

Review Assumptions and Preliminary Schedules for the 2011 Annual Operating Budget

- Recap prior budget preparation discussions
- Summarize current budget preparations
- Review budget activity planned for upcoming months
- Discuss detailed budget work papers

Review Assumptions and Preliminary Schedules for the 2011 Annual Operating Budget: Recap Prior Discussions

- Cost is ERCOT's primary economic metric
- ERCOT's 2011 budget is affected by a few key cost drivers relating to transition to a nodal market
- Costs are actively managed to ensure efficiency and accommodate cost increases associated with transition to a nodal market

Review Assumptions and Preliminary Schedules for the 2011 Annual Operating Budget: Summarize Current Status

- PUC staff has been engaged, and their involvement is helpful and appreciated
- Management understands and accepts responsibility to control costs
 - 2009 – achieved 6 percent savings
 - 2010 – forecast to realize 10 percent savings
- Staff reductions are a significant contributing factor to the cost savings in 2009 and 2010
 - 5 percent reduction in staff over the past 12 months
 - Additional staff reductions expected in 2010-2011 as management implements steady-state staffing recommendations previously presented to the Board

- Cost consciousness coupled with recent financial performance relating to the Nodal Program enable a scenario where ERCOT would need no change in fees for 2011
 - System Administration Fee would remain at \$0.4171 per MWh
 - Nodal Surcharge would remain at \$0.3750 per MWh
 - The flat-fee scenario assumes use of a portion of the \$113 million Nodal Program Board Discretionary Fund

- If use of Nodal Program Board Discretionary Funds for nodal market stabilization activity in 2011 is not acceptable, preliminary 2011 budget work papers suggest a \$0.4700 per MWh System Administration Fee may be required.

Review Assumptions and Preliminary Schedules for the 2011 Annual Operating Budget: 2011 Budget Schedule

Action	Date
Finance and Audit Committee Meeting Discuss and Review preliminary 2011 Budget/PPL Status and Budget Assumptions	20-Jul-10
Finance and Audit Committee Meeting Discuss and Review the 2011 Budget/PPL Status and Budget Assumptions	17-Aug-10
Finance and Audit Committee Meeting Prepare and Present the 2011 Preliminary Budget/PPL (Courtesy Copy to all Board Members)	21-Sep-10
Finance and Audit Committee Special Meeting and Public Input Meeting Discuss and Review the 2011 Budget and PPL (Courtesy Copy to all Board Members)	18-Oct-10
Finance and Audit Committee Meeting Obtain 2011 Budget Recommendation	16-Nov-10
Board of Directors Meeting Seek Board Approval of the 2011 Budget and PPL -Vote	

Detailed budget work papers

ERCOT Fiscal Year 2011 Budget

Revenue Requirements

(in Thousands)

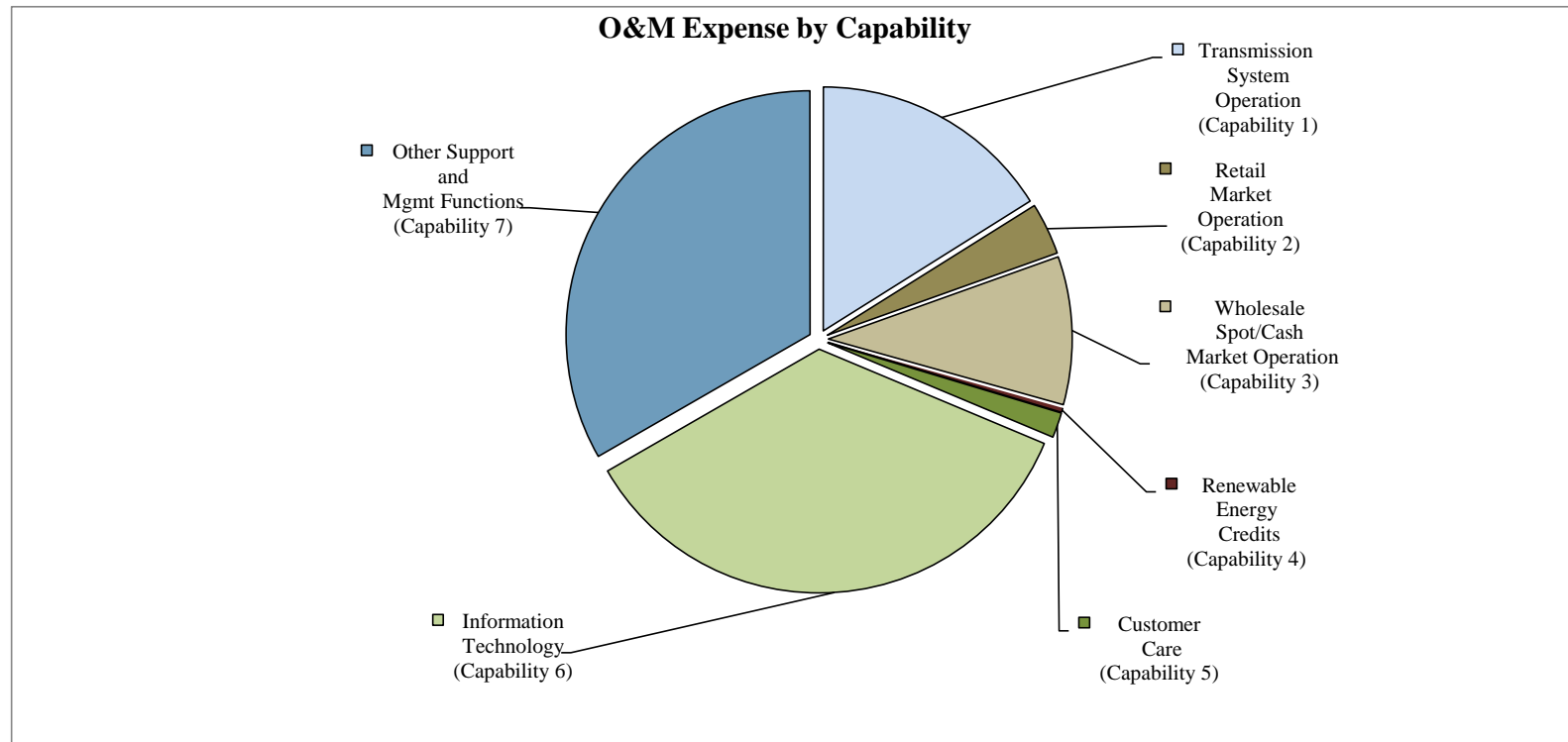
Line	(\$ Thousands)	2011				Assumptions for 2011
		2009 Actual	2010 Budget	2010 Forecast	2011 Preliminary Budget	
1	ERCOT O&M Expense					
2	Labor	\$ 51,508	\$ 59,012	\$ 55,411	\$ 71,068	584 FTE's with 2% merit and 1% other adj with 33% benefit/tax load.
3	Equipment & Tools	799	1,227	1,147	881	
4	Outside Services	9,416	9,915	10,747	6,993	Includes fixed vendor services related to proprietary applications
5	Utility, Maintenance, & Facilities	6,966	6,773	7,036	10,126	Increase for additional square footage
6	Hardware & Software License & Maint.	9,337	9,101	8,870	16,557	Includes incremental costs for Nodal applications/hardware
7	Employee Expenses	1,031	1,552	1,370	1,021	
8	NERC Dues	2,141	2,462	8,295	14,406	
9	Other Expenses	4,511	5,211	5,256	5,791	
10	Subtotal - O&M Expense	85,710	95,253	98,132	126,842	
11	Debt Service - Interest	2,718	5,272	2,321	3,756	
12	Debt Service - Principal	26,137	26,137	26,137	26,200	
13	Revenue Funded Projects	17,464	18,520	19,800	19,372	40% Revenue Fund of Nodal Release 1 (\$3.3M), IT Equipment Lifecycle (\$37.0M) and Other Base Projects (\$8.2 M)
14	Protocol Services	639	1,500	787	1,518	
15	Market Monitoring	2,300	2,300	2,400	2,700	Per Contract
16	Total Revenue Requirement	134,969	148,982	149,577	180,388	
17	Less: Other Revenue	5,693	5,626	12,172	20,032	
18	Less: Interest Income	51	81	5	-	
19	Less: Extraordinary Item Revenue	705	12,760	18,570	5,000	Remaining Sales Tax Refund
20	2010 Carryforward			(11,700)	11,700	
21	Revenue Rqmt from System Admin Fee	\$ 128,519	\$ 130,515	\$ 130,529	\$ 143,656	
22	GWh	308,126	312,922	312,922	310,410	
23	% GWh Growth	2.2%	-2.0%	-2.0%	-0.8%	
24	ERCOT System Administration Fee	\$ 0.4171	\$ 0.4171	\$ 0.4171	\$ 0.4628	
25	Debt Funded Projects	14,059	27,780	29,700	29,059	60% Debt Fund of Nodal Release 1 (\$3.3M), IT Equipment Lifecycle (\$37.0M) and Other Base Projects (\$8.2 M)
26	Total Base Project/Data Center/Facility Capital Spending	31,523	46,300	49,500	48,431	
27	Total ERCOT Spending Authorization	\$ 149,028	\$ 176,762	\$ 179,277	\$ 209,447	

