

Presentation to Texas Regional Entity Board of Directors April 15, 2007

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the reliability of the bulk power s

History



- NERC the voluntary Council
- Section 215 of the Federal Power Act
- FERC Order 672
- NERC the Electric Reliability Organization (ERO)
- FERC Order 693
- June 18, 2007
- Today: Is the grid more reliable? YES

About NERC: Mission



To ensure the reliability of the North American bulk power system

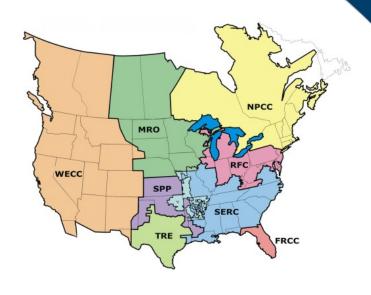
- Develop & enforce reliability standards
- Assess current and future reliability
- Analyze system events & recommend improved practices
- Encourage active participation by all stakeholders
- Pursue mandatory standards in all areas of the interconnection



About NERC: Regional Entities



- Delegated functions
 - Compliance
 - Regional standards
 - Organization registration
 - Reliability assessment
 - Reliability readiness and improvement
- Regional consistency is key
 - Transparency
 - Predictability
 - Uniform outcomes



Why is the Grid More Reliable?



- Three of several reasons:
 - The Standards Development Program has been and continues to be a success
 - The Compliance Registry adds clarity and fills in gaps
 - The Compliance Monitoring and Enforcement Program is causing actions to be taken that may not have been taken otherwise

Reason #1 - Standards Development



- Standards process is industry based
 - Draws on industry expertise
- 94 robust and technically sound standards
 - Perfect? No
- Standards become more clear and complete with every action
- 3-year work plan guides volume and priority
 - Filed with FERC 10/5/07
 - 36 standards projects
 - Addresses FERC directives

Reason #2 - Compliance Registry



- Successful implementation
 - Currently ≈ 1800+ Entities registered for ≈ 4500 functions
 - Consistency working to understand and eliminate differences across regions
- Small number of appeals
- Joint Registration Organization (JRO)
- Uncovers who does what

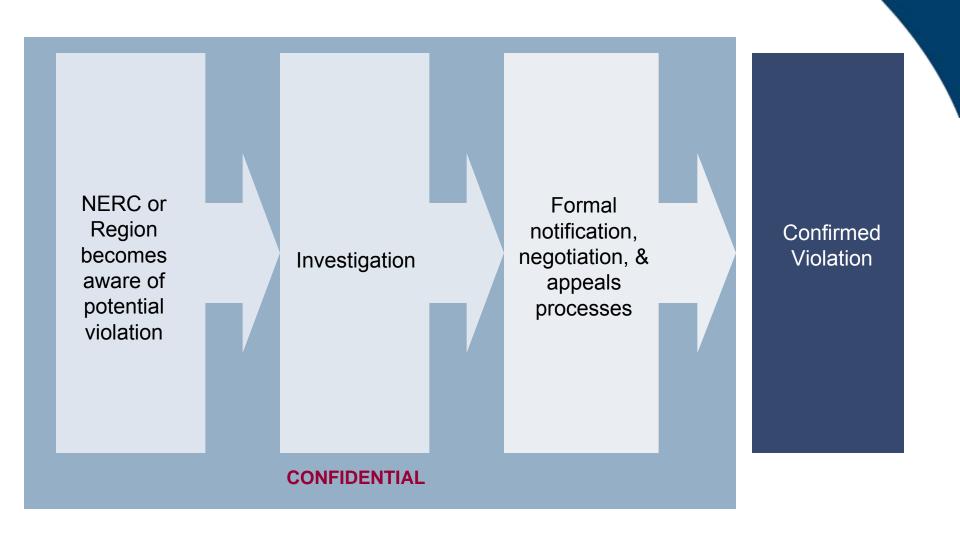
About Compliance



- Focus on improving bulk power system reliability
 - Fair, consistent approach
 - Prompt reporting
- Protects confidentiality of involved parties
- Single, defined appeals process whereby resolution can be reached
- Reports to governmental authorities

Compliance Process





Reason #3 - Compliance Monitoring and Enforcement



- Pre-June 18
 - 5,020 reported violations
 - 1,036 dismissed by Regional Entities
 - 329 registered entities involved
- Post-June 18
 - Currently tracking 630 violations
 - Over 100 registered entities involved

About Enforcement



- Violating entities can be subject to:
 - Monetary up to \$1 million per day per violation
 - Order a change in practice to mitigate the violation
- Comparable to levels of threat to reliability
- Promotes compliance with standards
- Rewards self-reporting & voluntary corrective actions
- Flexible to adapt to all relevant facts surrounding the violation
- Consistent application of guidelines
- Meets FERC policy statement

Conclusions



Is the grid more reliable? - YES

- "A lot of people are looking at a lot of things."
- Metrics that will quantitatively demonstrate improvements are under development
- Results will lag actions
- Voluntary got us here, but won't get us to where we need to go

