


ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
RISK MANAGEMENT EVENT PROFILE MATRIX (as of 1st October 2011)

Strategic	Operational Excellence	Market Facilitation	Grid Reliability	Reporting	Legal and Regulatory Compliance
1 Strategy Development <i>Corporate objective setting adequately incorporates informed stakeholder input, market realities and management expertise.</i>	1 Performance Monitoring <i>Clearly defined and actively monitored performance metrics linked to mission and goals - Performance status communicated and corrective action taken.</i>	1 Market Operations <i>Effectively manage the evolution of the wholesale and retail markets to meet the changing business environment.</i>	1 Grid Operations <i>Information required to operate the grid is efficiently gathered. Appropriate tools are prudently configured to efficiently operate the system.</i>	1 Review Practices <i>Prudent measures are taken to insure that company disclosures are properly vetted and not misleading.</i>	3 Legal & Legislative <i>Operations are conducted in compliance with all laws and regulations. Impacts of current and proposed legislation are understood and communicated.</i>
1 Mission and Goals <i>Corporate objectives and performance standards are understood and followed.</i>	1 Business Practices <i>Business planning, processes and management standards are effective and efficient.</i>	2 Nodal Systems Stabilization <i>Manage the deployment and stabilization of the nodal market systems</i>	2 Planning <i>Long-range planning methods enable efficient responses to system changes that are necessary to maintain reliability standards.</i>	1 Disclosure <i>Reporting and other disclosures to intended parties is timely, accurate and effective.</i>	3 Internal Control Compliance <i>Internal Control Compliance processes and management standards are effective, efficient, and provide stakeholders with required assurances of quality.</i>
Strategic Plan has been approved since July of 2010 . Proposed 2011 KPIs under review by HR&G Committee.			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.		A limited SAS 70 Audit was completed in January (Type I). No control issues were identified. Testing for the SSAE16 audit is underway. No issues have been identified to date.
3 Reputation <i>Positive perceptions by stakeholders lead to less cost and greater flexibility resulting in enhanced enterprise value.</i>	3 Workforce <i>Organization design, managerial and technical skills, bench strength and reward systems aligned with corporate goals.</i>	3 Counterparty Credit  <i>Maintain credit risk exposure for overall market within acceptable limits.</i>	4 Bulk System Resources <i>Market Participants construct and make available adequate bulk electric grid resources.</i>	2 Communication <i>Internal & external communications are timely and effective.</i>	3 Industry Standards <i>Business and operational activities in compliance with all applicable regulatory, financial & accounting requirements, standards, & directives.</i>
Increased visibility of ERCOT during recent series of EEA events.	Employee retention risk likely to increase if economy continues to improve.	Work is proceeding on the CFTC application for the CEA exemption. Reduced level due to credit impact of reversion to lower prices.	Elevated due to ongoing impact of drought and potential impact of EPA Cross-State Air Pollution Rule.	An updated external communications plan has been issued following the February Energy Emergency Alert.	Compliance is believed to be on target for 'spot checks' of CIP compliance later in 2011.
1 Fiscal Management <i>ISO design requires competent, prudent and cost effective provision of services.</i>	1 Technology Infrastructure <i>Information systems, supporting facilities and data are effectively managed and are reliable.</i>	1 Administration, Settlement & Billing <i>Market rules fairly applied to all participants. Accounting is timely and accurately reflects electricity production and delivery.</i>	3 Operational Responsibility <i>Market participant conduct their operations in a manner which facilitates consistent grid reliability.</i>	1 Adequacy and Integrity <i>Robust processes exist to support management assertions embodied within financial reports.</i>	1 Regulatory Filings <i>Evidence, testimony and other supporting materials are compelling and successful.</i>
			Operational impacts of increasing amounts of intermittent renewable generation on the system is uncertain. ERCOT has established a Resource Integration department devoted to analyzing and proposing solutions to the issues.		

Notes:

Revisions to Risk Categories / Descriptions shown in **Green**

Elevated risk level indicated by (↑). Reduced risk level indicated by downward green arrow (↓).

Numbers correspond to colors as follows:

Red - 5

Red-Yellow - 4

Yellow - 3

Yellow - Green - 2

Green - 1

**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>	Market Operations <i>Effectively manage the evolution of the wholesale and retail markets to meet a changing business environment.</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	Pricing model transparency Enhanced price validation tools Accommodate advanced metering technology Market design flaws Load/energy storage participation in A/S markets Monitor market incentives to ensure resource mix meets load needs	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 Systems Stabilization <i>Manage the deployment and stabilization of the nodal market systems</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	Nodal market model validation Implement deferred nodal defects Plan, prioritize and implement nodal "Parking Deck" features Additional reporting features to support new nodal systems Plan and implement other prioritized enhancements and reliability/market initiatives	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 Credibility 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

Methodology for Ranking Residual Risk

Risk Rating	Code	Risk Tolerance	Description of Residual Risk			Mitigation Plan Effectiveness
			Impact	Likelihood	Threat (Impact * Likelihood)	
Red	5	Significantly outside	High	Substantial probability	Would jeopardize company goals	Inadequate
Yellow-Red	4	Significantly outside	High	Reasonable probability	Would jeopardize company goals	Inadequate
Yellow	3	Outside	Low to medium	Low to medium	More than minimal, not jeopardizing company goals	Effective
Yellow-Green	2	Outside	Low	Low to none	Minimal	Effective
Green	1	Fully within	Low to none	Low	None	Effective