



ERCOT Finance & Audit Committee Meeting
7620 Metro Center Drive, Austin, Texas
Met Center, Conference Room 168
September 18, 2007; 8:30am – 10:00am*

Item #	Agenda Item Type	Description/Purpose/Action Required	Presenter	Time
1.		Call to order ISO meeting	C. Karnei	8:30am
2.		Adjourn to Executive Session		
	Decision required	2a. Approval of executive session minutes (Vote) (08/21/07)	C. Karnei	8:30am
	Informative	2b. Update on timeline for 2008 internal audit plan	B. Wullenjohn	
	For discussion	2c. Internal Audit status report	B. Wullenjohn	
	Informative	2d. EthicsPoint update	B. Wullenjohn	
	Informative	2e. Review of independent auditor fees for 2007	M. Petterson	
	Informative	2f. Briefing on Business Continuity Planning	S. Byone	
		Adjourn to Open Session		
3.	Decision required	Approval of general session minutes (Vote) (08/21/07)	C. Karnei	9:00am
4.	Decision required	Review results of and vote on acceptance of 401k audit report (Vote)	L. Porter	9:01am
5.	Informative	Update on third party credit review	C. Yager	9:10am
6.	Informative	Update on 2007 financial forecast	M. Hancock	9:15am
7.	Informative	Committee Briefs (Q&A only)	All	9:25am
8.	Informative	Future agenda items	S. Byone	9:35am
9.		Adjourn ISO meeting		9:40am

** Background material is enclosed or will be distributed prior to meeting. All times shown in the agenda are approximate.
 The next Finance & Audit Committee Meeting will be held Tuesday, October 16, 2007, at ERCOT, 7620 Metro Center Drive, Austin, Texas 78744, in Room 168.

Decision required
For discussion

3. Approval of general session minutes Clifton Karnei

- **Approval of General Session Minutes**
 - Vote 08/21/07

Draft MINUTES OF THE ERCOT ISO FINANCE & AUDIT COMMITTEE MEETING

Austin Met Center

8:00 A.M.

August 21, 2007

Pursuant to notice duly given, the meeting of the Electric Reliability Council of Texas, Inc. Finance & Audit Committee convened at 8:00 A.M. on **August 21, 2007**. The Meeting was called to order by Clifton Karnei, who ascertained that a quorum was present.

Meeting Attendance

Committee members:

Clifton Karnei, Chair	Brazos Electric Cooperative	Cooperative	Present
Miguel Espinosa, Vice Chair	Unaffiliated Board Member	Unaffiliated Board Member	Present
Nick Fehrenbach	City of Dallas	Consumer	Present
R. Scott Gahn	Just Energy	Ind. Retail Electric Provider	Present
Michehl Gent	Unaffiliated Board Member	Unaffiliated Board Member	Present
Tom Standish	Centerpoint Energy	Investor-Owned Utility	Present
William Taylor	Calpine Corporation	Ind. Generator	Present
Dan Wilkerson	Bryan Texas Utilities	Municipal	Present

Other Board Members and Segment Alternates:

Steve Bartley	CPS Energy	Municipal	Not Present
Robert Thomas	Green Mountain Energy	Ind. Retail Electric Provider	Present

ERCOT staff and guests present:

Anderson, Troy	ERCOT
Barry, Sean	PricewaterhouseCoopers
Bassett, Ryan	PricewaterhouseCoopers
Bojorquez, Bill	ERCOT
Brenton, Jim	ERCOT
Byone, Steve	ERCOT
Campbell, Cassandra	ERCOT
Davies, Morgan	Calpine Corporation
Day, Betty	ERCOT
DiPastena, Phil	ERCOT
Doolin, Estrellita	ERCOT
Gallo, Andrew	ERCOT
Hancock, Misti	ERCOT
Kahn, Bob	ERCOT
Petterson, Mike	ERCOT
Rocap, Nisha Rocap	PricewaterhouseCoopers
Seeley, Chad	ERCOT
Spells, Vanessa	ERCOT
TroxteLL, David	ERCOT

Twiggs, Thane	ERCOT
Vincent, Susan	ERCOT
Yager, Cheryl	ERCOT
Walker, DeAnn	ERCOT
Westbrook, Susan	ERCOT
Wullenjohn, William	ERCOT

Executive Session

At 8:01 A.M., the Committee meeting was adjourned and the Committee went into Executive Session until 8:55 A.M., when the Committee returned to Open Session.

Approval of Previous Minutes

Dan Wilkerson made a motion to approve the minutes of the Committee meeting held on July 17, 2007, subject to a correction of a typo in his name; R. Scott Gahn seconded the motion. The motion passed by a vote of 7 to 0, with Nick Fehrenbach abstaining.

Nick Fehrenbach moved to approve the minutes of the Special Committee meeting held on August 7, 2007; Michehl Gent seconded the motion. The motion passed by a vote of 7 to 0 with Dan Wilkerson abstaining.

Update on 2007 SAS 70 Audit

Sean Barry introduced two of his colleagues in attendance, Ryan Bassett and Nisha Rocap, and then provided the Committee with an update regarding the on-going 2007 SAS 70 audit. Mr. Barry informed the Committee that the SAS 70 audit was on schedule and that no significant issues had been identified. Mr. Barry noted that the control objectives of this year's SAS 70 were reduced from 18 to 15, by combining 3 of the business processes and reorganizing the IT objectives. Mr. Barry confirmed that the slight change would reduce redundancies and result in a streamlined report, but would not change the scope of the audit. Mr. Barry told the Committee that during Phase 1 testing, ERCOT readiness was improved and the coordination, efficiency, and communication of ERCOT staff was much better than previous years. Mr. Barry confirmed that Phase 2 testing would begin in September, he expected to complete the report by Thanksgiving, and the customary conference call with Market Participants would be scheduled for December.

2008 SAS 70 Auditor

Following discussions during the Executive Session, **Miguel Espinosa moved to recommend approval of PricewaterhouseCoopers as the SAS 70 auditor for 2008; William Taylor seconded the motion. The motion passed unanimously.**

Update on Third-Party Credit Review

Cheryl Yager informed the Committee that the negotiations for the contract for the third-party credit review were nearly complete, and she expected to obtain slightly improved pricing relative to the RFP responses. Ms. Yager told the Committee that she anticipated the contract would be signed and the work begun prior to the September meeting.

Creditworthiness Standards Update

Cheryl Yager explained to the Committee that ERCOT staff, with support of the Credit Work Group (CWG) was recommending changes to the Creditworthiness Standards (as reflected in the attached materials), including changes for setting forth whether and to what amount a

market participant may have unsecured credit. She explained that CWG had approved some “low hanging fruit” suggestions, including: (1) lowering the maximum unsecured credit allowed for market participants from \$125 million to \$100 million, (2) using Fitch ratings (along with Standards & Poor’s and Moody’s); (3) using Tangible Net Worth rather than straight Shareholder’s Equity when setting maximum unsecured credit limits; and (4) establishing modified rules limiting the amount of maximum unsecured credit allowed under foreign guarantees when quarterly financials are not provided. In response to questions by the Committee, Ms. Yager noted that the Creditworthiness Standards had not been updated since 2001.

