



**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
February 21, 2012 at 9:00 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	Unaffiliated Director
Crowell, Craven (Chairman)	Unaffiliated	Unaffiliated Director
Dalton, Andrew	Valero Services, Inc.	Consumer/Industrial
Doggett, H.B. "Trip"	ERCOT	President and Chief Executive Officer (CEO)
Dreyfus, Mark	Austin Energy	Municipal (<i>Proxy for Scott Prochazka for Agenda Item 28</i>)
Fehrenbach, Nick	City of Dallas	Consumer/Commercial
Gent, Michehl	Unaffiliated	Unaffiliated Director
Givens, Sheri	Office of Public Utility Counsel	Consumer/Residential
Gresham, Kevin	E.On Climate & Renewables NA LLC	Independent Generator
Hendrick, Eric	Stream Energy	Independent Retail Electric Provider (REP) (<i>Except for vote on Contract Matter during Agenda Item 28</i>)
Karnei, Clifton	Brazos Electric Power Cooperative, Inc.	Cooperative
Nelson, Donna	Public Utility Commission of Texas (PUCT)	Chairman (<i>Except for Agenda Item 8</i>)
Pfirmsmann, Karl V.	Unaffiliated	Unaffiliated Director
Prochazka, Scott	CenterPoint Energy Houston Electric LLC	Investor Owned Utility (<i>Except for Agenda Item 28</i>)
Ryall, Jean	Constellation Energy Commodities Group	Independent Power Marketer (<i>Except for vote on Contract Matter during Agenda Item 28</i>)



Walsh, Judy (Vice Chair)	Unaffiliated	Unaffiliated Director
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Guests:

Adams, John	ERCOT Principal of Resource Integration
Bauld, Mandy	ERCOT Director of Commercial Operations
Beckham, Rebecca	ERCOT Manager of Financial Reporting
Bowling, Shannon	Cirro Group (Independent REP)
Brown, Jeff	Shell Energy North America (US) LP (Independent Power Marketer) (except for Agenda Items 1 through 13)
Clemenhausen, Barbara	Topaz Power Holdings LLC (Independent Generator)
Caufield, Patrick	XO Energy TX LP
Day, Betty	ERCOT Vice President of Business Integration
Dumas, John	ERCOT Director of Wholesale Market Operations
Jones, Dan	Potomac Economics, ERCOT Independent Market Monitor
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, Technical Advisory Committee (TAC) Chair
Petterson, Mike	ERCOT Vice President of Finance and Treasury
Ruane, Mark	ERCOT Vice President of Credit and Enterprise Risk Management
Saathoff, Kent	ERCOT Vice President of Grid Operations and System Planning
Sheehan, Shawn	XO Energy TX LP
Smallwood, Aaron	ERCOT Director of Information Systems
Smith, Scott	Black and Veatch
Wittmeyer, Bob	Residential Consumer TAC Representative, TAC Vice Chair

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

Craven Crowell, Board Chairman, determined a quorum was present and called the meeting to order at approximately 9:01 a.m. Chairman Crowell noted the Antitrust and Security Admonition and noted there were no proxies. Chairman Crowell commented on the importance of resource adequacy in the ERCOT Region and ERCOT's ongoing resource adequacy efforts.

Chairman Crowell addressed the following Agenda Items in the order below.

Consent Agenda (Agenda Item 2)

Chairman Crowell entertained a motion for the approval of the Consent Agenda as follows:

- Agenda Item 3 – January 17, 2012 Board Meeting Minutes; and
- Agenda Item 10 – Unopposed Revision Requests Recommended by the TAC:
 - Nodal Protocol Revision Request (NPRR) 407, Credit Monitoring Credit Parameters Posting Requirements;
 - NPRR408, Clarification of ERCOT Authority to Deny Energization of Non-Compliant Generators;
 - NPRR422, Public Day Ahead Market (DAM) Shift Factors;



- NPRR423, Add Voltage Support Requirement for Intermittent Renewable Resources (IRRs) and Allow Manual Control of Static Volt-Ampere Reactive (VAr) Devices if Approved by ERCOT;
- NPRR437, Allow Aggregation of Multiple Units Into A Single Resource For Market and Engineering Modeling – URGENT; and
- Planning Guide Revision Request (PGRR) 008, New Planning Guide Section 4, Generation Resource Interconnection.

