![ERCOT logo]

Date: December 2, 2014
To: Board of Directors
From: H.B. "Trip" Doggett, President and Chief Executive Officer
Subject: Proposed 2015 ERCOT Key Performance Indicators (KPIs)

<u>**Issue for the ERCOT Board of Directors**</u>

<u>**ERCOT Board of Directors Meeting Date:**</u> December 9, 2014
<u>**Item No.:**</u> 10.1

<u>**Issue:**</u> Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve the 2015 ERCOT KPIs as recommended by ERCOT staff.
<u>**Background/History:**</u> The ERCOT leadership team annually develops specific key performance indicators and corresponding target metrics to drive performance of the organization. The indicators, along with their specific measurements are outlined in the 2015 KPIs. The KPIs are reviewed on a quarterly basis and are used to measure the successful performance of the organization. It is important that the leadership team and the ERCOT Board of Directors (Board) are aligned on the specific goals and focus of ERCOT for 2015. The Human Resource and Governance (HR&G) Committee will be considering whether to recommend that the Board approve the 2014 KPIs as presented at its meeting on December 8, 2014. A copy of the proposed 2015 KPI Matrix is attached hereto as <u>Attachment A</u>.
<u>**Key Factors Influencing Issue:**</u> The 2015 KPIs correlate to ERCOT's strategic direction of the Board and provide performance measures to the Board and ERCOT leadership and staff.
<u>**Conclusion/Recommendation:**</u> The ERCOT leadership team respectfully recommends that the HR&G Committee recommend approval and that the ERCOT Board approve the 2015 KPIs as presented.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to accept the recommendations of ERCOT staff and the Human Resources and Governance Committee to approve the 2015 ERCOT Key Performance Indicators (KPIs) attached hereto as Attachment A; and

THEREFORE, BE IT RESOLVED, that the 2015 ERCOT KPIs, attached hereto as Attachment A, are hereby authorized and approved.

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its December 9, 2014 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of December, 2014.

_____
Vickie G. Leady
Assistant Corporate Secretary

Attachment A
Proposed 2015 ERCOT Key Performance Indicators

KPI	Executive	Capability	KPI Description	Target	Stretch	Notes
RG 1	McIntyre, Kenneth	Grid Security Management / Real Time System Control / Scheduling & Dispatch	Control Performance Standard 1 (CPS1) frequency control performance (rolling 12 month CPS1 score).	> 140	> 150	
RG 2	McIntyre, Kenneth	Grid Security Management / Real Time System Control / Scheduling & Dispatch	Interconnection Reliability Operating Limit (IROL) exceedance limitations.	None longer than 20 minutes	None longer than 10 minutes	
RG 3	McIntyre, Kenneth	Outage Coordination / Planning	Outage Coordination performance: requests approved or denied within timeline and with mitigation plans developed if required.	97%	99%	
RG 4	McIntyre, Kenneth	Forecasting	Operations Load Forecast performance - Mean Average Percent Error (MAPE): monthly average day ahead load forecasts used for DRUC MAPE.	All less than 4.0%	All less than 3.5%	
RG 5	McIntyre, Kenneth	Forecasting	Wind forecast performance - MAPE based on installed wind capacity: monthly average day ahead wind forecasts used for DRUC MAPE.	All less than 15%	All less than 10%	
RG 6	Manning, Chuck	Compliance Monitoring & Reporting	Achieve full compliance with NERC/FERC planning and operating standards, OPS, Protocols.	No more than 1 high severity and no more than 3 total exceptions from NERC Standards as found in a NERC Compliance Audit excluding current registration mitigation plan regarding TOP.	No exceptions from NERC Standards as found in a NERC Compliance Audit.	Candidate for future revision once RAI in place. Accurate for 2015.
RG 7	Manning, Chuck	Compliance Monitoring & Reporting	Assure property, personnel, and cyber assets are protected (cyber and physical) in accordance with NERC CIP Standards and SSAE16 Controls.	No more than 1 high severity and no more than 3 total alleged violations from NERC Standards as found in a NERC or TRE initiated CIP CMEP. SSAE16 - No more than 1 exception in logical or physical security controls and an unqualified opinion in logical or physical security controls.	No alleged violations from NERC Standards as found in a NERC or TRE initiated CIP CMEP.	
RG 8	Dreyer, Jerry	IT Application Services	Energy Management System Aggregate Availability	99%	99.5%	
RG 9	Dreyer, Jerry	IT Application Services	Security Constrained Economic Dispatch (SCED) Availability	99.9%	99.95%	
RG 10	Dreyer, Jerry	IT Application Services	Security Constrained Economic Dispatch (SCED): number of unplanned outages greater than 30 consecutive minutes (per quarter)	zero	n/a	
RG 11	Dreyer, Jerry	IT Application Services	Load Frequency Control (LFC) Availability	99.9%	99.95%	
RG 12	Dreyer, Jerry	IT Application Services	Load Frequency Control (LFC): number of unplanned outages greater than 30 consecutive minutes (per quarter)	zero	n/a	
RG 13	Dreyer, Jerry	IT Application Services	Outage Scheduler Availability	99%	99.5%	
RG 14	Dreyer, Jerry	IT Application Services	Network Model Management System (NMMS) Availability.	99% 97%	99.5% 99%	Recommend revised target and stretch based on system improvements made over time.
RG_i 15	Dreyer, Jerry	IT Application Services	HRUC executed every hour: percent of complete HRUC's per month, including ones missed due to database loads and site failover.	99% 95%	99.5% 97%	Recommend revised target and stretch to match other functions in the MMS aggregate availability KPI.
RG_i xx	Dreyer, Jerry	IT Application Services	No loss of VSAT/TSAT application functionality for 30 continuous minutes or longer, excluding invalid solutions due to State Estimator dependencies and planned site failovers.	3 per Quarter	1 per Quarter	Proposed new internal metric.
RG_i 16	McIntyre, Kenneth	System Planning	Regional Planning project Review Studies completed on time without substantive errors.	95% completed on time or no more than 1 late if less than 20 projects	99% completed on time	

