



ERCOT Finance & Audit Committee Meeting
7620 Metro Center Drive, Austin, Texas
Met Center, Conference Room 168
March 18, 2008; 7:45am – 10:00am*

Item #	Agenda Item Type	Description/Purpose/Action Required	Presenter	Time
1.		Call to order Executive Session	C. Karnei	7:45am
2.	Decision required	2a. Approval of executive session minutes (Vote) (02/19/08)	C. Karnei	7:45am
	For discussion	2b. Internal Audit status report	B. Wullenjohn	7:48am
	Informative	2c. EthicsPoint update	B. Wullenjohn	7:53am
	Informative	2d. Internal Audit staffing update	B. Wullenjohn	7:58am
	For discussion	2e. Chief Audit Executive compensation and salary adjustment	B. Kahn	8:03am
	Informative	2f. Internal Controls Update	S. Byone	8:15am
	Decision required	2g. Interest rate management (Vote)	C. Yager	8:25am
		Recess Executive Session		8:45am
		Convene General Session		
3.	Decision required	Approval of general session and special meeting minutes (Vote) (02/06/08) (02/19/08)	C. Karnei	8:45am
4.	For discussion	Update on CWG activities	C. Yager	8:48am
5.	For discussion	Review of external auditor quality control procedures and independence	S. Barry	9:00am
6.	For discussion	Update on annual financial audit	M. Petterson/S. Barry	9:10am
7.	Informative	Preliminary review of 2009 ERCOT budget	M. Petterson	9:20am
8.	Informative	Committee Briefs (Q&A only)	All	9:50am
9.	Informative	Future agenda items	S. Byone	9:55am
		Adjourn ISO meeting	C. Karnei	9:56am

*** Background material is enclosed or will be distributed prior to meeting. All times shown in the agenda are approximate. The next Finance & Audit Committee Special Meeting will be held Thursday, April 3, 2008, at ERCOT, 7620 Metro Center Drive, Austin, Texas 78744, in Room 168.*

Decision required
For discussion

3. Approval of General Session Minutes Clifton Karnei

- **Approval of General Session Minutes**
 - Vote 02/06/08 (Special Meeting)
 - Vote 02/19/08

DRAFT ERCOT ISO FINANCE & AUDIT COMMITTEE
SPECIAL MEETING MINUTES
Met Center – Austin, Texas

Pursuant to notice duly given, the Finance & Audit Committee of the Electric Reliability Council of Texas, Inc. convened on **February 6, 2008**. **Clifton Karnei** confirmed that a quorum was present and called the meeting to order at approximately **1:00 p.m.**

Meeting Attendance

Committee members:

Cox, Brad	Tenaska Power Services	Independent Power Marketer	Present
Espinosa, Miguel (Vice Chair)	Unaffiliated Board Member	Unaffiliated Board Member	Present (via phone)
Fehrenbach, Nick	City of Dallas	Consumer	Present
Gent, Michehl	Unaffiliated Board Member	Unaffiliated Board Member	Present (via phone)
Jenkins, Charles	Oncor Electric Delivery	Investor Owned Utility	Present
Karnei, Clifton (Chair)	Brazos Electric Cooperative	Cooperative	Present
Thomas, Robert	Green Mountain Energy	Ind. Retail Electric Provider	Present
Wilkerson, Dan	Bryan Texas Utilities	Municipal	Not Present

Other Board Members and Segment Alternates:

Armentrout, Mark	Unaffiliated Board Member	Unaffiliated Board Member	Present (via phone)
Walker, Mark	NRG Texas	Independent Generator	Present

ERCOT staff and guests present:

Alexander, Sheila	ERCOT
Byone, Steve	ERCOT
Coffing, Timothy	Luminant (Vice Chair of CWG)
Davies, Morgan	Calpine (Past Chairman of CWG)
Denton, Michael	Oliver Wyman (via phone)
Doolin, Estrellita	ERCOT
Frederick, Neal	PUCT
Grable, Mike	ERCOT
Kahn, Bob	ERCOT
Kopech, Bob	Oliver Wyman
Lester, Suzanne	ERCOT
List, Amanda	Strategic Energy (Chairman of CWG)
Yager, Cheryl	ERCOT

Steve Byone explained that the purpose of the Special Meeting was to provide the Committee a thorough review of the information prepared for presentation to the full Board and to obtain feedback on the materials and future steps. Cheryl Yager summarized the objectives of the credit evaluation project then introduced Bob Kopech and Michael Denton of OLIVER WYMAN to lead the discussion.

Mr. Kopech and Mr. Denton reported results for the three “workblocks” of the credit evaluation project: (1) Credit Practice Review, (2) Credit Scoring Model, and (3) Credit Loss Model.

Committee members, ERCOT staff and public participants asked several questions to which Mr. Kopech and Mr. Denton responded. A summary of the points presented and discussed follows.

Credit Practice Review

ERCOT's credit worthiness monitoring/reporting and workout/management practices were found to be very solid; however, in the following areas ERCOT fell short of "best practices":

1. Risk appetite
2. Credit scoring
3. Exposure measurement and monitoring
4. Loss reserve and capital

Credit Scoring Model

The credit scoring model blends quantitative factors (e.g. total assets, EBITDA/assets, etc.), qualitative factors (e.g. policies and procedures, management experience, etc.) and potential adjustments (e.g. warning signals, guarantor considerations) to arrive at a probability of default and risk rating. Credit scoring results are used as inputs for credit loss modeling.

Credit Loss Model

The model is designed to answer the following questions:

1. What level of credit losses is "normal"?
2. What is the greatest loss we can expect?
3. How can these numbers be reduced?
4. Do market rule changes impact the expected losses?

Next Steps

Near-term next steps for ERCOT in exploring/managing potential credit losses:

1. Presentation of results to ERCOT Board of Directors on February 19, 2008
2. Examine any specific potential loss scenarios suggested by the F&A Committee and the Board
3. Continue testing the credit loss models (Zonal and Nodal) to develop a more complete understanding of the interaction of these key parameters
4. Conceptualize the means by which ERCOT's current credit controls could fail to provide the necessary collateral to maintain this level of credit loss protection
5. Pursue policy decision on level of acceptable credit exposure

Medium and longer-term steps for ERCOT in exploring/managing potential credit losses:

1. Continue collecting Nodal price data to parameterize the Nodal credit loss model and assessing potential participant behavior in those markets
2. Use credit loss distribution results to foster discussion regarding risk appetite and a more consistent framework for considering loss reserves
3. Development of a formal risk appetite statement
4. Ensure credit policies and procedures are consistent with risk appetite and tolerance

Adjournment

Clifton Karnei adjourned the meeting at 3:15 p.m.

