



**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
July 21, 2009 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 |
|----------------------|--|--|
| Armentrout, Mark | | Unaffiliated; Proxy for Clifton Karnei beginning at Agenda Item 20 |
| Ballard, Don | Office of Public Utility Counsel | Residential Consumer |
| Bartley, Steve | CPS Energy | Municipal |
| Cox, Brad | Tenaska Power Services Co. | Independent Power Marketer |
| Espinosa, Miguel | | Unaffiliated |
| Fehrenbach, Nick | City of Dallas | Commercial Consumer; Proxy for Andrew Dalton |
| Gent, Michehl | | Unaffiliated, Board Vice Chairman |
| Helton, Bob | International Power America Services | Independent Generator |
| Jenkins, Charles | Oncor Electric Delivery Company | Investor Owned Utility (through Agenda Item 22) |
| Kahn, Bob | ERCOT | President and Chief Executive Officer |
| Karnei, Clifton | Brazos Electric Power Cooperative Inc. | Cooperative |
| Newton, Jan | | Unaffiliated, Board Chairman |
| Patton, A.D. | | Unaffiliated |
| Smitherman, Barry T. | Public Utility Commission of Texas | Commission Chairman |
| Thomas, Robert | Green Mountain Energy Company | Independent Retail Electric Provider |

Staff and Guests:

| | |
|----------------|-------------|
| Adams, Steve | Suez Energy |
| Adib, Parviz | APX |
| Anderson, Troy | ERCOT |



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|---------------------|------------------------|
| Baker, Randy | ERCOT |
| Barnes, Bill | J. Aron |
| Bell, Wendell | TPPA |
| Berry, Ron | ERCOT |
| Bevill, Rob | GMEC |
| Brandt, Adrienne | Austin Energy |
| Brewster, Chris | City of Eastland |
| Bruce, Mark | MJB Energy Consulting |
| Burkhalter, Robert | ABB |
| Byone, Steve | ERCOT |
| Capezzuti, Nancy | ERCOT |
| Cleary, Mike | ERCOT |
| Cochran, Seth | Sempra |
| Comstock, Read | Direct Energy |
| Crowder, Calvin | AEP Service Corp. |
| Crozier, Richard | Brownsville |
| Day, Betty | ERCOT |
| Delenela, Ann | ERCOT |
| Deskins, Andy | Wells Fargo/Wachovia |
| Doggett, Trip | ERCOT |
| Doolin, Estrellita | ERCOT |
| Dreyfus, Mark | Austin Energy |
| Durrwachter, Henry | Luminant |
| Flores, Isabel | ERCOT |
| Fofia, David | ERCOT |
| Frederick, Jennifer | Direct Energy |
| Goff, Eric | Reliant |
| Grable, Mike | ERCOT |
| Grefe, Richard | PUCT |
| Harrison, Chris | Kelly Engineering |
| Hobbs, Kristi | ERCOT |
| Howard, Richard | ERCOT |
| Jones, Brad | Luminant |
| Jones, Don | Reliant |
| Jones, Randy | Calpine |
| King, Kelso | King Energy |
| Kleckner, Tom | ERCOT |
| Leady, Vickie | ERCOT |
| Lloyd, Brian | Office of the Governor |
| Manning, Charles | ERCOT |
| McMurray, Mark | Direct Energy |
| Mereness, Matt | ERCOT |
| Morgan, Richard | ERCOT |



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|--------------------|-----------------------------|
| Morris, Sandy | LCRA |
| Munoz, Manny | CenterPoint Energy |
| Nelson, Donna | Commissioner, PUCT |
| Nieto, L. | PUCT |
| Oehlen, Melissa | ERCOT |
| Ogelman, Kenan | CPS Energy |
| Oldham, Phillip | TIEC |
| Pieniasek, Adrian | NRG Texas |
| Ply, Janet | ERCOT |
| Rexrode, Caryn | Customized Energy Solutions |
| Roark, Dottie | ERCOT |
| Ross, Richard | AEP SC |
| Saathoff, Kent | ERCOT |
| Seymour, Cesar | Suez |
| Soutter, Mark | Invenergy |
| Sperks, Michael | Suez Energy |
| Starnes, Bill | RJC Consulting |
| Stauffer, Tarra | ERCOT |
| Taylor, William | Calpine |
| Troutman, Jennifer | AEP Energy Partners |
| Wagner, Marguerite | PSEG Texas |
| Walker, DeAnn | CenterPoint Energy |
| Wullenjohn, Bill | ERCOT |
| Yager, Cheryl | ERCOT |
| Zerwas, John | PUCT |

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

Barry T. Smitherman, Public Utility Commission of Texas (Commission) Chairman, called to order an open meeting of the Commission to consider matters which have been duly posted with the Texas Secretary of State for July 21, 2009. Immediately thereafter, Jan Newton, Board Chairman, called the Board meeting to order at approximately 10:15 a.m. and determined a quorum was present.

Consent Agenda (Agenda Item 2)

The following items were handled in the consent agenda:

- Item 3 – Approval of June 16, 2009 Board Meeting Minutes;
- Item 11a – Protocol Revision Requests (PRRs) 806, 807 and 808; and
- Item 11b – Nodal Protocols Revision Requests (NPRRs) 158 and 170.

