



2008 Budget Review

Finance & Audit Committee - Special Meeting
August 7, 2007

Mike Petterson
Controller

- **Schedule and process check**
- **Budget preparation objectives**
- **Preliminary budget recap**
- **Preliminary budget detailed schedule review**
- **Follow-up and action items**

- **Schedule and process check**
 - What has been done
 - Purpose of today's Special Finance & Audit Committee meeting
 - What will be done

2008 Budget Development Schedule

Date	Task	Status
Monday, Apr. 23	Executive Committee - 2008 Strategic Planning & Budget Discussion	√
Monday, May 7	Executive Committee - 2008 Strategic Planning & Budgeting Assumptions	√
Wednesday, May 16	Board Agenda - Strategic Planning & Budgeting Assumptions <i>(briefing & request for public comment)</i>	√
Friday, June 1	Budget Kick-off Meeting Instructions & Templates Distributed	√
Monday, June 18 - Wednesday, June 20	Departmental Submittals reviewed by Directors/Divisional VPs	√
Wednesday, June 20	Submit Departmental Budget Request	√
Wednesday, June 20 - Friday, June 22	Calculate & Compile DRAFT Categorical Budget (Budget staff)	√
Tuesday, June 19	Finance & Audit Committee Agenda - Budget/PPL Status Update	√
Monday, June 25 - Friday, June 29	Preliminary Budget Review by Office-- VP/Director/Manager Budget Revisions (as necessary)	√
Friday, June 29	Executive Committee - 2008 Preliminary Budget Review (Company/Divisional levels)	√
Tuesday, July 3 - Friday, July 6	Departmental Adjustments Based on Executive Review	√
Monday, July 9	Executive Committee - 2008 Budget Final Review	√
Tuesday, July 10	PUCT Staff - Assumption & Timeline Discussion	√
Tuesday, July 10	Begin Testimony Preparation	NA
Tuesday, July 17	Finance & Audit Committee Agenda - Preliminary Budget/PPL Presentation <i>(Courtesy copy to all Board members)</i>	√
Tuesday, July 17	Public Meeting - Preliminary 2008 Budget Presentation <i>(in conjunction w/Finance & Audit Committee Meeting)</i>	√
Wednesday, July 18 - Tuesday, July 31	PUCT Staff Review	NA
Tuesday, Aug. 7	Finance & Audit Committee Special Meeting - 2008 Budget Review	
Friday, Aug. 17	Testimony - 1st Draft Due	
Tuesday, Aug. 21	Board Agenda - Finance & Audit Committee 2008 Budget Recommendation & Board Review	
Friday, Sept. 7	Testimony Finalized	
Tuesday, Sept. 18	Board Agenda - 2008 Budget Approval/Vote	
Wednesday, Sept. 19 - Thursday, Sept. 27	Review PUCT Fee Filing	
Friday, Sept. 28	PUCT Fee Filing	

NOTE

(1) Schedule assumes PUCT Fee Filing will be required

- **Provide high-value, cost-effective service to the citizens of Texas**
- **Provide market participants predictable, stable fees**
- **Control costs while:**
 - Maintaining grid reliability
 - Maintaining and supporting the market
 - Maintaining critical information technology infrastructure
 - Ensuring reasonable business controls and oversight
- **Accurately anticipate resource requirements in response to regular and substantial market changes:**
 - Nodal Program implementation
 - Texas Regional Entity start-up and organization
 - Protocol revisions
 - Legislative action

The preliminary 2008 budget -

- **Fulfills obligations and responsibilities under Senate Bill 7**
- **Delivers priority projects approved through the Technical Advisory Committee process**
- **Provides funding and support of the independent market monitor**
- **Incorporates impact of Texas Regional Entity activity**
- **Anticipates implementation of the nodal market**
- **Holds flat all approved fees**
 - System Administrative Fee - \$0.4171 per MWh
 - Nodal Surcharge - \$0.127 per MWh
 - Texas Regional Entity Fee - \$0.016 per MWh

- **Operating expenses –**
 - Staffing
 - Maintained at 643 employees
 - Employee benefits assumed at 32% of base salaries
 - Average annual merit award consistent with long-term market trend assumed at 3% of base salaries
 - Average annual allowance for employee moves, promotions and other salary administration assumed at 1% of base salaries
 - Labor allocated to project priority list activity based on historical trends and anticipated project budgets
 - Consultants and contractors
 - 2009 based on specific request
 - Remaining years based on historical trend
 - Hardware and software maintenance and support
 - Based on specific identification by information technology staff

- **Operating expenses –**
 - All other categories
 - Increased for average long-term inflation of approximately 2% per year
- **Project expenditures**
 - \$22 million planned for 2009
 - No funds allocated for the following:
 - Extraordinary follow-on project work related to implementation of the nodal market
 - Potential relocation of the back-up control center
 - Assumed at \$30 million per year for 2010 – 2013
 - 40% revenue-funded and 60% debt-funded
- **Energy consumption**
 - Approximately 2% MWh growth per year based on analysis prepared by ERCOT's planning staff

Preliminary 2008 budget schedules are presented on the following pages.

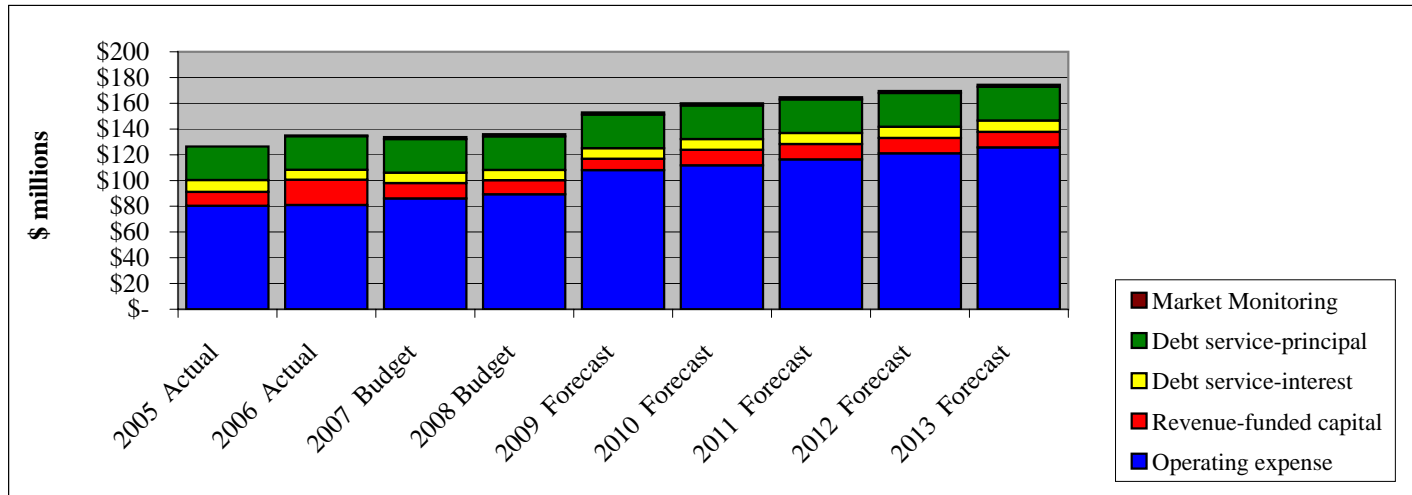
Special Finance & Audit Committee: Review of ERCOT Staff Proposed 2008 Budget

Table of Contents

Slide #11	Revenue Requirement and ERCOT System Administration Fee Summary
Slide #12	Revenue Requirement and ERCOT System Administration Fee Summary Table
Slide #13	All ERCOT Income on a per MWh Basis
Slide #14	Summary of Estimated Income Sources
Slide #15	Expenditure Summary by Division
Slide #18	MWh Load Budget vs. Actual
Slide #19	MWh Load Comparison
Slide #20	Full Time Equivalency Summary
Slide #21	Outside Services Expense Detail
Slide #36	Facilities Summary
Slide #37	Hardware & Software Support/Maintenance
Slide #38	Employee Expense Summary
Slide #39	Other Expense Summary
Slide #40	Master List of Proposed 2008 Projects – v7 – 07/31/2007

ERCOT Fiscal Year 2008 Budget

Revenue Requirement and ERCOT System Administration Fee Summary



Line	2005 Actual	2006 Actual	2007 Budget	2008 Budget	2009 Forecast	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast
1 Operating expense	80.3	80.9	86.0	89.2	108.1	111.8	116.3	121.1	125.7
2 Revenue-funded capital	10.9	19.7	12.0	11.0	8.8	12.0	12.0	12.0	12.0
3 Debt service-interest	9.2	7.6	8.0	7.9	8.2	8.3	8.5	8.7	8.9
4 Debt service-principal	26.1	26.1	26.1	26.1	26.1	26.1	26.1	26.1	26.1
5 Market Monitoring	0.0	0.6	1.7	1.8	1.7	1.7	1.7	1.7	1.7
6 Total revenue requirement	126.5	134.9	133.8	136.0	152.9	160.0	164.6	169.6	174.4
7 GWh	298.8	304.4	312.7	317.8	325.0	332.8	340.2	347.2	354.1
8 System Administration Fee	\$0.42	\$0.4171	\$0.4171	\$0.4171	\$0.4598	\$0.4703	\$0.4739	\$0.4786	\$0.4829
9									
10 Total Project Spending	16.4	34.5	44.0	27.5	22.0	30.0	30.0	30.0	30.0
11									
12 (\$/MWh)									
13 Operating expense	0.26	0.25	0.2680	0.2735	0.3251	0.3287	0.3347	0.3416	0.3480
14 Revenue-funded capital	0.04	0.06	0.0374	0.0337	0.0265	0.0353	0.0345	0.0339	0.0332
15 Debt service-interest	0.03	0.02	0.0250	0.0242	0.0245	0.0245	0.0245	0.0246	0.0246
16 Debt service-principal	0.09	0.08	0.0815	0.0802	0.0786	0.0768	0.0752	0.0738	0.0724
17 Market Monitoring	0.00	0.00	0.0051	0.0054	0.0051	0.0050	0.0049	0.0048	0.0047
18 Total revenue requirement	\$0.42	\$0.4171	\$0.4171	\$0.4171	\$0.4598	\$0.4703	\$0.4739	\$0.4786	\$0.4829

Note:

- (1) Other revenue will supplement System Administration Fee to meet total funding requirement.
- (2) Revenues collected in excess of funding requirement are utilized to reduce debt funding.

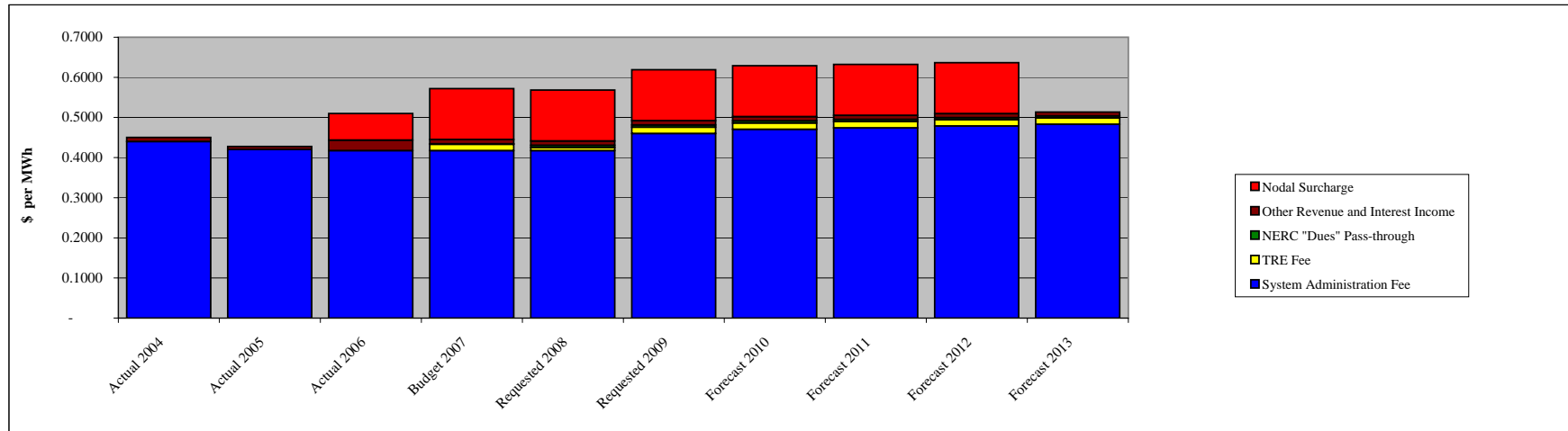
ERCOT Fiscal Year 2008 Budget

Revenue Requirement and ERCOT System Administration Fee Summary Table

(in thousands)

Line	Reference	Actual FY 2005	Actual FY 2006	Budget FY 2007	Forecast FY 2008	Forecast FY 2009	Forecast FY 2010	Forecast FY 2011	Forecast FY 2012	Forecast FY 2013
1	ERCOT O&M Expense									
2	<i>Labor & Benefits</i>	\$ 54,239	\$ 59,131	\$ 72,988	\$ 79,377	\$ 78,403	\$ 81,540	\$ 84,801	\$ 88,193	\$ 91,721
3	<i>Contra-Labor to Capital Projects</i>	(5,174)	(4,396)	(7,374)	(4,422)	(7,950)	(9,900)	(9,900)	(9,900)	(9,900)
4	<i>Contra-Labor to TNMIP</i>	-	(4,984)	(13,777)	(18,099)	-	-	-	-	-
5	<i>Subtotal - Labor & Benefits</i>	49,065	49,751	51,838	56,856	70,454	71,640	74,901	78,293	81,821
6	<i>Support Allocations - Nodal Program</i>	-	(1,673)	-	(1,673)	-	-	-	-	-
7	<i>Backfill Allocations - Nodal Program</i>	-	(371)	-	(1,145)	-	-	-	-	-
8	<i>Facilities Allocations - Nodal Program</i>	-	(153)	-	(2,500)	-	-	-	-	-
9	<i>Subtotal - Allocations - Nodal Program</i>	-	(2,196)	-	(5,318)	-	-	-	-	-
10	<i>Tools, Equipment, &Supplies</i>	1,166	1,093	1,206	1,127	1,147	1,172	1,198	1,224	1,251
11	<i>Hardware & Software Expenses</i>	7,196	7,740	9,372	9,304	11,804	15,372	16,579	17,180	17,695
12	<i>Outside Services</i>	7,417	9,104	9,372	12,850	9,628	8,150	7,811	8,183	8,371
13	<i>Special Audits</i>	1,752	575	-	-	-	-	-	-	-
14	<i>Utilities, Maintenance & Facilities</i>	6,591	6,940	7,243	7,663	8,090	8,268	8,450	8,636	8,826
15	<i>Employee Expenses</i>	1,396	1,260	1,935	2,011	1,922	2,046	2,099	2,174	2,233
16	<i>Insurance</i>	1,699	1,677	1,758	2,250	2,465	2,519	2,575	2,631	2,689
17	<i>Property Taxes</i>	1,016	998	1,116	1,100	1,250	1,278	1,306	1,334	1,364
18	<i>NERC Dues</i>	925	965	968	-	-	-	-	-	-
19	<i>Other</i>	2,044	3,018	1,150	1,346	1,313	1,342	1,371	1,402	1,432
20	Subtotal - O&M Expenses	80,267	80,923	85,958	89,188	108,073	111,786	116,290	121,058	125,683
21	Debt service - interest expense	9,189	7,632	8,031	7,905	8,155	8,334	8,517	8,705	8,896
22	Debt service - principal payments	26,137	26,137	26,137	26,137	26,137	26,137	26,137	26,137	26,137
23	Revenue-funded capital	10,880	19,658	12,000	11,000	8,800	12,000	12,000	12,000	12,000
24	Market Monitoring	-	600	1,650	1,750	1,700	1,700	1,700	1,700	1,700
25	Total Revenue Requirement	126,473	134,950	133,776	135,980	152,864	159,957	164,644	169,599	174,416
26	Less Other Revenue	2,050	5,795	2,567	2,642	2,642	2,642	2,642	2,642	2,642
27	Less Interest Income	250	2,200	789	800	800	800	800	800	800
28	Revenue Rqmt from System Admin Fee	\$ 124,173	\$ 126,955	\$ 130,420	\$ 132,538	\$ 149,422	\$ 156,515	\$ 161,202	\$ 166,157	\$ 170,974
29	GWh	298,782	304,374	312,680	317,789	324,975	332,811	340,192	347,200	354,065
30	% GWh Growth	3.6%	1.9%	2.7%	1.6%	2.3%	2.4%	2.2%	2.1%	2.0%
31	ERCOT System Administration Fee	\$ 0.42	\$ 0.4171	\$ 0.4171	\$ 0.4171	\$ 0.4598	\$ 0.4703	\$ 0.4739	\$ 0.4786	\$ 0.4829
32	Capital Spending - Revenue Funded	10,880	19,658	12,000	11,000	8,800	12,000	12,000	12,000	12,000
33	Capital Spending - % Revenue Funded	66%	57%	27%	40%	40%	40%	40%	40%	40%
34	Capital Spending - Debt Funded	5,485	14,807	31,960	16,500	13,200	18,000	18,000	18,000	18,000
35	Capital Spending - % Debt Funded	34%	43%	73%	60%	60%	60%	60%	60%	60%
36	Total Project Spending	16,365	34,465	43,960	27,500	22,000	30,000	30,000	30,000	30,000
37	Total ERCOT Spending Authorization	131,958	149,757	165,736	152,480	166,064	177,957	182,644	187,599	192,416

