

Board of Directors Meeting

Room 206, 7620 Metro Center Drive, Austin, Texas

January 18, 2010 at 9:30 a.m.**

Item	Topic	Presenter	Time**
1.	Call to Order	L. Grimm	9:30 a.m.
	A. Approve 2010 Chair and Vice Chair	L. Grimm	9:35 a.m.
2.	Approval of December 14, 2009 Minutes* (Vote)	Chair	9:40 a.m.
3.	CEO Report	L. Grimm	9:45 a.m.
4.	Operating Reports		9:50 a.m.
	A. Compliance Report* (Q&A)	V. Barry	
	B. Violation Tracking Report* (Q&A)	V. Barry	
	C. Standards Report* (Q&A)	D. Jones	
	D. Approve 2010 Chair and Vice Chair for RSC*(Vote)	D. Jones	9:55 a.m.
5.	Texas RE Advisory Committee Report	Committee Chair	10:00 a.m.
	A. Financial Report (Q&A)*	T. Brewer	10:00 a.m.
	B. Discuss Texas RE performance against goals*	Committee Chair	10:05 a.m.
	C. Discuss Separation Plan*	Committee Chair	10:15 a.m.
6.	Other Business	Chair	10:20 a.m.
7.	Future Agenda Items*	Chair	10:25 a.m.
Convene Executive Session			
8.	Executive Session	Chair	10:30 a.m.
	A. Approval of December 14, 2009 Minutes* (Vote)	Chair	10:33 a.m.
	B. Discussion of Privileged, Contract, Governance, Ethics, Personnel, Compliance, or Legal Matters*	Chair	10:35 a.m.
	C. Approve CEO/CCO employment and terms* (Vote)	Chair	10:45 a.m.
Reconvene Open Session (if needed)			10:55 a.m.
9.	Vote on Matters from Executive Session, if applicable (Vote)	Chair	
Adjourn Board Meeting		J. Newton	11:00 a.m.

* Background material enclosed or will be distributed prior to or at meeting.

** All times shown in the Agenda are approximate.

The next Texas RE Board Meeting will be held on April 19, 2010.

Date: January 8, 2010
To: Texas Regional Entity Board of Directors (Board)
From: Larry Grimm, CEO and CCO
Subject: Approval of Board Chair and Vice Chair

Texas Regional Entity Board of Directors Meeting Date: January 18, 2010

Agenda Item No.: 1a

Issue:

Election of the 2010 Texas Regional Entity (Texas RE) Board Chair and Vice Chair.

Background/History:

New Directors were seated at the Electric Reliability Council of Texas, Inc. (ERCOT) annual membership meeting on December 15, 2009. Pursuant to Section 4.4 of the ERCOT Amended and Restated Bylaws, approved on September 17, 2007 (Bylaws), the Directors must elect a Chair (who must be an Unaffiliated Director) and Vice Chair of the Board annually.

Key Factors Influencing Issue:

- Need for 2010 Chair and Vice Chair, in accordance with the Bylaws.
-

Alternatives:

- Elect a Board Chair and Vice Chair.
 - Wait to make a decision.
-

Conclusion/Recommendation:

Texas RE staff respectfully requests that the Board elect a Chair and Vice Chair for 2010.

**RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS REGIONAL ENTITY, A DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

, 2010

WHEREAS, the Board of Directors (“Board”) of Texas Regional Entity, an independent division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation, deems it desirable and in the best interest of Texas Regional Entity to elect a Chair and Vice Chair of the Board for the upcoming year;

THEREFORE be it RESOLVED, that the Board hereby elects _____ as Chair and _____ as Vice Chair, to serve until the 2011 Board is seated.

CORPORATE SECRETARY’S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the January 18, 2010 Texas Regional Entity Board of Directors Meeting, the Board of Directors of Texas Regional Entity approved the above referenced resolution. The motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2010.

Susan Vincent
Corporate Secretary

**DRAFT MINUTES OF THE BOARD OF DIRECTORS OF
THE TEXAS REGIONAL ENTITY DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744

December 14, 2009

Directors

Jan Newton, Chair		Unaffiliated
Michehl Gent, Vice Chair		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Commission of Texas (PUC)	
Mark Armentrout		Unaffiliated
Calvin Crowder	American Electric Power Service Corporation	Investor Owned Utility
Andrew Dalton	Valero	Industrial Consumer
Miguel Espinosa		Unaffiliated
Nick Fehrenbach	City of Dallas	Commercial Consumer
Bob Helton	International Power America	Independent Generator
Clifton Karnei	Brazos Electric Cooperative	Cooperative
A.D. Patton		Unaffiliated
Robert Thomas	Green Mountain Energy Co.	Independent REP
Gary Torrent ¹	Office of Public Utility Counsel (OPUC)	Residential Small Consumer

Segment Alternates

Mark Walker	NRG	Independent Generator
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Other Attendees (Attending in person)

Larry Grimm, Texas RE CEO & CCO
 Susan Vincent, Texas RE Director, Legal Affairs
 Derrick Davis, Texas RE Corporate Counsel
 Jeff Whitmer, Texas RE Manager, Compliance Enforcement (via telephone)
 Betty Sachnik, Texas RE Executive Assistant
 Sarah Hensley, Texas RE Standards Coordinator
 Jennifer Taylor, Texas RE Senior Paralegal
 Kip Fox, AEP
 Lea Anne Porter, ERCOT ISO
 Bridget Headrick, Public Utility Commission of Texas
 Note: Other attendees attended by publicly available conference call

¹ Don Ballard designated Gary Torrent as his Alternative Representative for this meeting.

Call to Order

Pursuant to notice duly given, the meeting of the Texas Regional Entity (Texas RE) Board of Directors (Board) convened on December 14, 2009. Chair Jan Newton ascertained that a quorum was present, reviewed the Antitrust Admonition with the Directors, and called the meeting to order at approximately 1:33 p.m.

Approval of Previous Minutes

Bob Helton made a motion to approve the minutes. Michehl Gent seconded the motion. The motion passed by voice vote with abstentions from Calvin Crowder and Robert Thomas.

CEO Report

Chief Executive Officer (CEO) Larry Grimm provided the Board with a brief information technology (IT) update and discussed the Texas RE website statistics. Mr. Grimm advised the Board that Texas RE has obtained approval from North American Electric Reliability Corporation (NERC) for its 2010 Compliance Monitoring and Enforcement Program, which will begin on January 1st. Mr. Grimm also updated the Board on his and Ms. Vincent's recent meeting with NERC and Federal Energy Regulatory Commission (FERC) officials on December 7, 2009. He reported that the meeting was well received and well attended by FERC staff. Mr. Grimm reported that Texas RE had retained an information technology (IT) consultant to oversee and act as project manager for the separation of IT services from ERCOT ISO.

In response to Michehl Gent's question about whether Mr. Grimm or Ms. Vincent kept any records of what happened during their meetings with FERC or NERC, Mr. Grimm said that he and Ms. Vincent take handwritten notes during their meetings and Ms. Vincent stated that a written agenda is prepared for such meetings with FERC.

Operating Reports

In response to Chair Newton's request for any questions about the Compliance Report, Dr. Patton asked questions regarding the November 2009 SCPS2 scores (page 5 of the Compliance Report) and asked whether the one non-wind QSE that failed the metric was doing this for a second month. Victor Barry stated he did not believe it was the same entity, and Jeff Whitmer, who was available by phone, stated that although this appeared to be a possible violation at the time the Compliance Report was prepared, the entity had subsequently provided additional information and actually had passed the metric.

Dr. Patton questioned whether the Violation Tracking Report scores were creeping higher. Jeff Whitmer advised the Board they were not seeing any such trends, and that the scores had been at approximately the same level for a while. Chair Newton asked Texas RE staff to highlight for the Board when violations began to trend higher or lower. Mr. Barry stated that many of the registered entities had improved reliability and were doing a better job of achieving compliance and hiring staff in compliance. He reported that, in general, Texas RE had seen improved efforts from nearly everyone in the ERCOT region.

Mr. Gent questioned the number of gray fields on the Violation Tracking Report. Ms. Vincent noted that gray boxes indicated status changes, and an asterisk indicated that settlement discussions were in progress. Mr. Grimm stated that settlements take different periods of time to

complete and document, so it was likely that a number of the listed registered entities would remain on the reports for an extended period of time. Mr. Barry advised the Board that a “plus mark” (+) means Texas RE is anticipating a settlement response from the registered entity.

Texas RE Advisory Committee Report

Mr. Gent provided the Board with an overview of the discussions and actions of the Texas RE Advisory Committee (Committee) meeting.

Michehl Gent made a motion to appoint Ernst & Young as the qualified independent financial auditor for 2009. Mark Armentrout seconded the motion. The motion passed by unanimous voice vote.

Mr. Gent generally discussed the revised bylaws and amended delegation agreement for the new corporation, Texas Reliability Entity, Inc., and he reported that the Committee recommended that the current Texas RE Board recommend that the board of directors of Texas Reliability Entity, Inc. approve the bylaws and amended delegation agreement as presented in the materials, with no material changes. He explained that the recommendation included the appointment of individuals to serve as the formation directors of Texas Reliability Entity, Inc., as follows: Larry Grimm, Michehl Gent, Jan Newton, and Miguel Espinosa. Mr. Gent noted the discussion at the Committee regarding the NERC and FERC preference for the new corporation to have initial directors who were not on the current Texas RE and ERCOT boards, to show very clear separation from ISO. He said that Mr. Grimm, Ms. Vincent, and Committee members had acknowledged during the meeting that it would be virtually impossible to find qualified new independent board members in the required timeline. The Committee recommended that Mr. Grimm, Mr. Gent, Ms. Newton, and Mr. Espinosa act as the formation directors to take the actions needed to form the corporation, including approval of the amended delegation agreement, budget, and other documents required by NERC and FERC, approval of the CEO, approval for the opening of a bank account, and the formation of a nominating committee to select new independent directors for Texas Reliability Entity, Inc.

In response to Mr. Gent’s request, Ms. Vincent repeated for the Board that **Mr. Gent’s motion was that the Board recommends:**

- (1) The following individuals serve as the formation or initial directors of Texas Reliability Entity, Inc. who would perform formation and corporate organizational activities:**
 - a. Larry Grimm as CEO,**
 - b. Michehl Gent,**
 - c. Jan Newton, and**
 - d. Miguel Espinosa; and**
- (2) The initial board of directors of Texas Reliability Entity, Inc. approves:**
 - a. The bylaws included in the materials with no material changes and**
 - b. The amended delegation agreement included in the materials, with no material changes.**

Mr. Gent confirmed that this was his motion.

