



Item 7.1: CEO Update

Bill Magness

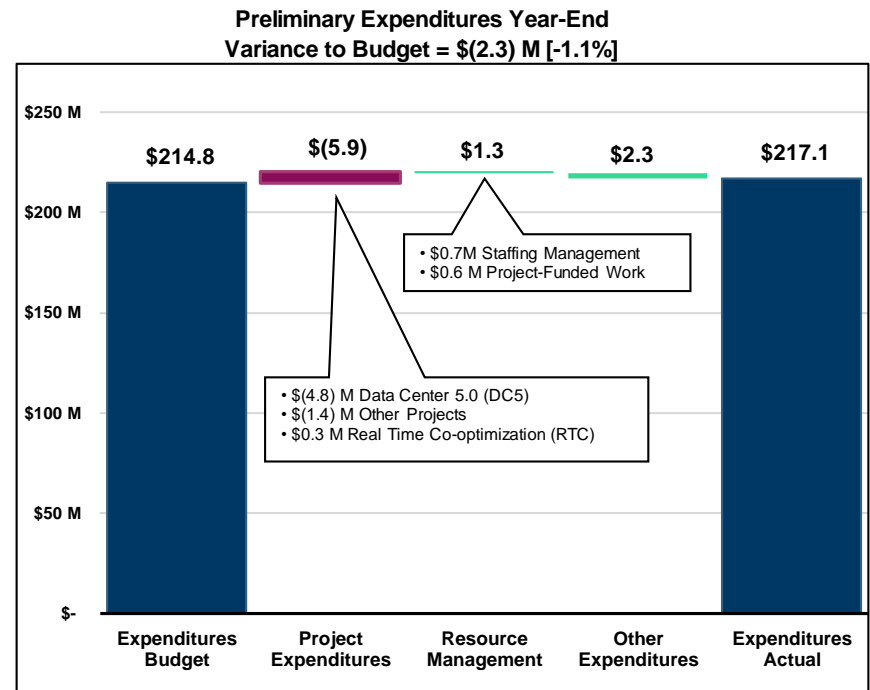
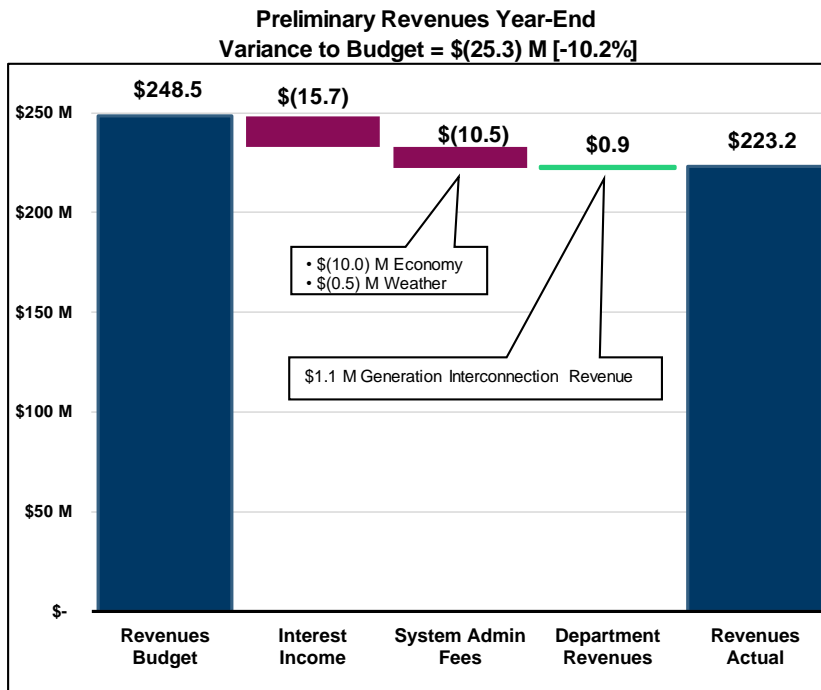
President & Chief Executive Officer
ERCOT

