



ERCOT Finance & Audit Committee Meeting
7620 Metro Center Drive, Austin, Texas
Met Center, Conference Room 168
May 20, 2009; 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) (04/22/09)	C. Karnei	7:30am
	Decision required	2b. Approval of executive session minutes (Vote) (03/17/09)	C. Karnei	7:32am
	For discussion	2c. Internal Audit status report	B. Wullenjohn	7:35am
	For discussion	2d. Internal Audit 2009 goals update	B. Wullenjohn	7:40am
	Informative	2e. EthicsPoint update	B. Wullenjohn	7:50am
3.	Decision required	3a. Debt financing and liability risk management	C. Yager	7:55am
	Informative	3b. Preview of BOD insurance update	C. Yager	8:25am
	For discussion	3c. External audit draft Request For Proposal	M. Petterson	8:30am
4.	Informative	4. Contracts, personnel, litigation and security	Various	8:45am
		Recess Executive Session		8:50am
		Convene General Session		
5.	Decision required	Approval of general session meeting minutes (Vote) (04/22/09)	C. Karnei	8:50am
6.	Decision required	Vote on items from executive session (Vote)	C. Karnei	8:52am
7.	Decision required	Approval of Internal Audit department charter (Vote)	B. Wullenjohn	8:55am
8.	For discussion	2009 Operating budget update	M. Petterson	9:00am
9.	For discussion	2010 Budget assumptions and planning	M. Petterson	9:10am
10.	For discussion	Investment status update	C. Yager	9:20am
11.	Decision required	Market Credit Risk Standard (Vote)	C. Karnei	9:25am
12.	For discussion	Market Credit Work Group proposal for market losses	M. Davies	9:30am
13.	Informative	Committee Briefs (Q&A only)	All	9:45am
14.	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, June 16, 2009, at ERCOT, 7620 Metro Center Drive, Austin, Texas 78744, in Room 168.*

Decision required
For discussion

5. Approval of General Session Minutes Clifton Karnei

- **Approval of General Session Minutes**
 - Vote 4/22/09

DRAFT ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
MINUTES OF THE FINANCE & AUDIT COMMITTEE – GENERAL SESSION
7620 Metro Center Drive (Room 168) – Austin, Texas 78744
April 22, 2009

Pursuant to notice duly given, the Finance & Audit Committee of the Electric Reliability Council of Texas, Inc. convened on the above-referenced date. Chair Clifton Karnei confirmed that a quorum was present and called the meeting to order at approximately **7:31 a.m.** The Committee met in Executive Session from **7:31 a.m. to 8:40 a.m.**, at which time it recessed to General Session. The Committee met again in Executive Session for a few minutes after the General Session and immediately before adjournment.

General Session Attendance

Committee members:

Ballard, Don	Office of Public Utility Counsel	Residential Consumer	Present
Cox, Brad	Tenaska Power Services	Independent Power Marketer	Not Present
Espinosa, Miguel (Vice Chair)	Unaffiliated Board Member	Unaffiliated Board Member	Present
Gent, Michehl	Unaffiliated Board Member	Unaffiliated Board Member	Present
Jenkins, Charles	Oncor Electric Delivery Company	Investor Owned Utility	Not Present
Karnei, Clifton (Chair)	Brazos Electric Power Cooperative	Cooperative	Present
Thomas, Robert	Green Mountain Energy Company	Independent Retail Electric Provider	Present
Wilkerson, Dan	Bryan Texas Utilities	Municipal	Present

Other Board Members and Segment Alternates:

Bartley, Steve	CPS Energy	Municipal	Present
Crowder, Calvin	American Electric Power Service Corporation	Investor Owned Utility	Present
Patton, A.D.	Unaffiliated Board Member	Unaffiliated Board Member	Present
Ryall, Jean	Constellation Energy	Independent Power Marketer	Present
Smitherman, Barry	Public Utility Commission of Texas	PUC Chairman	Present
Walker, Mark	NRG Texas	Independent Generator	Present

ERCOT staff and guests present:

Barry, Sean	PricewaterhouseCoopers
Bassett, Ryan	PricewaterhouseCoopers
Brenton, Jim	ERCOT – Director, Security
Byone, Steve	ERCOT – Vice President and Chief Financial Officer
Cleary, Mike	ERCOT – Senior VP and Chief Technology Officer
DiPastena, Phil	ERCOT – Enterprise Risk Manager
Doolin, Estrellita	ERCOT – Assistant General Counsel
Grable, Mike	ERCOT – Vice President and General Counsel
Jefferis, Don	Opportune, LLC
Kahn, Bob	ERCOT – President and Chief Executive Officer
Leady, Vickie	ERCOT – Corporate Counsel

Lester, Suzanne	ERCOT – Executive Assistant, Finance
Petterson, Mike	ERCOT – Controller
Roberts, Grady	ERCOT – Director, Contract Administration & Procurement
Stauffer, Tarra	ERCOT – Legal Assistant
Troxell, David	ERCOT – Director, PMO
Wullenjohn, Bill	ERCOT – Director, Internal Audit
Yager, Cheryl	ERCOT - Treasurer

Approval of Prior Meeting General Session Minutes

Clifton Karnei referred Finance & Audit Committee (Committee) members to a document that set forth revisions (as proposed by Brad Cox) to the draft minutes for the General Session of the Committee meeting held March 17, 2009. **Miguel Espinosa moved to approve the minutes for the General Session of the Finance & Audit Committee meeting held on March 17, 2009 with the revisions submitted by Brad Cox. Michehl Gent seconded the motion. The motion passed by voice vote with no abstentions.**

Vote on Items from Executive Session

Mr. Espinosa moved to approve staff’s recommendation to extend the maturity of an existing short-term credit facility. Mr. Gent seconded the motion. The motion passed by voice vote with no abstentions.

Briefing on ERCOT Contract Administration

Grady Roberts referred to the materials previously provided to the Committee and described the process by which business users request, approve and execute contracts per ERCOT operating procedures. He noted that the Contract Administration Department at ERCOT operated as the facilitator for vendor contract activity. Don Ballard inquired where the contract administration function resided in the ERCOT structure and how such placement compared to other companies. Mr. Roberts replied that the Contract Administration Department was part of the ERCOT Finance organization and that the usual place for the contract administration function, based on his experience, was in the Operations or Finance organization. Mr. Roberts noted that business users and project managers manage day-to-day vendor performance under contracts by establishing controls over cost, risk, schedule, change and quality. Mr. Espinosa inquired about possible improvements to the contract administration process. Mr. Roberts replied that areas for development include upgrading skill sets to manage complex procurements and negotiations; broadening the ability to focus on vendor issues/concerns after contract execution; moving from a contract-centric thinking to life-cycle governance thinking; and augmenting internal skill sets with external expertise as warranted.

