SAS 70 Audit Results Conference Call

April 5, 2011

Agenda

1. Welcome
   1. Moderator Introduction- Cheryl Moseley, Manager of Internal Controls
   2. **This discussion is intended for Chief Financial Officers, Controllers, or other senior financial personnel from ERCOT member companies and Market Participants who are responsible for internal control over financial reporting and complying with related SEC requirements. The discussion will be particularly relevant for publicly-traded companies that rely on ERCOT data for their Sarbanes-Oxley 404 filings.**
2. SAS 70 (Statement on Auditing Standards) is an auditing standard developed by the American Institute of Certified Public Accountants to enable an independent auditor to evaluate and issue an opinion about a service organization’s controls. ERCOT acts as the service organization to clear and settlement market transactions on behalf of the market participants in the ERCOT market.

In the 4th quarter of 2010, controls in some areas were redesigned or added due to the change to the nodal market operation. ERCOT engaged BrightLine CPAs & Associates, Inc. (formerly SAS 70 Solutions, Inc.) to conduct a Type 1 audit in January 2011 of the controls in the following areas:

* Network Model
* Congestion Revenue Rights Auction
* Scheduling and Bidding
* LMP Price Validation
* Settlement Data Input and Validation
* Day Ahead Market Settlement Statements and Invoices
* Congestion Revenue Rights Invoices
* Financial Transfers

The Type 1 audit was performed to determine whether the specified controls within these impacted areas of controls had been placed in operation as of the review date of January 21, 2011, and whether the controls were suitably designed to provide reasonable assurance that the specified control objectives would be achieved if those controls were complied with satisfactorily.

At the Finance and Audit Committee meeting on March 21st, the Committee voted to recommend to the Board of Directors to accept the audit report. At the March 22nd meeting, the Board of Directors voted to accept the audit report.

1. Panel Introductions
   1. Jason Rhoades – **BrightLine CPAs & Associates, Inc.**
   2. Lauren Edmonds – **BrightLine CPAs & Associates, Inc.**
   3. Betty Day – Director of Commercial Operations, ERCOT
   4. John Dumas – Director Of Wholesale Market Operations, ERCOT
2. Questions from the Audience
3. Feedback Requested from the Audience  
     
   Background: In past years, the testing period for the Type 2 SAS 70 audit (which will now be replaced by the SSAE16 audit) has been from October 1 in one year through September 30 in the following year (for example 10/1/09 through 9/30/10). The report was issued for the calendar year (in this example for the year 2010) with an accompanying management statement (“bridge letter”) concerning whether any controls had changed in the last three months of the report year. The report and letter were generally available after the Board of Directors meeting in December.  
      
   Question for Feedback: ERCOT is considering changing the testing period to the calendar year. The second phase of testing would be conducted in December. The audit report would probably be on the agenda for acceptance by the Board of Directors in March of the following year (currently usually the 3rd Tuesday of the month). If the report was available after the March Board meeting (timeline very similar to this report) would that be acceptable?
4. Closing
   1. **Market Participants may obtain a copy of the audit report by contacting their ERCOT account manager or by calling ERCOT’s Client Services department at (512) 248-3900.**