Urgent Board of Directors Meeting

ERCOT Public
February 9, 2021

Review 2020 Financial Summary: 2020 Variance to Budget (\$ in Millions)

Preliminary Net Available Year-End Variance to Budget = \$(27.6) M

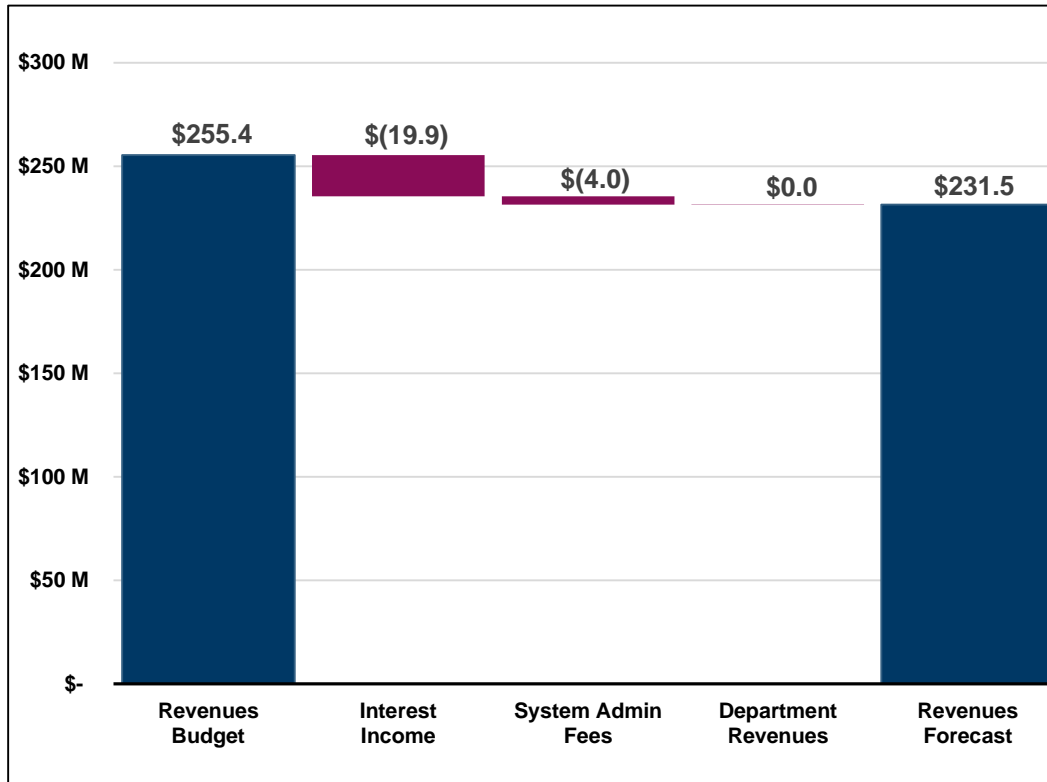


Charts may not foot due to rounding



Review 2020 Financial Summary: 2021 Revenue Variance to Budget (\$ in Millions)

Year-End Forecast Variance to Budget = \$(23.9) M



Interest Income Effective Yields

- 2021 budget = 2.25%
- 2021 forecast = 0.01%

System Administration Fees

- 2021 forecast includes Moody's economic forecast, which assumes COVID-19 vaccine will be widely distributed globally and adopted by summer 2021