ERCOT Fiscal Year 2011 Budget

Operating Expenses by Capability

(in Thousands)

Line	(\$ Thousands)	Transmission System Operation (Capability 1)	Retail Market Operation (Capability 2)	Wholesale Spot/Cash Market Operation (Capability 3)	Renewable Energy Credits (Capability 4)	Customer Care (Capability 5)	Information Technology (Capability 6)	Other Support and Mgmt Functions (Capability 7)	Operating Total
1	ERCOT O&M Expense								
2	Labor for Base Operations	\$ 18,140	\$ 3,390	\$ 11,282	\$ 364	\$ 2,030	\$ 21,573	\$ 14,289	\$ 71,068
3	Equipment & Tools	22	7	15	0	2	320	514	881
4	Outside Services	-	815	148	-	-	4,401	1,629	6,993
5	Utility, Maintenance, & Facilities	1	1	0	-	-	3,685	6,439	10,126
6	Hardware & Software License & Maint.	1,039	38	750	-	52	14,366	312	16,557
7	Employee Expenses	293	39	88	14	16	271	300	1,021
8	NERC Dues	-	-	-	-	-	-	14,406	14,406
9	Other Expenses	914	73	174	-	24	233	4,373	5,791
10	Total - O&M Expense	\$ 20,409	\$ 4,361	\$ 12,458	\$ 378	\$ 2,124	\$ 44,849	\$ 42,263	\$ 126,842



ERCOT Fiscal Year 2011 Budget
Staffing by Capability with Comparison to Study Recommendations

Line	Capability/Group/Service	Comparison to Study				Comments
		Study	ERCOT Service Total	ERCOT Group Total	Variance by Group	
1	1 TRANSMISSION SYSTEM OPERATION					
2	1.1 System Planning	35.00		34.97	(0.03)	
3	1.1.1 Transmission Adequacy Assessment	-	10.08	-	-	
4	1.1.2 Transmission Planning	-	17.78	-	-	
5	1.1.3 Interconnection Planning	-	0.82	-	-	
6	1.1.4 Generation/Resource Adequacy Assessment	-	3.92	-	-	
7	1.1.5 Generation & Load Planning	-	2.37	-	-	
8	1.2 Transmission Connection Management	8.51		5.15	(3.36)	1 Generation Interconnection policing efforts not an ERCOT function.
9	1.2.1 Connection Analysis/Studies	-	3.05	-	-	
10	1.2.2 Connection Scheduling	-	-	-	-	
11	1.2.3 Connection Oversight & Management	-	2.10	-	-	
12	1.2.4 Connection Commissioning	-	-	-	-	
13	1.3 Grid Security Management	23.00		27.08	4.08	2 Unable to reach study recommendation - Extensive workarounds must be eliminated before staffing efficiencies can be achieved. Efficiencies achievement estimate - 1.1.2012
14	1.3.1 Transmission Reliability Assessment	-	6.91	-	-	
15	1.3.2 Security/Contingency Analysis	-	14.92	-	-	
16	1.3.3 Security Coordination	-	3.01	-	-	
17	1.3.4 System Restoration Planning	-	1.06	-	-	
18	1.3.5 Ancillary Services Requirement Determination	-	1.18	-	-	
19	1.4 Outage Coordination/Planning	10.00		10.08	0.08	
20	1.4.1 Transmission Outage Coordination/Planning	-	8.14	-	-	
21	1.4.2 Resource Outage Coordination/Planning	-	1.94	-	-	
22	1.5 Real-Time System Control	27.51		27.21	(0.30)	
23	1.5.1 Monitor and Control Transmission Network	-	10.67	-	-	
24	1.5.2 Monitor and Control Interconnectors	-	2.00	-	-	
25	1.5.3 Instruct and Monitor Facilities	-	4.02	-	-	
26	1.5.4 Frequency Control (Facilities Real-Time Control)	-	10.52	-	-	
27	1.5.5 Manage System Restoration	-	-	-	-	
28	1.6 Scheduling & Dispatch	-		-	-	Dispatching a function of real-time control today, but will not be necessary in Nodal market.
29	1.6.1 Facilities Scheduling (inc. Unit Commitment)	-	-	-	-	
30	1.6.2 Facilities Dispatch (Energy & Ancillary Services)	-	-	-	-	
31	1.6.3 Interconnection Scheduling	-	-	-	-	
32	1.7 Forecasting	5.00		5.86	0.86	1 Function of greater importance in ERCOT region than other ISOs
33	1.7.1 Load Forecasting	-	5.26	-	-	
34	1.7.2 Wind Forecasting	-	0.60	-	-	
35	1.8 Operational Testing and Performance Management	3.01		5.46	2.45	1 Increased emphasis on testing and performance management offsets
36	1.8.1 Generator Commissioning Testing	-	-	-	-	
37	1.8.2 Generator Operational Testing	-	1.13	-	-	
38	1.8.3 Generator Black Start Testing	-	0.50	-	-	
39	1.8.4 Generator Performance Assessment	-	1.40	-	-	
40	1.8.5 Load-Participation Performance Assessment	-	2.43	-	-	
41	1.9 Commercial Management	1.00		0.60	(0.40)	
42	1.9.1 Manage Interconnection Capacity Rights Reservation	-	0.60	-	-	
43	1.9.2 Manage Interconnection Capacity Rights Trading	-	-	-	-	
44	1.9.3 Ancillary Services Procurement (Non-Market)	-	-	-	-	
45	1.9.4 Transmission Loss (Adjustment) Factor Determination	-	-	-	-	
46	1.9.5 Network Code/Agreement Management	-	-	-	-	
47	1.9.6 Monitor Network Code/Agreement Compliance	-	-	-	-	