In response to Clifton Karnei’s question regarding the relationship between the Creditworthiness Standards and the Protocols, Ms. Yager and Morgan Davies explained that the Protocols refer to and require compliance with the Creditworthiness Standards, but the Creditworthiness Standards are maintained separately from the Protocols.

In response to William Taylor’s question regarding TAC’s involvement in reviewing the proposed changes, Morgan Davies noted that the proposed changes to the Standards had been presented to TAC in August for TAC’s comments and suggestions. TAC made no suggested changes to the Creditworthiness Standards.

Nick Fehrenbach made a motion to recommend the revised Creditworthiness Standards to the Board; William Taylor seconded the motion. The motion passed unanimously.

Recommendation of 2008 Budget

Steve Byone and Mike Petterson explained that the 2008 Budget process had concluded, and that ERCOT management recommended to the Board the proposed 2008 Budget (as set forth in the Agenda Item 14b of the Board materials). Mr. Byone noted that no substantial changes had been made to the proposed 2008 Budget since the August 7, 2007 Special Committee meeting, and he requested that the members of the Committee endorse the staff’s recommendation to the full Board.

Mr. Byone noted that the key elements of the proposed 2008 Budget include the following:

- Holds flat all approved fees:
 - System Administrative Fee - \$0.4171 per MWh
 - Nodal Surcharge - \$0.127 per MWh
 - Texas Regional Entity/ERO Fee (approved by FERC and NERC) - \$0.016 per MWh
- Funds ERCOT’s necessary responsibilities
- Delivers priority projects approved by the Technical Advisory Committee
- Provides funding for the independent market monitor
- Incorporates impact of Texas Regional Entity activity
- Anticipates implementation of the nodal market
- Requires no fee filing proceeding at the Public Utility Commission of Texas

Mr. Byone asked that the Committee members request that Board members review the recommended 2008 budget and provide feedback to him and/or Bob Kahn. He noted that the final recommended 2008 Budget package will be sent to the Board on September 11, 2007 for anticipated Board action on September 18, 2007.

Mr. Byone highlighted and discussed several items in the Budget presentation materials, including a new table on page 37, reflecting specific issues that would have upward or downward fee pressure, and the Sensitivity Overview on page 41. In response to questions by the Committee members regarding the attempt to maintain a flat fee, Mr. Byone noted that, in the event of unforeseen and unfavorable financial performance in 2008, ERCOT would first attempt to cover the variance by controlling costs. If cost control efforts were insufficient to offset unfavorable financial variances, ERCOT would make greater use of short term borrowing and, if necessary as a last resort, apply for an interim fee at the Public Utility Commission of Texas (PUCT). Mr. Byone told the Committee that as in the past they would be kept informed of ERCOT's financial results and all management action planned in response to unfavorable financial variances. The Committee indicated that it was satisfied with the proposed 2008 Budget.

R. Scott Gahn made a motion to recommend the 2008 draft Budget included in the Board package (Agenda item 14b) to the Board for approval; Miguel Espinosa seconded the motion. The motion passed unanimously.

Preview Compliance and ERM Update

Steve Byone informed the Committee that he would provide the full Board with the required semi-annual update on ERCOT's audit, compliance and enterprise risk management programs and asked if the members had any questions or specific items to note in advance of that presentation.

Committee Briefs (Q&A only)

William Taylor referred to the document entitled "ERCOT Market Credit Status" (page 103 of the materials) and asked why there had been such a substantial increase in the credit balances for Qualified Scheduling Entities (QSEs) that meet Creditworthiness Standards. Cheryl Yager responded that increases can be caused by higher prices or volumes. She indicated that the higher balances appear to be due to a higher level of selling activity in the market and that it wasn't unusual for the activity of individual QSEs to vary over time. Mr. Karnei agreed that this was probably due to market participants that were selling a lot of power during this period. Ms. Yager stated that she did not have significant concern about the increase.

Mr. Byone briefly discussed recent financial market turmoil resulting from tightening credit markets and the impacts on ERCOT's investments and financing. He noted that, since ERCOT's financing was in place, ERCOT was not substantially affected by tightening liquidity in the market. Mr. Karnei asked about the effect on ERCOT's short-term debt, and Mr. Byone and Ms. Yager provided details on the increased short-term rates which had occurred over the past month.

The Committee discussed the changes detailed on the Risk Management Event Profile Matrix or "Stop Light Report" (page 108 of the materials). After the discussion, Steve Byone suggested that a detailed review of this report be added to the agenda for an upcoming Committee meeting. Clifton Karnei agreed to the suggestion.

Future Agenda Items

Steve Byone noted that the following future agenda items were scheduled: standing Internal Audit status report(s); appointment of independent financial auditor for 2008; update on third party credit review; update on 2007 forecast; and Committee Briefs. Mr. Byone confirmed that the Enterprise Risk Management Update would be added to the future agenda items.

Adjournment

At 9:35 A.M., the Committee meeting was adjourned.

The next regular Committee meeting will be held on the morning of Tuesday, September 18, 2007.

Susan Vincent, Secretary

4. Review results of and vote on acceptance of 401k audit report Lea Anne Porter

- **Audit report to be distributed in separate email prior to meeting if possible. Handouts to be provided at meeting.**
- **AJ Zimmerhanzel, with Maxwell Locke & Ritter, to present audit results.**

Discussion

Handouts to be distributed at meeting.

Q&A only

ERCOT Market Credit Status

as of 7/31/2007

as of 8/31/2007

Exposure in the ERCOT Market (owed to ERCOT)

QSEs that meet ERCOT Creditworthiness Standards

Ratings over BBB-

# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
10	20,943,316	5%	82,155,245	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	41	223,982,104	56%	324,248,412 S
Guarantee Agreements	11	154,265,884	39%	442,379,236 S
Total Exposure	62	399,191,304	100%	

# of QSEs*	Estimated Aggregate Liability (\$)	% of EAL	Total Unsec Credit Limit / Security Posted	
8	22,078,042	6%	53,016,082	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	44	206,503,665	56%	322,134,702 S
Guarantee Agreements	11	140,718,835	38%	437,979,236 S
Total Exposure	63	369,300,542	100%	

Other QSEs in the ERCOT Market (ERCOT owes)

QSEs that meet ERCOT Creditworthiness Standards

Ratings over BBB-

QSEs that do not meet ERCOT Creditworthiness Standards

Ratings below BBB- or not rated

Cash & Letters of Credit

Guarantee Agreements

8	(22,080,193)	-28%	58,892,906	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	46	(26,745,817)	-33%	26,753,957 S
Guarantee Agreements	9	(31,462,078)	-39%	187,700,000 S
Total	63	(80,288,088)	-100%	

