



**ERCOT Finance & Audit Committee Meeting**  
**7620 Metro Center Drive, Austin, Texas**  
**Met Center, Conference Room 168**  
**August 19, 2008; 7:30am – 10:00am\***

Item #	Agenda Item Type	Description/Purpose/Action Required	Presenter	Time
1.		Call to order Executive Session	C. Karnei	7:30am
2.	Decision required	2a. Approval of executive session minutes (Vote) (07/15/08)	C. Karnei	7:30am
	Informative	2b. Internal Audit status report	B. Wullenjohn	7:32am
	Informative	2c. Update on timeline for 2009 Internal Audit plan	B. Wullenjohn	7:35am
	Informative	2d. Internal Audit 2008 goals update	B. Wullenjohn	7:40am
	Informative	2e. EthicsPoint update	B. Wullenjohn	7:50am
	Decision required	2f. SAS 70 auditor selection for 2009 (Vote)	B. Wullenjohn / S. Byone	7:55am
	Decision required	2g. Financial auditor selection for financial year 2008 (Vote)	M. Petterson / S. Byone	8:00am
	Decision required	2h. Financing plan proposal (Vote)	C. Yager	8:05am
		Recess Executive Session		8:50am
		<b>Convene General Session</b>		
3.	Decision required	Approval of general session meeting minutes (Vote) (07/15/08)	C. Karnei	8:50am
4.	Decision required	Vote on matters from Executive session (Vote)	C. Karnei	8:52am
5.	Decision required	Application of the 2007 actual vs. budget revenue requirement variance (Vote)		9:00am
		5a. POLR compensation proposal	D. Ballard	
		5b. Prior Committee action	C. Karnei	
6.	Informative	Quarterly review of investment results	C. Yager	9:25am
7.	Informative	Credit update	C. Yager	9:35am
8.	Informative	Committee Briefs (Q&A only)	All	9:45am
9.	Informative	Future agenda items	S. Byone	9:50am
		Adjourn ISO meeting	C. Karnei	9:55am

*\* Background material is enclosed or will be distributed prior to meeting. All times shown in the agenda are approximate. The next Finance & Audit Committee Meeting will be held Tuesday, September 16, 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 07/15/08

**DRAFT** ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.  
**MINUTES OF THE ISO FINANCE & AUDIT COMMITTEE – GENERAL SESSION**  
**7620 Metro Center Drive – Austin, Texas 78744**  
**July 15, 2008**

Pursuant to notice duly given, the Finance & Audit Committee of the Electric Reliability Council of Texas, Inc. (ERCOT) convened on the above-referenced date. Clifton Karnei confirmed that a quorum was present and called the general session of the meeting to order at approximately 8:00 a.m. The Committee met in Executive Session from 8:00 a.m. to approximately 9:05 a.m., at which time it recessed to General Session.

**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	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:

Anderson, Troy	ERCOT – Manager, Program Administration
Barry, Sean	PricewaterhouseCoopers
Brenton, Jim	ERCOT – Director, Security
Byone, Steve	ERCOT – Vice President and Chief Financial Officer
Day, Betty	ERCOT – Director, Commercial Operations
DiPastena, Phil	ERCOT – Enterprise Risk Manager
Doolin, Estrellita	ERCOT – Assistant General Counsel
Leady, Vickie	ERCOT – Associate Corporate Counsel
Lester, Suzanne	ERCOT – Executive Assistant – Finance
Moseley, Cheryl	ERCOT – Manager, ICMP
Petterson, Mike	ERCOT – Controller
Spells, Vanessa	ERCOT – Manager, Credit
Stauffer, Tarra	ERCOT – Legal Assistant
Troxtehl, David	ERCOT – Director, Program Management Office
Wullenjohn, Bill	ERCOT – Director, Internal Audit

**Approval of Minutes for Prior General Session Held on June 17, 2008**

**Dan Wilkerson moved to approve the minutes for the General Session of the Finance & Audit Committee meeting held on June 17, 2008. Miguel Espinosa seconded the motion. The motion passed by a unanimous voice vote with three abstentions (Brad Cox, Charles Jenkins and Clifton Karnei).**

### **External Audit Update**

Sean Barry of PricewaterhouseCoopers provided a status update on the 2008 SAS 70 examination and the 2007 financial statement audit wrap up. He referred to the 2008 SAS 70 – Scope and Findings to Date Report that was distributed prior to the meeting. Mr. Barry noted that Phase 1 (i.e. testing of transactions during October 2007 through March 2008) of the 2008 SAS 70 examination was completed on schedule. In addition, he noted there were: no negative findings identified in Phase 1; for the first time there were no exceptions in the testing procedures; and there were no issues with the design of controls. He provided the Phase 2 audit timeline and discussed generally the impact that the Nodal Project will have on controls and the 2008/2009 SAS 70 review. Mr. Karnei asked whether any complaints from Market Participants were expected in light of the timing for the report to be issued (i.e. first week in December). Betty Day responded that most Market Participants were accustomed to the report timing and that she had not received any complaints. Mr. Karnei also asked about the 2007 financial statement audit wrap up. Mr. Barry informed the Committee that the audit had been completed, the management letter had been issued, and that management's response to the management letter had been distributed to Committee members.

### **Contingent Workforce Management Program Update**

Mike Petterson provided a status update on the May 2008 rollout of the Phase I of the contingent workforce program with workers provided by Allegis Group Services. He referred to the status report that was distributed prior to the meeting. Mr. Petterson stated that in November 2007, the ISO Board of Directors authorized ERCOT to outsource administration of many business processes relating to consultant and contractor engagements. He informed the Committee that the program was implemented in early May 2008 following contract negotiations, needs assessments, system configuration and training. He explained that acceptance of the new processes by ERCOT staff and vendors was reported to be good and that early indications suggest the program is delivering expected benefits including enhanced process efficiency, cost savings and control.

### **Credit Update**

Mr. Karnei led a discussion on the credit update and pointed out that a total of 5 QSEs had recently exited the market. Vanessa Spells noted that the potential uplift to the market to date was approximately \$5 million. Pursuant to a question by Mr. Cox regarding collateral requirements by ERCOT and the impact on the market, Mr. Byone explained that collateral requirements were directly tied to the market value of energy. He noted that since energy prices had subsided there had been a substantial reduction in collateral requirements. Mr. Karnei requested that the agenda for the August meeting include an item allowing for further discussion about credit and collateral requirements.

### **Risk Report**

Phil DiPastena referred to the Risk Management Event Profile Matrix ("Stoplight" Report) that was provided prior to the meeting. He noted that there had been no changes to any of the risk ratings since last month. Mr. Karnei asked what had been done to respond to PUCT Chairman Smitherman's comments made last month about reviewing risks that could result from a combined set of events. Steve Byone responded that management had agreed to discuss how ERCOT might take on Chairman Smitherman's request to conduct more robust scenario analyses relating to events that could affect market prices. Mr. Byone agreed to update the Committee on management's response at the August meeting.

### **Zonal PMO Update**

David Troxtell gave an update on the status of non-Nodal projects. He reported that the staff is continuing to adjust to project deliveries to accommodate Nodal efforts. Many projects are

delivering late or deferred, mainly Market and System Operations. He further reported that current projections are to complete 41 projects this year and utilize \$30.5 million of the \$33.7 million (which could be lowered depending on Nodal impacts). He added that some of the improvement occurring in the Program Management Office (PMO) had been recognized in the recent Market Participant survey, such as:

- Project delivery is up. There are no unfunded Market projects. The PMO had utilized nearly 100% of the requested funding in 2006 and 2007; and
- Positive market survey results. All 4 areas improved (notably 3 of 4 areas improved significantly).

Mr. Troxtell commented that staff is currently focused on the following two key areas for further improvement:

- Resource management, specifically the need for better projections and ability to keep commitments; and
- Improvement of the cost benefit analysis (CBA) process, specifically on getting more quality numbers and tracking the realized benefits.

Brad Cox asked whether the non-Nodal Projects scheduled for completion were sufficient to run the Zonal market for the period until the Nodal market is implemented. Mr. Byone suggested further discussion would need to include ERCOT CIO, Ron Hinsley and that it would likely be difficult to fully answer the question until a new Nodal go-live date is determined.

