



Market Operations Presentation Board of Director's Meeting

November 16, 2004

Retail Activity

- Overall Activity
- Migration From Native AREPs
- Performance Measures (Quarter Only)

Wholesale Activity

- Reliability Services
- Balancing Services
- Congestion Management Services

Other Items

Retail Transactions Summary

since June 1, 2001

As of Thursday, September 30, 2004

Transaction Type

Switches	1,530,305
Move - Ins	5,185,284
Move Out	2,971,036
CSA	891,088
Drop to POLR	288,809

Total

10,866,522

Compared to
Last Month

406,921



Migration from Native AREP

	% of Load *		% of ESI IDs	
	at <u>09-30-04</u>	at <u>09-30-04</u>	at <u>09-30-04</u>	at <u>09-30-03</u>
Residential	21%	18%	18%	12%
Small Non-Residential	58%	23%	23%	15%
Large Non-Residential	67%	62%	62%	54%

* % of Peak Demand on 08-07-03



Q3 2004 Performance Measures submitted to PUCT

SWITCHES

814 Transactions - Enrollment and Meter Read Scheduling

	<u>Request</u>	<u>Reject</u>	<u>to TDSP</u>	<u>Schedule</u>	<u>to New CR</u>	<u>to Old CR</u>	<u>from Old CR</u>
	160,086	9,539	150,311	161,383	150,225	138,589	140,649
% in Protocol	n/a	99.7%	99.9%	99.8%	99.8%	96.6%	99.8%

867 Transactions - Historical Usage (H) and Initial (I) Meter Read Deliveries

	<u>H to ERCOT</u>	<u>H to CR</u>	<u>I to ERCOT</u>	<u>I to CR</u>
	174,259	172,956	139,134	138,839
% in Protocol	97.8%	99.7%	n/a	98.9%



Q3 2004 Performance Measures submitted to PUCT

MIMO

814 Transactions - Enrollment and Meter Read Scheduling

	<u>Request</u>	<u>Reject</u>	<u>to TDSP</u>	<u>Schedule</u>	<u>to New CR</u>	<u>to Old CR</u>	<u>from Old CR</u>
	686,809	17,249	669,879	721,933	651,663	336,853	392,827
% in Protocol	n/a	72.2%	77.5%	96.7%	89.2%	98.6%	99.7%

867 Transactions - Historical Usage (H) and Initial (I) Meter Read Deliveries

	<u>H to ERCOT</u>	<u>H to CR</u>	<u>I to ERCOT</u>	<u>I to CR</u>
	342,514	341,070	631,335	629,473
% in Protocol	96.0%	99.7%	n/a	99.4%

Protocol is 5 hours. Average timing outside of protocol was less than 10 hours.

MIMO added and consolidated transaction validations improving processing accuracy, but decreased "% in protocol". Close monitoring of these numbers will be performed in the last quarter. Improved processing accuracy may warrant a review of existing protocol.



Reliability Services

	YTD (\$'s in millions)		September (\$'s in millions)	
	<u>09/30/04</u>	<u>09/30/03</u>	<u>2004</u>	<u>2003</u>
• Market Perspective:				
Approximate Retail Market (at \$.10/kWh PTB)	\$22,160.0	22,078.3	2,666.6	2,435.6
Volume (GWh)	221,600	220,783	26,666	24,356
% Increase	0.4%		9.5%	
Natural Gas Price Index (\$/MMBTU)	5.6	5.5	4.9	4.5
% Increase	1.8%		8.9%	
• RMR:				
RMR Capacity and Start Up	34.1	41.4	3.5	4.2
RMR Energy	207.2	185.3	25.4	20.2
BENA Credit	<u>-143.3</u>	<u>-129.9</u>	<u>-20.9</u>	<u>-12.3</u>
Net RMR	98.0	96.8	8.0	12.1
• Other Capacity Services:				
Replacement Reserve	0.0	0.0	0.0	0.0
Reg Up and Down	37.5	39.6	5.3	3.1
Responsive (Spinning) Reserve	38.9	57.3	5.8	4.5
Non-Spinning Reserve	4.2	6.0	0.4	0.2
Black Start	5.5	5.5	0.6	0.6
TOTAL RELIABILITY SERVICES	\$184.1	205.2	20.1	20.5



Balancing Services

	YTD		September	
	(\$'s in millions)		(\$'s in millions)	
	<u>09/30/04</u>	<u>09/30/03</u>	<u>2004</u>	<u>2003</u>
• Market Perspective:				
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% Increase	1.8%		8.9%	
• Balancing Energy:				
Balancing Energy - Up	\$331.8	628.9	57.9	28.2
% Increase	-47.2%		105.3%	
Up (GWh)	7,035.7	8,743.8	1,221.3	786.5
% Increase	-19.5%		55.3%	
% of Market	3.2%	4.0%	4.6%	3.2%
Balancing Energy - Down	-\$243.8	-288.7	-16.9	-32.6
% Increase	-15.6%		-48.2%	
Down (GWh)	-5,432.5	-5,111.0	-425.5	-752.3
% Increase	6.3%		-43.4%	
% of Market	2.5%	2.3%	1.6%	3.1%