NPRR171 was removed from the consent agenda for consideration under Agenda Item 11b.



Clifton Karnei moved to approve the items on the Consent Agenda. Miguel Espinosa seconded the motion. The motion passed by unanimous voice vote.

Mike Grable, ERCOT Vice President and General Counsel, called the Board's attention to three documents that were distributed to the Board at their seats:

- An ERCOT 2008 Form 990 questionnaire for directors, officers and key employees;
- A draft of the June 16, 2009 Executive Session Board Meeting minutes with edits submitted by Chairman Newton; and
- Draft resolutions for certain contract matters to be considered in Executive Session with edits proposed by Mark Armentrout.

Approval of June 16, 2009 Minutes (Agenda Item 3)

The June 16, 2009 Board Meeting minutes were approved as part of the Consent Agenda under Agenda Item 2.

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

Bob Kahn, ERCOT President and CEO, reported that ERCOT has hit record peaks due to the recent heat in the ERCOT Region, such as, on July 8th (62,786 MW) and 13th (63,453 MW), but he noted that ERCOT still has not hit the forecasted peak for the year expected to be in August (63,491 MW). He commended Trip Doggett, ERCOT Senior Vice President and Chief Operating Officer, Kent Saathoff, ERCOT Vice President of System Planning and Grid Operations, and ERCOT staff for their efforts in operating the grid during these record-setting days. He also advised that, as of May 1, 2010, ERCOT will freeze implementation changes in the Nodal production environment as part of its preparation for the 168-hour test. He explained that ERCOT staff presented its preliminary 2010 budget during the Finance and Audit (F&A) Committee meeting earlier in the day and that ERCOT staff will make its recommendation on 2010 budget to the F&A Committee and Board next month. He added that next month ERCOT would be holding a public hearing on the 2010 budget on August 17, 2009, presenting an option for a zero-cost increase in the System Administration Fee, and providing an analysis of impact on services if a zero-cost increase were implemented. Chairman Smitherman inquired about whether prices have generally stayed low despite the peak days. Mr. Doggett responded that, aside from some challenges in North-to-South congestion in late June/early July, it was a period of relatively low pricing.

Financial Summary Report (Agenda Item 5)

Chairman Newton reminded those in attendance that the Board held its regular Q&A Meeting regarding the Board materials on the afternoon of July 20, 2009. She opened this portion of the meeting to additional questions regarding the Financial Summary Report, Market Operations Report, Information Technology (IT) Report, and Grid Operations and Planning Report.

Chairman Newton invited comments or questions regarding the Financial Summary Report. Chairman Smitherman noted that ERCOT's revenue had been running below forecast, primarily



due to lower load, but that July would be a heavy load month. He then inquired about ERCOT's budget status. Steve Byone, ERCOT Vice President and Chief Financial Officer, responded that he expected some recovery during the second half of the year on the under-run from first half of year with respect to revenue from the System Administration Fee, but not a full recovery of the revenue shortfall from the first half of the year. He added that ERCOT expects to recover about \$1 million in such revenue from now until the end of the year.

Market Operations Report (Agenda Item 6)

Chairman Newton invited comments or questions regarding the Market Operations Report. Don Ballard asked about the reason for the considerable increase in South load zone prices. Trip Doggett, ERCOT Senior Vice President and Chief Operating Officer, responded that there had been some significant resource outages in the South zone. Mr. Ballard asked to hear more about this in the future. Chairman Smitherman noted that the transmission projects like Clear Springs to Salado and the CREZ project from Kendall to McCamey should both alleviate price spikes in the South. Kent Saathoff, Vice President of System Planning and Grid Operations, concurred. Bob Helton asked about the reasoning behind putting some load on radial transmission lines, which provides somewhat less reliable service to that load, to increase transfer capability from North to South. Mr. Saathoff explained that, on the week of June 22nd, ERCOT was experiencing high load levels resulting from high temperatures and that several large generators had forced outages in the South zone, which increased the need for North-to-South transfers and caused some local congestion issues in the South, limiting some generation online in the South. He added that, as a result, ERCOT hit the North-to-South Commercially Sensitive Constraint (CSC) and, with the limits on the South generation, hit the Balancing Up limit in the South which resulted in the high prices in the South (including several intervals of over \$2,000 per megawatt hour in the South and Houston zones). He continued that, even using all available generation in the South, the reliability issue was that ERCOT was unable to keep under the North-to-South limit. He further added that ERCOT ran out of up regulation at one point and had to relax the CSC constraint to free up North generation. He advised that, given the reliability issues, ERCOT consulted with the Independent Market Monitor (IMM) which concurred with ERCOT's approach.