2009 Budget Increase Drivers



- Staffing Increases
 - Additional standards requiring audit
 - Cyber Security (CIP) expertise
 - Compliance Registry / Database
 - ↑ Focus on event analysis & compliance violation investigation (CVI)
 - Situation Awareness and Infrastructure Security
 - Enforcement and Mitigation
 - Support
- Additional technology & process automation to increase efficiency
- Travel & meeting cost inflation ↑ 10% +

2007 Full Year Actual Expenses



(Unaudited) (thousands of dollars except FTE's)

	NERC		TRE		FRC	C	MR	0	RF	3	SEI	RC	SPI	Р	WI	ECC	NP	CC
Reliability Standards FTE's	\$	2,229 12	\$	109	\$	274	\$	331	\$	591	\$	249	\$	55	\$	272	\$	729
Compliance FTE's	\$	2,973 18	\$	971	\$	845	\$	1,433	\$	2,155	\$	1,692	\$	999	\$	1,675	\$	1,311
Reliability Readiness FTE's	\$	1,459 8	\$	27	\$	37	\$	223	\$	179	\$	76	\$	49	\$	245	\$	232
Reliability Assessment FTE's	\$	2,847 10		12	\$	890	\$	825	\$	1,060	\$	290	\$	1,120	\$	1,298	\$	1,016
Training and Education FTE's	\$	1,236 6	\$	31	\$	158	\$	51	\$	31	\$	260	\$	948	\$	432	\$	58
Situational Awareness FTE's	\$	2,849 5	\$	5	\$	23	\$	112	\$	249	\$	125	\$	8	\$	8,642	\$	290
Committees and Forums FTE's	\$	488 1					\$	78	\$	659	\$	402	\$	94	\$	2,663	\$	145
Indirect Costs FTE's	\$	8,384 24.5		464	\$	48	\$	1,691	\$	1,863	\$	2,068	\$	360	\$	3,727	\$	1,164
Total Expenses FTE's	\$	22,465 84.5		1,619 17		2,275 11	\$	4,744 21	\$	6,787 29		5,162 27		3,633 11	\$	18,954 43.5	\$	4,945 17
Actual Cost Per FTE	\$ 2	265,858	\$ 95	5,235	\$20	06,818	\$2	25,905	\$2	34,034	\$ 1	91,185	\$3	30,273	\$	435,724	\$2	90,882
Average Actual Cost Per FTE	\$ 2	270,437																

2008 Full Year Budget

(thousands of dollars except FTE's)



	NERC		TRE		FRO	CC	MR	О	RF	0	SE	RC	SPF	>	WI	ECC	NP	CC
Reliability Standards FTE's	\$	3,119 15	\$	215 2	\$	312 1.55	\$	337 2.15	\$	625 2	\$	317 1.33	\$	154 0.5	\$	687 4	\$	785 3.5
Compliance FTE's	\$	4,669 26		893 6.38	\$	1,219 7.2	\$	1,454 9.65		3,388 12	\$	3,394 14.2	\$	1,692 3.5	\$	4,568 20	\$	1,998 7.5
Reliability Readiness FTE's	\$	1,858 12		58 0.38	\$	75 0.14	\$	208 1.1	\$	206 1	\$	441 0.93	\$	180 0.5	\$	343 2	\$	233 1
Reliability Assessment FTE's	\$	2,881 11	\$	574 5.25	\$	781 3.9	\$	542 2.2	\$	1,441 6	\$	529 2.63	\$	740 2.4	\$	3,279 13	\$	1,044 3.5
Training and Education FTE's	\$	1,400 6	\$	144 0.38	\$	48 0.3	\$	81 0.45	\$	90 0.25	\$	505 1.33	\$	1,314 4	\$	726 3	\$	121 0.5
Situational Awareness FTE's	\$	3,244 5	\$	47 0.38	\$	118 0.1	\$	61 0.35	*	243 0.75	\$	289 1.13	\$	22	\$	18,008 49	\$	263 1
Committees and Forums FTE's	\$	888 2					\$	329 0.45	\$	523 2.5		649 2.33	\$	145	\$	1,674 4	\$	71 0.3
Indirect Costs FTE's	\$	8,472 24.5		1,365 4.5	\$	1,437 3.3	\$	2,320 6.55	\$	3,148 9.5	\$	1,868 8.1	\$	363 1.5	\$	3,385 17	\$	2,990 7.9
Total Expenses FTE's	\$ 2	26,531 101.5		3,296 19.27	\$	3,990 16.49	\$	5,332 22.9		9,664 34	\$	7,992 31.98	\$	4,610 12.4		32,670 112	\$	7,505 25.2
Actual Cost Per FTE	\$ 26	31,389	\$171	1,043	\$2	41,965	\$23	32,838	\$2	84,235	\$2	249,906	\$3	71,774	\$	291,696	\$2	297,817
Average Actual Cost Per FTE	\$ 27	70,373																

Cost per Registered Entity - 2008 Budget

NERC

(thousands of dollars except registered entities)

	TRE	FRCC	SPP	MRO	NPCC	SERC	RFC	WECC
2008 Full Year Budget	\$3,296	\$3,990	\$4,610	\$ 5,332	\$ 7,505	\$7,992	\$9,664	\$32,670
Number of Registered Entities	193	80	127	114	247	228	363	509
Cost per Registered Entity	\$ 17	\$ 50	\$ 36	\$ 47	\$ 30	\$ 35	\$ 27	\$ 64