Congestion Management Services

	YTD (\$'s in millions)		September (\$'s in millions)	
	<u>09/30/04</u>	<u>09/30/03</u>	<u>2004</u>	<u>2003</u>
<ul style="list-style-type: none"> Market Perspective: <ul style="list-style-type: none"> Approximate Retail Market (at \$.10/kWh PTB) Volume (GWh) % Increase Natural Gas Price Index (\$/MMBTU) % Increase 	\$22,160.0	22,078.3	2,666.6	2,435.6
	221,600	220,783	26,666	24,356
	0.4%		9.5%	
	5.6	5.5	4.9	4.5
	1.8%		8.9%	
<ul style="list-style-type: none"> Local Congestion: <ul style="list-style-type: none"> OOMC "Market Solution" Down "Market Solution" Up OOME - Down OOME - Up 	64.7	111.5	3.2	11.5
	0.0	11.4	0.0	3.3
	0.0	11.6	0.0	0.0
	45.5	53.6	4.6	5.7
	<u>16.2</u>	<u>32.3</u>	<u>0.6</u>	<u>3.4</u>
Total Local Congestion Costs	\$126.4	\$220.4	\$8.4	\$23.9
<ul style="list-style-type: none"> Zonal Congestion: <ul style="list-style-type: none"> TCR Payments (TCRCP = TCRs Sold*SP) TCR Estimate Collected [ZCR = (OC1+Settlement Adjustment)*SP] BENA Charge (TCRCP - ZCR) 	\$27.6	28.5	2.4	0.4
	<u>-24.4</u>	<u>-13.3</u>	<u>-1.9</u>	<u>-0.5</u>
	\$3.2	\$15.2	\$0.5	-\$0.1

- **Settlements Process**
 - 2003 Completed
 - 2004 will be caught up to Protocol by 12-06-2004
- **Texas Set 2.0/MIMO Report Card**
 - To Follow...
- **Actions related to Board resolution on Auction Day-Ahead Market**
 - To Follow...
- **Added Reps**
 - ✓ None
- **Added QSEs**
 - ✓ Merrill Lynch Commodities, Inc.
 - ✓ Coral Energy Management, LLC
 - ✓ Texas Retail Energy, LLC

Texas Set 2.0 / MIMO

Summary of Post Implementation Success Report

November 16, 2004

- Impact on Processing Stats
 - As expected, more processing time is required
 - Protocol guidelines were not modified to account for this
 - Migration to TIBCO will cure this
- For August, September & October of 2004
 - Rejects down 54%
 - 35,204 fewer than same three month period in 2003
 - At an estimated market cost of \$500/reject, this is approximately a \$17.5 million savings for only three months
 - Backdated Move-In Requests down 66%
 - 22,635 fewer than same three month period in 2003
 - At an estimated market cost of \$1,000/back dated move-in request, this is approximately a \$22.6 million savings for only three months