Jorge Bermudez moved to approve the Consent Agenda as presented. Karl Pfirrmann seconded the motion. The motion passed by unanimous voice vote with no abstentions.

A discussion of NPRR422 continued during Agenda Item 10 later in the meeting.

Approval of January 17, 2012 Board Meeting Minutes (Agenda Item 3)

Eric Hendrick moved to approve the January 17, 2012 Board Meeting Minutes with a revision to reflect Scott Prochazka’s affiliation with CenterPoint Energy Houston Electric LLC. Andrew Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

CEO Update (Agenda Item 4)

H. B. “Trip” Doggett, ERCOT President and CEO, provided the CEO update. Mr. Doggett and John Adams, ERCOT Principal of Resource Integration, responded to questions and comments from Board members.

Operating Reports (Agenda Item 5)

Mr. Doggett invited questions on the Operating Reports.

Business Integration Update (Agenda Item 5g)

There were no questions on the Business Integration Update.

Grid Operations and Planning Report (Agenda Item 5e)

Mr. Doggett responded to Board members’ questions regarding the Grid Operations and Planning Report.

External Affairs Update (Agenda Item 5b)

There were no questions on the External Affairs Update.

Information Technology (IT) Report (Agenda Item 5f)

Mr. Doggett and Aaron Smallwood, ERCOT Director of Information Systems, responded to Board members’ questions on the IT Report.

Financial Summary Report (Agenda Item 5a)

There were no questions on the Financial Summary Report.

Wholesale Market Operations Update (Agenda Item 5c)

There were no questions on the Wholesale Market Operations Report.



Commercial Market Operations Report (Agenda Item 5d)

Mr. Doggett recognized Mandy Bauld as the new Director of Commercial Market Operations. Mr. Doggett and Ms. Bauld responded to Board members' questions on the Commercial Market Operations Report.

Gas Risk Study (Agenda Item 6)

Kent Saathoff, ERCOT Vice President of Grid Operations and System Planning, presented the February 2012 Generator Survey – Firm and Non-Firm Natural Gas. Scott Smith, Black & Veatch, presented the ERCOT Natural Gas Curtailment Risk Study – Review of Key Findings and Observations. Mr. Saathoff and Mr. Smith responded to questions and comments from Board members regarding the Gas Risk Study.

Independent Market Monitor (IMM) Report (Agenda Item 7)

Dan Jones, Director with Potomac Economics, the ERCOT IMM, provided Board members with the IMM Report and responded to comments and questions from Board members.

Proposed Price Correction for DC_N Settlement Point (November 24, 2011) (Agenda Item 8)

Donna Nelson, PUCT Chairman, and her Aide, Patrick Peters, excused themselves from the meeting room for the discussion of the Proposed Price Correction for DC_N Settlement Point (November 24, 2011).

John Dumas, ERCOT Director of Wholesale Market Operations, presented the Proposed Price Correction for DC_N Settlement Point (November 24, 2011). Chairman Crowell recognized representatives of XO Energy TX LP (XO Energy), Patrick Caufield and Shawn Sheehan, who requested an opportunity to provide a presentation to the Board on the proposed price correction. Mr. Sheehan reviewed XO Energy's November 24, 2011 Resettlement presentation. Mr. Sheehan, Mr. Dumas, Mr. Doggett and Bill Magness, ERCOT Vice President, General Counsel and Corporate Secretary, responded to questions and comments from the Board members.

Michehl Gent moved to approve the Proposed Price Correction for DC_N Settlement Point (November 24, 2011) as presented. Judy Walsh seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Revisions to 2012 Ancillary Services Methodology (Agenda Item 9)

Mr. Dumas presented the Revisions to 2012 Ancillary Services Methodology and responded to questions and comments from Board members.