ERCOT Fiscal Year 2008 Budget
All ERCOT Income on a per MWh Basis



Line	(\$ per MWh)	Note	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Requested 2008	Requested 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
1	System Administration Fee	(1)	0.4400	0.4200	0.4171	0.4171	0.4171	0.4598	0.4703	0.4739	0.4786	0.4829
2	Other Revenue and Interest Income	(2)	0.0103	0.0077	0.0263	0.0107	0.0108	0.0106	0.0103	0.0101	0.0099	0.0097
3	TRE Fee	(3)	0.0000	0.0000	0.0000	0.016	0.0080	0.016	0.016	0.016	0.016	0.016
4	NERC "Dues" Pass-through	(4)	0.0000	0.0000	0.0000	0.0011	0.0055	0.0054	0.0053	0.0051	0.0050	0.0049
5	Subtotal	(6)	0.4503	0.4277	0.4434	0.4449	0.4414	0.4918	0.5019	0.5051	0.5095	0.5136
6	Nodal Surcharge	(5)	0.0000	0.0000	0.0663	0.1270	0.1270	0.1270	0.1270	0.1270	0.1270	0.0000
7	Total		0.4503	0.4277	0.5097	0.5719	0.5684	0.6188	0.6289	0.6321	0.6365	0.5136
8	MWh		288,291,328	298,782,420	304,373,763	312,680,098	317,788,700	324,974,955	332,810,713	340,192,303	347,200,449	354,064,731

Notes:

- (1) System Administration Fee covers ERCOT's "base operations".
- (2) Other revenue and interest income is comprised of wide-area network revenue, non-ERCOT load serving entity revenue, generation interconnection revenue, membership dues, map sales, interest income, and other non-operating income.
- (3) Texas Regional Entity Fee commenced in 2007. Favorable budget variance from 2007 is expected to reduce the fee in 2008. It is assumed balance is restored in 2009 at the 2007 fee level of \$0.016 per MWh. The method by which the Texas Regional Entity Fee is assessed and collected is subject to an active Protocol Revision Request (PRR 720).
- (4) NERC "Dues" Pass Through was reflected in the System Administration Fee until 2007. In 2007, the System Administration Fee includes approximately \$967,000 for "NERC Dues". New responsibility and reorganizations at NERC resulted in significant increases to the organization's dues assessments. Organization of the Texas Regional Entity brought better understanding of the nature of "NERC Dues".
- (5) The Nodal Surcharge will remain in effect until the costs of implementing the Nodal Program, as approved by the Public Utility Commission of Texas, are fully recovered. It is currently expected the Nodal Surcharge will cease to be collected in late-2012.
- (6) The cost of ERCOT activity, on a per MWh basis, excluding the Nodal Program, has declined by 2 percent since 2004. Load growth over the five-year period (approximately 11 percent) has outpaced inflation, staff growth, and the incremental cost of new responsibilities at ERCOT, such as the Texas Regional Entity.

ERCOT Fiscal Year 2008 Budget

Summary of Estimated Income Sources

Line	Description	Protocols Reference	Calculation/Rate/Comment	2008 Budget	
				Amount	Percentage
1	ERCOT system administration fee	9.7.1	\$0.4171 per MWh	\$ 132,537,514	98.0%
2	Private wide-area network fees	9.7.6	Recovery of budgeted costs. Actual cost of using third party communications network, initial equipment installation cost not to exceed \$18,000, and monthly network management fee not to exceed \$865.	1,850,000	1.0%
3	Non-ERCOT load serving entity fee	9.7.3	\$1.15 per ESI ID per year	125,000	0.0%
4	Interest income	NA	Computed based on assumed bank rates and deposit balances	800,000	1.0%
5	Membership dues	NA	\$2,000 for corporate members and \$500 for associate and adjunct members	250,000	0.0%
6	Generation interconnection study fees	NA	Security screening study fee (\$1,000 - \$5,000) Stability software modeling fee (\$15 per MW of capacity)	400,000	0.0%
7	Map sale fees	NA	\$20 - \$40 per map request	1,000	0.0%
8	Qualified scheduling entity application fee	9.7.5	\$500 per entity	7,500	0.0%
9	Competitive retailer application fee	9.7.5	\$500 per entity	7,500	0.0%
10	Mismatched schedule processing fee	9.7.4	\$1 per mismatched event	1,000	0.0%
11	Voluminous copy fee	NA	\$0.15 per page in excess of 50 pages	-	0.0%
12	Late fees	9.4.6	Wall Street Journal prime interest rate plus two (2) percent	-	0.0%
13					
14	Total			<u>\$ 135,979,514</u>	100.0%

Note:

In addition to the items listed above, ERCOT collects a Nodal market surcharge (12.7 per MWh) and the Texas Regional Entity fee (1.6 per MWh in 2007). Revenue from these sources are utilized to the development and implementation of the Nodal market and NERC statutory functions.

ERCOT Fiscal Year 2008 Budget
Expenditure Summary by Division

	FY 2005	FY 2006	FY 2007	FY 2007 YTD	FY 2008	FY 2009	2010	2011	2012	2013	Basis of Forecast
	Actual	Actual	Budget	Actual (6.30.07)	Requested	Requested	Forecast	Forecast	Forecast	Forecast	
ERCOT											
<i>Labor & Benefits</i>	54,239,050	59,131,229	72,988,269	33,521,879	79,376,873	78,403,495	81,539,634	84,801,220	88,193,269	91,720,999	4% Annual Increase
<i>Labor for Capital Projects</i>	(5,174,167)	(4,395,648)	(7,373,639)	(1,465,112)	(4,422,054)	(7,949,881)	(9,900,000)	(9,900,000)	(9,900,000)	(9,900,000)	2005 Contra % of Capital Project Spend
<i>Labor for Nodal</i>	-	(4,984,423)	(13,776,690)	(5,327,327)	(18,099,299)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Subtotal - Labor & Benefits</i>	49,064,883	49,751,158	51,837,940	26,729,440	56,855,520	70,453,613	71,639,634	74,901,220	78,293,269	81,820,999	
<i>Support Allocations - Nodal Program</i>	-	(1,673,237)	-	(2,493,579)	(1,673,212)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Backfill Allocations - Nodal Program</i>	-	(370,684)	-	(650,332)	(1,145,000)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Facilities Allocations - Nodal Program</i>	-	(152,572)	-	(989,317)	(2,500,000)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Subtotal - Allocations - Nodal Program</i>	-	(2,196,493)	-	(4,133,228)	(5,318,212)	-	-	-	-	-	
<i>Material, Supplies, Tools & Equipment</i>	1,165,662	1,092,541	1,206,480	535,519	1,126,860	1,146,951	1,172,184	1,197,972	1,224,327	1,251,263	U.S. CPI of 2.2% Annual Increase
<i>Special Reviews</i>	1,751,528	575,026	-	(43,472)	-	-	-	-	-	-	No Special Reviews to be Completed
<i>Outside Services</i>	7,417,285	9,703,961	11,022,052	5,386,042	14,600,214	11,328,178	9,849,803	9,511,092	9,883,371	10,071,212	Departmental Submissions
<i>Utilities, Maintenance & Facilities</i>	6,591,288	6,939,517	7,242,627	3,168,695	7,662,650	8,090,213	8,268,198	8,450,098	8,636,000	8,825,992	U.S. CPI of 2.2% Annual Increase
<i>HW/SW License and Maintenance</i>	7,196,208	7,740,247	9,371,689	4,430,095	9,303,714	11,803,714	15,371,929	16,579,365	17,179,746	17,695,138	2010-2013 Estimates from IT
<i>Insurance</i>	1,698,946	1,676,549	1,758,229	733,388	2,250,000	2,465,000	2,519,230	2,574,653	2,631,295	2,689,184	U.S. CPI of 2.2% Annual Increase
<i>Employee Expenses</i>	1,396,360	1,259,905	1,935,300	521,011	2,010,883	1,922,149	2,046,011	2,098,723	2,173,581	2,233,342	Departmental Submissions
<i>Interest & Fees</i>	9,188,943	7,631,714	8,031,400	2,748,650	7,904,525	8,154,525	8,333,925	8,517,271	8,704,651	8,896,153	U.S. CPI of 2.2% Annual Increase
<i>Property Taxes</i>	1,016,255	997,716	1,116,000	510,842	1,100,000	1,250,000	1,277,500	1,305,605	1,334,328	1,363,684	U.S. CPI of 2.2% Annual Increase
<i>NERC Dues</i>	924,960	964,808	967,533	481,331	-	-	-	-	-	-	NERC dues being paid out of Regional Entity
<i>Other</i>	2,043,695	3,018,129	1,150,150	478,551	1,346,360	1,313,019	1,341,905	1,371,427	1,401,598	1,432,433	U.S. CPI of 2.2% Annual Increase
Total - ERCOT	89,456,013	89,154,777	95,639,400	41,546,864	98,842,514	117,927,362	121,820,318	126,507,426	131,462,167	136,279,400	

ERCOT Fiscal Year 2008 Budget

Expenditure Summary by Division

	FY 2005	FY 2006	FY 2007	FY 2007 YTD	FY 2008	FY 2009	2010	2011	2012	2013	Basis of Forecast
	Actual	Actual	Budget	Actual (6.30.07)	Requested	Forecast	Forecast	Forecast	Forecast	Forecast	
Corporate Administration											
<i>Labor & Benefits</i>	11,620,276	11,049,982	10,527,739	6,366,838	13,483,801	15,580,750	16,203,980	16,852,139	17,526,224	18,227,273	4% Annual Increase
<i>Labor for Capital Projects</i>	(555,976)	39,685	(757,120)	(52,328)	(734,643)	(750,143)	(900,000)	(900,000)	(900,000)	(900,000)	2005 Contra % of Capital Project Spend
<i>Labor for Nodal</i>	-	(268,250)	(1,601,910)	(260,146)	(431,097)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Subtotal - Labor & Benefits</i>	11,064,301	10,821,418	8,168,709	6,054,364	12,318,062	14,830,606	15,303,980	15,952,139	16,626,224	17,327,273	
<i>Support Allocations - Nodal Program</i>	-	(1,039,174)	-	(1,551,620)	(1,192,212)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Backfill Allocations - Nodal Program</i>	-	(21,885)	-	(30,263)	(100,000)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Facilities Allocations - Nodal Program</i>	-	(120,484)	-	(579,549)	(1,500,000)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Subtotal - Allocations - Nodal Program</i>	-	(1,181,543)	-	(2,161,432)	(2,792,212)	-	-	-	-	-	
<i>Material, Supplies, Tools & Equipment</i>	571,913	652,371	591,950	415,757	751,355	768,995	785,913	803,203	820,873	838,933	U.S. CPI of 2.2% Annual Increase
<i>Special Reviews</i>	1,751,528	575,026	-	(43,472)	-	-	-	-	-	-	No Special Reviews to be Completed
<i>Outside Services</i>	5,390,383	5,756,207	4,312,300	1,740,446	4,388,118	4,814,940	4,103,903	4,374,347	4,611,965	4,842,335	Departmental Submissions
<i>Utilities, Maintenance & Facilities</i>	3,687,768	3,526,880	4,037,775	1,889,318	4,375,000	4,548,545	4,648,613	4,750,882	4,855,402	4,962,221	U.S. CPI of 2.2% Annual Increase
<i>HW/SW License and Maintenance</i>	33,666	104,181	-	88,550	-	-	-	-	-	-	2010-2013 Estimates from IT
<i>Insurance</i>	1,698,946	1,676,549	1,758,229	733,388	2,250,000	2,465,000	2,519,230	2,574,653	2,631,295	2,689,184	U.S. CPI of 2.2% Annual Increase
<i>Employee Expenses</i>	300,032	287,613	428,700	140,400	397,749	380,909	398,221	409,697	425,800	438,297	Departmental Submissions
<i>Interest & Fees</i>	9,188,943	7,631,714	8,031,400	2,748,650	7,904,525	8,154,525	8,333,925	8,517,271	8,704,651	8,896,153	U.S. CPI of 2.2% Annual Increase
<i>Property Taxes</i>	1,016,255	997,716	1,116,000	510,842	1,100,000	1,250,000	1,277,500	1,305,605	1,334,328	1,363,684	U.S. CPI of 2.2% Annual Increase
<i>NERC Dues</i>	924,960	964,808	-	-	-	-	-	-	-	-	NERC dues being paid out of Regional Entity
<i>Other</i>	1,586,597	2,354,972	810,700	171,318	780,710	735,256	751,431	767,963	784,858	802,125	U.S. CPI of 2.2% Annual Increase
Total - Corporate Administration	37,215,292	34,167,912	29,255,763	12,288,129	31,473,306	37,948,775	38,122,715	39,455,760	40,795,397	42,160,204	
System Operations											
<i>Labor & Benefits</i>	15,202,794	16,478,797	20,943,680	9,473,695	23,142,831	22,667,253	23,573,943	24,516,901	25,497,577	26,517,480	4% Annual Increase
<i>Labor for Capital Projects</i>	(234,302)	(377,686)	(492,128)	(165,247)	(89,908)	(356,083)	(450,000)	(450,000)	(450,000)	(450,000)	2005 Contra % of Capital Project Spend
<i>Labor for Nodal</i>	-	(1,334,609)	(2,923,632)	(1,254,010)	(5,041,115)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Subtotal - Labor & Benefits</i>	14,968,492	14,766,502	17,527,920	8,054,438	18,011,808	22,311,170	23,123,943	24,066,901	25,047,577	26,067,480	
<i>Support Allocations - Nodal Program</i>	-	(258,437)	-	(382,714)	(296,000)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Backfill Allocations - Nodal Program</i>	-	(532)	-	-	-	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Facilities Allocations - Nodal Program</i>	-	-	-	-	-	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Subtotal - Allocations - Nodal Program</i>	-	(258,969)	-	(382,714)	(296,000)	-	-	-	-	-	
<i>Material, Supplies, Tools & Equipment</i>	30,358	43,425	51,600	9,135	17,650	18,180	18,579	18,988	19,406	19,833	U.S. CPI of 2.2% Annual Increase
<i>Special Reviews</i>	-	-	-	-	-	-	-	-	-	-	No Special Reviews to be Completed
<i>Outside Services</i>	469,073	1,072,112	2,662,000	1,322,565	4,083,474	3,037,806	3,024,400	2,950,120	2,976,000	3,002,000	Departmental Submissions
<i>Utilities, Maintenance & Facilities</i>	3,789	100,000	-	116	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>HW/SW License and Maintenance</i>	6,498	742	-	-	-	-	-	-	-	-	2010-2013 Estimates from IT
<i>Insurance</i>	-	-	-	-	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>Employee Expenses</i>	305,218	345,763	502,200	145,393	582,432	587,568	699,586	733,443	778,983	815,971	Departmental Submissions
<i>Interest & Fees</i>	-	-	-	-	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>Property Taxes</i>	-	-	-	-	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>NERC Dues</i>	-	-	967,533	481,331	-	-	-	-	-	-	NERC dues being paid out of Regional Entity
<i>Other</i>	164,194	226,469	66,700	118,520	253,000	260,590	266,323	272,182	278,170	284,290	U.S. CPI of 2.2% Annual Increase
Total - System Operations	15,947,623	16,296,044	21,777,953	9,748,784	22,652,364	26,215,314	27,132,831	28,041,634	29,100,136	30,189,574	

