



**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
July 17, 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
Anderson, Kenneth	Commissioner	Public Utility Commission of Texas (PUCT) <i>(Alternate Representative for PUCT Chairman Donna Nelson)</i>
Bermudez, Jorge	Unaffiliated	Unaffiliated Director
Bivens, Danny	Office of Public Utility Counsel	Consumer / Residential <i>(Alternate Representative for Public Counsel Sheri Givens)</i>
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
Fehrenbach, Nick	City of Dallas	Consumer/Commercial <i>(Proxy for Eric Hendrick)</i>
Gent, Michehl	Unaffiliated	Unaffiliated Director
Gresham, Kevin	E.On Climate & Renewables NA LLC	Independent Generator
Karnei, Clifton	Brazos Electric Power Cooperative	Cooperative
Pfirmsmann, Karl	Unaffiliated	Unaffiliated Director
Prochazka, Scott	CenterPoint Energy Houston Electric LLC	Investor-Owned Utility
Ryall, Jean	Constellation Energy Commodities Group	Independent Power Marketer <i>(Except for Tabs 7, 8.1 – 10.1)</i>
Walsh, Judy (Vice-Chair)	Unaffiliated	Unaffiliated Director



Guests:

Bevill, Jennifer	American Electric Power Service Corporation
Brewster, John	Account Manager, Sherry Matthews Advocacy Marketing
Brown, Jeff	Shell Energy North America (US), LP (Independent Power Marketer Segment Alternate)
Carpenter, Mark	Oncor Electric Delivery Company (Investor-Owned Utility Segment Alternate)
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
Garcia, Diana	Senior Manager, Maxwell, Locke & Ritter, LLP
Gilberton, Kimberly	PUCT
Jones, Dan	Director of Potomac Economics, ERCOT Independent Market Monitor
Landry, Brianna	Audit Associate, Maxwell, Locke & Ritter, LLP
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
Marrero, Jose	Senior Vice President, Sherry Matthews Advocacy Marketing
Ögelman, Kenan	CPS Energy, Technical Advisory Committee (TAC) Chair
Pablos, Rolando	PUCT Commissioner (<i>Except for Tabs 1 – 3, 7 - 12</i>)
Pettersen, Michael	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
Wittmeyer, Bob	TAC Residential Consumer Representative, TAC Vice-Chair
Zimmerhanzel, A.J.	Engagement Partner, Maxwell, Locke & Ritter, LLP

Call Open Session to Order and Announce Proxies (Tab 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 Admonitions and requested notice if there were any such concerns during the discussion in the meeting. Chairman Crowell announced that Nick Fehrenbach held a proxy for Eric Hendrick and Danny Bivens was attending as the Alternate Representative for Office of Public Utility Counsel in Sheri Givens’ absence. Chairman Crowell provided opening remarks.

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

Consent Agenda (Tab 2)

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

Tab 2.1 – Unopposed Nodal Protocol Revision Requests (NPRRs) and Planning Guide Revision Requests (PGRRs) Recommended by the Technical Advisory Committee (TAC) for Approval as follows:



- 2.1.1 NPRR436, Clarify the Use of the Defined Term Season and Its Derivatives;
- 2.1.2 NPRR438, Additional Minimum Counter-Party Qualification Requirements Including Risk Management Capability Requirements;
- 2.1.3 NPRR443, Removal of Switchable Generation Resource Plans from Protected Information
- 2.1.4 NPRR445, DC Tie Load Zone Price Clarification;
- 2.1.5 NPRR446, Correction of Non-Spin Ancillary Service Schedule Telemetry for Standing Non-Spin Deployment;
- 2.1.6 NPRR447, Remove Day-Ahead Qualified Scheduling Entity Requested Decommit Language;
- 2.1.7 NPRR452, Clarification of Reactive Power Requirements;
- 2.1.8 NPRR454, Removal of Unfunded Project List Language;
- 2.1.9 NPRR455, CRR Shift Factors Report;
- 2.1.10 NPRR456, Clarification of Definition of Electrically Similar Settlement Points and Heuristic Pricing Posting;
- 2.1.11 NPRR457, Daily Update of New Electric Service Identifiers and Advanced Metering System Meter and Switch Hold Indicators Changes;
- 2.1.12 NPRR458, Establishment of ERCOT's Central Counterparty Role;
- 2.1.13 NPRR462, Removal of Consumer Benefit Test from the ERCOT Planning Criteria;
- 2.1.14 NPRR468, Alignment of System-Wide Offer Cap and Scarcity Pricing Mechanism Language with PUCT Substantive Rules – URGENT;
- 2.1.15 PGRR017, New Planning Guide Section 6.1, Steady-State Model Development; and
- 2.1.16 PGRR019, New Section 1, Overview.