Mr. Roberts explained how outside experts are used when necessary and noted the use of the third-party contract negotiator for the Nodal Program. Bob Kahn assured the Committee members that ERCOT was where it needs to be with respect to managing vendors and contracts and that ERCOT has a realistic and achievable road map for future vendor activities. Mr. Espinosa expressed concern about the potential for risk if ERCOT focuses only on meeting deliverables at the cost of cutting procedural corners. Mr. Kahn replied that there are ample checks and balances and adequate oversight on the Nodal Program. Robert Thomas and Dan Wilkerson asked what the process would be if Contract Administration had a disagreement with the business user or project manager about a contract issue. Steve Byone responded that the matter would be escalated through the Legal Department, Bob Kahn and himself. Don Ballard expressed a desire to have a periodic update on Contract Administration, and Steve Byone replied that this topic would be added as a future agenda item.

Market Credit Risk Standard

Cheryl Yager led a brief discussion of the draft Market Credit Risk Standard, provided in the Committee materials. She advised that this proposed Standard would be brought for Committee approval and Board approval at the May 2009 Committee and Board of Directors meetings. Ms. Yager stated the proposed Standard's objective was financial stability and integrity in the market place. She added that the proposed Standard would define how risk is measured. Mr. Karnei confirmed with Ms. Yager that the proposed Standard could be refined in the future if needed. Mr. Karnei asked for any comments on the draft, but received no recommendations for revisions.

Update on Annual Financial Audit

Sean Barry and Ryan Bassett of PricewaterhouseCoopers (PwC) presented highlights from the 2008 annual financial statement audit. Mr. Barry advised the Committee that PwC had completed the audit of ERCOT Inc.'s 2008 financial statements and was prepared to issue an unqualified opinion following acceptance of the audited financial statement by the Finance & Audit Committee. Mr. Barry noted two changes to the previously provided draft 2008 ERCOT financial statements. Mr. Karnei confirmed that PwC would provide revised audited financial statements to all Board members that day. Miguel Espinosa inquired if PwC had any major areas of concerns with the Nodal program capitalized costs. Mr. Barry responded that after extensive testing, no major concerns were identified. Mr. Barry advised that the Texas Regional Entity (TRE) audit was embedded in the ERCOT audit and was comprised of separate financial reporting. During a more detailed discussion of audit fieldwork, Ryan Bassett added that asset balances and transactions were thoroughly tested and reviewed and concluded that PwC (1) discovered no account reconciliation issues, (2) proposed no entries to adjust the financial statements, and (3) observed substantial improvement in accounting and financial reporting practices. Mr. Thomas asked if audit testing included allocations to the Nodal Program and Mr. Barry responded affirmatively. Mike Petterson discussed treatment of a single true-up adjustment made by management in mid-2008 and related to the estimation and allocation of interest expense to the Nodal Program. Mr. Petterson also discussed management judgments relating to the allocation of payroll taxes and other employee benefits associated with ERCOT staff time invested in the implementation of the Nodal Program. **Miguel Espinosa moved to recommend that the Board accept the PricewaterhouseCoopers, LLP Report on Audit of Financial Statements for the Years Ended December 31, 2008 and 2007. Michehl Gent seconded the motion. The motion passed by voice vote with no abstentions.**

Update on Nodal Filing

Steve Byone reported that staff had filed the updated Nodal rate case on March 31, 2009. He noted that the rate requested would achieve 40 percent equity / 60 percent debt split by Nodal go-live in December 2010.

Investment Update and Quarterly Review of Investment Results

Cheryl Yager directed the Committee to materials previously distributed and provided a summary of ERCOT Investments for First Quarter 2009. Ms. Yager noted the steps taken by ERCOT staff when considering -new investment funds including reviewing the Prospectus and other relevant information to ensure the prospective fund (a) meets all requirements of the revised Investment Corporate Standard, (b) provides controls that meet ERCOT requirements, and (c) meets ERCOT liquidity requirements. Ms. Yager concluded by directing the Committee to the list of funds under consideration.

Annual Review of Procedures for Handling Reporting Violations

Mike Petterson updated the Committee on the procedures in place to handle employee concerns relating to financial reporting. He explained that employees might report their

concerns to (a) any Manager or Director; (b) any representative of the Human Resources, Legal or Internal Audit Departments; (c) any member of the PUCT staff; (d) any ERCOT Board member; and (e) the EthicsPoint tool for anonymous reporting. He added that employees receive training to ensure they are aware of the options annually during the ethics reaffirmation process.

2009 Financial Forecast Update

Mike Petterson informed the Committee that the total reforecast of 2009 had been delayed primarily as a result of preplanning the Nodal Program and comprehensive new load forecast due to be completed in May. He noted that although revenues were not sufficient to cover expenses, a net favorable budget variance was expected for 2009 due to receipt of prior year sales tax refunds. Don Ballard inquired about alternative options to make up the revenue shortfall and Mr. Byone commented that alternative options included cutting costs, increasing the system administration fee, and incurring more debt.

Committee Briefs

Materials for the following areas were distributed prior to the meeting:

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

Future Agenda Items

The following items were identified as future agenda items:

1. Standing Internal Audit agenda items
2. Standing Investment update
3. 2010 Budget assumptions and planning
4. Insurance update
5. Update on financing plan
6. External audit draft request for proposal
7. Committee briefs
8. Future agenda items

Adjournment

Clifton Karnei adjourned the meeting at approximately 10:03 a.m.

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

6. Vote on Items from Executive Session Clifton Karnei

<Vote>

**Annual Approval of the Internal Audit Charter
(Proposed Charter attached as a separate document)**

- Vote
- At the April 22, 2009, F&A Committee meeting where the Charter was discussed, there were no changes requested by the Committee, the Chief Executive Officer, or Internal Audit to the Charter. The Committee indicated that it was supportive of the language in the current Charter and would formally vote to approve the Charter at the May 20, 2009, Committee meeting.



Internal Audit Department Charter

MISSION AND SCOPE OF WORK

The mission of the Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the Internal Audit Department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- The systems of internal control established to ensure compliance with ERCOT's policies, plans and procedures, laws, and regulations are adequate and functioning as intended.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.

Opportunities for improving management control, economy, and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

ACCOUNTABILITY

The Director of Internal Audit is the Chief Audit Executive at ERCOT. The Chief Audit Executive (CAE), in the discharge of his/her duties, shall be accountable to management and the Finance and Audit Committee of the Board of Directors to:

- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

INDEPENDENCE

To provide for the independence of the Internal Audit Department, its personnel report to the CAE, who reports administratively to the Chief Executive Officer and functionally to the Finance and Audit Committee of the Board of Directors in a manner outlined in the above section on Accountability. It will include as part of its reports to the Finance and Audit Committee, a regular report on internal audit personnel.

RESPONSIBILITY

The CAE and staff of the Internal Audit Department have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Finance and Audit Committee for review and approval.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Finance and Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Establish a quality assurance program by which the CAE assures the operation of internal auditing activities.
- Perform consulting services, beyond Internal Audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Finance and Audit Committee and management summarizing results of audit activities.
- Keep the Finance and Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Finance and Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Finance and Audit Committee of the results.

- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

AUTHORITY

The CAE and staff of the Internal Audit Department are authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Finance and Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The CAE and staff of the Internal Audit Department are not authorized to:

- Perform any operational duties for the organization or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

STANDARDS OF AUDIT PRACTICE

The Internal Audit Department will meet or exceed the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

William G. Wullenjohn Sr.
Director, Internal Audit Department
Chief Audit Executive

Bob Kahn
President and Chief Executive Officer

Clifton Karnei
Finance and Audit Committee Chair

Dated

Revised: 5/20/2008

8. 2009 Operating Budget Update: Revenue Requirements vs. Income Sources As of April 2009

Revenue Requirements

	Budget	Actuals	Variance
Base Operating Expenses (<i>excluding depreciation</i>)	28,967	29,971	(1,004)
Principal Repayment (<i>12 month spread</i>)	8,712	8,712	-
Interest Payments	2,527	1,849	678
Revenue-Funded Project Expenditures (<i>40%</i>)	5,087	1,766	3,321
NERC Electric Reliability Organization Expenses	714	714	-
Texas RE Protocol Services	291	193	97
Subtotal - Revenue Requirements	46,297	43,206	3,091

Revenue, Other Income & Interest Income

System Administration Fee	39,169	36,371	(2,798)
Wide-area Network Fees	766	758	(8)
NERC Electric Reliability Organization Fee	714	714	-
Generation Interconnection Study Fees	383	278	(105)
Membership Dues	83	106	23
Interest Income	33	41	8
Other Revenue	6	11	5
Subtotal - Revenue, Other Income & Interest Income	41,154	38,279	(2,875)

Excess/(Deficit) of Revenue, Other Income & Interest Income Over Revenue Requirements

	(5,143)	(4,927)	216
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NOTES:

1. Schedule excludes all activity related to the sales tax refund received from State Comptroller and non-cash activity.
2. Timing of expenditures and revenues fluctuate through the year; however, annually, the approved budget reflects sufficient revenues to fund the planned expenditures.
3. Principal repayments occur in May and November. For funding purposes, the repayment has been spread equally over 12 months.

Revenue Requirements

- Base Operations \$1M over budget
 - Internal effort on projects (Nodal and Base) below budget levels
 - Nodal spending less than budgeted resulting in reduced allocation credit in Base Operations
- Base project spending \$3.3M below budget
 - Spending projected to increase in future months
 - Anticipate on budget performance for total year
- Interest Expense \$678K below budget
 - Interest rates less than budgeted
 - Project spend below budget
 - Sales Tax revenue decreasing borrowing requirements

Income Sources

- System Administration Fee \$2.8M below budget
 - Energy consumption 6.7M MWhs (7.1%) below budget

- **Monthly management review for unfavorable trends**
- **Regular briefing to Finance & Audit Committee with financial reports to the Board**
- **Examples of Cost Control initiatives**
 - Only essential travel
 - Defer non-critical outside services
 - Re-negotiate support/license agreements
 - Limit minor capital purchases

9. 2010 Budget Assumptions and Planning: Budget Development Schedule – Mike Petterson

Date	2010 Budget Preparation, Review and Approval Task
Monday, Apr. 13	Discuss with Executive Team the 2010 Strategic Plan and Budget
Monday, May 4	Discuss with the Executive Team the 2010 strategic plan, budget schedule and budget assumptions
Tuesday, May 19	Finance and Audit Committee Meeting Discuss and review the 2010 Budget/PPL Status Update
Tuesday, Jun 16	Finance and Audit Committee Meeting Discuss and review the 2010 Budget/PPL Status Update Board of Directors Meeting Discuss and review with the Board the strategic planning and budget assumptions (briefing and request for public comment)
Thursday, Jun. 18	Present and discuss with PUCT Staff the 2010 budget schedule and assumptions
Monday, Jun. 22	Prepare and present to Management the 2010 budget schedule and assumptions
Tuesday, Jun. 23 - Tuesday, Jun. 30	Managers prepare departmental budget requests and review with respective Director/VP
Wednesday, Jul. 1	Managers submit departmental budget requests
Thursday, Jul. 2 - Friday, Jul. 3	Calculate and compile DRAFT Categorical Budget (Budget team)
Monday, Jul. 6	Begin testimony preparation
Monday, Jul. 6 - Tuesday, Jul. 7	Review preliminary budget by Office with VP/Director/Manager and revise budgets (as necessary)
Wednesday, Jul. 8	Prepare and present consolidated schedules to the Executive Team for review
Thursday, Jul. 9 - Friday, Jul. 10	Work with Management Team to incorporate final adjustments
Monday, Jul. 13	Prepare and present consolidated schedules to the Executive Team for review
Tuesday, Jul. 14	Mail out for Finance and Audit Committee and Board Meeting
Tuesday, Jul. 21	Finance and Audit Committee Prepare and present to the Finance and Audit Committee the Preliminary Budget/PPL (Courtesy copy to all Board members)
Monday, Jul. 27	Prepare and present consolidated schedules to the Executive Team for review
Tuesday, Jul. 28 - Friday, Aug. 7	Distribute consolidated schedules to PUCT Staff for review
Tuesday, Jul. 28	Mail out for Special Finance and Audit Meeting
Tuesday, Aug. 4	Finance and Audit Committee Special Meeting and Public Input Meeting Discuss and review the 2010 Budget with the Finance and Audit Committee (Courtesy copy to all Board members)
Friday, Aug. 7	Submit first draft of testimony
Monday, Aug. 10	Prepare and present consolidated schedules to the Executive Team for FINAL review
Tuesday, Aug. 11	Mail out for Board Meeting
Tuesday, Aug. 18	Board of Directors Meeting Obtain Finance and Audit Committee recommendation for approval by the ERCOT Board of the 2010 Budget Discuss and review the 2010 base operating budget
Friday, Sept. 11	Finalize testimony
Tuesday, Sept. 15	Board of Directors Meeting Obtain approval from the ERCOT Board for the 2010 base operating budget and PPL/Vote
Monday, Sept. 14 - Wednesday, Sept. 23	Review and finalize PUCT Fee Filing
Wednesday, Sept. 30	File fee case with PUCT

Requirements

- Provide sufficient staff for base operations and Nodal Program Implementation
- Provide essential facilities including the Met Center Replacement
- Accommodate software upgrades and hardware refreshes necessitated by delay in the Nodal Program including expansion of the data center
- Accommodate principal and interest payments on the Senior Note and Term Loan

Major Assumptions

- Nodal remains on schedule and budget
- Texas RE becomes a separate legal entity
- Protocol compliance verification is paid for by ERCOT via System Administration Fee

9. 2010 Budget Assumptions and Planning: 2010 Budget Assumptions

Staffing

- Headcount growth
 - tbd
 - Confirm with Nodal program reforecast
- Salary Adjustment
 - Assume annual increase of 3% for merit and 1% for salary adjustment
- Benefit/Tax Load
 - Assume 32%

Contra Labor for Nodal and Base Projects

- Internal resource requirements for project support
- Reconcile to resource utilization portfolio compiled by PMO Office

Employee Expenses

- Assume \$2,200 per employee

Capital Spending

- Developed by PMO Office based on CART & TAC input/approval

For discussion

Committee previously considered the Standard at April 22, 2009 meeting

Vote for recommendation to the Board

Please see Board agenda item 12a for decision template

ERCOT CORPORATE STANDARD

Document Name: Market Credit Risk Standard

Document ID: _____

Effective Date: Upon Approval

Owner: Board of Directors, F&A Committee

Approved:

1.0 PURPOSE

This Market Credit Risk Standard provides a framework by which the ERCOT Board of Directors seeks to maintain the long-term financial integrity of the ERCOT market and to help ensure that overall market credit risk is maintained within acceptable limits.