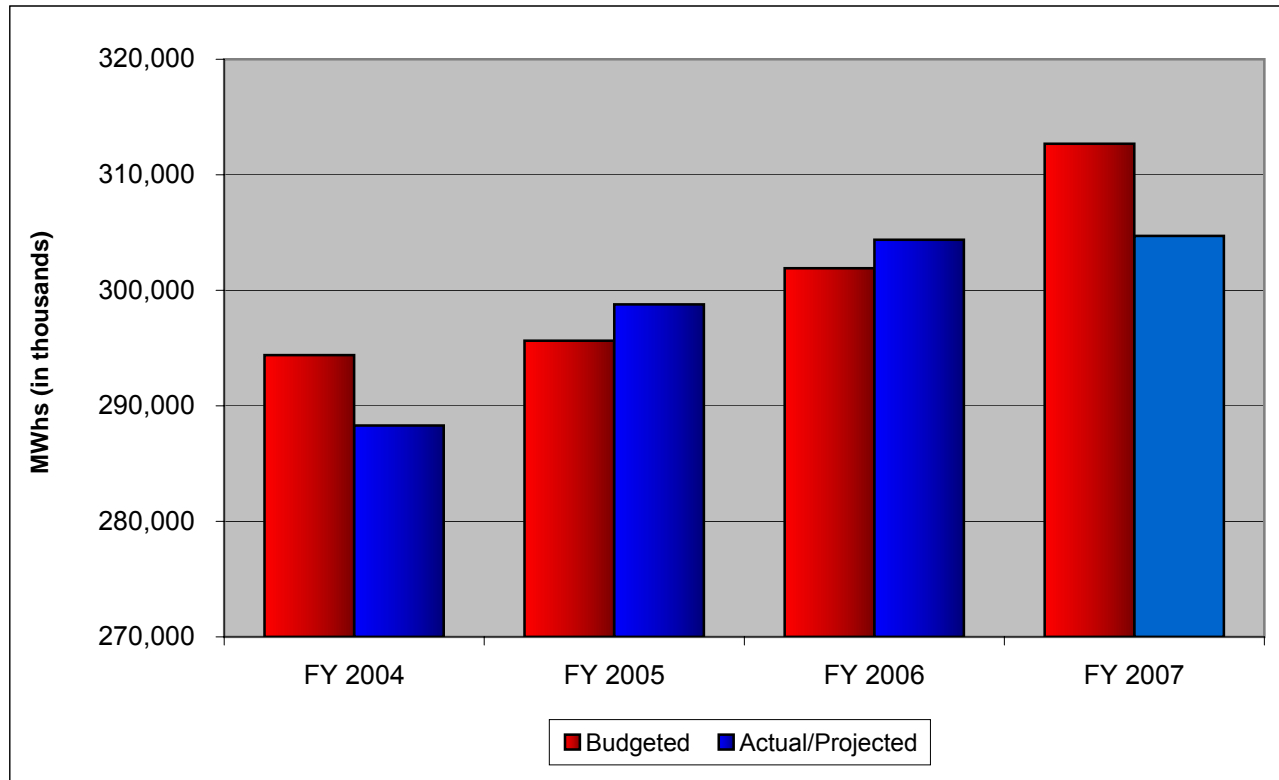
ERCOT Fiscal Year 2008 Budget

Expenditure Summary by Division

	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 YTD Actual (6.30.07)	FY 2008 Requested	FY 2009 Forecast	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast	Basis of Forecast
Market Operations											
<i>Labor & Benefits</i>	12,250,039	13,504,416	17,746,261	7,437,311	17,817,461	16,963,837	17,642,391	18,348,086	19,082,010	19,845,290	4% Annual Increase
<i>Labor for Capital Projects</i>	(839,763)	(1,350,328)	(2,261,896)	(666,301)	(2,410,954)	(3,444,896)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	2005 Contra % of Capital Project Spend
<i>Labor for Nodal</i>	-	(1,155,163)	(3,584,492)	(1,328,961)	(4,569,772)	-	-	-	-	-	Nodal Program to be Completed 2009
Subtotal - Labor & Benefits	11,410,276	10,998,926	11,899,873	5,442,049	10,836,735	13,518,941	14,642,391	15,348,086	16,082,010	16,845,290	
<i>Support Allocations - Nodal Program</i>	-	(309,998)	-	(462,057)	(110,000)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Backfill Allocations - Nodal Program</i>	-	(302,402)	-	(410,490)	(600,000)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Facilities Allocations - Nodal Program</i>	-	(32,088)	-	(18,496)	-	-	-	-	-	-	Nodal Program to be Completed 2009
Subtotal - Allocations - Nodal Program	-	(644,488)	-	(891,043)	(710,000)	-	-	-	-	-	
<i>Material, Supplies, Tools & Equipment</i>	8,310	28,088	14,400	6,147	14,050	14,472	14,790	15,115	15,448	15,788	U.S. CPI of 2.2% Annual Increase
<i>Special Reviews</i>	-	-	-	-	-	-	-	-	-	-	No Special Reviews to be Completed
<i>Outside Services</i>	1,091,463	1,830,583	2,032,272	1,448,070	3,291,792	2,318,392	2,359,000	1,811,000	1,906,000	1,823,000	Departmental Submissions
<i>Utilities, Maintenance & Facilities</i>	23,024	29,497	37,200	7,940	40,600	41,818	42,738	43,678	44,639	45,621	U.S. CPI of 2.2% Annual Increase
<i>HW/SW License and Maintenance</i>	6,697	401	-	9,455	-	-	-	-	-	-	2010-2013 Estimates from IT
<i>Insurance</i>	-	-	-	-	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>Employee Expenses</i>	250,973	229,203	440,100	91,090	458,302	429,872	417,341	420,010	426,283	431,370	Departmental Submissions
<i>Interest & Fees</i>	-	-	-	-	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>Property Taxes</i>	-	-	-	-	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>NERC Dues</i>	-	-	-	-	-	-	-	-	-	-	NERC dues being paid out of Regional Entity
<i>Other</i>	125,384	106,941	152,550	61,497	164,100	169,023	172,742	176,542	180,426	184,395	U.S. CPI of 2.2% Annual Increase
Total - Market Operations	12,916,127	12,579,152	14,576,395	6,175,206	14,095,579	16,492,518	17,649,001	17,814,432	18,654,805	19,345,464	
Information Technology											
<i>Labor & Benefits</i>	15,165,941	18,098,033	23,770,590	10,244,035	24,932,780	23,191,655	24,119,321	25,084,094	26,087,458	27,130,956	4% Annual Increase
<i>Labor for Capital Projects</i>	(3,544,127)	(2,707,319)	(3,862,495)	(581,237)	(1,186,549)	(3,398,759)	(5,550,000)	(5,550,000)	(5,550,000)	(5,550,000)	2005 Contra % of Capital Project Spend
<i>Labor for Nodal</i>	-	(2,226,402)	(5,666,656)	(2,484,210)	(8,057,315)	-	-	-	-	-	Nodal Program to be Completed 2009
Subtotal - Labor & Benefits	11,621,814	13,164,312	14,241,439	7,178,588	15,688,916	19,792,896	18,569,321	19,534,094	20,537,458	21,580,956	
<i>Support Allocations - Nodal Program</i>	-	(65,628)	-	(97,188)	(75,000)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Backfill Allocations - Nodal Program</i>	-	(45,866)	-	(209,579)	(445,000)	-	-	-	-	-	Nodal Program to be Completed 2009
<i>Facilities Allocations - Nodal Program</i>	-	-	-	(391,272)	(1,000,000)	-	-	-	-	-	Nodal Program to be Completed 2009
Subtotal - Allocations - Nodal Program	-	(111,494)	-	(698,039)	(1,520,000)	-	-	-	-	-	
<i>Material, Supplies, Tools & Equipment</i>	555,081	368,657	548,530	104,480	343,805	345,305	352,902	360,666	368,600	376,709	U.S. CPI of 2.2% Annual Increase
<i>Special Reviews</i>	-	-	-	-	-	-	-	-	-	-	No Special Reviews to be Completed
<i>Outside Services</i>	466,365	1,045,059	2,015,480	874,961	2,836,830	1,157,040	362,500	375,625	389,406	403,877	Departmental Submissions
<i>Utilities, Maintenance & Facilities</i>	2,876,707	3,283,139	3,167,652	1,271,322	3,247,050	3,499,850	3,576,847	3,655,537	3,735,959	3,818,150	U.S. CPI of 2.2% Annual Increase
<i>HW/SW License and Maintenance</i>	7,149,347	7,634,923	9,371,689	4,332,089	9,303,714	11,803,714	15,371,929	16,579,365	17,179,746	17,695,138	2010-2013 Estimates from IT
<i>Insurance</i>	-	-	-	-	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>Employee Expenses</i>	540,138	397,326	564,300	144,128	572,400	523,800	530,863	535,573	542,515	547,704	Departmental Submissions
<i>Interest & Fees</i>	-	-	-	-	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>Property Taxes</i>	-	-	-	-	-	-	-	-	-	-	U.S. CPI of 2.2% Annual Increase
<i>NERC Dues</i>	-	-	-	-	-	-	-	-	-	-	NERC dues being paid out of Regional Entity
<i>Other</i>	167,519	329,747	120,200	127,216	148,550	148,150	151,409	154,740	158,145	161,624	U.S. CPI of 2.2% Annual Increase
Total - Information Technology	23,376,971	26,111,669	30,029,290	13,334,744	30,621,265	37,270,755	38,915,770	41,195,600	42,911,829	44,584,158	

ERCOT Fiscal Year 2008 Budget

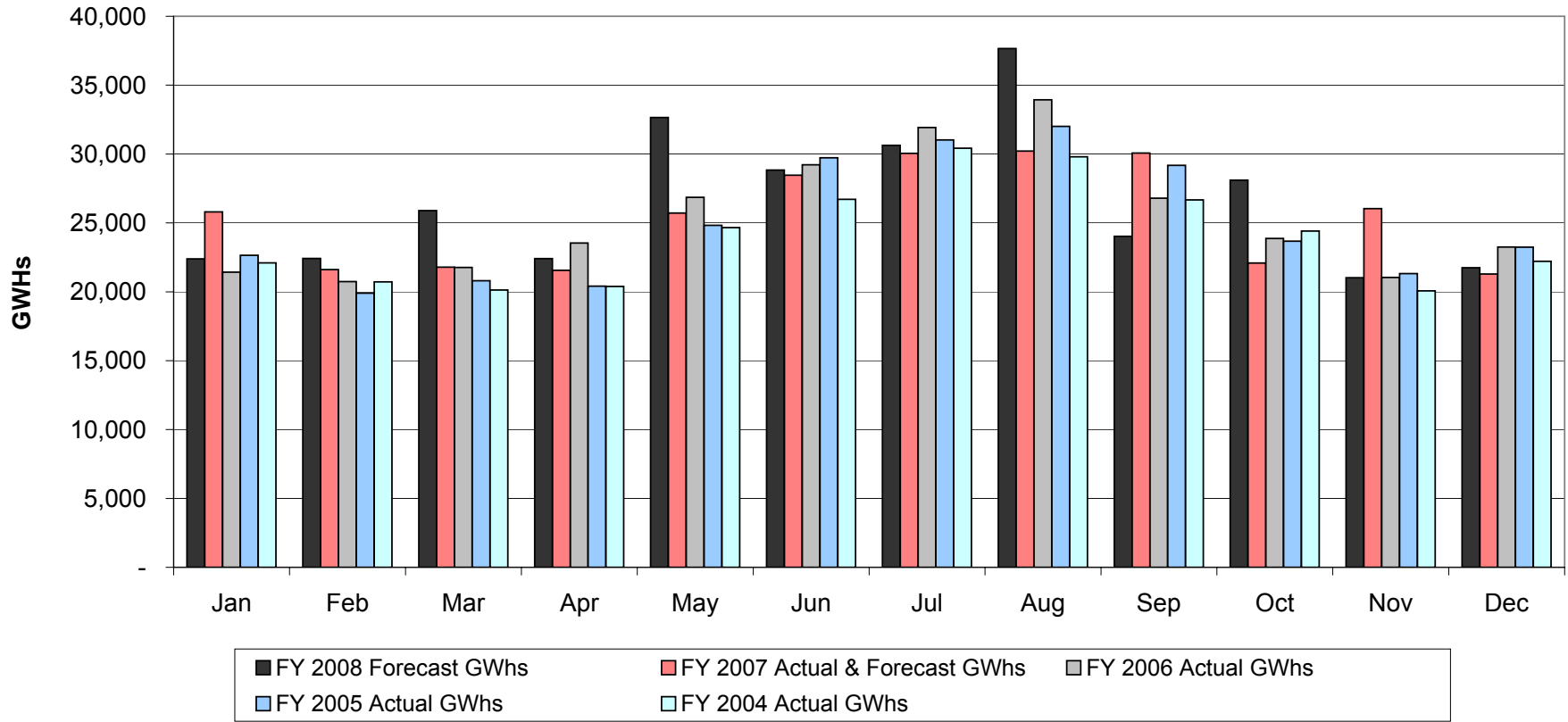
MWh Load Budget vs. Actual



	FY 2004	FY 2005	FY 2006	FY 2007
Budgeted	294,396,000	295,631,627	301,917,000	312,680,098
Actual/Projected	288,291,328	298,782,420	304,373,763	304,704,745
Variance	-2.1%	1.1%	0.8%	-2.6%

ERCOT Fiscal Year 2008 Budget

MWh Load Comparison



2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Actual	Actual	Actual	Budget/Projected	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
1.16%	3.64%	1.87%	0.11%	4.29%	2.26%	2.41%	2.22%	2.06%	1.98%

GWh Activity by Month

Line		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1	FY 2008 Forecast GWhs	22,386	22,417	25,892	22,411	32,654	28,840	30,633	37,662	24,028	28,100	21,017	21,748	317,789
2	FY 2007 Actual & Forecast GWhs	25,797	21,613	21,791	21,558	25,718	28,467	30,049	30,218	30,069	22,091	26,043	21,292	304,705
3	FY 2006 Actual GWhs	21,427	20,743	21,765	23,539	26,861	29,222	31,924	33,934	26,799	23,869	21,045	23,245	304,374
4	FY 2005 Actual GWhs	22,647	19,905	20,808	20,413	24,825	29,733	31,028	32,005	29,183	23,674	21,324	23,237	298,782
5	FY 2004 Actual GWhs	22,101	20,720	20,132	20,394	24,659	26,709	30,423	29,796	26,667	24,406	20,071	22,215	288,291
6	FY 2003 Actual GWhs	22,611	20,033	19,684	20,380	25,999	27,102	29,956	30,662	24,356	22,280	20,333	21,596	284,993
7	FY 2002 Actual GWhs	21,584	19,401	20,438	21,176	23,951	26,513	28,737	30,210	25,430	21,559	19,146	21,550	279,694
8	FY 2001 Actual GWhs	22,147	17,821	19,000	19,277	23,382	25,745	28,627	29,843	24,081	20,600	19,454	20,577	270,556
9	FY 2000 Actual GWhs	19,109	17,795	19,760	19,548	25,073	25,875	29,001	30,077	24,975	21,309	20,891	23,704	277,117