Dr. Patton asked Ms. Vincent provide the minutes or notes from the straw membership meeting. In response to his request that Ms. Vincent summarize the straw membership meeting again,

Ms. Vincent related that all potential members of the new organization (all registered entities) were invited to attend the November 24, 2009 straw membership meeting. She said that the votes taken at this meeting had no legal effect, but Texas RE wanted to confirm that the potential membership was in agreement with the proposed documents. She explained that the straw members agreed to remove (at its request) the Lower Colorado River Authority from the Cooperative Segment and voted to select the new name: Texas Reliability Entity, Inc. The straw members were also informed about the changes to the bylaws and delegation agreement since the last Board meeting, including that Texas RE would have an initial nominating committee, comprised of the initial formation directors plus two stakeholder representatives, and the new corporation would perform Protocol Compliance activities through December 31, 2010, at the request of the Texas Public Utility Commission (PUC). The meeting attendees then voted to approve the amended bylaws and delegation agreement as presented to the Board in the materials. Ms. Vincent explained that after the new corporation is formed, the actual membership will formally vote on the bylaws. Dr. Patton requested a summary or the minutes from the straw membership meeting. Ms. Vincent agreed to provide the notes from the meeting to the Board by the end of the day.

Nick Fehrenbach noted concern about a wording change to the bylaws that had been requested by the straw members, relating to the selection of the chair and vice chair of the Member Representatives Committee (MRC) (specifically Article 9, Section 4 of the bylaws). Mr. Fehrenbach stated that this section initially had requirement that the chair and vice chair of MRC (who are the affiliated directors) be from different sectors and also not be registered for the same NERC function. Ms. Vincent explained that the requirement that the chair and vice chair not perform the same NERC function was removed at the request of municipals and cooperatives, who feared that this prohibition might restrict a municipal or cooperative utility employees from being affiliated directors. Mr. Fehrenbach expressed his concern that the clause might cause the perception that the chair and vice chair might not be "balanced" as affiliated directors, but he said that he did not have suggested language to address the concern. Ms. Vincent acknowledged this was a potential concern, but stated that the chair and vice chair would need to be from different sector, and that the various sectors on the MRC would likely be self-policing and self-balancing to ensure that this could not happen. She also noted that this could also be addressed in the MRC procedures.

In response to Andrew Dalton's question about how long Texas RE staff anticipated that the new board and existing Texas RE Board would operate in parallel, Ms. Vincent informed the Board that FERC believed the earliest it could approve the amended delegation agreement for the new corporation would be May 2010. She said that Texas RE had to form the new entity to allow the new membership to approve the bylaws, and the new board of directors would need to approve the bylaws, delegation agreement, and budget before NERC will approve these documents for submission to FERC. The new board would not review or discuss compliance activities under the delegation agreement until after FERC approved the amended delegation agreement and budget, and all Texas RE employees would remain employed by the current Texas RE (overseen by the current Texas RE Board) until FERC approved the bylaws, amended delegation agreement, and budget. Ms. Vincent said there would be an approximately 60 day transition or implementation period after FERC approval to transfer staff, benefits, and activities to the new corporation. Shortly following the FERC approval, both the current Texas RE Board and the new Texas RE board would need to approve a separation document listing the transfer of corporate assets (including bank accounts) to the new corporation. Chair Newton noted that the current Board would likely continue to meet at least through June.

Mr. Dalton asked if, after the new entity was formed, if there would be a contract for performance of the ERCOT Protocol compliance activities. Ms. Vincent stated there would need to be a contract (probably a three way contract with PUC, Texas RE and ERCOT) for the new corporation to perform the Protocol compliance activities through December 31, 2010. She said that she understood that the PUC would perform a competitive process and have a contractual agreement with whichever organization performed these activities after December 31, 2010.

Mr. Espinosa reiterated the new board would act as a caretaker board with a single purpose to find new independent directors once all needed approvals for NERC and FERC were complete. He reminded the Directors that all of the day-to-day and operating functions will stay with the current Board until after the FERC approval, when the new board with its new directors would be ready to take over.

Chair Newton referred back to Mr. Fehernbach's issue about the chair and vice chair of MRC and asked the minutes reflect the Board does not want to restrict municipal and cooperative utilities and the intent is for the new corporation to always have a balanced board.

Michehl Gent reiterated his motion to recommend approval of the revised Bylaws and Amended Delegation Agreement. Miguel Espinosa seconded the motion. The motion passed with no abstentions and two votes against by Directors Andrew Dalton and Nick Fehrenbach.

Mr. Gent briefly discussed the proposed amended 2010 business plan and budget for the new corporation. Mr. Gent summarized the cost drivers associated with separation from ERCOT: \$1.3 million in one-time expenses, \$1.1 million in annual on-going expenses. Mr. Gent and Mr. Armentrout noted that the proposed budget for the separate corporation was 32% over the previously approved 2010 budget, not including the \$400,000 previously approved by the Board to cover the cost of Technical Feasibility Exceptions.

Michehl Gent made a motion to recommend that the directors of Texas Reliability Entity, Inc. approve the Amended 2010 Business Plan and Budget as included in the materials; Miguel Espinosa seconded the motion. The motion passed by voice vote with no opposition. Andrew Dalton abstained from the vote.

Clifton Karnei requested that Texas RE staff provide the Board with staffing numbers (including the increase from previous periods) when making any future budget requests. Mr. Karnei stated that the Board wants to keep track of the head count without having to search through the budget materials.

Separation Plan

Mr. Gent reviewed the current version of the Separation Plan, explaining that this document is a summary that gives a snapshot of all things that need to be done in order to separate Texas RE from ERCOT ISO. Mr. Gent said that changes are continuously being made to the document over time. In response to a question by Chair Newton, Ms. Vincent confirmed that Texas RE would update, post on the website, and distribute the Separation Plan to the Board with each month's Board materials in addition to posting a copy online.

Other Business

In other business, Chair Newton noted this was Mr. Armentrout's last meeting and the Board expressed appreciation and thanks for his work.

Mr. Dalton said that he had missed the Board's vote on the minutes, but he wanted to request revisions to the draft October 19, 2009 minutes in the materials. He asked the last sentence on

page two of the minutes be stricken and one sentence on page 3 be removed, because the sentences did not reflect what he was trying to convey.

Andrew Dalton made a motion to amend the October 19, 2009 minutes to strike the referenced sentences. Mark Armentrout seconded the motion. The vote passed with no opposition. Calvin Crowder and Robert Thomas abstained.

Future Agenda Items

Chair Newton noted Ms. Vincent already passed out a revised calendar and this may need to be revised further going forward.

Adjournment

Chair Newton adjourned the Texas RE Board of Directors meeting at approximately 2:13 p.m.

Susan Vincent
Corporate Secretary



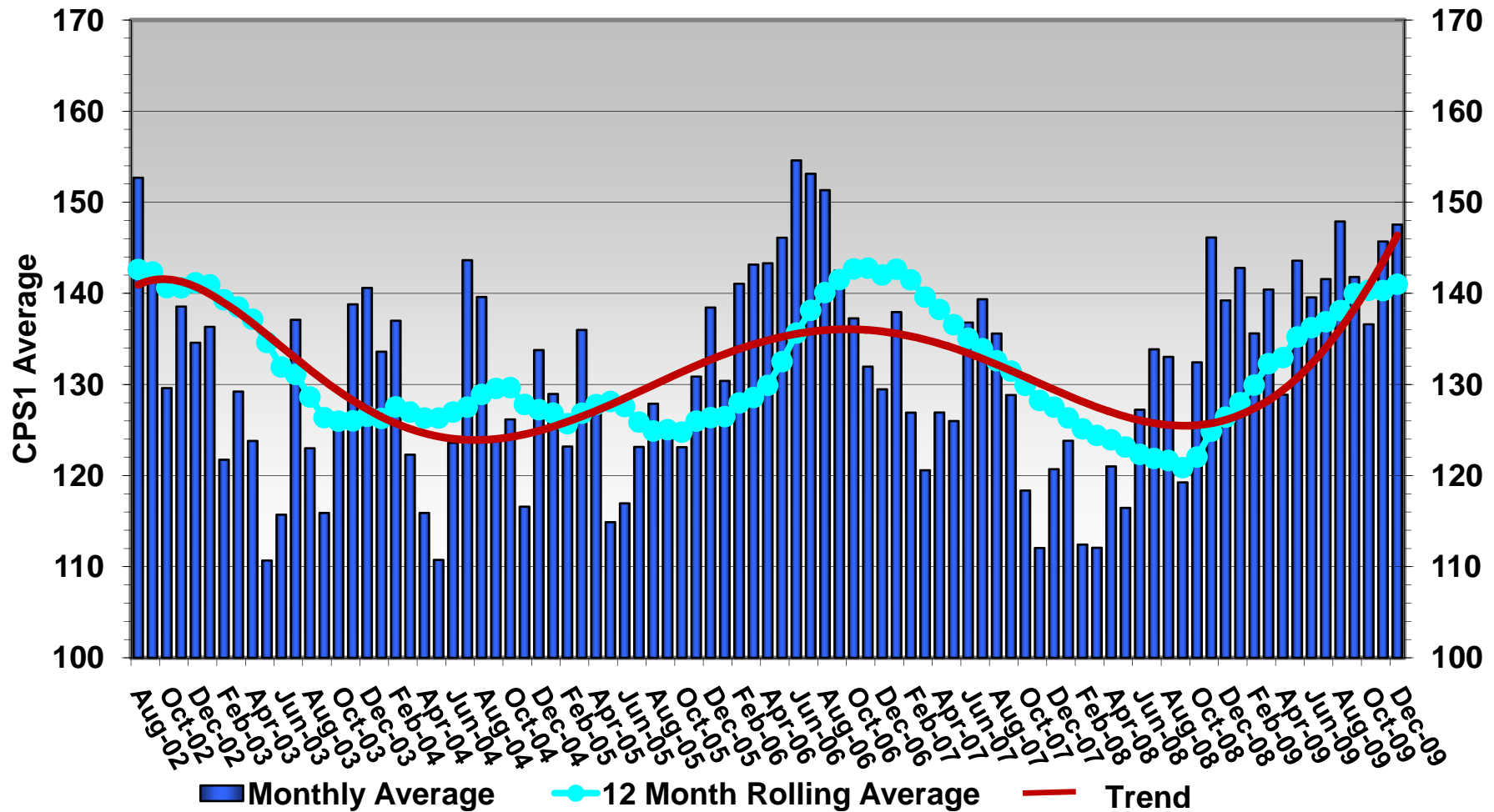
Texas Regional Entity Compliance Report

Board of Directors
January 18, 2010

Overview

- **December 2009 ERCOT CPS1 Monthly Performance**
- **December 2009 ERCOT SCPS2 Monthly Performance**
- **November 2009 Resource Plan Performance Metrics for Non-Wind and Wind Only QSEs**
- **Texas RE Stakeholder Outreach**
- **NERC Compliance Update**
- **Audits Highlight**