Mr. Ballard asked to speak with the IMM; however, no representative of the IMM was present at that time. Mr. Saathoff noted that ERCOT communicated with Oncor, the owner of most of the transmission in that area, to determine available options to increase the North-to-South transfer. He added that, beginning on Thursday, June 25th, ERCOT worked with Oncor through the weekend to determine that switching could be done in the Waco area, opening up one end of several 138 kV lines in the Waco area. He continued that this put about a total of 43 megawatts on radial transmission, but the biggest exposure for any single contingency was estimated to be less than 20 megawatts. He noted that these lines are on SCADA and that Oncor assured ERCOT that if there was an event, Oncor could respond very quickly. He further noted that ERCOT determined, for reliability purposes, the very slight increased risk of an outage event for a small amount of load was more than offset by increasing the North to South limit by about 300 MW. He added that ERCOT implemented this approach on June 29th and issued a Market Notice on June 30th and that ERCOT planned to return the system to normal configuration September 1st and will continue to monitor the situation to see if this date can be moved up. Commissioner



Donna Nelson commended ERCOT on its handling of this situation and mentioned that she visited with ERCOT and the Independent Market Monitor (IMM) during this time on the recent heavy usage and unplanned outages. She added that they did an excellent job of resolving issues quickly. A.D. Patton mentioned that ERCOT did the right thing in this situation. Chairman Smitherman echoed Commissioner Nelson's comments. He added that he viewed this as ERCOT having another tool for handling this type of situation and resulted in lower prices than they would have ordinarily been for fewer intervals. He requested that ERCOT put together a proactive plan to communicating these initiatives and the potential risks to local political leaders in those areas that might be affected, which Mr. Kahn agreed to do. Mr. Helton cautioned that ERCOT could be criticized and perceived as managing to economics rather than managing to reliability. Mr. Ballard added that it is critical to have the October update on the effectiveness on PR776. Charles Jenkins advised that Oncor fully supported the action that was taken. He pointed out that the Board has asked TAC to work on performance metrics for Market Participants, which TAC is actively developing, and the action that Oncor took, at ERCOT's request, would have shown up as being out of compliance with some of those proposed performance metrics. He continued that there may be times that Market Participants may be behaving one way to perform well on performance metrics rather than doing what is right for the system. Chairman Newton agreed that was a valid concern which the Board needed to keep in mind. Beth Garza of the IMM joined the meeting. She advised that the pricing was a direct result of not being able to resolve the constraint, which is a reliability problem. She added that prices were high, but it was the fact that reliability was not assured that confirmed that action needed to be taken. Ms. Garza advised that these situations require analysis of subtle tradeoffs. Mr. Ballard thanked her for this critical information. Mr. Helton also expressed his appreciation for the explanations.

IT Report (Agenda Item 7)

Chairman Newton invited comments or questions regarding the IT Report. There were none.

Grid Operations and Planning Report (Agenda Item 8)

Chairman Newton invited comments or questions regarding the Grid Operations and Planning Report. Michehl Gent, Board Vice Chairman, inquired whether the recent series of outages would be reflected in next month's report. Mr. Saathoff replied that specific unit outage information is protected for 180 days. Dr. Patton noted that he observed that certain wind turbines in Kennedy County were not running. Mr. Armentrout requested a Board briefing on Alert, Watch and Energy Emergency terminology changes in the fall of 2009. Dr. Patton requested that next month's report include a discussion of differences in Coastal and West Texas wind. Mr. Saathoff agreed to make this distinction in the future in these reports.

Nodal Update (Agenda Item 9)

Mike Cleary, ERCOT Senior Vice President and Chief Technology Officer, provided the Board with an update on the Nodal Program. He advised that he is most concerned with the planning and the Estimates at Completion (EACs) with regard to the readiness and market trials that will come between now and Nodal Go-Live. He added that the Nodal team is working on a detailed execution plan from end-to-end testing through market trials to Go-Live over the next four



weeks. He identified slippage in the Credit Monitoring and Management (CMM)/Network Model Management System (NMMS) milestones and plans to address this matter. Commissioner Nelson asked whether this would impact ERCOT's ability to meet the ultimate timeline and implementation. Mr. Cleary responded that, at this point in time, he did not believe that this would do so and that ERCOT has a plan and resources to address these issues. Commissioner Nelson asked whether ERCOT anticipates meeting the milestone of completing CMM 4.1 by the end of July. Mr. Cleary responded affirmatively. Commissioner Nelson asked about the timing of the next milestone and whether any delay would have an effect on Market Participants. Mr. Cleary responded CMM 4.2 would be due in February 2010, which would be in time for market trials and which would not have an effect on Nodal Go-Live or Market Participants. Chairman Newton asked whether test criteria had been defined and noted that the schedules are tight over the next few months. Mr. Cleary responded that ERCOT has all of its applications in ERCOT's environments and that ERCOT is testing the applications in the functional FAT and integrated environments. Chairman Newton inquired about any significant risk in the integration of all of the applications. Mr. Cleary replied that ERCOT needs to focus on interface adapters to make sure that all applications work together. He added that then ERCOT will focus on end-to-end testing for functionality and data transmission and that ERCOT will focus ultimately on market trials with the Market Participants. Mr. Cleary continued that the risks exist today, but he is not seeing anything that will risk Go-Live at this time. Mr. Armentrout requested a set of standard reports of defects by system component for his review so that he could make recommendations to the Special Nodal Program (SNP) Committee and the Board. He also noted that there were four major post-production testing areas: end-to-end testing, market trials, 168-hour test, and Go-Live. He requested information that identified the incremental value, unknowns and risks amongst the four testing areas for his review through a personal one-on-one meeting or for the SNP Committee. Dr. Patton asked whether Market Participants will begin in end-to-end testing and market trials to learn how well the system is likely to work. Mr. Cleary replied affirmatively. Mr. Helton mentioned that he agreed with Chairman Newton that adapters are critical and that he will be at ERCOT next week to sit in on testing meetings and to meet on success criteria. Chairman Newton emphasized that ERCOT is at a critical point now that ERCOT has the deliverables and is entering complex cycles of testing. Mr. Helton noted the complexity of when Market Participants get involved, ERCOT will need to ensure that systems match Protocols and that the systems and Protocols may ultimately need to be changed. Mr. Cleary advised that all Nodal markets have experienced huge change spikes in both market trials and around Go-Live. Mr. Cleary mentioned that ERCOT has missed two milestones last month. He continued that the database milestone issue has been resolved; and the CMM milestone was missed due to defects, but he expects it to be turned around due to having the right process and people going forward. Mr. Cleary continued his presentation to cover the risks and issues related to the milestones.