After clarification by Bill Magness, ERCOT Vice President, General Counsel and Corporate Secretary, Michehl Gent moved to approve NPRR438 as amended by the 07/13/2012 ERCOT Comments, NPRR458 as amended by the 07/13/2012 ERCOT Comments, NPRR468 with the 07/12/2012 Wholesale Market Subcommittee (WMS) Comments and all other Consent Agenda Items as presented. Jorge Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Approval of June 19, 2012 Board of Directors Meeting Minutes (Tab 3)

Chairman Crowell entertained a motion to approve the June 19, 2012 Board of Directors Meeting minutes (Minutes) as presented.

Mr. Bermudez moved to approve the Minutes as presented. Karl Pfirrmann seconded the motion. The motion passed by unanimous voice vote with two abstentions (Clifton Karnei and Scott Prochazka).

CEO Update (Tab 4)

Trip Doggett provided the CEO Update and responded to questions and comments from Board members. Mr. Doggett gave a brief overview of ERCOT's Internship Program and introduced four summer interns, Jason Terrell, Megan Germann, Natalia Rivera Mack and Reed Malin.



Kenneth Anderson, Commissioner 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 July 17, 2012.

Mr. Doggett acknowledged Ron Berry, Manager of Physical Security, and thanked him for his contributions, years of service to ERCOT and announced his upcoming retirement. He also acknowledged Susan Munson, Retail Market Liaison, for her leadership at the North American Energy Standards Board (NAESB) in the retail accounting area as well as her contributions to ERCOT. He recognized the efforts of the BLADE (Beginners Learning Alternative Designs for Energy) Program and ERCOT staff John Jarmon, Jonathan Rose and Jim Rudd. Additionally, he highlighted the Planning Model Go-Live as a significant achievement. Mr. Prochazka, Mr. Gent and Kevin Gresham expressed appreciation to ERCOT staff and the Transmission Service Provider (TSP) community for their role of this successful initiative.

Financial Summary and Operating Reports (Tab 5)

Mr. Doggett presented the Financial Summary and Operating Reports. Mr. Doggett, John Dumas, Betty Day, and Kent Saathoff responded to questions and comments from Board members.

Independent Market Monitor (IMM) Report (Tab 6)

Dan Jones reviewed: the ERCOT Wholesale Electricity Market Monthly Report from the IMM to the PUCT, dated June 13, 2012; IMM Report to the ERCOT Board, dated July 17, 2012; and the Assessment of the ERCOT Wholesale Market Outcomes on June 25 and 26, 2012, from the IMM to the Texas Senate Business and Commerce Committee, dated July 13, 2012. Mr. D. Jones, Mr. Doggett and Mr. Dumas responded to questions and comments from Board members.

Jennifer Bevill, American Electric Power Service Corporation, represented the positions of AEP Energy Partners and provided brief comments on West Zone issues noted in Mr. D. Jones' report.

Break

Chairman Crowell recessed the Open Session for break at approximately 10:28 a.m. and reconvened the Open Session at approximately 10:42 a.m.

Conservation Messaging for Summer 2012; Presentation of Public Utility Commission of Texas Consultant Sherry Matthews, Inc. (Tab 7 & Tab 7.1)

Theresa Gage presented the Conservation Messaging for Summer 2012 and responded to questions and comments from Board members. Ms. Gage introduced John Brewster and Jose Marrero, Account Manager and Senior Vice President, respectively, of Sherry Matthews Advocacy Marketing, and Kimberly Gilberton of the PUCT, all of whom assisted with the Power to Save campaign. Mr. Marrero provided a presentation on the Power to Save campaign and responded to questions from Board members.

TAC Update (Tab 8)

Kenan Ögelman presented the TAC Update to the Board and responded to questions and comments from Board members.



Non-Unanimous NPRRs Recommended by TAC for Approval (Tab 8.1)

NPRR416, Removal of the Reliability Unit Commitment Clawback Charge for Resources Other than Reliability Must-Run Units (Tab 8.1.1)

After a review by Mr. Ögelman, Mr. Karnei moved to approve NPRR416 as recommended by TAC in the 06/28/2012 TAC Report. Kevin Gresham seconded the motion. After further discussion by the Board and Mr. Ögelman, Chairman Crowell called for a vote by show of hands. The motion failed by a vote by show of hands with nine in favor, five opposed (Mr. Bermudez, Mr. Fehrenbach, Mr. Gent, Mr. Pfirrmann and Vice-Chair Walsh) and one abstention (Eric Hendrick as noted by his proxy, Mr. Fehrenbach).

This matter was considered further by the Board later in the meeting.

NPRR459 Better Matching Forward Collateralization with Forward Risk in the Real-Time Market – URGENT (Tab 8.1.2)

After a review by Mr. Ögelman, Mr. Karnei moved to approve NPRR459 as recommended by TAC in the 07/09/2012 TAC Report. Mr. Dalton seconded the motion. Mr. Ögelman, Bob Wittmeyer, TAC Vice Chair, Mr. Doggett and Mark Ruane responded to questions and comments from Board members. The motion passed by unanimous voice vote with no abstentions.

NPRR469 Modification to Constraint Competitive Tests –URGENT (Tab 8.1.3)

After a review by Mr. Ögelman and discussion by Board members, Mr. Dalton moved to approve NPRR469 as recommended by TAC in the 06/28/2012 TAC Report. Vice-Chair Walsh seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Hendrick as noted by his proxy, Mr. Fehrenbach).

