

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
RISK MANAGEMENT EVENT PROFILE MATRIX (as of November 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.	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, efficient, and provide stakeholders with required assurances of quality.
2011 budget is completed and ready for submission and discussion with the board. Efforts to transform the Project Management Organization into the Business Integration Organization are complete.		Full market trials functionality testing continues. Board has certified full nodal systems ready for December 1 Go-Live. Soft Launch scheduled for 11/15. Reporting support for DAM / RUC / SASM continues to be upgraded.	Demand for planning studies continues to grow. ERCOT has received two awards totaling \$3.5 million to produce long-term resource and transmission planning studies in 2011. Hiring is completed. In the scoping phase of the studies. Project completion 2013.		Efforts underway to streamline and increase the effectiveness of ERCOT's internal controls program and integrate it with the company's Enterprise Risk Management program.
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 and operational activities in compliance with all applicable regulatory, financial & accounting requirements, standards, & directives.
ERCOT addressing reputation issues by 1) refocusing communication efforts, 2) continuing to complete Nodal on time and on budget, 3) preparing a well thought out budget for 2011, and 4) increasing accountability.	Initial organizational alignment of capabilities and employee skill sets required in a Nodal stabilized environment resulted in the reduction of 37 employees. Ready to move forward with succession planning and training initiatives once the new organization is put in place.	Color remains yellow pending the review of risk factors in the Nodal market requested by F&A. Daily ACL postings have begun for the December monthly CRR auction.			Still waiting for the final 2009 NERC audit report for the Critical Infrastructure Protection (CIP) portion. For 2010 NERC Audit, ERCOT was found to be fully compliant on the 693 (O/P) standards. CIP status is not determined at this point
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.
	Systems stable. Sufficient system and computer room capacity exist for Nodal 'go-live'. Austin data center capacity near maximum and may not be able to accommodate additional unforeseen expansion prior to switchover to Bastrop. Capacity requirements are being closely monitored. New data center buildings complete. Installation of communications equipment in progress. Replacement equipment acquisition in progress.		There are still uncertainties involved regarding operational impacts of existing and continually increasing amount of intermittent renewable generation on the system. RTWG brought a draft of the Texas Renewables Integration Plan (TRIP) to TAC in August that will provide additional guidance on what those uncertainties are and how to address them.		

Legend: Elevated Risk Level Reduced Risk Level

(New Risk Categories / Descriptions Indicated in Green)

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
EVENT PROFILE MATRIX DEFINITIONS**

