

At a glance

- 85% of Texas load
- 23 million consumers
- Competitive-choice customers: 74% of load
 - 6.6 million electric-service ID's (premises)
- 40,530 circuit miles of high-voltage transmission:
 - 9,249 miles of 345 kV and 19,565 miles of 138 kV
- 550 generating units
- 84,000 megawatts (MW) total capacity:
 - 64,000 MW operational capacity
 - 9,600 MW wind generation
 - 4,400 MW net available private generation
 - 3,000 MW switchable resources
 - 3,000 MW mothballed resources
- Capacity available on peak: 73,600 MW
 - Includes 8.7 percent of wind capacity
- Reserve margin: 13.86%
 - Minimum required for reliability – 13.75%
- Record peak demand: 68,379 MW (Aug. 3, 2011)
- Energy produced: 335 billion kilowatt-hours (2011);
 - A 5% increase compared to 2010
- Market size: \$34 billion
 - [Based on 335 billion kWh market volume and average \$0.10/KWh rate]
- Market participants: ~1,150 active entities that generate, move, buy, sell or use wholesale electricity

What do we do?

The Texas Legislature restructured the Texas electric market in 1999 by unbundling the investor-owned utilities and creating retail customer choice in those areas, and assigned ERCOT four primary responsibilities:

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

How is the market doing?

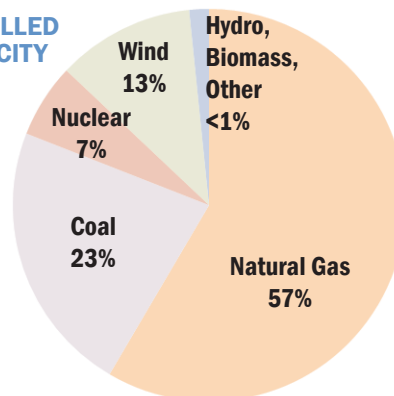
Transmission Investment and Development

- \$7.4 billion in transmission added since 1999
- 9,500 circuit miles of transmission improvements since 1999
- 6,700 circuit miles of transmission planned
- \$8.7 billion under development in five-year plan
 - Including \$5 billion to support 18,000 MW of wind

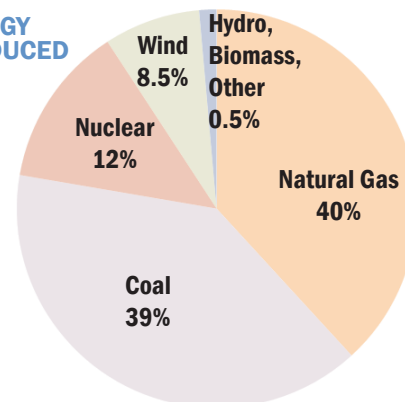
Generation Development

- 46,000 MW new generation added since 1999
 - 136 older units decommissioned
- 7,500 MW generation committed for the future (with transmission contract and air permit)

INSTALLED CAPACITY 2011



ENERGY PRODUCED 2011



- 35,000 MW of active generation requests under review including 19,400 MW wind; 9,000 MW of natural gas; 3,600 MW coal; 940 MW solar; 100 MW biomass; and 1,600 MW other (Dec. 2011)

Wind Integration

- Wind capacity: 9,600 MW
 - Most in the nation and fifth highest in the world
 - Includes about 2,000 MW in coastal area
- Wind generation record: 7,400 MW (Oct. 7, 2011)
 - 15.2 percent of load at the time

Retail Service Switches to Competitive Retailers

56% of residential load (Dec. 2011)

83% of small commercial load (Dec. 2011)

179 competitive retailers – up from five in 2002

Advanced Meters and Demand Response

- Performing financial settlement for 4.3 million advanced meters – no other ISO is using advanced-metering data in wholesale financial settlements
- Demand response: 2,400 MW in load resource program (equal to three major power plants); 420 MW in emergency interruptible load service; 119 MW in energy efficiency programs

What's new?

New nodal market completed its first year of operation Dec. 1, 2011 with no major design issues. Locational marginal pricing now available at ~8,000 nodes.

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Board, Stakeholder Process

The ERCOT Board of Directors has general overall responsibility for managing the affairs of ERCOT, including approval of the budget and capital spending priorities, approval of revisions to ERCOT protocols and guides, and endorsement of major new transmission recommendations.

ERCOT's 16-member "hybrid" board includes five independent (or unaffiliated) members; three consumer segment representatives (industrial, commercial and residential); the ERCOT CEO; the Public Utility Commission (PUC) chairman (non-voting), and six representatives from each of the industry segments – investor-owned utilities (or transmission owners), municipal-owned utilities, cooperatives, generators, power marketers and retail electric providers.

Under the Board's oversight, ERCOT's stakeholder process is responsible for developing policies, procedures, and guidelines for power grid coordination, reliability, and market operations.

Six standing committees and subcommittees supported by numerous working groups and task forces function within the stakeholder process.

PUC, Legislative Oversight

ERCOT is unique because its electricity grid is not synchronously connected outside of the state. Because of its separateness, ERCOT is primarily regulated by the Public Utility Commission of Texas (PUC) and the Texas Legislature, not federal authorities. The PUC approves the ERCOT system administration fee and has general oversight authority including the ability to order audits.

For most purposes, ERCOT, like the PUC, is accountable to the Texas Legislature and its jurisdictional committees. For federal reliability standards, ERCOT is accountable to the Texas Reliability Entity, the North American Electric Reliability Corporation, and the Federal Energy Regulatory Commission.

The Electric Reliability Council of Texas (ERCOT) manages the flow of electric power to approximately 23 million Texas customers – representing 85 percent of the state's electric load and 75 percent of the Texas land area. As the Independent System Operator for the region, ERCOT schedules power on an electric grid that connects 40,500 miles of transmission lines and more than 550 generation units. ERCOT also manages financial settlement for the competitive wholesale bulk-power market and administers customer switching for 6.6 million premises in competitive choice areas. ERCOT is a membership-based 501(c)(4) nonprofit corporation, governed by a board of directors and subject to oversight by the Public Utility Commission of Texas and the Texas Legislature.