

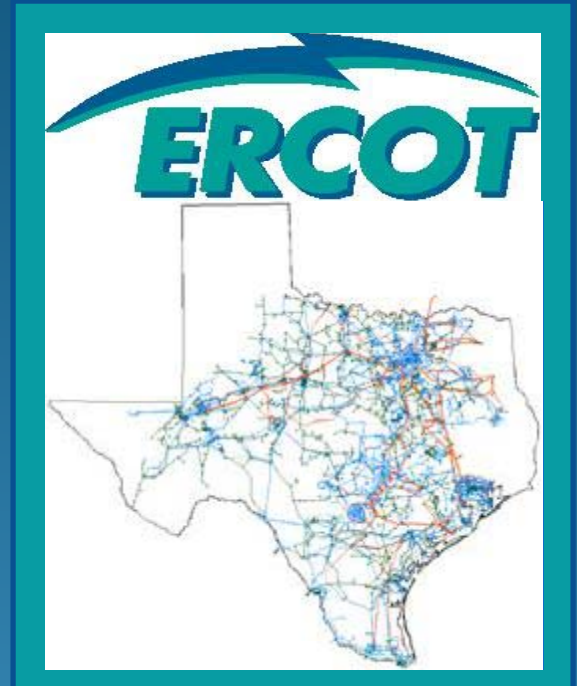
Electric Reliability Council of Texas



2012 – 2016
Strategic Plan



- **Vision**
- **Mission**
- **Core Values**
- **Driving Forces**
- **Strategic Objectives & Initiatives**



The Electric Reliability Council of Texas (ERCOT) manages the flow of electric power to approximately 22 million Texas customers – representing 85 percent of the state’s electric load and 75 percent of the Texas land area. As the Independent System Operator for the region, ERCOT schedules power on an electric grid that connects 40,000 miles of transmission lines and more than 550 generation units. ERCOT also manages financial settlement for the competitive wholesale bulk-power market and administers customer switching for 6.5 million Texans in competitive choice areas.

The strategies and objectives combined in this document are ERCOT's commitment to the future. The Strategic Plan sets the foundation that balances long-term objectives, annual goals, on-going operational priorities, and financial discipline. This is a living document, which must be reviewed and updated annually to address changes in the environment and the industry.

The plan outlines the Vision, Mission and Core Values under which ERCOT will operate over the next five years, and defines the company's strategic objectives and initiatives during that time period.





VISION

To be innovative in providing a world class, cost effective, reliable electric grid and efficient electricity markets.

MISSION

ERCOT serves the public interest by:

- ensuring open access to transmission and distribution systems;**
- maintaining system reliability and operations;**
- enabling retail choice;**
- operating fair and competitive wholesale markets;**
- maintaining the renewable energy credits registry; and**
- providing leadership and independent expertise to improve system reliability and market efficiency.**

CORE VALUES

- **Accountability** – taking personal responsibility for doing the right things the right way.
- **Innovation** – implementing and operating creative solutions.
- **Customer focus** – listening, responding and delivering quality services to our stakeholders.
- **Integrity** – committing to honest and ethical actions in all that we do.
- **Respect** – recognizing the worth and diversity of our people and their contributions.
- **Expertise** – developing and demonstrating respected skill and knowledge in the industry.
- **Leadership** – developing a vision and ensuring its successful completion.
- **Effectiveness** – providing quality in a cost-efficient manner.
- **Teamwork** – working together to allow our organization to achieve its objectives.
- **Communication** – proactively sharing information internally and externally.



DRIVING FORCES

Tension between Markets and Reliability Actions

The primary objective of the ERCOT organization is the maintenance of the reliability of the electric grid; however, there is a correlation between actions taken to ensure reliability and the impact those actions have on prices within the market place. The market should be designed in such a manner to send accurate price signals and drive reliability. ERCOT is expected to provide a reliable supply of electricity at a reasonable price for the consumers of Texas while working in a complex and transparent environment with the market participants, PUCT and Texas Legislature.