ERCOT Fiscal Year 2011 Budget
Staffing by Capability with Comparison to Study Recommendations

Line	Capability/Group/Service	Comparison to Study				Comments
		Study	ERCOT Service Total	ERCOT Group Total	Variance by Group	
48	1.10 Operational Support	11.50		14.73	3.23	1 Ad hoc reporting requirements can not be eliminated. Study assumption will never be realized.
49	1.10.1 Operations Analysis and Reporting	-	5.71	-	-	
50	1.10.2 Operator Training	-	9.02	-	-	
51	1.11 Compliance Monitoring & Reporting	20.51		21.25	0.74	
52	1.11.1 Dispatch Compliance	-	4.50	-	-	
53	1.11.2 Policy & Procedure Compliance	-	16.75	-	-	
54	1.12 Standards Development	-		1.50	1.50	3
55	1.12.1 Standards Development	-	1.50	-	-	
56						
57	Capability 1 Totals	145.04	153.89	153.89	8.85	
58						
59	2 RETAIL MARKET OPERATION					
60	2.1 Retailer Registration	3.50		3.41	(0.09)	
61	2.1.1 Retailer Registration & Qualification	-	3.41	-	-	
62	2.2 Customer Switching/Registry	6.52		6.52	-	
63	2.2.1 Customer Choice Information Provision (Awareness Programs)	-	-	-	-	
64	2.2.2 End Customer Registration	-	1.70	-	-	
65	2.2.3 End Customer Transfer	-	4.82	-	-	
66	2.3 Load Profile Determination and Management	3.50		1.20	(2.30)	1 Function primarily captured in Cap. 1.7
67	2.3.1 Load Profile Customer Segment Determination	-	0.50	-	-	
68	2.3.2 Load Profile Management	-	0.20	-	-	
69	2.3.3 Load Profile Parameter Calculation	-	0.50	-	-	
70	2.4 Accumulation Metering, Data Collection and Data Aggregation	1.00		0.83	(0.17)	
71	2.4.1 Meter Installation	-	-	-	-	
72	2.4.2 Meter Maintenance	-	-	-	-	
73	2.4.3 Meter Registration	-	0.36	-	-	
74	2.4.4 Meter Data Collection	-	-	-	-	
75	2.4.5 Meter Data Validation & Substitution	-	0.47	-	-	
76	2.4.6 Profiled Usage Estimation	-	-	-	-	
77	2.4.7 Usage Data Aggregation	-	-	-	-	
78	2.5 Interval/Smart Metering, Data Collection and Data Aggregation	1.00		0.88	(0.12)	
79	2.5.1 Meter Installation	-	-	-	-	
80	2.5.2 Meter Maintenance	-	-	-	-	
81	2.5.3 Meter Registration	-	0.46	-	-	
82	2.5.4 Meter Data Collection	-	-	-	-	
83	2.5.5 Meter Data Validation & Substitution	-	0.42	-	-	
84	2.5.6 Meter Data Aggregation	-	-	-	-	
85	2.6 Bulk Transfer Management	0.49		0.91	0.42	
86	2.6.1 Bulk Transfer Activation	-	0.38	-	-	
87	2.6.2 Bulk Customer Transfer Management	-	0.34	-	-	
88	2.6.3 End Customer Notification	-	0.19	-	-	
89	2.7 Market Information	2.50		2.70	0.20	
90	2.7.1 Switching Analysis and Reporting	-	1.66	-	-	
91	2.7.2 Retail Market Notice Publication	-	1.04	-	-	
92	2.8 Retail Market Development	6.99		6.96	(0.03)	
93	2.8.1 Policy Definition	-	0.24	-	-	
94	2.8.2 Market Design Definition	-	0.47	-	-	
95	2.8.3 Rules Definition	-	1.50	-	-	
96	2.8.4 Rules Administration	-	2.44	-	-	
97	2.8.5 Procedure Definition	-	0.97	-	-	
98	2.8.6 Procedure Administration	-	1.33	-	-	
99	2.9 Market Oversight	1.50		2.50	1.00	2 Efficiency realization estimated 7.1.2011
100	2.9.1 Policy/Rules Compliance	-	1.45	-	-	
101	2.9.2 Process/Procedure Compliance	-	1.05	-	-	
102	2.10 Dispute Management	3.01		3.06	0.05	
103	2.10.1 Dispute Management	-	3.06	-	-	
104		-		-	-	
105	Capability 2 Totals	30.01	28.97	28.97	(1.04)	
106						

ERCOT Fiscal Year 2011 Budget
Staffing by Capability with Comparison to Study Recommendations

