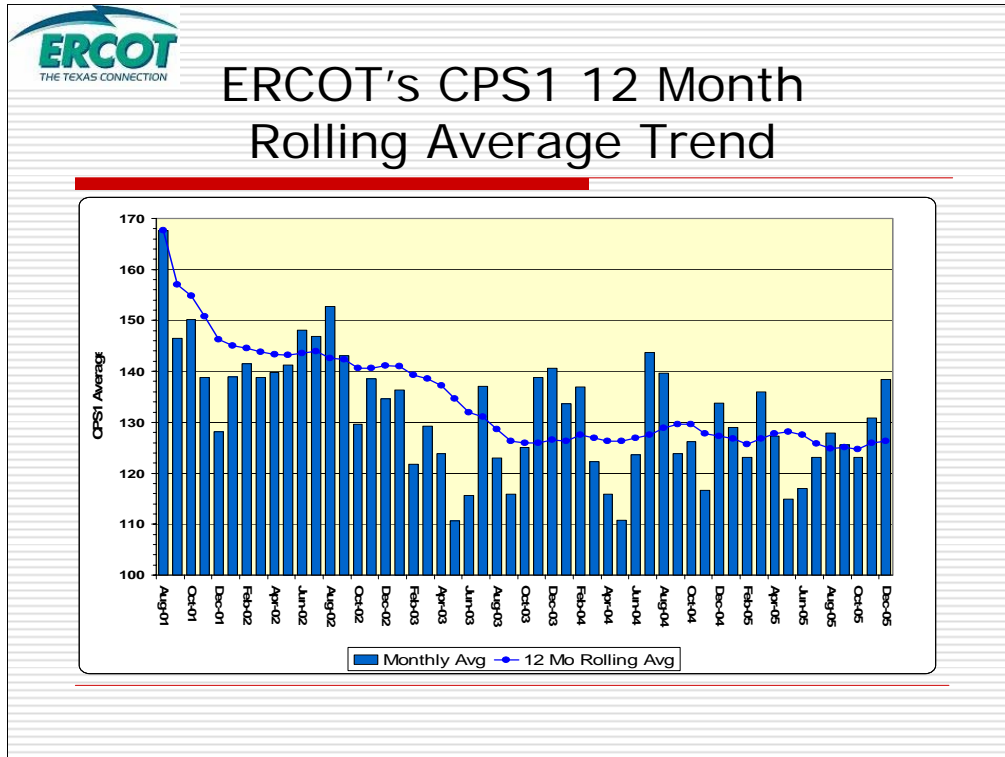


This presentation will provide a brief update to the Board regarding ERCOT's recent CPS1 performance and the QSEs 10-Minute Regulation & PRR525 performance.

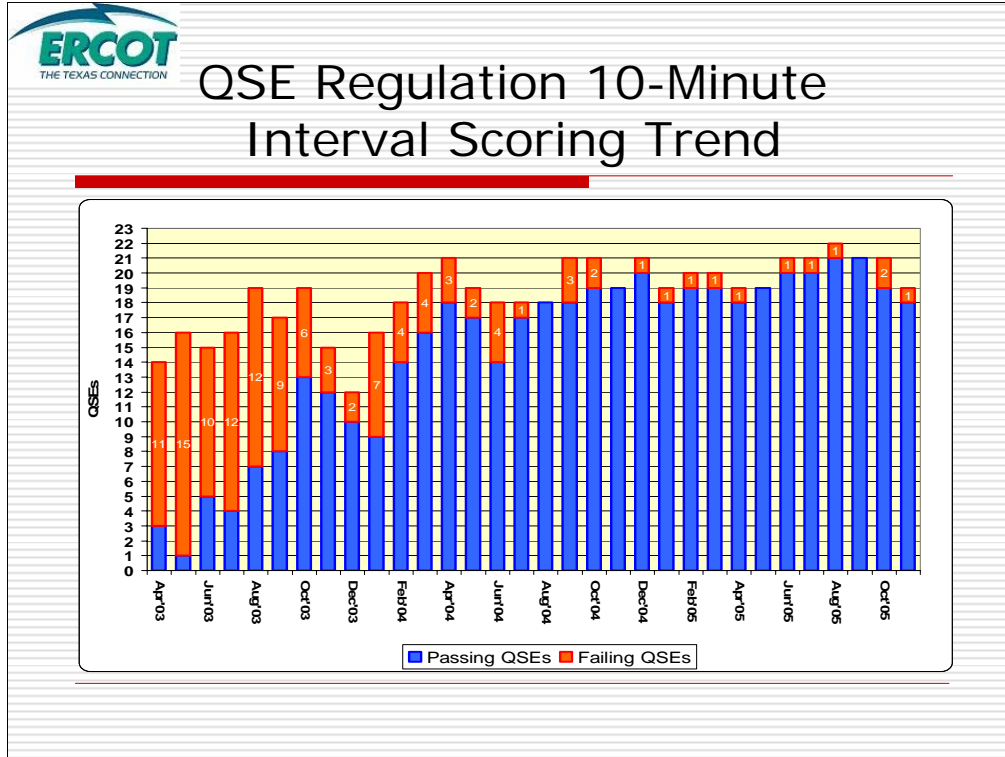
Additional information is provided about ERCOT frequency response, Unit Testing, Resource Plan Performance, and Incident Investigation results.