### **Committee Briefs**

Staff provided written reports with information related to the following areas:

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

Mr. Espinosa inquired as to the status of the sales tax matter. Mr. Byone informed the Committee that staff had been working with the Texas Comptroller's office on pursuit of a sales tax refund related to ERCOT's 501(c)(4) nonprofit organizational status. He further informed the Committee that over the second half of the year, staff would be working through a plan for filing and preparing an application for 501(c)(3) status.

### **Future Agenda Items**

Mr. Byone noted future agenda items for the August 2008 meetings as follows:

1. Quarterly review of investment results;
2. Liquidity update and funding request;
3. Met Center;
4. Selection of independent auditor/approval of fees;
5. Committee briefs; and
6. Future agenda items.

### **Adjournment**

Clifton Karnei adjourned the meeting at approximately 10:00 a.m.

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Estrellita J. Doolin  
Assistant General Counsel and  
Finance & Audit Committee Secretary

## 4. Vote on Matters from Executive Session (Vote) Clifton Karnei

- **SAS 70 auditor selection for 2009 (Board agenda item 15e)**
- **Financial auditor selection for financial year 2008 (Board agenda item 15e)**
- **Financial plan proposal (Board agenda item 15f)**

## 5. Application of the 2007 Actual vs. Budget Revenue Requirement Variance (Vote) – Clifton Karnei

**Decision required**



MEMORANDUM

To: Finance & Audit Committee  
From: Estrellita Doolin, Assistant General Counsel and Finance & Audit Committee Secretary  
Date: August 12, 2008  
Re: Application of the 2007 Actual vs. Budget Revenue Requirement Variance

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Attached please find the decision template prepared by Public Counsel, Don Ballard, for your consideration.





**Date:** August 8, 2008  
**To:** Board of Directors  
**From:** Don Ballard  
**Subject:** Application of a Portion of the 2007 Actual vs. Budget Revenues Requirement Variance

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Director Meeting Date:** August 19, 2008

**Agenda Item No.:**

**Issue:**

At the June 17, 2008 meeting of the ERCOT Board of Directors, members reviewed schedules of the 2007 revenue requirement variance and considered alternatives for the use of the funds made available by the favorable variance. Don Ballard, Public Counsel, suggested using a portion of the favorable budget variance for customers sent to the Provider of Last Resort (POLRs) as a result of recent market participants defaults. The Public Utility Counsel requests the Finance and Audit Committee recommend the following action to the Board:

*The Finance and Audit Committee recommends that the ERCOT Board approve a one-time distribution of a portion of the funds from the favorable budget variance to retail electric customers that paid out of cycle meter read charges when switching away from the POLR during the months of January through July 2008. All remaining funds from the favorable budget variance shall be used towards the current Finance and Audit Committee recommendation referred to in the memo dated June 10, 2008.*

**Background/History:**

Based on audited financial information, ERCOT recorded income totaling approximately \$2.1 million in excess of revenue requirements for the year. The projected favorable budget variance is primarily the result of lower-than-budgeted operating expenses, higher-than-budgeted interest income, and higher-than-budgeted income relating to generation interconnection study.

**Key Factors Influencing Issue:**

In written opinion (July 8, 2008) ERCOT General Counsel found no controlling authority on Board use of the funds for POLR customers in the Public Utility Regulatory Act (PURA), Public Utility Commission (PUC) Rules, or ERCOT’s Articles of Incorporation or Bylaws. The ERCOT Financial Corporate Standard, in Section 3.0 (Financial Objectives), states that variances of more than 25 percent in the project budget, operating and maintenance budget, or revenue should be handled with “cost reductions or additions, fee increases or decreases, *or other means ...*” (emphasis added). “Because this language is quite open-ended, and in any event applies only to much larger variances than the \$2.5 million at issue here, it is not a bar to



the POLR proposal and is legally permissible.”

The Office of Public Utility Counsel (OPC) estimates that reimbursing customers that were charged an out of cycle meter read fee for switching away from the POLR will amount to no more than \$1 million, which is less than half of the favorable variance.

**Alternatives:**

**Conclusion/Recommendation:**

OPC believes that ERCOT should ensure not only that the Texas electric market function reliably and capably, but that the customers served by the market receive fair and equitable treatment when there are multiple failures in the market. ERCOT is accountable to the market. The five defaulting REPs did so, in part, due to ERCOT’s changes to the treatment of shadow price caps which contributed, again in part, to the prices REPs pay for power, ERCOT, therefore, should actively participate in the restoration of the costs that customers incurred through no fault of their own.

Furthermore, ERCOT generates its revenue from the ERCOT System Administrative Fee. Historically, this fee has been paid solely by load. Therefore, OPC believes that the favorable variance should be, in limited part in this singular instance, returned to those customers that were disadvantaged by the defaulting REPs, through no fault of their own.

In fact, ERCOT’s stated mission anticipates the effectiveness of the electricity market in Texas and collaboration with customers. Further, ERCOT must ensure that information relating to a customer’s choice of REPs is truly protected. OPC submits the recent defaults have been a sensitive and great interest to both our internal and external regulators. To take a one-time, limited action to mitigate customer disadvantage is a step that will certainly be welcomed by our Texas partners.

**Implementation:**

OPC has a preliminary strategy for implementation of the refund:

1. Have each TDSP send each REP a list of ESIIDs for which the TDSP billed an out of cycle meter read.
2. The REP compares each TDSP list against the REP’s list of mass transitioned customers.
3. The REP sends ERCOT the final list of mass transitioned customers that were billed for an out of cycle meter read.
4. ERCOT processes either a cancel rebill 810 or a one time 810 credit to the customers REP of record.
5. Each REP signs an agreement to pass the credit through to the customers that were on the list.

**For review – results attached**

**Electric Reliability Council of Texas**  
**Summary of Investment Results**  
**Second Quarter 2008**  
(in 000's)

<b>Return for the quarter ended June 30, 2008</b>	<b>Balance at June 30</b>	<b>Average Bal for Qtr</b>	<b>Interest 2nd Qtr</b>	<b>Yield 2nd Qtr</b>	<b>% of portfolio at June 30</b>
Reserve Prime Fund (Operating and Mkt) (Note 1)	59,261	70,421	524.0	2.98%	23.1%
Reserve Prime Fund (TRE) (Note 1 and 2)	3,252	144	1.0	2.79%	1.3%
Reserve US Gov Fund (Deposits/Restricted) (Note 3)	199,639	174,523	998.0	2.29%	77.8%
Other cash net of outstanding checks	(5,436)				-2.1%
<b>Total cash and cash equivalents (est)</b>	<b>256,716</b>	<b>245,088</b>	<b>1,523.0</b>	<b>2.49%</b>	<b>100.0%</b>

<b>Benchmark data</b>	<b>Benchmark Information</b>		
	<b>ERCOT Yield</b>	<b>Ranking iMoneyNet</b>	<b>Top Funds within category</b>
	(Note 5)	(Note 5)	(Note 5)
Reserve Prime Fund (Operating, Mkt, TRE) (Note 1)	2.80%	1 out of 16	Range 2.80% to 2.70%
Reserve US Gov Fund (Note 3 and 6)	2.24%	Not in ranking	Range 2.35% to 2.25%

Note 1: The Reserve Prime fund includes commercial paper and other high grade, short term corporate notes, CD's, time deposits and other short term money market instruments that meet the SEC requirements to be included in a MMF.

Note 2: TRE funds were invested in a separate account beginning June 27.

Note 3: The Reserve US Governmental Fund includes Treasuries and other governmental securities.

Note 4: No individual securities held at June 30, 2008.

Note 5: As of July 1, 2008 based on 7-day yield.

Note 6: As of July 22, July 29 and August 5, the Reserve US Gov Fund has been within the benchmark range.

