ERCOT’S RESOURCE ADEQUACY STATUS REPORT

Electric Reliability Council of Texas, Inc. (ERCOT), submits the attached Resource Adequacy Status Report (Attachment A to this filing). This status report is being presented to the ERCOT Board of Directors at its May 15, 2012 meeting as a “Preview of Summer 2012.” The presentation includes updates on weather and drought conditions, a summary of the Seasonal Assessment of Resource Adequacy (SARA) report issued by ERCOT on May 1, 2012, and a review of actions taken by the Commission, ERCOT, and the stakeholder community to address resource adequacy issues as ERCOT enters the peak Summer season.

ERCOT will be available to discuss the information in the presentation at the Commission’s May 18, 2012 Open Meeting.

Respectfully submitted,

By: ________________________________

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ATTORNEY FOR ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
SUMMER 2012 WEATHER DEVELOPMENTS

La Niña (-) to El Niño (+)

Drought Patterns

Next phase ~ 2025

2012 + 10-15 years

Long Term Forecast – Contributing Factors

- Variations in SST (Sea Surface Temps)
  - El Niño (+) & La Niña (-)
  - Pacific Decadal Oscillation (PDO)
  - Atlantic Multidecadal Oscillation (AMO)

- Certain shorter term phenomena (e.g. North Atlantic Ocean Blocking) can only be forecasted 10-14 days out – such effects are not included in longer term forecasts
Summer Weather Outlook

- 2011 an outlier for heat and drought
- El Niño expected this summer
- Past years (1951, 1963, 1976, 2006 & 2009), La Niña transitioned to El Niño during summer:
  - Warmer than normal temperatures
  - Lower than normal rainfall
- Climate models suggest:
  - Warmer spring followed by normal temperatures for summer
  - More variable rainfall from spring through summer
- Texas in more drought-prone period that could persist for next decade

2012 Storm Threat

- Early season storms expected in Gulf of Mexico due to above-normal water temperatures
- Lower seasonal threat
- El Niño-related wind shear increases later in the season to hinder storm development

ERCOT Summer Weather Issues

- Drought
- Flooding
- Heat
- Tropical Weather
Texas Drought Conditions – Oct 4, 2011

U.S. Drought Monitor
Texas

Drought Conditions (Percent Area)

<table>
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<tr>
<th></th>
<th>None</th>
<th>D0-D4</th>
<th>D1-D4</th>
<th>D2-D4</th>
<th>D3-D4</th>
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<td>100.00</td>
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<td>69.43</td>
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Intensity:
- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu

Released Thursday, October 6, 2011
Texas Drought Conditions – May 1, 2012

U.S. Drought Monitor
Texas

Drought Conditions (Percent Area)

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<tr>
<th>Condition</th>
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<th>D2-D4</th>
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<td>100.00</td>
<td>100.00</td>
<td>94.97</td>
<td>70.42</td>
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http://droughtmonitor.unl.edu

Released Thursday, May 3, 2012

Matthew Rosencrans, Climate Prediction Center/NCEP/NWS/NOAA
WHAT TO EXPECT THIS SUMMER

• Tight reserves = significant chance for multiple Energy Emergency Alerts
  – Not likely to result in the need for rotating outages

• If higher-than-normal number of forced generation outages during peak or record-breaking weather conditions similar to last summer, ERCOT system likely to have insufficient resources available
  – Would result in the need for rotating outages to maintain grid stability

• Improved drought conditions in many river basins
  – Reservoir levels not expected to affect power plant operations this summer
  – Potential risks to generation capacity continue while Texas remains under drought conditions
<table>
<thead>
<tr>
<th>Item</th>
<th>Total Resources</th>
<th>Base Case Peak Demand</th>
<th>Uses of Reserve Capacity</th>
<th>Capacity Available for Operating Reserves* (1-2-3)</th>
<th>Demand Adjustment during Scarcity**</th>
<th>Adjusted Capacity Available for Operating Reserves (4+5)</th>
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<tr>
<td>1</td>
<td>73,853</td>
<td>67,492</td>
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</table>