Recognizing that a number of risk factors contribute to overall market credit risk and that it is beneficial to quantify and describe these risks, a model has been developed to help evaluate the combined impact of key market credit risk factors. The model objectives and parameters are outlined further in this Market Credit Risk Standard.

This Standard and the output of the potential credit risk model do not change collateral requirements or Market Participant obligations to comply with those collateral requirements under the ERCOT Protocols. Changes to collateral requirements require a change to ERCOT Protocols through Section 21, Process for Protocol Revision.

2.0 DEFINITIONS

Base Case – the Potential Credit Risk Model scenario that considers only forms and amounts of collateral required by the ERCOT Protocols.

BOD – Board of Directors

Current Case – the Potential Credit Risk Model scenario that considers forms and amounts of collateral held as of a specific point in time. This scenario may include collateral amounts above those required by the ERCOT Protocols and which may be unilaterally withdrawn at the Counter-Party's direction.

CWG – Credit Work Group

Expected Loss – the average – although not the most common – outcome across all model outcomes. It represents the loss the ERCOT market as a whole should expect to incur over time under given market conditions as a result of its portfolio credit risk.

Loss Distribution – a range of potential losses under a specific set of parameters with a given probability of occurrence

Potential Credit Risk (PCR) Model – the financial model that ERCOT uses to measure potential credit risk. It is constructed using a standard Potential Future Exposure framework that produces a portfolio Loss Distribution of potential losses.

Potential Credit Risk (PCR) Report – a report that summarizes the results from the PCR Model together with ERCOT’s analysis

Potential Future Exposure (PFE) – an estimate of potential credit risk resulting from existing counterparty relationships in light of possible future risk factors such as price volatility and volume escalation.

Probability of Default (PD) – a Counter-Party specific estimate of the likelihood that a specific Counter-Party will default over a specified time horizon

TAC – Technical Advisory Committee

3.0 STANDARD

Market Credit Risk Objective

In seeking to fulfill BOD objectives to provide for a reliable Texas electricity market, ERCOT stakeholders will

- o directly consider the credit implications of operational or market decisions, and
- o seek to maintain a balance of identified key credit risk factors such that the combined impact of these factors yields a market-wide credit risk profile consistent with an investment grade rating

Delegation of Authority

Responsibility for monitoring and reporting on credit risk for the market consistent with this Standard is hereby delegated to the Chief Executive Officer, the Chief Financial Officer and the Treasurer. These individuals will ensure the BOD is advised of credit risk as measured by the PCR Model.

This delegation does not mean that the results of any particular model analysis will be the final determination of credit risk in the ERCOT market. Such determination rests with the BOD.

Internal Control

The Treasurer will ensure that written procedures and internal controls are established over the portfolio credit risk analysis process to ensure that results are consistent with the approved process reflected in this Standard.

The Treasurer will ensure that these controls are reviewed periodically by ERCOT's Internal Audit staff to monitor compliance with control procedures. The results of Internal Audit reviews as well as underlying controls may be reviewed by the Finance and Audit Committee of the BOD upon request.

In addition, the Treasurer, in cooperation with the BOD, will seek an independent review of the PCR Model prior to incorporating the PCR Model into any determination of collateral requirements or within one year of Nodal market implementation and at least biennially thereafter.

Measurement

ERCOT will use a standard Potential Future Exposure framework for measuring credit risk. The PCR Model, which was built on this framework, will be maintained within this framework.

At a minimum, ERCOT's portfolio credit risk analysis will include the following risk factors:

- Probability of Default for each QSE (resulting from credit score or rating),
- Forward price analysis,
- Price volatility analysis,
- Volume escalation behavior analysis, and
- Simplified collateral calculations.

ERCOT will recommend updates of these and other risk factors if key risk factors change.

ERCOT will update model assumptions periodically with CWG input. The BOD will be informed of all model parameter changes.

ERCOT will run stress scenarios in addition to the Base Case and Current Case to quantify extreme credit risk (incorporating such things as market price events, high correlations of default, impacts of specific types of market activities and high concentration of exposures to Counter-Parties or types of Counter-Parties).

While recognizing that it is impractical to model all possible loss scenarios within the PCR Model, the PCR Model is a valuable tool to more effectively monitor credit risk within the ERCOT market. The model considers identified risk factors and provides an indication of potential losses; however, actual losses may be more or less than those indicated by the model.

Reporting

ERCOT will maintain and run the PCR Model and will prepare a summary analysis of results:

1. at least quarterly,
2. whenever ERCOT determines there have been significant changes in underlying credit risk factors which warrant a model run, and
3. upon request of TAC or CWG when contemplating market rule changes for which significant credit implications are being evaluated.

The PCR Report will, at a minimum, include:

1. the Base Case and Current Case scenarios,
2. Expected Loss, median loss and Loss Distribution at the 90, 95, 99 + percentile for required and ad hoc scenarios,
3. Large impact stress scenarios at or above the 99th percentiles and other stress scenarios
4. a listing of inputs used and assumptions made (specific, where possible; general when inputs are Counter-Party specific), and
5. ERCOT's summary analysis of the reasons for significant changes in the measurement of credit risk from the prior PCR Report.

A summary of the PCR Report will be provided to the Finance and Audit Committee of the BOD, TAC and the CWG at least quarterly.

Market Credit Risk Standard Adoption.

ERCOT's Market Credit Risk Standard will be adopted by resolution of the BOD. The standard will be reviewed at least annually by the Finance and Audit Committee and any modifications made thereto must be approved by the BOD.

For discussion

Q&A only

ERCOT Market Credit Status

as of 3/31/2009					as of 4/30/2009					
	# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted		# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
Exposure in the ERCOT Market (owed to ERCOT)										
<u><i>QSEs that meet ERCOT Creditworthiness Standards</i></u>										
Ratings over BBB-	12	27,178,150	10%	171,927,975	U	11	23,955,675	10%	168,576,041	U
<u><i>QSEs that do not meet ERCOT Creditworthiness Standards</i></u>										
Ratings below BBB- or not rated										
Cash & Letters of Credit	53	147,587,719	53%	242,474,264	S	52	144,792,100	63%	253,963,214	S
Guarantee Agreements (Note 1)	20	101,269,947	37%	460,521,345	S	16	61,255,089	27%	341,071,345	S
Total Exposure	85	276,035,816	100%			79	230,002,864	100%		
Other QSEs in the ERCOT Market (ERCOT owes)										
<u><i>QSEs that meet ERCOT Creditworthiness Standards</i></u>										
Ratings over BBB-	5	(3,818,286)	-9%	45,288,702	U	6	(2,606,678)	-6%	48,635,749	U
<u><i>QSEs that do not meet ERCOT Creditworthiness Standards</i></u>										
Ratings below BBB- or not rated										
Cash & Letters of Credit	58	(31,469,939)	-74%	48,206,541	S	59	(30,299,966)	-64%	32,646,422	S
Guarantee Agreements (Note 1)	7	(7,144,424)	-17%	83,602,000	S	11	(14,018,266)	-30%	173,952,000	S
Total	70	(42,432,649)	-100%			76	(46,924,910)	-100%		
Total	155					155				

U: For QSEs that meet ERCOT's Creditworthiness Standards, amount of unsecured credit granted.
S: For QSEs that do not meet ERCOT's Creditworthiness Standards, amount of Security posted.