**Statement of Compliance**

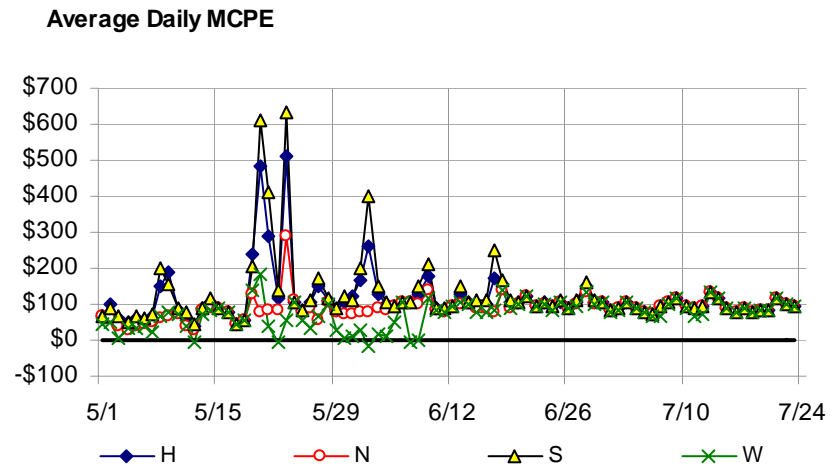
Upon a review of the investment activity for the 3 month period ended June 30, 2008, I have no knowledge of any activity that does not comply with the Investment Standard.

Signed Copy on File  
Cheryl Yager, Treasurer

Signed Copy on File  
Steve Byone, Chief Financial Officer

- **Market Prices – May through July**
- **Collateral Requirements**
- **Actions taken**
- **EAL Requirements**
- **Credit requirements - general**

- **High prices & volatility**  
**in late May**
  - Did not affect all zones
  - Primarily South and Houston



- **Collateral requirements are impacted by both a) the volume of purchases from the Balancing Energy Service and b) the price of energy purchased**
  - The May price events primarily impacted collateral requirements for QSEs that were drawing energy from the BES in the South and Houston zones.

- **The ERCOT market and BOD passed a PRR in June to address the kind of situation that caused the May price event(s)**
  - Credit staff monitored BES pricing through June and July and have noted significantly less volatility
- **Exposure calculations were reduced in late July and early August 2008 and are currently at more traditional levels.**



# 7. Credit Update: EAL Requirements

## Cheryl Yager

	as of 4/30/2008		as of 5/31/2008		as of 6/30/2008		as of 8/07/2008	
	Estimated Aggregate Liability (\$)	% of EAL	Estimated Aggregate Liability (\$)	% of EAL	Estimated Aggregate Liability (\$)	% of EAL	Estimated Aggregate Liability (\$)	% of EAL
<b>Exposure in the ERCOT Market (owed to ERCOT)</b>								
<u><i>QSEs that meet ERCOT Creditworthiness Standards</i></u>								
Ratings over BBB-	66,060,616	12%	59,256,577	10%	109,201,804	9%	100,205,278	15%
<u><i>QSEs that do not meet ERCOT Creditworthiness Standards</i></u>								
Ratings below BBB- or not rated								
Cash & Letters of Credit	193,516,430	36%	243,009,249	41%	714,101,420	60%	300,459,636	45%
Guarantee Agreements	284,140,779	52%	286,397,750	49%	375,881,699	31%	261,942,577	40%
<b>Total Exposure</b>	<b>543,717,825</b>	<b>100%</b>	<b>588,663,576</b>	<b>100%</b>	<b>1,199,184,923</b>	<b>100%</b>	<b>662,607,491</b>	<b>100%</b>
<b>Other QSEs in the ERCOT Market (ERCOT owes)</b>								
<u><i>QSEs that meet ERCOT Creditworthiness Standards</i></u>								
Ratings over BBB-	(5,663,891)	-8%	(7,238,765)	-10%	(9,711,221)	-8%	(6,035,983)	-4%
<u><i>QSEs that do not meet ERCOT Creditworthiness Standards</i></u>								
Ratings below BBB- or not rated								
Cash & Letters of Credit	(46,158,040)	-65%	(53,732,878)	-71%	(81,000,020)	-64%	(111,831,578)	-71%
Guarantee Agreements	(19,621,628)	-28%	(14,435,450)	-19%	(35,465,341)	-28%	(39,744,026)	-25%
<b>Total</b>	<b>(71,443,559)</b>	<b>-100%</b>	<b>(75,407,093)</b>	<b>-100%</b>	<b>(126,176,582)</b>	<b>-100%</b>	<b>(157,611,587)</b>	<b>-100%</b>

- **Primary collateral calculation – Estimated Aggregate Liability (EAL)**
  - Calculation based on invoice data
  - Average daily transactions extrapolated to estimate a) unbilled, historical period and b) forward period
- **“Sanity check” calculation – Net Load and Resource Imbalance (NLRI)**
  - Monitored daily and calculated at least weekly
  - BES only
  - Considers more recent history (schedules and estimated load or generation)
  - Estimates unbilled, historical period and extrapolates for an estimated forward period

**Q&A only**

## ERCOT Market Credit Status

as of 6/30/2008

as of 8/07/2008

### 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	
10	109,201,804	9%	162,509,496	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	56	714,101,420	60%	805,014,085 S
Guarantee Agreements	17	375,881,699	31%	540,302,618 S
<b>Total Exposure</b>	<b>83</b>	<b>1,199,184,923</b>	<b>100%</b>	

# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
12	100,205,278	15%	165,055,128	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	45	300,459,636	45%	592,867,668 S
Guarantee Agreements	15	261,942,577	40%	497,173,908 S
<b>Total Exposure</b>	<b>72</b>	<b>662,607,491</b>	<b>100%</b>	

### 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

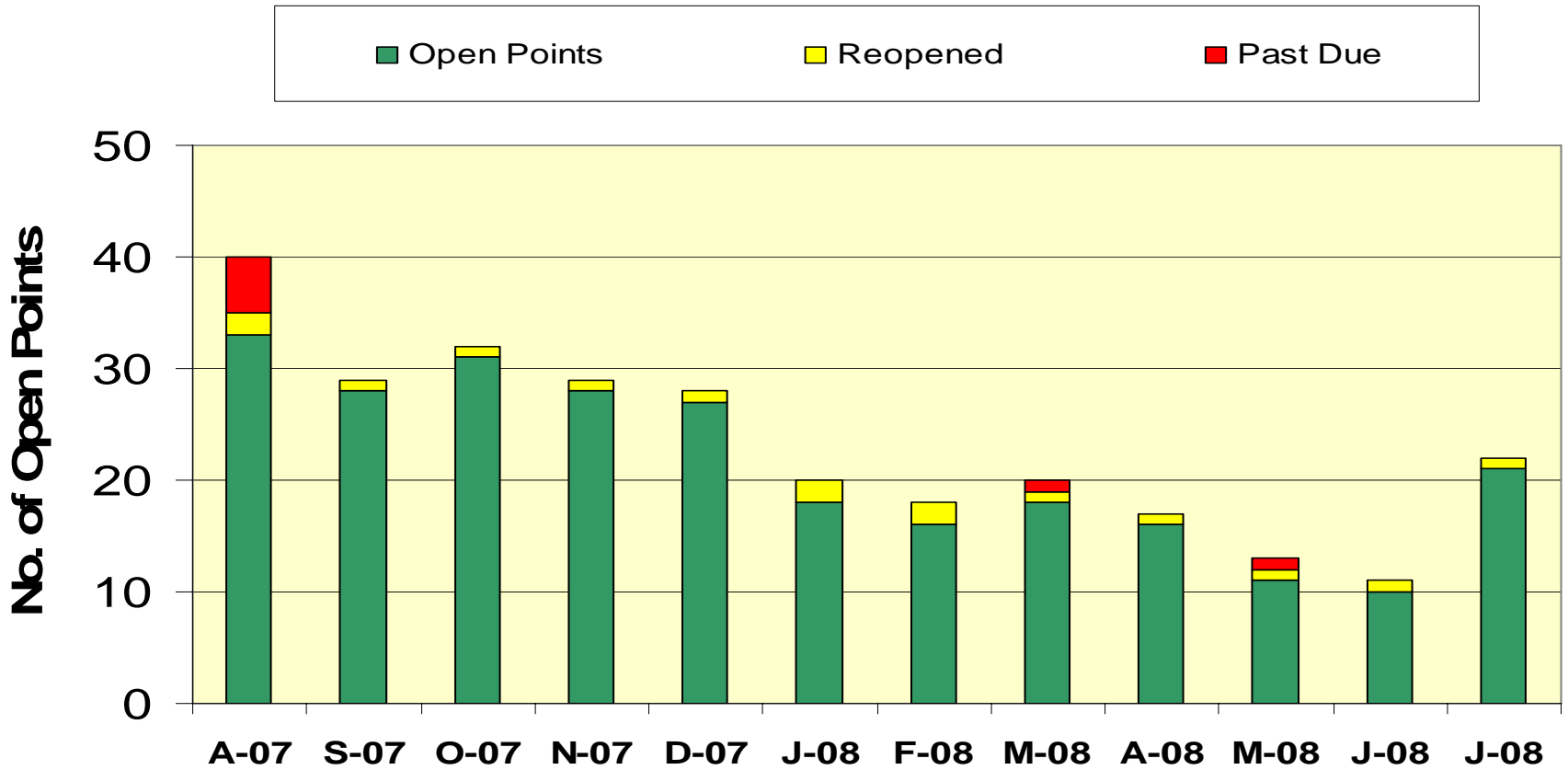
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U: Unsecured since these QSEs meet the creditworthiness standards  
 S: Secured i.e. required to post collateral since these QSEs do not meet the creditworthiness standards