Estrellita J. Doolin, Secretary

DRAFT ERCOT ISO FINANCE & AUDIT COMMITTEE MEETING
GENERAL SESSION MINUTES
 Met Center – Austin, Texas

Pursuant to notice duly given, the Finance & Audit Committee of the Electric Reliability Council of Texas, Inc. convened on **February 19, 2008**. **Clifton Karnei** confirmed that a quorum was present and called the meeting to order at approximately **8:00 a.m.** The Committee met in Executive Session from **8:00 a.m.** to **8:26 a.m.**

General Session Attendance

Committee members:

Cox, Brad	Tenaska Power Services	Independent Power Marketer	Present
Espinosa, Miguel (Vice Chair)	Unaffiliated Board Member	Unaffiliated Board Member	Present
Fehrenbach, Nick	City of Dallas	Consumer	Present
Gent, Michehl	Unaffiliated Board Member	Unaffiliated Board Member	Present
Jenkins, Charles	Oncor Electric Delivery	Investor Owned Utility	Present
Karnei, Clifton (Chair)	Brazos Electric Cooperative	Cooperative	Present
Thomas, Robert	Green Mountain Energy	Ind. Retail Electric Provider	Present
Wilkerson, Dan	Bryan Texas Utilities	Municipal	Present

Other Board Members and Segment Alternates:

Bartley, Steve	CPS Energy	Municipal	Present
Walker, Mark	NRG Texas	Independent Generator	Present

ERCOT staff and guests present:

Baumgartner, John	KPMG
Brenton, Jim	ERCOT
Brewer, Todd	Texas Regional Entity
Byone, Steve	ERCOT
Coffing, Tim	Luminant
Doolin, Estrellita	ERCOT
Fouruier, Margarita	Competitive Assets
Kahn, Bob	ERCOT
Lester, Suzanne	ERCOT
Moseley, Cheryl	ERCOT
Petterson, Mike	ERCOT
Troxtehl, David	ERCOT
Vincent, Susan	Texas Regional Entity
Wullenjohn, Bill	ERCOT
Yager, Cheryl	ERCOT

Approval of Previous Minutes

Dan Wilkerson moved to approve the minutes for the General Session of the Finance & Audit Committee meeting held on January 15, 2008; **Nick Fehrenbach** seconded the motion. The motion passed unanimously.

OLIVER WYMAN Report Discussion

Clifton Karnei introduced the discussion of the Credit Evaluation Project Results by reciting two on-going action items decided on during the Special Meeting of the F&A Committee held

February 6, 2008: (1) update the Guarantee Agreement form, and (2) develop risk appetite statements. Cheryl Yager reported that the Credit Work Group would likely start the process of developing the risk appetite statements during its March meeting, but that multiple meetings may be required to finalize the statements. In response to questions by Brad Cox, Ms. Yager confirmed that an effort would be made to obtain input from TAC and PUC staff.

Forbearance Request

Cheryl Yager summarized the details of the decision template included in the board materials regarding the issue of whether ERCOT staff should require Market Participants to provide out-of-date financial statements or waive Market Participant breaches of Protocol § 16.2.8 for financial statements that should have been provided prior to February 1, 2008. Clifton Karnei noted that ERCOT must strictly enforce the Protocols going forward. Nick Fehrenbach agreed that there was not much value in obtaining old data, but suggested that some action should be taken against Market Participants that had violated the Protocol.

Dan Wilkerson moved to approve Staff's recommendation that the Board of Directors direct ERCOT Staff to exercise its discretion to waive action against Market Participants for the breach of their SFAs regarding Protocol § 16.2.8 as it existed before PRR744. Robert Thomas seconded the motion. The motion passed unanimously.

In response to Steve Byone's request, Ms. Yager explained some of the on-going practical issues related to PRR744. Specifically, she explained that ERCOT staff had not yet determined whether guarantees would be accepted from entities that did not meet ERCOT's credit standards. In response to a question by Dan Wilkerson regarding whether a document containing key information could be a suitable substitute for financial statements, Ms. Yager explained that the CWG had discussed the concept but had not resolved outstanding issues. Clifton Karnei directed ERCOT to review the issue with the CWG and get their input on the value of receiving financial statements from entities that do not meet ERCOT credit standards.

2007 Year-End Financial Results

Michael Petterson reported that preliminary year-end financial results were favorable and consistent with reporting throughout the year. He noted that recommendations regarding utilization of any favorable variance would be forthcoming after completion of the external audit scheduled for March/April 2008.

Nodal Filing Update

Steve Byone reported that work was progressing toward a filing with the PUCT on February 29, 2008 in accordance with the revised budget as approved by the Board.

2009 Budget Planning & Key Assumptions

Michael Petterson summarized the budget planning process and described the following schedule:

March 18, 2008	Preliminary 2009 budget review by F&A Committee
April 3, 2008	Special F&A Committee Meeting to review updated Budget
April 15, 2008	Board review of the 2009 budget recommended by the F&A Committee
May 20, 2008	Board approval of the 2009 budget anticipated

Michehl Gent voiced his concern that the budget materials included less information about operations than the market and the Nodal program. He also voiced concern about the responsibility "reliability and operational compliance standards and guide" being listed fourth among several others.

Texas RE Accounting

Michael Petterson reported that staff from the ERCOT ISO and TRE divisions continued to work towards documenting the support services that would be required for an audit. Miguel Espinosa asked whether there were any concerns with using the same audit firm for both divisions. Mr. Petterson noted that all ERCOT audits would be up for bid in 2009. Clifton Karnei suggested that PricewaterhouseCoopers opine on the independence of the TRE division.

Michael Petterson and Steve Byone reviewed the mechanics of the ERO/TRE budget process and fee payment structure.

Committee Briefs

Staff provided written reports with information for the following areas:

1. Market Credit Status
2. Internal Control Management Program (ICMP)
3. Enterprise Risk Management (ERM)
4. Project Management Organization (PMO)

Steve Byone highlighted several changes to the Risk Inventory "Stoplight" Report that had occurred during the previous month including changes for the following categories: Reputation, Customer Choice, and Bulk System Resources. In response to comments from Michehl Gent and Dan Wilkerson, Mr. Byone confirmed that senior management reviews the report monthly.