Matt Mereness, ERCOT Market Operations Technical Specialist, presented the Single-Entry Model (SEM) Go-Live Overview and explained the Go-Live sequence and schedule. Mr. Helton advised that this was discussed at the SNP Committee on July 20, 2009, and that the SNP Committee agrees that it is a good schedule. Chairman Smitherman reviewed the Market Engagement Dashboard, expressed some concern about whether all TDSPs are ready, and asked whether ERCOT needed to bring the smaller municipalities and cooperatives on board. Mr. Mereness mentioned that the slide was now 10 days old. Mr. Cleary advised that ERCOT was comfortable at this stage, that all processes were in place for the next two to three weeks, that not



every box on the chart needed to be checked for the TDSPs to be ready, and that ERCOT staff will come back to the Board if assistance is needed. Chairman Smitherman requested that the Board be advised as soon as possible if assistance is needed. Mr. Kahn committed to make phone calls to the Market Participants before the issue came to the Board, if necessary.

Mr. Byone provided the monthly financial review for the Nodal Program.

Special Nodal Program (SNP) Committee Report (Agenda Item 10)

Mr. Helton, SNP Committee Chair, stated that the SNP Committee met on July 20, 2009, and considered the following matters:

- Certain contract matters that would be presented to the Board in Executive Session;
- Review of Nodal Advisory Task Force (NATF) Charter, which charter the SNP Committee recommends;
- NPRR Parking Deck, addressed as Agenda Item 10a, which was recommended by the SNP Committee to the Board as presented for approval.

NPRR Parking Deck (Agenda Item 10a)

Mr. Helton advised that the SNP Committee reviewed the advantages and disadvantages to the NPRR parking deck and that the SNP Committee recommended the NPRR parking deck as presented to the Board for approval (that is, Attachment B to the Board decision template which would become Exhibit A to the proposed Board Resolution) since it was considered to be the most transparent and had the least amount of impact on ERCOT. He noted that it used the same process for NPRR approval, but that it would not have an impact analysis. He added that any changes would be put in a gray box in the Protocols, that it would address concerns about version control, and that the Project Priority List (PPL) would implement the Protocol.

Mr. Helton moved to accept the SNP Committee's recommendation to approve the NPRR Parking Deck as presented. Mr. Armentrout seconded the motion.

Dr. Patton noted his dissent at the SNP Committee meeting and at this meeting and commented that this procedure would create more problems than it would resolve, specifically, creating unfulfilled Market Participant expectations. He added that he believed that this procedure should be kept at the Technical Advisory Committee (TAC) level. Mr. Helton noted that he appreciated Dr. Patton's position, but there was not a perfect way to resolve this matter. Mr. Armentrout asked for Mr. Cleary's opinion. Mr. Cleary responded that a procedure was necessary, but he agreed with Dr. Patton's position that it should be implemented at the TAC level, not at the Board level. Mr. Kahn added that just because an NPRR was in the parking lot did not mean that it would be implemented. Mr. Gent and Miguel Espinosa supported Dr. Patton's position. Mr. Helton noted that the only thing missing from the procedure is the ERCOT Impact Analysis and that the PPL would be used as a gate-keeping function. Mark Bruce, TAC Chair, commented that, although several Market Participants had issues with the procedure, TAC had a near-unanimous vote with only one abstention on this proposal. Chairman Newton asked why Board approval of this procedure was necessary. Mr. Bruce responded that a Board vote brings clarity



to the issue and the full expectation that the NPRR will be implemented if it is brought to the Board with approval. Chairman Newton expressed concern that there would be no Impact Analysis. Mr. Bruce acknowledged her concern, but noted the use of the PPL.

Chairman Newton called for a vote on Mr. Helton's motion. The motion failed with nine Board members in favor (Mr. Armentrout, Steve Bartley, Brad Cox, Nick Fehrenbach on his own behalf and by proxy for Andrew Dalton, Mr. Helton, Mr. Jenkins, Clifton Karnei, and Mr. Thomas) and with five Board members opposed (Mr. Gent, Mr. Kahn, Chairman Newton, Dr. Patton and Mr. Espinosa). Mr. Grable confirmed the Board's vote.

