ERCOT Nodal Program

Budget Management Process

Ownership

The ERCOT Chief Technology Officer is responsible and accountable for managing the use of funds allocated for the implementation of the Nodal wholesale market. This requires the implementation and management of a structured organization (roles & responsibilities, processes, controls, reports and review) to make the best business decisions for the program, meaning, adding the most value with available funds.

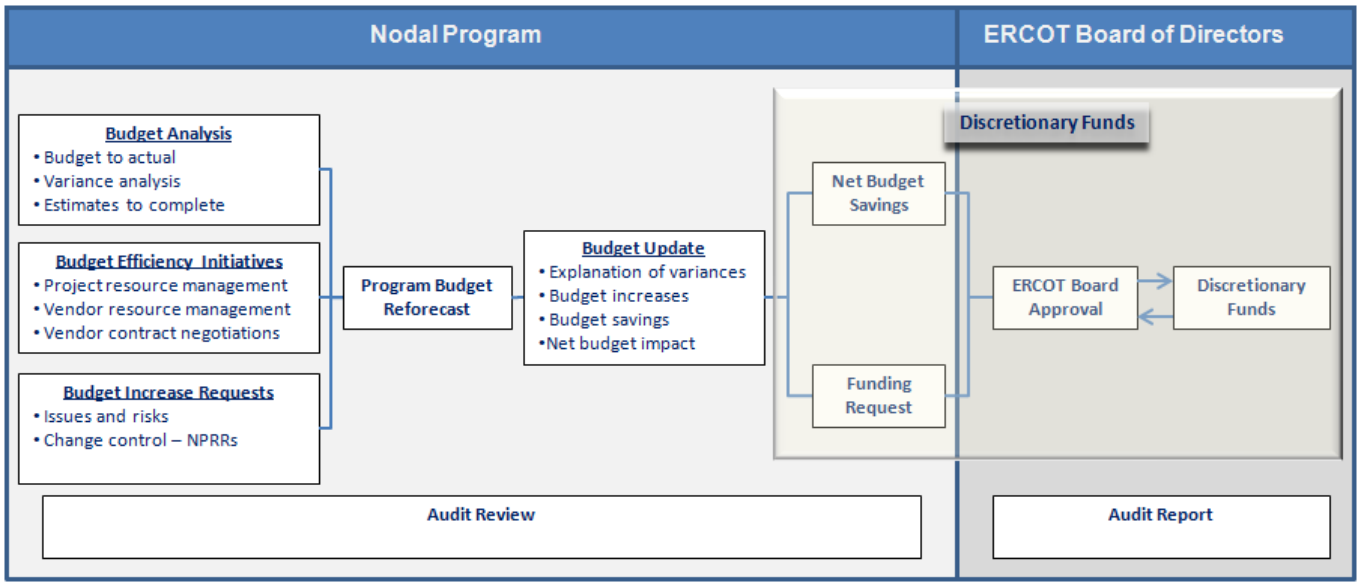
Purpose

The purpose of the budget management process is to:

- Ensure value for money - continuously assess budget efficiency and effectiveness
- Control spend – ensure prudent and efficient use of funds
- Manage discretionary funds – outline the process and controls over additional project funding
- Report to stakeholders - provide details on program spend, estimate to complete, issues and risks

Process

The budget management process is illustrated as follows:



The tasks and deliverables for the budget management process are follows:

Tasks & Deliverables	Frequency	Description
Budget Analysis	Monthly	• Variances in budget spend are calculated and reported to the Project Management Office (PMO) immediately and should not be delayed for inclusion in the monthly budget analysis process - Responsibility: Project Manager • Each project completes an assessment of actual project spend against expected budget and an explanation of any variances – Responsibility: Project Manager • Based on progress to date, work to complete and project risk assessments, each project completes an Estimate to Complete (ETC). - Responsibility: Project Manager • Variance analysis and ETCs are reported to PMO for review approval

		- Responsibility: Project Manager • PMO challenges and investigates variances and ETCs for reasonableness and completeness - Responsibility: PMO Lead • Variances and explanations reviewed with the CFO - Responsibility: CTO
Budget Efficiency Initiatives	Continuous	• Continuously investigate initiatives to reduce the current program budget. - Responsibility: CTO • Report progress of these initiatives to the Special Nodal Program Committee and the ERCOT Board as part of the monthly Nodal update - Responsibility: CTO *The major elements of the Nodal Program budget spend are:* - *Vendor contracts for applications* - *Contract staff* - *IT infrastructure and hardware* - *ERCOT staff* *Initiatives proposed include:* - *Renegotiation of major vendor contracts* - *Vendor resource management and review* - *Contract resource management and review*
Budget Reforecast	Monthly	• Based on project ETCs, budget efficiency results, approved NPRRs and program risks assessments, reforecast the program budget - Responsibility: PMO Lead • Submit the reforecast budget to the CTO for review and approval - Responsibility: PMO Lead
Budget Update	Monthly	• As part of the monthly Nodal Update, present a budget update report to the Special Nodal Program Committee and the ERCOT Board of Directors. This report will include: • Reforecast budget • Explanations of significant budget variances • Progress and results of budget reduction indicatives • Net increase or decrease in overall program budget - Responsibility: CTO
Discretionary Funds	Quarterly	• Where the net impact to the program budget is a projected overall decrease in spend, present to the Special Nodal Program Committee for recommendation to the ERCOT Board of Directors a request to increase discretionary funds. This request will contain: • Detailed explanation of how the savings were made • The amount to be added to the discretionary fund • Lessons learned and any corrective actions to improve budget planning, controls and management - Responsibility: CTO • Where the net impact to the program budget is a projected overall increase in spend, present to the Special Nodal Program Committee for recommendation to the ERCOT Board of Directors a request for release of discretionary funds. The request will contain:

		• Due diligence on the need for the increased spend. This should include consideration of areas such as:
		  • justification for the budget increase
		  • consideration of whether the change can be deferred to a later release
		  • assessment of different solution options considered
		  • the criteria used in the solution selection
		• Explanation as to why this increase in spend has occurred including, for example:
		  • materialization of a known risk and why risk mitigation failed
		  • NPRR change control request
		  • poor project management
		• Requirements definition for program changes and estimated cost
		• Assumptions and risks relating to proposed program changes
		• Work schedule and resource plan relating to the proposed changes
		• Impact assessment to overall integrated schedule
		• Lessons learned and any corrective actions to improve budget planning, controls and management
		- Responsibility: CTO
		
		Requests for funds will be presented at the next available Special Nodal Program Committee and ERCOT Board of Directors meetings. Board Packet procedures consistent with the Board Policies and Procedures will be followed.

Audit Review	To Be Determined	• Conduct periodic internal audit reviews on the budget process and controls to confirm they are working effectively and make recommendations for improvements - Responsibility: CTO