The Standard for CPS1 is 100% and is reportable to NERC as a 12-Month Rolling Average.

Since the NERC Measure is a 12 month rolling average, the effects of declining frequency performance will not be visible except over a long period of time.

November and December's CPS1 performance shows improvement from the same periods in 2004 and the overall trend appears to be improving. However, the Spring season usually shows poorer performance.

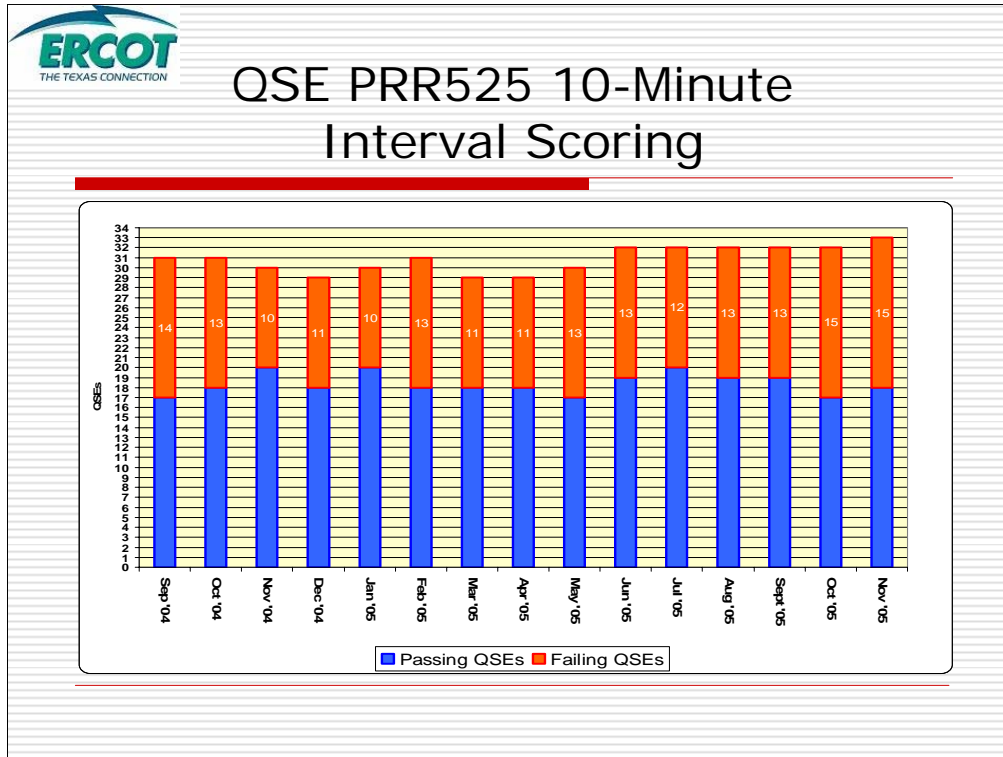


10-Minute Regulation scores have been updated through November 2005.

This chart does not make any distinctions between QSEs failing based on the number of Regulation intervals provided or how close they are to passing.

For the past year, failing QSEs have tended to provide a small number of Regulation intervals and/or have narrowly failed to meet the 90% standard.

Data for December is unavailable at this time due to the outage of the Data Archive which is currently being restored.