ERCOT Fiscal Year 2008 Budget

Full Time Equivalency Summary

	Funding		Full Time Equivalency	
	FY 2008 Requested	FY 2009 Forecast	FY 2008 Requested	FY 2009 Forecast
ERCOT				
<i>Base Operations</i>	56,855,520	70,453,613	511	576
<i>Zonal Projects</i>	4,422,054	7,949,881	37	67
<i>Nodal Program</i>	18,099,299	-	153	-
<i>Labor & Benefits Total</i>	79,376,873	78,403,495	701	643
 Corporate Administration				
<i>Base Operations</i>	12,318,062	14,830,606	119	114
<i>Zonal Projects</i>	734,643	750,143	6	6
<i>Nodal Program</i>	431,097	-	4	-
<i>Labor & Benefits Total</i>	13,483,801	15,580,750	129	120
 System Operations				
<i>Base Operations</i>	18,011,808	22,311,170	153	176
<i>Zonal Projects</i>	89,908	356,083	1	3
<i>Nodal Program</i>	5,041,115	-	42	-
<i>Labor & Benefits Total</i>	23,142,831	22,667,253	196	179
 Market Operations				
<i>Base Operations</i>	10,836,735	13,518,941	105	122
<i>Zonal Projects</i>	2,410,954	3,444,896	20	29
<i>Nodal Program</i>	4,569,772	-	39	-
<i>Labor & Benefits Total</i>	17,817,461	16,963,837	164	151
 Information Technology				
<i>Base Operations</i>	15,688,916	19,792,896	134	164
<i>Zonal Projects</i>	1,186,549	3,398,759	10	29
<i>Nodal Program</i>	8,057,315	-	68	-
<i>Labor & Benefits Total</i>	24,932,780	23,191,655	212	193

**ERCOT Fiscal Year 2008 Budget
Outside Services Expense Detail**

Line	Division	Dept	Description of Service(s)	Type of Service	2008 Cost	2009 Cost	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
1	MO	550	Zonal backfill for nodal transition - 9 Contractors have been procured to operate the zonal market settlement and billing. Originally, 19 FTEs were dedicated to operating the zonal market. As we progressed towards nodal implementation during 2006, ERCOT FTEs conducting zonal operations were being replaced with contract staff. ERCOT FTEs are focused on nodal development and testing. Contract staff is trained to operate zonal settlement and billing through termination of the zonal market. Once the zonal market activities cease (2009 - 2010), the contract staff will roll off.	<input type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	2,008,800	1,004,400	PUC ruled that ERCOT will implement a nodal market. Current zonal market must still be operated.	Not possible or feasible. 19 additional FTEs would need to be hired for zonal operations and then laid off/fired when zonal market ceases. Additionally, we couldn't ramp up to the number of FTEs we need fast enough.	No resources to operate the zonal market.
2	SO	410	Potomac Economics IMM (independent market monitor) Fees (contract already in place)	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	1,750,000	1,700,000	Independent third party monitoring is required for compliance.	Independent third party monitoring is required for compliance.	Will be out of compliance.
3	MO	630	Outsourced 24X7 call center; postcard printing and mailing; switch cancellation processing and databases services. These services are billed on a price per unit expense based on volume of transactions processed for notification mailers, telephone calls answered, web transactions and facsimiles processed, as well as fixed monthly maintenance fee for the housing database. The budget also has contains contingency funding for market requested changes to the mailers and enhancements to the processing system for the transactions. This activity is required under the ERCOT Protocols and the Public Utility Regulatory Act as stated in the Customer Protection Rules of the Public Utility Commission of Texas.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	991,000	1,010,000	This activity is required under the ERCOT Protocols and the Public Utility Regulatory Act as stated in the Customer Protection Rules of the Public Utility Commission of Texas.	his function would require ERCOT to operate and maintain a 24X7 customer call center, as well as operate a mass volume printing and mailing service for the creation and distribution of the daily notices. To date, the outsourced solution has been a more viable option from a cost perspective.	Non-compliance of protocols and state utility regulations.
4	CO	180	Performance of required SAS70 Type II External Audit	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	735,000	771,750	These audits are required by ERCOT By-Laws and Sarbanes-Oxley requirements that are in place for our Market Participants. PwC is performing the audit in 2007 and PwC is ERCOT's external auditor.	SAS70 Audits are required to be performed by an independent third-party.	ERCOT could not express an independent opinion on the adequacy and effectiveness of the internal control environment.
5	SO	422	Black and Veatch contract to provide backfill support to network modeling team	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	636,576	-	Nodal backfill support	Current ERCOT staff will be spending 100% of their time getting the NODAL MMS requirements in place, once that is done and we can stop performing the zonal model, we will stop the contractor work.	not enough resources to do both tasks.
6	CO	101	Independent Board Members	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	600,000	600,000	ERCOT governance structure includes Independent Directors.	Governance structure requires independence	Governance structure requirement

**ERCOT Fiscal Year 2008 Budget
Outside Services Expense Detail**

Line	Division	Dept	Description of Service(s)	Type of Service	2008 Cost	2009 Cost	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
7	CO	120	Outside Legal Services regarding litigation or areas requiring specialized legal knowledge and skills not possessed by in-house legal staff.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	540,000	750,000	The services are necessary because with a Legal Dept. as small as ERCOT's, it is impossible to have attorneys who possess all the knowledge and skills required for all legal issues confronting the company (e.g. ERISA, bankruptcy, antitrust, litigation, etc.)	The services are necessary because with a Legal Dept. as small as ERCOT's, it is impossible to have attorneys who possess all the knowledge and skills required for all legal issues confronting the company.	The legal services could not be provided and the company could decide to take the risk of not complying with the law and/or governmental rules and regulations.
8	IO	357	Address high priority application security vulnerabilities identified in 2007.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	405,000	-	ERCOT engaged a vendor to complete an assessment of application security which included 22 web applications, 3 code reviews, 3 threat models and 1 Web service review. Recommendations were made in the following areas: infrastructure, authentication, authorization, data validation, sensitive data, session management, configuration management and exception management. These remediation areas have been classified by Risk and Priority. Some of the applications included are: TML, REC, ERCOT.COM, Outage Scheduler, ETOD, Siebel, MarkeTrak, AppWorx, Intranet, EDW, ETOD, NAESB/Paperfree. This project will review and address recommendations that are considered and high probability and high risk.	This service will be performed along with ERCOT staff. Specific security expertise will be needed in several areas.	Potential Ciber attacks, data corruption, confidential data leaks, etc.
9	SO	450	Assist ERCOT staff with CRR ITEST, market trials and 'live' market activity by providing consulting resources intimately knowledgeable with ERCOT's CRR software	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	315,000	400,000	New staff will be learning new software and will need to assist market participants with their interactions with this system. Although a minimal level of vendor support (8 hours per month) is available through system license agreements, it will not be sufficient to handle the expected demand.	A highly effective way to learn new software is to work alongside an experienced user. Since ERCOT will have new staff learning new software having access to highly knowledgeable (vendor) support should ensure a successful CRR market implementation.	Without access to highly knowledgeable vendor support to respond to market participant questions and concerns, market participants are likely to be dissatisfied with CRR market implementation resulting in a higher level of questions and disputes. If this situation is allowed to persist, market participants are likely to 'fix' the CRR market through protocol revisions or PUCT rule changes. These activities result in a higher level of ERCOT response in other areas (Market Services / External Relations).
10	IO	300	Professional services for RUP rollout for Zonal application development	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	288,000	-	Outside consultants are to be used to help with software development on zonal applications prior to the Nodal Market.	Lack of internal resources	Delayed development of software changes
11	CO	130	Immigration Assistance	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	264,000	277,200	The services are necessary because with a Legal Dept. as small as ERCOT's, it is impossible to have attorneys who possess all the knowledge and skills required for immigration issues confronting the company	The services are necessary because with a Legal Dept. as small as ERCOT's, it is impossible to have attorneys who possess all the knowledge and skills required for all immigration issues confronting the company	The legal services could not be provided and the company could decide to take the risk of not complying with the law and/or governmental rules and regulations.

**ERCOT Fiscal Year 2008 Budget
Outside Services Expense Detail**

Line	Division	Dept	Description of Service(s)	Type of Service	2008 Cost	2009 Cost	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
12	IO	360	IT production operations support for Zonal Systems	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	250,290	45,000	Workload assistance during Nodal project when existing team gets more involved in Nodal we will need contract assistance to help on Zonal support.	Employee bandwidth unable to support production and project workload so this is for both staff aug and it professional services category.	Difficulty meeting service availability requirements and targets.
13	SO	415	Provide staff augmentation to perform duties of an Operating Standards Engineer/Analyst 2. Work closely with System Operations Personnel to ensure that the System Operations Division meets or exceeds the performance requirements for NERC Standards, Regional Reliability Standards, ERCOT Protocols, and ERCOT Operating Guides.	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	250,000	-	NERC Reliability Standards and ERCOT Regional Reliability Standards, both under the monitoring and enforcement of NERC and FERC. ERCOT Protocols and ERCOT Operating Guides, both under the monitoring and enforcement of the PUCT. The Texas Regional Entity (TRE) has been delegated monitoring and enforcement authority to represent NERC. Therefore, compliance activities must now be totally separated; the TRE will monitor, audit, and enforce, but cannot gather data, work on documentation, etc.	services can be performed by additional ERCOT staff, but not by existing authorized staff due to workload.	Probable inability to meet the timelines required to ensure compliance with all the requirements of the NERC Standards with potential for fines levied by FERC and NERC for non-compliance with NERC Standards requirements and ERCOT Regional Standards requirements. In addition, due to the transition going on in the ERCOT Compliance group and the establishment of the Texas RE, there will be increased exposure to inability to meet the compliance requirements of the ERCOT Protocols and Operating Guides. There is also potential exposure to fines levied by the PUCT for non-compliance with ERCOT Protocols and Operating Guides.
14	SO	420	ERCOT has a procedure to select the Black Start units. ERCOT does not have a criteria to test or simulate synchronization of multiple black start islands.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	250,000	250,000	NERC Standard EOP-005-1 R7 states "Each Transmission Operator and balancing Authority shall verify the restoration procedure by actual testing or by simulation". ERCOT has no criteria to conduct these studies/simulations. This study was endorsed by ROS and later by TAC at the June 2007 meeting.	Requires specialized expertise.	ERCOT will not have a criteria for testing the feasibility of ERCOT Black Start plan. In addition, ERCOT will not clearly comply with NERC requirement EOP-005-1 R7.
15	IO	395	Application engineer backfill	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	204,000	102,000	Contractors are necessary to provide backfill for employees currently assigned to Nodal	Positions being backfilled will have returning staff after completion of the Nodal project	not enough resources to complete tasks.
16	IO	395	System analyst backfill (SCADA group)	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	204,000	102,000	Contractors are necessary to provide backfill for employees currently assigned to Nodal	Positions being backfilled will have returning staff after completion of the Nodal project	not enough resources to complete tasks.
17	IO	395	System analyst backfill (Systems group)	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	204,000	102,000	Contractors are necessary to provide backfill for employees currently assigned to Nodal	Positions being backfilled will have returning staff after completion of the Nodal project	not enough resources to complete tasks.
18	IO	395	System analyst backfill (Systems group)	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	204,000	-	Contractors are necessary to provide backfill for employees currently assigned to Nodal	Positions being backfilled will have returning staff after completion of the Nodal project	not enough resources to complete tasks.
19	CO	101	Misc studies and services	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	200,000	200,000	Organizational and procedural assessment/review	Outside consultant brings independence and expertise that is not available within current ERCOT resources.	Ineffective and inefficient policies and processes could exist and remain unidentified.
20	CO	352	The PQR currently requires a skill in Project Management, Database Administration, Reporting, Project Schedule Management in order to support ERCOT's Divisional Project Offices.	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	191,418	-	The PMO is tasked with providing support for Projects managed by ERCOT's DPOs. In addition, the PMO is responsible for capturing all project effort for capital projects and utilizes an Enterprise Project Management tool to do so. Skills in Project Management, Database Administration, Reporting, and Project Schedule Management are required in order to support ERCOT's Divisional Project Offices.	The PQR currently does not have the required combination of skills required to perform the work.	Inaccurate data reporting, decreased efficiency in managing projects and delayed project delivery.

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Outside Services Expense Detail

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21	CO	130	Provide recruiting/staffing support for nodal and zonal projects	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	182,000	-	Number of staffing requests	Insufficient in staff recruiters for number of open positions & expected turnover	Delays in staffing for nodal and zonal projects
22	CO	370	Creation of netIQ templates to reflect updated and new hardening requirements. There will be 9 additional hardening requirements for 2008 and 2 updated hardening requirements for a total of 11.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	175,000	-	Technology changes and the hardening requirements need to change accordingly. The change can be in version updates or new technology consideration. NetIQ templates allow automatic and systematic monitoring of the hardening requirements in order for ERCOT to maintain compliance with SAS70 CO 14.1.4.	Resource constraint and lack of expertise in scripting language required for creation and modification of the NetIQ templates.	Failure of SAS70 CO 14.1.4 which states "System configuration requirements have been established for operating systems and databases which include security hardening and documented exceptions."
23	SO	420	<ul style="list-style-type: none"> Electronic Tagging Services for ERCOT Control Area and Transmission Provider OATI webTrans application to manage interchange transactions across the ERCOT DC ties, including integration via webData 	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	170,079	187,087	Electronic tagging is a NERC requirement and all the transactions across ERCOT ties with the Eastern interconnection need to be tagged. Not having this service will make ERCOT non compliant with NERC standards.	Requires specialized expertise.	A similar service from another vendor will have to be procured, since ERCOT will not be able to transfer power across the DC ties without E-tag services
24	CO	114	Financial Audit - PWC	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	157,500	165,375	PUCT rules	Must be performed by External auditing firm	Inability of get credit, obtain affordable insurance, or establish reasonable vendor relations.
25	IO	357	Lawson has restructured the application security within the suite of applications. The security is no longer deductive where a user is given access to everything and the security administrator must strip away any access that is not required. Instead, the new version allows for additive privileges and provides real role based security. The current version requires one security class per user. This results in many unmanageable classes. The role based model is much more flexible and maintainable. A consultant with expertise in the new security model is required to assist ERCOT in this effort.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	145,800	-	Several audit recommendations have been made based on the current Security setup. Utilizing the new security model will remediate these audit findings.	This requires a detailed level of expertise in the Lawson Security Model.	It is currently very easy to give users too many rights to Lawson based on the deductive model. Given the confidentiality of the data and potential HIPPA issue, the new model needs to be implemented.
26	SO	415	Staff augmentation to assist with an aggressive project of "mapping" the relationships between NERC and Regional Standards requirements and the tasks related to ensuring compliant performance. Mapping to include ERCOT Protocols, Operating Guides, and other relevant ERCOT procedures.	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	140,000	-	Documentation of standards, Protocols, and Operating Guides requirements, tracking of reporting, audits, and business processes and procedures that are necessary to ensure compliance. Documentation of the mapping between NERC and Regional Standards and the relevant ERCOT Protocols, Operating Guides, and procedures.	This project is a one-time up-front need to establish the needed documentation for the mandatory standards programs of the ERO (NERC) and the Texas Regional Entity (TRE), along with documentation of compliance with ERCOT Protocols and Operating Guides under the oversight of the TRE and the PUCT. Once the documentation is created, department personnel will maintain and update it on an incremental basis.	This work must be done. If the Outside Service assistance is not procured, the department personnel must develop it and it will likely take 2 to 3 times as long to do so. Risk exposure to inadequate documentation and compliance will be significantly higher until the effort is complete.
27	CO	114	Property Tax services	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	133,000	140,000	To ensure property tax rates from taxing authorities are accurate	Must be performed by External auditing firm	May over pay property taxes

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28	SO	473	Evaluation of Impact of Advanced Metering and Price Responsiveness on Load Forecast	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	125,000	-	ERCOT System Assessment is required by statute to complete a Long-Term System Assessment every even-numbered year. NERC requirements also specify completion of long-term analyses of expected system conditions. As ERCOT transitions to a nodal market, a key consideration in the development of expectations of future system conditions will be the extent to which future load growth and load shape will be affected by market prices.	Outside consultant brings independent viewpoint, technical expertise, market knowledge, and software that is not cost effective to maintain within ERCOT.	ERCOT System Assessment will not be able to provide a credible analysis of long-term conditions, as required by statute, without this service.
29	IO	356	Resources to support the Zonal System until such time as the PUCT determines we no longer have to support Zonal Settlements.	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	118,800	118,800	Zonal Settlements will not stop once the new Nodal Market has been deployed. They must run to completion which will be at least 6 months (if they are error free, all meter data is error free and no disputes are filed). The more likely scenario is 1 - 2 years. The books were finally closed for 2001 to 2003 This year.	ERCOT Staff will be focused on the new system	Not meeting protocols and unhappy customers
30	IO	302	Staff augmentation for administrative work relating to software license compliance activities and contract administration	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	108,000	-	Renewal of hardware/software maintenance and renewable license agreements and activities related to software license compliance. ERCOT compliance.	Lack of internal resources	ERCOT staff will need to perform these duties, reducing the time they are able to spend on strategic IT goals
31	IO	396	Manage the implementation of additional capital projects beyond the capability of existing staff.	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	102,000	127,500	At some point, the work load becomes greater than existing staff can effectively manage. The work performed will be directly chargeable to capital projects. If the additional staffing requests are granted, there is little likelihood that contract staff augmentation will be necessary.	I would prefer this be handled by ERCOT staff, however, if staff is not available, our project load will dictate the need for contract staff.	Business requirements may not be met based on approved and prioritized projects requested for 2008.
32	CO	370	Pre-audit of NERC CIP 002-009 to ensure established controls meet NERC requirements of Substantially Compliant or Auditably Compliant as applicable.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	100,000	-	Ensure ERCOT is compliant to NERC CIP:002-009 standards prior to NERC auditors review.	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	Failure of NERC audit and resulting monetary fines.