Department Revenues

- 2021 forecast assumes no variance for department revenues

Pandemic Response Update

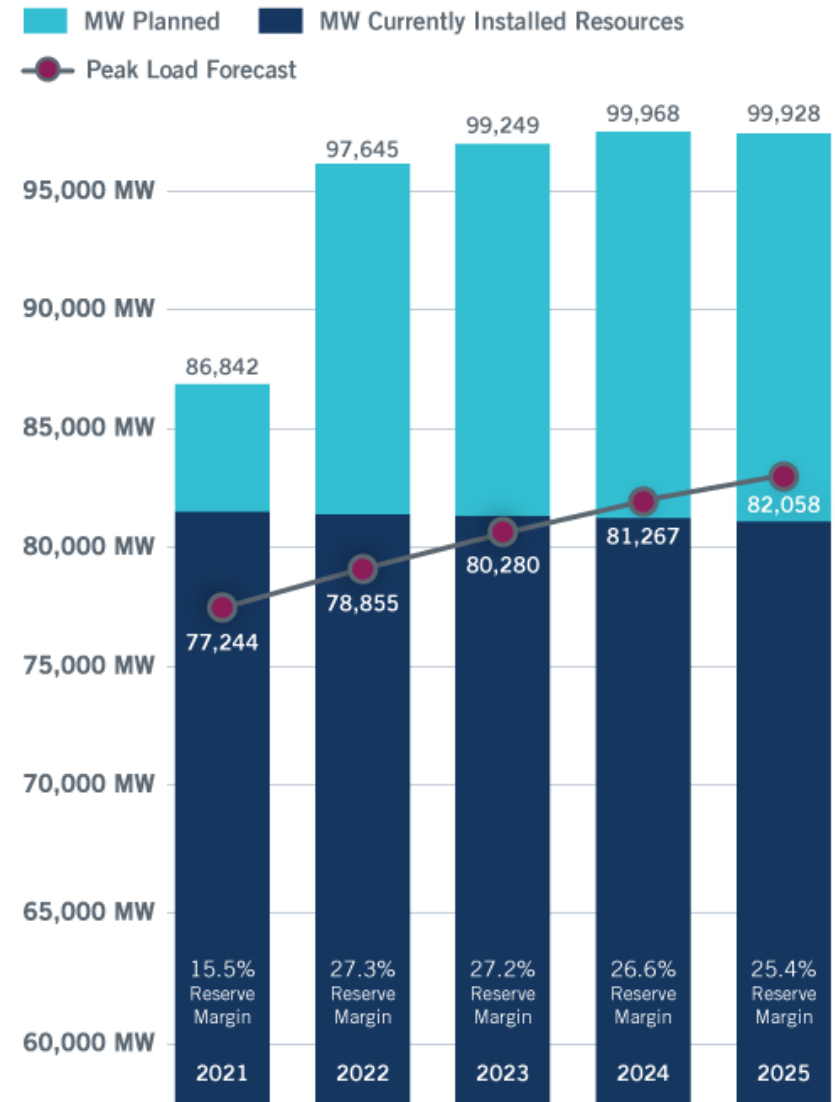
- The majority of ERCOT staff will continue to work remotely until further notice; next company-wide update is scheduled for mid-March.
 - ERCOT submitted a letter to the Texas Department of State Health Services requesting priority vaccinations for 210 essential workers.
- Stakeholder meetings will continue to be held virtually until further notice. ERCOT staff is providing regular updates to TAC leadership.
- Planning for stakeholder meetings to be held at ERCOT's new Austin Met Center facility in 2022, which is currently under construction and expected to be completed by fall 2021.
 - New building will provide conference room space for Market Participants.
 - ERCOT will be the only occupant.