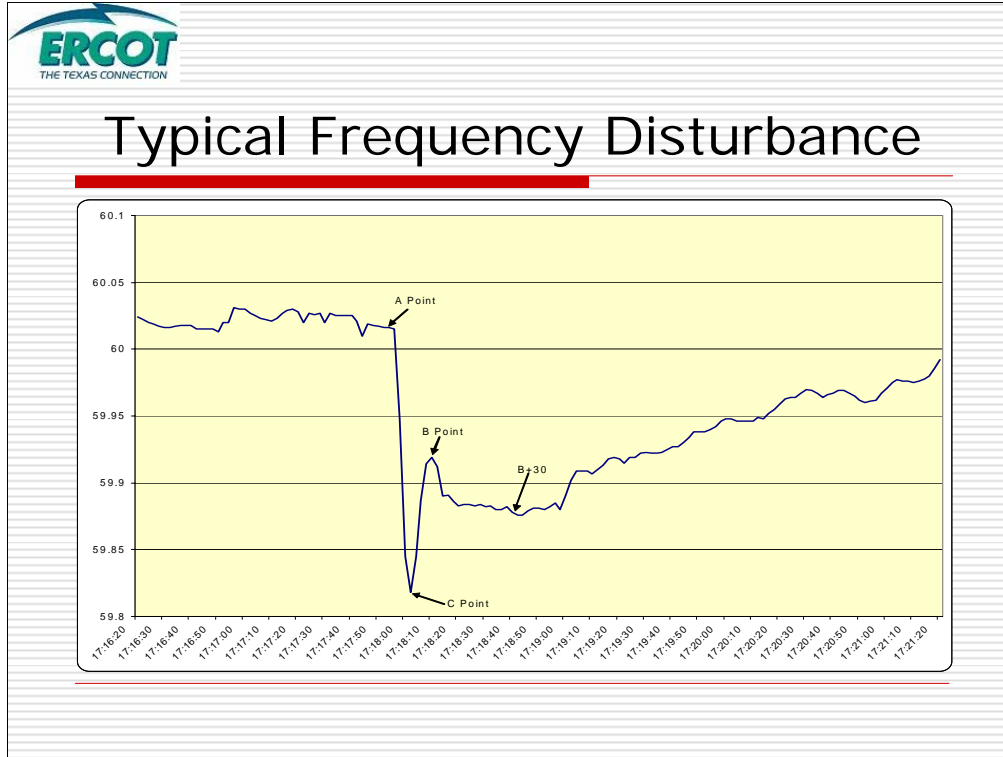
PRR525 10-Minute Performance scores have been updated through November 2005.

The trend of QSEs failing the 10-minute standard remains relatively flat indicating no visible improvement in performance.

We know the level of QSE activity to meet 525 has risen based on the number of questions we have received regarding scoring etc.

We have also placed the new Compliance Template for SCE Performance Monitoring on the Compliance Web Site and sent a Market Notice to all Market Participants in late December.

Data for December is unavailable at this time due to the outage of the Data Archive which is currently being restored.

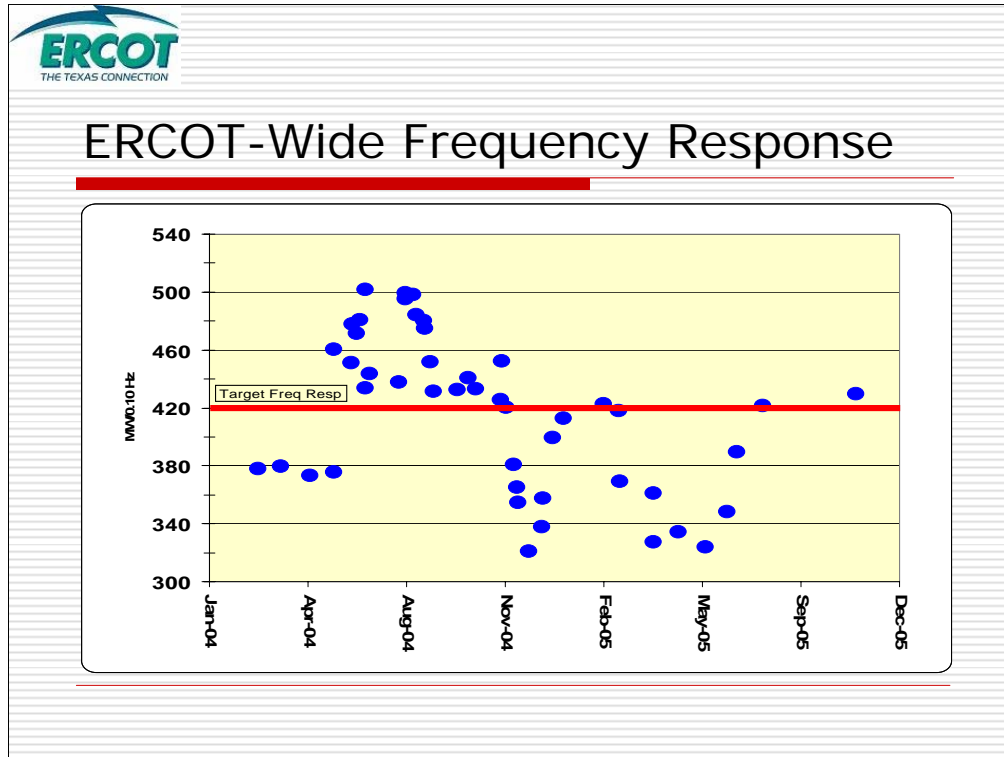


The frequency data is from a disturbance on November 17, 2005.