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33	CO	370	Security assessment of the Telecom and PBX systems to identify potential threats and vulnerabilities to the telecommunication system used at ERCOT.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	100,000	-	Much like a network router that routes Internet traffic, a PBX sends calls to the appropriate telephone number and handles traffic restrictions in a manner analogous to packet filtering. A PBX also provides system features (e.g., conference calling), and access rights and privileges like a network server. Similar to data networks, there are risks and threats that can be identified and associated with the PBX and related systems. Some examples include theft of service, traffic analysis, data modification, internal abuse, and call sending. This type of assessment and review has never been done at ERCOT. This assessment is requested as part of security's goal to provide proactive due diligence. Other NERC regions have had to absorb significant expenses which resulted from compromise of their PBX systems to unauthorized users making expensive overseas phone calls.	ERCOT staff does not have the expertise to perform a security assessment of the Telecom and PBX systems.	Security breach of ERCOT's telecommunication system with or without our knowledge.
34	CO	325	Voice/Data cabling data center assistance - provides the voice, data, fiber optic, and video cabling necessary, for advanced networks at ERCOT.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	95,400	123,750	ERCOT has built out TCC2 and continues to expand to accommodate for growth due to the nodal project and IMM/TRE project.	There is not enough ERCOT staff to perform this task along with regular job duties.	If ERCOT doesn't procure this service additional work spaces will not get created.
35	IO	345	Areva Software Support for Non-Standard Products	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	90,000	225,000	These cost are not covered by the Standard Product Areva support agreement and these are critical to EMMS production operation.	Some Software source is not provided by Areva and some internals of the MOS are best modified by Areva.	Areva could refuse to service critical parts of the Zonal Market operating system and some sections of the EMS leading to excessive downtime.
36	IO	354	Accommodate peak load	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	90,000	135,000	Accommodate peak load	Accommodating Nodal and zonal capital work load.	Delayed delivery of capital projects.
37	MO	605	Prepare, distribute, and collect results of market participant survey requested by BOD every two years.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	85,000	85,000	Prepare, distribute, and collect results of market participant survey requested by BOD every two years.	Need for confidentiality and profession expertise in survey techniques, as well as an unbiased and objective third party.	As described above
38	CO	130	Performance Management	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	84,000	88,200	Create easily understood metrics that establish the effectiveness of ERCOT in fulfilling duties	Third party objectivity in developing metrics.	Inadequate metrics to evaluate success or failure company-wide.
39	CO	702	Non- Statutory services related to TRE	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	82,000	83,640	Services such as Board of Trustee Fees, Support Allocation, Audit, Legal Fees, and Insurance are necessary for the operation of the Regional Entity	Staffing level and skills necessary are not sufficient to perform these critical services.	Risks associated with legal and insurance exposure and non compliance issues.
40	SO	473	Completion of Loss of Load Expectation Study	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	75,000	85,000	The relationship between system reserve margin and the risk of loss of load events varies depending on system characteristics. Regulators and market participants expect ERCOT to analyze and report on the risks associated with system conditions.	Outside consultant brings independent viewpoint, technical expertise, and software that is not cost effective to maintain within ERCOT.	ERCOT will not be able to maintain the required level of reliability of the transmission system without completion of a loss-of-load expectation study.
41	CO	130	CareerBuilder, Monster, Dice and Energy Central	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	74,500	78,225	Recruiting tools to attract candidates for staffing open positions	Services are necessary to broaden candidate searches.	Delay in filling open positions.

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42	CO	114	Rate Consultation	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	70,000	-	Requests and expectations established by management, the Board of Directors, or the Public Utility Commission of Texas necessitated the incremental assistance.	Workload issues prevent Budget staff from taking on certain special projects in addition to completing day-to-day responsibilities.	Inability to produce required material to support Fee Filing within the established deadline
43	CO	111	Cash/Banking Services	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	65,000	120,000	Must have bank accounts to process cash payments both for ERCOT, Inc and the market.	Require bank services.	Can't process cash payments or deposits
44	SO	472	EPRI Stability Load Modeling Project	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	65,000	-	Needed to determine transmission limits due to transient and voltage stability. NERC compliance requirement. Needed to accurately analyze stability in planning studies.	Outside consultant brings independence and expertise that is not available within current ERCOT resources.	Over identification of stability limits will increase transmission congestion and related costs. Under identification would adversely impact reliability and could result in loss of load, blackouts, and cascading outages. Increase in NERC sanctions.
45	MO	585	Analytical and data management support	<input type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	65,000	75,000	Augment daily staff operations in support of ERCOT Protocols and SAS 70.	Over allocated resources	Decline in progression of work for daily operations and development of commercial operations business services
46	IO	355	<p>Over the past two years ERCOT EA has developed the following assets</p> <ul style="list-style-type: none"> - Strategies - Standards - Guiding Principles - Lists of standard tools and technologies - White papers - Technical Architecture Documents <p>These assets make up ERCOT's Enterprise Architecture. To continue to develop these artifacts and ensure they are current, EA would like to investigate the use of an EA Asset Management tool.</p>	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	64,800	-	The consulting services would be used to provide expertise on how to establish an EA Asset Repository and would augment the EA team by providing industry best practice.	Requires expertise we currently do not have in ERCOT.	By the end of Nodal we will require one additional FTE to maintain the EA strategy if we do not have a tool to facilitate the process. \$100k per year.
47	IO	360	Database Architecture, Tuning, Administration services to support critical data infrastructure for ERCOT.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	64,800	45,000	Database and Data Management services	Services will be requested due to highly specialized nature of skills needed and also due to shortage of staff and sudden increase in work goals, load. Services will also be requested to solve operations problems where skills beyond what ERCOT staff can provide.	Delay in deliverables, potential operational problems that can impact ERCOT's business

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48	CO	351	Project Management -- The Project Manager will be responsible for the successful implementation of O&M project efforts in the areas of Facilities, Physical Security, Cyber Security, Finance/Accounting, Payroll, Human Resources, Procurement, Legal and Document Management within the ERCOT organization, and will plan, direct, and coordinate activities of designated projects to ensure that goals of the project are accomplished within the prescribed time frame and funding parameters. The Project Manager will lead the technical design and development of major enhancements and additional functionality to meet ERCOT's production needs, changing business requirements and changing business processes.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	60,000	60,000	The services are necessary to support and improve ERCOT Corporate processes/procedures; for example, the HR Payroll Restructure which will include job description creation/modification, job competencies creation, position control and alignment, job requisition creation, exempt vs. non-exempt payroll classification, pay period optimization and e-recruiting utilization. The planned effort to Unpack the Taylor Facility cubicles will need to be planned to minimize disruption to operational staff.	If the FTE Requests as submitted within this file are approved, the CO-DPO will have one Manager, one Project Manager, one Senior Business Analyst and one Business Analyst assigned to "zonal" efforts with one Senior Project Manager assigned to support Nodal for the 2008 year. The CO-DPO will remain dependent on contract staff augmentation to support the project management roles required to successfully deliver the projects planned on the current 2008 COCART PPL with a forecast budget of \$9.7 million. The project management resources contracted with to support the 2008 COCART PPL will be utilized to support the O&M project efforts currently identified by the Business Users and those efforts yet to be identified.	If the CO-DPO does not provide the Project Management resources to the Business Units to manage O&M project efforts, the Business Unit will either forego the effort or try to manage the effort themselves without following proper project management procedures which would add risk, and therefore potentially additional cost and time, to the effort.
49	CO	370	Security assessment of ERCOT's network from an external unauthorized perspective. The penetration test will identify exploitable Internet facing and remote access vulnerabilities that exist on the ERCOT network.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	60,000	-	In order to show due diligence and non partiality, it is best practice to have these types of assessments performed by an external party. In addition, ERCOT cannot be compliant for NERC CIP 5 R4 which states "Cyber Vulnerability Assessment — The Responsible Entity shall perform a cyber vulnerability assessment of the electronic access points to the Electronic Security Perimeter(s) at least annually."	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	ERCOT's security posture may be compromised because of changing Internet facing vulnerabilities or threats.
50	CO	130	Management Training	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	51,000	53,550	to provide training for our manager and supervisors on employment laws and improved understanding of how to manage others.	Current staff will assist in the administration of this service but we are not staffed to perform the training. About 1/2 of the cost is related to the diagnostic tools required.	Increased turnover and potential of employment litigation for failure to train managers on how to properly handle disciplinary actions, performance coaching, selection and terminations.
51	CO	111	The Credit Edge and Risk Calc tool subscriptions provide information on default probabilities for publicly held entities and help similarly analyze privately held entities.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	50,000	55,000	To provide more "real time" insight into credit quality of market participants. This tool factors in bond and stock prices and other factors that provide more current information on potential defaults.	ERCOT staff don't have the background or tools (e.g. Bloomberg info, etc) to do this analysis.	Credit function will continue to rely on current tools and ERCOT will not have the added benefit provided by this tool.
52	SO	473	Advisory Service for Development of Generation Expansion Scenarios	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	50,000	60,000	ERCOT System Assessment is required by statute to complete a Long-Term System Assessment every even-numbered year. NERC requirements also specify completion of long-term analyses of expected system conditions. A key input to the analysis of future system conditions is the type and potential locations of future generating units.	Outside consultant brings independent viewpoint, technical expertise, market knowledge, and software that is not cost effective to maintain within ERCOT.	ERCOT System Assessment will not be able to provide a credible analysis of long-term conditions, as required by statute, without this service.
53	CO	130	Compensation review and update of salary information	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	49,000	51,450	Database and Data Management services	To provide support to our compensation program.	Paying employee above or below market and resulting consequences of overpayment or underpayment and turnover.

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54	IO	356	Siebel Technical Account Manager package. This package allows for a certain number of technical hours to aid in analysis and development.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	46,440	46,440	We currently use the Siebel System to support our Retail Choice Registration System. Based on the complexity of the business model and the fact that there is not another system even similar, it would be advantageous to have the Software Vendor engaged in our design and deployments.	ERCOT is not the software company for the development of the Siebel application and has no visibility into its code.	Does not allow vendor company to take into account ERCOT's special deployment. May cause vendor to make application changes that will adversely effect our ability to upgrade.
55	IO	347	TIBCO Services as needed to build, support, and troubleshoot Zonal/Nodal integration and web services.	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	45,000	45,000	TIBCO Services as needed to build, support, and troubleshoot Zonal/Nodal integration and web services.	Needed to accommodate peak work load.	Delayed delivery.
56	SO	473	Membership in the Utility Wind Integration Group and the Operating Impact and Wind Plant Modeling Users Groups.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	40,000	40,000	An increasing amount of wind capacity is being connected to the ERCOT transmission system. These uncontrolled generating facilities create challenges for transmission planning. Participation in the Utility Wind Integration Group provides a forum for discussions with other utility and RTO planning organizations regarding wind integration issues.	Outside consultant brings independent viewpoint and technical expertise that is not cost effective to maintain within ERCOT.	ERCOT will not be able to maintain the required level of reliability of the transmission system without the information that UWIG provides. Without the technical expertise of this organization, ERCOT will not be able to adequately analyze the optimal methods for limiting the risks associated with increasing wind integration.
57	MO	500	Recognition of coverage for unforeseen events	<input type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	40,000	40,000	Need to have some small recognition of unforeseen events. We didn't budget anything in 2007 and have needed some services.	Will only procure if we need specialized services not performed by in house staff.	No cushion for unforeseen needs.
58	CO	325	Architectural services to ERCOT for space planning and design layout.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	36,000	37,800	These services are necessary when planning and designing new space like for example, TCC2 2nd floor build out, IMM/TRE construction at the Met Center and expansion of the TCC2 parking lot.	Requirements go above and beyond ERCOT staff capabilities.	Without this service ERCOT would probably spend a lot more time and money designing the most efficient and cost effective layout of space.
59	CO	130	Benefit Audit (401K and Medical Claims)	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	35,000	36,750	Federal law requires that ERCOT include audited benefit plan financial statements with its annual IRS Form 5500 filing.	The benefit plan audits must be performed by an independent audit firm.	Loss of the qualified tax status of the benefit plans resulting in significant liability to the company and possible ERCOT employees.
60	SO	473	Continuation of Wind Generation Modeling Project	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	35,000	40,000	ERCOT System Planning requires models simulating the response of specific wind units to system disturbances in order to conduct system analysis of the likelihood of voltage collapse and transient stability. Development of generic models allows system studies to be shared with market participants. These studies are required to comply with NERC requirements and to maintain acceptable levels of system reliability.	Outside consultant brings independent viewpoint, technical expertise, and software that is not cost effective to maintain within ERCOT.	Misidentification of stability limits within the system will lead either to excessive market costs (a result of overly conservative transfer limits) or unacceptable levels of risk of transient instability resulting from system disturbances.

