

ERCOT  
Finance and Audit Committee  
Summary of responses to the 2012 annual self-assessment survey

| Question Number | Survey Question  | Response Count |    |          |         | Comment   |
|-----------------|--|----------------|----|----------|---------|---|
|                 |  | Yes            | No | Not Sure | Skipped |   |
| 1.0             | Does the committee have the appropriate number of members? The committee should not be so large that its ability to operate efficiently and effectively is reduced; its members' ability to raise issues is hampered; or it is difficult to get a quorum when a time-sensitive issue arises. | 4              | 0  | 0        | 0       | Given that the Board is large, it follows that the committee is also large, but functions well.<br><br>The committee offers a diverse background of experiences.  |
| 2.0             | Committee members demonstrate their objectivity during meetings through behaviors such as driving agendas, rigorous probing of issues, consulting with other parties, and hiring experts, as necessary.  | 3              | 0  | 1        | 0       | It sometimes appears that certain members do not review the background materials prior to the meeting.<br><br>Members need to remember that when at an ERCOT board committee meeting they are representing the best interest of ERCOT.  |
| 3.0             | Differences of opinion on issues are resolved to the satisfaction of the committee.  | 4              | 0  | 0        | 0       | Robust discussions are held with differing views expressed. Issues raised are always resolved in a satisfactory manner.   |
| 4.0             | Committee members challenge the Chair as appropriate.  | 4              | 0  | 0        | 0       | Discussions are not hampered by Chair.  |
| 5.0             | The committee charter is used as a document to guide the committee in its efforts, and to help guide the committee's agenda.   | 4              | 0  | 0        | 0       | This is driven mostly by staff.   |
| 6.1             | Committee members are financially literate, and the committee has determined that it has adequate financial expertise in accordance with its charter.  | 4              | 0  | 0        | 0       | None  |
| 6.2             | Committee members participate in some form of continuing education to stay abreast of changes in the financial accounting and reporting, regulatory and ethics areas.  | 3              | 0  | 1        | 0       | Can only speak for myself. The staff has undertaken the responsibility to include educational materials in the background materials, and the membership to the NACD helps. I am better educated than last year at this time.<br><br>Continuing education is on the agenda for most meetings. It should continue as the demands on audit committee members is greater today than ever before. Members should voice their opinions on subjects to be covered. |
| 6.3             | The committee understands how the organization's performance compares with its budgetary targets and its peers, and how management plans to address any unfavorable variances.   | 3              | 0  | 1        | 0       | We don't spend enough time on what our "Peers" are doing.   |
| 6.4             | The committee discusses the initial selection of or changes in significant accounting policies used in developing the financial statements, the reason for and impact of any changes in policy, and reasons alternative treatments were not adopted.   | 4              | 0  | 0        | 0       | None  |
| 6.5             | The committee discusses significant, complex, or unusual transactions with management and the external auditors.   | 4              | 0  | 0        | 0       | None  |