Delivering Technology Advances and Complex Services with Increasing Scrutiny of Costs

As the number and complexity of services requested to be provided by ERCOT continue to increase so will the need for the organization to be transparent in the communication and education of the value of the services offered and the cost associated with their provision.

ERCOT will continue to work with our market participants to determine the cost/benefit of introducing advancing technologies within the industry and assess the impacts to consumers. ERCOT will need to ensure the electric markets evolve to satisfy consumer expectations while maintaining grid reliability.

DRIVING FORCES continued...

Growth of Renewable Energy

The increase in renewable energy generation provides challenges of geographical limitations, intermittent nature, transmission availability and system stability.

Continuously Changing Compliance Environment with Stringent Standards

ERCOT exists within a unique compliance environment due to the unrivaled scope of ERCOT's NERC registrations. Ambiguous and/or expanding registration requirements imposed on the organization, volume of standards and audit documentation requirements, enforcement risk and asynchronicity of NERC and ERCOT terminology are some of the key issues. In particular, ERCOT faces extensive cyber and physical security pressures and requirements.

Limited Pool of Critical Skilled and Qualified Resources

The complexity of the ERCOT ISO environment and the technology required to execute the markets require highly skilled individuals who are in high demand but in little supply. As the ERCOT region transitions from a zonal to nodal market, ERCOT will be challenged to attract and retain individuals with subject matter expertise and familiarity with ERCOT processes as such attributes will become an increasingly valuable commodity in the market place.

STRATEGIC OBJECTIVES

- **Manage the grid in a manner that maintains a high level of reliability.**
- **Effectively manage the evolution of the wholesale and retail markets to meet the changing business environment.**
- **Manage the interrelationships and dependencies between reliability actions and market impacts.**
- ~~**Manage the deployment and stabilization of the nodal market to more efficiently direct assign local transmission congestion costs, provide better price signals for locating generation and transmission, and develop a day-ahead market.**~~
- **Continue to demonstrate a reputation of excellent reliability performance while meeting the increasingly demanding and complex requirements for compliance with Federal Reliability Standards and cyber and physical security requirements and ensuring ERCOT ISO's compliance with ERCOT Protocols and Operating Guides.**
- **Manage the complex systems, infrastructure and development processes to enhance and operate the grid and markets.**
- **Develop and maintain productive external relationships through proactive, effective and comprehensive communications.**
- **Attract and retain the right people with the right skills in the right position to develop a culture of excellence that empowers, incents, recognizes and celebrates our achievements.**
- **Prudently ensure adequate funding for the provision of resources needed to pursue and achieve ERCOT's objectives.**

STRATEGIC OBJECTIVE (1)

Manage the grid in a manner that maintains a high level of reliability.

INITIATIVES

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| 1.1 | Lead the market in the development and implementation of strategy and policy to integrate renewable generation into the ERCOT grid. |
| 1.2 | Study and make recommendations to develop a long-term transmission strategy for the region and mechanism for incorporating that framework into mid-term transmission planning. |
| 1.3 | Evaluate and recommend a plan to develop a back-up method of calculating transmission limits in the event of EMS failures. Proactively work with Market Participants to ensure operational readiness. |
| 1.4 | Develop and implement a coordinated oversight process for generation resource interconnection through energizing operation to ensure study, protocol, data and data operational sufficiency. |
| 1.5 | Prepare requirements, develop specifications, and facilitate installation of improved visualization tools for ERCOT operators. Combine with original 1.6 |
| 1.5 1.6 | Prepare requirements, develop specifications, and facilitate installation of improved visualization tools for ERCOT's operators including To improve the potential for better operating decisions ERCOT will identify, initiate and complete projects that will: <ul style="list-style-type: none"> a. Use synchrophasor data to improve dynamic study models and state estimator results. b. Provide system operators displays or applications using synchrophasors that will be of value in making operational decisions. |
| 1.7 | Evaluate and recommend a plan that would assign responsibilities to Operator desks according to NERC registered functions (RC, BA, TOP, IA, TSP) and decide whether to implement the plan or identify reasons why it should not be done. |
| 1.6 1.8 | Develop a strategy and processes to incorporate new technologies (such as: Distributed Generation, Plug-in Hybrids, AMS-enabled DR/price response, and energy storage) into planning and operations. |