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61	SO	473	Econometric Data for Load Forecast Development	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	35,000	40,000	ERCOT System Assessment is responsible for the annual development of the long-term load and demand forecast. Econometric forecasts are required as an input to the process used to develop the long-term load and demand forecast. The long-term load and demand forecast is provided to regulators and stakeholders, is included in the annual system analysis of forecasted capacity and demand, and is utilized in all system planning modeling and analyses. Development of the long-term load forecast is required to meet PUC regulations, NERC requirements, and numerous requests from stakeholders including State legislative committees.	Outside consultant brings independent viewpoint, technical expertise, market knowledge, and software that is not cost effective to maintain within ERCOT.	The long-term load and demand forecast cannot be developed without thoroughly researched econometric analysis and forecasts. Without a credible long-term load forecast, ERCOT System Planning will not be able to perform its required job functions of analysis of system reliability and transmission upgrades.
62	CO	120	Expert witness fees, court reporter fees and related items.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	34,000	50,000	The services are necessary because ERCOT does not possess all the knowledge and skills required for all issues confronting the company (e.g. property values, legal fees, etc.). Also, ERCOT must obtain copies of transcripts (from court reporters) to know exactly what transpired at legal proceedings.	The services are necessary because ERCOT does not possess all the knowledge and skills required for all issues confronting the company (e.g. property values, legal fees, etc.). Also, ERCOT must obtain copies of transcripts (from court reporters) to know exactly what transpired at legal proceedings.	The services could not be provided and the company could decide to take the risk of not prevailing on some issues in lawsuits because we did not hire an expert. Also, if ERCOT does not obtain copies of transcripts (from court reporters), we cannot know exactly what transpired at legal proceedings.
63	MO	550	Review quarterly RMR contracts.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	31,992	31,992	The plan is to have consultant review quarterly data for RMR units. (Total cost for the year is \$32,000) This is an area where it work makes sense to have an outside consultant with industry wide knowledge and experience to verify the appropriateness of costs submitted by RMR units.	Independent review of ERCOT analysis. We are looking for someone to double check our	Inaccurate RMR contracts costing market millions of dollars.
64	CO	111	Fitch ratings service and feed to Rome. Fitch is a rating agency. These services are requested contingent on the BOD approving creditworthiness standards that include Fitch ratings.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	30,000	30,000	The current draft of the creditworthiness standards update include Fitch ratings. We expect that there will be a cost to obtain this information. This service is contingent upon approval of creditworthiness standards by the BOD with Fitch included.	n/a	Not in compliance with Protocols and Creditworthiness Standards.
65	CO	325	Mail Carrier Service	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	30,000	30,000	Services necessary for internal and external communications	Staffing level is not sufficient to provide these services.	Delays in providing interoffice and external communications.
66	SO	472	Automated creation of Generator Hourly Piecewise Linear Cost Curve Data	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	30,000	-	Needed to perform AC reliability analysis; to evaluate if additional reliability project(s) (besides those designed under DC environment) is(are) needed to maintain reliability of the system.	Cost data is embedded in current vender software.	Under identification of reliability project on AC environment would impact system reliability and could result in loss of load, blackouts, and cascading outages.
67	MO	605	Perception surveys on conducted on various services offered to the market such as meeting management, website revisions, etc.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	30,000	30,000	ERCOT Executive management requests to gain market participant perceptions.	Need for confidentiality and profession expertise in survey techniques, as well as an unbiased and objective third party.	As described above

**ERCOT Fiscal Year 2008 Budget
Outside Services Expense Detail**

Line	Division	Dept	Description of Service(s)	Type of Service	2008 Cost	2009 Cost	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
68	MO	660	Lyris outsourcing service to support ERCOT's mail list manager used to provide self-serve access to a list of email distribution lists for market participant communications (ERCOT Governance, ERCOT Market Notices).	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	30,000	32,000	There are numerous references in ERCOT Protocols specifying the ISO's responsibilities for timely communications with market participants, governance groups, and regulatory parties.	The Lyris service was selected over setting up and maintaining this service in house due to cost and available resources.	ERCOT would not be able to meet obligation for timely market notification as per protocol.
69	IO	357	ERCOT is currently using Serena Collage for content management of ERCOT.COM. A major upgrade has not been completed since the tool was implemented 2.5 years ago. Specific application expertise is required.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	29,700	-	Specific application knowledge is required to more efficiently and effectively upgrade the software.	This service will be performed along with ERCOT staff. Specific application expertise will be needed.	Unsupported software
70	IO	357	ERCOT is using Sun Java Identity Manager for Access Requests of certain applications. This tool will be extended to be used at a much broader level across the organization exposing more features such as automatic provisioning will be deployed. It is likely that an upgrade will be required in 2008. Specific application expertise is required.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	29,700	-	Specific application knowledge is required to more efficiently and effectively upgrade the software.	This service will be performed along with ERCOT staff. Specific application expertise will be needed.	Unsupported software
71	SO	471	Competitive Constraint Modeling	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	29,000	-	Needed to allow model to better match actual operation of system and improve estimation of the benefits of proposed transmission projects.	Manual process for doing this could be developed, but it would have ongoing costs in addition to a similar fixed cost for developing the process and databases. If this is automated in UPlan software, the other ERCOT users of UPlan can use it also.	Will need to incur similar fixed cost and develop in house databases and processes that will have ongoing costs not incurred if included in UPlan.
72	IO	357	This will bring ERCOT up to the latest stable version of Java and is consistent with the ERCOT technical roadmap. It is important that ERCOT upgrade as Java 5 is the preferred version for the nodal effort. Outside services are required to augment staff in order to continue service in other areas.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	28,800	-	Stay current with technology and provide consistency in IT technology stack as defined by the Enterprise Architecture group.	This service will be performed along with ERCOT staff. If ERCOT staff were to completely implement these changes, other critical responsibilities would be at risk.	Upgrading will help us realize immediate benefits through the richer, broader applications, and applets you develop. Also, the vendor might stop supporting the current version.
73	IO	315	Offsite storage and retrieval services for tape cartridges	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	27,000	27,000	In order to meet Protocol and audit requirements, cartridges must be stored offsite for disaster recovery.	Storing tape cartridges in an employees house or garage is not recommended	Failing to meet protocol, audits and potential disaster recovery
74	IO	330	Time and materials for PBX and voicemail maintenance.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	25,500	25,500	Services are critical to maintaining communication systems.	Not enough ERCOT staff with the skills necessary to maintain these systems.	Improperly maintained systems may be subject to malfunctions.
75	CO	130	Determine the FASB 106 Liability for post retiree medical benefits for ERCOT	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	25,000	26,250	Accounting support for determining the FASB 106 liability for ERCOT	Not trained actuaries	Compliance issues
76	CO	180	Performance of required Quality Assessment Review (QAR) of the Internal Audit Department	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	25,000	-	The independent Quality Assessment Review has been requested by the Finance and Audit Committee of the Board of Directors. The QAR had originally been scheduled for the Fall of 2006. At the may 16, 2006, Finance and Audit Committee meeting, the Committee voted to defer the Planned 2006 quality assessment review of Internal Audit until the first half of 2008.	The Quality Assessment Review would not be independent. The IIA Professional Practice Framework (Practice Advisory 1312-1) states that the external assessments be conducted by a qualified, independent reviewer or review team from outside the organization.	The QAR could not be performed which would not be in compliance with the request of the Finance and Audit Committee and the Internal Audit Department would not be in compliance with the Professional Practices Framework put forth by the Institute of Internal Auditors.

ERCOT Fiscal Year 2008 Budget
Outside Services Expense Detail

Line	Division	Dept	Description of Service(s)	Type of Service	2008 Cost	2009 Cost	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
77	IO	357	ERCOT is utilizing several tools offered by Mercury for testing support. As Nodal demands increase, the need for this tool does as well. Upgrading the software will allow ERCOT to stay compliant with the latest release and take advantage of new functionality.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	21,600	-	Specific application knowledge is required to more efficiently and effectively upgrade the software.	This service will be performed along with ERCOT staff. Specific application expertise will be needed.	Unsupported software
78	CO	111	Provides data feeds of financial information (financial statements, ratings, etc) directly to Rome credit monitoring system.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	20,000	20,000	After implementation of Nodal, will receive financial information in an automated way to reduce need to manually enter financial information, to ensure information is updated timely and to be sure information is entered accurately.	Service can be performed by ERCOT staff but would require additional headcount.	Someone would have to monitor for receipt of financial information and hand key it into Rome. It would be more costly, subject to error and potentially not done timely.
79	CO	325	Indoor Environmental Consultants provide indoor air quality sampling and infrared thermography inspection for the Blue Bldg, TCC1 and TCC2.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	18,000	18,900	It is important to ensure that there is no mold/toxic gasses in the indoor air being breathed.	ERCOT staff is not professionally trained to perform this task.	If this service isn't procured ERCOT runs the risk of employees becoming ill due to inhalation of toxic air.
80	IO	357	Altiris Software upgrades, optimization and maintenance. A number of issues regarding the current Altiris implementation have been identified. One of the most serious problems surfaces in the area of inventory and license reporting. It is imperative that accurate reports be generated regarding hardware and software inventory, and more importantly, license counts. The outside consultant with Asset Management expertise will address these outstanding issues and assist in an upgrade if required.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	15,300	-	License compliance	This requires a detailed level of expertise with the Altiris Asset Management tool.	Invalid license reporting and compliance issues that will result in negative audit findings and penalties issued by the software vendors.
81	SO	471	Create map with GPS coordinates	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	15,000	-	Needed to improve the transmission planning process and generation interconnection process by providing more accurate maps to plan new facilities.	Service could be performed if additional FTE were hired.	Incorrect assumption for planning of transmission or generation facilities can occur. This may lead to delays in project development or less accurate estimation of facility costs during the planning process.
82	SO	471	CIM (Common Information Model) for planning	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	15,000	-	Needed to improve the transmission planning process by improving the ability to exchange models through a common format.	This is a highly specialized area and there are contractors that are subject matter experts in CIM that can perform tasks more efficiently to develop the CIM for planning.	Incorrect exchange of planning data can lead to delay in the planning of transmission facilities.
83	SO	415	Web Compliance software service amendment to the OATI ETS Service. This is a NERC and Regional Standards tracking system pre-loaded with all NERC and Regional Reliability Standards with automatic updates of changes to the Reliability Standards. This service was initiated in 2007. This request is to provide for the ongoing monthly recurring fee.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	14,400	14,400	Documentation of standards, Protocols, and Operating Guides requirements, tracking of reporting, audits, and business processes and procedures that are necessary to ensure compliance. This system will also provide for the documentation of the mapping between NERC and Regional Standards and the delegation of tasks via Protocols, Operating Guides, or other agreements.	This system presents a readily available system to document all the relevant information. Absent this system, employees, which are just now in the process of being hired, will have to develop an equivalent system using some database management system. This is a tool that meets an emerging need that has arisen due to the implementation of the EPACT requirements for mandatory compliance with exposure to monetary penalties for non-compliance.	A gap analysis of existing documentation vs. the NERC and Regional Standards requirements must be performed. The consequences of not procuring this service will be the need to develop a system to perform the same function.

ERCOT Fiscal Year 2008 Budget
Outside Services Expense Detail

Line	Division	Dept	Description of Service(s)	Type of Service	2008 Cost	2009 Cost	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
84	IO	300	ITC ISO Council - ERCOT's share of consulting fees for a council of the CIO's of the ISO's that meet quarterly.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	13,500	-	ERCOT's share of consulting fees for a council of the CIO's of the ISO's that meet quarterly.	Council is made up of CIOs of the ISO's	
85	SO	427	CBT (Computer Based Training) software for system operators	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	11,319	11,319	Currently, all system operators are enrolled in this program. Anticipated personnel turnover will require new hires to be enrolled in the course since it is non-transferable.	Current staff is in preparation for Nodal startup and unavailable to perform the task.	Loss of operator certification.
86	IO	356	Meta Data changes to the LODESTAR Database Schema	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	10,800	10,800	Any need to add meta-data to support the Settlements process and generally tied to ERCOT Protocols.	We can actually do the changes, but if the changes are not included in the vendor product (which is what we are paying for), we will be unable to upgrade or patch the product as the meta data definition would cause a data relationship issue.	Same as above - We would not be able to upgrade or patch our LODESTAR application
87	CO	130	Diversity and Harassment Training	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	10,000	10,500	Provide training for our manager and supervisors on employment laws which require training on diversity and sexual harassment..	We are currently not staff to provide training.	Non-compliance with legal requirements and potential for increased employment litigation or administrative charges.
88	SO	422	This is in support and development of Common Information Model (CIM) for Planning Models. The industry is in support of this and EPRI has provided the conduit to move forward. This is important for ERCOT (both in terms of Planning and the NMMS technology) to manage model data flow for Planners. Operations Support provided support last year due to the NMMS development.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	10,000	10,000	This is needed to prepare for future developments with the industry and NMMS technology.	This service is a conduit for the entire industry and ERCOT sponsors a piece of the overall cost. Meetings have been held this year that involved IEC Working Group members, ERCOT MP members, and multiple members from utilities across the nation.	ERCOT involvement will help ensure that ERCOT meets its needs and the needs of ERCOT MPs.
89	SO	427	Update the ERCOT Fundamental Computer Based Training from Zonal to Nodal.	<input type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	10,000	-	To maintain currency with market and system conditions.	Resource and time constraints.	The information that is being disseminated will be inaccurate.
90	SO	471	Create Powerworld map with GPS coordinates	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	10,000	-	Needed to improve the transmission planning process and generation interconnection process by providing more accurate maps to plan new facilities.	Service could be performed if additional FTE were hired.	Incorrect assumption for planning of transmission or generation facilities can occur. This may lead to delays in project development or less accurate estimation of facility costs during the planning process.
91	MO	540	Statistical consulting services in the areas of load profiling, sample design, or other related areas.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	10,000	10,000	To assist load profiling staff in analysis required by Protocols.	Given the volume of current workload, these types of ad-hoc analyses can be performed using consulting services without requiring additional FTEs.	Analysis may not be completed on-time. Other high priority work items may be impacted as well.
92	CO	114	Tax Service - IRS Form 990 (PWC)	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	6,300	6,600			
93	SO	427	Fees for ERCOT CEH (Continuing Education Hours) Provider status.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	2,100	-	To maintain System Operation's NERC CEH License must be obtain from NERC provider status.		Loss of provider status, which will diminish the value of Black Start training and the ERCOT seminar. Also, ERCOT System Operators will not obtain CEHs through in-house training and their NERC certifications will be at risk.

**ERCOT Fiscal Year 2008 Budget
Outside Services Expense Detail**

Line	Division	Dept	Description of Service(s)	Type of Service	2008 Cost	2009 Cost	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
94	CO	370	Security assessment of ERCOT's Electronic Security Perimeter around Critical Cyber Assets in accordance with requirement R4 of NERC CIP 005-01. The testing will identify exploitable access point vulnerabilities that exist on the ERCOT network. Creation of a remediation action plan for all identified security issues.	<input type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	-	180,000	In order to show due diligence and non partiality, it is best practice to have these types of assessments performed by an external party. In addition, ERCOT cannot be compliant for NERC CIP 5.4 which states "Cyber Vulnerability Assessment — The Responsible Entity shall perform a cyber vulnerability assessment of the electronic access points to the Electronic Security Perimeter(s) at least annually."	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	ERCOT's security posture may be compromised because of changing Internet facing vulnerabilities or threats. Failure of NERC CIP 5 R4
95	CO	370	Security assessment of a sample of ERCOT's applications for vulnerabilities and exploits. The assessment will identify exploitable Application vulnerabilities that exist in the ERCOT Information Technology systems. Creation of a remediation action plan for all identified security issues.	<input type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	-	200,000	In order to show due diligence and non partiality, it is best practice to have these types of assessments performed by an external party. In addition, ERCOT cannot be compliant for NERC CIP 7 R8 which states "The Responsible Entity shall perform a cyber vulnerability assessment of all Cyber Assets within the Electronic Security Perimeter at least annually."	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	ERCOT's security posture may be compromised because of changing application vulnerabilities, exploits or threats.
96	CO	370	Security assessment of a sample of ERCOT's databases for vulnerabilities that may lead to exploits where critical information may be destroyed, altered or disclosed. Creation of a remediation action plan for all identified security issues.	<input type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	-	200,000	In order to show due diligence and non partiality, it is best practice to have these types of assessments performed by an external party. In addition, the assessment results will be used for SAS70 CO 14.1.4 which states "System configuration requirements have been established for operating systems, databases, and firewalls which include security hardening, and documented exceptions." and NERC CIP 7 R8 which states "The Responsible Entity shall perform a cyber vulnerability assessment of all Cyber Assets within the Electronic Security Perimeter at least annually."	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	ERCOT's security posture may be compromised because of changing database vulnerabilities, exploits or threats.
97	CO	370	Security assessment of ERCOT's internal network assets from an external and internal perspective. The security assessment will identify exploitable vulnerabilities that exist on the ERCOT network and operating systems.	<input type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	-	100,000	In order to show due diligence and non partiality, it is best practice to have these types of assessments performed by an external party. In addition, ERCOT cannot be compliant for NERC CIP 7 R8 which states "The Responsible Entity shall perform a cyber vulnerability assessment of all Cyber Assets within the Electronic Security Perimeter at least annually."	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	ERCOT's security posture may be compromised because of changing security vulnerabilities, exploits or threats.
98	CO	370	Staff Augmentation	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	-	170,000	This staff augmentation is requested until work load stabilizes for the team.	Existing staff is already fully loaded with work responsibilities.	Not able to meet service level agreements to other departments for technology support. Not able to sufficiently address monitoring, analysis and operations tasks.
99	CO	371	Staff Augmentation	<input checked="" type="checkbox"/> Staff Augmentation <input type="checkbox"/> Professional Service	-	80,000	This staff augmentation is requested until work load stabilizes for the team.	Existing staff is already fully loaded with work responsibilities.	Not able to sufficiently repair physical security equipment and adhere to NERC policies.