10	(23,418,283)	-28%	89,933,684	U
<u>QSEs that do not meet ERCOT Creditworthiness Standards</u>				
Ratings below BBB- or not rated				
Cash & Letters of Credit	44	(27,685,488)	-33%	19,410,255 S
Guarantee Agreements	10	(32,927,675)	-39%	206,000,000 S
Total	64	(84,031,446)	-100%	

Total

125

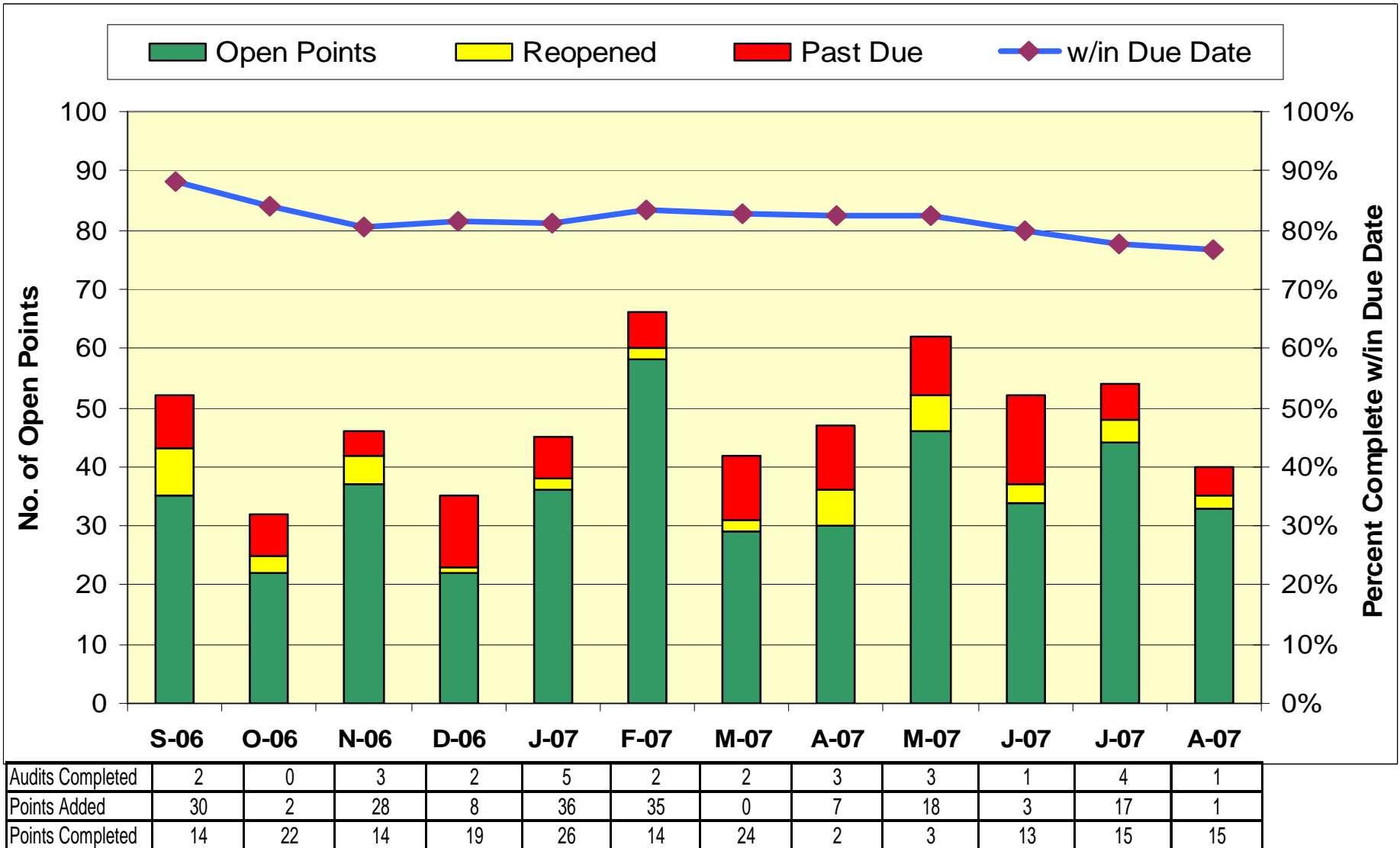
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U: Unsecured since these QSEs meet the creditworthiness standards

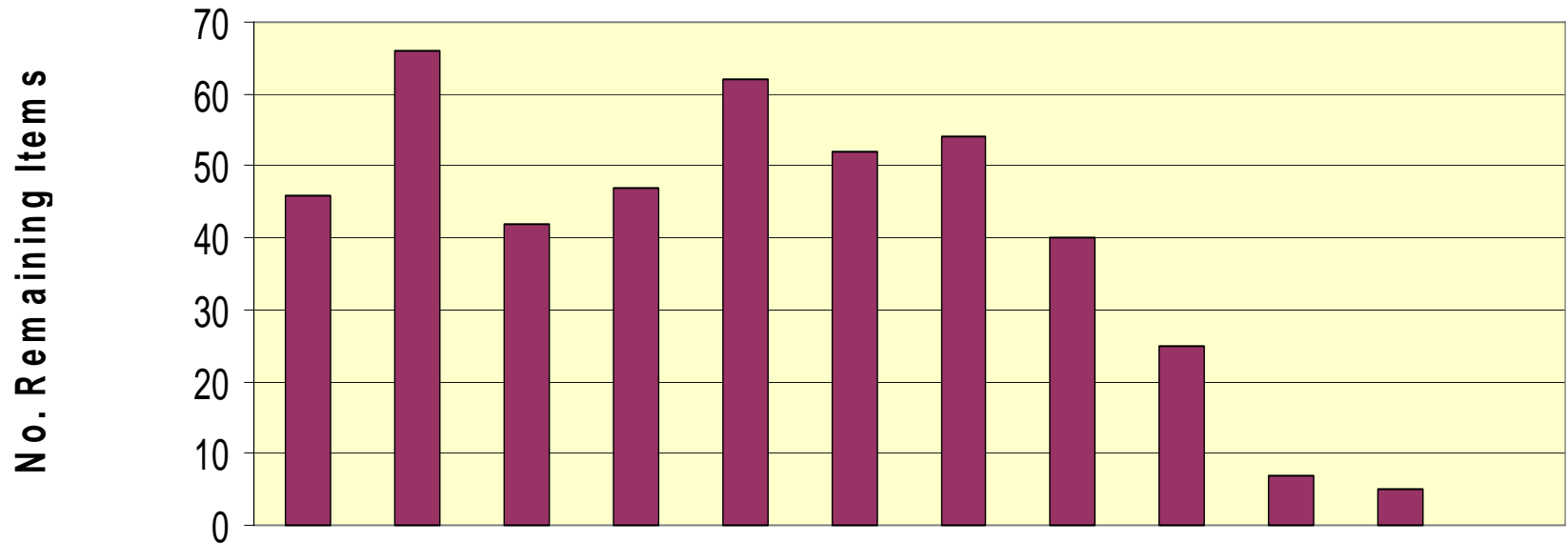
S: Secured i.e. required to post collateral since these QSEs do not meet the creditworthiness standards

