

Date: May 7, 2009
To: Texas Regional Entity Board of Directors
From: Larry Grimm, Chief Executive Officer and Chief Compliance Officer
Subject: Recommendation of Texas Regional Entity 2009 Goals and KPIs

Texas Regional Entity Board of Directors Date: May 19, 2009

Agenda Item No.: 5A

Issue:

Approval of Texas Regional Entity 2009 Goals and Key Performance Indicators (KPIs).

Background/History:

The Texas Regional Entity Advisory Committee (“Committee”) Charter requires that the Committee annually review and make recommendations to the Texas Regional Entity Board of Directors (“Board”), regarding the performance goals and objectives with respect to the compensation of the Chief Executive Officer (CEO). The Committee has reviewed and recommends that the Board approve the Texas Regional Entity 2009 Goals and KPIs, which are attached hereto as *Exhibit A*.

Larry Grimm, Texas Regional Entity CEO and Chief Compliance Officer, requests that the Board approve the Texas Regional Entity 2009 Goals and KPIs.

Key Factors Influencing Issue:

- The requirement that Texas Regional Entity Goals be included in the Texas Regional Entity Budget and Business Plan.
-

Alternatives:

- Modify the proposed Texas Regional Entity 2009 Goals and KPIs.
-

Conclusion/Recommendation:

Mr. Grimm requests that the Board approve the Texas Regional Entity 2009 Goals and KPIs, as set forth in *Exhibit A*.

RESOLUTION OF THE TEXAS REGIONAL ENTITY BOARD OF DIRECTORS

, 2009

WHEREAS, the of Board Directors of Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc., a Texas non-profit corporation, deems it desirable and in the best interest of Texas Regional Entity to approve the Texas Regional Entity 2009 Goals and Key Performance Indicators, as set forth in **Exhibit A**;

THEREFORE be it RESOLVED, that the Texas Regional Entity hereby recommends that the Board approve the Texas Regional Entity 2009 Goals and Key Performance Indicators, as set forth in **Exhibit A**, which is attached hereto and incorporated herein for all purposes.

CORPORATE SECRETARY'S CERTIFICATE

I, Susan Vincent, Corporate Secretary of Texas Regional Entity, do hereby certify that, at the May 19, 2009 Texas Regional Entity Advisory Committee Meeting, the Texas Regional Entity Advisory Committee approved the above referenced resolution. The motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , 2009.

Susan Vincent
Corporate Secretary

Exhibit A

Texas Regional Entity 2009 Goals and Key Performance Indicators

	Key Performance Indicator	Pct.	Current Quarter Performance	Score	Status/Comments
1	Meet responsibilities as a Regional Entity and maintain independence from the ERCOT ISO.	25%			Audit to determine whether Texas RE is operating in compliance with (1) the Delegation Agreement between NERC and Texas RE, (2) the Texas RE Bylaws, and (3) other obligations and responsibilities as approved by FERC.
2	Prepare Texas RE Business Plan & Budget and conduct base operations within approved budget.	15%			Final Texas RE Board-approved BP&B due to NERC on July 8 th .
3	Effectively manage the NERC Compliance Monitoring and Enforcement Program.	20%			Perform in accordance with Delegation Agreement and NERC Rules of Procedure; meet all submittal schedules; participate in NERC, FERC, and Stakeholder activities as required.
4	Monitor and investigate non-compliance with ERCOT Protocols and Operating Guides.	15%			Monitor (not in real-time) Stakeholder performance and investigate all instances of potential non-compliance identified by Texas RE Staff or reported to Texas RE by the ERCOT ISO or other Stakeholder(s).
5	Manage the Texas RE Standards Development Process.	10%			Effectively facilitate and coordinate the activities of the Reliability Standards Committee (RSC) and Standard Drafting Teams (SDTs).
6	Effectively communicate with the Board, Industry, Regulators, and other Stakeholders.	15%			Routinely communicate with NERC Staff and other Regional Entity Staff at varying levels, to implement and maintain consistency and uniformity regarding compliance monitoring and enforcement, and standards development programs and discuss program issues; provide monthly Board reports on compliance activities; discuss Protocol compliance activities and related matters with PUCT Staff; regularly provide updates to Stakeholders related to Texas RE and NERC activities on website and in Stakeholder meetings; continue to develop IT automation tools for reporting and communication.
		100%			