New ERCOT Austin Met Center facility as of mid-January

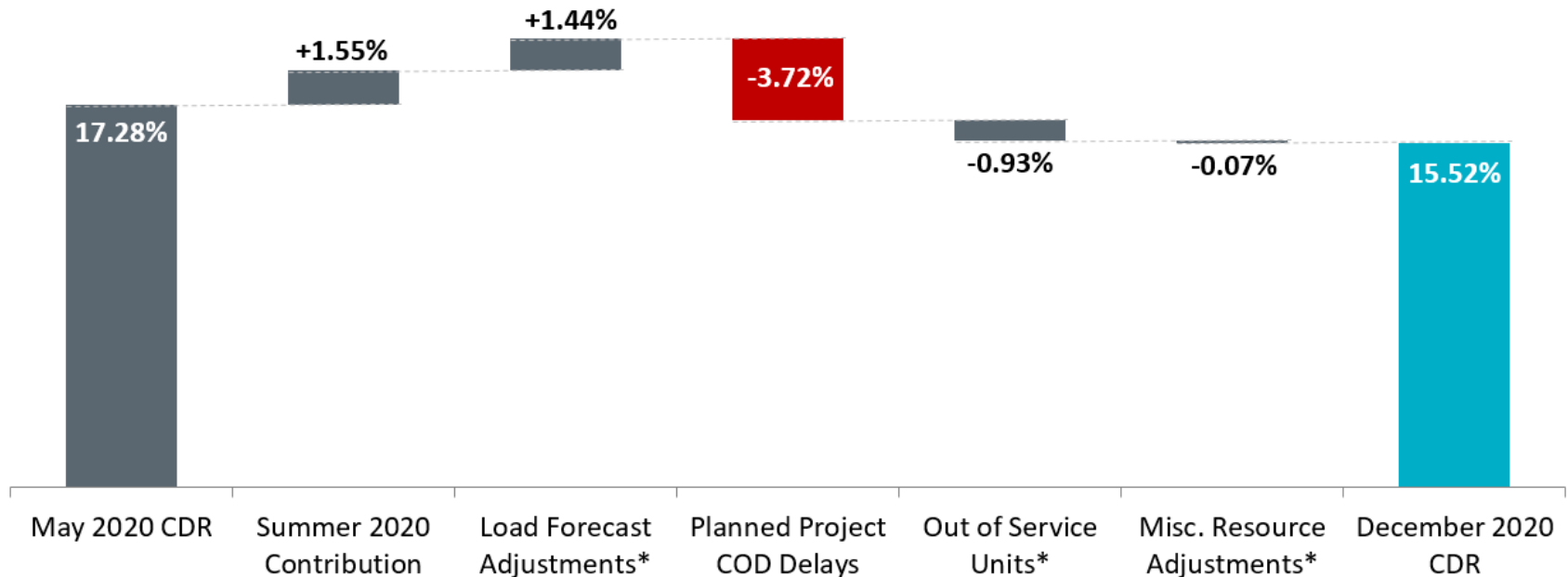
December Capacity, Demand and Reserves (CDR) Report

- Higher reserve margins expected over the next several years due to new generation resources, including large amounts of utility-scale solar
 - Planning reserve margin for 2021 is 15.5%
- Peak load forecast for summer 2021 is 77,244 MW
- Final spring and preliminary summer Seasonal Assessment of Resource Adequacy (SARA) reports to be released March 4
- Final summer SARA and May CDR to be released May 6



Reserve Margin Changes for 2021 Since May 2020 CDR

Summer 2021 Reserve Margin Developments



Notes:
 Load Forecast Adjustments - Updated forecasts for Summer Peak Demand (based on normal weather), Load Resources and Emergency Response Service products. The implementation of a rooftop PV forecast, for the first time.

Out of Service Units - DECKER CREEK STG 1 (315 MW) retirement, TEXAS GAS SULFUR CTG 1 (69 MW) retirement, Upcoming retirements: SAM RAYBURN POWER CTG 1 & 2 (22 MW), retiring on 2/28/21, and TRINIDAD STG 6 (235 MW), retiring on 4/29/21, RMR study pending. Recent Extended Outage unit, R W MILLER STG 1 (70 MW), started on 8/14/20 and is expected to last for 18 months.

Misc. Resource Adjustments - Operational unit rating changes, and Planned projects developments: additions, rating changes, inactive status change, cancellations.



Several Efforts to Analyze and Update ERCOT Reports

- New efforts underway at the Supply Analysis Working Group (SAWG) to evaluate net-load-based capacity risks using the CDR or other analysis tools.
 - Improve CDR methodologies for wind and solar capacity, to more closely align with their reliability contributions (as estimated for the 2020 reserve margin study).
 - Develop a capacity contribution methodology for battery energy storage systems; must consider attributes such as duration, configuration and intended use of the systems.
- ERCOT developed a probabilistic risk assessment model for summer 2020 using the Seasonal Assessment of Resource Adequacy as a starting point.
 - Determines the probability of EEA events for each hour on peak load days (hours ending 1 to 8 p.m.).
 - Conducted a post-summer performance analysis of the model, which was presented at the November 2020 SAWG meeting.
 - ERCOT and SAWG will determine next steps for the model, which will be used to support a new requirement to provide resource adequacy risk metrics for the NERC 2021 Summer Reliability Assessment.

