



**Texas RE, an independent division of ERCOT  
Audit Plan for  
2008 Financial Statements**

**Presentation to the Texas Regional  
Entity Advisory Committee**

**January 19, 2009**

# Agenda

- Our Audit Objectives
- Scope and Terms of Engagement
- Timing
- Key Audit Areas
- Audit Strategy
- Closing

# Our Audit Objectives

Our audit of TRE's 2008 financial statements is directed towards delivering assurance at three levels:

- Independent opinion that adds credibility to financial statements released by TRE
- Assistance to the Texas RE Advisory Committee in discharging their corporate governance and compliance responsibilities
- Observations and advice on financial reporting and business issues

# Scope and Terms of Engagement

Our engagement letter sets out the terms of our appointment as auditors of ERCOT, and covers the following matters:

- Scope of audit
  - TRE FS only
- Our responsibilities and limitations
- Management's responsibilities
- Other documents
- Timing and fees

# Timing

## Activity

## Dates

Meeting with Texas RE  
Advisory Committee

January 2009

Audit planning and interim testing

January 2009

Audit fieldwork

February & March 2009

Issuance of audit report

April 2009

Report to the Committee

April 2009

# Key Audit Areas

## ➤ Regulatory accounting

- Delegated authority to propose, monitor, and enforce federal electric reliability standards
- Not entitled to keep financial variances realized as a result of their activity
- Consistency with other ISOs

- Cost and balance sheet allocations
  - Contractual agreements
  - Time tracking
  - Separate bank accounts

# Audit Strategy

Our audit strategy is comprised of the following:

- Identification and assessment of relevant risks
- Consideration and validation of key controls ERCOT and TRE has in place to manage and mitigate risks
- Primarily substantive testing for efficiency of audit

Functional Separation:

- Separate financial information
- Independent Board of Directors
- Decision-making ability
- Memorandum of Understanding



# Closing

- We appreciate our professional relationship with TRE
- Questions?