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

Cheryl Moseley



Audits Completed	1	1	3	1	3	0	2	3	2	3	3	3
Points Added	1	4	20	1	5	0	5	11	3	0	6	11
Points Completed	15	15	17	4	6	8	7	9	6	4	8	2

Open audit points projected to be complete by March 31, 2009.

# 8. Committee Brief: Audit Cheryl Moseley

## **Audits Completed**

(last 3 months)

### **Internal Audits**

- Protocol 1.4 Confidentiality Compliance
- Q1 2008 Fraud Auditing
- Fixed Assets (Review of Plan to Control Personal Computers)
- Nodal Project SOWs (AREVA Targeted Review)
- Texas Nodal Program Controls – Review #7 (ERCOT Readiness; IAD performing fieldwork under direction of IBM)
- Nodal Spending
- Nodal Procurement Compliance
- NERC CIP Standards (Pre-Audit Testing; Special Request)

### **External Audits**

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

## **Open Audits**

### **Internal Audits**

- Protocol 1.4 Independence Verification
- Nodal Contractor/Vendor Billing
- Q2 2008 Fraud Auditing

### **External Audits**

- Benefit Plan Audit (Maxwell, Locke & Ritter)
- SAS70 Audit (PricewaterhouseCoopers)

## **Planned Audits**

(next 3 months)

### **Internal Audits**

- Cash and Investments
- Protocol 1.4 Ethics Compliance
- Nodal Implementation and Rollout
- Operational Procedure Compliance
- Nodal Operational Change Control – Nodal Release Management
- Vendor-performed Background Checks & Drug Screens for Contractors
- Fixed Assets (Testing of Personal Computer Asset Custody Process)

### **External Audits**

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

External Assessments

**Open Consultation/  
Analysis Reviews**

External Assessments  
1 security assessment

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

External Assessments  
1 security assessment  
planned for Nodal  
• 1 security assessment  
planned

- **ERCOT believes that it can and should be as responsive as possible to PUCT information needs regarding grid conditions and reliability actions that may have market impacts.**
- **ERCOT considers key drivers that influence market events, including:**
  - Weather
  - Outages
  - Congestion
  - Grid management tools
  - Protocols
  - Other conditions
- **Management plans to communicate regularly with the PUCT and the IMM on these topics, including potential scenarios and likely market impacts.**



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

Strategic	Operational Excellence	Market Facilitation	Grid Reliability	Reporting	Legal and Regulatory Compliance
<b>Strategy Development</b> Corporate objective setting adequately incorporates informed stakeholder input, market realities and management expertise.	<b>Performance Monitoring</b> Clearly defined and actively monitored performance metrics linked to mission and goals - Performance status communicated and corrective action taken.	<b>Customer Choice</b> 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 was completed as part of the Business Continuity project. System testing is currently scheduled to be done after nodal implementation.	<b>Grid Operations</b> Information required to operate the grid is efficiently gathered. Appropriate tools are prudently configured to efficiently operate the system.	<b>Review Practices</b> Prudent measures are taken to insure that company disclosures are properly vetted and not misleading.	<b>Legal &amp; Legislative</b> Operations are conducted in compliance with all laws and regulations. Impacts of current and proposed legislation are understood and communicated.
<b>Mission and Goals</b> Corporate objectives and performance standards are understood and followed.  New Strategic Plan needs to be integrated into the latest business planning cycle.	<b>Business Practices</b> Business planning, processes and management standards are effective and efficient.  Revisions to Business Continuity, Emergency Response and Pandemic Preparedness plans completed, approved and tested. DR plans and testing (table top only) completed for commercial/corporate applications except Exchange and Citrix which have a plan but have not been tested. Efforts now focused on adding nodal systems to BC/DR Plans to coincide with the start of the 168-hour test.	<b>Nodal Implementation Project</b> Nodal Implementation on budget on schedule, and within defined scope.  Program going through significant changes in leadership and direction. ERCOT has shifted perspective to a model that better supports integration of multiple large projects at the program level to ensure successful integration and delivery. Focus is on program and budget controls, resource management and release management.  New project schedule & budget is under development and expect to finalize by September Board meeting. Development of integrated project schedule has had a positive impact by revealing gaps in project alignment issues. Software defects have risen as testing intensifies. While severity 1 and 2 defects are reasonably low, severity 3 defects are significant and warrant a RED status on quality. Vendors continue to deliver updates to address defects.  CIM importer progress has improved with vendor application testing to begin around August 4. Significant progress has been made on real-time market, SCED and load frequency systems. A full market test was conducted recently and proved very successful. State Estimator accuracy has significantly improved.	<b>Planning</b> Long-range planning methods enable efficient responses to system changes that are necessary to maintain reliability standards.  The Long Term System Assessment (L TSA) work has started. At the July Regional Planning Group meeting, a draft scope of work was discussed and we obtained helpful stakeholder feedback. The PUCT decision on CREZ Scenario 2 was very helpful in defining the starting point for the study. System Planning department staffing has improved, but staff augmentation will be required to complete the L TSA on time.	<b>Disclosure</b> Reporting and other disclosures to intended parties is timely, accurate and effective.	<b>Internal Control Compliance</b> Internal Control Compliance, processes and management standards are effective and efficient.  The controls covered by ICMP and the SAS70 have been loaded into ControlPath Compliance system. ICMP Control Self Assessment Questionnaires have been issued for Q2. Policies/procedures are reviewed/updated annually. Changes to policies/procedures are periodically communicated to all ERCOT staff and contract workers. Adequate tools are in place to maintain a controlled environment.
<b>Reputation</b> Positive perceptions by stakeholders lead to less cost and greater flexibility resulting in enhanced enterprise value.  Increased publicity associated with the delay of the Nodal market and the potential for associated cost increases, anticipated new fee filings for the nodal surcharge and System Administration fee, high congestion, high price volatility and recent credit defaults have the potential to negatively impact ERCOT's reputation.	<b>Workforce</b> Organization design, managerial and technical skills, bench strength and reward systems aligned with corporate goals.  ERCOT continues to face a tight demand for the skill sets of many of our employees. We continue to be "amber" for ERCOT readiness; however, the benchmark of 98% staffed for nodal critical positions is a tough target for July and the months following before Nodal go-live. Summer is typically a strong hiring season. We continue to expect turnover to be a concern this year as market participants prepare for nodal implementation. As of August 1st ERCOT lost a number of senior level employees.	<b>Counterparty Credit</b> Maintain credit risk exposure for overall market within acceptable limits.  A draft Credit Risk standard has been circulated and is being reviewed with stakeholders. A proposal is expected to be submitted to F&A in October or November. Year to date, several QSEs have failed to post required collateral and five have been removed from the market. Processes that were implemented in mid-2006 to switch customers from defaulting QSEs in 3-4 business days were successfully implemented. There is an increased risk of additional defaults by market participants if energy price volatility remains high.	<b>Bulk System Resources</b> Market Participants construct and make available adequate bulk electric grid resources.	<b>Communication</b> Internal & external communications are timely and effective.	<b>Industry Standards</b> 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. Although current decentralized compliance activities are adequate, ERCOT is in the process of centralizing the compliance function to provide more focus on these issues. ERCOT will have a NERC Compliance Audit in September 2008.
<b>Fiscal Management</b> ISO design requires competent, prudent and cost effective provision of services.	<b>Technology Infrastructure</b> Information systems, supporting facilities and data are effectively managed and are reliable.  Systems remain stable in nearly all areas. Retail systems struggling to maintain SLA levels, especially Texas Market Link (TML). Root cause discussions underway and findings will be reported to the market. Market has legitimate concerns over the stability of TML and ERCOT IT shares those concerns. Data Center constraints will exist until new facilities are built.	<b>Administration, Settlement &amp; Billing</b> 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 was completed as part of the Business Continuity project. System testing is currently scheduled to be done after nodal implementation.	<b>Operational Responsibility</b> 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 a study indicated can be met. A joint ERCOT Staff and Market Participant Wind Operations Task Force is addressing several operational issues regarding wind generation and is making recommendations on changes to more reliably integrate wind generation.	<b>Adequacy and Integrity</b> Robust processes exist to support management assertions embodied within financial reports.	<b>Regulatory Filings</b> Evidence, testimony and other supporting materials are compelling and successful.  System Admin Fee rate case application was filed with the PUCT on June 17.