7. Committee Brief: ICMP – Status of Open Audit Points

Cheryl Moseley



Projected Audit Point Progress



	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Audit Points	46	66	42	47	62	52	54	40	25	7	5	0

Audits Completed

(last 3 months)

Internal Audits

- Contract Audit of 21st Century
- Nodal Timetracking
- Nodal Delegation of Authority
- Employee Background/ Reference Checks & Drug Screens (Targeted Review)
- Nodal Procurement
- Cash & Investments

External Audits

Open Audits

Internal Audits

- Nodal Acctg./Allocation
- Nodal Vendor Billings
- Non-Nodal Vendor Billings
- QSE Credit
- Contractor Background/ Reference Checks & Drug Screens (Targeted Review)

External Audits

- 2007 SAS70 (PwC)
- 2007 401K Audit (Maxwell, Locke & Ritter)
- Texas Nodal Program Controls – Review #4 (Managed by IAD)

Planned Audits

(next 3 months)

Internal Audits

- Nodal PMO (Targeted Review)
- Ethics Agreement Reaffirmation
- Ethics Compliance (ERCOT-wide)
- Protocol/Market Guide Approvals/Revisions
- Debt Financing
- Fixed Assets (Special Request)

External Audits

- Texas Nodal Program Controls – Review #5 - IBM (Managed by IAD)

* NOTE: Conducted by internal resources other than Internal Audit

**Consultation/
Analysis Reports
Completed**
(last 3 months)

External Assessments

1 security assessment
completed in June

**Open Consultation/
Analysis Reviews**

External Assessments

**Planned Consultation/
Analysis Reviews**
(next 3 months)

External Assessments

1 security assessment
planned

ALERT ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
RISK MANAGEMENT EVENT PROFILE MATRIX (as of September 1st, 2007)

Strategic Position	Operational Excellence	Market Facilitation	Grid Reliability	Reporting	Compliance
Strategy Development Objective setting adequately incorporates informed stakeholder input, market realities and management expertise. Current planning effort only at tactical level (5-10 years). Risk assessment and business planning horizon needs to be extended out beyond 10 years. Strategic plan being developed.	Performance Monitoring Clearly defined performance metrics linked to mission and goals; actively monitored, status communicated and corrective action taken. The Financial Summary, KPI's and Quarterly Business Reviews which are conducted by the executive team to discuss key business activities in addition to weekly executive team meetings provide sufficient opportunities to surface emerging issues.	Customer Choice Market design promotes efficient choice by customers of energy providers with effective mechanisms to change incumbent market participants as desired. Residual risk of the AIX technology conversion on Customer Choice operations is a concern. Also residual risk issues related to disaster recovery where we are working to improve database backup processes and failover processes to disaster recovery environment in case of emergencies.	Grid Operations Information required to operate the grid is efficiently gathered and appropriate tools are prudently configured to efficiently operate the system. Significant improvements made in the State Estimator and the accuracy and availability of SCADA data in preparation for Nodal operation. An Operator Training Simulator is in place and will be used in our operator training program. Load Forecast accuracy improved. Continued improvement must be maintained.	Review Practices Prudent measures are taken to insure that company disclosures are properly vetted and not misleading. No issues noted.	Legal & Legislative Operations are conducted in compliance with all laws and regulations and current and proposed legislation is understood and communicated. Increased efforts have been made to inform members of the legislature about ERCOT and the performance of its functions. Enhanced efforts are being undertaken to maintain records according to established record retention policies.
Mission and Goals Corporate objectives and performance standards are understood and followed. Established Key Performance Indicators (KPI's) have increased awareness of organizational goals.	Business Practices Business planning, processes and management standards are effective and efficient. Disaster recovery plans are currently below desired expectations. Business Continuity Plan coordinator has been selected. Gap analysis underway.	Nodal Implementation Nodal Implementation is progressing in a timely fashion on budget and schedule within a defined scope. Scope is green, budget quality and timeline remain amber. Major milestones have been reached to date. Many base systems have been delivered. Baseline 1 and 2 systems are in various delivery phases. Staffing issues remain in some areas. Testing Czar has been selected.	Planning Long-range planning methods enable efficient responses to necessary system changes to maintain reliability standards. Completed study of need for transmission and generation capacity over longer-term (over 5 years out) scenarios. Plan to perform additional studies for multiple generation interconnection scenarios. Transmission Optimization (CTO) Study initiated in anticipation of CREZ Interim Order. Have initiated subgroup of RPG for more frequent meetings and communications related to Study.	Disclosure Reporting and other disclosures to intended parties is timely, accurate and effective. A Disclosure Committee has been institutionalized to discuss and report issues related to external reporting and compliance.	Internal Control Compliance Internal Control Compliance, processes and management standards are effective and efficient. Training requirements are ongoing; a fully operational plan is expected by 11/30/07.
Reputation Positive perceptions by stakeholders typically lead to less cost and greater flexibility resulting in enhanced enterprise value. No issues noted. It is recognized however that concerns of individual Market Participants may need to be addressed on an on-going basis.	Workforce Organization design, managerial and technical skills, bench strength and reward systems are aligned with corporate goals. Retention plan for employees adopted at August Board meeting and has reduced the risk of workforce losses. However we continue to face an increased demand for the skill sets of our employees (50 positions currently open). Developing organizational structures for all departments indicating the longer term plan for staffing needs in 2008, 2009 and 2010.	Counterparty Credit Bankruptcies and other capital deficiencies increase the cost for market participants and potentially impact Grid reliability of participant failure. Developing enhanced metrics to measure the residual credit risk assumed by market participants and the associated probabilities that the market could withstand such an event. A determination of the acceptable level of residual credit risk exposure will be made by the ERCOT Board of Directors.	Bulk System Resources Market Participants have constructed and made available adequate bulk electric grid resources. Load forecast for 2007 is 500 MW above last year's forecast for the same period. Reserves dropped by 1% in ERCOT. The planning process is increasingly "open" to all affected stakeholders improving data corrections and highlighting the importance of model assumptions.	Communication Internal and external communications are timely and effective. ERCOT has restructured its legal and communications departments and has implemented comprehensive Crisis Communications Procedures for internal and external communications. As of August the procedures have been tested "in the field" during 12 EECF events and during over 50 pre-EECF events. Winter drill scheduled for Nov 14.	Industry Standards Business practices provide stakeholders with required assurances of quality. Initiation of ERO/TRE reliability standard Compliance Monitoring and Regional Entity Compliance Program in June introduces additional audit and penalty risks which ERCOT is still assessing.
Fiscal Management ISO design requires competent, prudent and cost effective provision of services. Current fiscal practices are effective in managing and controlling costs.	Technology Infrastructure Information systems and data are effectively managed and are reliable. Risks are decreasing. AIX migration project is progressing with 12% of databases remaining to be moved. Application migrations are underway. Enterprise Architecture team is working with Business Continuity effort to ensure Disaster Recovery coordination. EMS failovers between sites continues monthly with success. Review of retail systems started and report is anticipated in November.	Administration, Settlement & Billing Market rules are fairly applied to all participants and accounting is timely and accurately reflects electricity production and delivery. ERCOT's settlement/dispute processes has a significant number of ADR's related to the RPRS policy debate outstanding, however these are being addressed in a timely fashion. Increased levels of ADR's may pose a future risk if they are no longer able to be timely addressed.	Operational Responsibility Market participants conduct their operations in a manner which facilitates consistent grid reliability. Response of generators and LaaRs to grid operation events has been improving. Enhanced enforcement of NERC standards and ERCOT Protocols and Operating Guides will exist through the ERO / TRE and IMM which will provide additional incentive for improved performance. Increased wind generation will present additional operational challenges that are currently being defined in a special study.	Adequacy and Integrity Robust processes exist to support management assertions embodied within financial reports. No issues noted.	Regulatory Filings Evidence, testimony and other supporting materials are compelling and successful. Filings are completed timely and accurately.