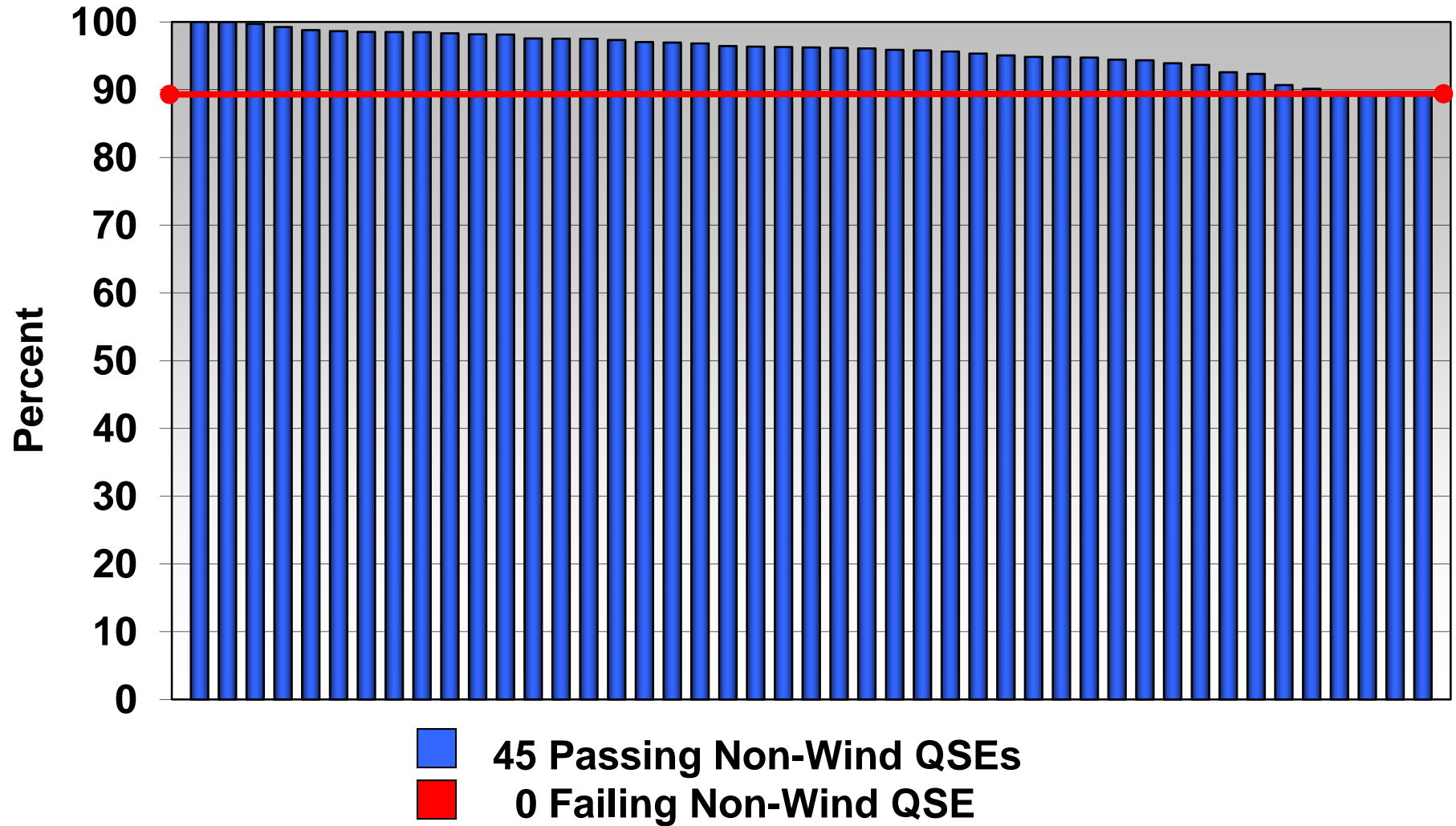
December 2009 ERCOT's CPS1 Monthly Performance



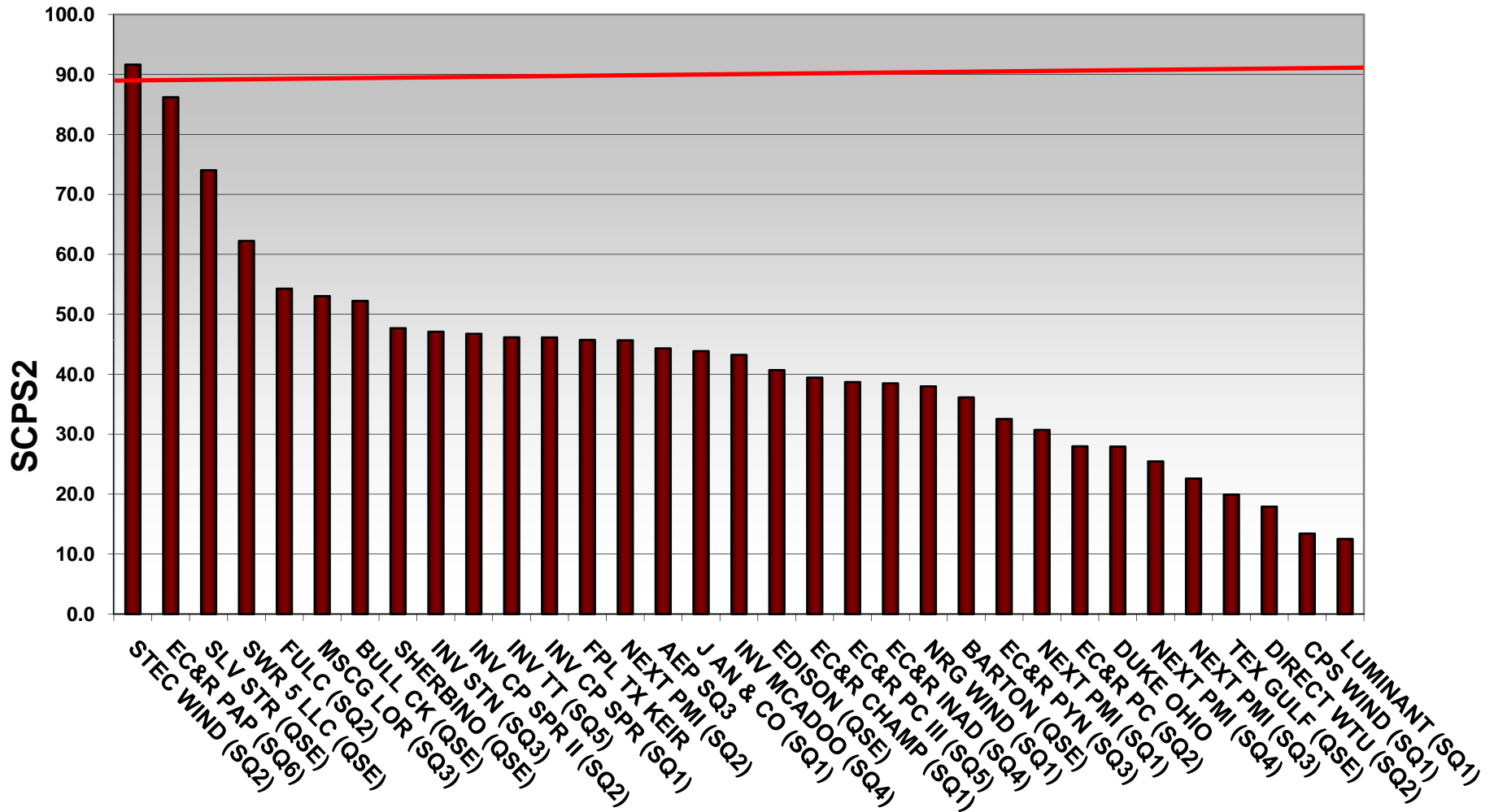
Analysis of CPS1 Monthly Performance

- **Purpose: To maintain Interconnection steady-state frequency within defined limits by balancing real power demand and supply in real-time**
- **CPS1 is one reliability measure of how well the ERCOT region managed the BPS**
- **ERCOT region's frequency performance is determined by NERC Control Performance Standard 1 (CPS1)**
- **Seasonal fluctuation is expected**
- **Scores for individual months can be adversely affected by events (such as hurricanes)**
- **A detailed formula can be found in NERC Reliability Standard BAL-001-0a**

December 2009 SCPS2 Scores: Non-Wind Only QSEs



December 2009 SCPS2 Scores: Wind Only QSEs



33 Wind Only QSEs

November 2009 Resource Plan Performance Metrics for Non-Wind Only QSEs

ID	DK	DE	AP	BY	BC	AY	AM	AR	KB	BR	DF	CI	AD	BJ	KE	KF	CF	ET	DA	DP	KD
Resource Status	100	100	99	99	100	99	99	100	100	100	100	100	100	98	100	100	100	99	99	100	100
LSL HSL Percent	96	100	-	90	100	100	100	100	100	97	100	96	97	99	100	99	100	100	95	100	100
DA Zonal Schedule	100	100	100	100	100	93	100	100	100	100	100	100	100	100	100	100	100	-	96	-	-
AP Adj. Score	99	99	99	100	95	98	98	100	100	98	100	98	99	99	99	99	100	-	98	100	100
Down Bid Score	98	94	99	90	100	100	92	100	92	97	100	93	98	98	100	90	100	-	93	100	-
Up AS Sch. Obligation	-	100	99	94	-	98	96	99	97	100	100	-	-	-	94	90	100	100	95	-	-

ID	IP	BG	CQ	JZ	KH	JV	KM	CX	KG	FK	HW	JD	KC	KA	JZ	IN	BX	CC	CD	AC	KN
Resource Status	100	100	100	100	100	100	100	100	100	100	100	100	99	100	100	100	99	100	100	99	99
LSL HSL Percent	99	98	95	-	100	100	100	97	100	92	96	100	100	93	94	100	99	98	99	100	100
DA Zonal Schedule	100	100	100	100	-	100	100	100	100	99	100	100	100	100	99	100	100	100	99	100	100
AP Adj. Score	100	94	97	93	98	100	90	98	100	96	99	100	97	97	97	98	97	99	100	100	100
Down Bid Score	100	100	93	93	-	-	96	98	100	100	96	99	96	99	95	98	98	95	91	98	100
Up AS Sch. Obligation	-	99	100	-	-	-	-	99	-	98	99	99	99	96	94	94	98	97	100	-	100

 4 Consecutive Failing Score

 3 Consecutive Failing Score

 2 Consecutive Failing Score

 1 Failing Score



November 2009 Resource Plan Performance Metrics for Wind Only QSEs

ID	JG	BT	JF	JS	HJ	BH	DI	JY	JM	KI	KJ	JW	JL	GR	GS	HS	BF
DA Zonal Schedule	100	97	100	100	100	96	100	100	100	100	100	100	99	100	97	99	100
AP Adj. Score	98	91	99	98	98	99	98	98	99	100	98	99	97	99	100	92	97
Down Bid Score	100	99	96	100	100	99	100	100	100	99	100	100	99	100	100	100	100

ID	BE	FX	JH	JI	JN	JJ	JT	JC	IV	KL	JQ	JP	JK	JX	JE	JR
DA Zonal Schedule	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
AP Adj. Score	99	100	100	100	98	100	100	100	97	100	92	100	100	99	99	100
Down Bid Score	92	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

 4 Consecutive Failing Scores

 3 Consecutive Failing Scores

 2 Consecutive Failing Scores

 1 Failing Score

Analysis of November 2009 Resource Plan Performance Metrics

- **There were no failed November 2009 Resource Plan Performance scores**

Texas RE Stakeholder Outreach

- **Self-Certifications for CIP-002 through CIP-009 Reliability Standards and Supplemental Questions are due via Texas RE portal by February 1, 2010**
- **Balancing Authorities (BAs), Generator Operators (GOPs), Generator Owners (GOs), Reliability Coordinators (RCs), Transmission Operators (TOPs) and Transmission Owners (TOs) are responsible**