Dr. Patton then moved to approve the NPRR Parking Deck with the modification that NPRR information be held at the TAC level and a publicly available status list of those NPRRs be produced on the ERCOT web site. Mr. Gent seconded the motion. Mr. Helton advised that, based on the vote today, TAC may not want to hold that information as the NPRR may relate to another committee. Mr. Thomas noted that it would be best to obtain TAC's input on this issue. Mr. Fehrenbach noted the need for visibility of the changes in the Protocols so that the market can prepare for the post-Go-Live change. Mr. Bruce asked how ERCOT would prepare for implementation of a deck of NPRRs that have not been approved by the Board. Chairman Newton announced that there was a motion on the table which needed to be addressed. The Board members discussed the details of the motion. **Dr. Patton withdrew the motion.** Mr. Bruce sought clarification that the Board is asking TAC to rework the NPRR Parking Deck concept and bring something back to the Board that does not bring parking deck NPRRs to the Board for final approval. Mr. Grable suggested that TAC simply be informed of the Board's vote, and that the vote could not support the conclusion as stated by Mr. Bruce.

Lunch (Agenda Item 12)

For scheduling convenience, Chairman Newton adjourned the meeting for lunch at approximately 12:05 p.m. and reconvened it at approximately 12:45 p.m.

Technical Advisory Committee (TAC) Report (Agenda Item 11)

Chairman Newton invited Mr. Bruce to report on recent TAC activities.

a. Protocol Revision Requests (PRRs)

PRRs 806, 807 and 808 were approved as part of the Consent Agenda (Agenda Item 2).

- **PRR805 – Adding POLR Customer Class and AMS Meter Flag to the Database Query Function on the MIS [Texas SET].**

Proposed Effective Date: Upon system implementation.

CEO Determination: Refer to synchronizing Nodal Protocol Revision Requests' (NPRR's) CEO Determination which states Necessary prior to the Texas Nodal Market Implementation Date (NPRR171).

ERCOT Impact Analysis: \$50-100K budgetary impact; project required – resources required for PRR805 development are also working on nodal project – resource availability



currently being reviewed; no additional full-time equivalents needed; impacts to Texas Market Link (TML) (Retail Application), Information Services Master (ISM), TIBCO, and Retail Application Programmatic Interface (API); existing business processes can accommodate this PRR; no impact to grid operations.

Revision Description: This PRR will add POLR Customer class and the AMS meter flag to the database query function on the MIS.

Procedural History: PRR805 was posted on March 6, 2009. On April 23, 2009 the Protocol Revision Subcommittee (PRS) voted to recommend approval of PRR805 as submitted with one (1) abstention from the Independent Power Marketer (IPM) Market Segment. On May 21, 2009 PRS unanimously voted to endorse and forward the PRS Recommendation Report, Impact Analysis, and Cost Benefit Analysis to TAC and to recommend a priority of 2-High and a rank of 32. On June 4, 2009 TAC voted to recommend approval of PRR805 with priority of 2-High and a rank of 32 as recommended by PRS. There was one (1) abstention from the Independent Generator Market Segment.

Troy Anderson, ERCOT Manager of Program Administration, provided the history of the Impact Analysis with regard to PRR805. Mr. Fehrenbach noted potential privacy issue as it related to the use of an undefined term of "POLR customer class". Dr. Patton asked if ERCOT could perform its advanced metering settlement functions without this PRR. Betty Day, ERCOT Director of Markets, replied affirmatively and noted that this is for REPs to see if a customer has an advanced meter. Mr. Bruce clarified that it allows for bilateral communication and that the PRR makes its quick, universal and simple. Dr. Patton stated that, in his opinion, the PRR was not essential. Mr. Ballard expressed concern about the customer information that could be put into the public realm. He strongly urged ERCOT management to seek advice from the Commission with regard to proprietary information compliance. He added that he supported the advanced metering project, but was interested in protecting customer privacy with regard to advanced metering information. Mr. Thomas suggested that it be approved pending resources. Mr. Armentrout agreed with Mr. Thomas and noted that ERCOT could prioritize it. The Board members discussed PRR implementation issues. Chairman Newton recommended that this PRR be deferred to TAC for one month to allow the issues of reasonable expectations on implementation and customer information confidentiality to be addressed. Mr. Grable noted that, with regard to Mr. Ballard's questions as to advanced metering and CPNI, Rule 25.130(j)(1) requires the disclosure of certain advanced metering data within the retail community. He stated that he would have to confirm the disclosure of information as it related to POLR and would work with TAC to get a complete answer. **Mr. Fehrenbach moved to remand PRR805 to TAC for one month. Dr. Patton seconded the motion. The motion passed by unanimous voice vote with no abstentions.**

- **PRR815 – CSC Process Clarification – URGENT [ERCOT].**

Proposed Effective Date: August 1, 2009

CEO Determination: Necessary prior to the Texas Nodal Market Implementation Date.

ERCOT Impact Analysis: No budgetary impact; no additional full-time equivalents needed; no system changes required; existing business processes can accommodate this PRR; no impact to grid operations.

Revision Description: This PRR clarifies the process used to determine CSCs.



Procedural History: PRR815 was posted on June 10, 2009. On June 12, 2009 PRR815 was granted Urgent status via PRS email vote. On June 18, 2009 PRS voted to recommend approval of PRR815 as amended by Public Utility Commission of Texas (PUCT) Staff comments. There was one (1) opposing vote from the Investor Owned Utility (IOU) Market Segment. On July 9, 2009 TAC voted to recommend approval of PRR815 as revised by TAC with one (1) opposing vote from the IOU Market Segment.