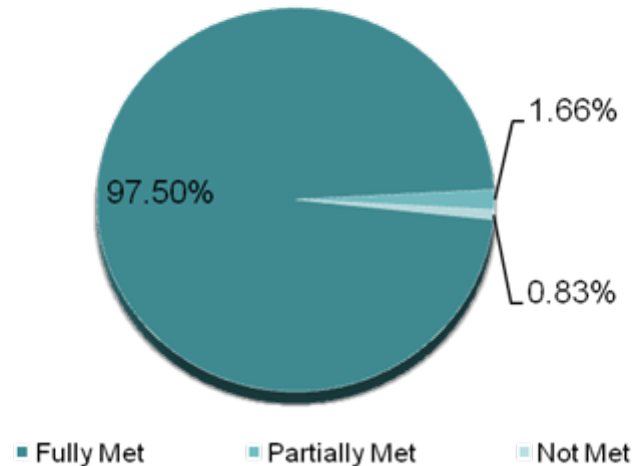
13. Committee Brief: ICMP – Status of Internal Controls

Cheryl Moseley

Internal Control Management Program (ICMP) is ERCOT's SOX compliance program (voluntary)

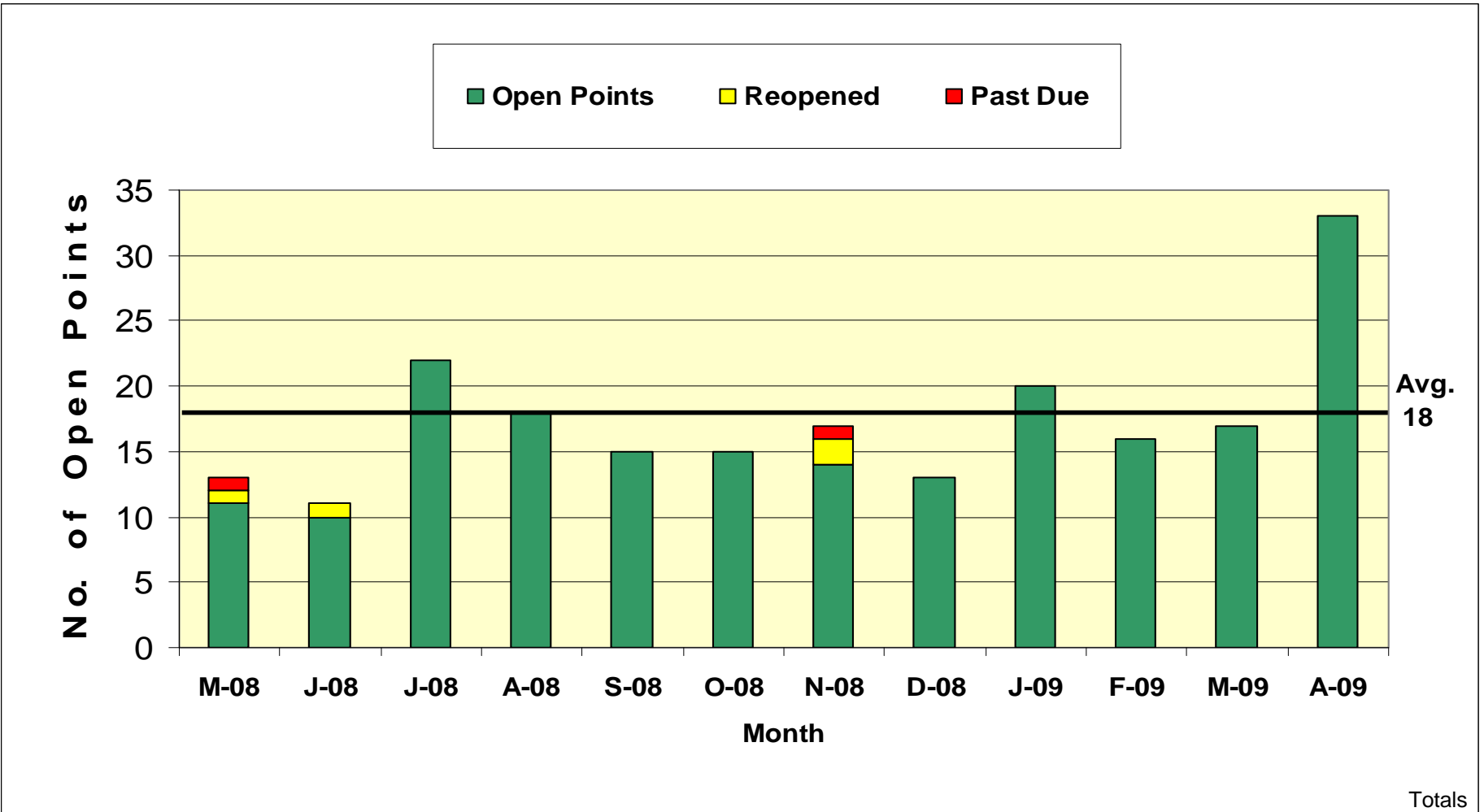
- **ControlPath Compliance system enables routine monitoring by management of control effectiveness**
- **Control Self Assessment (CSA) questionnaires are issued quarterly**
 - 122 questionnaires issued in Q1 2009; 100% response rate
 - Remediation is 90% complete for controls reported as partially met or not met

Q1 2009 CSA Results



13. Committee Brief: ICMP – Status of Open Audit Points

Cheryl Moseley



	M-08	J-08	J-08	A-08	S-08	O-08	N-08	D-08	J-09	F-09	M-09	A-09	Totals
Audits Completed	3	3	3	2	4	1	3	5	1	1	6	2	37
Points Added	0	6	11	2	0	0	4	11	12	9	24	27	109
Points Completed	4	8	0	6	3	0	2	15	5	13	23	11	96

May increase in points added is primarily due to the Utilicast Report #10. All but one open audit point projected to be complete by September 30, 2009.