Audits Highlight

- **2009 Audits**

- Completed the ERCOT ISO's TOP audit and CIP spot check under NERC's leadership in December
 - Audit and Spot Check included reviewing evidence from 13 TO's
- All other 2009 NERC Audits successfully completed per schedule
 - 14 of the 38 entities audited had possible NERC violations

- **2010 Audits**

- 3 NERC Audits scheduled in January
- Audit notifications provided to all entities scheduled for a NERC audit in 2010
- Texas RE's 2010 Compliance Monitoring and Enforcement Program (CMEP) Implementation Plan approved by NERC
- Technical Feasibility Exception's (TFE's) are starting to be received; these relate to applicable requirements in CIP-005 and CIP-007
- ERCOT ISO Protocol audit scheduled for late February and questionnaire provided to ISO staff

NERC Standards Violations

	Entity	Violation Date	Violation Status	Category	VSL	VRF	Mitigation Plan Status	Next Step(s) Needed	Deadline for Finishing Next Step(s)	Texas RE Assessment of Reliability Impact
1	T	10/20/2008	Alleged	Technical	H	M	Completed*	Settlement Agreement (NERC)		Large
2	T	10/20/2008	Alleged	Technical	H	M	Completed*	Settlement Agreement (NERC)		Large
3	T	10/20/2008	Alleged	Technical	H	M	Completed*	Settlement Agreement (NERC)		Large
4	T	10/20/2008	Alleged	Technical	S	H	Completed*	Settlement Agreement (NERC)		Large
5	T	10/20/2008	Alleged	Technical	H	H	Completed*	Settlement Agreement (NERC)		Large
6	F	3/21/2008	Preliminary	Technical	S	H	Completed*	NERC Settlement Approval		Medium
7	T	10/10/2008	Alleged	Technical	H	M	Submitted*	Settlement Agreement (NERC)		Medium
8	W	11/17/2008	Preliminary	Technical	S	H	Completed*	Settlement Agreement	1/22/2010	Medium
9	Q	9/22/2008	Preliminary	Technical	S	H	Completed	Settlement Agreement	2/5/2010	Small
10	U	9/24/2008	Alleged	Technical	S	H	Completed*	Settlement Agreement	2/15/2010	Small
11	F	10/10/2008	Preliminary	Technical	M	H	Approval (by NERC)*	Settlement Agreement	2/19/2010	Small
12	V	11/3/2008	Preliminary	Technical	S	H	Not Submitted	Mitigation Plan Submission	2/4/2010	Small
13	V	11/3/2008	Preliminary	Technical	S	M	Not Submitted	Mitigation Plan Submission	2/4/2010	Small
14	AC	6/2/2009	Preliminary	Technical	TBD	H	Approval (by NERC)	NAVAPS	3/22/2010	Small
15	AC	6/2/2009	Preliminary	Technical	TBD	H	Approval (by NERC)	NAVAPS	3/22/2010	Small
16	F	6/8/2009	Preliminary	Technical	TBD	H	Approval (by NERC)	Settlement Agreement	2/19/2010	Small
17	A	10/3/2007	Confirmed	Admin	S	L	New Plan Submitted	Approval (by NERC)		Minimal
18	A	10/3/2007	Confirmed	Admin	S	L	New Plan Submitted	Approval (by NERC)		Minimal
19	A	10/3/2007	Confirmed	Admin	S	L	New Plan Submitted	Approval (by NERC)		Minimal
20	A	10/3/2007	Confirmed	Admin	S	M	New Plan Submitted	Approval (by NERC)		Minimal

	Entity	Violation Date	Violation Status	Category	VSL	VRF	Mitigation Plan Status	Next Step(s) Needed	Deadline for Finishing Next Step(s)	Texas RE Assessment of Reliability Impact
21	A	10/3/2007	Confirmed	Admin	S	M	New Plan Submitted	Approval (by NERC)		Minimal
22	A	10/3/2007	Confirmed	Technical	L	H	Approved, Completed	N/A		Minimal
23	C	1/23/2008	Alleged	Admin	L	M	Completed & Confirmed	N/A	N/A	Minimal
24	C	1/23/2008	Alleged	Admin	H	M	Completed & Confirmed	N/A	N/A	Minimal
25	D	2/15/2008	Preliminary	Technical	S	H	Completed & Confirmed	N/A	N/A	Minimal
26	D	2/15/2008	Preliminary	Technical	S	H	Completed & Confirmed	N/A	N/A	Minimal
27	D	2/15/2008	Preliminary	Technical	S	M	Completed & Confirmed	N/A	N/A	Minimal
28	D	2/15/2008	Preliminary	Technical	S	M	Completed & Confirmed	N/A	N/A	Minimal
29	D	2/15/2008	Preliminary	Technical	S	M	Completed & Confirmed	N/A	N/A	Minimal
30	D	2/15/2008	Preliminary	Admin	L	M	Completed & Confirmed	N/A	N/A	Minimal
31	D	2/15/2008	Preliminary	Admin	L	M	Completed & Confirmed	N/A	N/A	Minimal
32	D	2/15/2008	Preliminary	Admin	H	M	Completed & Confirmed	N/A	N/A	Minimal
33	D	2/15/2008	Preliminary	Admin	L	M	Completed & Confirmed	N/A	N/A	Minimal
34	D	2/15/2008	Preliminary	Admin	S	M	Completed & Confirmed	N/A	N/A	Minimal
35	D	2/15/2008	Preliminary	Admin	S	L	Completed & Confirmed	N/A	N/A	Minimal
36	E	3/5/2008	Preliminary	Admin	M	L	Completed & Confirmed*	N/A	N/A	Minimal
37	E	3/5/2008	Preliminary	Admin	M	M	Completed & Confirmed*	N/A	N/A	Minimal
38	T	10/20/2008	Alleged	Technical	L	M	Completed*	Settlement Agreement (NERC)		Minimal
39	T	10/20/2008	Alleged	Technical	S	H	Completed*	Settlement Agreement (NERC)		Minimal
40	T	10/20/2008	Alleged	Technical	L	M	Approval (by NERC)	Dismissed	N/A	Minimal
41	T	10/20/2008	Alleged	Technical	S	L	Approval (by NERC)	Dismissed	N/A	Minimal

	Entity	Violation Date	Violation Status	Category	VSL	VRF	Mitigation Plan Status	Next Step(s) Needed	Deadline for Finishing Next Step(s)	Texas RE Assessment of Reliability Impact
42	T	10/20/2008	Alleged	Technical	M	M	Approval (by NERC)	Dismissed	N/A	Minimal
43	F	11/18/2008	Preliminary	Technical	TBD	M	Completed*	Settlement Agreement	2/19/2010	Minimal
44	F	11/18/2008	Preliminary	Technical	S	M	Completed*	Settlement Agreement	2/19/2010	Minimal
45	Z	12/18/2008	Preliminary	Technical	TBD	H	Approval (by NERC)	NAVAPS	3/1/2010	Minimal
46	F	2/10/2009	Possible	N/A	N/A	N/A	N/A	Dismissed	N/A	N/A
47	F	6/8/2009	Preliminary	Technical	TBD	M	Approval (by NERC)*	Settlement Agreement	2/19/2010	Minimal
48	T	8/25/2009	Preliminary	TBD	TBD	TBD	Completed*	Settlement Agreement		Minimal
49	T	8/25/2009	Preliminary	TBD	TBD	TBD	Completed*	Settlement Agreement		Minimal
50	AC	6/2/2009	Preliminary	Technical	TBD	M	Approval (by NERC)	NAVAPS	3/1/2010	Minimal
51	AD	8/20/2009	Preliminary	Technical	TBD	M	Not Submitted	NAVAPS	3/15/2010	Minimal
52	AE	8/20/2009	Preliminary	Technical	TBD	M	Not Submitted	NAVAPS	3/15/2010	Minimal
53	AF	8/20/2009	Preliminary	Technical	TBD	M	Not Submitted	NAVAPS	3/15/2010	Minimal
54	AG	8/20/2009	Preliminary	Technical	TBD	M	Not Submitted	NAVAPS	3/15/2010	Minimal
55	AH	8/20/2009	Preliminary	Technical	TBD	M	Not Submitted	NAVAPS	3/15/2010	Minimal
56	AI	11/11/2009	Preliminary	Technical	TBD	H	Submitted	NAVAPS	3/1/2010	Minimal
57	AJ	12/17/2009	Preliminary	Technical	TBD	H	Not Submitted	NAVAPS	3/12/2010	Minimal

Entity	Violation Date	Violation Status	Category	VSL	VRF	Mitigation Plan Status	Next Step(s) Needed	Deadline for Finishing Next Step(s)	Texas RE Assessment of Reliability Impact
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Legend:

Violation Status – Preliminary, Alleged, Confirmed

Discovery Method – Compliance Audit, Readiness Audit, Investigation, Self-Reported, Spot Check, Self-Certification, Data Submittal, Complaint

Category – Technical, Training, Administrative

Violation Severity Level (VSL) – Lower (L), Moderate (M), High (H), Severe (S)

Violation Risk Factor – High (H), Medium (M), Lower (L)

Mitigation Plan Status – Not Submitted, Submitted, Approval (by NERC), (After Approval - On Schedule, Behind Schedule, Extension Requested, Completed)

NAVAPS = Notice of Alleged Violation and Proposed Penalty or Sanction

Assessment of Reliability Impact - Minimal, Small, Medium, Large, Immense

- Assessment of Reliability Impact Considers:
- Time horizon (real-time issues versus planning issues)
 - Size of the entity (assets and facilities);
 - Category of violation (technical versus documentation)
 - Potential effect of violation
 - Actual effect of violation

Status Change = Highlighted in Gray

* *Entity is in settlement discussions* + *Next step is dependent on entity*

ERCOT Protocols & Operating Guides Violations

	Protocol/ Operating Guide	Brief Description	Violation Date	Violation Status	Mitigation Plan Status	Next Status Step	Estimated Date of Next Step	Texas RE Assessment of Reliability Impact
1	P6.10.5.3	SCPS2 Score less than 90%	4/30/2009	Alleged	Completed	Review Plan	1/29/2010	Medium
2	P6.10.5.3	SCPS2 Score less than 90%	6/9/2009	Alleged	Submitted	Approve Mitigation Plan	1/19/2010	Medium
3	OG1.8.2	Training Requirements	1/13/2009	Alleged	Submitted	Verify Completion	1/25/2010	Small
4	OG1.8.2	Training Requirements	4/20/2009	Alleged	Submitted	Verify Completion	1/25/2010	Small
5	OG1.8.2	Training Requirements	6/2/2009	Initial	Not Submitted	Review Response	1/29/2010	Small

*Next step is dependent on entity

Legend:

Violation Status – Initial, Alleged, Confirmed

Discovery Method – Compliance Audit, Investigation, Self-Reported, Spot Check, Self-Certification, Data Submittal, Incident Report, Data Gathering

Mitigation Plan Status – Not Submitted, Submitted, On Schedule, Behind Schedule, Extension Requested, Extension Requested/Granted, Completed

Assessment of Reliability Impact - Minimal, Small, Medium, Large, Immense

- Assessment of Reliability Impact Considers:
- Time horizon (real-time issues versus planning issues)
 - Size of the entity (assets and facilities);
 - Category of violation (technical versus documentation)
 - Potential effect of violation
 - Actual effect of violation

*Next step is dependent on entity



Texas Regional Entity Standards Report

Board of Directors

January 18, 2010

Standards Update

- **Texas RE hired Don Jones as Manager, Reliability Standards**
 - B.S. in Electrical Engineering from Rose-Hulman Institute of Technology and J.D. from the University of Texas School of Law
 - Over 25 years of legal and engineering experience
 - Served as an Advisor to PUCT Commissioner Julie Parsley and has been actively involved in ERCOT electric power market and stakeholder activities for several years

Board Confirmation of RSC Chair and Vice-chair

- **As required by the Texas RE Reliability Standards Committee Procedure, the Texas RE Board must confirm the election of the Chair and Vice-chair for 2010 (until separation)**
- **At the January 7 meeting, the RSC elected the following:**
 - Chair: Rick Keetch from NRG/Reliant Energy (Independent Power Marketer)
 - Vice-chair: Frank Owens from Texas Municipal Power Agency (Municipal)

SAR-001 Provision to Give ERCOT ISO a Vote in the Processes

- **November 2, 2009 - FERC approved Texas RE's Standard Development Process changes to add ERCOT ISO as an Eighth Segment and to give ERCOT a $\frac{1}{4}$ segment vote in the development of regional standards**
- **Implementation is complete**
 - Reliability Standards Tracking Site modifications have been made to include ERCOT ISO as a voting segment

SAR-003 Regional Standard BAL-001-TRE

- **This standard drafting team has two meetings scheduled in January 2010 with a goal of having a second draft ready for RSC vote at their February meeting.**
- **The RSC may vote to move it forward to a second comment period or may vote to move it to ballot depending on the significance of changes from draft one to draft two.**
- **If the RSC votes to approve posting for comment and there are no major changes proposed by comments, the goal to post for ballot is June.**

Date: January 8, 2010
To: Texas Regional Entity Board of Directors
From: Larry Grimm, Chief Compliance Officer
Subject: Confirmation of Reliability Standards Committee Chair and Vice Chair

Texas Regional Entity Board of Directors Meeting Date: January 18, 2010
Agenda Item No.: 4d

Issue:

Confirmation of the Texas Regional Entity (Texas RE) Reliability Standards Committee (RSC) Chair and Vice Chair for 2010.

Background/History:

The RSC Procedures require that the Texas RE Board annually confirm the Chair and Vice Chair elected by the RSC. At its January 7, 2010 meeting, the RSC elected Mr. Rick Keetch, from NRG/Reliant Energy to serve as Chair and Mr. Frank Owens from the Texas Municipal Power Agency to serve as Vice Chair of the RSC for 2010.

Key Factors Influencing Issue:

The RSC Procedures require that the Board confirm the RSC Chair and Vice Chair selections. The RSC unanimously voted to select Mr. Rick Keetch as Chair and voted to select Mr. Frank Owens as Vice Chair by a simple majority.

Conclusion/Recommendation: We request that the Board confirm Mr. Rick Keetch as RSC Chair and Mr. Frank Owens as RSC Vice Chair.

**RESOLUTION OF THE BOARD OF DIRECTORS OF
TEXAS REGIONAL ENTITY, A DIVISION OF
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

, 2010

WHEREAS, the Board of Directors (Board) of Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc. (Texas RE) deems it desirable and in the best interest of Texas RE to confirm the Reliability Standards Committee Chair and Vice Chair elected by the RSC for 2010;

THEREFORE be it RESOLVED, that the Board hereby confirms the selection of Rick Keetch, from NRG/Reliant Energy, to serve as Chair of the Reliability Standards Committee and the selection of Frank Owens, from Texas Municipal Power Agency, to serve as Vice Chair of the Reliability Standards Committee, for the year 2010.

CORPORATE SECRETARY'S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the January 18, 2010 Texas RE Board Meeting, the Board of Directors approved the above referenced Resolution. The Motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2010.

Susan Vincent
Corporate Secretary



**TEXAS
REGIONAL
ENTITY™**

An Independent Division of ERCOT

Texas Regional Entity Financial Report

Board of Directors
January 18, 2010

December 2009 Financial Review

- **Texas RE has prepared an amended business plan & budget reflecting the most recent cost for implementing the new corporate structure**
- **Texas RE has accrued \$119K in NERC related expenses in December for the NERC led audit of ERCOT ISO**

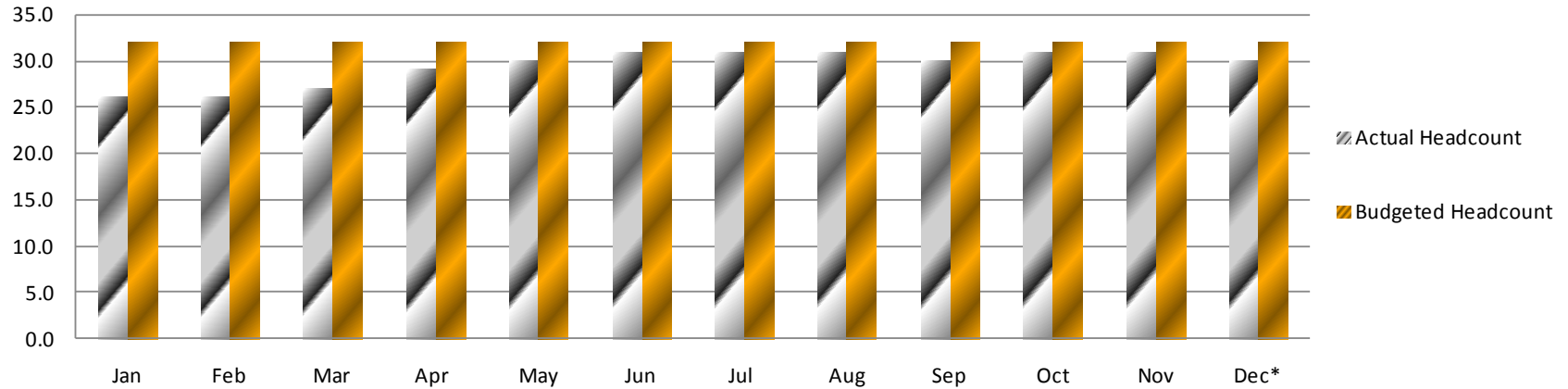
December 2009 Actual Workforce

**Texas Regional Entity
Headcount
Statutory & Non-Statutory Combined
For The Month Ended December 31, 2009**

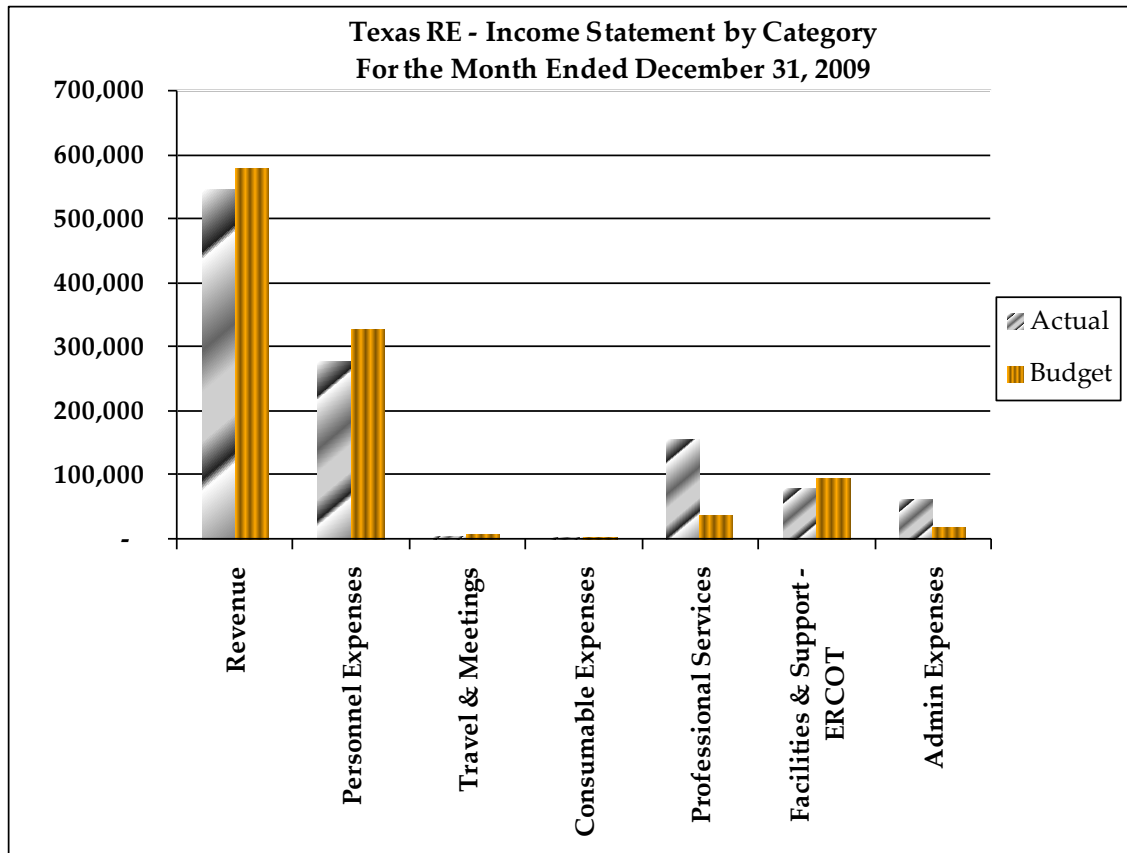
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec*
Actual Headcount	26.0	26.0	27.0	29.0	30.0	31.0	31.0	31.0	30.0	31.0	31.0	30.0
Budgeted Headcount	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Variance Under/(Over)	6.0	6.0	5.0	3.0	2.0	1.0	1.0	1.0	2.0	1.0	1.0	2.0

* Does not include interns and consultants

Texas Regional Entity - Headcount



December 2009 Operating Summary



December Comments

- ➔ **Revenue** - Is less than budget primarily due to a lower non-statutory reimbursement for services from ERCOT. Texas RE's non-statutory revenue must equal its expenses. Our non-statutory expenses in November were less than budget which resulted in our revenue being less than budget.

- ➔ **Personnel Expenses** - Less than plan due to personnel vacancies.

- ➔ **Travel & Meetings Expenses** - Less than budget due to workshop costs budgeted in December, but occurred in September.