Future Agenda Items

Steve Byone noted the following future agenda items:

1. Standing Internal Audit status report(s)
2. Review of external auditor guidelines for engagement and external auditor independence
3. Report by Credit Work Group Chair on credit policy (if needed)
4. Update on Credit Wok Group credit risk recommendations
5. Update on annual financial audit
6. Preliminary review of 2009 ERCOT budget
7. Committee briefs

Adjournment

Clifton Karnei adjourned the Committee meeting at 9:32 a.m.

Estrellita J. Doolin, Secretary

Group Discussion

PricewaterhouseCoopers Independence

- We annually evaluate our relationships between our firm and its partners and staff and ERCOT to reassess our independence.
- No relationships exist that would impair our independence.
- Nor has our firm been engaged to perform non-assurance services that would potentially impair our independence.
- We confirm our independence of ERCOT.
- We also confirm our independence of the TRE organization.

PricewaterhouseCoopers Quality Control

- Quality Control is an integral part of our firm's culture and service delivery.
- Our quality control processes include the following:
 - Year around process of training and evaluation of all staff
 - Review and supervision of all work performed on all assurance service projects – including redundant review procedures in all higher risk areas
 - Comprehensive firm-wide quality control assurance programs including independent engagement evaluations, AICPA peer reviews, communication processes related to emerging issues and policy compliance monitoring.
- The above is a very brief summary of our quality control processes. We would be pleased to provide a more complete description of our quality control procedures if desired.

2007 Audit Status

- Scope
 - Unchanged from plan presented in December for 2007 ERCOT financial statement audit
 - Agreed upon procedures reporting for 2007 TRE financial statements/schedules
 - Some form of full audit is expected for 2008 TRE Audit
- Status
 - Audit is in process; year end field work began March 10th as planned
 - Plan is to report completed audit during April F&A Committee meeting

Group Discussion

Informative

Q&A only

ERCOT Market Credit Status

as of 1/31/2008

as of 2/29/2008

Exposure in the ERCOT Market (owed to ERCOT)

QSEs that meet ERCOT Creditworthiness Standards

Ratings over BBB-

# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
9	34,701,426	10%	101,483,796	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	48	148,428,011	45%	260,998,594 S
Guarantee Agreements	17	147,840,812	45%	571,440,544 S
Total Exposure	74	330,970,249	100%	

# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
10	23,368,214	6%	107,483,796	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	48	204,554,972	49%	297,549,977 S
Guarantee Agreements	18	187,482,263	45%	534,946,393 S
Total Exposure	76	415,405,449	100%	

Other QSEs in the ERCOT Market (ERCOT owes)

QSEs that meet ERCOT Creditworthiness Standards

Ratings over BBB-

QSEs that do not meet ERCOT Creditworthiness Standards

Ratings below BBB- or not rated

Cash & Letters of Credit

Guarantee Agreements

7	(1,057,533)	-2%	20,425,755	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	52	(29,147,955)	-63%	73,300,955 S
Guarantee Agreements	9	(16,073,628)	-35%	146,943,775 S
Total	68	(46,279,116)	-100%	

6	(7,926,771)	-14%	24,953,810	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	55	(37,313,031)	-65%	69,871,210 S
Guarantee Agreements	8	(12,316,186)	-21%	139,000,000 S
Total	69	(57,555,988)	-100%	

