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RISK MANAGEMENT EVENT PROFILE MATRIX (as of February 1, 2010)

 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. To help ERCOT evaluate its needs post-Nodal go-live, ERCOT has hired a consultant (Market Reform) to perform an organizational assessment. Work on the study began February 1 and is expected to be completed by end of April.	 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. Market trials for real time markets began on Feb 1. The first monthly CRR auction (for March) is on schedule to begin on February 12. We continue to leverage overtime, prioritize testing and perform issue analysis testing in a parallel environment to reverse the 2 week slippage to the Phase 5 testing schedule.	 Planning Long-range planning methods enable efficient responses to system changes that are necessary to maintain reliability standards. Demand for planning studies exceeds ERCOT's ability to perform them. A list of studies desired by ERCOT and Stakeholders has been prepared & reviewed, with a plan in place to conduct them. However, requests for additional studies from various stakeholders continue. ERCOT has received two awards totaling \$3.5 million to produce long-term resource and transmission planning studies in 2011.	 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, efficient, and provide stakeholders with required assurances of quality. 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. ERCOT is addressing reputation issues by 1) refocusing communication efforts (e.g. expanding the CEO Report to the BOD to include more details on ERCOT successes and disappointments), 2) continuing to complete Nodal on time and on budget, 3) preparing a well thought out budget for 2011, and 4) increasing accountability.	 Workforce Organization design, managerial and technical skills, bench strength and reward systems aligned with corporate goals. The rolling 12-month voluntary turnover fell to 2.6%. ERCOT readiness continues to make progress on the skills and training required for Nodal success. Strong demand for subject matter experts and technical positions continues. As of the end of December ERCOT was seeking to fill 15 full-time positions, and 11 summer intern positions.	 Counterparty Credit Maintain credit risk exposure for overall market within acceptable limits. Credit risk reflected by the PFE model has been fairly consistent for the current market over the past year and stakeholders have had the opportunity to review these results. Color remains yellow pending the review of risk factors (e.g. counterparty probabilities of default, impact of new markets and instruments, collateral levels, price volatility) in the Nodal market requested by F&A.	 Bulk System Resources Market Participants construct and make available adequate bulk electric grid resources. December Update of the Capacity, Demand and Reserve report forecasts reserve margins in the "out years" (2014 and 2015) to fall below the 12.5% target.	 Communication Internal & external communications are timely and effective.	 Industry Standards Business and operational activities are in compliance with all applicable regulatory, financial and accounting requirements, standards and directives. ERCOT has yet to receive the confidential draft for the second part of the 2009 NERC audit. ERCOT received notice of TRE Protocol / Operating Guide audit in late December covering Jun-07 through Feb-10 time period. The Protocol Audit is scheduled on February 23-25, 2010, covering 54 requirements.
 Fiscal Management ISO design requires competent, prudent and cost effective provision of services. 2010 electric loads are trending above budget for the first month of the year. Management continues to closely monitor costs and revenues to ensure they are in alignment.	 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. There is still a lack of consensus over reactive power and frequency response requirements to existing wind generation resources.	 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.

Legend:  Elevated Risk Level  Reduced Risk Level

(New Risk Categories / Descriptions Indicated in Green)