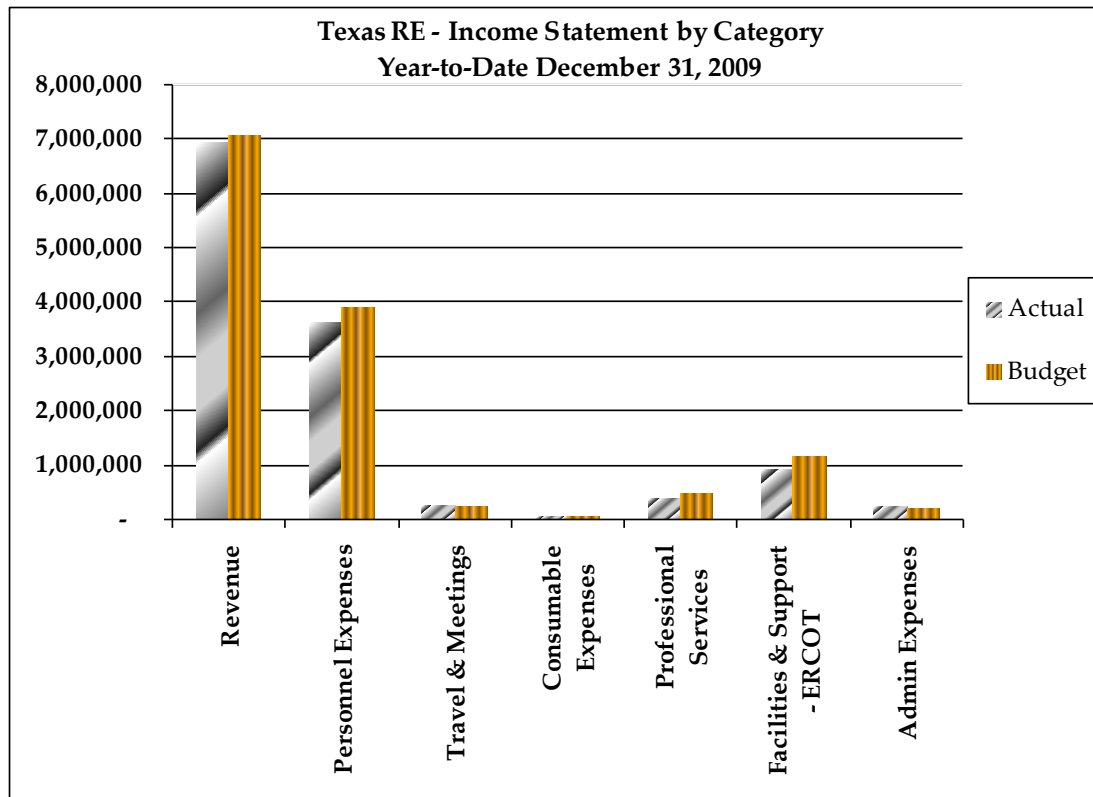
- ➔ **Consumable Expenses** - Slightly less for the month due to lower printing expenses and office supply orders.

- ➔ **Professional Services** - Higher than plan for the month primarily due to NERC bill received for ERCOT ISO audit.

- ➔ **Facilities & Support** - Facilities related expenses less than budget.

- ➔ **Administrative Expenses** - Variance is primarily driven by depreciation expense and compliance portal hosting expense.

YTD December 2009 Operating Summary



YTD December Comments

- ➔
Revenue - Is less than budget primarily due to a lower non-statutory reimbursement for services from ERCOT. Texas RE's non-statutory revenue must equal its expenses. Our non-statutory expenses YTD November were less than budget which resulted in our revenue being less than budget.
- ➔
Personnel Expenses - Lower YTD due to employee vacancies.
- ➔
Travel & Meetings Expenses - Overspending due to Operations Training Seminar (OTS). The OTS overages were offset by additional fees charged to attendees.
- ➔
Consumable Expenses - Spending is higher than plan due to expenses incurred for the OTS. This additional spending was offset by additional fees charged to attendees.
- ➔
Professional Services - Less than plan primarily due to underspending in legal.
- ➔
Facilities & Support - Variance due to the timing of Texas RE's move to the new facility. Actual rent expenses are less than budget.
- ➔
Administrative Expenses - Variance is primarily driven by depreciation expense and compliance portal hosting expense.

Operating Summary Statement

Texas Regional Entity
Income Statement
Statutory & Non-Statutory Consolidated
For the Period Ended December 31, 2009
Unaudited Management Report

Group Rollup	Group Rollup Name	Period to Date			Year to Date			Forecast Actual	Annual Budget	Difference
		Actual	Budget	Difference	Actual	Budget	Difference			
Revenue	1-Assessments	544,259	578,055	(33,797)	6,740,393	6,969,016	(228,624)	6,767,124	6,969,023	(201,899)
	2-Workshops	-	-	-	180,607	70,000	110,607	180,607	70,000	110,607
	3-Interest Income	14	-	14	2,940	-	2,940	2,944	-	2,944
Total Revenue		544,273	578,055	(33,782)	6,923,940	7,039,016	(115,076)	6,950,675	7,039,023	(88,348)
Personnel	10-Salaries	225,223	247,578	22,355	2,814,535	2,960,004	145,469	2,823,759	2,945,048	121,289
	11-Payroll Taxes	11,719	17,198	5,479	199,115	234,131	35,016	201,393	235,604	34,211
	12-Employee Benefits	16,513	24,234	7,721	235,515	276,933	41,418	237,970	305,571	67,601
	13-Saving and Retirement	25,124	36,871	11,747	361,473	425,041	63,569	358,905	421,495	62,590
Total Personnel		278,580	325,881	47,301	3,610,637	3,896,109	285,472	3,622,028	3,907,718	285,690
Travel & Meetings	20-Meetings & Training	1,336	-	(1,336)	141,142	105,000	(36,142)	139,806	105,000	(34,806)
	30-Travel	4,746	6,784	2,039	114,026	112,685	(1,341)	117,326	109,651	(7,675)
Total Travel & Meetings		6,082	6,784	703	255,168	217,685	(37,483)	257,133	214,651	(42,482)
Consumables	40-Office Supplies	365	840	475	9,591	10,200	609	9,654	10,200	546
	41-Postage & Shipping	404	200	(204)	5,123	2,400	(2,723)	4,986	2,400	(2,586)
	42-Telecommunications	936	967	31	9,720	11,600	1,880	9,829	4,960	(4,869)
	43-Printing & Copying	-	100	100	9,859	1,200	(8,659)	10,253	1,200	(9,053)
Total Consumables		1,705	2,107	402	34,292	25,400	(8,892)	34,722	18,760	(15,962)
Equipment & Maintenance	50-Equipment Maintenance	3,333	-	(3,333)	5,083	-	(5,083)	1,750	-	(1,750)
Professional Services & Consulting	60-Professional Services-Legal	31,994	29,167	(2,828)	142,156	350,000	207,844	185,162	350,000	164,838
	61-Professional Services-Auditing	(15,775)	3,750	19,525	29,010	45,000	15,990	30,000	45,000	15,000
	62-Professional Services-Other	137,779	5,575	(132,204)	193,882	75,650	(118,232)	209,495	75,650	(133,845)
Total Professional Services & Consulting		153,998	38,492	(115,506)	365,048	470,650	105,602	424,657	470,650	45,993
Facilities & Support - ERCOT	70-Rent & Improvements	32,500	49,979	17,479	356,003	599,748	243,746	356,003	599,748	243,746
	71-Support (HR, Treas, Finance, BOD)	26,716	26,388	(328)	290,244	316,654	26,410	297,366	316,654	19,288
	72-IT/MIS Support & Services	20,514	19,000	(1,514)	239,675	228,000	(11,675)	239,027	228,000	(11,027)
Total Facilities & Support - ERCOT		79,730	95,367	15,637	885,922	1,144,402	258,480	892,396	1,144,402	252,006
Administrative	73-IT/MIS Projects, Purchases & Maint	24,579	5,276	(19,303)	132,148	63,988	(68,160)	155,496	63,988	(91,507)
	74-Employee Training	585	750	165	7,395	7,440	45	7,614	7,440	(174)
	80-Depreciation Expense	36,172	6,378	(29,794)	77,277	76,540	(737)	64,708	76,540	11,832
	82-Bank Fees	104	-	(104)	1,557	-	(1,557)	1,562	-	(1,562)
	90-Miscellaneous Other	-	5,255	5,255	2,363	35,640	33,277	2,613	33,712	31,099
Total Administrative Expenses		61,441	17,659	(43,782)	220,740	183,608	(37,131)	231,993	181,680	(50,312)
Total Expenses		584,869	486,290	(98,579)	5,376,891	5,937,854	560,963	5,464,677	5,937,861	473,184
GAIN / (LOSS)		(40,596)	91,766	(132,361)	1,547,049	1,101,162	445,887	1,485,998	1,101,162	384,836
Non-Operating Expenses	91-Cash / Contingency Reserve	-	71,250	71,250	-	855,000	855,000	-	855,000	855,000
Grand Total of Expenses (Operating & Non-Operating)		584,869	557,540	(27,329)	5,376,891	6,792,854	1,415,963	5,464,677	6,792,861	1,328,184
TOTAL GAIN / (LOSS)		(40,596)	20,515	(61,111)	1,547,049	246,162	1,300,887	1,485,998	246,162	1,239,836

Texas Regional Entity 2009 Goals and Key Performance Indicators

	Key Performance Indicator	Pct.	Current Quarter Performance	Score	Status/Comments
1	Meet responsibilities as a Regional Entity and maintain independence from the ERCOT ISO.	25%		25.0%	<p>Audit to determine whether Texas RE is operating in compliance with (1) the Delegation Agreement between NERC and Texas RE, (2) the Texas RE Bylaws, and (3) other obligations and responsibilities as approved by FERC.</p> <p>Texas RE received a favorable audit from FERC in 2009 with no non-compliance found – 5 recommendations are being addressed. Texas RE also received a favorable performance assessment from NERC in 2009.</p>
2	Prepare Texas RE Business Plan & Budget and conduct base operations within approved budget.	15%		15.0%	<p>Final Texas RE Board-approved BP&B due to NERC on July 8th.</p> <p>Texas RE submitted all required finance-related reports and filings on time.</p>
3	Effectively manage the NERC Compliance Monitoring and Enforcement Program.	20%		19.5%	<p>Perform in accordance with Delegation Agreement and NERC Rules of Procedure; meet all submittal schedules; participate in NERC, FERC, and Stakeholder activities as required.</p> <p>Texas RE submitted all reports and documents on time and responded to all requests for information as required. Because of more pressing priorities (NERC Performance Assessment and FERC Audit in addition to normal compliance and enforcement activities), internal CMEP-related Texas RE Procedures were not completed as scheduled.</p>
4	Monitor and investigate non-compliance with ERCOT Protocols and Operating Guides.	15%		14.25%	<p>Monitor (not in real-time) Stakeholder performance and investigate all instances of potential non-compliance identified by Texas RE Staff or reported to Texas RE by the ERCOT ISO or other Stakeholder(s).</p> <p>All reports and information were submitted as required. The ERCOT Compliance Process was revised and submitted to the PUCT for review in August, as requested by PUCT staff. The delay from the planned schedule occurred primarily because of a) extensive collaboration with PUCT Staff and ERCOT ISO, (b) unanticipated pressing priorities (NERC Performance Assessment and FERC Audit), and c) uncertainty as to which organization would perform Protocol Compliance activities after 2009.</p>