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.  
EVENT PROFILE MATRIX DEFINITIONS**

Strategic Risks	Operational Risks			Reporting Risks	Legal and Regulatory Compliance Risks
	Operational Excellence	Market Facilitation	Grid Reliability		
<p><b>Strategy Development</b> <i>Corporate objective setting adequately incorporates informed stakeholder input, market realities and management expertise.</i></p>	<p><b>Performance Monitoring</b> <i>Clearly defined and actively monitored performance metrics linked to mission and goals- Performance status communicated and corrective action taken.</i></p>	<p><b>Customer Choice</b> <i>Market design promotes efficient choice by customers of energy providers with effective mechanisms to change incumbent market participants as desired.</i></p>	<p><b>Grid Operations</b> <i>Information required to operate the grid is efficiently gathered. Appropriate tools are prudently configured to efficiently operate the system.</i></p>	<p><b>Review Practices</b> <i>Prudent measures are taken to insure that company disclosures are properly vetted and not misleading.</i></p>	<p><b>Legal &amp; Legislative</b> <i>Operations are conducted in compliance with all laws and regulations. Impacts of current and proposed legislation are understood and communicated.</i></p>
<p>Calibrated to Business Climate Risk-Based Resource Allocation  Execution Risk Identified &amp; Managed On-Going Event Monitoring Adaptive to Change</p>	<p>Capital Project Program Management Effective Use of Dashboards  Metrics Linked to Mission and Goals Effective Status Reporting Clear Standards and Expectations Quantifiable Key Performance Indicators</p>	<p>Effective Response to Change Requests Timely Communication to Participants</p>	<p>Operator Readiness Communications with MP  Data Availability &amp; Accuracy Robust Models and Tools are Utilized Operating Assumptions &amp; Judgment Scheduling Process (Congestion Mgt) Adherence to Standards &amp; Rules</p>	<p>Hierarchy of Internal Reviews Auditor Review  Board of Directors Review Notification and Escalation of Emerging Items Management Signoff</p>	<p>Contract Administration Comply w/ Applicable Laws, Rules, Regs, Standards Appropriate Legal Review Liability Related to Conduct Fines or Penalties Astute Politically Advocacy Effectiveness Knowledgeable of Legislative Agenda Proposed Rulemaking Practices</p>
<p><b>Mission and Goals</b> <i>Corporate objectives and performance standards are understood and followed.</i></p>	<p><b>Business Practices</b> <i>Business planning, processes and management standards are effective and efficient.</i></p>	<p><b>Nodal Implementation Project</b> <i>Nodal Implementation on budget on schedule, and within defined scope.</i></p>	<p><b>Planning</b> <i>Long-range planning methods enable efficient responses to system changes that are necessary to maintain reliability standards. Stakeholder Support</i></p>	<p><b>Disclosure</b> <i>Reporting and other disclosures to intended parties is timely, accurate and effective.</i></p>	<p><b>Internal Control Compliance</b> <i>Internal Control Compliance, processes and management standards are effective and efficient.</i></p>
<p>Clear Governance and Oversight  Comprehensive Policies/Procedures Clarity of Fiduciary Responsibility  Stakeholder Management Practices Clear Mission and Synchronized Cross Divisional Prioritization Ethical Practices Portfolio View of Risks (ERM)</p>	<p>Internal Controls are Effectively Designed &amp; Implemented Business Practices are Cost Effective Responsive to Change  Execution Consistency Documentation and Record Keeping  Business Continuity &amp; Disaster Recovery Physical Security Standards Safety Practices Adequate Physical Facilities (non-IT)</p>	<p>Project Timeframe on Schedule  Project Progressing within Budget Identified staffing positions filled with appropriate resources Scope of project fully identified Project interdependencies identified</p>	<p>Planning Assumptions and Processes Data Availability &amp; Accuracy  Sufficiency of Models, Forecast and Tools Adherence to Standards &amp; Rules</p>	<p>Prepared in Accordance with Relevant Standards Effective Management Reporting Reports are Transparent and Useful</p>	<p>Internal Control Management  Internal Audit Analysis and Findings External Audit Reviews</p>
<p><b>Reputation</b> <i>Positive perceptions by stakeholders lead to less cost and greater flexibility resulting in enhanced enterprise value.</i></p>	<p><b>Workforce</b> <i>Organization design, managerial and technical skills, bench strength and reward systems aligned with corporate goals.</i></p>	<p><b>Counterparty Credit</b> <i>Maintain credit risk exposure for overall market within acceptable limits.</i></p>	<p><b>Bulk System Resources</b> <i>Market Participants construct and make available adequate bulk electric grid resources.</i></p>	<p><b>Communication</b> <i>Internal and external communications are timely and effective.</i></p>	<p><b>Industry Standards</b> <i>Business practices provide stakeholders with required assurances of quality.</i></p>
<p>Publicity Management  Political Position  High Public Confidence and Trust Management/Employee Creditability Employee Values and Corporate Culture Good Neighbor Practices</p>	<p>Priorities Linked to Mission/Objectives  Compensation Programs Aligned w/ Objectives and Priorities Employee Training and Development  Workforce Planning Adequacy and Competency of Staff  Organizational Structure Performance Management</p>	<p>MP Credit Worthiness Standards  Measurement of exposure QSE Certification/De-certification Process Risk to Market from Sustained/Large Uplifts  Proactive identification of risk factors</p>	<p>Generation Resource Adequacy &amp; Availability  Transmission Resource Adequacy &amp; Availability Reactive Resource Adequacy &amp; Availability Timeliness of Additions / Modifications  Fuel Diversity and Availability</p>	<p>Methods are Appropriate for Audience  Message Achieves Desired Purpose  Effective Delivery Mechanisms Timeliness and Accuracy  Message Consistency over time and audiences  Responsiveness to Data Request Employee Opinions and Feedback Open Meetings</p>	<p>SAS 70 Audits  NERC Reliability Standards  ERCOT Operating Guidelines &amp; Protocols</p>
<p><b>Fiscal Management</b> <i>ISO design requires competent, prudent and cost effective provision of services.</i></p>	<p><b>Technology Infrastructure</b> <i>Information systems, supporting facilities and data are effectively managed and are reliable.</i></p>	<p><b>Admin, Settlement &amp; Billing</b> <i>Market rules fairly applied to all participants. Accounting is timely and accurately reflects electricity production and delivery.</i></p>	<p><b>Operational Responsibility</b> <i>Market participant conduct their operations in a manner which facilitates consistent grid reliability.</i></p>	<p><b>Adequacy and Integrity</b> <i>Robust processes exist to support management assertions embodied within financial reports.</i></p>	<p><b>Regulatory Filings</b> <i>Evidence, testimony and other supporting materials are compelling and successful.</i></p>
<p>Cash and Liquidity Management Efficient and Defensible Cost Structure Effective Use of Leverage Insurance and Liability Management Fraud Prevention and Detection Robust Financial Projections Effective Budget Analysis</p>	<p>Accessibility of Systems Systems Development/Testing Practices Systems Maintenance Practices System Redundancy System Reliability and Performance Efficient Technology Architecture Adequate Physical Facilities (for IT) Data Cleansing and Retention Cyber Security (Data and Systems)</p>	<p>Data Management Dispute Resolution Transparent and Defensible Rules Transaction Processing Efficiency Efficient Customer Switching Effective Market Monitoring Error Rates Within Tolerance Billing Dates Consistently Achieved</p>	<p>Preparation for Weather Events Prudent Maintenance Practices Sufficient Operating Resources Standard Compliance Norms</p>	<p>Completeness Verification methods Valuation and Estimation methods Costs &amp; revenues booked in proper period</p>	<p>Advocacy Effectiveness Responsive to Requests Compliance w/ Current Rules Relationship w/ Commission Positions are Supported by Facts</p>