The frequency response at the B Point for this event was 692 MW / 0.1 Hz.

The frequency response at B+30 for this event was 516 MW / 0.1 Hz.

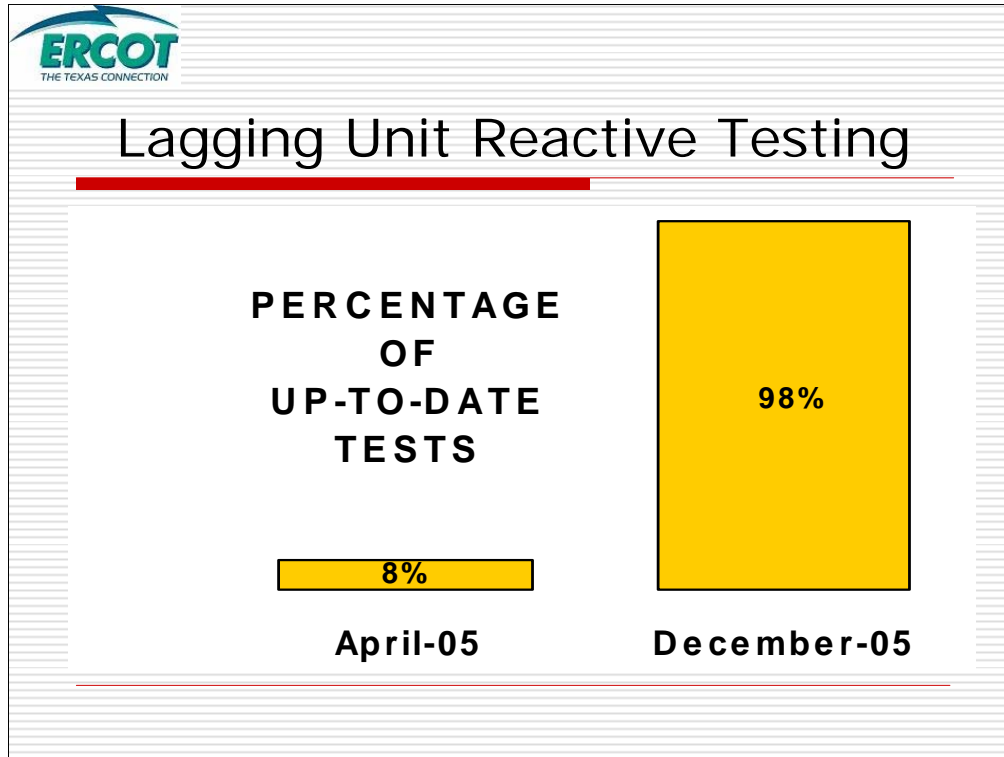
Terminology used here is defined in Protocol 5.8.



Protocol 5.8.2.1 calls for ERCOT to maintain 420 MW/0.10 Hz Frequency Response following measured disturbances. This frequency response is dominated by the automatic reaction of generator governors to change their MW output within the first minute following a disturbance to arrest the frequency change. Without adequate initial frequency response, ERCOT's frequency would swing more during events, resulting in longer total recovery times and increased risk of load shed and blackout.


ERCOT appears to have difficulty achieving the target response during the first half of 2005. Much of the problem appears to be related to generator governors not sustaining their automatic response. Efforts have been underway since the Summer of 2005 by the PDC Working Group and ERCOT Compliance to have QSEs review their portfolio's governor response contribution to ERCOT's overall response.

Data shown is based on a Six Event Rolling Average and represents frequency response 30 seconds after frequency began to recover from a measured disturbance.



ERCOT needs up-to-date unit capability information, for both real and reactive power. Significant changes were made to bi-annual reactive capability testing requirements in 2003, and as a consequence ERCOT did not have many current test results.

As of Jan. 1, 2006, only 2% of units (13 total) lack approved lagging tests. All 13 are scheduled to test at the first viable opportunity next summer. Work is in progress to obtain leading reactive capability tests now, which are performed under light system loading conditions, unlike the lagging tests.