Legend: Elevated Risk Level Reduced Risk Level (New Risk Categories / Descriptions Indicated in Green)

Rationale for Category Risk Assessment Changes

Communications Downgrade: Red/Yellow > Yellow Retention plan adopted and rolled out to employees
 Upgrade: Green > Yellow/Green Strategy Development planning horizon needs to be extended

7. Committee Brief – PMO

David Troxtell

2007 Year to Date Project Activity by Division

	Phase	Not Started	Initiation	Planning	Execution	Closing	Closed	Cancelled	On Hold	Deferred	Totals by CART	Go-Live*
CART	Corporate Operations	1	5	4	9	3	3	2	0	10	37	4
	IT Operations	7	1	2	8	1	1	0	0	0	20	1
	Market/Retail Operations	0	0	8	3	6	5	6	1	0	29	3
	System Operations	0	0	4	4	1	10	3	2	0	24	5
	TRE	0	0	2	0	0	0	1	1	0	4	0
	Original 2007 PPL									8	8	0
	Totals by Phase	8	6	20	24	11	19	12	4	18	122	13

Note: Additional Projects Gone Live in August 2007

PR-50021_01: Improve Reliability of Frequency Input to AGC.

PR-60086_01: Lawson Project Time Entry.













7. Committee Brief – PMO

David Troxtell

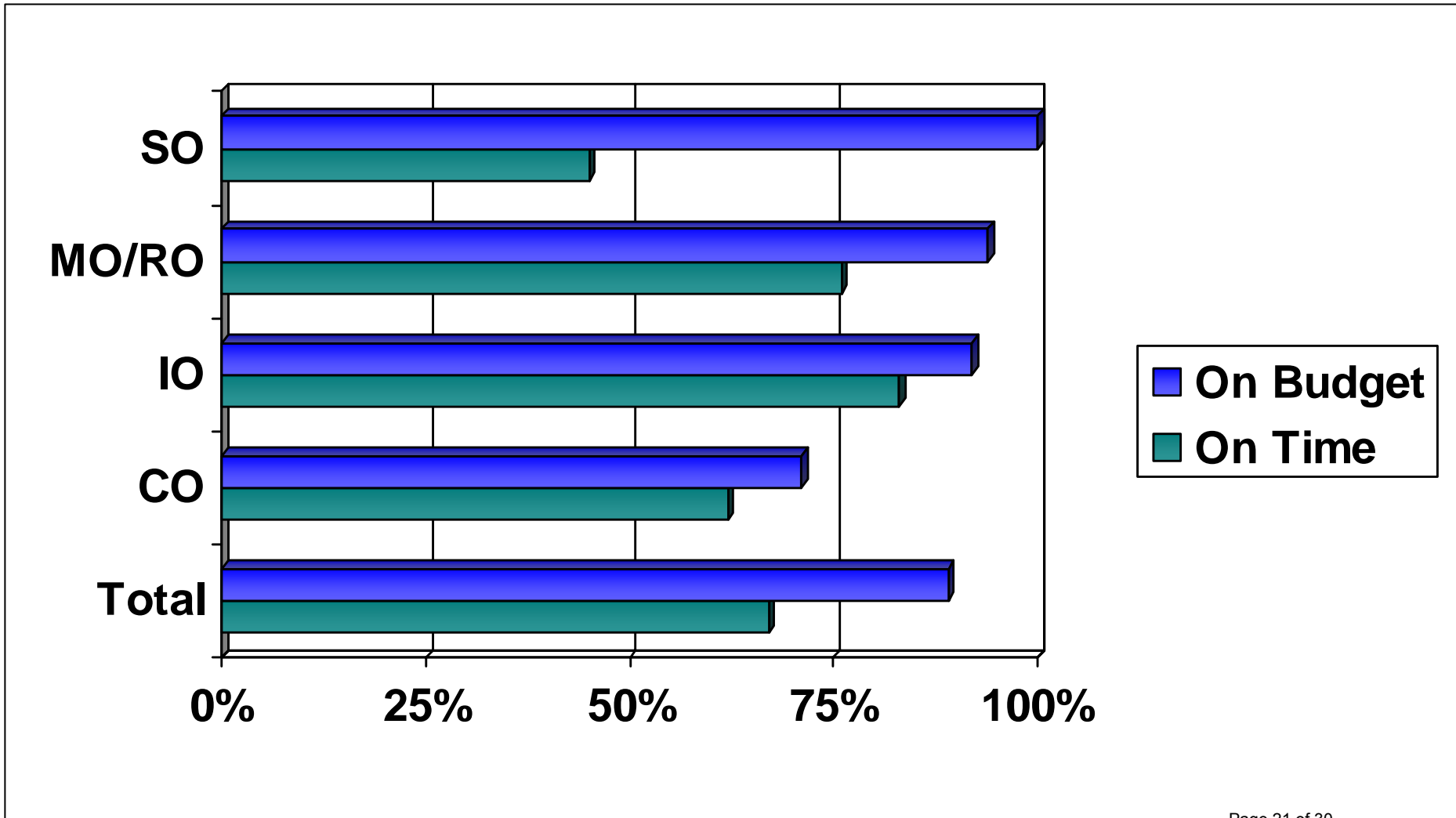
Year to Date Project Priority List (PPL) Status

PPL Iterations	Origination	Project Phases								Deferred Projects	Subtotal	Grand Total
		Not Started	Initiation	Planning	Execution	Closing	Closed	On Hold	Cancelled			
Original 2007 PPL											79	
	PUCT					1	1	2	1		5	
	Market			2	2	1	1		5		11	
	ERCOT	6	4	9	8	3	5	1	4	18	58	
	Compliance			3				1	1		5	
	System Maintenance										0	
Unexpected Carry Over From 2006											22	
	PUCT						2				2	
	Market					1	3		1		5	
	ERCOT				6	2	7				15	
	Compliance										0	
	System Maintenance										0	
New Projects Added (Since PPL Approval in August 2006)											21	
	PUCT			1							1	
	Market			1							1	
	ERCOT	2	2	4	8	3					19	
	Compliance										0	
	System Maintenance										0	
2007 PPL totals to date											122	
	PUCT	0	0	1	0	1	3	2	1	0	8	
	Market	0	0	3	2	2	4	0	6	0	17	
	ERCOT	8	6	13	22	8	12	1	4	18	92	
	Compliance	0	0	3	0	0	0	1	1	0	5	
	System Maintenance	0	0	0	0	0	0	0	0	0	0	
Totals by Project Phase		8	6	20	24	11	19	4	12	18	122	