## Color Code Methodology for Ranking Residual Risk

<b>Green</b>	Assessed levels of residual risk on a forward-looking basis for all identified potential occurrences are <b>fully within management tolerance levels</b> when all mitigating activities are considered.
<b>Green-Yellow</b>	Certain identified residual risks are <b>outside management tolerance</b> at the present time given current mitigating activities. The total levels of residual risk present a <b>minimal threat</b> to jeopardize the goals and objectives of ERCOT and mitigation plans must be in the process of being implemented in order to lower excessive residual risks to tolerable levels within a short period of time not to exceed <b>two quarters</b> .
<b>Yellow</b>	Certain identified residual risks are <b>outside management tolerance</b> at the present time given current mitigating activities. There may be more numerous identified risks than lower ratings or the potential consequences may be greater if any single or group of events occurs. The total levels of residual risk are <b>more than minimal</b> but still <b>not likely to jeopardize the goals and objectives</b> of ERCOT. Mitigation plans must be in the process of being implemented in order to lower any excessive residual risks to tolerable levels within a reasonable period of time not to exceed <b>four quarters</b> .
<b>Yellow-Red</b>	The residual risk of a given category after accounting for all mitigating activities is <b>significantly outside management tolerance</b> levels. Identified risks have a reasonable probability of occurring, which <b>would jeopardize the goals and objectives</b> of ERCOT. Proposed mitigation activities are either <b>inadequate</b> or would not reduce residual risk within an acceptable timeframe; however <b>expected loss is not imminent</b> and time is expected to be adequate to address identified residual risks prior to any likely occurrence.
<b>Red</b>	The residual risk of a given category after accounting for all mitigating activities is <b>significantly outside of management tolerance</b> levels. Identified risks have a <b>substantial probability of occurrence</b> which <b>would jeopardize the goals and objectives</b> of ERCOT. Proposed mitigation activities are either <b>inadequate</b> or would <b>not reduce</b> residual risk within an acceptable timeframe and there is a substantial probability that an identified residual <b>risk will occur</b> prior to the implementation of a mitigation strategy sufficient to lower the overall risk to a degree consistent with acceptable management tolerance levels.

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## 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.)
<b>CART</b>	Corporate Operations	9	1	7	12	4	7	40	8	1	4	53	8	11
	IT Operations	2	0	2	4	5	6	19	0	0	0	19	8	15
	Market/Retail Operations	1	0	4	5	3	4	17	1	1	13	32	5	10
	System Operations	0	0	1	2	0	2	5	0	0	0	5	1	3
	<b>Totals by Phase</b>	12	1	14	23	12	19	81	9	2	17	109	22	39
	<b>Total Non-Active</b>								28					

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

\* Projects Gone Live in July 2008

(MORO) PR-60008\_01 Terms and Conditions and Performance Measures

(CO) PR-70023\_01 Firewall Access Control Rationalization

(CO) PR-70047\_01 Corporate Applications Environment True-up

(CO) PR-80010\_01 Ruby Standardization

(CO) PR-60073\_01 E-Recruiting

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










## 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				2					1	3	
	ERCOT	12		11	8	3	4		7	16	61	
Unexpected Carry Over From 2007											30	
	PUCT										0	
	Market				1		1				2	
	ERCOT		1		8	5	11	2	1		28	
New Projects Added (Since PPL Approval in October 2007)											15	
	PUCT										0	
	Market				1						1	
	ERCOT			3	3	4	3		1		14	
2008 PPL Totals to Date											109	
	PUCT	0	0	0	0	0	0	0	0	0	0	
	Market	0	0	0	4	0	1	0	0	1	6	
	ERCOT	12	1	14	19	12	18	2	9	16	103	
Totals by Project Phase		12	1	14	23	12	19	2	9	17	109	

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## Year to Date Projects Over \$1 Million

(CART) Project Number and Description	Total Budget	Total Committed	Metrics	
(Duration) Phase (Sponsor)	Scheduled Completion		Schedule	Budget
<b>(IO) PR-70049_01: SAN Hardening</b> <i>(2007) Closing (R. Hinsley)</i>	\$880K	\$871K		
	Go-Live Dec. 2007			
<b>(CO) PR-60099_01: TCC2 Build-Out Phase One</b> <i>(2007) Currently in Closing (B. Kahn)</i>	\$2.64M	\$2.17M		
	Go-Live Oct. 2007			
<b>(IO) PR-60055_01: Enterprise Service Management</b> <i>Total committed reduced as a result of an adjusting entry to actuals.</i> <i>(2006-2007) Currently in Closing (R. Hinsley)</i>	\$1.61M	\$1.52M		
	Go-Live Mar. 2008			
<b>(CO) PR-60075_01: Identity Access Management</b> <i>Schedule stoplight red due to time taken to re-schedule around Nodal 168 hour test. Total committed reduced as a result of an adjusting entry to actuals.</i> <i>(2006-2007) Currently in Execution (B. Kahn)</i>	\$2.46M	\$1.92M		
	Expected Completion 1 <sup>st</sup> Qtr 2009			
<b>(CO) PR-80001_01: (2 sub-projects, PR-80001_02 &amp; PR-80001_03 ) MET Center Facility Analysis Deployment Phase 2</b> <i>(2008 - 2011) PR-80001_01, PR-80001_02 &amp; PR-80001_03 currently in Planning (B. Kahn)</i>	\$70M	\$582K		
	Expected Completion 4 <sup>th</sup> Qtr 2011			
<b>(IO) PR-80022: Additional SAN Capacity for Projects</b> <i>(2008) Currently in Closing (R. Hinsley)</i>	\$1.75M	\$1.74M		
	Expected Completion 3 <sup>rd</sup> Qtr 2008			

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## David Troxtell

### Year to Date Projects Over \$1 Million

(CART) Project Number and Description  (Duration) Phase (Sponsor)	Total Budget	Total Committed	Metrics	
	Scheduled Completion		Schedule	Budget
<b>(MO/RO) PR-70007_01: MarkeTrak Enhancements</b> <i>(2007-2008) Currently in Execution (T. Doggett)</i>	\$1.62M	\$996K		
	<i>Expected Completion 1<sup>st</sup> Qtr 2009</i>			
<b>(IO) PR-70054_01: (1 sub-project, PR-70054_02) Blade Refresh Deployment Phase 2</b> <i>Total committed is reduced due to correcting forecasting errors for last month, corrected this month.</i> <i>(2007-2008) PR-70054_01 Currently in Closing &amp; PR-70054_02 Currently in Execution, (R. Hinsley)</i>	\$2.50M	\$2.18M		
	<i>Expected Completion 3<sup>rd</sup> Qtr 2008</i>			
<b>(IO) PR-70055_01: SAN Capacity (part one)</b> <i>Schedule stoplight is orange due to project schedule variance under 10%. Total committed is reduced due to a true-up with Accounting for project closure.</i> <i>(2007-2008) Currently in Closing (R. Hinsley)</i>	\$1.75M	\$855K		
	<i>Expected Completion 2<sup>nd</sup> Qtr 2008</i>			