Clifton Karnei moved to approve the Revisions to 2012 Ancillary Services Methodology as presented. Mr. Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.

TAC Update (Agenda Item 10)

Kenan Ogelman, TAC Chairman, and Bob Wittmeyer, TAC Vice Chairman, presented the TAC Update and responded to questions and comments from Board members.



Mr. Magness clarified that the February 14, 2012 Market Information System (MIS) User Group Comments were provided to the Board in connection with NPRR422, which was approved on the Consent Agenda (Agenda Item 2) earlier in the meeting, and that, absent any indication to the contrary, it was his understanding that the Board's vote on NPRR422 took into account those comments. None of the Board members voiced any concern or objection to Mr. Magness' statements.

Non-Unanimous Revision Requests Recommended by TAC (Agenda Item 10a)

Mr. Ogelman and the Board members discussed the Revision Requests, referenced below, which TAC recommended for Board approval.

- NPRR432, Deployment of Resources to Alleviate Anticipated Emergency Conditions – URGENT

Mr. Ogelman presented NPRR432 as recommended by TAC and noted five opposing votes on this matter – four from the Independent REP Segment and one from the Independent Power Marketer Segment. Mr. Hendrick noted that the Independent REP Segment desired lesser ambiguity with regard to load being used as a resource under NPRR432 and, for this reason, could not support NPRR432 as presented. Chairman Crowell and Ms. Walsh commented on the issues with the potential delegation of matters up to the Board under NPRR432, particularly in light of the timing of emergency conditions.

Nick Fehrenbach reviewed his concerns about the timing and nature of the Board approval under NPRR432. Mr. Fehrenbach reported that he discussed the language regarding the Board's consideration of the merits of a contract in Open Session under NPRR432 as presented. He noted that ERCOT Legal concluded that such language would not preclude the Board's prior discussion of such contract in Executive Session. Mr. Fehrenbach expressed his concerns about the capital contribution language under NPRR432 as presented. Mr. Ogelman reviewed the general TAC discussions on the proposed NPRR432 language. Mr. Pfirrmann expressed his concern that Mr. Doggett's ability to respond to reliability issues should not be impeded by a cumbersome process and supported providing approval or analysis in advance of heavy load season. Mark Dreyfus noted his reluctance to remove the Board entirely from approval on these types of circumstances. Jean Ryall commented on the need to be aware of potential price dampening with the reliability contracts.

Mr. Magness confirmed Mr. Fehrenbach's earlier comments that ERCOT Legal did not believe that the proposed language of NPRR432 would preclude the Board from discussing such contracts in Executive Session. He added that NPRR432 was developed as a way to keep deployment of resources from dampening prices, but noted that the language was not as specific on the treatment of load as it was for generation. Mr. Magness also confirmed that ERCOT has the authority to take action as it did last summer under an emergency condition.

The Board members discussed possible Board actions with regard to NPRR432 in light of earlier comments.

Mr. Fehrenbach moved to remand NPRR432 to TAC and to direct TAC to present the revised NPRR432 to the Board for approval at the April 2012 Board meeting. Ms. Ryall seconded the motion and added that if an emergency situation arises in the interim that ERCOT provide the market with notice as soon as possible that ERCOT is planning to enter a contract, that ERCOT make the terms of the contract available for the market to review as soon as possible, and that



ERCOT provide the Board with the nature of the load contract at the April 2012 Board meeting. Mr. Gent noted that the market review of the contract was not included in Mr. Fehrenbach's motion. Mr. Magness recommended clarification of the topics of the remand for the motion. Chairman Crowell requested clarification on the motion and deferred further discussion on this motion until after lunch.

- NPRR434, Increase the Capacity Limitation of a Generation Resource Providing Responsive Reserve (RRS) – URGENT

Mr. Dalton moved to approve NPRR 434 as recommended by TAC in the February 2, 2012 TAC Report. Mr. Pfirrmann seconded the motion. The motion passed by unanimous voice vote with no abstentions.