Projects Over \$1 Million

Project (CART) Number and Description	Total Budget	Total Committed To Date	Metrics	
(Duration) Phase (Sponsor)	Scheduled Completion		Schedule	Budget
(MO/RO) PR-40038_01: TX SET 3.0	\$1.63M	\$1.37M		
<i>(2007) Currently in Closing (R. Giuliani)</i>	<i>Expected Completion 4rd Qtr 2007</i>			
(SO) PR-40090_02: Operator Training Simulator	\$3.87M	\$3.73M		
<i>(2005-2007) Currently in Closing (B. Kahn)</i>	<i>Project Complete 8/15/07</i>			
(MO/RO) PR-50024: Enhancements to SCR727 (consists of 2 sub-projects)	\$1.61M	\$1.57M		
<i>(2005-2008) Currently in Closing/Execution (R. Giuliani)</i>	<i>Expected Completion 4th Qtr 2007/1st Qtr 2008</i>			
(CO) PR-60099_01: TCC2 Build-Out Phase One	\$2.65M	\$1.24M		
<i>(2007) Currently in Execution (B. Kahn)</i>	<i>Expected Completion 3rd Qtr 2007</i>			
(IO) PR-60055_01: Enterprise Service Management	\$1.31M	\$.72M		
<i>(2006-2007) Currently in Execution (R Hinsley)</i>	<i>Expected Completion 4th Qtr 2007</i>			
(CO) PR-60075: Identity to Access Management (consists of 2 sub-projects)	\$1.49M	\$1.26M		
<i>(2006-2007) Currently Re-Planning (B. Kahn)</i>	<i>Expected Completion 1st Qtr 2008</i>			

2007 Completed and Active Projects Performance



7. Committee Brief – PMO

David Troxtell

Budget vs. Actuals for Closed in 2007

Completed Projects	Description	Implemented	Baseline Budget	Actuals	\$ (Over)/Under Baseline Budget	% (Over)/Under Baseline Budget
40015_01	TCR Report Enhancements	2005	\$ 23,102	\$ 38,787	\$ (15,685)	-67.9%
30026_01	Automate EPS Meter Data Transmittal	2006	\$ 158,302	\$ 231,651	\$ (73,349)	-46.3%
40015_02	TCR Reports	2006	\$ 174,148	\$ 203,517	\$ (29,369)	-16.9%
50007	Enhancements to Fas Trak Tools	2006	\$ 2,492,935	\$ 2,629,354	\$ (136,419)	-5.5%
40042-06	EDW Standard LodeStar Extracts	2006	\$ 910,451	\$ 947,569	\$ (37,118)	-4.1%
60092_01	Storage Upgrade	2006	\$ 901,005	\$ 801,804	\$ 99,201	11.0%
60088_01	Market Management System Expansion	2006	\$ 749,623	\$ 654,931	\$ 94,692	12.6%
50015_02	Lawson SIR - Process Flow	2006	\$ 232,943	\$ 163,709	\$ 69,234	29.7%
60080_01	Mkt Operations Support R 1.0	2006	\$ 267,617	\$ 172,137	\$ 95,480	35.7%
60100_01	Lawson Software Procurement	2006	\$ 189,692	\$ 197,569	\$ (7,877)	-4.2%
50130	SCE Performance and Monitoring	2007	\$ 47,959	\$ 92,500	\$ (44,541)	-92.9%
50005	EDW EMMS Extracts	2007	\$ 327,190	\$ 319,928	\$ 7,262	2.2%
30105	Congestion Management Reports	2007	\$ 90,127	\$ 86,716	\$ 3,411	3.8%
50003	MOMS Enhancement AREVA Study	2007	\$ 1,073,389	\$ 958,712	\$ 114,677	10.7%
60002_01	Increase Study MCE Seats	2007	\$ 103,608	\$ 86,231	\$ 17,377	16.8%
		Count = 15			\$ 156,976	

NOTE:

1. Baseline budget does not include change controls that were approved without granting a new baseline budget.
2. List includes projects delivered and reported in previous years' reports but closed in Lawson in 2007.
3. For the Seven Months Ending July 31, 2007.

Go Live Projects for August

- **PR-50021_01: Improve Reliability of Frequency Input To AGC**
 - **Scope:** Add new logic to the AGC process in RTGEN to compare frequency signals from multiple inputs and prevent the AGC system responding to bad (or lost) signals. Accomplish this by utilizing all 4 ERCOT TrueTime devices, and implementing statistical filtering to ignore min/max frequency signals.
 - **Deliverables:** New SCADA processes to interface with 4 TrueTime devices, new data elements in Genesys and PI, frequency signal processing updates in AGC, 4 updated EMS displays and training materials.
 - **Timeline:** [July 2006 – August 2007]