Dr. Patton moved to approve PRR815. Mr. Gent seconded the motion. Mr. Ballard asked to hear from AEP which was the only opposition vote to PRR815. Richard Ross of AEP addressed the Board and explained that AEP preferred the prior practice, filed comments, but did not propose alternate language. He advised that AEP did not appeal and did not intend to appeal to the Board. Chairman Newton called for a vote. **The motion passed by unanimous voice vote with one abstention (Mr. Jenkins).**

b. Nodal Protocol Revision Requests (NPRRs)

NPRRs 158 and 170 were approved as part of the Consent Agenda (Agenda Item 2).

• **NPRR171 – Synchronization of PRR805, Adding POLR Customer Class and AMS Meter Flag to the Database Query Function on the MIS [TX SET].**

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 additional full time equivalents needed (resources required for PRR805 development are also working on the nodal project – schedule management will be utilized so as not to impact nodal timelines); no impacts to ERCOT computer systems; no impacts to ERCOT business functions; no impact to grid operations and practices.

Revision Description: This NPRR will add Provider of Last Resort (POLR) Customer class and the Advanced Metering System (AMS) meter flag to the database query function on the Market Information System (MIS).

Procedural History: NPRR171 was posted on April 3, 2009. On April 23, 2009 PRS unanimously voted to recommend approval of NPRR171 as submitted. On May 21, 2009 PRS unanimously voted to endorse and forward the PRS Recommendation Report and Impact Analysis to TAC. On June 4, 2009 TAC unanimously voted to table NPRR171 for one (1) month. On July 9, 2009 TAC unanimously voted to recommend approval of NPRR171 as recommended by PRS.

Mr. Bruce noted that NPRR171 synchronizes PRR805, which was remanded to TAC in Agenda Item 11a. Mr. Bruce acknowledged the Board's remand action with regard to PRR805 and stated that TAC would address all of the issues together and bring NPRR171 back to the Board next month.

c. Retail Market Guide Revision Request (RMGRR)



- **RMGRR078 – Adding Additional Fields to the Customer Billing Contact Information File (formerly “Add E-mail Field to the Customer Billing Contact Information File”) – URGENT [TX SET]**

Proposed Effective Date: Upon System Implementation.

CEO Determination: Necessary prior to the Texas Nodal Market Implementation Date.

ERCOT Impact Analysis: Minor cost impact to be managed under Operations and Management (O&M) budgets; managed as a System Information Request (SIR); no ERCOT staffing impacts; minor system modifications to PaperFree; no additional ERCOT business processes required; no impact to ERCOT grid operations and practices.

Revision Description: This RMGRR adds an e-mail field to the Customer Billing Contact Information (CBCI) file to facilitate ERCOT compliance with the Public Utility Commission of Texas (PUCT) Project No. 35769, *Rulemaking Relating to Providers of Last Resort*, and adds the Electric Service Identifier (ESI ID) field to the response file ERCOT sends to the submitting Competitive Retailer. This RMGRR also updates terminology to be consistent with terms used in Project No. 35769.

Procedural History: RMGRR078 was posted on May 22, 2009. On May 29, 2009 RMGRR078 was granted Urgent status via a Retail Market Subcommittee (RMS) email vote. On June 10, 2009 RMS unanimously voted to recommend approval of RMGRR078 as amended by TXU Energy’s comments and as revised by RMS, and to endorse and forward the Impact Analysis to TAC. On July 9, 2009 TAC voted to recommend approval of RMGRR078 as recommended by RMS with three (3) abstentions from the Independent Generator Market Segment.

Dr. Patton moved to approve RMGRR078. Mr. Armentrout seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Revisions to ERCOT Regional Planning Group Charter and Procedures (Agenda Item 11d)

Mr. Kahn advised that ERCOT could accept the revisions to the ERCOT Regional Planning Group Charter and Procedures. **Mr. Helton moved to approve the revisions to the ERCOT Regional Planning Group Charter and Procedures. Mr. Cox seconded the motion.** Mr. Jenkins commented that he was concerned with ERCOT’s workload and believed that work should only be done when meaningful and valuable. Chairman Newton called for a vote. **The motion passed by voice vote with four Board members opposed (Messrs. Cox, Gent, Jenkins and Dr. Patton).**

Report on Inter-Control Center Communications Protocol (ICCP) Program (Agenda Item 11e)

Mr. Bruce provided the ICCP Report to the Board. Mr. Helton commented his original concern was risk related to data storage, but that ICCP did not have the anticipated impact for Nodal. Richard Morgan, ERCOT Vice President and Chief Information Officer, stated that ERCOT would like to see this conversion progress faster as it would assist with the Met Center power constraint.



Update on Load Acting as Resource (LaaR) Study (Agenda Item 11f)

Mr. Bruce mentioned that the LaaR Study is complete and has been adopted by the Reliability and Operations Subcommittee and that the recommendation is that LaaRs to be kept at no more than 50 percent of responsive reserve. He added that reliability concerns were raised with possible overshooting of frequency control. Mr. Ballard noted his biggest concern with LaaRs was the lack of enforcement of performance metrics. Chairman Smitherman explained that the Commission took action against LaaRs that did not respond as they were contractually obligated to do. Dr. Patton commented that he did not agree that a small frequency increase was a reliability problem. Chairman Smitherman requested a copy of the LaaR Study and would like more information prior to making a decision on this issue. Mr. Bruce agreed to provide a copy of the LaaR Study to the Board prior to the next Board meeting. Chairman Newton requested that Board members provide comments to Mr. Bruce so that he could incorporate the information into his report next month.