# 8. Committee Brief – PMO David Troxtell

## Baseline Budget vs. Actuals for Projects Closed in Lawson for 2008

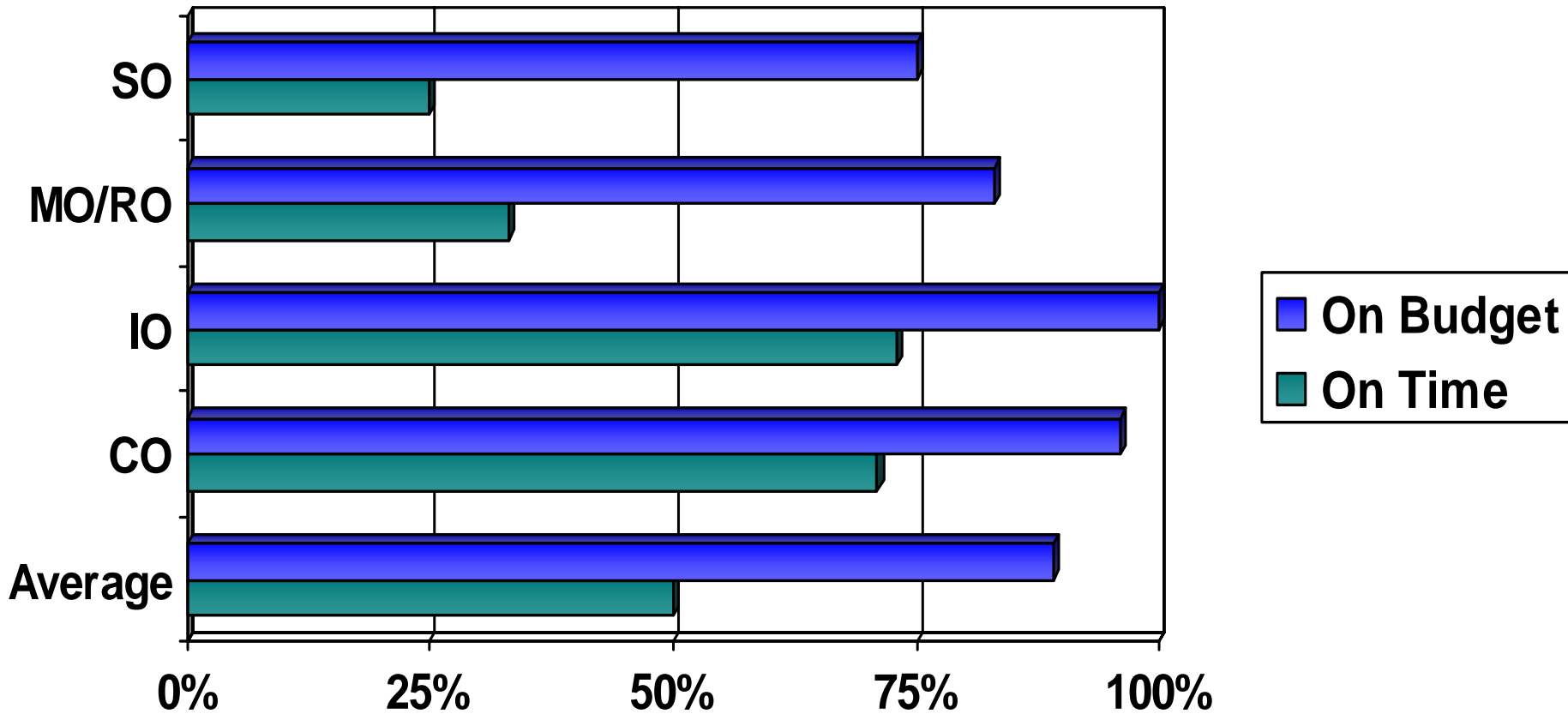
Project	Description	Year Implemented	Baseline Budget	Actuals	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	Explanation
70044_01	MET Center Analysis	2007	\$ 236,900	\$ 105,765	\$ 131,135	55%	ERCOT labor less than forecasted and consulting fees and contractor costs were 40% less than forecasted. Additionally, should not have included contingency of 10% on the contracted amounts for contractor services and equipment.
60082_01	Dynamic Rating Data to TSP	2007	108,700	50,786	57,914	53%	60082_01 was an unusual project. It took much longer than planned to complete, but it also required much less work than expected. The project turned out to be more of a configuration item than a software development project.
70006_01	SCR 748	2007	118,400	57,612	60,788	51%	Scope split to deliver the remaining work in 70006_02.
70026_01	Virtual Tape Backup	2007	1,350,000	768,534	581,466	43%	The \$581,466 variance for the 70026 project was due to price negotiations of hardware. All pricing was negotiated for lower costs than originally expected.
60097	Desk Side Standardization	2007	760,900	522,884	238,016	31%	Used internal resources more than anticipated (thus reducing the number of hours worked by contracted resources) for the deskside systems replacement effort and Altiris redesign effort. Software purchased for hardware-independent imaging reduced the number of internal labor hours required for creating standards.
60013_01	Enhanced Digital Certificate Program	2008	228,100	168,258	59,842	26%	The reason for the variance on the 60013_01 project was due to credits received from VeriSign in the amount of \$28,229. There was also \$20,135 for servers and operating systems that was not spent due to Nodal purchasing them for the MPIM project.
70005_01	MO SAS 70 Proc Optimization	2008	286,000	229,827	56,173	20%	Tasks over estimated by 10% and 10% contingency.
70012_01	Secure Remote Access	2008	403,000	337,169	65,831	16%	Slight reduction in scope based on problems experienced during rollout with drive mapping, memory utilization on intranet controllers, and issues with VMWare.
70039_01	Risk and Compliance Management	2007	366,800	318,583	48,217	13%	Invoices were accrued against the project that should not have been which resulted in the lower actuals.
70050_01	EIS ETL Tool Implementation	2007	478,500	442,473	36,027	8%	
50031_01	EDW EMMS Decommission	2007	485,600	476,864	8,736	2%	
50123_03	Document Management - Ph III	2007	137,400	141,913	(4,513)	(3)%	
50024	Enhancements to SCR727	2007	1,607,300	1,674,678	(67,378)	(4)%	
70013_01	Corporate Document Management	2008	69,700	72,878	(3,178)	(5)%	
70035_01	REC 2007	2008	146,300	159,280	(12,980)	(9)%	
50137_02	Maestro Replacement - Ph II	2007	10,000	11,207	(1,207)	(12)%	Additional expenses not originally budgeted for.
50017_02	Collateral Calculation	2008	359,100	598,164	(239,064)	(67)%	Several iterations for requirements clarification required.
50071_01	Governor Analysis Enhancements	2008	92,000	160,901	(68,901)	(75)%	Business requested additional functionality adding to the scope of the project. The additional costs reflects the scope changes.
		<b>Count = 20</b>	<b>\$ 7,642,250</b>	<b>\$ 6,652,224</b>	<b>\$ 990,026</b>	<b>13%</b>	

### NOTE:

1. Baseline budget does not include change controls that were approved without granting a new baseline budget.
2. List and totals include projects delivered and reported in previous years Project Management reports but closed in Lawson in 2008.
3. Favorable is when a project is delivered under budget. (UnFav)orable is when a project is delivered over budget.
4. Explanations are not required for variance + or - 10%



### 2008 Active Projects Performance



Note: Includes projects started in previous years.  
Projects that change to inactive states will impact results.