5	Manage the Texas RE Standards Development Process.	10%		10%	Effectively facilitate and coordinate the activities of the Reliability Standards Committee (RSC) and Standard Drafting Teams (SDTs). All goals met – process followed and timelines met.
6	Effectively communicate with the Board, Industry, Regulators, and other Stakeholders.	15%		14.25%	Routinely communicate with NERC Staff and other Regional Entity Staff at varying levels, to implement and maintain consistency and uniformity regarding compliance monitoring and enforcement, and standards development programs and discuss program issues; provide monthly Board reports on compliance activities; discuss Protocol compliance activities and related matters with PUCT Staff; regularly provide updates to Stakeholders related to Texas RE and NERC activities on website and in Stakeholder meetings; continue to develop IT automation tools for reporting and communication. Texas RE actively engaged with NERC and other Regional Entities to improve consistency and to effectively implement and maintain all programs. Communications continue to improve and be effective with the Texas RE Board. Continue to have clear communication lines with staffs at the PUCT and FERC. Texas RE IT Staff fully engaged in multiple new projects, primarily related to Portal-related projects (working with Regional Entity Consortium Group and NERC). Many projects proposed to automate processes and improve reporting of information. These projects were unknown at the beginning of 2009 and were considered by the Consortium to be high priority because of their positive impact on Registered Entities.
		100%		98%	

KPI 1: Meet Responsibilities as a Regional Entity and Maintain Independence from the ERCOT ISO

Goal	Pct of KPI	Measurement	Status/Score	Performance
Receive a favorable audit from FERC in 2009.	30%	Audit report indicates Texas RE effectively operating as a Regional Entity and maintaining its independence from the ERCOT ISO.	30%	Texas RE operates in compliance with: (1) the Delegation Agreement between NERC and Texas RE; (2) the Texas RE Bylaws; and (3) all other obligations and responsibilities as approved by FERC. No non-compliance found – 5 recommendations being addressed; 4 of which are being addressed by legal separation from ERCOT ISO. Remaining recommendation addressed by hiring an experienced engineer to perform a more detailed review and analysis of the ERCOT region reliability assessments.
Receive a favorable performance assessment from NERC in 2009.	30%	NERC's review and report indicates that Texas RE is performing in accordance with its delegation agreement with NERC – is developing and enforcing Reliability Standards and providing for an adequate level of Bulk Power System reliability in accordance with its delegation agreement.	30%	Texas RE's enforcement program: (1) meets all applicable legal requirements; (2) promotes consistent interpretations of the Reliability Standards; (3) provides for comparable levels of sanctions and penalties for violations of the Reliability Standards which constitute comparable levels of threat to the Bulk-Power System; and (4) reflects the requirements of the enforcement program. NERC's report and feedback from NERC staff indicate that Texas RE is performing well.
Respond as required to all FERC and NERC Requests for Information.	20%	Respond to requests in accordance with FERC directives.	20%	All responses submitted to as agreed to between FERC and/or NERC and Texas RE. Texas RE responded as required to all requests and directives.
Maintain effective relationships with FERC and NERC Staff.	20%	Good and positive relationship is maintained and nurtured.	20%	Openly communicate, effectively interact, and maintain credibility with FERC and NERC Staff. Texas RE Staff has a very open and good working relationship with the staffs of NERC and FERC. Communications are very effective, and all differing positions are resolved professionally.
	100%		100%	

KPI 2: Prepare Texas RE Budget and Conduct Base Operations within Approved Budget

Goal	Pct of KPI	Measurement	Status/Score	Performance
Develop achievable Texas RE Budget and Business Plan.	25%	Submit Texas RE Budget and Business Plan on time.	25%	Draft #1 due to NERC on May 8 th ; Draft #2 due to NERC on May 29 th ; final Texas RE Board-approved BP&B due to NERC on July 8 th . All Texas RE BP&B drafts submitted on schedule, including supplements.
Receive a favorable Financial Audit.	25%	Successfully complete audit and submit report to NERC on time.	25%	Obtain unqualified ("clean") audit opinions; audit report due to NERC by 150 days after the end of the fiscal year. Received favorable Financial Audit. Results submitted to NERC on schedule.
Maintain effective Texas RE fiscal controls.	20%	Submit to NERC un-audited quarterly interim financial statements by the 20 th day after the end of the fiscal quarter.	20%	Reports provided to NERC prior to January 20 th , April 20 th , July 20 th , & October 20 th . All quarterly reports submitted as required.
File all required reports with NERC.	15%	95% of reports submitted to NERC on time.	15%	All reports and information submitted to NERC in accordance with timelines and guidelines provided to Texas RE. All required reports and requested information submitted to NERC on schedule.
Assess and revise cost accounting procedures and methods.	15%	Complete assessment and revision process by June 30, 2009.	15%	Ensure procedures and methods are revised as needed to enhance Texas RE's operational and fiscal performance. Modifications made to Texas RE's Time and Expense Guidelines document, which included adding extra activity codes for Enforcement, CIP Audits, and other CIP work. Completed as planned and staff was updated at the July staff meeting.
	100%		100%	

KPI 3: Effectively Manage the NERC Compliance Monitoring and Enforcement Program

Goal	Pct of KPI	Measurement	Status/Score	Performance
Develop Texas RE Compliance Program Implementation Plan annually and submit to NERC.	15%	Submit annual plan to NERC by November 1 st for the following calendar year.	15%	Develop 2010 Implementation Plan; collaborate as needed with NERC Staff and other Regional Entity Staff to ensure uniformity and consistency among Regions. Plan submitted to NERC on schedule and subsequently approved by NERC.
For 2009, complete all compliance audits.	15%	Complete all 38 scheduled audits completed and issue final reports by December 31, 2009.	15%	Audit schedule followed – 21 on-site; 18 tabletop (off-site). All compliance audits completed.
Conduct compliance analyses of significant events and take applicable enforcement actions in accordance with the NERC Compliance Monitoring and Enforcement Program (CMEP).	35%	Analyses conducted in accordance with processes and procedures and appropriate enforcement actions taken.	35%	All analyses conducted in a timely manner and completed in accordance with processes and procedures. All significant events analyzed or in process in accordance with established processes and procedures.
Prepare and submit to NERC all required reports.	10%	95% of reports submitted to NERC on time.	10%	Reports submitted to NERC in accordance with timelines and guidelines provided to the Regional Entities. Reports submitted as required or requested.
Maintain up-to-date NERC Regional Compliance Registry and provide updates to NERC.	15%	Keep registry up-to-date/provide updates to NERC within 5 business days of being received from the Registered Entity or as requested by NERC.	15%	Compliance registry updated in accordance with NERC requirements and updates are promptly provided to NERC. Compliance registry updated and maintained. Process will be improved to allow using Portal which is being developed through Regional Entity Consortium Group (vendor – Guidance).
Comply with all NERC CMEP timelines.	5%	Meet timelines 95% of time.	5%	Adhere to and meet established timelines. Timelines met.
Develop internal CMEP-related Texas RE Procedures.	5%	Procedures developed and completed by March 31, 2009.	2.5%	Completed procedures to be submitted for Legal review by March 31, 2009; Legal review complete by April 30, 2009. Procedures drafted but some of the procedures have not been updated, reviewed and approved.
	100%		97.5%	

KPI 4: Monitor and Investigate Non-Compliance with ERCOT Protocols and Operating Guides

Goal	Pct of KPI	Measurement	Status/Score	Performance
Revise ERCOT Compliance Process	40%	Revision completed and submitted for Legal and CEO review by March 31, 2009.	35%	Process revision completed in accordance with schedule. The Process was revised and submitted to PUCT for review in August. Prior to submission, Texas RE collaborated with PUCT Staff and ERCOT ISO. Texas RE Board's decision that Texas RE not continue with Protocol Compliance activities in the future also contributed to additional changes being made to the process. The original planned timeline not met primarily due to more pressing needs (FERC Audit, NERC Performance Assessment, settlement of a contested Protocol compliance enforcement case, etc.), but the timeline required by PUCT staff was met.
Prepare and submit to the PUCT all required/requested reports.	30%	Reports provided to the PUCT on agreed to schedule.	30%	Reports provided in accordance with approved process. Reports submitted to PUCT as required or requested.
Comply with all ERCOT Compliance Process timelines.	30%	Meet timelines 90% of time.	30%	Adhere to and meet established timelines. Timelines met at least 90% of time.
	100%		95%	

KPI 5: Manage the Texas RE Standards Development Process

Goal	Pct of KPI	Measurement	Status/Score	Performance
Comply with the Texas RE Standards Development Process and associated timelines.	70%	Process facilitated, effective and measurable Regional Standards are developed, and timelines met 90% of time.	70%	Adhere to and meet established timelines. Timelines met and process followed.
Maintain an effective Registered Ballot Body (RBB).	30%	Each segment within the RBB is adequately represented.	30%	Ballot body maintained with all segments represented. Effective Ballot Body maintained and all segments continue to be represented.
	100%		100%	

KPI 6: Effectively Communicate With the Industry, Regulators, and Other Stakeholders.

Goal	Pct of KPI	Measurement	Status/Score	Performance
Manage and implement new Texas RE-related IT projects.	15%	<ul style="list-style-type: none"> Texas RE Website deployed by 4/30/09 and content kept up-to-date. Complete Document Management System by 12/31/09. Complete Portal-related projects by 4/30/09. 	10%	<ul style="list-style-type: none"> Project start date was January 5, 2009. This project has been delayed due to other higher priority projects. Website deployed in August 2009. Project start date projected to be April 2009. On hold – to be completed by Texas RE IT Contractor in 2010. Projects started December 2008. Projects completed – new projects added and are in progress. <p>IT Staff fully engaged in multiple new projects, primarily related to Portal-related projects (working with Regional Entity Consortium Group and NERC). Many projects are proposed to automate processes and improve reporting of information. These projects were unknown at the beginning of 2009 and were considered by the Consortium to be high priority. NERC has also required certain other projects or modifications to projects be escalated in priority to address evolving requirements under FERC orders. The additional projects are</p>

				useful, but the Portal projects are anticipated to continue to evolve (sometimes in ways that are outside of Texas RE's total control, since the regions must be consistent and respond to the NERC and FERC requirements) in 2010 and 2011 to allow improvements in data management and reporting.
Communicate activities related to the Compliance and Standards Development Programs.	15%	Texas RE Staff to attend stakeholder meetings as needed/requested.	15%	Texas RE Staff attend and participate in applicable stakeholder meetings; distribute updates and notices to market participants through the Texas RE Information list serve. Texas RE Staff actively participated in stakeholder meetings and any other forum where participation was requested. Texas RE continued to publish a bi-monthly newsletter and hosted the Operations Training Seminar.
Coordinate communication activities related to the NERC/Texas RE Programs.	15%	Communications provided and coordinated as directed by NERC.	15%	Regularly communicate and interact with NERC and Regional Entity Staffs at all levels to consistently and uniformly implement and maintain compliance, enforcement, and standards development programs. Texas RE actively engaged with NERC and other Regional Entities to improve consistency and to effectively implement and maintain all programs.
Conduct Compliance Monitoring and Enforcement and Standards Development Program Informational Session(s).	15%	Sessions conducted.	15%	Conduct workshops to inform and respond to questions from Registered Entities. Compliance and Standards Workshops held on May 6 th and September 23 rd ; Critical Information Protection (CIP) Workshop held on September 24 th .
Effectively communicate with the Board, Regulators, and Legislators.	40%	Visit and maintain open communications with Board Directors and FERC and PUCT Commissioners and key staff, and key Texas Legislators and their aides.	40%	Continue to regularly meet and interact with Board Directors and key PUCT and FERC Staff; continue to further develop communications relationships at all levels of FERC, NERC, and PUCT. Interact with Legislators as needed. Communications continue to improve and be effective with the Texas RE Board. Continue to have clear communication lines with staffs at the PUCT and FERC. No contact made with Texas Legislators or their aides.
	100%		95%	