- NPRR435, Requirements for Energy Offer Curves in the Real Time Security Constrained Economic Dispatch (SCED) for Generation Resources Committed in Reliability Unit Commitment (RUC) – URGENT

Ms. Walsh moved to approve NPRR 435 as recommended by TAC in the February 2, 2012 TAC Report. Kevin Gresham seconded the motion. Mr. Dalton offered a friendly amendment that ERCOT staff will review the performance of NPRR435 on a quarterly basis and update the Board on such performance, which was not accepted by Ms. Walsh or Mr. Gresham. Chairman Crowell called for a vote on Ms. Walsh's motion as originally stated. The motion passed by voice vote with ten in favor (Mr. Bermudez, Chairman Crowell, Mr. Doggett, Mr. Dreyfus, Mr. Gresham, Mr. Hendrick, Mr. Karnei, Mr. Prochazka, Ms. Ryall and Ms. Walsh), five opposed (Mr. Dalton, Mr. Fehrenbach, Mr. Gent, Sheri Givens, and Mr. Pfirrmann) and no abstentions.

The discussion of Non-Unanimous Revision Requests Recommended by TAC continued after lunch.

Lunch (Agenda Item 11)

Chairman Crowell recessed the Open Session for lunch at approximately 12:40 p.m. and reconvened the Open Session at approximately 1:16 p.m.

Non-Unanimous Revision Requests Recommended by TAC (Agenda Item 10a) – Continued

- NPRR432, Deployment of Resources to Alleviate Anticipated Emergency Conditions – URGENT - Continued

In response to Chairman Crowell's request, based on the Board's prior discussion, Mr. Magness reviewed the primary areas which would be subject to the Board's remand of NPRR432 – the nature and timing of Board approval in relation to paragraphs 2(c)(ii) and (iii) of Protocol Section 6.5.1.1, ERCOT Control Area Authority, and the capital contributions in relation to paragraph 2(d) of Section 6.5.1.1. Mr. Magness added that, after discussions with TAC leadership and in the event that these items were incorporated into the motion to remand NPRR432, it would be appreciated if the Board did not request completion by the April Board meeting of the capital contributions language and of the details of the treatment of load if deployed. Mr. Doggett confirmed for Chairman Crowell that ERCOT still had the authority to execute contracts to return



mothballed units to service in order to prevent an imminent emergency condition, such as, during the summer months. **In response to Chairman Crowell's inquiry, Mr. Fehrenbach noted his agreement with Mr. Magness' summary regarding the subject of remand for NPRR432. Ms. Ryall noted her agreement on this matter.**

In response to an extensive discussion related to Mr. Gresham and Mr. Ogelman's inquiries regarding the timing of TAC incorporating remanded topics into NPRR432 and presenting a revised NPRR432 to the Board, Mr. Magness clarified that, based on the earlier discussions, Mr. Fehrenbach moved to remand NPRR432 to TAC to address the issues Mr. Magness identified earlier prior to TAC presenting a revised NPRR432 to the Board.

Chairman Crowell called for a vote on the motion to remand NPRR432. The motion failed by voice vote with nine in favor (Mr. Bermudez, Chairman Crowell, Mr. Fehrenbach, Mr. Gent, Mr. Hendrick, Mr. Karnei, Mr. Pfirrmann, Ms. Ryall and Ms. Walsh) and six opposed (Mr. Dalton, Mr. Doggett, Mr. Dreyfus, Ms. Givens, Mr. Gresham and Mr. Prochazka) with no abstentions.

Mr. Dalton moved to approve NPRR432 as recommended by TAC in the February 2, 2012 TAC Report and to request TAC and ERCOT to provide the Board with additional information on the other issues that would have been the subject of the remand of Mr. Fehrenbach's prior motion. Ms. Ryall seconded the motion. The Board members discussed the possible timing of TAC providing the requested additional information to the Board. Mr. Dalton clarified that a timeline was not included in the motion. The motion passed by voice vote with ten in favor (Chairman Crowell, Mr. Dalton, Mr. Doggett, Mr. Dreyfus, Ms. Givens, Mr. Gresham, Mr. Pfirrmann, Mr. Prochazka, Ms. Ryall and Ms. Walsh) and four opposed (Mr. Bermudez, Mr. Fehrenbach, Mr. Gent and Mr. Karnei) with one abstention (Mr. Hendrick).