Audits Completed

(last 3 months)

Internal Audits

- FY2008 Fraud Auditing
- NERC CIP Standards – Auditable Compliance (Special request – Part 2 of 2)
- Nodal “Budget to Actual” Management Review (Special Request)
- 2008 Year End Accruals
- Credit Process
- Protocol 1.4 Required Audit – Confidentiality Compliance
- Change Control/Release Management

External Audits*

- 2008 Financial Audit (PwC)
- Nodal Program Review – Integration (Report #9; Utilicast, LLC)
- Nodal Program Review – Infrastructure & Integration Readiness (Report #10; Utilicast)

Open Audits

Internal Audits

- Business Continuity and Disaster Recovery Plan
- Q1 2009 Fraud Auditing
- System Operators’ Compliance with Operating Procedures
- IT System Availability & Performance
- Long-Term Technology Strategy
- Enterprise Risk Management
- Procurement & Contract Admin

External Audits*

Planned Audits

(next 3 months)

Internal Audits

- Employee & Contract Worker Onboarding, Transfer, Offboarding and Employee Termination Processes
- Human Capital Metrics/ Benchmarks
- Financial Reporting & Close
- Protocol 1.4 Required Audit – Independence Verification

External Audits*

- 2009 SAS70 Audit (PricewaterhouseCoopers)

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

External Assessments

1 security assessment
(Accuvant)

**Open Consultation/
Analysis Reviews**

External Assessments

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

External Assessments

1 security assessment
planned

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
RISK MANAGEMENT EVENT PROFILE MATRIX (as of May 1, 2009)**

Strategic	Operational Excellence	Market Facilitation	Grid Reliability	Reporting	Legal and Regulatory Compliance
Strategy Development Corporate objective setting adequately incorporates informed stakeholder input, market realities and management expertise.	Performance Monitoring Clearly defined and actively monitored performance metrics linked to mission and goals - Performance status communicated and corrective action taken.	Customer Choice Market design promotes efficient choice by customers of energy providers with effective mechanisms to change incumbent market participants as desired.	Grid Operations Information required to operate the grid is efficiently gathered. Appropriate tools are prudently configured to efficiently operate the system.	Review Practices Prudent measures are taken to insure that company disclosures are properly vetted and not misleading.	Legal & Legislative Operations are conducted in compliance with all laws and regulations. Impacts of current and proposed legislation are understood and communicated.
Mission and Goals Corporate objectives and performance standards are understood and followed.	Business Practices Business planning, processes and management standards are effective and efficient.	Nodal Implementation Project Nodal Implementation on budget on schedule, and within defined scope.	Planning Long-range planning methods enable efficient responses to system changes that are necessary to maintain reliability standards.	Disclosure Reporting and other disclosures to intended parties is timely, accurate and effective.	Internal Control Compliance Internal Control Compliance, processes and management standards are effective and efficient.
New Strategic Plan needs to be integrated into the latest business planning cycle.		Program "YELLOW" based on risks for meeting expectations of market participants; plans underway for mitigating those risks. Still in the process of staffing for key positions for late phases of the project. We now have a revised schedule and budget, approved by the Board of Directors and carefully managed and monitored. Management Action Plans have been developed for recommendations from external audits, as well as internally detected risks and issues. Key risks include data center capacity; potential conflict over personnel and testing environments needed at the same time by Nodal and Zonal projects; options for mitigating those risks and future resource needs are being carefully studied to identify any other contention.	System Planning department staffing has reorganized/improved and a plan is in place to increase staff to meet stakeholder desire for more "study horsepower". A list of studies desired by ERCOT and ERCOT Stakeholders is being prepared and will be prioritized.		ERCOT is developing processes to institutionalize the ongoing training on current policies and procedures for all ERCOT staff and contract workers.
Reputation Positive perceptions by stakeholders lead to less cost and greater flexibility resulting in enhanced enterprise value.	Workforce Organization design, managerial and technical skills, bench strength and reward systems aligned with corporate goals.	Counterparty Credit Maintain credit risk exposure for overall market within acceptable limits.	Bulk System Resources Market Participants construct and make available adequate bulk electric grid resources.	Communication Internal & external communications are timely and effective.	Industry Standards Business practices provide stakeholders with required assurances of quality.
Increased publicity associated with the delay of the Nodal market and the associated cost increases, new fee filings for the nodal surcharge and System Administration fee, high congestion, high price volatility and credit defaults during 2008 have negatively impact ERCOT's reputation.	The rolling 12-month voluntary turnover has dropped to 5%. There are several key project manager positions open in the Nodal project. ERCOT readiness continues to be an on-going issue with the delay in Nodal. There continues to be a strong demand for certain subject matter experts who will be needed for the Nodal project, on-going base projects and operations. As of the end of April, ERCOT had 26 open full-time positions.	A Credit Risk Standard was approved by F&A in April and will be voted on at the BoD in May. Substantially all counterparties have signed the stronger Guarantee document approved by the BoD in February.			Compliance activities and staff have been centralized under the management of the Chief Compliance Officer. Preparation of compliance documentation is underway for the 2009 NERC reliability audit. Have completed internal Ownership matrix for Zonal and Nodal Protocols and met with all ERCOT staff owners to review their responsibilities.
Fiscal Management ISO design requires competent, prudent and cost effective provision of services.	Technology Infrastructure Information systems, supporting facilities and data are effectively managed and are reliable.	Administration, Settlement & Billing Market rules fairly applied to all participants. Accounting is timely and accurately reflects electricity production and delivery.	Operational Responsibility Market participant conduct their operations in a manner which facilitates consistent grid reliability.	Adequacy and Integrity Robust processes exist to support management assertions embodied within financial reports.	Regulatory Filings Evidence, testimony and other supporting materials are compelling and successful.
2009 load is trending below budget resulting in reduced revenues while labor devoted to the Nodal program (and to a lesser extent, Zonal projects) is trending below budget. An updated 2009 forecast is expected in May.	Systems remain stable in all areas. The TCC1 data center expansion is planned for completion September 2009. Enough capacity for Nodal go-live and for the start of advanced metering will be available with the completion of the TCC1 expansion. The south side data center plan calls for full production operations by February 2011 and the new TCC3 facility to be ready by May 2011.		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 TAC Renewable Technologies Task Force is addressing a number of outstanding operational and planning issues regarding wind generation and is making recommendations on changes to more reliably integrate wind generation.		

13. Committee Brief: PMO David Troxtell

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)	Current Projected Go-Live (by Y.E.)	Original Projected Go-Live (by Y.E.)
CART	Corporate Operations	3	0	2	13	2	2	22	0	0	2	24	5	10	10
	IT Operations	1	0	3	2	0	1	7	0	0	0	7	1	6	6
	Market/Retail Operations	2	0	3	4	1	2	12	2	1	0	15	1	5	5
	System Operations	1	0	3	4	0	0	8	0	0	0	8	0	7	4
	Totals by Phase	7	0	11	23	3	5	49	2	1	2	54	7	28	25
	Total Non-Active								5						

* Note: Some projects in Closing and Closed Status went live in 2008

* Projects Gone Live in April 2009 - None













* Totals by CART is reduced to 54 from 55 due to the MET Center Disposition Projects combined as one project

13. Committee Brief: PMO 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 2009 (October) PPL											44	
	PUCT				2						2	
	Market	1					2				3	
	ERCOT	5		9	17	2	1	1	2	2	39	
Unexpected Carry Over From 2008											6	
	PUCT										0	
	Market										0	
	ERCOT				3	1	2				6	
New Projects Added (Since PPL Approval in January 2009)											4	
	PUCT										0	
	Market			1	1						2	
	ERCOT	1		1							2	
2009 PPL Totals to Date											54	
	PUCT	0	0	0	2	0	0	0	0	0	2	
	Market	1	0	1	1	0	2	0	0	0	5	
	ERCOT	6	0	10	20	3	3	1	2	2	47	
Totals by Project Phase		7	0	11	23	3	5	1	2	2	54	