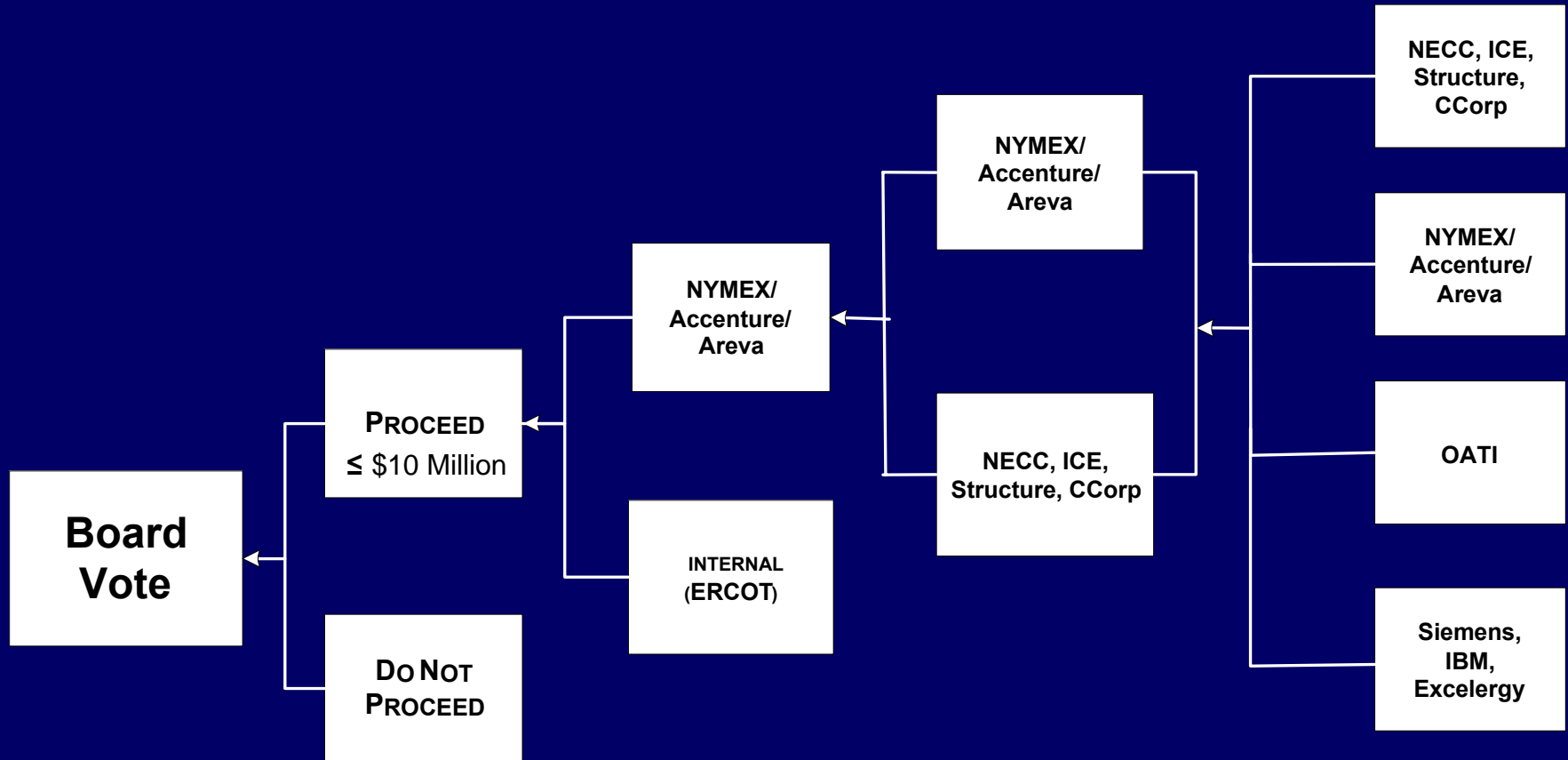
Update on Auction Day Ahead Market

November 16, 2004

Board Resolution: March 2004

“A day-ahead market shall be established in ERCOT through the implementation of the Auction Day-Ahead model by March 2005 or as soon as practicable...”

ADAM Evaluation: Proceed or Not?



Pros

- Opportunity to fill small liquidity gap between bilateral market and ERCOT's BES
- Opportunity to mitigate price risk of ERCOT's BES
- Prospect of avoiding additional TCE-like bankruptcy due to commitment to an ERCOT futures contract by at least one vendor

Cons

- Uplift cost
- No consensus for any current option (uplift cost?)
- Likely to need final Board review and approval – why not set cap now?

1. Stop – rescind Board resolution
2. Proceed – per March resolution
3. Proceed – subject to Board cap

**ERCOT Recommendation:
Alternative #3**

Impact of ADRs Data Correction Disputes

November 16, 2004

- PURA requires ERCOT to “ensure that electricity production and delivery are accurately accounted for...”
- ERCOT depends on Market Participants, including TDSPs, to provide timely and accurate data
- ADRs filed by Market Participants expect ERCOT to ultimately “get it right”, even after the true up settlement process
- ERCOT protocols do not explicitly state when “books will be closed” for any given Operating Day
- Where do we draw the line?



ERCOT Practice since Market Open

Deny that portion of Market Participant disputes and ADRs that relate to the accuracy of the data supplied to ERCOT by TDSPs and other Market Participants (as required by sections 10 and 15 of the Protocols), even though ERCOT may have received data corrections subsequent to the True-Up Settlement related to the Operating Day.

Pros

- Allows ERCOT to consistently comply with the settlement timeline set forth in Section 9 of the Protocols
- Allows ERCOT and Market Participants to “close the books” on prior years
- Discourages “place holder” or imprecise disputes / ADRs

Cons

- The Market may never be settled “exactly right”
- There would be a significant adverse impact on claimants of existing ADRs currently filed for prior years

1. Affirm current practice
2. Establish a “close of business” date of two years after the Operating Day. Pre-approve the issuance of resettlement statements on an as needed basis between the True-Up Settlement statement date and two years after the Operating Day.

ERCOT Recommendation:

Alternative #1