Total

142

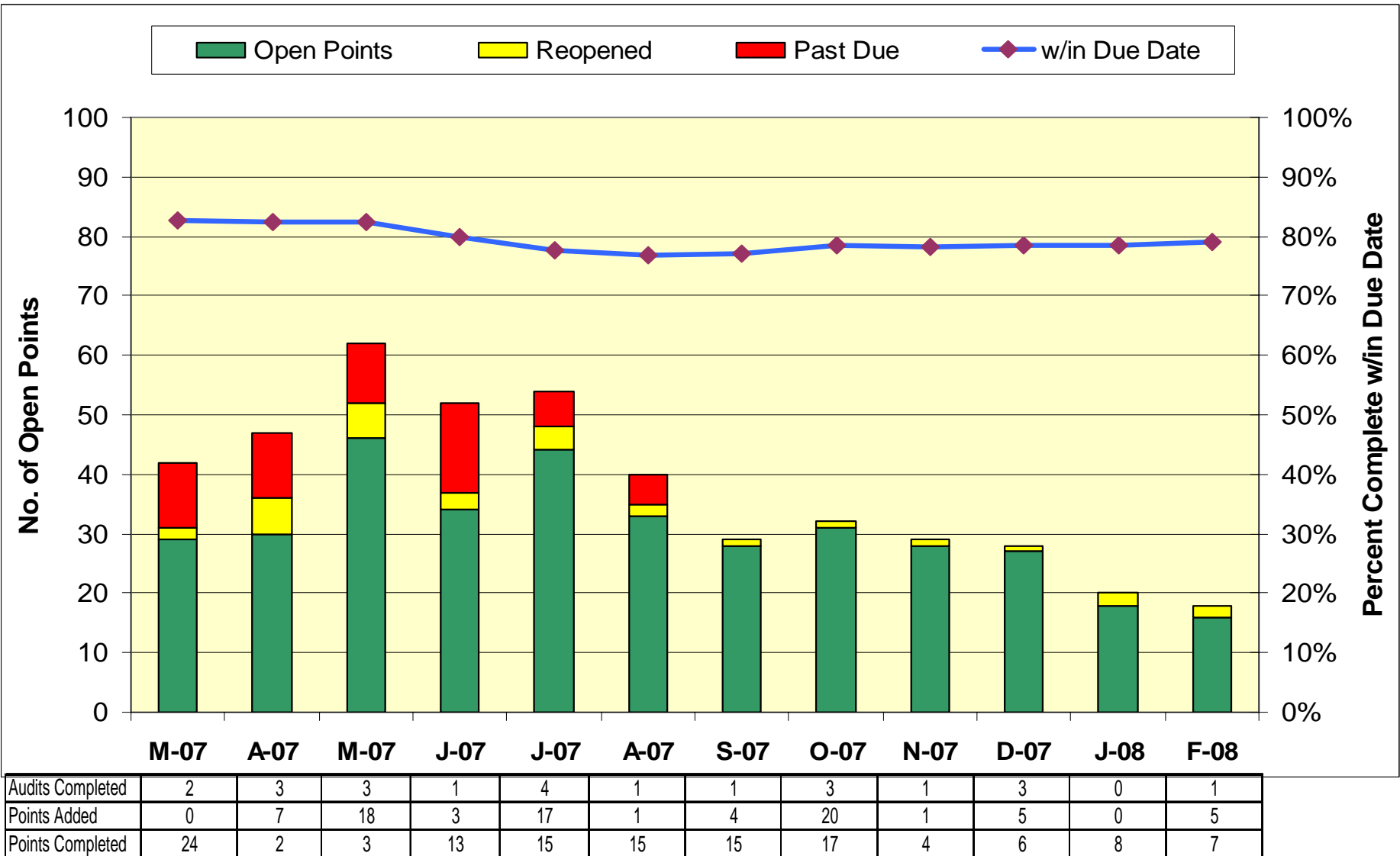
145

U: Unsecured since these QSEs meet the creditworthiness standards

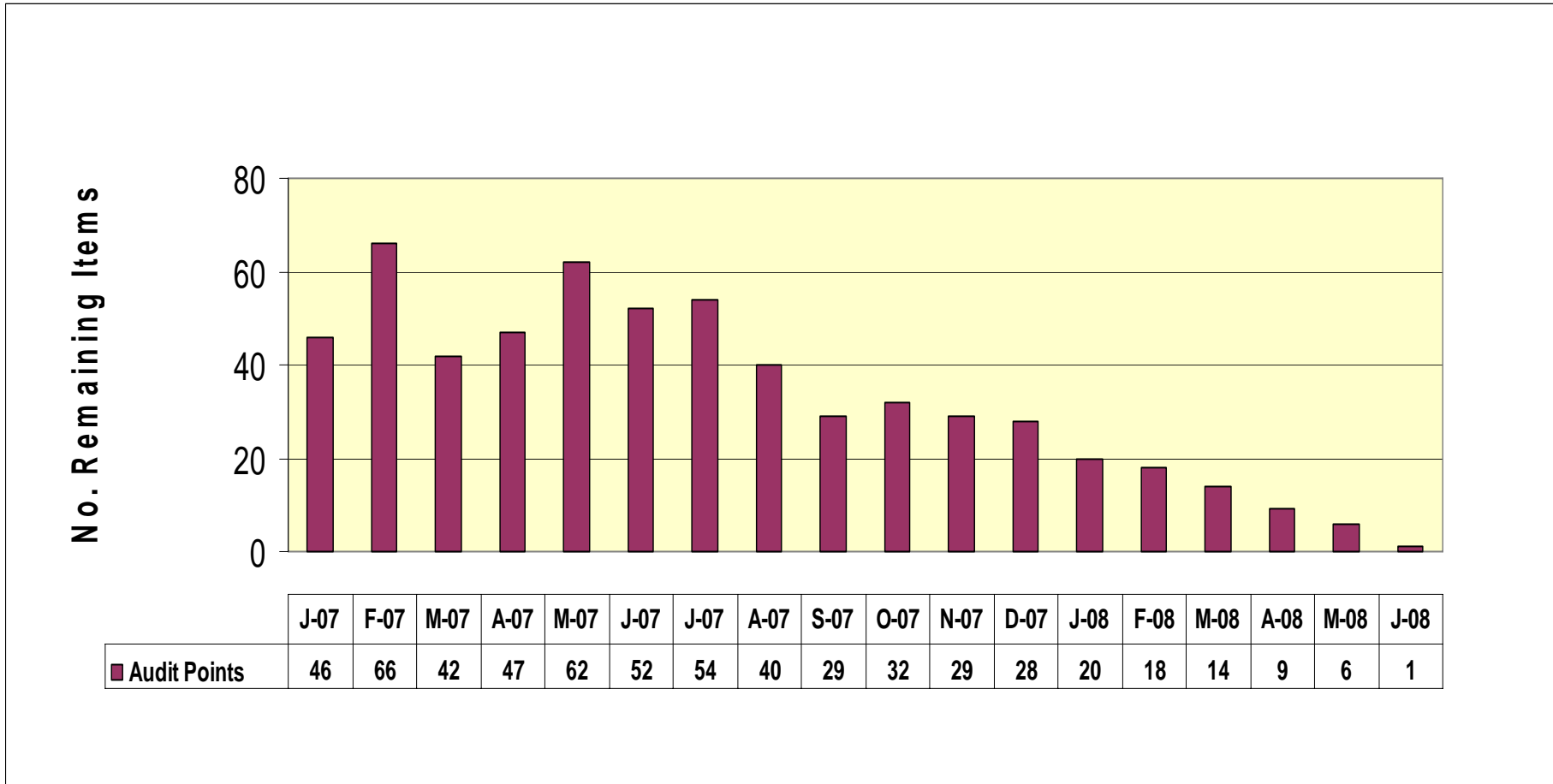
S: Secured i.e. required to post collateral since these QSEs do not meet the creditworthiness standards

8. Committee Brief: ICMP – Status of Open Audit Points

Cheryl Moseley



Projected Audit Point Progress



8. Committee Brief: Audit Cheryl Moseley

Audits Completed

(last 3 months)

Internal Audits

- Nodal Infrastructure Purchasing (Special Request)
- Ethics Compliance (ERCOT-wide)
- Debt Financing
- Review of ERCOT Shared Drives (Special Request)
- 2007 Fraud Auditing Program Review

External Audits

- 2007 SAS70 (PwC)
- Texas Nodal Program Controls – Review #5 (IBM - Managed by IAD)

Open Audits

Internal Audits

- Nodal Contractor Time Reporting
- MarkeTrak
- Year-end Accrual Validations (Special Request)

External Audits

- QA Review of Internal Audit (Institute of Internal Auditors)

Planned Audits

(next 3 months)

Internal Audits

- Nodal Project SOWs
- Nodal Spending
- Contractor Ethics Compliance
- Business Continuity/Disaster Recovery Plan
- Nodal Schedule & Delivery (coordinated/combined with IBM #6)

External Audits

- Texas Nodal Program Controls – Review #6 (Nodal Delivery Evaluation) (IBM - Managed by IAD)

*NOTE: Conducted by internal resources other than the Internal Audit Dept.