Line	Capability/Group/Service	Comparison to Study				Comments
		Study	ERCOT Service Total	ERCOT Group Total	Variance by Group	
107	3 WHOLESALE SPOT/CASH MARKET OPERATION					
108	3.1 Participant Registration	2.50		6.60	4.10	
109	3.1.1 Participant Registration & Qualification Management	-	6.60	-	-	2 Web enabled registration not yet available but on Nodal Parking deck. Efficiency achieved in 1.1.2012.
						3 Study did not account for LARs and EIS (technical requirements/site visits)
110	3.2 Bidding, Scheduling and Pricing	15.99		16.69	0.70	
111	3.2.1 Bid/Offer Receipt and Management	-	1.21	-	-	
112	3.2.2 Real-Time Market Execution (Dispatch and Pricing)	-	5.68	-	-	
113	3.2.3 Day-Ahead Market Execution (Unit Commitment/Scheduling & Pricing)	-	9.80	-	-	
114	3.3 Wholesale Metering, Data Collection and Data Aggregation	11.50		14.18	2.68	1 Study assumed meter registration efficiencies around EPS site approvals. Value add to the market related to settlement accuracy. Market rules change would be necessary to realize efficiencies.
115	3.3.1 Meter Installation	-	-	-	-	
116	3.3.2 Meter Maintenance	-	-	-	-	
117	3.3.3 Meter Registration	-	6.59	-	-	
118	3.3.4 Meter Data Collection	-	2.17	-	-	
119	3.3.5 Meter Data Validation & Substitution	-	2.17	-	-	
120	3.3.6 Meter Data Aggregation	-	3.25	-	-	
121	3.4 Billing, Settlement & Credit Management	11.95		15.05	3.10	2 Rule change required relating to verifiable costs. If approved, efficiency achieved 1.1.2012.
122	3.4.1 Market Settlement	-	10.05	-	-	
123	3.4.2 Billing	-	2.90	-	-	
124	3.4.3 Payment Management	-	2.10	-	-	
125	3.5 Credit Management	6.00		6.00	-	
126	3.5.1 Credit Risk Management	-	5.00	-	-	
127	3.5.2 Treasury (Cash and Collateral) Management	-	1.00	-	-	
128	3.5.3 Financial Default Process Management	-	-	-	-	
129	3.6 Market Information	9.99		14.05	4.06	
130	3.6.1 Market Data Publication	-	9.25	-	-	2 Study recommends limiting ad hoc reporting and non-monitored automated reporting. Estimated efficiency achievement - 7.1.2011
131	3.6.2 Market Analysis	-	3.67	-	-	
132	3.6.3 Market Notice Publication	-	1.13	-	-	
133	3.7 CRR/FTR Management	6.00		6.30	0.30	
134	3.7.1 Congestion Revenue Rights Allocation	-	3.00	-	-	
135	3.7.2 Congestion Revenue Rights Auction	-	3.05	-	-	
136	3.7.3 Maintain CRR Registry	-	0.25	-	-	
137	3.7.4 Manage Secondary Trading of CRRs	-	-	-	-	
138	3.8 Wholesale Market Development	14.03		12.17	(1.86)	
139	3.8.1 Policy Definition	-	2.23	-	-	
140	3.8.2 Market Design Definition	-	1.70	-	-	
141	3.8.3 Rules Definition	-	1.50	-	-	
142	3.8.4 Rules Administration	-	4.22	-	-	
143	3.8.5 Procedure Definition	-	0.80	-	-	
144	3.8.6 Procedure Administration	-	1.72	-	-	
145	3.9 Market Oversight/Monitoring	1.99		2.36	0.37	
146	3.9.1 Policy/Rules Compliance	-	2.28	-	-	
147	3.9.2 Process/Procedure Compliance	-	0.08	-	-	
148	3.9.3 Market Surveillance	-	-	-	-	
149	3.9.4 Trade Surveillance	-	-	-	-	
150	3.10 Dispute Management	3.99		4.70	0.71	2 Dispute process rule change required for staffing efficiency. Estimated change 1.1.2012
151	3.10.1 Dispute Management	-	4.70	-	-	
152						
153	Capability 3 Totals	83.94	98.09	98.09	14.15	
154						

ERCOT Fiscal Year 2011 Budget
Staffing by Capability with Comparison to Study Recommendations

		Comparison to Study					
Line	Capability/Group/Service	Study	ERCOT	ERCOT	Variance		Comments
			Service Total	Group Total		by Group	
155	4 RENEWABLE ENERGY CREDITS						
156	4.1 REC Definition	0.19	0.19	0.19	-		
157	4.2 Facility Accreditation	0.15	0.15	0.15	-		
158	4.3 Determine REC Obligations and Verify Compliance	0.09	0.09	0.09	-		
159	4.4 Facility Registration	0.19	0.19	0.19	-		
160	4.5 REC Issuance and Retirement	0.37	0.37	0.37	-		
161	4.6 Verify REC Validity	1.47	1.47	1.47	-		
162	4.7 REC Title Tracking	0.22	0.22	0.22	-		
163	4.8 Information Publication	0.28	0.19	0.19	(0.09)		
164							
165	Capability 4 Totals	2.96	2.87	2.87	(0.09)		
166							
167	5 CUSTOMER CARE						
168	5.1 Training & Education Delivery	3.50	2.80	2.80	(0.71)		
169	5.2 Helpdesk Management	3.00	0.55	0.55	(2.45)		
170	5.3 Account Management	8.00	12.55	12.55	4.55		
171							
172	Capability 5 Totals	14.50	15.89	15.89	1.39	4	Increased support work for Level 1 & 2 QSEs and CRR account holders

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ERCOT Fiscal Year 2011 Budget
Staffing by Capability with Comparison to Study Recommendations