KPI	Executive	Capability	KPI Description	Target	Stretch	Notes
RG_i 17	McIntyre, Kenneth	System Planning	~~Transmission planning projects initiated or significantly improved by ERCOT staff.~~	~~10 projects~~	~~15 projects~~	Recommend deletion per ERCOT discussion with task force.
RG_i 18	McIntyre, Kenneth	Transmission Connection Management	Generation Interconnection Request (GIR) screening studies completed on time without errors.	95% completed on time or no more than 1 late if less than 20 GIRs	100% ~~99%~~ completed on time	Recommend revised stretch.
RG_i 19	McIntyre, Kenneth	Outage Coordination / Planning	Network model update accuracy	No more than 3 emergency database loads due to staff error	No emergency database loads due to staff error	
RG_i 20	McIntyre, Kenneth	Compliance Monitoring & Reporting	Required Planning Report performance	No more than two reports required by PUCT Rule, DOE project, NERC or State law filed late or with error.	100% of reports required by PUCT Rule, DOE project, NERC or State law completed on time without errors.	
RG_i 21	Manning, Chuck	~~Compliance Monitoring & Reporting~~	~~Achieve compliance with ERCOT Protocols and Operating Guides by achieving acceptable operating related exceptions from ERCOT Protocols and Operating Guides as found in Protocol Compliance Audit.~~	~~No more than 3~~	~~Zero~~	Recommend deletion. Metric is based on infrequent Texas RE audits of ERCOT. The most recent audit was in 2010 with no findings. Infrequent measurement not appropriate for quarterly metrics.
RG_i 22	Manning, Chuck	~~Compliance Monitoring & Reporting~~	~~Ensure ERCOT ISO compliance with protocol Section 8 and operating guide Section 9 requirements (include in aggregate above); excluding Self Reports.~~	~~95%~~	~~100%~~	Recommend deletion. Metric was created in support of ERCOT's 3-party compliance monitoring agreement (TRE/PUCT/ERCOT) to develop tools and processes to measure Market Participant compliance with Protocol Section 8 & 9. With nodal market compliance processes stabilized, this metric no longer has significant value and potentially creates confusion since it measures ERCOT's measurements of MPs, rather than ERCOT's performance (for example, a 95% value for this metric would reflect that ERCOT measures compliance of MPs 95% of the time).
EM 1	Jones, Brad	Bidding, Scheduling & Pricing	DAM quality of solution as measured with price corrections: percent of hourly prices requiring DAM price correction.	1-3 % of time	< 1 % of time	
EM 2	Jones, Brad	Bidding, Scheduling & Pricing	SCED solution is solved and posted: percent of 15-minute Settlement Interval prices where price corrections are performed.	0.5% - 1% ~~1 - 3 %~~	<0.5% ~~< 1 %~~	Recommend revised target and stretch.
EM 3	Jones, Brad	Settlement & Billing	~~Timely settlements per Protocol timelines.~~ Achieve timely settlements, per Protocol defined timelines.	99%	100% ~~99.9%~~	Recommend revised wording and stretch.
EM 4	Jones, Brad	Settlement & Billing	~~Accurate settlements as measured by number of resettlements due to manual data errors~~ Perform accurate settlements as measured by the percent of Operating Day and operating month settlement that does not require a correction as a result of an error in the settlement and billing systems or processes.	98% ~~2%~~	99.9% ~~1%~~	Recommend revised target and stretch. Total settlement includes all instances of the following: 1) DAM settlement for an operating day, 2) RTM settlement for an operating day, 3) Settlement Invoices issued, 4) CRR Auction Invoices for an operating month, 5) CRR Auction Distribution for an operating month, 6) CRR Balancing Account Invoices for an operating month, 7) Miscellaneous Invoices issued, and 8) Default Uplift Invoices issued
EM 5	Jones, Brad	Strategy & Business Planning	Credit reports are correct and posted in a timely manner.	98% ~~97%~~	100%	
EM 6	Jones, Brad	~~CRR / FTR Management~~	~~Monthly de-ratings of CRRs are within acceptable tolerances~~	~~80%~~	~~95%~~	Recommend deletion to stop tracking the monthly de-rating of CRRs as the de-rating only applies to CRRs that source and sink at a resource node. It does not de-rate CRRs that sink at a Load zone or Hub which is the vast majority of the CRRs.
EM 7	Jones, Brad	Market Information	Wholesale extracts available per Protocol timelines	98%	99%	

