. Petterson provided the Financial Summary Report. No questions or comments were voiced by the Board members.

External Affairs Update (Agenda Item 4b)

Theresa Gage, ERCOT Director of External Affairs, provided the External Affairs Update. Ms. Gage responded to questions and comments from the Board members.

Wholesale Market Operations Update (Agenda Item 4c)

John Dumas, ERCOT Director of Wholesale Market Operations, provided the Wholesale Market Operations Update. Mr. Dumas responded to questions and comments from the Board members.

Chair Doll announced that Mr. Fehrenbach provided his proxy to Andrew Dalton for the meeting.

Commercial Market Operations Report (Agenda Item 4d)

Dale Goodman, ERCOT Director of Market Services, provided the Commercial Market Operations Report. No questions or comments were voiced by the Board members.

Grid Operations and Planning Report (Agenda Item 4e)

Mr. Saathoff provided the Grid Operations and Planning Report. Mr. Saathoff and Mr. Doggett responded to questions and comments from the Board members.

Information Technology (IT) and Facilities Report (Agenda Item 4f)

Jerry Dreyer, ERCOT Vice President and Chief Information Officer, provided the IT and Facilities Report. Mr. Dreyer responded to questions and comments from the Board members.



Business Integration Update including Data Center Update (Agenda Item 4g)

Betty Day, ERCOT Vice President of Business Integration, provided the Business Integration Update. Ms. Day responded to questions and comments from the Board members.

No business was discussed in relation to Agenda Item 5 as it was intentionally omitted from the agenda.

2011-2012 Ancillary Services Methodology Recommendation (Agenda Item 6)

Mr. Dumas provided the 2011-2012 Ancillary Services Methodology Recommendation.

Laurie Barker moved to approve the 2011-2012 Ancillary Services Methodology Recommendation as presented. Mr. Karnei seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Technical Advisory Committee (TAC) Update (Agenda Item 7)

Brad Jones, TAC Chair, provided the TAC Update to the Board.

Unanimous Revision Requests Recommended by TAC: Nodal Protocol Revision Requests (NPRRs) (Agenda Item 7a)

Mr. B. Jones provided a summary of the TAC items that were unanimously recommended by TAC for Board approval. The following TAC items were considered for Board approval:

- NPRR364 – Clarify Active and Inactive Security Constrained Economic Dispatch (SCED) Constraint Reporting;
- NPRR370 – Supplementary Ancillary Services Market Modifications;
- NPRR389 – Modification of Voltage Support Requirements to Address Existing Non-Exempt Wind-Powered Generation Resources (WGRs);
- NPRR391 – Shortening Real-Time Market (RTM) Settlement and Payment Timeline and Eliminate Automated Clearing House (ACH) as a Mode of Payment; and
- NPRR400 – Eliminate Unsecured Credit for Congestion Revenue Right (CRR) Auctions and for Future Credit Exposure and Eliminate Netting of Future Credit Exposure (FCE) with Current Credit Exposure (CCE) – URGENT.

Mr. Crowder moved to approve NPRRs 364, 370, 389, 391 and 400 as recommended by TAC in their respective TAC Reports. Eric Hendrick seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Holistic Approach to Congestion Irresolvable by Security Constrained Economic Dispatch (SCED) (Agenda Item 7c)

Mr. B. Jones provided an overview of the status of the Holistic Approach to Congestion Irresolvable by SCED. Mr. B. Jones, Kenan Ogelman, Mr. Doggett, Mr. Saathoff and Kristi Hobbs, ERCOT Manager of Market Rules, responded to questions and comments from the Board members. The Holistic Approach to Congestion Irresolvable by SCED discussion and vote was deferred to the December 2011 Board Meeting.



TAC Report Related to February Event Analysis (Agenda Item 7b)

Mr. Ogelman provided the TAC Report Related to February Event Analysis. Mr. Ogelman and Mr. Doggett responded to questions and comments from the Board members.