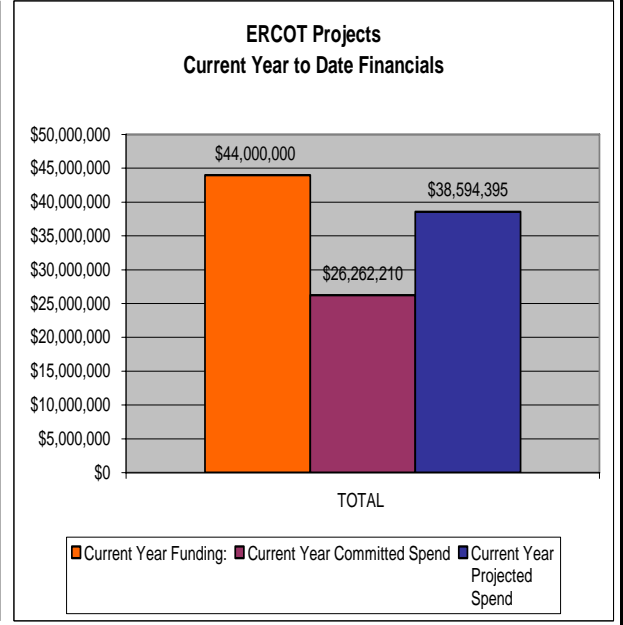
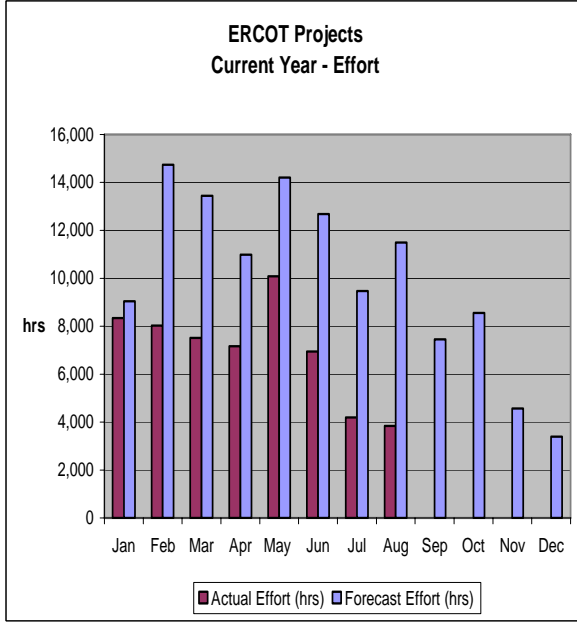
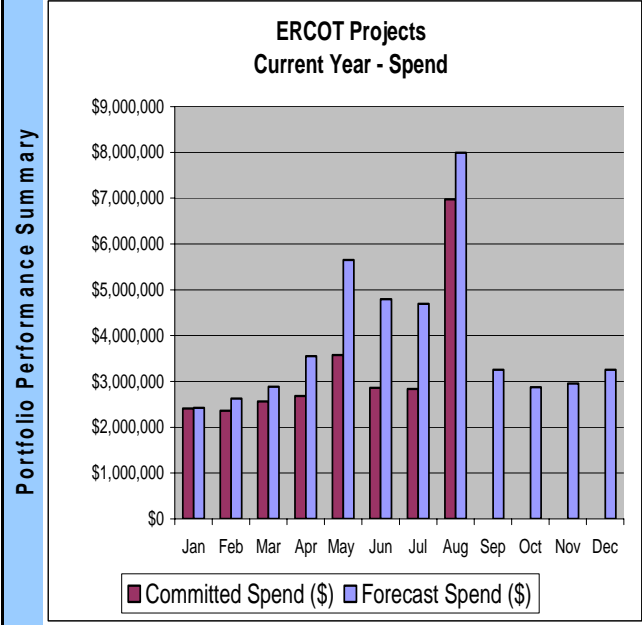
Go Live Projects for August

- **PR-60086_01: Lawson Project Time Entry**
 - **Scope:** This project resulted in the transition to a process which enables the employee and manager to enter, submit, and approve leave hours and/or adjustments in one system; eliminate the Leave Variance Report, and streamline the Payroll Processing as it is affected by leave hours.
 - **Deliverables:** Provided a programming solution to capture current period's leave hours and prior period's leave adjustments from the Lawson Time Tracking and import those hours to the Lawson Payroll System for payroll processing. Updated the employee and manager view of their Projected Leave Balances and Leave Requests in EMSS. Reprogrammed Time Tracking Reports to capture leave hours from Time Tracking system (PSA).
 - **Timeline:** [August 2006 – August 2007]

ERCOT Enterprise Projects Summary Report

ERCOT Overall Projects Report Reporting Period: **8/31/2007**

Summary	ERCOT Projects Leadership					Projects in ERCOT's Portfolio					Portfolio Performance			
	Executives		On Hold	Initiation	Planning	Execution	Closing	Schedule	Budget	Risk	Milestones			
	Kent Saathoff	Ray Giuliani	3	6	18	25	11	Y	G	G	R			
Ron Hinsley	Steve Byone	Closed	20	Total Active		60								
		Cancelled	11	Projects Not Started:		8			Current Year Funding:	\$44,000,000				



Notes

Projections Trending Below Budget
Testing environment contentions due to HP UNIX to IBM AIX UNIX transition.
Resource contentions (mainly NODAL).
Projects On-Hold/Not Approved to start by sources (PUCT, Compliance, IMM).

Project/Status Count Variance
CO-(10 Deferred); IO-(1 NODAL in Closed); SO-(1 NODAL in Execution); SO-TRE (4); Deferred (8-2007 PPL).



Future Agenda Items – October 2007

- **Standing Internal Audit status report (s)**
- **Review Credit Work Group matters**
 - Chairman's report
 - CWG charter
 - CWG membership requirements
- **Update on ERCOT ERM program**
- **Committee briefs**

F&A Yearly Schedule

Quarter 1

- √ •Elect officers and confirm financial qualifications
- √ •Review Finance Audit Committee charter
- √ •Approve the Guidelines for Engagements of External auditors for Other Services (pre-approval policy)
- √ •Required written communication and discussion of auditor independence
- √ •Review scope of annual financial audit
- √ •Report by CWG Chair on ERCOT credit policy
- √ •Vote on CWG Chair/Vice Chair

Quarter 2

- √ •Report results of annual independent audit to the Board
- √ •Report of external auditor pre-approval status/limits
- √ •Review the procedures for handling reporting violations
 - Review conflict of interest and ethics policies (Transferring to HR & Gov)
- √ •Review results of annual audit (including required communications)
- √ •Review and approve ERCOT Annual Report (N/A)
- √ •Review operating plan and budget assumptions
- √ •Review and approve Internal Audit Department Charter

Quarter 3

- √ •Appoint the independent auditors for upcoming year
- √ •Approval of independent auditor fees for upcoming year
- √ •Assessment of compliance, the internal control environment and systems of internal controls
- √ •Review and approval of annual operating budget
 - Report by CWG Chair on ERCOT credit policy
 - Review updated year-end forecast

Quarter 4

- Approve audit committee meeting planner for the upcoming year, confirm mutual expectations with management and the auditors
- Review and approval of Financial & Investment policies
- Approve scope of internal auditing plan for upcoming year
- Assessment of the adequacy and effectiveness of the Internal Audit staff
- Perform Finance & Audit committee Self Assessment
- Review requirements for membership in CWG
- Review and approve CWG charter
- Review updated year-end forecast

Recurring Items

- Review minutes of previous meeting
- Report monthly matters to the Board (chair)
- Review EthicsPoint activity
- Review significant audit findings and status relative to annual audit plan
- Review investment results quarterly