Line	Capability/Group/Service	Comparison to Study				Comments
		Study	ERCOT Service Total	ERCOT Group Total	Variance by Group	
174	6 INFORMATION TECHNOLOGY					
175	6.1 IT Application Services	93.00		100.76	7.76	
176	6.1.1 Database Administration	-	11.28	-	-	1 Down 3.42 FTEs from Study - necessary for base support with minor betterments - changes to databases will be captured as projects
177	6.1.2 Corporate Applications	-	7.48	-	-	1 Down 2.53 FTEs from Study- classification adjustment
178	6.1.3 Systems Operations Applications	-	23.44	-	-	1 Up 4.69 FTEs from Study
179	6.1.4 Wholesale Market Operations Applications	-	20.17	-	-	4 Up 1 FTEs from Study because of CMM self support. Disagree with support level of wholesale transaction processing
180	6.1.5 Retail Market Operations Applications	-	17.45	-	-	2 Up 7.45 FTEs from Study- potential staffing efficiency possible 1.1.2012 by consolidating tasks and ross training. Testing is not included as recommended by Study
181	6.1.6 Enterprise Integration	-	7.35	-	-	Down .08 FTE from Study
182	6.1.7 Vendor Management	-	3.00	-	-	
183	6.1.8 Release Management	-	6.14	-	-	
184	6.1.9 Other Application Services	-	4.45	-	-	3 Up .45 FTEs from Study - fewer resources for Openview; however, missed capability in data extracts and reporting.
185	6.2 IT Infrastructure Services	46.50		53.24	6.74	
186	6.2.1 Network and Telecom Services	-	10.71	-	-	Down 1.29 FTEs from Study - combined field services, deskside support, deskside imaging, and asset management
187	6.2.2 Server Support	-	15.78	-	-	Down .15 FTE from Study
188	6.2.3 Enterprise Architecture	-	2.50	-	-	Down .74 FTE from Study
189	6.2.4 Enterprise Storage	-	10.55	-	-	1 Up 2.21 FTEs from Study
190	6.2.5 IT Security	-	11.70	-	-	3 Up 4.7 FTEs from Study - Transferred access management effort from IT.
191	6.2.6 Other IT Infrastructure Services	-	2.00	-	-	3 Capacity performance (short term); performance tuning
192	6.3 IT Support	15.00		14.77	(0.23)	
193	6.3.1 Help Desk	-	8.27	-	-	
194	6.3.2 Field Services	-	6.50	-	-	
195	6.3.3 Other IT Support Services	-	-	-	-	
196	6.4 IT Strategy & Planning	6.00		6.96	0.96	
197	6.4.1 IT Strategic Planning, Budgeting	-	2.25	-	-	3 Increased for software compliance management
198	6.4.2 IT Standards	-	1.39	-	-	
199	6.4.3 Other IT Strategy & Planning	-	3.32	-	-	
200						
201	Capability 6 Totals	160.50	175.73	175.73	15.23	
202						

ERCOT Fiscal Year 2011 Budget
Staffing by Capability with Comparison to Study Recommendations

Line	Capability/Group/Service	Comparison to Study				Comments
		Study	ERCOT Service Total	ERCOT Group Total	Variance by Group	
203	7 OTHER SUPPORT & MANAGEMENT FUNCTIONS					
204	7.1 Executive Support	4.50		4.75	0.25	
205	7.1.1 Office of the CEO	-	3.00	-	-	
206	7.1.3 Board Support	-	1.75	-	-	
207	7.2 Administrative Support	17.51		14.90	(2.61)	
208	7.2.1 Administrative Support	-	14.90	-	-	
209	7.3 Strategy & Business Planning	2.00		2.00	-	
210	7.3.1 Strategy & Business Planning	-	2.00	-	-	
211	7.4 Internal Audit	6.00		5.75	(0.25)	
212	7.4.1 Internal Audit	-	5.75	-	-	
213	7.5 Legal	10.00		13.00	3.00	
214	7.5.1 Regulatory	-	5.50	-	-	
215	7.5.2 Corporate	-	7.50	-	-	2/3 Contract efficiency not realized until 1.1.2012
216	7.6 Finance	18.50		18.50	-	
217	7.6.1 General Accounting & Finance	-	11.50	-	-	
218	7.6.2 Purchasing & Contract Administration	-	6.00	-	-	
219	7.6.3 Payroll	-	1.00	-	-	
220	7.7 Human Resources	8.00		8.00	-	
221	7.7.1 Human Resources	-	8.00	-	-	1 Increase for Compensation & Benefits effort 2 Outsourcing payroll & benefits function - efficiency to be achieved by 7.1.2011.
222	7.8 Facilities/Security	20.00		21.30	1.30	
223	7.8.1 Facilities Management	-	16.00	-	-	3 Increased for Health & Safety Coordination
224	7.8.2 Physical Security	-	5.30	-	-	
225	7.9 Stakeholder Relations	6.00		7.15	1.15	
226	7.9.1 Government and Regulatory Relations	-	5.15	-	-	4 Increased reliability requirement for NERC, ERO, FERC, PUCT response/coordination
227	7.9.2 Communications	-	2.00	-	-	
228	7.10 Project / Program Management	5.00		8.34	3.34	1 Required staff for continuity
229	7.10.1 Project and Program Management	-	8.34	-	-	
230	7.11 Internal Controls & Risk Management	-		5.00	5.00	
231	7.11.1 Internal Controls & Risk Management	-	5.00	-	-	1 2 Staffing Efficiency anticipated 7.1.2011 4 Risk capability not included in Study
232	Capability 7 Totals	97.51	108.69	108.69	11.18	
233						
234						
235						
236	Totals	534.46	584.13	584.13	49.67	

Note:

Variance explanations provided based on the following four categories:

1. Disagree with Study assumption(s)	8
2. Study assumption(s) not implemented/realized	28
3. Study missed Capability	11
4. Increased scope of work since Study performed	3
Total	50

ERCOT Fiscal Year 2011 Budget
Outside Service Detail

Line	Department	2011	Description of Service(s)	Category
		Preliminary Budget		
1	EMMS Development	4,080,000	Resources required for defect fixes, performance issues, security patch management, etc. on proprietary and custom software critical to the Market.	Mandated
2	Retail Client Services & Analysis	814,560	PUCT mandated End User Switch and POLR notifications.	Mandated
3	General Counsel	600,000	Outside Legal Counsel: Outside Legal Services regarding litigation or areas requiring specialized legal knowledge and skills not possessed by in-house legal staff. Expert witness fees, court reporter fees, employment/employee benefits, information technology, intellectual property, security/compliance, tax/financing, governance, insurance/risk management, records management, and related items. The services are necessary to obtain expert advice on all legal issues confronting the company (e.g. Employee Retirement Income Security Act (ERISA), bankruptcy, antitrust, litigation, etc.).	Mandated
4	Board of Directors	554,000	Expenses associated with the ongoing support and administration of the Board of Directors <ul style="list-style-type: none"> • Independent member compensation • Member replacement • Business expense reimbursement • Special meetings and retreats as necessary 	Mandated
5	Accounting & Financial Reporting	125,000	Annual financial statement audit: Mandatory to be compliant with Public Utility Commission of Texas (PUCT) rules. Must be performed by External auditing firm.	Mandated
6	Internal Control Management Program	86,100	SAS 70 Audit are required to be performed by an external independent certified public accounting firm.	Mandated
7	Settlements & Billing Operations	31,992	RMR Contractor to satisfy protocol requirement for audit of RMR (Zonal Protocols Section 22, Attachment F, Section 13; Nodal Protocols Section 22, Attachment B, Section 13) Cost based on historical billing.	Mandated
8	Accounting & Financial Reporting	20,000	Annual IRS form 990 review and filing: This is a required statutory audit, that has to be performed externally.	Mandated
9	Human Resources	15,000	Determine the Financial Accounting Standards Board (FASB) 106 Liability for post retiree medical benefits for ERCOT; Accounting support for determining the Financial Accounting Standards Board (FASB) 106 liability for ERCOT.	Mandated
10	Human Resources	15,000	401k Audit: Federal law requires that ERCOT include audited benefit plan financial statements with its annual Internal Revenue Service (IRS) Form 5500 filing. The benefit plan audits must be performed by an independent audit firm. Loss of the qualified tax status of the benefit plans resulting in significant liability to the company and possible ERCOT employees.	Mandated
11	Subtotal - Mandated Outside Services	\$ 6,341,652		