## Go Live Project for July 2008

- **PR-60008: Terms and Conditions and Performance Measures**

### **Scope:**

- **PRR 672 / PUCT Substantive Rule 25.214 (PUCT Project 29637)**
  - Retail Market Timing Necessary for PUCT Project 29637
- **PRR707**
  - Prioritization and Timing of Transactions Based Upon PRR672
- **PUCT Substantive Rule 25.88 (PUCT Project 33049)**
  - Performance Measurements Reporting updates for transaction timing changes

### **Deliverables:**

NAESB/PaperFree architecture and configuration changes, Paperfree/TIBCO prioritization processing of transactions, NAESB/Paperfree development package for secured transport of Customer Billing Contact Information Files to TDSP, Internal Reporting and Monitoring changes, Performance Measures reporting updates

**Timeline:** May 2007 – July 2008

## Go Live Project for July 2008

- **PR-70023\_01 Firewall Access Control Rationalization**

- **Scope:** To read, analyze and report on the validity of the firewall rules for all ERCOT firewalls utilizing a centralized tool.
- **Deliverables:** Purchased and deployed software designed to review, rationalize, report and optimize the firewall rule structure to ensure that the goals of the policy are met. The software will also validate that firewall rule changes manage traffic as expected.
- **Timeline:** September 2007 - July 2008

## Go Live Project for July 2008

- **PR-70047\_01 Corporate Application Environment True Up**
  - **Scope:** Provide a standard 3-tier development/test/production environment for corporate applications.
  - **Deliverables:** Purchased and installed software and built out servers for Identity and Access Management and Enterprise Service Management (Remedy) based applications.
  - **Timeline:** September 2007 - July 2008

## Go Live Project for July 2008

- **PR-80010\_01 Ruby Standardization**

- **Scope:** Provide a standard 3-tier development/test/production environment for Ruby on Rails.
- **Deliverables:** Purchased and installed software and built out servers for Ruby on Rails redundant servers.
- **Timeline:** September 2007 - July 2008

## Go Live Project for July 2008

- **PR-60073\_01 e-Recruiting**

- **Scope:** Implement Lawson e-Recruiting module Phase I.
- **Deliverables:** The e-Recruiting module was purchased when the Lawson software was purchased. E-Recruiting provides an automated tool and central repository for candidate data that can be shared by ERCOT recruiters. Additionally, public facing web access allows upload from 3<sup>rd</sup> party job sites (Monster, Dice, CareerBuilder).
- **Timeline:** August 2007 - July 2008

## Large Project Update

- **PR-70007\_01 MarkeTrak Enhancements (Workflow and Reporting)**
  - **Scope:** To implement enhancements to the MarkeTrak tool by: (a) Increasing usability; (b) Improving workflow of MarkeTrak Issues; and (c) Increasing reporting functionality.
  - **Deliverables:** This will require development to the MarkeTrak GUI, API, Workflows, TIBCO adapters, automation in Siebel, as well as DDL changes to source and ODS databases.
  - **Timeline:** 05/2007 – 02/2009
    - Release 1 Complete 06/14/2008

# 8. Committee Brief – PMO David Troxtell

## ERCOT Enterprise Projects Summary Report

ERCOT Overall Projects Report

Reporting Period:

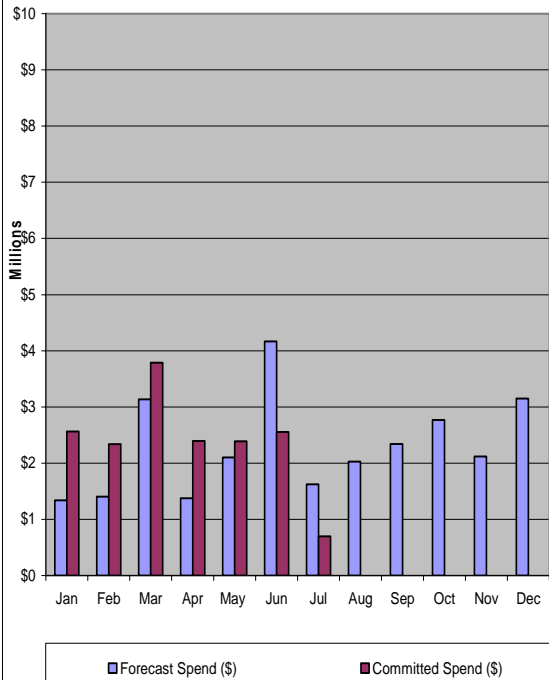
8/4/2008

Summary

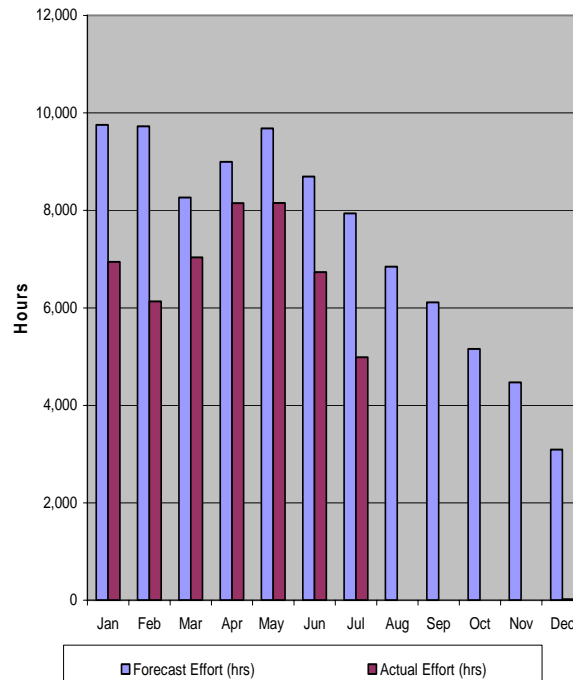
ERCOT Projects Leadership		Projects in ERCOT's Portfolio					Portfolio Performance		
Executives		On Hold	Initiation	Planning	Execution	Closing	Schedule	Budget	Milestones
Kent Saathoff	Trip Doggett	2	1	14	24	12	Y	G	Y
Ron Hinsley	Steve Byone	Closed	19	Total Active		51			
		Cancelled	9	Projects Not Started:		12		Current Year Funding:	\$33,746,880

Portfolio Performance Summary

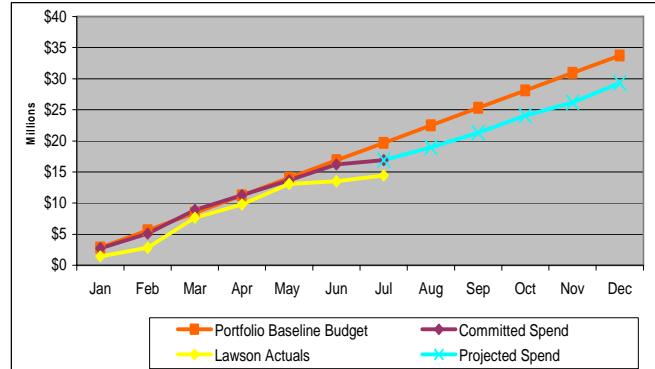
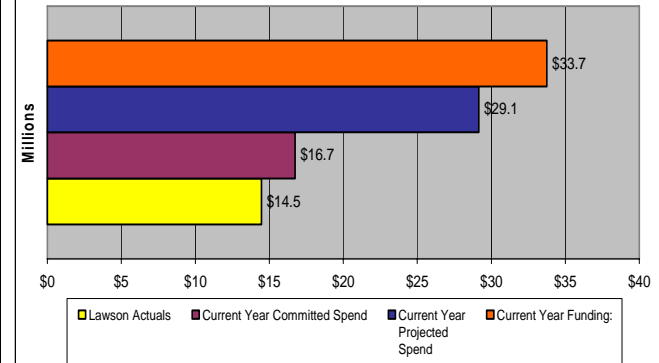
ERCOT Projects  
Current Year - Spend



ERCOT Projects  
Current Year - Effort



ERCOT Projects  
Current Year to Date Financials



Notes

**Note:**  
**Project/Status Count/Budget Variance:**  
 CO:(4 Deferred); MORO:(13 Deferred); SO-DPO:(1 NODAL in Execution).





## **Future Agenda Items – September 2008**

- **Met Center**
- **Engagements of external auditors for other services (pre-approval policy)**
- **Review year-end forecast**
- **Credit update**
- **Review of Finance & Audit Committee charter**
- **Committee briefs**
- **Future agenda items**

# 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
- √ •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
- √ •Conduct annual review of insurance coverage(s)
- √ •Review the Company's dealings with any 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
- Review the Company's dealings with any financial institutions that are also market participants

## 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