KPI 1: Meet Responsibilities as a Regional Entity and Maintain Independence from the ERCOT ISO

Goal	Pct of KPI	Measurement	Status/Score	Performance
Receive a favorable audit from FERC in 2009.	30%	Audit report indicates Texas RE effectively operating as a Regional Entity and maintaining its independence from the ERCOT ISO.		Texas RE operates in compliance with: (1) the Delegation Agreement between NERC and Texas RE; (2) the Texas RE Bylaws; and (3) all other obligations and responsibilities as approved by FERC.
Receive a favorable performance assessment from NERC in 2009.	30%	NERC's review and report indicates that Texas RE is performing in accordance with its delegation agreement with NERC – is developing and enforcing Reliability Standards and providing for an adequate level of Bulk Power System reliability in accordance with its delegation agreement.		Texas RE's enforcement program: (1) meets all applicable legal requirements; (2) promotes consistent interpretations of the Reliability Standards; (3) provides for comparable levels of sanctions and penalties for violations of the Reliability Standards which constitute comparable levels of threat to the Bulk-Power System; and (4) reflects the requirements of the enforcement program.
Respond as required to all FERC and NERC Requests for Information.	20%	Respond to requests in accordance with FERC directives.		All responses submitted to as agreed to between FERC and/or NERC and Texas RE.
Maintain effective relationships with FERC and NERC Staff.	20%	Good and positive relationship is maintained and nurtured.		Openly communicate, effectively interact, and maintain credibility with FERC and NERC Staff.
	100%			

KPI 2: Prepare Texas RE Budget and Conduct Base Operations within Approved Budget

Goal	Pct of KPI	Measurement	Status/Score	Performance
Develop achievable Texas RE Budget and Business Plan.	25%	Submit Texas RE Budget and Business Plan on time.		Draft #1 due to NERC on May 8 th ; Draft #2 due to NERC on May 29 th ; final Texas RE Board-approved BP&B due to NERC on July 8 th .
Receive a favorable Financial Audit.	25%	Successfully complete audit and submit report to NERC on time.		Obtain unqualified ("clean") audit opinions; audit report due to NERC by 150 days after the end of the fiscal year.
Maintain effective Texas RE fiscal controls.	20%	Submit to NERC un-audited quarterly interim financial statements by the 20 th day after the end of the fiscal quarter.		Reports provided to NERC prior to January 20 th , April 20 th , July 20 th , & October 20 th .
File all required reports with NERC.	15%	95% of reports submitted to NERC on time.		All reports and information submitted to NERC in accordance with timelines and guidelines provided to Texas RE.
Assess and revise cost accounting procedures and methods.	15%	Complete assessment and revision process by June 30, 2009.		Ensure procedures and methods are revised as needed to enhance Texas RE's operational and fiscal performance.
	100%			