Proposed Separation Plan January 11, 2010

Topic	Issue	Details	Plan	Complete
A. Initial Governance Decisions				
1.	Legal separation from ERCOT	Texas RE Board decision	6/15/09	10/19/2009 √
2.	Board Composition	<ul style="list-style-type: none"> 4 independent directors & Texas RE CEO PUCT Chair and OPUC Public Counsel (ex officio non-voting) 2 Affiliated (MRC chair & vice chair) 	8/17/09	10/19/2009 √
3.	Membership Sectors	<ul style="list-style-type: none"> Transmission Generation System Coordination LSE/PSE Municipal Utility Cooperative Utility 	8/17/09	10/19/2009 √
4.	Corporate name & Non-profit status	Texas Regional Entity 501(c)(3)	11/1/2009	10/19/2009 √
B. Prepare for governance and legal changes				
1.	Bylaws	Draft and obtain comments on 1 st draft	7/20/09 to 8/17/09	√
2.		Review comments on revised 2 nd draft	8/20/09 to 9/14/09	√
3.		Review Comments on 3 rd draft	10/19/2009	√
4.		Board Vote on bylaws draft (for submission to FERC as pre-filing)	10/19/2009	√
5.		Confirm "straw" membership acceptance (have pre-formation meeting to confirm intended membership sectors will approve proposed Bylaws prior to submission of pre-filing to FERC)	November 24, 2009	√
6.		Form new corporation to allow for membership vote approving bylaws	January 2010	January 1, 2010 √
7.		Confirm with formal membership vote prior to filing with NERC Board of Trustees	January 2010	February 5, 2010
8.	Delegation Agreement	Prepare delegation agreement modifications, per new bylaws – send out for comments	10/30/09	Updated through January 8, 2010
9.	Obtain input from regulators	<ul style="list-style-type: none"> PUCT (Executive Director, Chairman, Legal counsel) 	On-going	
10.		<ul style="list-style-type: none"> NERC (CEO, General Counsel) 	On-going	December 7, 2009 Pre-filing; February 2010 formal filing
11.		<ul style="list-style-type: none"> FERC (OER, OE, GC, and Chairman) 	6/10/2009 12/07/2009	December 7, 2009 Pre-filing; February 2010 formal filing

12.	Determine Director Competencies	The Board as an entirety shall have familiarity with regional system operation issues in the ERCOT Region and reflect expertise in: <ul style="list-style-type: none"> • Technical electric operations and reliability • Legal and/or senior corporate leadership • Financial and risk management • Regulatory matters 	In the Bylaws	√
13.	Find Directors	Retain search firm and source	February 2010 and On-going	
14.	Educate Directors	Prepare training materials and schedule meetings for training sessions	On-going	
C. Prepare for Separate Operations				
1.	Texas RE policies and procedures	Develop and adopt any needed additions	On-going	May 2010
	Protocol Compliance	Transition Protocol compliance files and activities with PUCT <ul style="list-style-type: none"> • Send current procedures to PUC (done) • Continue to perform Protocol compliance work through end of 2010 • Work with PUCT staff to assist with its transition plan • Provide training for and transition files to new compliance entity 	On-going	12/31/2010
2.	ERCOT equipment and administrative services	Transition <ul style="list-style-type: none"> • Human Resources and Benefits • Membership services • Finance (accounting, treasury, etc.) • Information Technology 	On-going	~April 2010 except HR, which will transition on Implementation (~June 2010)
3.	Transition contracts and other services	Transition contracts, equipment, software, etc.	On-going	May 2010 for non-HR services



Texas Reliability Entity, Inc. Separation Implementation Update

Board of Directors Meeting
January 18, 2010



Background & Overview

Background of Formation Activities

- **November 24, 2009 Straw Membership Meeting:**
 - Confirmed consensus regarding draft Bylaws and determined name – Texas Reliability Entity, Inc.
- **December 7, 2009:**
 - Texas RE discussed proposed amended Delegation Agreement (based upon the new Bylaws) and 2010 business plan & budget (Budget) with FERC senior staff
- **December 14, 2009:**
 - Texas RE Board recommended approval of Bylaws, Amended Delegation Agreement, and Amended 2010 Business Plan and Budget
- **January 1, 2010 –Texas Reliability Entity, Inc. formed**
 - Will perform administrative activities (approve legal documents and bank accounts, form nominating committee for independent directors) until FERC approves Delegation Agreement

Overview of Transition

- **Current Texas RE will continue to perform NERC activities under the current Delegation Agreement until after FERC approves new Delegation Agreement**
- **Independent Directors must be identified and approved by membership (at least 3 before implementation)**
- **When FERC approves Delegation Agreement and Budget for Texas Reliability Entity, Inc.:**
 - Implementation period (60 days) for transition
 - New Texas RE will hire employees of and transfer assets from current Texas RE
 - Delegated NERC (and Protocol compliance) activities will then transfer to new Texas RE
 - Membership may vote to select Sector representatives before or after FERC approval

Texas Reliability Entity Membership

- **6 Membership Sectors**

- System Coordination and Planning (RC, BA, PA, RP, IA)
- Transmission and Distribution (TO, TP, DP, TOP, TSP)
- Cooperative Utility (with any NERC registration)
- Municipal Utility (with any NERC registration)
- Generation (GO, GOP)
- Load Serving and Marketing (and future Demand-Side function) (LSE, PSE)

Texas Reliability Entity Governance Structure

- **Board of Directors**
 - Hybrid Board – 9 Directors
 - 4 Independent Directors
 - Texas RE CEO
 - 2 Affiliated (membership) Directors
 - ◆ Chair of Member Representatives Committee
 - ◆ Vice Chair of Member Representatives Committee
 - PUCT Chair, *ex officio* non-voting
 - OPUC Public Counsel, *ex officio* non-voting
- **2 Committees**
 - Member Representatives Committee
 - Reliability Standards Committee
- **Transitional (2010) non-statutory (Protocol) activities in addition to delegated activities**

Member Representatives Committee (MRC)

- **2 representatives each from the 6 Membership Sectors (except Sectors with < 2 members) will serve annually and will annually select a chair and vice chair (from different Sectors – to provide “balance”) to serve as Board members**
- **Purpose**
 - Provide advice and recommendations to the Board, through its chair and vice chair (as directors) regarding:
 - Annual budgets and business plans
 - Funding mechanisms of Texas RE
 - Other matters relevant to reliability of the ERCOT BPS or compliance
 - Other matters pertinent to purpose and operations of Texas RE (except standards development)
 - May create subcommittees or working groups, if needed for specific topics

Reliability Standards Committee (RSC)

- **2 representatives from each of 6 Standards Development Sectors (except Sectors with < 2 members) will serve annually**
- **Purpose (similar to current committee)**
 - Review, participate in, and manage the Regional Standards Development Process, including proposed new or revisions to Regional Standards and Regional Variances
 - Coordinate the development of Regional Standards and variances with the development of national standards
 - Monitor, review, and comment on:
 - NERC (national) standards under development
 - NERC standards interpretation requests
 - Other standards development-related activities

Reliability Standards Committee Sectors

- **Standards Development Sectors**

- System Coordination and Planning
- Transmission
- Cooperative Utility
- Municipal Utility
- Generation
- Load Serving, Marketing, Demand Response, and ***any entity with a direct and material interest in the ERCOT region BPS that is not eligible for membership in any other Sector****

***Differs from Membership Sectors to allow participation by non-registered entities**

Next Steps & Upcoming Activities

Delegation Agreement and Budget Timeline

- **Next Steps in approval process:**
 - January 18, 2009 – Texas Reliability Entity, Inc. (New Texas RE) Board to approve Bylaws and Amended Delegation Agreement and 2010 Business Plan & Budget (BP&B)
 - Documents posted by January 11th
 - Late January – File Amended Delegation Agreement and BP&B with NERC Board of Trustees (BOT) for approval
 - February 11th – NERC F&A meeting
 - February 16th and 17th – NERC BOT meeting
 - Late February 2010 – Formally file Amended Delegation Agreement and 2010 BP&B with FERC

Corporate Membership Applications

- **Membership applications will be sent on or about January 12th via email to:**
 - The Primary Compliance Contact of each registered entity, and
 - The TexasRE_Info Listserv
- **Complete the email form (the completed email is the application) and send to Information@texasre.org)**
 - Your email response (completed as instructed) feeds into a membership database - be careful and use correct registered entity legal name!
 - Remember to notify your PCC if the application email should be forwarded to a different employee (only send one application per company)
 - Application can designate a different membership contact person
- **Send check for dues (\$250) to Texas Reliability Entity, Inc. to: Attn: Membership Services, 2700 Via Fortuna, Suite 225, Austin, Texas 78746**
 - Notify Texas RE if you have good cause and are unable to pay dues

Upcoming Corporate Membership Activities

- **Early February Membership Vote on Bylaws**
 - Need membership vote approving Bylaws prior to NERC BOT February 16th vote
 - Expect email membership vote to approve Bylaws in early February – Texas RE will provide at least 10 days notice of vote
 - Must be a registered member to vote
- **Membership must approve Independent Directors**
 - Need to have at least 3 Independent Directors approved by implementation (June)
 - Membership vote will be scheduled when candidates are identified by nominating committee
- **Other Sector Activities**
 - Sectors may hold elections for representatives for RSC and MRC at any time

Communication of Status

- **Texas RE will send membership information to registered entity Primary Compliance Contacts**
- **Texas RE staff will send general updates to Texas RE Information Listserv**
- **Send questions to Information@texasre.org**
- **Updates (sent to Information@texasre.org or PCCs) will be posted under Announcements on the Texas RE website**



Questions?

Send Questions to Information@texasre.org

**Texas Regional Entity
Board of Directors
Future Agenda Items – January 2010**

Item		Meeting
1.	Legal and IT separation update	Jan 2010 – May 2010
2.	Accept financial statement audit	April 2010
3.	Consider 2011 Business Plans and Budget	April 2010 – May 2010
4.	Approve 2011 Business Plan and Budget	June 2010