*Less than 2300MW indicates risk of EEA1
**Represents effects of price responsive demand, conservation appeals, demand programs, etc. based on summer 2011 experience; does not include Load Resource or Emergency Response Service (ERS) activation
Completed

- Online Non-Spin standing deployment & offer floor
- Offline Non-Spin offer floor
- Responsive Reserve & Regulation Up offer floor
- Institutionalized the process to recall mothball units for capacity
- Pricing of energy for Reliability Unit Commitment (RUC) units deployed for capacity at System Wide Offer Cap
- Expansion of Responsive Reserve with a corresponding reduction in Non-Spin
- EILS service expanded to Emergency Response Service (ERS)
Work In Progress

• Brattle Group Study
• Evaluate
  – Raising the System Wide Offer Cap
  – The proper magnitude and slope of the Power Balance Penalty Curve
• Posting non-binding near real-time forward prices
• ERS Demand Response pilot & Load Management Initiatives
BRATTLE GROUP STUDY – CURRENT STATUS

• Completed 4 sector group interviews and 33 individual interviews from the full spectrum of stakeholders

• Characterized investor types and their investment criteria

• Completing simulation analysis of current and proposed rules for scarcity operations and pricing, expected generator revenues, potential investment, and resulting reliability

• Report will include Brattle’s evaluation of the pros and cons of a range of market design options for meeting a range of resource adequacy objectives

Report to be released June 1
CONSERVATION MESSAGES – ERCOT & PUCT

Today's Outlook
Forecast Peak: 34,808 MW
Current System Load: 32,179 MW

Grid Conditions
Normal Conditions
Conservation Encouraged

Market Conditions
Current System Conditions
Select One
Real-Time Market
Select One
Day-Ahead Market
Select One
CRR Information
Select One

View Market Rules
Protocol and Market Guides
Select One
Revision Requests
Select One
Compliance Information
Select One

Find ERCOT Quick

Conservation Needed
Power Watch

- Turn off all unnecessary lights, appliances, and electric devices.
- When at home, close blinds and drapes that get direct sun to keep your home cooler.
- When away from home, set air conditioning thermostat to 78°F to 80°F and close blinds or drapes on windows that will get direct sun.
- Do not use your dishwasher, laundry equipment, or any other appliance with heating elements during peak hours of 3 p.m. to 7 p.m.
- Avoid opening refrigerators or freezers more than necessary.
- Cook in the microwave instead of the electric range.
- Set your pool pump to run in the early morning or late at night.
- Check out other no- or low-cost conservation tips and ideas by clicking on the links to the right.
- Go to www.powertochoose.org to see if you can save more by choosing a different electric provider.

Conservation Critical
Power Warning

On RED days, conservation is critical to avoid Electricity Emergency blackouts. Red alerts are declared when all interruptible loads can be shed as much as possible to avoid outages. During a RED Alert (REA) which includes the deployment of emergency power.

Conservation Alerts
Normal Conditions

PLUS
- News release
- Automated emergency notification message to major media
AND INTRODUCING ... ERCOT MOBILE APP

ERCOT Mobile App

• First release (Android & Apple) scheduled for June 2012
• Pop up notifications
• Applications for first release
  – Conservation Spotlight
  – Load Forecast versus Actual graph
  – ERCOT Conservation Tips
  – ERCOT Quick Facts

ERCOT Quick Facts

- 85% of Texas electric load
- 40,530 circuit miles of high-voltage (138 kV/345 kV) transmission
- 550 generation units
- 73,600 MW peak capacity
- 68,379 MW record peak demand
- 335 billion kWh energy produced (2011)

Primary responsibilities (from Texas Legislature)

- System reliability (planning and operations)
- Open access to transmission
- Retail switching process for customer choice
- Wholesale market settlement for electricity production and delivery

Wind power leader

- 9,600 MW capacity (most in nation)
- 2,000 MW coastal wind power (on-peak availability)