Mr. Bruce provided a preview of TAC agenda items for future Board meetings.

Dr. Patton inquired about the tabling of NOGRR 025 despite its urgent status. Mr. Bruce advised that NOGRR 025 is still on schedule and tabling will not delay the vote.

Mr. Gent noted that the Texas Regional Entity (Texas RE) Advisory Committee addressed cybersecurity at its June 2009 meeting, which it then addressed with the Texas RE Board. He explained that Texas RE issued a market notice and that the Texas RE staff to file for urgent PRR and to go through the NERC process to change the NERC standard on that subject. He noted that Texas RE filed a PRR entitled "Removing Access to Restricted Computer Systems, Control Systems and Facilities" with the PRS and that the PRS failed to get a quorum for an email vote to grant it urgent status. He requested that this process glitch that needs to be addressed. Mr. Bruce advised that it has now become standard practice for a PRR with a request for urgency by the author to go out for email vote and that it is not uncommon that an email vote to fail, especially during the summer months. He further advised that the PRR is listed on the PRS agenda for the coming Thursday and that the PRR has not lost a day in this process. Chairman Newton commented that the process should be reviewed so that matters for which the Texas RE Board has given direction does not become delayed or languish. Mr. Grable clarified that the Texas RE Board's direction had been for Texas RE staff to file the PRR, and suggested that all parties - Texas RE Staff, TAC members, and others - communicate regarding such topics, including telling the Board if a party believes that the Board is acting in an ill-advised manner. Mr. Grable noted that some Board members had asked about Bylaw changes regarding these processes, but the rules on Protocol Revisions and urgency exist entirely within the Protocols themselves and there is no need to revise Bylaws with regard to these types of issues. Mr. Bruce agreed. Mr. Gent noted that with regard to other urgent matters that may be coming before PRS by email votes, such as the NATF procedures, PRS needs to be responsive to the email votes.

Reliability Must Run (RMR) Exit Strategy for Permian Basin Units 5 and 6 (Agenda Item 13)

Dan Woodfin, ERCOT Director of System Planning, presented the RMR Exit Strategy for



Permian Basin Units 5 and 6. Mr. Helton asked ERCOT staff to monitor this for possible alternative and earlier exits. Dr. Patton commented that the RMR trades a deregulated source for regulated items that are uplifted and, in a sense, re-regulating the network piece by piece. Mr. Karnei noted rather that the grid is being improved because ERCOT is losing a source and that ERCOT is keeping the grid reliable. **Mr. Karnei moved to approve the RMR Exit Strategy for Permian Basin Units 5 and 6. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with one abstention (Mr. Jenkins.)**

Finance & Audit (F&A) Committee Report; and Discussion of ERCOT 2008 Form 990 Filing (Agenda Items 14-14a)

Mr. Karnei, F&A Committee Chair, stated that the F&A Committee met earlier in the morning and considered the following matters:

- Internal Audit Status Report;
- Mid-Year Review of 2009 Internal Audit Plan. He noted that ERCOT is on schedule with the planned annual audits plus new special audits;
- Monthly EthicsPoint Update;
- Quarterly Private Discussion with Chief Audit Executive;
- Preliminary Review of the 2010 Budget. He advised that the F&A Committee requested that ERCOT management prepare a base budget that includes services provided at the level currently offered by ERCOT for a rough estimate increase in the System Administration Fee (SAF) of just under 6 cents per megawatt hour, which ERCOT management will continue to “scrub” further. He added that the Committee requested a second budget that illustrates what ERCOT services would be affected if the current SAF was not increased. He announced that the F&A Committee would be holding a Special Meeting on August 17, 2009, from 2:00 p.m. to 4:00 p.m., for a deep dive into the 2010 budget;
- 2009 Operating Plan. He noted that ERCOT management has identified budget reductions and other actions to close the budget gap by the end of the year;
- Management of Potential Credit Losses under Nodal Market Structure;
- Review of Current Investments;
- Briefing on Results of Pilot Procurement Card Program; and
- ERCOT 2008 Form 990 Filing, which will be discussed in further detail with the Board during Executive Session.

He advised that the F&A Committee had no action items to present to the Board at this meeting.

H.R. & Governance (HR&G) Committee Report; and Schedule for Consideration of Proposed Revisions to Bylaws and Current Proposed Revisions to Bylaws (Agenda Items 15-15a)

Mr. Armentrout, HR&G Committee Chair, stated that the HR&G Committee met earlier in the morning and considered the following matters:

- Ratification of Vice President and Chief Information Officer, which the HR&G



Committee has recommended to the Board for approval and which would be discussed with the Board during the Executive Session;

- Executive Compensation and Benefits;
- Schedule for Consideration of Proposed Revisions to Bylaws and Current Proposed Revisions to Bylaws. He requested that any additional proposed changes to the Bylaws should be forwarded to Mr. Grable;
- Review of Employee & Director Ethics Agreement Forms;
- Progress Update on Technical Tracks; and
- External Relations Update, including Sunset Review.