Protocol Section 4.4.10 Credit Requirement for Day-Ahead Market (DAM) Bids and Offers Required Annual Review of DAM Credit Parameters (Tab 8.2)

After a review by Mr. Ögelman, Mr. Karnei noted the Finance and Audit (F&A) Committee's support of TAC's recommendation and moved to approve maintaining the current Procedures for Setting Nodal Day-Ahead Market Credit Requirement Parameters as presented in satisfaction of the annual review required by Protocol Section 4.4.10 Credit Requirement for Day-Ahead Market (DAM) Bids and Offers. Michehl Gent seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Methodology for Setting Maximum Shadow Prices for Network and Power Balance Constraints (Tab 8.3)

After a review by Mr. Ögelman, Mr. Gent moved to accept the Methodology for Setting Maximum Shadow Prices for Network and Power Balance Constraints as recommended by TAC. Mr. Pfirrmann seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Finance & Audit (F&A) Committee Report (Tab 9)

Clifton Karnei, F&A Committee Chairman, reported that the F&A Committee met the prior day and highlighted items discussed at the F&A meeting.



2011 Audit Report of ERCOT 401(k) Savings Plan (Tab 9.1)

Mr. Karnei noted the F&A Committee's recommendation for Board acceptance of the 2011 Audit Report of the ERCOT 401(k) Savings Plan as presented and moved to accept the 2011 Audit Report of the ERCOT 401(k) Savings Plan as presented. Vice-Chair Walsh seconded the motion. The motion passed by unanimous voice vote with no abstentions.

User Fees – Congestion Revenue Right (CRR) Account Holder and Independent Market Information System Registered Entity (IMRE) Application Fees (Tab 9.2)

Mr. Karnei noted the F&A Committee's recommendation for Board approval of the User Fees – CRR Account Holder and IMRE Application Fees – and moved to approve the CRR Account Holder and IMRE Application Fees as presented. Mr. Bermudez seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Human Resources & Governance (HR&G) Committee Report (Tab 10)

Andrew Dalton, HR&G Committee Chairman, reported that the HR&G Committee met the prior day and highlighted items discussed at the HR&G Committee meeting.

Proposed Modifications to ERCOT Board Policies and Procedures (Tab 10.1)

Mr. Dalton noted the HR&G Committee's recommendation for Board approval of the proposed modifications to the ERCOT Board Policies and Procedures as presented and moved to approve the proposed modifications to ERCOT Board Policies and Procedures as presented. Mark Dreyfus seconded the motion. The motion passed by unanimous voice vote with five abstentions from the Unaffiliated Directors due to the changes to Unaffiliated Director compensation contained in the proposed modifications (Mr. Bermudez, Chairman Crowell, Mr. Gent, Mr. Pfirrmann and Vice-Chair Walsh).

Periodicity of Meetings including Proposed 2013 Board Meeting Schedule (Tab 11)

Chairman Crowell entertained discussion regarding the periodicity of meetings and the proposed 2013 Board meeting schedule. He noted the Board will vote on the 2013 Board meeting schedule at the September 18, 2012 Board meeting.

Other Business (Tab 12)

The Board members briefly discussed logistics for the Board Strategic Planning Event in September 2012. The Board members requested that ERCOT staff provide additional information on various matters.

Commissioner Anderson adjourned the Open Meeting of the Public Utility Commission at approximately 11:58 a.m.

Executive Session

Chairman Crowell recessed the Open Session into Executive Session at approximately 11:59 a.m. and reconvened Open Session at approximately 1:05 p.m.

Vote on Matters from Executive Session (Tab 13)

Chairman Crowell announced that during Executive Session the sole voting item was the approval of the Executive Session Meeting Minutes so there were no voting items to be considered in General Session at this time.



NPRR416, Removal of the Reliability Unit Commitment Clawback Charge for Resources Other than Reliability Must-Run Units (Tab 8.1.1) – Continued

Mr. Gent moved to reconsider the vote on NPRR416, taken earlier in the meeting. Mr. Bermudez seconded the motion. Chairman Crowell called for vote by show of hands. The motion passed by a vote by show of hands with thirteen in favor and two abstentions (Nick Fehrenbach on his behalf and as proxy for Mr. Hendrick).

Danny Bivens moved to approve NPRR416 as recommended by TAC in the 06/28/2012 TAC Report. Mr. Dalton seconded the motion. Chairman Crowell called for vote by show of hands. The motion passed by a vote by show of hands with twelve in favor, two opposed (Mr. Fehrenbach and Mr. Pfirrmann) and one abstention (Mr. Hendrick as noted by his proxy, Mr. Fehrenbach).

Adjournment (Tab 14)

Chairman Crowell adjourned the meeting at approximately 1:07 p.m.

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

A handwritten signature in blue ink that reads "Vickie G. Leady".

Vickie G. Leady
Assistant Corporate Secretary