**Consultation/
Analysis Reports
Completed**
(last 3 months)

External Assessments

**Open Consultation/
Analysis Reviews**































External Assessments

**Planned Consultation/
Analysis Reviews**
(next 3 months)


External Assessments

1 security assessment
planned
1 security assessment
planned for Nodal

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
RISK MANAGEMENT EVENT PROFILE MATRIX (as of March 1st, 2008)**

 Strategic Risks	 Operational Excellence	 Market Facilitation	 Grid Reliability	 Reporting Risk	 Legal and Regulatory Compliance Risks
 Strategy Development Corporate objective setting adequately incorporates informed stakeholder input, market realities and management expertise. Current planning effort only at tactical level (5-10 years). Risk assessment and business planning horizon needs to be extended. Draft shared with Board at February retreat. Will seek Board approval in March.	 Performance Monitoring Clearly defined and actively monitored performance metrics linked to mission and goals. Performance status communicated and corrective action taken.	 Customer Choice Market design promotes efficient choice by customers of energy providers with effective mechanisms to change incumbent market participants as desired. We currently manage disaster recovery events on a case-by-case basis and will continue to do so to meet stakeholder expectations for accurate and timely processing. A detailed disaster recovery plan with processes and procedures is anticipated upon completion of the Business Continuity project under Steve Grendel.	 Grid Operations Information required to operate the grid is efficiently gathered. Appropriate tools are prudently configured to efficiently operate the system.	 Review Practices Prudent measures are taken to insure that company disclosures are properly vetted and not misleading.	 Legal & Legislative Operations are conducted in compliance with all laws and regulations. Impacts of current and proposed legislation are understood and communicated.
 Mission and Goals Corporate objectives and performance standards are understood and followed.	 Business Practices Business planning, processes and management standards are effective and efficient.	 Nodal Implementation Project Nodal Implementation on budget on schedule, and within defined scope.	 Planning Long-range planning methods enable efficient responses to system changes that are necessary to maintain reliability standards.	 Disclosure Reporting and other disclosures to intended parties is timely, accurate and effective.	 Internal Control Compliance Internal Control Compliance, processes and management standards are effective and efficient.
	Business Continuity Plan revisions completed in February. Business Continuity training 40% complete, with remaining training expected to be completed by mid-March. Business Continuity drill also scheduled for mid-March. Draft disaster Recovery Plans complete and are being reformatted into standard template form.	Scope and schedule remain unchanged (green and amber respectively). Budget risk remains red until the new fee is approved by the Public Utility Commission of Texas. Many base systems have been delivered. Key test on load frequency control and day-ahead market are planned through March. Most systems are showing low defect rates through functional acceptance testing. A significant software drop for the market management system is planned on April 22 and is the last of the major software deliveries. All significant infrastructure changes have been made. ERCOT remains on schedule to reach the December 1 go-live date for Nodal.	The CREZ Transmission Optimization (CTO) Study and the surge of generation interconnection requests in the five-year horizon are tying up all available resources in System Planning. Open engineer positions are being filled and trained and we expect to start the Long Term System Assessment in April, 2008.		The Internal Control department (ICMP) has developed an initial plan for business process training for certain areas. ICMP is working with the business process owners and HR to set up company-wide training for delivery in 2008.
 Reputation Positive perceptions by stakeholders lead to less cost and greater flexibility resulting in enhanced enterprise value. Increased publicity associated with the implementation of the Nodal market and anticipated new fee filings for the nodal surcharge and System Administration fee have the potential to negatively impact ERCOT's reputation.	 Workforce Organization design, managerial and technical skills, bench strength and reward systems aligned with corporate goals. ERCOT continues to face an increased demand for the skill sets of employees. Open positions decreased to 61 in February. We expect turnover to increase this year as market participants prepare for nodal implementation and solicit our talent. College recruiting has produced excellent results and we expect our new internship program to provide hiring resources for the future. Continuing to review additional options to retain talent. ERCOT is currently meeting the objective for training and nodal preparedness.	 Counterparty Credit Maintain credit risk exposure for overall market within acceptable limits. Results of the credit evaluation study were reported to the Board at their February 2008 meeting. The board asked the Credit Working Group to propose a formal credit risk appetite statement based on the OW credit loss model.	 Bulk System Resources Market Participants construct and make available adequate bulk electric grid resources. ERCOT is developing new transmission interconnection solutions for new proposed power plants included in the new CDR update. Two new generation interconnection agreements have been signed since the December 2007 CDR update and will bring reserves above 12.5% through 2010.	 Communication Internal & external communications are timely and effective.	 Industry Standards Business practices provide stakeholders with required assurances of quality. Initiation of ERO/TRE reliability standard Compliance Monitoring and Regional Entity Compliance Program in June introduces additional audit and penalty risks which ERCOT is still assessing. Issues raised to date by the Texas RE have been addressed / corrected. ERCOT received an unqualified SAS70 audit report in December.
 Fiscal Management ISO design requires competent, prudent and cost effective provision of services.	 Technology Infrastructure Information systems, supporting facilities and data are effectively managed and are reliable. The AIX migration project will be completed in early March. All key databases have been moved, including the Operational Data Store. Wholesale and retail systems performance has improved significantly since the AIX infrastructure bugs were resolved in late January. Projects to replace older servers have been initiated while other hardware will be replaced by the Nodal project. This project will replace more than 600 Blade servers over the next three years with 350 to be replaced this year. Data Center power and cooling constraints remain. A 900 square-foot server room has been built in the Taylor Blue building to provide an environment for Nodal integration testing and some development. There will be no Data Center space available for additional servers in 2008 or 2009. The ERCOT Board of Directors has approved a project to build additional Data Center capacity and that project has now commenced.	 Administration, Settlement & Billing Market rules fairly applied to all participants. Accounting is timely and accurately reflects electricity production and delivery. We currently manage disaster recovery events on a case-by-case basis and will continue to do so to meet stakeholder expectations for accurate and timely processing. A detailed disaster recovery plan with processes and procedures is anticipated upon completion of the Business Continuity project under Steve Grendel.	 Operational Responsibility Market participant conduct their operations in a manner which facilitates consistent grid reliability. Response of generators and LaARs to grid operation events has been improving. Enhanced enforcement of NERC standards and ERCOT Protocols and Operating Guides will exist through the ERO / TRE and IMM which will provide additional incentive for improved performance. Increased wind generation will present additional operational challenges that are currently being defined in a special study which should be completed in the first quarter of 2008.	 Adequacy and Integrity Robust processes exist to support management assertions embodied within financial reports.	 Regulatory Filings Evidence, testimony and other supporting materials are compelling and successful. Nodal Implementation and System Admin Fee rate case applications will be filed with PUCT in 2008.