Strategic Risks	Operational Risks			Reporting Risks	Legal and Regulatory Compliance Risks
	Operational Excellence	Market Facilitation	Grid Reliability		
Strategy Development <i>Corporate objective setting adequately incorporates informed stakeholder input, market realities and management expertise.</i>	Performance Monitoring <i>Clearly defined and actively monitored performance metrics linked to mission and goals- Performance status communicated and corrective action taken.</i>	Customer Choice <i>Market design promotes efficient choice by customers of energy providers with effective mechanisms to change incumbent market participants as desired.</i>	Grid Operations <i>Information required to operate the grid is efficiently gathered. Appropriate tools are prudently configured to efficiently operate the system.</i>	Review Practices <i>Prudent measures are taken to insure that company disclosures are properly vetted and not misleading.</i>	Legal & Legislative <i>Operations are conducted in compliance with all laws and regulations. Impacts of current and proposed legislation are understood and communicated.</i>
Calibrated to Business Climate Risk-Based Resource Allocation Execution Risk Identified & Managed On-Going Event Monitoring Adaptive to Change	Capital Project Program Management Effective Use of Dashboards Metrics Linked to Mission and Goals Effective Status Reporting Clear Standards and Expectations Quantifiable Key Performance Indicators	Effective Response to Change Requests Timely Communication to Participants	Operator Readiness Communications with MP Data Availability & Accuracy Robust Models and Tools are Utilized Operating Assumptions & Judgment Scheduling Process (Congestion Mgt) Adherence to Standards & Rules	Hierarchy of Internal Reviews Auditor Review Board of Directors Review Notification and Escalation of Emerging Items Management Signoff	Contract Administration Comply w/ Applicable Laws, Rules, Regs, Standards Appropriate Legal Review Liability Related to Conduct Fines or Penalties Astute Politically Advocacy Effectiveness Knowledgeable of Legislative Agenda Proposed Rulemaking Practices
Mission and Goals <i>Corporate objectives and performance standards are understood and followed.</i>	Business Practices <i>Business planning, processes and management standards are effective and efficient.</i>	Nodal Implementation Project <i>Nodal Implementation on budget on schedule, and within defined scope.</i>	Planning <i>Long-range planning methods enable efficient responses to system changes that are necessary to maintain reliability standards.</i>	Disclosure <i>Reporting and other disclosures to intended parties is timely, accurate and effective.</i>	Internal Control Compliance <i>Internal Control Compliance, processes and management standards are effective and efficient.</i>
Clear Governance and Oversight Comprehensive Policies/Procedures Clarity of Fiduciary Responsibility Stakeholder Management Practices Clear Mission and Synchronized Cross Divisional Prioritization Ethical Practices Portfolio View of Risks (ERM)	Internal Controls are Effectively Designed & Implemented Business Practices are Cost Effective Responsive to Change Execution Consistency Documentation and Record Keeping Business Continuity & Disaster Recovery Physical Security Standards Safety Practices Adequate Physical Facilities (non-IT) SAS 70 Audits	Project Timeframe on Schedule Project Progressing within Budget Identified staffing positions filled with appropriate resources Scope of project fully identified Project interdependencies identified	Stakeholder Support Planning Assumptions and Processes Data Availability & Accuracy Sufficiency of Models, Forecast and Tools Adherence to Standards & Rules	Prepared in Accordance with Relevant Standards Effective Management Reporting Reports are Transparent and Useful	Internal Control Management Internal Audit Analysis and Findings External Audit Reviews
Reputation <i>Positive perceptions by stakeholders lead to less cost and greater flexibility resulting in enhanced enterprise value.</i>	Workforce <i>Organization design, managerial and technical skills, bench strength and reward systems aligned with corporate goals.</i>	Counterparty Credit <i>Maintain credit risk exposure for overall market within acceptable limits.</i>	Bulk System Resources <i>Market Participants construct and make available adequate bulk electric grid resources.</i>	Communication <i>Internal and external communications are timely and effective.</i>	Industry Standards <i>Business practices provide stakeholders with required assurances of quality.</i>
Publicity Management Political Position High Public Confidence and Trust Management/Employee Creditability Employee Values and Corporate Culture Good Neighbor Practices	Priorities Linked to Mission/Objectives Compensation Programs Aligned w/ Objectives and Priorities Employee Training and Development Workforce Planning Adequacy and Competency of Staff Organizational Structure Performance Management	MP Credit Worthiness Standards Measurement of exposure QSE Certification/De-certification Process Risk to Market from Sustained/Large Uplifts Proactive identification of risk factors	Generation Resource Adequacy & Availability Transmission Adequacy & Availability Reactive Resource Adequacy & Availability Timeliness of Additions / Modifications Fuel Diversity and Availability	Methods are Appropriate for Audience Message Achieves Desired Purpose Effective Delivery Mechanisms Timeliness and Accuracy Message Consistency over time and audiences Responsiveness to Data Request Employee Opinions and Feedback Open Meetings	NERC Reliability Standards ERCOT Operating Guidelines & Protocols
Fiscal Management <i>ISO design requires competent, prudent and cost effective provision of services.</i>	Technology Infrastructure <i>Information systems, supporting facilities and data are effectively managed and are reliable.</i>	Admin, Settlement & Billing <i>Market rules fairly applied to all participants. Accounting is timely and accurately reflects electricity production and delivery.</i>	Operational Responsibility <i>Market participant conduct their operations in a manner which facilitates consistent grid reliability.</i>	Adequacy and Integrity <i>Robust processes exist to support management assertions embodied within financial reports.</i>	Regulatory Filings <i>Evidence, testimony and other supporting materials are compelling and successful.</i>
Cash and Liquidity Management Efficient and Defensible Cost Structure Effective Use of Leverage Insurance and Liability Management Fraud Prevention and Detection Robust Financial Projections Effective Budget Analysis	Accessibility of Systems Systems Development/Testing Practices Systems Maintenance Practices System Redundancy System Reliability and Performance Efficient Technology Architecture Adequate Physical Facilities (for IT) Data Cleansing and Retention Cyber Security (Data and Systems)	Data Management Dispute Resolution Transparent and Defensible Rules Transaction Processing Efficiency Efficient Customer Switching Effective Market Monitoring Error Rates Within Tolerance Billing Dates Consistently Achieved	Preparation for Weather Events Prudent Maintenance Practices Sufficient Operating Resources Standard Compliance Norms	Completeness Verification methods Valuation and Estimation methods Costs & revenues booked in proper period	Advocacy Effectiveness Responsive to Requests Compliance w/ Current Rules Relationship w/ Commission Positions are Supported by Facts

Color Code Methodology for Ranking Residual Risk

Risk Rating	Risk Tolerance	Description of Residual Risk			Mitigation Plan Effectiveness
		Impact	Likelihood	Threat (impact x Likelihood)	
Green	Fully within	Low to none	Low	None	Effective
Yellow-Green	Outside	Low	Low to none	Minimal	Effective
Yellow	Outside	Low to medium	Low to medium	More than minimal but not likely to jeopardize company goals	Effective
Yellow-Red	Significantly Outside	High	Reasonable probability	Would jeopardize company goals	Inadequate
Red	Significantly Outside	High	Substantial probability	Would jeopardize company goals	Inadequate