Other Business (Agenda Item 16)

Mr. Grable addressed Mr. Ballard's question from the June 2009 Board meeting regarding the scope of the new webcast legislation as it relates to ERCOT public meetings. Mr. Grable explained that the legislation requires the webcast of all public meetings subject to PURA Section 39.1511, which includes public meetings of ERCOT's Board as its governing body and meetings of a subcommittee that includes a member of ERCOT's governing body. Mr. Grable provided an analysis of the various ERCOT meetings that would be subject to the legislation. Mr. Helton inquired about Segment Alternates serving on TAC subcommittees. Mr. Grable mentioned that the Board may want to consider the discontinuation of the practice of Segment Alternates serving on those subcommittees if it was determined that such service triggered the webcast requirement. Chairman Smitherman inquired about the financial impact of the webcast of these meetings. Mr. Grable confirmed that ERCOT would be required to absorb the webcast costs, currently estimated to be a range of approximately \$190,000 to \$304,000 annually. The Board members discussed the financial impact of the Sunset Review since ERCOT would also be required to absorb those external review and audit costs, currently estimated to be approximately \$750,000 in 2010. Mr. Byone explained that, due to these additional expenses, ERCOT's anticipated budget cuts will have to be more extensive.

Mr. Fehrenbach inquired as to whether Segment Alternates serving on TAC subcommittees trigger the webcast requirement and whether a Board member as an alternate member of TAC subcommittees would trigger the webcast requirement. Mr. Ballard asked whether ERCOT reviewed performing the webcast services in house. Ms. Capezzuti responded that this alternative was reviewed and was not economical to do so, but the analysis was performed under the assumption that only the Board meetings would be webcast. Chairman Newton recommended that the analysis be updated to determine the most economical alternative, particularly in light of the Sunset Review. Ms. Capezzuti committed to update the analysis.

Mr. Ballard advised that, at the Texas RE Board meeting during the prior day, the Texas RE's SAR 001-002 for the Regional Standards process was discussed. He noted that ERCOT's filing of comments with the Federal Energy Regulatory Commission (FERC) appear to be inconsistent with the Board's vote, and asked for clarification on this matter. Matt Morais, ERCOT Assistant General Counsel, responded that filing the protest was the most effective means of accomplishing the Board's directive to ERCOT and that the approval process was still ongoing at that point for that SAR with two more available steps. Mr. Grable noted that the Board vote on the SAR actually had two purposes: to approve the SAR as written so that other provisions that



improve Texas RE procedures could take effect immediately and, simultaneously, to direct ERCOT staff to pursue changing the one-quarter vote to a full vote for the new segment of which ERCOT is the only member. He continued that ERCOT continuing to participate in the SAR-001 approval process while it was before FERC was a more direct way to achieve the requested result. He acknowledged that it does look peculiar for ERCOT to file a protest seemingly against its own Board approval, but FERC terminology requires the use of “protest” with these types of filings. Chairman Newton commented that, in retrospect, this situation was confusing despite the best intentions of ERCOT’s staff. Mr. Grable stated that it is up to FERC now to act on the filing and acknowledged the confusion created by the filing and the need for further communication on such topics in the future.

Chairman Smitherman announced that a rulemaking project on the webcast legislation will be opened at the Commission. Chairman Newton requested assistance in defining the parameters of this legislation.

Mr. Bruce inquired about the scheduling of the requested informal workshop on the renewables integration plan. Due to the heavy August schedule, Chairman Newton asked that Mr. Bruce consider scheduling the workshop in September at a time when all Board members may voluntarily attend outside of a regularly-scheduled Board meeting. Mr. Fehrenbach noted the possibility of an additional expense if it was determined that the workshop be webcast.

Future Agenda Items (Agenda Item 17)

Chairman Newton invited discussion on future agenda items. The following items were discussed:

- August or September 2009 -- EEA Update, requested by Mr. Armentrout;
- August 2009 – Analysis of Cost Impact of Webcast Legislation (including review of in-house alternative, possible cost impacts of standing Board Q&A Sessions and Board Retreat, and transcription of meetings), suggested by Mr. Grable due to the impending legislation effective date of September 1, 2009, with the transcription cost-benefit analysis requested by Mr. Ballard;
- Through YE 2009 – Translate the schedule for consideration of proposed Bylaws onto the Future Agenda Items, requested by Mr. Armentrout;
- October 2009 – Bylaws Changes, requested by Mr. Armentrout; and
- November 2009 – Bylaws Changes, requested by Mr. Armentrout.

Executive Session (Agenda Items 18-25)

Chairman Newton adjourned the meeting to Executive Session at approximately 2:45 p.m. She reconvened the meeting to General Session at approximately 5:00 p.m.

Vote on Matters from Executive Session (Agenda Item 26)

Chairman Newton called for a vote on matters from Executive Session.



Mr. Gent moved to approve the Executive Session Personnel Matter resolution as presented in the Board materials as Agenda Item 19a. Mr. Espinosa seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Mr. Helton moved to approve the Executive Session Contract Matter resolutions in the Board materials as Agenda Items 21a through 21d as modified by the SNP Committee. Mr. Kahn seconded the motion. The motion passed by unanimous voice vote with no abstentions.

Adjournment (Agenda Item 27)

Chairman Newton adjourned the meeting at approximately 5:05 p.m.

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

Michael G. Grable
Corporate Secretary