Legend:  Elevated Risk Level

 Reduced Risk Level

(New Risk Categories / Descriptions Indicated in Green)

8. Committee Brief: PMO David Troxtell

February 2008 Year to Date Project Activity by Division

	Phase	Not Started	Initiation	Planning	Execution	Closing	Closed	Totals Excluding Non-Active	Cancelled	On Hold	Deferred	Totals by CART	Go-Live* (To Date)	Projected Go-Live (by Y.E.)
CART	Corporate Operations	20	2	7	12	5	0	46	1	0	3	50	0	16
	IT Operations	5	0	2	7	2	2	18	0	0	0	18	3	16
	Market/Retail Operations	2	0	4	8	2	0	16	1	1	13	31	1	12
	System Operations	0	0	1	2	2	0	5	0	0	0	5	1	3
	Totals by Phase	27	2	14	29	11	2	85	2	1	16	104	5	47
	Total Non-Active								19					

* Note: Some projects in Closing and Closed Status went live in 2007

* Note: Projects Gone Live in February 2008:

(MO) PR-70005_01 MO SAS70 Procedures Optimization

(SO) PR-70035_01 REC 2007

(IO) PR-70012_01 Secure Remote Access

(IO) PR-70037_01 OC-3 Microwave Replacement

8. Committee Brief: PMO

David Troxtell





















Year to Date Project Priority List (PPL) Status

PPL Iterations	Origination	Project Phases								Deferred Projects	Subtotal	Grand Total
		Not Started	Initiation	Planning	Execution	Closing	Closed	On Hold	Cancelled			
Original 2008 (October) PPL											64	
	PUCT										0	
	Market			1	1					1	3	
	ERCOT	27		10	6		2		1	15	61	
Unexpected Carry Over From 2007											30	
	PUCT										0	
	Market				1	1					2	
	ERCOT		1	2	16	8		1			28	
New Projects Added (Since PPL Approval in October 2007)											10	
	PUCT										0	
	Market										0	
	ERCOT		1	1	5	2			1		10	
2008 PPL Totals to Date											104	
	PUCT	0	0	0	0	0	0	0	0	0	0	
	Market	0	0	1	2	1	0	0	0	1	5	
	ERCOT	27	2	13	27	10	2	1	2	15	99	
Totals by Project Phase		27	2	14	29	11	2	1	2	16	104	

8. Committee Brief: PMO David Troxtell

Projects Over \$1 Million

February 2008 Year to Date

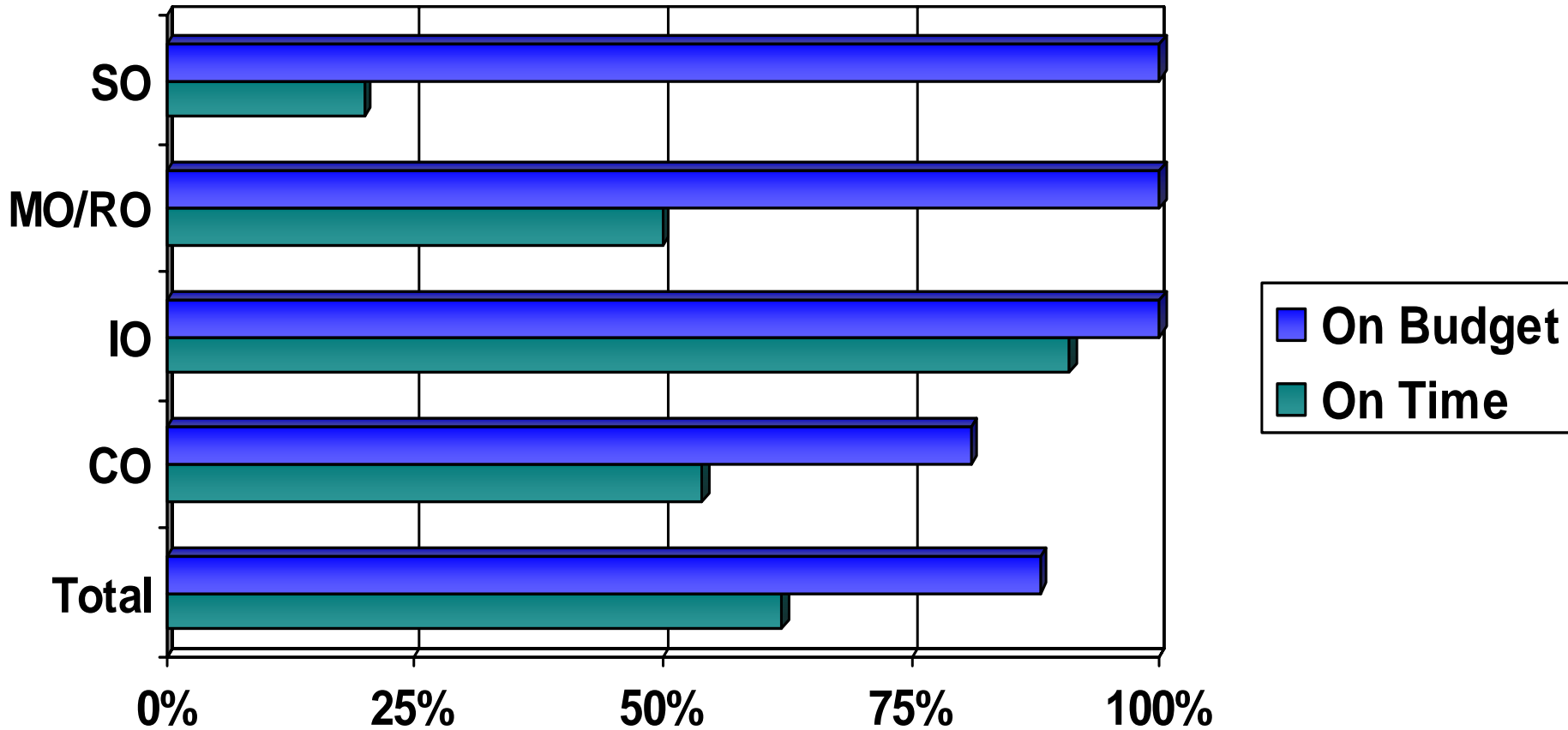
(CART) Project Number and Description	Total Budget	Total Committed	Metrics	
(Duration) Phase (Sponsor)	Scheduled Completion		Schedule	Budget
(IO) PR-70049_01: SAN Hardening	\$880K	\$871K		
<i>(2007) Currently in Closing (R. Hinsley)</i>	<i>Go Live Dec. 2007</i>			
(MO/RO) PR-50024:(2 sub-projects) Enhancements to SCR727 PR-50024_01 is closed in Lawson, PR-50024_02 is Execution	\$1.61M	\$1.48M		
<i>(2005-2008) Currently in Execution (R. Giuliani)</i>	<i>Go Live Nov. 2007</i>			
(CO) PR-60099_01: TCC2 Build-Out Phase One	\$2.64M	\$2.17M		
<i>(2007) Currently in Closing (B. Kahn)</i>	<i>Go Live Oct. 2007</i>			
(IO) PR-60055_01: Enterprise Service Management	\$1.61M	\$1.4M		
<i>(2006-2007) Currently in Execution (R. Hinsley)</i>	<i>Expected Completion 1st Qtr 2008</i>			
(CO) PR-60075_01:Identity Access Management	\$2.44M	\$1.56M		
<i>(2006-2007) Currently in Execution (B. Kahn)</i>	<i>Expected Completion 4th Qtr 2008</i>			
(IO) PR-70026_01: Virtual Tape	\$1.35M	\$825K		
<i>(2007) Currently in Closing (R. Hinsley)</i>	<i>Go Live Dec. 2007</i>			
(IO) PR-80022_01: Additional SAN Capacity for Projects	\$1.75M	\$26k		
<i>(2008) Currently in Planning (R. Hinsley)</i>	<i>Expected Completion 3rd Qtr 2008</i>			
(MO/RO) PR-70007_01: MarkeTrak Enhancements	\$1.62M	\$586K		
<i>(2007-2008) Currently in Planning (R. Giuliani)</i>	<i>Expected Completion 1st Qtr 2009</i>			
(IO) PR-70054_01: Blade Refresh	\$2.50M	\$1.89M		
<i>(2007-2008) Currently in Planning (R. Hinsley) Schedule metric changed due to approved re-baseline</i>	<i>Expected Completion 4th Qtr 2008</i>			
(IO) PR-70055_01: SAN Capacity (part one)	\$1.75M	\$727K		
<i>(2007-2008) Currently in Execution (R. Hinsley) Total committed is reduced due to the amount of maintenance fees and tax that were incorrectly charged against the project</i>	<i>Expected Completion 2nd Qtr 2008</i>			

