



Item 5: Review Policies and Assumptions relating to the 2014 Budget

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Finance & Audit Committee Meeting

ERCOT Public

March 18, 2013

ERCOT
Summary of Significant Incremental 2014 Budget Assumptions
March 18, 2013

Strategic objectives	People (attract, develop and retain)	Technology and facilities (operate, maintain and protect)	Processes and protocols (enhance and evolve)
Grid management - manage the grid in a manner that maintains a high level of reliability		\$0.7 million incremental support, maintenance, and data storage relating to grid and market systems	\$0.8 million incremental system operations consulting engagements relating issues including electric/gas pipeline infrastructure dependency, loss of load studies, and new NERC standards
Market evolution - management the development of the wholesale and retail markets to meet a changing business environment	\$0.6 million for 10 incremental staff relating to increased project volume, new work stemming from NPRRs, and the replacement of higher cost contractors with employees		Incremental \$5 million for high-priority projects (\$2 million revenue requirement) \$1 million preliminary allowance to define requirements for potential market design changes.
Compliance, security and enterprise risk management - meet the requirements for compliance with risk based reliability standards, cyber security requirements, and Protocol and Operating Guides			\$0.5 million incremental security consulting engagements relating to enable 24X7 monitoring of ERCOT networks and provide external cyber security assessments
External affairs - develop and maintain productive external relationships through proactive, effective and comprehensive communications			
Human resources and organizational development - attract, develop and retain a highly skilled workforce	\$1 million to address market pressure for high-demand jobs critical to ERCOT success \$0.5 million incremental investment in employee development and welfare		
<p>Load growth, based on average weather and Moody's forecast of future economic activity in Texas, has decreased significantly over the last year.</p> <p>Load growth assumed one year ago = 4 percent (349,131.2 GWH from 335,401.2 GWH) Load growth assumed now = 2 percent (342,600.0 GWH from 335,401.2 GWH) Impact of lower assumed load growth = \$2.7 million (342,600.0 GWH less 349,131.2 GWH * \$0.4171 per MWH)</p>			

Summary of Significant 2014 Budget Assumptions

By Strategic Objective

Grid Management

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

- Maintain support and licenses for hardware and software technology.
- Employ consultants to perform highly specialized tasks including loss of load probability studies and electric/gas pipeline infrastructure dependency analyses.
- Contract external vendor to provide end user switch notifications.
- Purchase access to economic and weather forecasting data and modeling tools to assist with internal load forecasting, energy scheduling, and trading tasks.
- Purchase access to credit viability data and fuel index pricing data to assist with ensuring credit-worthiness of market participants and accurate pricing, respectively.

Market Evolution

Manage the development of wholesale and retail markets to meet a changing business environment.

- Deliver \$25 million of high-priority projects
- Request preliminary allowance to begin defining requirements relating to potential, significant market design changes

Compliance, Security, Enterprise Risk Management

Meet the requirements for compliance with risk based reliability standards, cyber security requirements, and Protocol and Operating Guides.

- Maintain support and licenses for hardware and software technology.
- Continue to fund mandated services, including those provide by the Independent Market Monitor and Texas Reliability Entity.
- Maintain a diverse selection of insurance coverages.
- Engage security guard services at each ERCOT facility to assist in protecting human resources, facilities, and systems.
- Provide 24/7 cyber security monitoring and escalation capabilities.

External Affairs

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

- Maintain personnel dedicated to external communications via multiple avenues.

Human Resources and Organizational Development

Attract, develop, and retain a highly skilled workforce.

- Provide, operate and maintain facilities and physical plant essential for ERCOT operations.
- Provide market-based compensation and benefits to staff
- Expand professional training programs to internally develop skills critical to ERCOT's success.
- Invest in the professional development of employees

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