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| 6.6             | The committee understands which areas represent high risk for material misstatement of the financial statements, and discusses assumptions and approaches used with management and the external auditors.  | 4              | 0  | 0        | 0       | The development of a good enterprise risk profile is underway   |
| 6.7             | The committee forms its own view of the risk of material misstatement due to fraud, discusses with management and the external auditors their views on the risk of material misstatement due to fraud, and is comfortable that any differences in views can be reconciled. | 4              | 0  | 0        | 0       | We may want to consider increasing the frequency of contact with outside auditors to three times per year.  |
| 6.8             | The committee fully understands significant changes in financial statements from prior years and from budget, and is provided with sufficient, reliable evidence to support variances.   | 3              | 1  | 0        | 0       | We are not doing enough to understand why we are spending money on Outside Services.  |
| 6.9             | The committee commits sufficient time to review, discuss, and consider the financial statements.   | 4              | 0  | 0        | 0       | None  |
| 6.10            | The committee makes optimum use of the meeting time allotted.  | 4              | 0  | 0        | 0       | None  |
| 6.11            | The committee meets with financial management to discuss results reported before finalization.   | 3              | 0  | 1        | 0       | Committee reviews budget at all stages, but not sure about pre review of the financial statements   |
| 7.0             | Committee members have a clear understanding of ERCOT's debt structure and cash management practices.  | 4              | 0  | 0        | 0       | None  |
| 8.0             | Committee members receive sufficient details regarding long-term financial planning.   | 3              | 0  | 1        | 0       | The officers understand more than mere committee members. However, that system works!   |
| 9.0             | The Committee makes appropriate use of workgroups or task forces to investigate issues defined by the Committee.   | 3              | 0  | 1        | 0       | I don't recall that we have ever used workgroups or task forces.  |
| 10.0            | The committee engages outside experts as appropriate.  | 4              | 0  | 0        | 0       | None  |
| 11.1            | The organization's financial reporting processes are stronger as a result of management's interactions with the committee.   | 4              | 0  | 0        | 0       | None  |
| 11.2            | The committee understands and agrees with the board on which categories of internal control it oversees. Categories include integrity of financial reporting; compliance with laws and regulations; and operational efficiency and effectiveness.                          | 4              | 0  | 0        | 0       | None  |
| 11.3            | The committee and the board concur with any changes to the committee's internal control oversight mandate.   | 4              | 0  | 0        | 0       | None  |
| 11.4            | The committee understands the current high-risk areas - including information technology and computer systems - in the categories of controls it oversees, as well as how management addresses those areas.  | 3              | 0  | 1        | 0       | The committee understands that IT is a high risk area, but does not have deep expertise in this area.<br><br>Public pressure often dictates what constitutes "high risk" and the committee doesn't always agree with "public pressure". |
| 12.0            | The committee is cognizant of the line between oversight and management, and endeavors to respect that line.   | 4              | 0  | 0        | 0       | However, I would like to hear managements' view.  |

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| 13.0            | The committee conducts executive sessions in a manner that offers a “safe haven” to the individual, while at the same time asking tough and necessary questions, evaluating the answers, and pursuing issues that might arise to a satisfactory resolution. | 4              | 0  | 0        | 0       | None  |
| 14.1            | The committee does its part to ensure the objectivity of the internal audit team.   | 4              | 0  | 0        | 0       | There has been a very major improvement in the relationship with the internal audit team.   |
| 14.2            | The committee provides constructive feedback to the chief audit executive at least annually.  | 4              | 0  | 0        | 0       | None  |
| 14.3            | The committee receives sufficient detail regarding material issues and complaints brought forward which relate to the company’s fraud, ethics or accounting practices.  | 4              | 0  | 0        | 0       | None  |
| 14.4            | The committee has developed the scope of work to be done by the independent auditor and by the internal audit department based upon a reasoned review of the risks or exposures to the company.   | 4              | 0  | 0        | 0       | None  |
| 15.0            | The committee communicates at an appropriate level of detail when informing the Board of its actions.   | 4              | 0  | 0        | 0       | None  |
| 16.0            | Committee members receive clear and succinct agendas and supporting written material sufficiently prior to scheduled meetings.  | 4              | 0  | 0        | 0       | The material from internal audit could be less detailed, and focus on major findings rather than all activities.  |
| 17.0            | Committee members have adequate opportunities to discuss issues and ask questions.  | 4              | 0  | 0        | 0       | None  |
| 18.0            | The frequency of committee meetings is appropriate for the responsibilities assigned to the committee.  | 3              | 1  | 0        | 0       | The officers of the committee carry a heavy load between meetings.<br><br>This year the committee did not meet with enough frequency, but this has been addressed for 2013.   |
| 19.0            | Meeting facilities and presentation materials are effective for the conduct of committee activities.  | 4              | 0  | 0        | 0       | None  |
| 20.0            | The committee is efficient and value adding.  | 4              | 0  | 0        | 0       | None  |
| 21.0            | Please add additional comments, questions and suggestions here.   | na             | na | na       | na      | I would like to know if anyone receives value from having open or televised F & A meetings.<br><br>I am very satisfied as a member of the audit committee. It has effective leadership and engagement with management, internal auditor and external auditor. |