STRATEGIC OBJECTIVE (2)

Effectively manage the evolution of the wholesale and retail markets to meet the changing business environment.

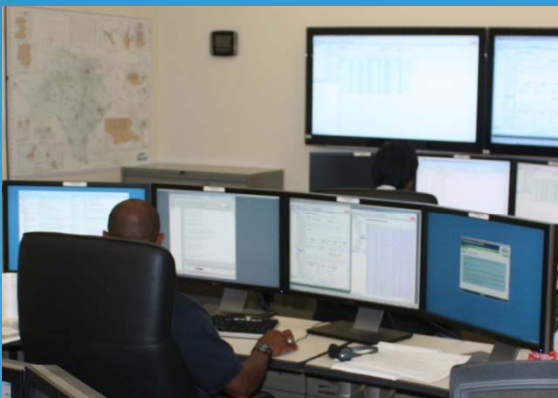
INITIATIVES

Wholesale

- 2.1 Examine ~~Study~~ and make recommendations to lead the structured evolution of the wholesale market in cooperation with Market Participants and Regulatory bodies.
- 2.2 ~~Implement a transparent pricing model to ensure appropriate price signals are communicated in support of a viable financial environment within the ERCOT market.~~ Develop and devote expertise to recognize and remedy flaws in the market design.
- 2.3 Evaluate opportunities for loads and other technologies (such as energy storage) to participate in ~~the wholesale market~~ Ancillary Service Markets.
- 2.4 Study and make recommendations to continue to enhance and develop price validation tools.
- 2.5 Study and make recommendations regarding the ~~appropriate credit requirements to ensure continued financial stability within the ERCOT market.~~
- 2.6 ~~Evaluate and implement market incentives to ensure the right mix of needed resources.~~

Retail

- ~~2.6~~ Study and make recommendations in an effort to lead the evolution of the retail market given advanced metering and technology deployment.
- ~~2.7~~



STRATEGIC OBJECTIVE (3)

Manage the interrelationships and dependencies between reliability actions and market impacts.

INITIATIVES

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| 3.1 | Identify and recommend the tools/processes/people needed to assess and act upon the convergence of reliability and markets. |
| 3.2 | Analyze events that result in the need for ancillary services and examine the opportunity to develop new ancillary service products. |
| 3.3 | Continually enhance the common information model (CIM) to support reliable operations and enhance market experience. |

STRATEGIC OBJECTIVE (4)

~~Manage the deployment and stabilization of the nodal market to more efficiently direct-assign local transmission congestion costs, provide better price signals for locating generation and transmission, and develop a day-ahead market.~~

INITIATIVES

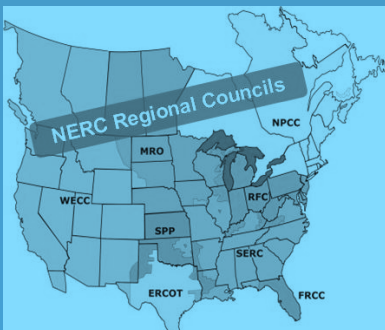
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| 4.1 | Conduct Nodal Market Model Validation and Market Trials in preparation of Nodal system implementation. |
| 4.2 | Identify the funding mechanism for the implementation of Nodal stabilization releases. |
| 4.3 | Plan, prioritize and implement Nodal “Parking Deck” features and other prioritized enhancements and reliability/market initiatives. |
| 4.4 | Define the specific criteria to be measured and analyzed to determine the level to which the success criteria of a nodal market are realized. |
| 4.5 | Develop and devote expertise to recognize and remedy flaws in the market design. Replaces 2.2 |

STRATEGIC OBJECTIVE (5)

Continue to demonstrate a reputation of excellent reliability performance while meeting the increasingly demanding and complex requirements for compliance with Federal Reliability Standards and cyber and physical security requirements and ensuring ERCOT ISO's compliance with ERCOT Protocols and Operating Guides.