Year to Date Projects Over \$1 Million

(CART) Project Number and Description	Total Budget	Total Committed	Metrics			
			(Duration) Phase (Sponsor)	Scheduled Completion	Schedule	Budget
(CO) PR-60075_01: Identity Access Management <i>Schedule stoplight reduce to time taken to re-schedule around Nodal 168 hour test.</i>	\$2.66M	\$2.48M				
<i>(2006-2009) Currently in Execution (B. Kahn)</i>	<i>Expected Completion 4th Qtr 2009</i>					
(CO) PR-80001_01: MET Center Disposition	\$70M	\$2.49M				
<i>(2008 - 2011) Currently in Planning (B. Kahn)</i>	<i>Expected Completion 1st Qtr 2011</i>					
(IO) PR-90004_01: Data Storage	\$1.76M	\$5K				
<i>(2009-2009) Currently in Planning (David Forfia)</i>	<i>Expected Completion 4th Qtr 2009</i>					
(MO/RO) PR-80027_01: Advanced Metering MKT Changes for PUCT	\$1.54M	\$434M				
<i>(2009-2009) Currently in Execution (T. Doggett)</i>	<i>Expected Completion 4th Qtr 2009</i>					
(MO/RO) PR-70007_01: MarkeTrak Enhancements	\$1.71M	\$1.69M				
<i>(2007-2009) Closed (T. Doggett)</i>	<i>Expected Completion 1st Qtr 2009</i>					
(CO) PR-80047_01: TCC1 Data Center Expansion	\$6.75M	\$1.65M				
<i>(2009-2009) Currently in Execution (B. Kahn)</i>	<i>Expected Completion 4th Qtr 2009</i>					

13. Committee Brief: PMO David Troxtell

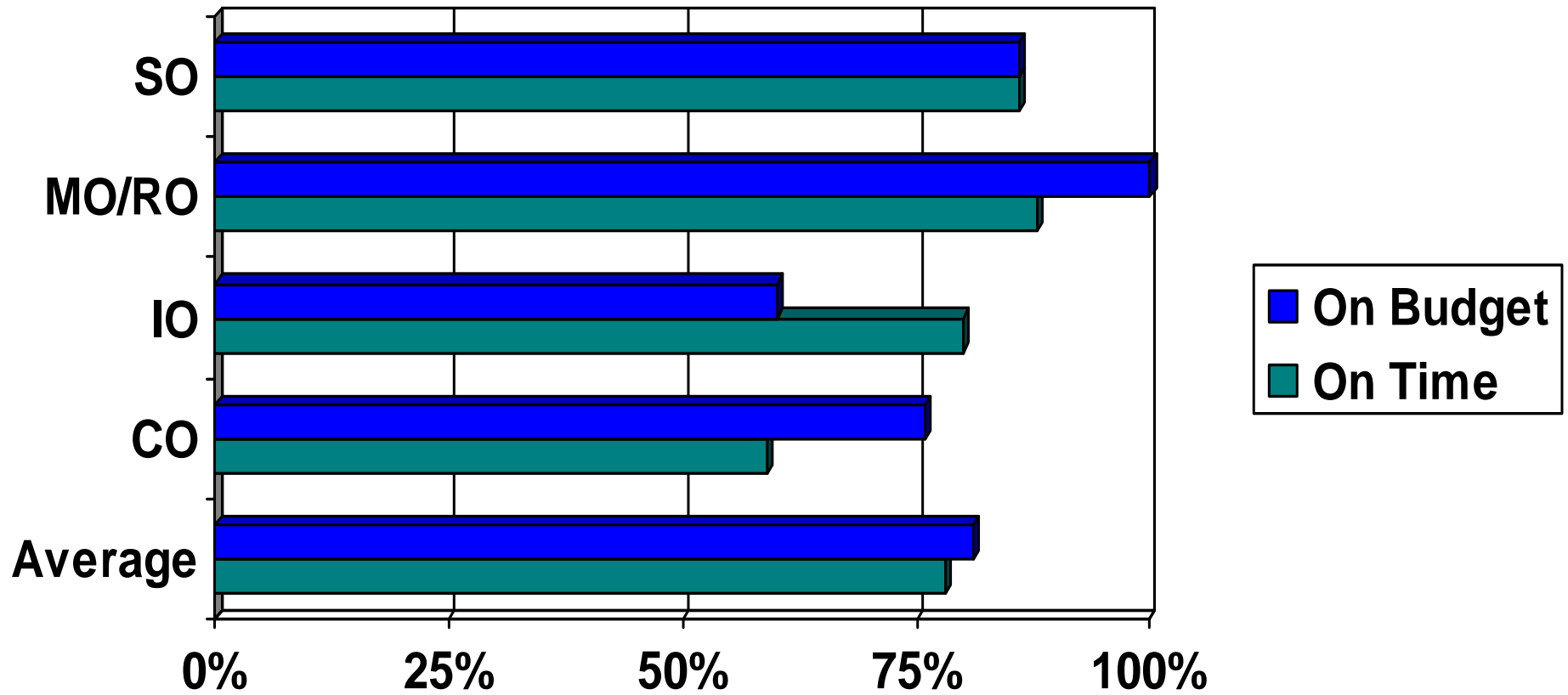
Baseline Budget vs. Actuals for Projects Closed in Lawson for 2009

Project	Description	Year Implemented	Baseline Budget	Actuals	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	Explanation
60020_02	Lawson 9.0 Upgrade Phase II	2008	\$ 663,700	\$ 580,418	\$ 83,282	13%	Based on multiple failed attempts of upgrading the application in the test environment, the project team planned and budgeted for a failed migration to the production environment; fortunately, the migration was successful on the first attempt.
80021_01	WAN Equipment Refresh	2009	445,000	393,039	51,961	12%	The Change control # 2 reduced the overall budget by 50,000.00 resulting in a project budget of 405,000.00.
50070_02	Unit Testing Automation and Electronic Submittal via Web	2008	48,100	43,037	5,063	11%	Less internal development and testing labor required than projected.
70054_02	Blade Refresh Phase II	2008	275,200	257,438	17,762	6%	
80038_01	ACL Audit Exchange	2009	77,300	73,694	3,606	5%	
60094_01	Physical Access Control Software and Hardware Upgrade	2008	666,500	646,726	19,774	3%	
60015_01	Registration Data Model Enhancement	2008	101,000	100,138	862	1%	
60020_01	Lawson 9.0 Upgrade	2007	702,900	706,502	(3,602)	(1)%	
70007_01	MarkeTrak Enhancements (Workflow & Reporting)	2009	1,627,000	1,687,263	(60,263)	(4)%	
40066_04	Lodestar 4.7 Upgrade	2008	410,500	670,111	(259,611)	(63)%	<ul style="list-style-type: none"> • iTest schedule was extended due to system instability (CR#5) • Additional scope added (CR#6) • No rebaselines for the above change requests
		Count = 10	\$ 5,017,200	\$ 5,158,365	\$ (141,165)	(3)%	