ERCOT Fiscal Year 2011 Budget

Outside Service Detail

Line	Department	2011		Description of Service(s)	Category
		Preliminary	Budget		
12	Technology Services Administration	321,360		Lawson Hosting - Lower cost to host externally, would require hardware and 3 support specialists to host internally	Discretionary
13	Human Resources	190,000		Immigration Assistance: These fees cover the specialized legal expertise in the immigration area as well as the filing fees associated with the hiring of non-US citizens. These fees are required to recruit for power engineers and certain Information Technology functions. The legal expertise in immigration is a very specialized area and ERCOT does not require a full-time position. Approximate 1/2 of the expense in this area is for legal services and the rest covers the actual fees.	Discretionary
14	Human Resources	60,000		Web Based e-Learning Program: Enables business organizations to maximize business performance through a combination of comprehensive e-learning content, online information resources, flexible learning technologies and support services. It's a 24x7 program with a course library of over 4,000 courses related to Business Development and IT. Program will be used to enhance competencies for job skills and reduce travel costs	Discretionary
15	Facilities Management	50,000		Courier Services required for mail collection, routing and distribution in lieu of FTE	Discretionary
16	Credit Administration	30,000		Ratings service and data feed to ERCOT's new credit program for Nodal. The use of these services is contingent on the Board of Directors approving creditworthiness standards that include ratings.	Discretionary
17					
18					
19					
	Subtotal - Discretionary Outside Services		<u>\$ 651,360</u>		
	Subtotal - Base Operations Outside Services		<u>\$ 6,993,012</u>		

ERCOT Fiscal Year 2011 Budget

Outside Service Detail

Line	Department	2011 Preliminary Budget	Description of Service(s)	Category
20	Requested Outside Services Not Funded			
21	Critical Infrastructure Security	300,000	EMMS Security Assessment to comply with NERC CIP 5 R4 and CIP 7 R8	Discretionary
22	Long Term Planning & Policy	200,000	Development of three-phase (PSCad or similar) models of west Texas ERCOT system to allow evaluation of sub-cycle system dynamics. Potential issues include sub synchronous interaction, sub-synchronous resonance, optimization of shunt reactive devices to support wind generation.	Discretionary
23	Mid Term Planning	175,000	Recent dynamic studies have indicated that the load models used for these studies is highly important in determining the results of those studies. Since these studies are increasingly resulting in real costs to the system (congestion, dynamic reactive devices, etc.) in the order of \$100Ms, it is important to validate the appropriateness of these models against real world response.	Discretionary
24	Internal Audit	195,000	Contract labor staff augmentation	Discretionary
25	Long Term Planning & Policy	150,000	Procurement of wind generation patterns, based on actual location of wind farms in ERCOT and actual historical weather data and assuming actual wind turbine technologies installed, for use in planning models to better understand diversity of wind patterns and likely system congestion.	Discretionary
26	Critical Infrastructure Security	150,000	Security penetration assessment of the network perimeter, email and remote access. The assessment will allow ERCOT to respond to the NERC Compliance Action Notice - 0005, Compliance Application CIP-002-3 R3	Discretionary
27	Retail Client Services & Analysis	130,000	Prepare, distribute, and collect results of market participant survey requested by Board of Directors. Perception surveys on conducted on various services offered to the market such as meeting management, website revisions, etc.	Discretionary
28	Human Resources	125,000	University Co-Op program and curriculum development: Services required to develop university curriculum, provide studies and internship programs. This service will be performed along with ERCOT staff.	Discretionary
29	Long Term Planning & Policy	100,000	Procurement of new model for analysis of Expected loss-of-load events (LOLE), assessment of target reserve margin, and expected load carrying capability of variable generation. New model would allow evaluation of the impact of transmission congestion on deliverability of generation reserves.	Discretionary
30	Physical Security	88,000	A 3-year Remote Managed Services Contract with the access control system vendor to provide patching, software upgrades, software updates, corrective procedures and planning, hardware and software specifications and procurement instructions, system network environment schematics and requirement instructions, database system layout, forms and credentials design, access level and alarm configuration. This contract would prevent system down time and possible loss of control of access to critical cyber asset areas as well as provide compliance for CIP7 R1, R3 and CIP3 R6. Currently support is being provided by a security analyst in the Critical Infrastructure Security department on an as available basis.	Discretionary
31	Human Resources	60,000	Benefits Audit(s)/Survey(s): Third party administrator to audit claims paid by benefit providers (medical, dental, vision, etc.) to make sure they are not overpaying claims. Along with benefit surveys to see if we are in line with the market. The audits/survey's do not have to be performed annual, so the estimate listed is based on a couple per year that we would rotate around.	Discretionary
32	Mid Term Planning	50,000	Dynamic studies are increasingly being used to determine system limits and determine system equipment needs. The costs of these limits and equipment is in the order of \$100Ms. It is therefore increasingly important to validate that these models accurately reflect the actual performance of units on the system.	Discretionary
33	Physical Security	50,000	External cyber vulnerability assessment of the Physical Access Control System to comply with NERC CIP Standard CIP-006 R2.2.	Discretionary
34	Total Requested Outside Services Not Funded		\$ 1,773,000	