INITIATIVES

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| 5.1 | Enhance and expand "Culture of Compliance" within ERCOT & Texas Interconnect. |
| 5.2 | Demonstrate compliance with all ERCOT Protocol, NERC & FERC requirements through audits and achieve the best possible Reliability Standards, registration state, enforcement engagement and audit performance. |
| 5.3 | Actively participate in key committees and in partnership with NERC/FERC and ISO industry experts to address increasing cyber security requirements, changing reliability standards and functional model requirements. |
| 5.4 | Explore strategies to b Build a foundation of confidence through collaboration with our stakeholders (CIP Working Group, 693 Working Group, TOPMOU Group, etc). |
| 5.5 | Prioritize security initiatives to align with IT infrastructure to defend ERCOT ISO sensitive information and critical assets. |
| 5.6 | Minimize NERC-related risk by achieving the best possible Reliability Standards, registration state, audit performance, and enforcement engagement. |
| 5.6 | Engage in development of NAESB Standards and business process development |
| 5.7 | NIST Standards. |
| 5.7 | Define the measurement, identify and manage ownership, and ensure compliance internally and externally to ERCOT Protocols, Operating Guides, and other binding documents. |
| 5.8 | Develop and implement an efficient and effective record management capability. |



STRATEGIC OBJECTIVE (6)

Manage the complex systems, infrastructure and development processes to enhance and operate the grid and markets.

INITIATIVES

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| 6.1 | Provide cost effective, high availability systems for ERCOT operations with proven recoverability. |
| 6.2 | Operate ERCOT systems while keeping abreast of advancing technologies and continually implementing operational and performance improvements. |
| 6.3 | Relocate systems to the new data centers to provide enhanced reliability and to meet future growth. |
| 6.4 | Implement a business integrated solution delivery process. |
| 6.5 | Implement Information Life Cycle Management and System Life Cycle Management processes to manage systems demand and capacity. |

STRATEGIC OBJECTIVE (7)

Develop and maintain productive external relationships through proactive, effective and comprehensive communications.

INITIATIVES

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| 7.1 | Develop and maintain a comprehensive relationship matrix to build and maintain external relationships between Officers and Key Employees of ERCOT and critical external constituencies and effectively track and report contact with federal and state legislators and regulators. |
| 7.2 | Maintain a comprehensive and unitary repository of informational/educational and resource documents related to ERCOT, Inc. and the ERCOT market and raise awareness of its public availability via the ERCOT website. |
| 7.3 | Develop effective initiatives by which key messages will be disseminated to external constituencies Disseminate timely, key messages to inform and educate external constituencies such as the Governor's office, members of the Texas Legislature, the PUCT, Stakeholders within the ERCOT region (Market Participants and Consumers), and the ERCOT Board of Directors. |
| 7.4 | Expand ERCOT's exposure within Texas, nationally and internationally by providing expert testimony to "like" entities regarding ERCOT's approach to successfully achieving its organizational mission. |
| 7.5 | Communicate effectively during the 82 nd Texas Legislative Session and Sunset Review Process by providing timely, accurate and useful information how ERCOT best serves the public interest of Texas as a trusted and objective independent system operator. |

STRATEGIC OBJECTIVE (8)

Attract and retain the right people with the right skills in the right position to develop a culture of excellence that empowers, incents, recognizes and celebrates our achievements.