KPI	Executive	Capability	KPI Description	Target	Stretch	Notes
EM 8	Dreyer, Jerry	IT Application Services	Congestion Revenue Rights (CRR) Availability	99%98%	99.5%99%	Recommend revised target and stretch.
EM 9	Dreyer, Jerry	IT Application Services	Market Management System Aggregate Availability	99%	99.5%	
EM_i 10	Jones, Brad	Bidding, Scheduling & Pricing	Percent of days with successful DAM execution solution completed and posted successfully.	100%	100%	Recommend eliminating stretch.
EM_i 11	Jones, Brad	Bidding, Scheduling & Pricing	DAM executions completed in acceptable timeframe: percent of days with posting solution before 1600.	98% 97%	100% 99%	Recommend revised target and stretch.
EM_i 12	Jones, Brad	Bidding, Scheduling & Pricing	Number of minimum Ancillary Services Requirements posted after the 20th of each month.	< 2	0	
EM_i 13	Jones, Brad	Wholesale Metering, Data Collection & Data Aggregation	AMS interval data is loaded into ERCOT systems by final settlement from the MRE in accordance with Protocols for data loading.	99%	99.75%	
EM_i 14	Jones, Brad	Wholesale Metering, Data Collection & Data Aggregation	IDR meter data is loaded into ERCOT systems by true-up settlement from the MRE in accordance with Protocols for settlement.	99%	99.75%	
EM_i 15	Jones, Brad	Wholesale Metering, Data Collection & Data Aggregation	EPS meter data is accurate and complete as measured by the percent of data that doesn't change after an initial settlement	99%	99.9%	
EM_i 16	Jones, Brad	CRR Management	CRR auctions are performed according to Nodal Protocols Requirements (7.5.1). CRR auctions results are validated and posted as required by the CRR Activity Calendar	By end of month All Monthly Auctions and LTASs are posted on time per the CRR Activity Calendar	Auction takes less than 5 days to complete and post All Monthly Auctions are posted on time and all LTASs are posted one week earlier than required by the CRR Activity Calendar	Revised wording and metrics to measure against the CRR activity calendar.
EM_i 17	Jones, Brad	Dispute Management Client Services	Process settlement disputes within protocol timelines	98% 95%	100% 98%	Recommend revised target and stretch.
EM_i 18	Jones, Brad	Account Management Client Services	Establish and Maintain Targeted Account Plans and execute per guidelines and schedule. outreach at least once a year to each Market Participant.	98% 95%	100% 98%	Recommend revised target and stretch.
EM_i 19	Jones, Brad	Account Management	Create, distribute and post Market Notices per the COPs Communication Guide, Section 5, Appendix A.	95%	98%	Recommend deletion. It is a cumbersome measure to track and is not adding management value. Metrics have been 100% for the last year. Resources are spending time measuring quantity notices and how fast completed rather than the value added in crafting the market notice, getting it to the right audience etc. Propose new EM_i 19 (below) to replace this.
EM_i 20	Jones, Brad	Account Management Client Services	Achieve "Very Satisfied" or "Satisfied" ratings on annual survey of Account Management services Acknowledge Market Participant inquiries no later than COB the next Business Day of receipt	90% satisfied or highly satisfied 98%	95% satisfied or highly satisfied 100%	Recommend change to measure customer satisfaction in terms of timeliness and quality of customer service received.
OARC 1	Jones, Brad	Determine REC Obligations & Verify Compliance	Fulfill the protocol obligations for RPS mandate calculations and reporting on time and accurately	99%	100% 99.9%	Recommend revised stretch.
OARC 2	Jones, Brad	Customer Switching / Registry	Conduct retail transaction processing per Protocol timelines	98%	99%	
OARC 3	Jones, Brad	Customer Switching & Registry	End use customer switch notifications processed per PUCT rules	99%	100% 99.9%	Recommend revised stretch.
OARC 4	Jones, Brad	Market Information	Retail extracts available per Protocol timelines	98%	99%	
OARC 5	Dreyer, Jerry	IT Application Services	Retail Processing Availability - Bus. Hours	99.5%	99.7%	
OARC 6	Dreyer, Jerry	IT Application Services	Market Information System (MIS) Availability	99%	99.5%	
OARC_i 7	Dreyer, Jerry	IT Application Services	Retail Processing Availability - Non bus. Hours	99%	99.5%	
OARC_i 8	Dreyer, Jerry	IT Application Services	Retail API Availability	99%	99.5%	