ERCOT Fiscal Year 2008 Budget
Outside Services Expense Detail

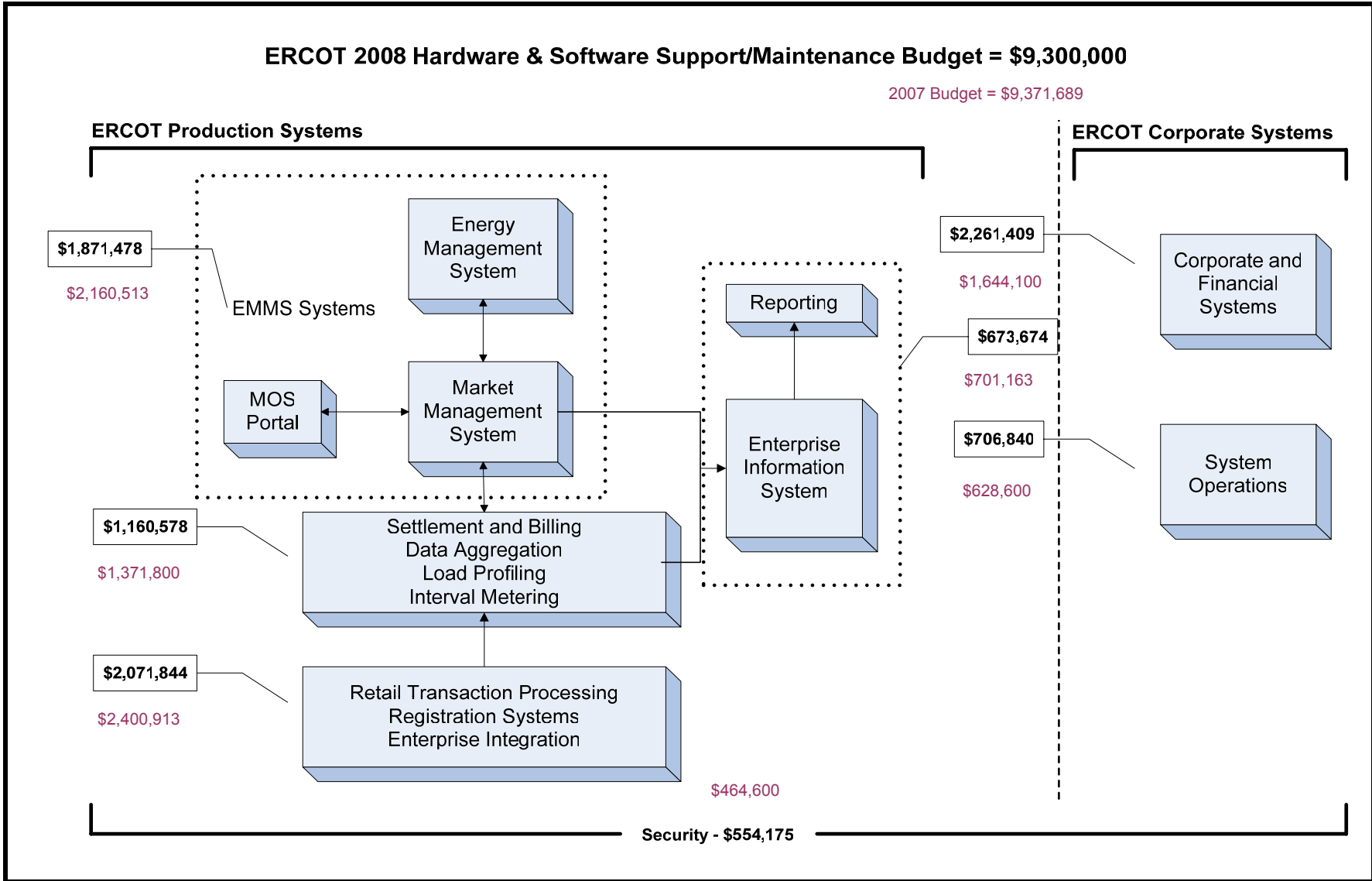
Line	Division	Dept	Description of Service(s)	Type of Service	2008 Cost	2009 Cost	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
100	SO	472	Power System Stabilizer settings review.	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	-	50,000	Required periodic review of PSS settings to determine if there is a need for any PSS to be tuned for inter-area modes.	Outside consultant brings independence and expertise that is not available within current ERCOT resources.	Could impact system reliability and could result in loss of load, blackouts, and cascading outages.
101	SO	472	EPRI Gen Dynamic Model Parameters Identification and Validation	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	-	50,000	Provide modern tools and techniques for performance of generator parameter estimation of a regular basis will enable ERCOT to satisfy industry reliability mandates.	Outside consultant brings independence and expertise that is not available within current ERCOT resources.	Could impact system reliability and could result in loss of load, blackouts, and cascading outages.
102	SO	473	Validation Study of Wind Dynamic Models	<input type="checkbox"/> Staff Augmentation <input checked="" type="checkbox"/> Professional Service	-	100,000	ERCOT System Planning requires models simulating the response of specific wind units to system disturbances in order to conduct system analyses of transient stability and the likelihood of voltage collapse. Development of generic models allows system studies to be shared with market participants. Several of these models have been developed, and are being used in system analyses. However, these models have not been validated through field tests, which are required in order to ensure their accuracy.	Outside consultant brings independent viewpoint, technical expertise, market knowledge, and software that is not cost effective to maintain within ERCOT.	Misidentification of stability limits within the system will lead either to excessive market costs (a result of overly conservative transfer limits) or unacceptable levels of risk of transient instability resulting from system disturbances. Field validation is required in order to ensure accuracy of simulation models, and therefore to validate the results of system wide dynamic analyses.
103									
104									
105									
			Total			14,600,214	11,328,178		

**ERCOT Fiscal Year 2008 Budget
Facilities Summary**

Description	2005 Actual	2006 Actual	2007 Budget	2008 Requested	2009 Forecast	2007 Budget vs. 2008 Requested	
						\$ Variance	% Variance
Utilities							
Electricity	967,597	1,294,744	1,045,000	1,323,000	1,362,690	278,000	26.6%
Water Service	23,637	45,512	32,400	20,000	20,600	(12,400)	-38.3%
Fuel Oil	8,503	6,020	10,000	12,000	12,360	2,000	20.0%
Water/Gas/Sewer/Trash	32,445	2,203	8,100	55,000	56,650	46,900	579.0%
Subtotal - Utilities	1,032,182	1,348,479	1,095,500	1,410,000	1,452,300	314,500	28.7%
Rent							
Office Rental	730,186	831,127	741,500	864,000	889,920	122,500	16.5%
Miscellaneous Rental	-	-	-	-	-	-	NA
Storage Rental	20,580	6,341	5,000	25,000	25,750	20,000	400.0%
Subtotal - Rent	750,766	837,468	746,500	889,000	915,670	142,500	19.1%
Telecom							
PBX Lease for ISO	16,785	6,268	-	-	-	-	NA
Telephone - Local	682,805	737,121	658,147	174,000	174,000	(484,147)	-73.6%
Telephone - Long Distance	116,284	78,640	74,666	126,000	126,000	51,334	68.8%
Telephone - Conf. Calls	35,712	43,381	55,000	147,650	150,393	92,650	168.5%
Internet Service	86,340	92,323	99,549	85,000	85,000	(14,549)	-14.6%
Subtotal - Telecom	937,926	957,733	887,362	532,650	535,393	(354,712)	-40.0%
WAN							
	1,972,119	2,364,889	2,324,965	2,846,000	3,098,800	521,035	22.4%
Building Maintenance							
Building Maintenance	721,602	445,493	813,500	525,000	540,750	(288,500)	-35.5%
Grounds Maintenance	52,868	58,300	60,000	45,000	46,350	(15,000)	-25.0%
Custodial Service	222,545	212,895	235,000	248,000	255,440	13,000	5.5%
Misc Services	84,189	118,885	106,800	117,000	120,510	10,200	9.6%
Bldg Security Services	817,091	848,453	973,000	1,050,000	1,125,000	77,000	7.9%
Subtotal - Maintenance	1,898,295	1,684,027	2,188,300	1,985,000	2,088,050	(203,300)	-9.3%
Nodal Facilities Allocation							
	-	(253,080)	-	(1,500,000)	-	(1,500,000)	NA
Total - Facilities	6,591,288	6,939,517	7,242,627	6,162,650	8,090,213	(1,079,977)	-14.9%

ERCOT Fiscal Year 2008 Budget

Hardware & Software Support/Maintenance



ERCOT Fiscal Year 2008 Budget
Employee Expense Summary

	FY 2005		FY 2007	FY 2007	FY 2008	FY 2009
	Actual	FY 2006 Actual	Budget	YTD Actual (6.30.07)	Requested	Requested
ERCOT						
Professional Dues	23,729	31,658	33,870	13,100	53,446	51,579
Tuition & Reg Fees	607,300	437,277	681,213	130,211	518,507	496,763
Business Registration Fees	-	2,150	1,294	4,130	80,268	82,673
College Education Reimbursement	1,549	4,585	78,027	15,679	112,294	81,034
Professional Fees - Training	-	-	-	-	-	-
Professional Fees - Software Services	-	-	-	-	-	-
Mileage Reimbursement	142,606	155,993	208,151	59,956	63,423	56,449
Business - Mileage	6,853	6,860	9,440	13,651	215,428	193,547
Cellular Phone	177,714	123,407	202,425	75,352	170,162	165,759
Remote System Access	61,733	69,072	87,748	29,256	81,578	83,454
Misc Entertainment	1,240	1,400	1,358	-	-	-
Training Meals	59,248	48,238	93,397	18,582	54,875	49,110
Business Meals	739	792	1,308	6,655	61,781	48,610
Travel-Other	33,983	37,499	50,111	8,662	25,042	80,951
Business - Travel - Other	4,308	2,019	51,861	5,298	49,341	42,635
Travel-Airfare	95,610	133,953	160,747	36,453	136,023	126,710
Business-Travel - Airfare	16,242	8,864	13,031	23,575	139,167	131,567
Travel-Lodging	150,215	184,349	247,140	56,140	125,039	115,576
Business - Travel - Lodging	13,292	11,789	14,178	23,128	102,471	90,884
Internet at home	-	-	-	-	-	-
Wireless PC Card	-	-	-	1,190	22,038	24,847
Total - ERCOT	1,396,360	1,259,905	1,935,300	521,017	2,010,883	1,922,149
FTEs	521	591	686	608	701	643
Average \$/FTE	2,680.15	2,131.82	2,821.14	856.94	2,868.59	2,989.35

ERCOT Fiscal Year 2008 Budget

Other Expense Summary

	FY 2005	FY 2006	FY 2007	FY 2007 YTD	FY 2008	FY 2009
	Actual	Actual	Budget	Actual (6.30.07)	Requested	Forecast
ERCOT						
Dues	16,772	48,216	26,100	(7,863)	78,150	80,273
Late Fee Payment	24,965	17,047	-	3,963	-	-
Write Off Adjustments	(4)	(9,721)	-	-	-	-
Dues - Misc Clubs	-	-	700	-	-	-
Subscriptions & Publications	136,815	315,764	225,450	204,177	414,750	421,347
Corporate Events	52,329	5,234	-	-	-	-
Sponsored Meetings	60,642	50,200	107,200	5,385	126,750	129,990
Misc Expenses	3,492	13,582	800	4,181	7,800	7,818
Misc Moving Expenses	(74)	-	15,000	-	-	-
Job Posting Advertising	46,112	13,288	50,000	1,390	25,250	25,250
Recruiting Expense	35,282	314,602	10,950	77,900	148,500	141,451
Temp-to-Hire Fees	96,751	0	500	566	1,000	1,030
Freight	63	2,219	-	-	-	-
Relocation Benefit	570,839	335,343	626,400	111,705	350,000	300,000
Postage and Delivery	48,954	51,101	32,700	20,732	38,460	44,919
Express Shipping	-	-	-	2,127	-	-
Printing	26,113	55,488	41,850	43,868	59,700	60,141
Stationery & Office Forms	-	-	-	473	-	-
Media - Print	913	-	-	-	-	-
Media - Video	285	-	-	-	-	-
Service Recognition	2,145	(2,541)	12,000	179	96,000	100,800
Tax - Sales, Excise and Use	768,421	56,970	500	4,377	-	-
Gain/Loss on Sale of Assets	170,871	1,747,447	-	4,889	-	-
Reimbursable Training Expense	(19,070)	(17,777)	-	504	-	-
Training Cost Recovery	-	1,185	-	-	-	-
Claim Settlements	1,078	20,482	-	-	-	-
Total - ERCOT	2,043,694	3,018,129	1,150,150	478,551	1,346,360	1,313,019

Master List of Proposed 2008 Projects - v7 - 7/31/2007

Source	Prog Area	Source Doc	Project	2008 Priority	2008 Rank	2008 Budget Range	2008 Running Range	Summary Description
ERCOT	CO		Lawson 9.x Upgrade	0 - Previously Approved	0.1	\$100k-\$250k	<\$1M	Upgrade the Lawson application to the most current 9.x version
ERCOT	CO		Corporate Document Management	0 - Previously Approved	0.2	\$250k-\$500k	<\$1M	Provide a document management system within the area of Corporate Operations for policies, procedures, department documentation, etc.
ERCOT	CO		Enterprise Document Management	0 - Previously Approved	0.3	\$250k-\$500k	<\$1M	Provide a document management system to be used across the enterprise for policies, procedures, department documentation, etc.
ERCOT	CO		Physical Security Project #1	0 - Previously Approved	0.4	\$250k-\$500k	<\$1M	
ERCOT	CO		CyberSecurity Project #1	0 - Previously Approved	0.5	<\$100k	<\$1M	
ERCOT	CO		MET Facility Analysis Phase 2 Deployment	1 - Critical	1	\$250k-\$500k	\$1M-\$2M	Begin to respond to the recommendations documented during MET Facility Analysis Phase 1 with regard to housing the activities currently performed at the MET Center.
ERCOT	CO		Physical Security Project #2	1 - Critical	2	\$250k-\$500k	\$1M-\$2M	
ERCOT	CO		Employee Performance Management	1 - Critical	3	\$100k-\$250k	\$1M-\$2M	The business process whereby employees' performance is rated against established criteria derived from job competencies. As part of the overall process a software package is used to capture, categorize, standardize, and meet legal compliance requirements. This project encompasses the creation and implementation of business process and software enablement.
ERCOT	CO		Vendor Contract Management Phase 3	1 - Critical	4	\$100k-\$250k	\$2M-\$3M	Enhancements to VCM for required automated reporting capabilities not provided by the Managed Service Provider.
ERCOT	CO		Asset Management Integration (Altiris, Remedy, Lawson)	1 - Critical	5	\$100k-\$250k	\$2M-\$3M	ERCOT currently has several Asset Management tools including Altiris, Aperture, Remedy and Lawson. Each of these tools provide a unique purpose and data. Integration between the systems is necessary to eliminate errors resulting from duplicate data and to tie components together such as the purchase order, asset tag number and receiving information.
ERCOT	CO		CyberSecurity Project #2	1 - Critical	6	\$100k-\$250k	\$2M-\$3M	