ERCOT Fiscal Year 2011 Budget

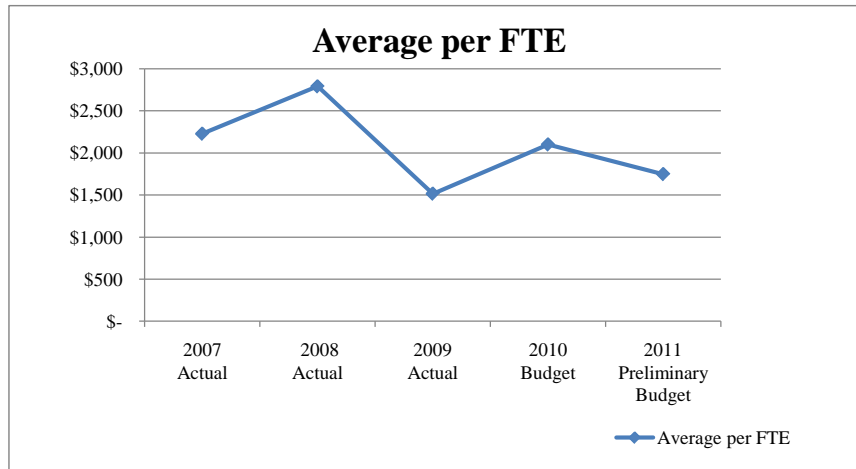
Facilities Summary by Account

						2010 Budget vs. 2011 Preliminary Budget	
Line	Description	2009 Actual	2010 Budget	2010 Forecast	2011 Preliminary Budget	\$ Variance	% Variance
1	Utilities						
2	Electricity	\$ 1,632,750	\$ 1,670,000	\$ 1,670,000	\$ 2,042,000	\$ 372,000	22.3%
3	Water Service	-	-	-	-	-	NA
4	Fuel Oil	14,099	12,000	12,000	25,421	13,421	111.8%
5	Water/Gas/Sewer/Trash	97,242	75,000	75,000	112,894	37,894	50.5%
6	Subtotal - Utilities	1,744,091	1,757,000	1,757,000	2,180,315	423,315	24.1%
7							
8	Rent						
9	Office Rental	936,336	864,000	998,400	882,144	18,144	2.1%
10	Miscellaneous Rental	24,750	-	-	25,270	25,270	NA
11	Storage Rental	91,898	55,200	55,200	81,460	26,260	47.6%
12	Subtotal - Rent	1,052,985	919,200	1,053,600	988,874	69,674	7.6%
13							
14	Telecom						
15	PBX Lease for ISO	-	-	-	-	-	NA
16	Telephone - Local	63,187	68,600	68,600	66,449	(2,151)	-3.1%
17	Telephone - Long Distance	126,426	122,930	122,930	132,837	9,907	8.1%
18	Telephone - Conf. Calls	3,651	37,850	37,850	3,147	(34,703)	-91.7%
19	Internet Service	161,559	171,600	171,600	163,483	(8,117)	-4.7%
20	Data/Voice Circuits	21,671	21,600	21,600	11,063	(10,537)	-48.8%
21	Web Conferencing	198,303	365,000	365,000	370,363	5,363	1.5%
22	Subtotal - Telecom	574,798	787,580	787,580	747,343	(40,237)	-5.1%
23							
24	WAN	2,940,547	3,130,000	2,817,303	3,075,261	(54,739)	-1.7%
25							
26	Building Maintenance						
27	Building Maintenance	549,729	238,000	238,000	916,603	678,603	285.1%
28	Grounds Maintenance	49,300	45,000	45,000	96,995	51,995	115.5%
29	Custodial Service	242,582	273,000	273,000	270,378	(2,622)	-1.0%
30	Miscellaneous Services	123,080	134,150	134,150	465,518	331,368	247.0%
31	Bldg. Security Services	896,643	955,000	1,002,140	1,385,000	430,000	45.0%
32		1,861,334	1,645,150	1,692,290	3,134,493	1,489,343	90.5%
33							
34	Nodal & Texas RE Allocations	(1,207,930)	(1,466,092)	(1,070,856)	-	1,466,092	-100.0%
35							
36	Total - Facilities	\$ 6,965,825	\$ 6,772,838	\$ 7,036,917	\$ 10,126,286	\$ 3,353,448	49.5%
37							
38	Materials, Supplies, & Equipment						
39	Equipment Maintenance	116,629	235,000	235,000	122,571	(112,429)	-47.8%
40	Equipment Rental	88,012	68,000	68,000	84,580	16,580	24.4%
41	Hardware < \$1,000	81,388	237,200	157,200	148,723	(88,477)	-37.3%
42	Software < \$1,000	88,436	153,100	153,100	143,704	(9,396)	-6.1%
43	Misc Equip Repairs	796	2,000	2,000	406	(1,594)	-79.7%
44	Vehicle Maintenance	12,887	9,000	9,000	12,624	3,624	40.3%
45	Equipment & Tools < \$1,000	240,949	200,000	200,000	200,000	(0)	0.0%
46	Office Supplies	113,988	292,716	292,716	117,553	(175,163)	-59.8%
47	Chemical Supplies	55,999	30,000	30,000	50,405	20,405	68.0%
48	Total - Equipment	\$ 799,084	\$ 1,227,016	\$ 1,147,016	\$ 880,566	\$ (346,451)	-28.2%
49							
50	Total Facilities & Equipment	\$ 7,764,909	\$ 7,999,854	\$ 8,183,933	\$ 11,006,852	\$ 3,006,997	37.6%

Note:
Nodal & Texas RE Allocation includes recovery for facility and information technology utilization.

ERCOT Fiscal Year 2011 Budget

Employee Expense by Office



							2010 Budget vs. 2011 Preliminary Budget	
Line	Office	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Preliminary Budget	\$	%
1	Corporate Administration	\$ 261,241	\$ 343,023	\$ 180,830	\$ 285,278	\$ 186,438	\$ (98,839)	-34.6%
2	Information Technology	381,189	646,463	405,913	464,000	276,369	\$ (187,631)	-40.4%
3	Operations	714,420	877,808	532,389	802,623	557,848	\$ (244,775)	-30.5%
4	Total - ERCOT	\$ 1,356,851	\$ 1,867,294	\$ 1,119,132	\$ 1,551,900	\$ 1,020,655	\$ (531,245)	-34.2%
5								
6	FTEs	609	669	739	739	584	(155)	
7								
8	Average per FTE	2,228	2,791	1,514	2,100	1,747	(353)	

The Employee Expense category includes costs for the following:

Business - Registration Fees	Business - Mileage Reimbursement
Business - Meals	Business - Airfare
Business - Lodging	Business - Other Travel Costs
Training - Registration Fees	Training - Mileage Reimbursement
Training - Meals	Training - Airfare
Training - Lodging	Training - Other Travel Costs
Professional Dues	College Education Reimbursement
Remote System Access	Wireless PC Card
Cellular Phone	