KPI	Executive	Capability	KPI Description	Target	Stretch	Notes
OARC_i 9	Dreyer, Jerry	IT Application Services	MarkeTrak Availability	99%	99.5%	
OARC_i 10	Jones, Brad	Dispute Management	Manage retail transaction issues and disputes within defined timelines	96%	98%	
OSM 1	Petterson, Michael	Finance	Manage spending to be equal to or less than the board-approved expenditure budget for 2015 ~~2014~~.	Between 0 - 5% favorable variance	~~> 5% favorable variance~~	Recommend eliminating stretch.
OSM 2	Manning, Chuck	~~Facilities /~~ Security	Maintain ERCOT ISO's security posture against cyber and physical security threats as defined in the ~~Incident~~ Cyber Security Incident Response Plan.	No more than one Stage 2 or Stage 3 cyber or physical security incidents.	Zero Stage 2 or Stage 3 cyber or physical security incidents.	Revised description to align with internal plan name.
OSM_i 3	Manning, Chuck	Facilities ~~/ Security~~	Operate data centers providing availability consistent with data center designed objectives.	99.98%	100%	
~~OSM_i 4~~	~~Williams, Diane~~	~~Human Resources~~	~~Manage the ERCOT Training and Professional Development Program according to the approved annual education plan.~~	~~90% of planned activities~~	~~98% of planned activities~~	Recommend deletion. Management does not find value in metric.
~~OSM_i 5~~	~~Magness, Bill~~	~~Strategy & Business Planning~~	~~Successful SSAE16 audit performance~~	~~Unqualified opinion~~	~~Unqualified opinion with no noted exceptions~~	Recommend deletion. Management does not find value in metric.
OSM_i 6	Doggett, Trip	Internal Audit	Execute the 2013 Internal Audit Plan as approved by the Finance and Audit Committee, and complete the plan by December 31, 2013.	100% by year end	106% by year end	Renumber to avoid gaps in numbering
~~OSM_i 7~~	~~Williams, Diane~~	~~Human Resources~~	~~Percent of critical positions with succession or mitigation plans.~~	~~90%~~	~~100%~~	Recommend deletion. Management does not find value in metric.
~~OSM_i 9~~	~~Day, Betty~~	~~Project / Program Management~~	~~Project Portfolio managed within approved Execution schedule.~~	~~10%~~	~~5%~~	Recommend deletion. ERCOT tracks budget and schedule internally at the project level and provides a stoplight report to Board each month. No additional value recognized from internal KPI.
~~OSM_i 10~~	~~Day, Betty~~	~~Project / Program Management~~	~~Project Portfolio managed within approved Execution budget.~~	~~10%~~	~~5%~~	Recommend deletion. ERCOT tracks budget and schedule internally at the project level and provides a stoplight report to Board each month. No additional value recognized from internal KPI.
OSM_i 11	Gage, Theresa	External Affairs	ERCOT Energy Emergency Alert Communications -- Corporate Communications provides follow-up communications and media/public notifications per Crisis Communications Procedure.	100% ~~97%~~ of the time an EEA is triggered.	~~100% of the time an EEA is triggered.~~	Recommend eliminating stretch and revising target.