Budget vs. Actuals for Projects Closed in Lawson for 2008

NOTE:

There were no projects closed in Lawson in this month.

2008 Completed and Active Projects Performance



Note: Includes projects started in previous years.

Go Live Project for February 2008

- **PR-70005 MO SAS70 Procedures Optimization**

- **Scope:** Hardware, software, and licenses necessary to support SAS70 procedures optimization within the Commercial Operations Data Integrity and Administration (CODIA) group. Procedures to be optimized as a result of this project include the Siebel to Lodestar comparison.
- **Deliverables:** Project deliverables included the purchase and implementation of SAS software and licenses as well as the supporting hardware. Evaluation of current business processes and software training was also provided.
- **Timeline:** July 2007 – February 2008

Go Live Project for February 2008

- **PR-70012_01: Secure Remote Access**

- **Scope:** Replaced the present VPN system with a secure model to allow granular access control to ERCOT resources. Provides the capability of running ERCOT with as few on-site employees as possible, if conditions require such measures be instituted.
- **Deliverables:** Provides remote connectivity for mobile systems and local port security based on 802.1x technology.
- **Timeline:** February 2007 – February 2008

Go Live Project for February 2008

- **PR-70037_01: OC-3 Microwave Replacement**

- **Scope:** The OC-3 Microwave Replacement focused on retirement, removal and replacement of ERCOT's private OC-3 Microwave system.
- **Deliverables:** Added equipment to existing systems. Provisioned and implemented new 100 Mbit services. Migrated OC-3 into OC-48.
- **Timeline:** September 2007 – February 2008

Go Live Project for February 2008

- **PR-70035_01 REC 2007**

- **Scope:** The Renewable Energy Credits (REC) application was updated to satisfy PUCT requirements mandated by Senate Bill 20 2006 and for better conformance to ERCOT application security standards.
- **Deliverables:** The project delivered numerous updates to the TexasRenewables website and the REC Trading Program including: Compliance Premiums, new account types, updated reports and protocol revisions.
- **Timeline:** June 2007 – February 2008

Large Project Moving to Execution

- **PR-80022_01 Additional SAN Capacity for Projects**

- **Scope:** Acquire additional SAN capacity and licenses to meet the storage growth requirements for projects in the execution phase during the first half of 2008.
- **Deliverables** SAN hardware and licensing required to meet growth requirements.
- **Timeline:** February 2008 – July 2008
- **Approval Dates:**
 - CART 2/25/08
 - SRT 2/25/08
 - EC 3/11/2008
- **Board Request:** Request to move to execution with no increase in current Approved Funding.