INITIATIVES

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| 8.1 | Continuously R -review the organizational structure and skills required to implement needed changes to ensure ERCOT is providing services in the most efficient and cost effective matter. |
| 8.2 | Implement improved Drive performance management and talent identification processes. |
| 8.3 | Implement a Provide training program that addresses career development and growing skills needed for advancing technologies and changing business drivers. |
| 8.4 | Enhance the current succession planning process for Executive/Director level positions that looks at the long-term direction of the organization and evaluate the benefits of expanding the process to other positions within the organization. |
| 8.5 | Enhance our recruiting Attract and retain the right people by capitalizing on ERCOT's image as industry leader in Retail, Wholesale and Systems Grid Operations . |
| 8.6 | Assess available functionality in existing toolsets to automate processes within support areas and implement recommendations. |
| 8.6 8.7 | Enhance Incent and celebrate achievements through reward and recognition programs to incent and celebrate achievements. |



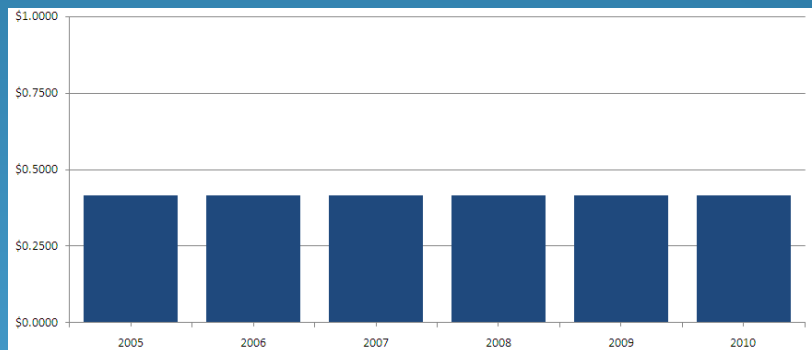
STRATEGIC OBJECTIVE (9)

Prudently ensure adequate funding for the provision of resources needed to pursue and achieve ERCOT's objectives.

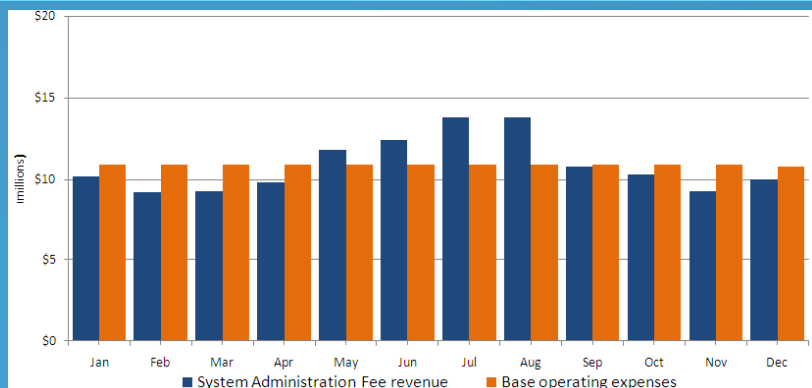
INITIATIVES

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| 9.1 | Propose long term fee structure for ERCOT. |
| 9.2 | Propose long term debt structure that meets the needs of the organization and its stakeholders. |
| 9.3 | Analyze the cost/benefit options regarding facility relocation/consolidation and provide recommendations. |
| 9.4 | Create a 36 month rolling project horizon with annual projections to six years. |
| 9.5 | Implement an effective Vendor Management Program (VMP) to manage strategic contracts by assessing the viability of critical vendors and managing vendor relationships and expectations to ensure strategic initiatives are satisfied. |
| 9.6 | Implement a Business Integration organization within ERCOT to ensure effective implementation and utilization of resources. |

System Administration Fee: ERCOT's primary source of **operating** revenue has been held constant since 2005.



ERCOT is managed to a balanced financial position – annual expenses are equal to annual revenue.



Electric Reliability Council of Texas, Inc.



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