Master List of Proposed 2008 Projects - v7 - 7/31/2007

Source	Prog Area	Source Doc	Project	2008 Priority	2008 Rank	2008 Budget Range	2008 Running Range	Summary Description
ERCOT	CO		Arcsight Enhancement	1 - Critical	7	\$250k-\$500k	\$2M-\$3M	This project is to upgrade Arcsight to the latest version, migrate all Linux components to AIX and upgrade & increase the Windows Agent servers to the latest version of the Blade server (by next year the 8 core Xeon processor should be available). Additionally, if the database has not been migrated to the Oracle RAC, it will be accomplished in this project. We are planning to investigate systems for improved Windows log consolidation, the current method of polling Windows servers is clumsy and slow, wasting resources checking for events on servers with nothing to report. Also, we plan to explore log reporting by the Areva software in EMMS.
ERCOT	CO		Taylor Control Room Display System Replacement <i>(Proposed for partial acceleration to 2007)</i>	1 - Critical	8	\$500k-\$1M	\$3M-\$4M	The projector currently in use in the control rooms has become obsolete. Parts are increasingly difficult to come by. The replacement projector will use less expensive lamps and less power. The projector in the Austin Control Room will not be replaced, pending the outcome of the decision on continuing use of the Met Center facility. Parts from the existing Taylor system will be used to maintain the Austin system.
ERCOT	CO		Procurement Process Flows	2 - High	9	\$250k-\$500k	\$3M-\$4M	Programs developed with the Lawson Process Flow toolset which automates the flow of information during various steps to business processes. The number, type, and requirements will be determined as part of the overall Procurement business process review.
ERCOT	CO		Blue Building Generator <i>(Proposed for acceleration to 2007)</i>	2 - High	10	0	\$3M-\$4M	The generator that was originally installed for the Blue Building was moved to TCC2 as a cost-saving measure and in anticipation that the Blue Building would be used for storage. The Blue Building has come back into full use as an ERCOT facility and needs back-up power beyond that supplied by the UPS.
ERCOT	CO		CyberSecurity Project #3	2 - High	11	\$250k-\$500k	\$4M-\$5M	
ERCOT	CO		Physical Security Project #3	2 - High	12	\$250k-\$500k	\$4M-\$5M	
ERCOT	CO		Ruby Standardization	2 - High	13	<\$100k	\$4M-\$5M	This project is intended to provide a standard 3-tier development/deployment environment for Ruby on Rails-based applications. Ruby on Rails is a web application framework that increases the speed and ease with which database driven web sites can be created. Ruby on Rails is open source software, so there will be no licensing costs. However, Corporate Applications will need to install Ruby server build environments on each of these servers. This will take approximately 50 hours. This budget assumes the availability of Oracle database servers in each of the environments.
ERCOT	CO		Application Server Standardization (JBOSS)	2 - High	14	<\$100k	\$4M-\$5M	Deployment of a J2EE 1.4 compliant application server consistent with the ERCOT technical roadmap. This has nodal dependencies as vendors have been advised that this is our preferred application server.

Master List of Proposed 2008 Projects - v7 - 7/31/2007

Source	Prog Area	Source Doc	Project	2008 Priority	2008 Rank	2008 Budget Range	2008 Running Range	Summary Description
ERCOT	CO		Java Upgrade	2 - High	15	\$100k-\$250k	\$4M-\$5M	This will bring ERCOT up to the latest stable version of Java and is consistent with the ERCOT technical roadmap. It is important that ERCOT upgrade as Java 5 is the standard version for the nodal effort.
ERCOT	CO		Finance Process Flows	2 - High	16	\$250k-\$500k	\$5M-\$6M	Programs developed with the Lawson Process Flow toolset which automates the flow of information during various steps to business processes. The number, type, and requirements will be determined as part of the overall Finance business process review
ERCOT	CO		Quality Initiative (Mercury/SDLC/RUP Integration)	2 - High	17	<\$100k	\$5M-\$6M	The Application Services division of IT is implementing the RUP methodology. In order to fully utilize the value of RUP, some integration of tools is required to support the process from requirements gathering through testing phases.
ERCOT	CO		Mercury -- SOA Framework	2 - High	18	\$100k-\$250k	\$5M-\$6M	Mercury's Systinet software is required by the testing team to test SOA services at ERCOT. Systinet provides services in the following areas: SOA Governance - provides the visibility you need to create trust and to gain complete control over your SOA environment. SOA Quality - helps you to validate the functionality and performance of your services as well as manage your testing to mitigate the risk of delivering services. SOA Management - enables you to manage end-user experiences, service levels, and ongoing changes to ensure SOA delivers business results.
ERCOT	CO		Lawson Security	2 - High	19	<\$100k	\$5M-\$6M	Lawson has restructured the application security within the suite of applications. The security is no longer deductive where a user is given access to everything and the security administrator must strip away any access that is not required.
ERCOT	CO		HR Process Flows	2 - High	20	\$250k-\$500k	\$5M-\$6M	Programs developed with the Lawson Process Flow toolset which automates the flow of information during various steps to business processes. The number, type, and requirements will be determined as part of the overall HR business process review.
ERCOT	CO		E-Procurement	2 - High	21	\$100k-\$250k	\$5M-\$6M	Included in Lawson's Requisition Self Service is the E-Procurement application. E-Procurement allows for designated individuals to shop for goods from pre-approved outside vendors within the Requisition Self Service screens. Vendors establish and maintain selected catalogues containing ERCOT agreed upon pricing significantly simplifying the procurement process while minimizing "maverick" purchasing.
ERCOT	CO		CyberSecurity Project #4	2 - High	22	\$250k-\$500k	\$6M-\$7M	
ERCOT	CO		CyberSecurity Project #5	2 - High	23	\$250k-\$500k	\$6M-\$7M	
ERCOT	CO		Credit Model Integration with ROME	2 - High	24	<\$100k	\$6M-\$7M	Integrate the credit exposure statistical model with the ROME Credit Management application.

Master List of Proposed 2008 Projects - v7 - 7/31/2007

Source	Prog Area	Source Doc	Project	2008 Priority	2008 Rank	2008 Budget Range	2008 Running Range	Summary Description
ERCOT	CO		Taylor Control Room Operation Support Expansion (two story)	2 - High	25	\$1-\$2M	\$8M-\$9M	Expand control room footprint to the second floor to accommodate all Operations support personnel and additional Nodal system operations within a single controlled and hardened area. Conference rooms 252 & 253 as well as the break area will be remodeled and the control room space will be extended over the current control room.
ERCOT	IO		SLA and OpenView Integration Monitoring Modules	1 - Critical	1	\$500k-\$1M	<\$1M	Provide a single point of entry, manipulation and reporting for all problem and enhancement requests. Eliminate redundant features and enhance functionality. Reduce overall cost of ownership and enhanced usability for user population.
ERCOT	IO		Additional Production SAN Capacity - 1st 1/2 of 2008 <i>(Proposed for partial acceleration to 2007)</i>	1 - Critical	2	\$500k-\$1M	\$1M-\$2M	Acquire additional SAN Resources to meet ERCOT's production requirements for the 1 st half of 2008
ERCOT	IO		WAN Refresh	1 - Critical	3	\$500k-\$1M	\$2M-\$3M	Replace aging equipment with newer, faster, more reliable equipment.
ERCOT	IO		Minor Capital	1 - Critical	4	\$1M-\$2M	\$3M-\$4M	Capital purchases over the course of the year: new desktop and laptop systems, SAN switch upgrades, voice recording system for Outage Coordinators, add'l Mercury Interactive licenses, etc.
ERCOT	IO		Blade Refresh <i>(Proposed for partial acceleration to 2007)</i>	1 - Critical	5	\$500k-\$1M	\$4M-\$5M	Purchase 400 IBM blades to replace existing blades that are at end of life
ERCOT	IO		Additional SAN Capacity for Projects- 1st 1/2 of 2008 <i>(Proposed for partial acceleration to 2007)</i>	1 - Critical	6	\$500k-\$1M	\$4M-\$5M	Acquire additional SAN Resources to meet ERCOT's project requirements for the 1 st half of 2008
ERCOT	IO		PIX Firewall Replacement	1 - Critical	7	\$100k-\$250k	\$5M-\$6M	Replace existing Cisco PIX firewalls with Juniper NetScreen.
ERCOT	IO		Network Switch Refresh	1 - Critical	8	\$250k-\$500k	\$5M-\$6M	Replace aging 10/100 network switching modules in datacenter with faster 10/100/1000 modules. Also replace end-of-life supervisor engines with faster and more feature-rich engines.
ERCOT	IO		CISCO ONS Expansion	1 - Critical	9	\$100k-\$250k	\$5M-\$6M	ERCOT implemented private fiber optic services in 2006 that provided improved interconnection between Taylor and Austin. This project will expand the existing system and provide redundant facilities for remaining transport circuits.
ERCOT	IO		Enterprise Visibility	1 - Critical	10	\$500k-\$1M	\$6M-\$7M	Licenses, design and deployment of end-to-end business process monitoring and analysis.
ERCOT	MO		Lodestar 4.x Upgrade	0 - Previously Approved	0.1	\$100k-\$250k	<\$1M	Maintain efficiency, and reliability of the LodeStar application to enable ERCOT to meet Energy Aggregation and Billing & Settlements business needs

Master List of Proposed 2008 Projects - v7 - 7/31/2007

Source	Prog Area	Source Doc	Project	2008 Priority	2008 Rank	2008 Budget Range	2008 Running Range	Summary Description
Market	MO	PRR478 & PRR385	Use of Lagged Dynamic Samples for New Load Profiles & DLC Implementation / Demand Response for Settlement	2 - High	1	\$250k-\$500k	<\$1M	<ul style="list-style-type: none"> • Add and clarify detailed DLC implementation information in the LPG • Modify language to be consistent with the revisions made with respect to profiling ESI IDs in DLC programs • This is a change to the method for creating Load Profiles allowing for the use of lagged dynamic samples for new profiles adopted subsequent to market open.
ERCOT	MO		COMS Extract, Report & Web Services Monitoring & Usage Statistics	2 - High	2	\$250k-\$500k	\$1M-\$2M	Provide research capabilities for Commercial Operations extract, report and web services data for internal business users, which include monitoring functionality and usage analysis capabilities.
ERCOT	MO		ERCOT System Throughput for IDR (Advanced Metering)	2 - High	3	\$250k-\$500k	\$1M-\$2M	Provide incremental increases in IDR processing capability for ERCOT systems.
PUCT	RO	PUCT Project 33049	Performance Measures Reporting Requirements (changes to Project 33049)	0 - Previously Approved	0.1	\$500k-\$1M	<\$1M	Expected project needed to enhance reporting systems as a result of T&Cs requirements effecting PUCT Performance Measures Project 24462
ERCOT	RO		Registration Data Model Enhancement	0 - Previously Approved	0.2	<\$100k	<\$1M	Normalize type of data associated to business objects. Multiple business objects are using the same tables which are growing large causing performance and scalability issues.
ERCOT	RO		Data Research and Reporting	0 - Previously Approved	0.3	\$250k-\$500k	\$1M - \$2M	Transition of ETS reporting from Data Archive to Enterprise Data Warehouse
ERCOT	RO		EDW EAI Transition (inc. PaperFree & NAESB)	0 - Previously Approved	0.4	\$100k-\$250k	\$1M - \$2M	Transition of EAI reporting from Data Archive to Enterprise Data Warehouse
Market	RO	PRR672 PRR707	Terms and Conditions requirements, not limited to Texas SET changes	0 - Previously Approved	0.5	\$250k-\$500k	\$1M - \$2M	Proctocol Timing changes not Covered by TX SET 3.0 (PRR672, 693, 707)
Market	RO	SCR749	MarkeTrak Enhancements (Workflow & Reporting)	0 - Previously Approved	0.6	\$500k-\$1M	\$2M - \$3M	Enhancements to the functionality of MarkeTrak
ERCOT	RO		Exception Reporting / Monitoring Enhancements	0 - Previously Approved	0.7	\$100k-\$250k	\$2M - \$3M	Automate current exception reporting to monitor protocol compliance for processing exceptions. Create new exception reports using new data available from RBP and/or EDW projects.
ERCOT	RO		Systematic Exception Reprocessing Functionality	0 - Previously Approved	0.8	\$250k-\$500k	\$2M - \$3M	Automate current exception processing to meet protocol. Create reporting features after processing occurs.
Market	RO		Advanced Metering - RMWG/TX SET	1 - Critical	1	\$250k-\$500k	\$3M - \$4M	TX SET changes related to Advanced Metering
Market	RO		Small renewables - RMWG	1 - Critical	1	\$250k-\$500k	\$3M - \$4M	TX SET changes related to small renewables

Master List of Proposed 2008 Projects - v7 - 7/31/2007

Source	Prog Area	Source Doc	Project	2008 Priority	2008 Rank	2008 Budget Range	2008 Running Range	Summary Description
ERCOT	RO		Enrollment Postcard Notification Process	2 - High	2	\$100k-\$250k	\$3M - \$4M	Re-Write the Customer Care Post Card process internally at ERCOT for Efficiency Reliability and stability to mitigate current compliance issues occurring today.
ERCOT	RO		EDI Transaction logging	2 - High	3	\$100k-\$250k	\$4M - \$5M	Change the Paper Free application system to log all ANSI records to TRLOG and to log all TXSET records to a new table which will better support current and future business needs.
ERCOT	RO		814 inbound XML rewrite (impacts input from portal only)	2 - High	4	\$100k-\$250k	\$4M - \$5M	Re-Write of Inbound 814 XML maps to Increase Efficiency, Reliability and Stability of ERCOT transaction data processing.
ERCOT	RO		Commercial Apps - Calendar Consolidation	2 - High	5	\$250k-\$500k	\$4M - \$5M	Develop single business calendar for use by all retail applications
ERCOT	RO		Name to DUNS conversion	2 - High	6	\$100k-\$250k	\$4M - \$5M	Change the Paper Free application system to utilize DUNS numbers as opposed to Market Participant company names.
ERCOT	RO		MP configuration Table	2 - High	7	\$100k-\$250k	\$4M - \$5M	Remove all of the MPDB.conf files in the MB/PF systems and consolidate all of the configurations into a single table. The complexity of adding new MP to the system must be reduced in order to remove the number of errors that are encountered when adding / modifying MP information.
ERCOT	RO		MarkeTrak phase 3	2 - High	8	\$100k-\$250k	\$5M - \$6M	Expand capabilities and efficiencies of the MarkeTrak Retail Issue Resolution System. ERCOT wants to leverage upgrades from Serena.
ERCOT	RO		Retail application upgrades	2 - High	9	\$500k-\$1M	\$6M - \$7M	Application upgrades not covered within other projects on the PPL IE: Oracle 10g, PFREE, Siebel, TIBCO, etc.
ERCOT	SO		Mid Term Load Forecast Enhancements - Phase II	0 - Previously Approved	0.1	<\$50k	<\$1M	Phase II deliverables: - Upgrade AREVA Load Forecast from v2.2 to v2.5 of latter. - Integrate multiple sources of MTLF data into one application - Allow Operators to select & choose the source of forecast data - Archive all Forecast data. - Provide the ability to view metrics & error statistics for all MTLF sources
ERCOT	SO		Improvements to VSA/DSA - Phase II	0 - Previously Approved	0.2	<\$50k	<\$1M	This project will address the upgrade of two important software applications to the business users: 1) Open Access Gateway applications upgrade; 2) OSI-soft Historian upgrade
Nodal			NMMS/State Estimator	0 - Previously Approved		\$1M-\$2M	\$1M - \$2M	Nodal effort to replace software that would have otherwise been done in the Zonal market.
Nodal			EMS Upgrade	0 - Previously Approved		\$1M-\$2M	\$2M - \$3M	Nodal effort to replace software that would have otherwise been done in the Zonal market.
Nodal			Nodal Hardware	0 - Previously Approved		\$1M-\$2M	\$5M - \$6M	Nodal hardware additions that would have otherwise been done for the Zonal market.