Wide Area Network (WAN) Management Fee (Agenda Item 9)

Bert Lathrop, ERCOT Director of IT Infrastructure, provided an update on the WAN Management Fee and responded to questions and comments from the Board members.

Bob Helton moved to approve the WAN Management Fee as presented. Michehl Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Lunch (Agenda Item 8)

Chair Doll recessed the meeting for lunch at approximately 11:50 a.m. and reconvened the meeting at approximately 12:33 p.m.

Chair Doll announced that Jeff Brown, Segment Alternate for the Independent Retail Electric Provider (REP) Segment, would be acting on the Segment's behalf in Jean Ryall's absence for the remainder of the meeting. Chair Doll also noted that a copy of a press release issued from the Lieutenant Governor's office earlier in the day regarding drought and wildfire preparedness was distributed to the Board members during lunch.

Finance & Audit (F&A) Committee Report (Agenda Item 10)

Mr. Karnei, F&A Committee Chair, reported that the F&A Committee met during the prior day and highlighted the items discussed at the F&A Committee meeting. No questions or comments were voiced by the Board members.

ERCOT Creditworthiness Standard (Agenda Item 10a)

Mr. Karnei reported that the F&A Committee recommended Board approval of the ERCOT Creditworthiness Standard as presented.

Mr. Karnei moved to approve the ERCOT Creditworthiness Standard as presented and as recommended by the F&A Committee. Mr. Hendrick seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Human Resources & Governance (HR&G) Committee Report (Agenda Item 11)

Mr. Dalton, HR&G Committee Chairman, reported that the HR&G Committee met during the prior day and highlighted the items discussed at the HR&G Committee meeting for the Board members. No questions or comments were voiced by the Board members.

Ethical Responsibilities of ERCOT Board Service (Agenda Item 12)

Vickie Leady, ERCOT Assistant General Counsel and Assistant Corporate Secretary, provided the Ethical Responsibilities of ERCOT Board Service presentation to the Board. Ms. Leady and Bill Magness, ERCOT Vice President, General Counsel and Corporate Secretary, responded to questions and comments from the Board members.



Mr. Gent disclosed to the Board that his son's employer was recently acquired by Hewlett Packard, and his primary responsibility with the company is in cyber security in the Pacific Northwest.

Other Business (Agenda Item 13)

No other business was discussed at this time.

Future Agenda Items (Agenda Item 14)

No future agenda items were discussed, but it was announced that there would be no meetings in November 2011 and that the December 2011 meetings would consist of the following meetings: F&A Committee, HR&G Committee, Board, and Annual Membership.

Executive Session (Agenda Items 15 to 22)

Chair Doll adjourned the meeting into Executive Session at approximately 1:38 p.m. and reconvened Open Session at approximately 4:09 p.m.

Vote on Matters from Executive Session (Agenda Item 23)

Chair Doll called for motions on matters considered during Executive Session.

Mr. Gent moved to approve the Litigation and Regulatory matter noted in the Executive Session meeting materials as Agenda Item 20b as discussed during Executive Session. Jorge Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Dalton moved to approve the Litigation and Regulatory matter noted in the Executive Session meeting materials as Agenda Item 20c as discussed during Executive Session. Ray Schwertner seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Crowder moved to approve the Contract matter noted in the Executive Session meeting materials as Agenda Item 21a as discussed during Executive Session. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Helton moved to approve the Contract matter noted in the Executive Session meeting materials as Agenda Item 21b as discussed during Executive Session. Mr. Schwertner seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Karnei moved to approve the Contract matter noted in the Executive Session meeting materials as Agenda Item 21c as discussed during Executive Session. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Karnei moved to approve the Financial Auditor Selection noted in the Executive Session meeting materials as Agenda Item 22 as discussed during Executive Session. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.



Adjournment (Agenda Item 24)

Chair Doll adjourned the meeting at approximately 4:12 p.m.

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

Vickie G. Leady
Assistant Corporate Secretary