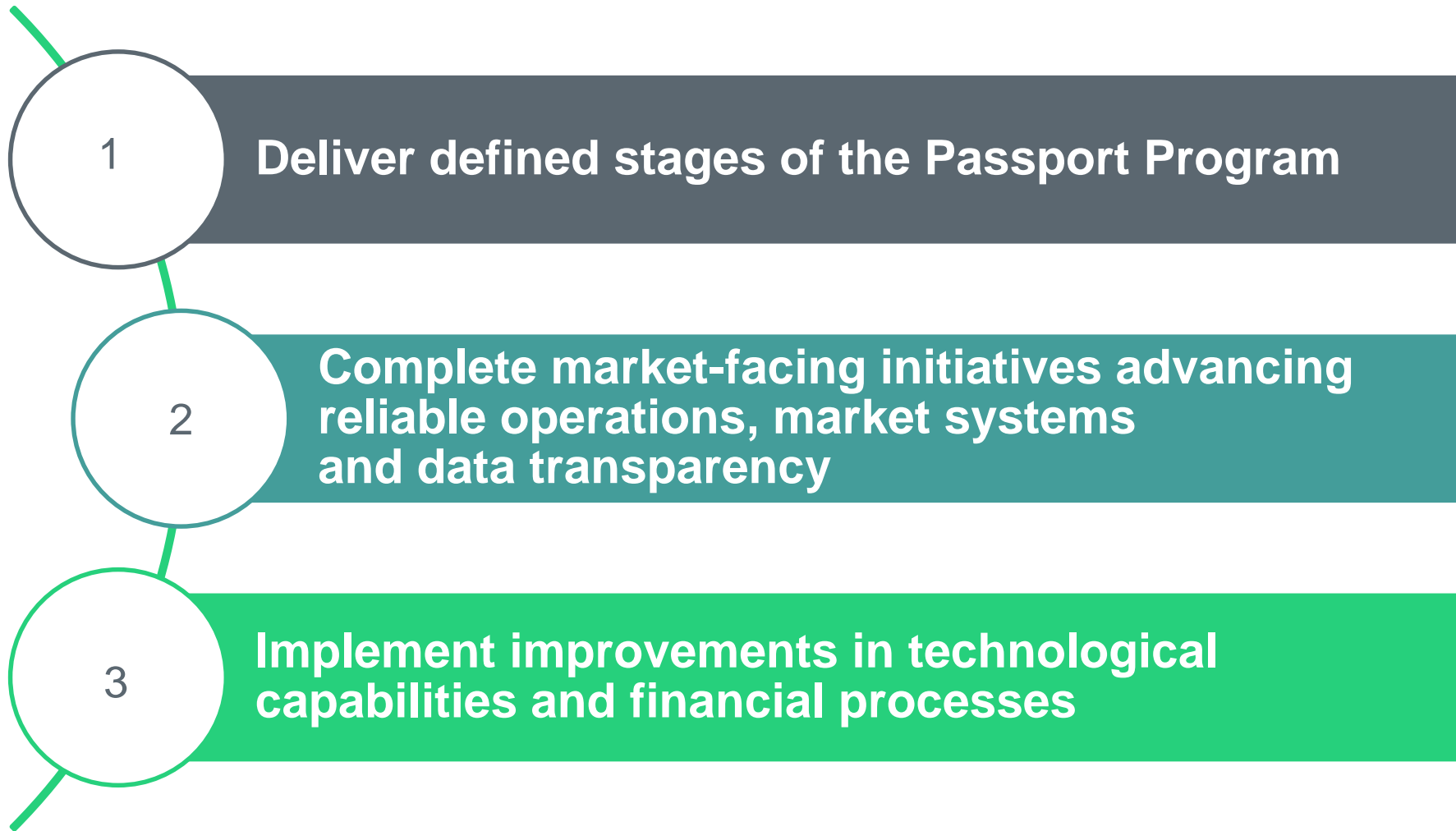
2020 Reserve Margin Study (Economically Optimal and Market Equilibrium Reserve Margins)