8. Committee Brief: PMO David Troxtell

ERCOT Enterprise Projects Summary Report

ERCOT Overall Projects Report

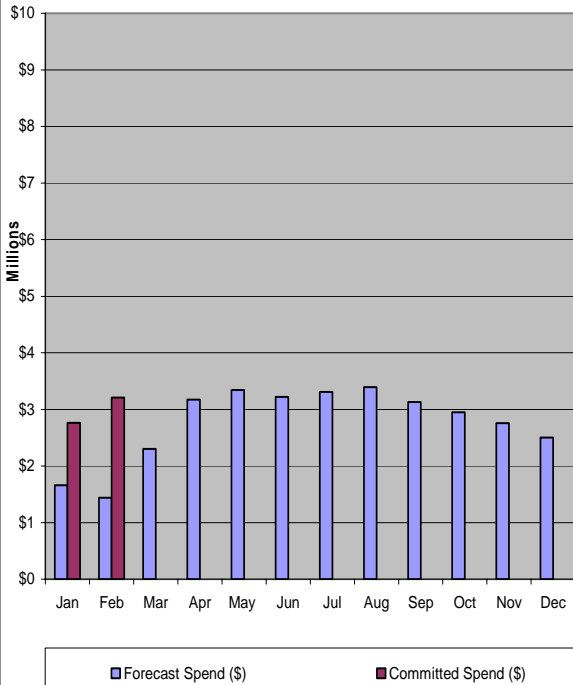
Reporting Period: 3/4/2008

Summary

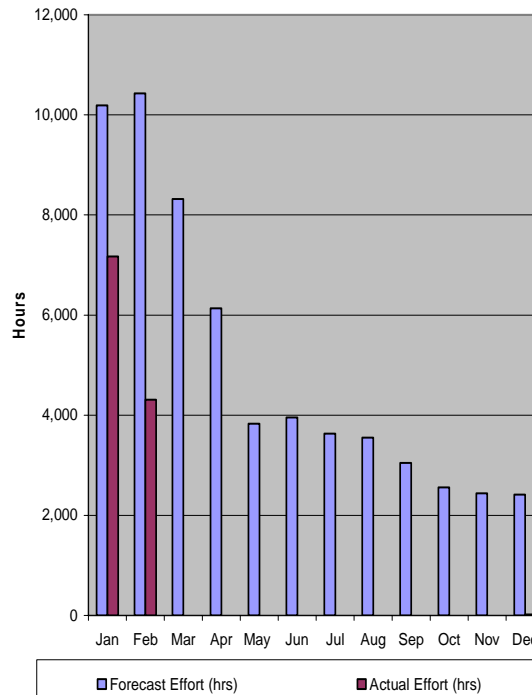
ERCOT Projects Leadership			Projects in ERCOT's Portfolio					Portfolio Performance			
Executives			On Hold	Initiation	Planning	Execution	Closing	Schedule	Budget	Risk	Milestones
Kent Saathoff	Ray Giuliani		1	2	14	30	11	Y	G	G	Y
Ron Hinsley	Steve Byone	Closed	2	Total Active		57					
		Cancelled	2	Projects Not Started:		27					
								Current Year Funding:		\$39,500,000	

Portfolio Performance Summary

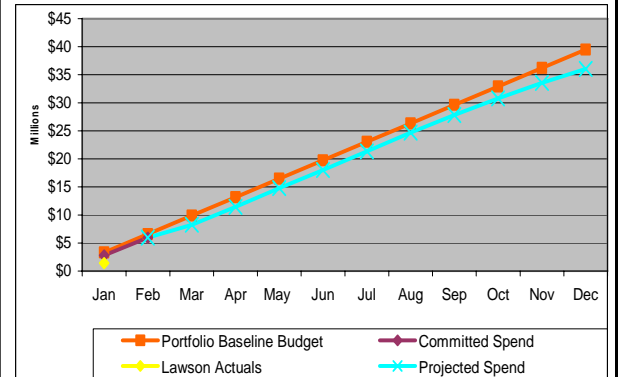
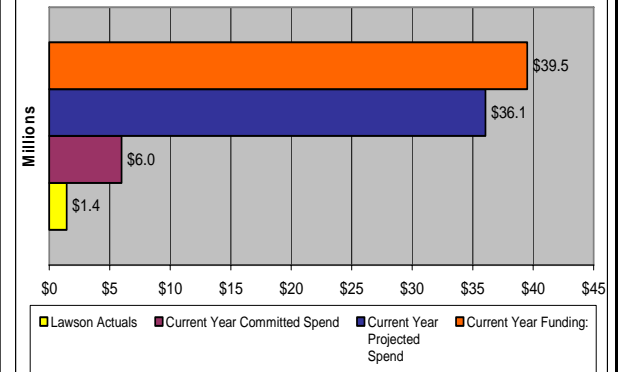
**ERCOT Projects
Current Year - Spend**



**ERCOT Projects
Current Year - Effort**



**ERCOT Projects
Current Year to Date Financials**



Notes

Note: Portfolio Baseline budget was increased by \$12M. per BoD approval for PR-80001_01 the MET Center Facility Project.
Project/Status Count/Budget Variance:
 CO:(3 Deferred); MORO:(13 Deferred); SO-DPO:(1 NODAL in Execution).



Special Meeting (April 3, 2008)

- Review detailed proposed budget, operating revenues and financial plan

Monthly Meeting (April 15, 2008)

- **Standing Internal Audit status report (s)**
- **Follow-up review and finalization of recommendation on 2009 budget, proposed fees and financial performance measures (Vote)**
- **Update on annual financial audit (possible vote)**
- **CWG Update**
- **Committee briefs**

F&A Yearly Schedule

Quarter 1

- √ •Elect officers and confirm financial qualifications
- Review of external auditor quality control procedures and independence
- √ •Review scope of annual financial audit
- Report by CWG Chair on ERCOT credit policy
- √ •Vote on CWG Chair/Vice Chair

Quarter 2

- Report results of annual independent audit to the Board
- Review the procedures for handling reporting violations
- Review results of annual audit, together with significant accounting policies (including required communications)
- Review ERCOT Annual Report
- Review operating plan and budget assumptions
- Review and approve Internal Audit Department Charter
- Annual review of insurance coverage
- Conduct periodic reviews and independent auditor difficulties with management and financial institutions that are also market participants

Quarter 3

- Appoint the independent auditors for upcoming year
- Approval of independent auditor fees for upcoming year
- Review of committee charter
- Approve the Guidelines for Engagements of External auditors for Other Services (pre-approval policy)
- Assessment of compliance, the internal control environment and systems of internal controls
- Review and approval of annual operating budget
- Report by CWG Chair on ERCOT credit policy
- Review updated year-end forecast

Quarter 4

- Approve audit committee meeting planner for the upcoming year, confirm mutual expectations with management and the auditors
- Review and approval of Financial & Investment policies
- Approve scope of internal auditing plan for upcoming year
- Assessment of the adequacy and effectiveness of the Internal Audit staff
- Perform Finance & Audit committee Self Assessment
- Review requirements for membership in CWG
- Review and approve CWG charter
- Review updated year-end forecast

Recurring Items

- Review minutes of previous meeting
- Report monthly matters to the Board (chair)
- Review EthicsPoint activity
- Review significant audit findings and status relative to annual audit plan
- Review investment results quarterly