ERCOT Fiscal Year 2011 Budget
Employee Expense Detail

Line		2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Preliminary Budget	2010 Budget vs. 2011 Preliminary Budget	
							\$ Variance	% Variance
1	ERCOT							
2	Training - Registration Fees	\$ 392,028	\$ 635,109	\$ 287,074	\$ 522,485	\$ 246,619	\$ (275,866)	-52.8%
3	Cellular Phone	160,080	181,883	210,885	163,807	205,988	42,182	25.8%
4	Business - Mileage Reimbursement	53,843	94,410	98,747	74,329	81,881	7,552	10.2%
5	Training - Travel -Lodging	129,643	178,239	63,764	150,465	61,307	(89,158)	-59.3%
6	College Education Reimbursement	29,033	42,546	54,251	35,867	57,649	21,781	60.7%
7	Business - Travel - Lodging	104,625	129,060	62,299	102,558	54,259	(48,300)	-47.1%
8	Business- Travel - Airfare	68,051	97,198	33,466	67,828	53,072	(14,756)	-21.8%
9	Remote System Access	58,046	47,367	49,922	47,902	42,998	(4,904)	-10.2%
10	Professional Dues	31,020	37,222	35,297	33,049	35,709	2,659	8.0%
11	Wireless PC Card	23,585	47,167	39,063	37,091	33,308	(3,782)	-10.2%
12	Training - Travel -Other	20,598	27,505	13,436	23,020	26,942	3,922	17.0%
13	Business - Meals	31,643	45,063	30,444	31,948	23,214	(8,734)	(0)
14	Training - Travel -Airfare	86,460	80,735	22,767	76,475	22,684	(53,791)	-70.3%
15	Training - Mileage Reimbursement	98,428	59,257	24,464	66,813	22,612	(44,201)	-66.2%
16	Business - Travel - Other	22,687	31,742	27,328	21,235	20,061	(1,175)	-5.5%
17	Training - Meals	36,827	45,806	20,066	39,271	17,084	(22,186)	-56.5%
18	Business - Registration Fees	10,252	86,986	45,860	57,758	15,269	(42,489)	-73.6%
19	Total	\$ 1,356,851	\$ 1,867,294	\$ 1,119,132	\$ 1,551,900	\$ 1,020,655	\$ (531,245)	-34.2%

ERCOT Fiscal Year 2011 Budget

Other Expense Detail

Line		2009 Actual	2010 Budget	2011 Preliminary Budget	2010 Budget vs. 2011 Preliminary Budget	
					\$ Variance	% Variance
1	ERCOT					
2	Insurance Premiums	\$ 1,742,811	\$ 1,876,837	\$ 1,832,639	\$ (44,198)	NA
3	Property Tax	912,515	1,325,706	1,800,000	474,294	NA
4	Subscriptions & Publications	1,200,596	1,232,571	1,467,532	234,961	19.6%
5	Relocation Benefit	304,946	360,000	367,560	7,560	2.1%
6	Recruiting Expense	39,219	106,000	114,905	8,905	6.2%
7	Job Posting Advertising	62,912	40,000	51,050	11,050	9.8%
8	Report Printing	28,805	63,700	38,027	(25,673)	-40.3%
9	Dues	25,969	19,250	27,849	8,599	11.6%
10	Reward & Recognition	3,752	65,000	25,525	(39,475)	-39.5%
11	Sponsored Meetings	25,730	35,500	24,303	(11,197)	-10.1%
12	Express Shipping	23,005	42,300	20,761	(21,540)	-52.0%
13	Postage & Delivery	9,803	18,150	7,375	(10,775)	-60.5%
14	Corporate Events	12,721	11,750	7,147	(4,603)	-11.4%
15	Copying Services	6,694	-	5,840	5,840	NA
16	Late Fee Payment	11	6,000	-	(6,000)	-100.0%
17	Write Off Adjustments	29,708	-	-	-	NA
18	Miscellaneous Expenses	3,068	7,600	-	(7,600)	-124.6%
19	Temp-to-Hire Fees	7,400	650	-	(650)	-100.0%
20	Stationery & Office Forms	1,896	-	-	-	NA
21	Tax - Sales, Excise & Use	69,627	-	-	-	NA
22	Total	<u>\$ 4,511,187</u>	<u>\$ 5,211,014</u>	<u>\$ 5,790,514</u>	<u>\$ 579,499</u>	<u>38.1%</u>

Note:

Subscription & Publication category includes weather and wind related forecasting and modeling services.

ERCOT Fiscal Year 2011 Budget

2011 Project Priority List

Line	2011 Priority	2011 Rank	Program Area	Source	Capital Projects	2011 Budget Range	Cumulative Budget Range	Current Status	Description
1	1- Critical	1	DC	ERCOT	Data Center Buildout	\$30M-\$40M	\$35M-\$40M	Planning / Execution	Data Center Buildout Project - 8 subprojects addressing storage, servers, tape backup, telecommunication, and network gear
2	1- Critical	2	CO	ERCOT	Minor Cap - Critical	500k-1M	35M-40M	Not Started	Critical priority Minor Cap purchases
3	1- Critical	3	RO	Market	Texas SET 4.0	1M-2M	35M-40M	Not Started	TX SET project to include reconnect / disconnect, AMS, Acquisitions, Meter Tampering
4	1- Critical	4	MO	ERCOT	Information Lifecycle Mgmt – Mkt Systems, Archive, Reporting	1M-2M	40M-45M	Planning	Subproject of 90006_01 - optimizing data storage requirements for our production systems
5	1- Critical	5	IO	ERCOT	Cyber Security Project #1	500k-1M	40M-45M	Not Started	Enhance a specific area of ERCOT's cyber security capability
6	1- Critical	6	MO	ERCOT	Settlement System Upgrade	1M-2M	40M-45M	Not Started	Replace the current application code with an optimized, self-supported solution. Includes only the conversion of code -- no enhancements.
7	1- Critical	7	CO	ERCOT	Cyber Security Project #2	250k-500k	40M-45M	Not Started	Enhance a specific area of ERCOT's cyber security capability
8	1- Critical	8	IO	ERCOT	IT Security Infrastructure Upgrade	100k-250k	40M-45M	Not Started	Upgrade a specific component of the IT security infrastructure
9	1- Critical	9	RO	PUCT / Market	MarkeTrak Upgrade and Enhancements (PLANNING)	100k-250k	40M-45M	Not Started	Enhance MarkeTrak application for new PUCT requirements and other enhancements requested by market participants. Examples: new subtypes for Expedited Switch Rescission and Meter Tampering, improved data validation, and AMS usage parameters
10	TBD	TBD	MO	ERCOT	Data Agg Performance Improvements	250k-500k	40M-45M	Not Started	New project to address data aggregation processing performance risk Expected to start in 2010 and conclude in 2011
11	2-High	10	RO	ERCOT	Data Research and Reporting	1M-2M	45M-50M	Execution	Transition of ETS reporting from Data Archive to Enterprise Data Warehouse - Final stage of project
12	2-High	11	CO	ERCOT	Enterprise Records Management Automation (ERMA)	<50k	45M-50M	Execution	Provide a centralized record management repository for ERCOT with email integration.
13						\$45M-\$50M			