- On Jan. 15, 2021, ERCOT published the final [ERCOT 2020 reserve margin study](#) prepared by Astrapé Consulting.
 - PUCT directed ERCOT to conduct the study every even-numbered year; 2020 study is based on forecasted loads and resources for 2024.
- The Market Equilibrium Reserve Margin (MERM) is 12.25%.
 - MERM is the reserve margin at which developers, in the long-term, can expect to at least break even when investing in new plant capacity.
 - MERM value identified in the study may be reported to NERC as ERCOT's benchmark reserve margin for their 2021 Summer Reliability Assessment.
- The Economically Optimal Reserve Margin (EORM) is 11%.
 - EORM is the reserve margin level at which system costs are at their lowest when considering the costs of maintaining system reliability and building new generation capacity.

Year-End Energy and Resource Updates

- Energy use in 2020 (382 million MWh) was less than 1% lower than energy use in 2019.
- Significant increase in utility-scale solar capacity; wind capacity continues to grow.
 - The amount of utility-scale solar capacity added in 2020 (1,693 MW) was the largest amount of solar added to the ERCOT system in any given year, bringing total installed capacity to nearly 4,000 MW. Another 2,000 MW of utility-scale solar has been synchronized to the grid.
 - Added 1,261 MW of wind capacity in 2020, bringing total installed capacity to more than 25,000 MW. Another 6,000 MW of new wind capacity has been synchronized to the grid.
- Two gas-fired projects, seven wind projects and nine solar projects came online in 2020. The 12 storage projects that came online in 2020 doubled ERCOT's storage capacity to 215 MW.
- ERCOT set and reset new instantaneous wind output records on Dec. 22 (21,972 MW), Dec. 30 (22,222 MW) and Jan. 14 (22,893 MW). Set new wind penetration record on Jan. 30 (60%).
 - The amount of power produced by wind resources (23%) outpaced coal (18%) in 2020.

2021 Enterprise Objectives & Key Results (OKRs)



2021 ERCOT Enterprise OKRs

Objective 1: Deliver defined stages of the Passport Program

| Key Results (as measured by) | | | |
|------------------------------|--|--------|-----------|
| a. | Establish Passport Program framework and complete Business Requirements | Dec-21 | Ögelman |
| b. | Design and deliver key components for the 2024 Energy Management System (EMS) upgrade | Dec-21 | Rickerson |
| c. | Improve integration of Distribution Generation Resource (DGR) and Energy Storage Resource (ESR) into ERCOT systems | Dec-21 | Rickerson |
| d. | Implement Fast Frequency Response (FFR) Advanced changes | Mar-22 | Ögelman |

Senior Director, Passport Program Implementation Matt Mereness will provide a Passport update during today's Board meeting.

2021 ERCOT Enterprise OKRs

Objective 2: Complete market-facing initiatives advancing reliable operations, market systems and data transparency

| Key Results (as measured by) | | | |
|------------------------------|---|---------|-----------|
| a. | Complete cycle of improvements to Retail market software (Siebel upgrade) | May-21 | Ögelman |
| b. | Complete ERCOT's requirements to facilitate integration of Lubbock load into the ERCOT system | June-21 | Rickerson |
| c. | Broaden forecasting capabilities to meet the requirements of a changing grid | June-21 | Rickerson |
| d. | Transition ERCOT.com to a stable, supported platform with enhanced user experience (ECMS Ph2) | Nov-21 | Gage |
| e. | Complete RIOO system components to retire the RARF | Dec-21 | Rickerson |

2021 ERCOT Enterprise OKRs

Objective 3: Implement improvements in technological capabilities and financial processes

Key Results (as measured by)

| | | | |
|----|---|--------|-----------|
| a. | Establish DC5 Program framework to replace ERCOT's aging and end-of-life IT infrastructure | Dec-21 | Parakkuth |
| b. | Complete planning to automate treasury processes to reduce financial and operational risk | Dec-21 | Taylor |

Senior Director of ERCOT's Project Management Office Mandy Bauld will provide a major projects update during today's Board meeting.