NOTES:

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 2009.
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%

2009 Active Projects Performance



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

Large Project Update

- **PR-80001_01 MET Center Disposition**
- **Scope:**
 - New Control Center / Data Center to replace existing MET Control Center / Data Center
 - New Taylor Data Center
 - Review Administrative Lease for MET to determine need for relocation
- **Deliverables:**
 - New Control Center / Data Center to replace existing MET Control Center / Data Center
 - New Taylor Data Center
- **Timeline: 02/2008 – 06/2011**
 - Project Initiation: 02/2008 – 04/2008
 - Project Planning (land purchase & facility design): 05/2008 – 05/2009
 - Project Execution (construction): 06/2009 – 09/2010
- **May Board Request:**
 - Seek permission to procure 20 acres of land
 - Seek permission to contract with Austin Commercial for the construction of the Taylor Data Center and the Austin Control Center / Data Center

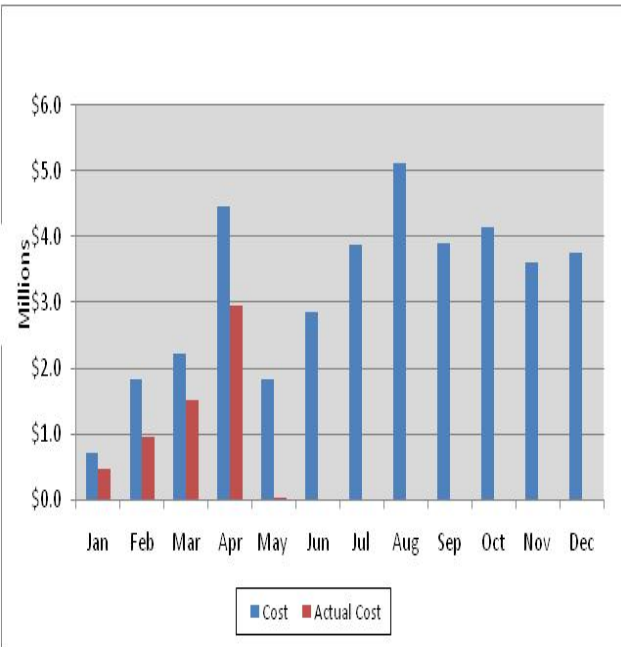
Large Project Funding Request

- **PR50088_01 Data Research and Reporting**
 - **Scope:** This project delivers a data research and reporting tool for ERCOT Commercial Operations. The project will create ESI ID Tracking System (ETS) business logic that will provide accurate, complete and efficient reporting and research capabilities, using retail transaction data.
 - **Deliverables:** New DataTrak application
 - **Timeline:** Planning Phase – 27months, Execution Phase – 25 months (Execution Complete – 08/2011)
 - **Approval Dates:** CART 05/01/2009, SRT 05/04/2009, EC 05/11/2009
 - **Board Request:** Request not to exceed budget amount.

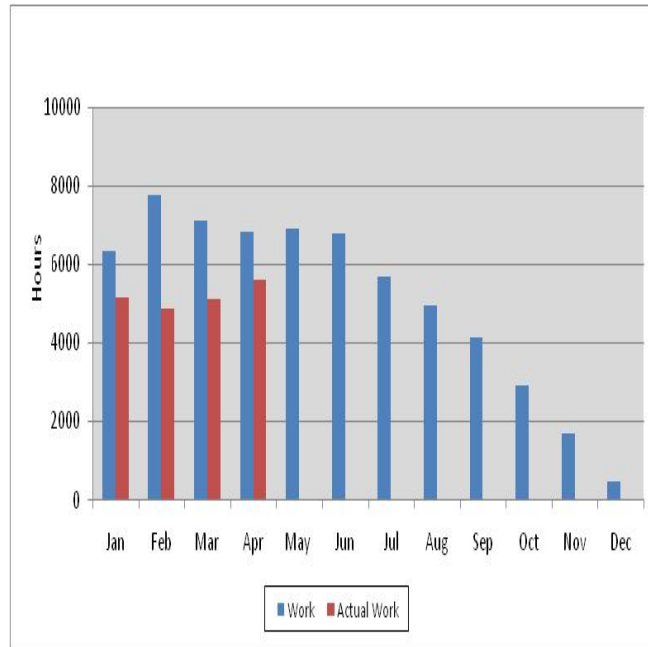
ERCOT Enterprise Projects Summary Report

ERCOT		Overall Projects Report					Reporting Period:	4/30/2009	
		Projects in Ercot's Portfolio					Portfolio Performance		
On Hold		Deferred	Initiation	Planning	Execution	Closing	Schedule	Budget	
1		2	0	11	23	3			
		Closed	5	Total Active		38			
		Cancelled	2	Projects Not Started		7	**Current Year Funded Budget:		\$38,150,000

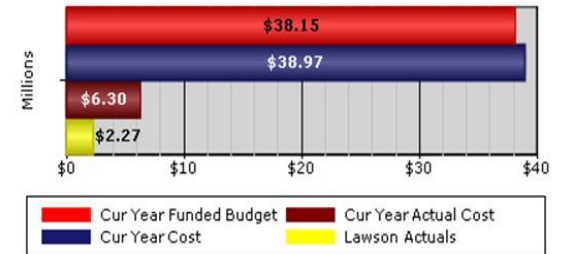
ERCOT Projects
Current Year - Cost



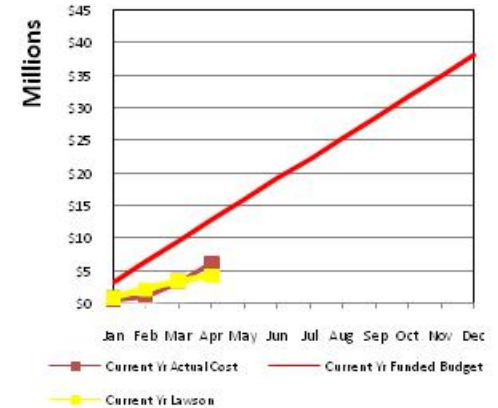
ERCOT Projects
Current Year - Work



ERCOT Projects
Current Year to Date Financials



** The Current Year Funded Budget \$38,150,000 includes \$20.0M budget for the MET Center Disposition project and \$6.75M budget for the TCC1 Taylor Data Center Expansion project.



Future Agenda Items – June 2009

- **Standing Internal Audit agenda items**
- **Review the Company's dealings with any financial institutions that are also market participants**
- **Debt financing and liability risk management update**
- **2010 Budget planning update**
- **2009 Operating plan – updated forecast**
- **External audit Request for Proposal (RFP)**
- **Standing Investment update**
- **Committee briefs**
- **Future agenda items**

Quarter 1

- √ •Elect officers and confirm financial qualifications
- √ •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
- Review scope of annual financial audit
- Review of external auditor quality control procedures and independence

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