Plans for ERCOT 2011 Internal Revenue Service Form 990 Filing (Agenda Item 12)

Rebecca Beckham, ERCOT Manager of Financial Reporting, presented ERCOT's plan for filing its 2011 Internal Revenue Service Form 990 and responded to questions and comments from the Board.

Finance & Audit (F&A) Committee Report; Recommendations (Agenda Items 13 and 13a)

Mr. Karnei, F&A Committee Chairman, reported the F&A Committee met the prior day and highlighted items discussed and recommendations made at the F&A Committee meeting for the Board.

Financial Corporate Standard; Investment Corporate Standard [Agenda Items 13a(2) and (3)]

Mr. Karnei reported that, due to proposed revisions from the F&A Committee, the Financial Corporate Standard and the Investment Corporate Standard were deferred for likely presentation during the April 2012 Board meeting.

Market Credit Risk Corporate Standard [Agenda Item 13a(1)]

Mr. Karnei moved to accept the recommendation of the F&A Committee to approve the Market Credit Risk Corporate Standard as presented. Mr. Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions.



Human Resources & Governance (HR&G) Committee Report; Recommendations (Agenda Items 14 and 14a)

Mr. Dalton, HR&G Committee Chairman, reported the HR&G Committee met the prior day and highlighted items discussed and recommendations made at the HR&G Committee meeting for the Board.

Ratification of ERCOT Mission Statement [Agenda Item 14a(1)]

Mr. Dalton moved to accept the recommendation of the HR&G Committee to ratify ERCOT's Mission Statement as presented. Mr. Pfirrmann seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Nominating Committee Report (Agenda Item 15)

Chairman Crowell mentioned the Nominating Committee met the prior day and noted that Mr. Gent's second term as an Unaffiliated Director would expire on March 20, 2012. He reported that the Nominating Committee unanimously selected Mr. Gent as an Unaffiliated Director candidate for presentation to and election by the ERCOT Corporate Members.

Call for Special Meeting of ERCOT Corporate Members for Election of Unaffiliated Director (Agenda Item 16)

Chairman Crowell entertained a motion to call a Special Meeting of ERCOT Corporate Members for election of Mr. Gent as an Unaffiliated Director.

Mr. Karnei moved to call a Special Meeting of ERCOT Corporate Members for election of Mr. Gent as an Unaffiliated Director. Mr. Gresham seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Future Agenda Items (Agenda Item 17)

No additional future agenda items were proposed by the Board members at this time.

Other Business (Agenda Item 18)

Chairman Crowell requested that the Board review the 2012 Board meeting schedule for the purpose of potentially reducing the number of annual Board meetings from ten to nine. He asked for the Board's feedback at the April 2012 Board meeting.

Executive Session (Agenda Items 19 through 27)

Chairman Crowell adjourned the meeting into Executive Session at approximately 1:50 p.m. and reconvened Open Session at approximately 4:37 p.m.

Vote on Matters from Executive Session (Agenda Item 28)

After reconvening General Session, Chairman Crowell entertained motions to approve two matters from Executive Session.

Mr. Dalton moved to approve the Contract matter noted in the Executive Session meeting materials as Agenda Item 27a as discussed in Executive Session, which include approval of the project budget, but would exclude approval for the contingency. Mr. Bermudez seconded the motion. The motion passed by voice vote with one opposed (Mr. Gent) and no abstentions.



Mr. Karnei moved to approve the Litigation and Regulatory matter noted in the Executive Session meeting materials as Agenda Item 26a as discussed in Executive Session. Mr. Dalton seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment (Agenda Item 29)

Chairman Crowell adjourned the meeting at approximately 4:39 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