PUC/NERC/FERC Filings - FINANCE and AUDIT Excerpt as of September 18, 2007

Docket / Project No.	Docket Description	Status
P-24055	Protocol Revision Informational Filings by the Electric Reliability Council of Texas (includes Protocol Revisions and Nodal Protocol Revisions)	Systems Implementation – Cost Benefit Analysis
P-24462	PUC Proceeding to Establish Performance Measures Relating to the Competitive Retail Electric Market	11/14/07 3 rd Quarter Report Filing
P-27706	Reports of the Electric Reliability Council of Texas	11/14/07 3 rd Quarter Report Filing (Financials and Audits) Filing
D-30456	PUC Proceeding Regarding ERCOT Fee	File Quarterly Reports and Presentations at PUC Open Meetings
P-30634	Activities Related to Implementation of Recommendations from the Potomac Economics 2004 Reports on the Operation of the ERCOT Wholesale Electricity Market	System Changes and Cost to design and installation of monitoring equipment in ERCOT Control Rooms
P-31111	Rulemaking to Address Independent Market Monitor for the Wholesale Electric Market in ERCOT	Final Order Issued 04/21/06 - ERCOT to Fund IMM
D-31243	Complaint of TXU Portfolio Management Company LP and TXU Energy Retail Company LP and Against the Electric Reliability Council of Texas	08/09/06 Final Order Issued - Load Imbalance Charges
P-31416	Evaluation of Default Service for Residential Customers and Review of Rules Relating to the Price to Beat and Provider of Last Resort	07/11/06 Order Adopting - Create two different POLR small non-residential customer classifications - Automated process is in place no later than July 1, 2007
P-31575	Improvements to the ERCOT Zonal Market Design	01/19/07 ERCOT Controllable Load Pilot Summary Report
P-31600	Transition to an ERCOT Nodal Market Design	06/26/06 PUC Market Oversight Evaluation of Options PRR 307 Controllable Loads – ERCOT Project Priority List 2001 and Estimates \$500,000 - \$1,000,000
P-31852	Rulemaking Relating to Renewable Energy Amendments	12/04/06 ERCOT Filed Analysis of Transmission Alternative for Competitive Renewable Energy Zones in Texas
P-31972	Rulemaking Concerning Resource Adequacy and Market Power in the Electric Reliability Council of Texas Power Region	Potential Resource and System Impacts
D-32025	Petition of the Electric Reliability Council of Texas for Approval of Amended and Restated Bylaws	Costs for Unaffiliated Board of Directors and TAC Representative
P-32100	PUC Market Oversight Activities	03/07/07 Potomac Economics Presentation (IMM Report) – ERCOT Wholesale Market Review
D-32492	Petition of the Electric Reliability Council of Texas (ERCOT) for Approval of Unaffiliated Director	06/29/06 Final Order - Costs for Unaffiliated Board of Directors

PUC/NERC/FERC Filings - FINANCE and AUDIT Excerpt as of September 18, 2007

Docket / Project No.	Docket Description	Status
D-32573	Petition of Commission Staff to Revoke the Retail Electric Provider Certificate of Usave Energy Services, Inc.	05/15/06 ERCOT Intervened Amount due by Usave to ERCOT is \$212,202.90 11/13/06 PUC Final Order Issued
D-32574	Petition of Commission Staff to Revoke the Retail Electric Provider Certificate of Azor Energy, L.P.	08/14/06 Final Order Issued Azor owes ERCOT \$26,394.07
D-32686	Application of the Electric Reliability Council of Texas for Approval of a Nodal Market Implementation Surcharge and Request for Interim Relief	05/23/05 Final Order Issued
P-32853	Evaluation of Demand Response Programs in the Competitive Electric Market	
D-32992	Compliance Proceeding Pursuant to Final Order in Docket No. 31243 (Complaint of TXU Portfolio Management Company LP; and TXU Energy Retail Company LP and Against the Electric Reliability Counsel of Texas)	02/28/07 Order - ERCOT Ordered to Re-settle see TXU Complaint Docket No. 31243
P-33049	PUC Rulemaking Proceeding to Amend Commission Subst. R. §25.88 Retail Market Performance Measures Reporting	Potential Resource and System Impacts
D-33183	Petition of the Electric Reliability Council of Texas (ERCOT) for Approval of Unaffiliated Director (Jan L. Newton)	12/15/06 Order of Approval - Costs for Unaffiliated Board of Directors
D-33185	Petition of the Electric Reliability Council of Texas (ERCOT) for Approval of Re-election of Unaffiliated Director (Mark Armentrout)	12/15/06 Order of Approval - Costs for Unaffiliated Board of Directors
P-33457	PUC Rulemaking Concerning a Demand-Response Program for ERCOT Emergency Conditions	Potential Resource and System
P-33490	Rulemaking Proceeding to Amend 25.502 Pricing Safeguards in Markets Operated by the Electric Reliability Council of Texas	(Project 31972 Pending 3 rd Court of Appeals) Potential Resource and System Impacts
D-33491	Petition of Staff of Public Utility Commission of Texas to Revoke Retail Electric Provider Certificate No. 10078 of Freedom Group, LLC, d/b/a Freedom Power	Parties in Settlement Discussions
P-33492	Rulemaking Relating to the Target for Renewable Energy Resources other than Wind Power	Potential Resource and System Impacts
P-33495	Rulemaking Project to Amend Rule Relating to the Independent Market Monitor for ERCOT	04/10/07 Order Adopting - Potential Resource and System Impacts
D-33500	Complaint of Constellation Commodities Group, Inc. Against the Electric Reliability Council of Texas	ERCOT Calculation of Constellation's RPRS Under-Scheduling Settlement Charges Questioned
D-33672	Commission Staff's Petition for Designation of Competitive Renewable Energy Zones	Potential Resource and System Impacts
D-33687	Entergy Gulf States, Inc.'s Transition to Competition Plan	Potential Resource and System Impacts – if EGSI Joins the ERCOT Region

PUC/NERC/FERC Filings - FINANCE and AUDIT Excerpt as of September 18, 2007

Docket / Project No.	Docket Description	Status
P-34019	PUC Request for Proposals for a Workforce Analysis of the Electric Reliability Council of Texas	Eight Companies have submitted responses to PUC's Request for Proposal
P-34039	Rulemaking to Amend PUC SUBST. R. §25.107 Relating to Certification of Retail Electric Providers	Potential Resource and System Impacts
P-34108	Commission Staff's Requests for Qualifications Pursuant to PUC SUBST. R. §25.174(c) (to Construct Transmission Lines from the Designated CREZ)	Potential Resource and System Impacts
P-34202	Rulemaking to Repeal Subst. R. §25.53 and §25.51 and Adopting New Rule Relating to Emergency Operations Plans Under New Chapter 29	Potential Resource and System Impacts
D-34427	Petition of the Electric Reliability Council of Texas for Approval of Amended and Restated Bylaws	07/21/07 Petition Filed – TRE Included in Amended Bylaws
P-34560	Rulemaking Proceeding Amend Subst. R. Relating to Selection of Transmission Service Providers Related to Competitive Renewable Energy Zones and other Special Projects	Potential Resource and System Impacts
P-34577	Proceeding to Establish Policy Relating to Excess Development in Competitive Renewable Energy Zones	Potential Resource and System Impacts
P-34597	Filings Relating to PUC Subst. R. 25.43(n)(8)	Potential Resource and System Impacts
P-34610	Implementation Project Relating to Advanced Metering	Potential Resource and System Impacts
P-34677	Reports of the Independent Market Monitor for the ERCOT Region (IMM)	Potential Resource and System Impacts
P-34706	Rulemaking to Amend ERCOT Emergency Interruptible Load Service	Potential Resource and System Impacts
NERC	FERC Docket No. RR07-1-000 – Texas Regional Entity (TRE) Delegation Agreement with NERC Electric Reliability Organization (ERO)	Potential Resource and System Impacts