KPI 3: Effectively Manage the NERC Compliance Monitoring and Enforcement Program

Goal	Pct of KPI	Measurement	Status/Score	Performance
Develop Texas RE Compliance Program Implementation Plan annually and submit to NERC.	15%	Submit annual plan to NERC by November 1 st for the following calendar year.		Develop 2010 Implementation Plan; collaborate as needed with NERC Staff and other Regional Entity Staff to ensure uniformity and consistency among Regions.
For 2009, complete all compliance audits.	15%	Complete all 38 scheduled audits completed and issue final reports by December 31, 2009.		Audit schedule followed – 21 on-site; 18 tabletop (off-site).
Conduct compliance analyses of significant events and take applicable enforcement actions in accordance with the NERC Compliance Monitoring and Enforcement Program (CMEP).	35%	Analyses conducted in accordance with processes and procedures and appropriate enforcement actions taken.		All analyses conducted in a timely manner and completed in accordance with processes and procedures.
Prepare and submit to NERC all required reports.	10%	95% of reports submitted to NERC on time.		Reports submitted to NERC in accordance with timelines and guidelines provided to the Regional Entities.
Maintain up-to-date NERC Regional Compliance Registry and provide updates to NERC.	15%	Keep registry up-to-date/provide updates to NERC within 5 business days of being received from the Registered Entity or as requested by NERC.		Compliance registry updated in accordance with NERC requirements and updates are promptly provided to NERC.
Comply with all NERC CMEP timelines.	5%	Meet timelines 95% of time.		Adhere to and meet established timelines.
Develop internal CMEP-related Texas RE Procedures.	5%	Procedures developed and completed by March 31, 2009.		Completed procedures to be submitted for Legal and/or IT review by March 31, 2009; Legal and/or IT review complete by April 30, 2009.
	100%			

KPI 4: Monitor and Investigate Non-Compliance with ERCOT Protocols and Operating Guides

Goal	Pct of KPI	Measurement	Status/Score	Performance
Revise ERCOT Compliance Process	40%	Revision completed and submitted for Legal and CEO review by March 31, 2009.		Process revision completed in accordance with schedule.
Prepare and submit to the PUCT all required/requested reports.	30%	Reports provided to the PUCT on agreed to schedule.		Reports provided in accordance with approved process.
Comply with all ERCOT Compliance Process timelines.	30%	Meet timelines 90% of time.		Adhere to and meet established timelines.
	100%			

KPI 5: Manage the Texas RE Standards Development Process

Goal	Pct of KPI	Measurement	Status/Score	Performance
Comply with the Texas RE Standards Development Process and associated timelines.	70%	Process facilitated, effective and measurable Regional Standards are developed, and timelines met 90% of time.		Adhere to and meet established timelines.
Maintain an effective Registered Ballot Body (RBB).	30%	Each segment within the RBB is adequately represented.		Ballot body maintained with all segments represented.
	100%			

KPI 6: Effectively Communicate With the Industry, Regulators, and Other Stakeholders.

Goal	Pct of KPI	Measurement	Status/Score	Performance
Manage and implement new Texas RE-related IT projects.	15%	<ul style="list-style-type: none"> • Texas RE Website deployed by 4/30/09 and content kept up-to-date. • Complete Document Management System by 12/31/09. • Complete Portal-related projects by 4/30/09. 		<ul style="list-style-type: none"> • Project start date was January 5, 2009. This project has been delayed due to other higher priority projects. • Project start date projected to be April 2009. • Projects started December 2008.
Communicate activities related to the Compliance and Standards Development Programs.	15%	Texas RE Staff to attend stakeholder meetings as needed/requested.		Texas RE Staff attend and participate in applicable stakeholder meetings; distribute updates and notices to market participants through the Texas RE Information list serve.
Coordinate communication activities related to the NERC/Texas RE Programs.	15%	Communications provided and coordinated as directed by NERC.		Regularly communicate and interact with NERC and Regional Entity Staffs at all levels to consistently and uniformly implement and maintain compliance, enforcement, and standards development programs.
Conduct Compliance Monitoring and Enforcement and Standards Development Program Informational Session(s).	15%	Sessions conducted.		Conduct workshops to inform and respond to questions from Registered Entities.
Effectively communicate with the Board, Regulators, and Legislators.	40%	Visit and maintain open communications with Board Directors and FERC and PUCT Commissioners and key staff, and key Texas Legislators and their aides.		Continue to regularly meet and interact with Board Directors and key PUCT and FERC Staff; continue to further develop communications relationships at all levels of FERC, NERC, and PUCT. Interact with Legislators as needed.
	100%			