Resource Plan Performance Metrics

	DK	CV	AB	AP	AO	DA	BH	BP	DF	DE	CJ	FK	BX	BC	AM	AD	CQ
Resource Status	0.72	1.00	0.99	0.98	0.98	0.98	N/A	0.98	1.00	1.00	1.00	0.99	0.99	1.00	0.98	1.00	1.00
Resource LSL as % of HSL	0.93	0.73	1.00	1.00	1.00	1.00	N/A	1.00	0.98	1.00	1.00	0.95	0.98	1.00	1.00	0.95	0.94
DA Zonal Schedule	0.99	0.98	0.88	0.98	1.00	0.96	1.00	0.97	0.99	0.99	1.00	0.99	0.99	0.95	0.97	0.99	0.98
AP Zonal Schedule	0.98	1.00	0.95	0.88	0.99	0.97	0.91	0.97	1.00	1.00	1.00	0.98	0.99	0.98	0.98	0.96	0.99
Down Bid & Obligation	0.96	0.99	0.96	0.99	0.78	0.89	0.89	0.92	0.93	0.93	0.93	0.93	0.94	0.95	0.95	0.96	0.97
Total Up AS Scheduled Obligation	N/A	0.95	N/A	N/A	1.00	0.90	N/A	0.99	0.93	0.99	1.00	0.99	0.96	1.00	1.00	N/A	0.97

	DP	CD	CC	CI	BY	CX	AY	BF	AR	CF	BE	FR	CT	BG	FS	ET	FY
Resource Status	1.00	0.99	1.00	1.00	1.00	0.98	0.98	N/A	1.00	1.00	N/A	1.00	1.00	1.00	1.00	1.00	N/A
Resource LSL as % of HSL	0.99	0.96	1.00	0.98	0.96	1.00	1.00	N/A	0.98	0.99	N/A	1.00	1.00	0.99	1.00	1.00	N/A
DA Zonal Schedule	1.00	0.96	0.92	1.00	1.00	1.00	0.92	0.96	1.00	0.98	1.00	1.00	N/A	1.00	1.00	N/A	N/A
AP Zonal Schedule	1.00	0.99	1.00	0.97	1.00	1.00	0.98	0.98	0.94	0.99	1.00	1.00	0.96	0.99	1.00	N/A	N/A
Down Bid & Obligation	0.97	0.98	0.98	0.98	0.98	0.98	0.99	0.99	0.99	0.99	1.00	1.00	1.00	1.00	N/A	N/A	N/A
Total Up AS Scheduled Obligation	1.00	1.00	1.00	N/A	0.99	1.00	0.99	N/A	1.00	0.99	N/A	N/A	N/A	1.00	N/A	0.99	1.00

Resource Plan Performance Scores shown are for November 2005.
 QSE names have been replaced with two letter codes.
 27 of 34 QSEs passed all of the Measures for which they were evaluated.

- Failing QSEs have been categorized by background color:
- Light Green indicates they failed the measure for one month
 - Yellow indicates they have failed the measure the last two months
 - Orange indicates they have failed the measure the last three months

A Protocol Violation does not occur until the fourth consecutive month is failed.

Protocol 4.10 defines these measures in detail but a brief summary of each is below.

Resource Status – Compares hourly Resource Plan status to telemetry to ensure units are “online” or “offline” as indicated in the Resource Plan


Resource LSL as a % of HSL – Compares Low Sustainable Limit (LSL) to High Sustainable Limit (HSL) for each “Online” Resource in the Resource Plan to ensure units can be moved for Reliability needs

Day Ahead Zonal Schedule – Compares Average Energy Schedule to total Resource Plan MW per Zone using Day Ahead Data to ensure these values match within a tolerance

Adjustment Period Zonal Schedule – Compares Average Energy Schedule to total Resource Plan MW per Zone using Adjustment Period Data to ensure these values match within a tolerance

Down Bid & Obligation – Ensures QSEs bid their required amount of Down Balancing & have the room to cover their Down Regulation Obligation

Total Up AS Scheduled Obligation – Ensures QSEs have the ability to cover Up Regulation Service (URS), Responsive Reserve Service (RRS), & Non-Spinning Reserve Service (NSRS) using Resource Plan Data



Incident Investigations

- ❑ Six Incidents were investigated in the last half of 2006 involving QSE's short of indicated reserve capability on their portfolio.
- ❑ Four were confirmed as Protocol Violations. QSEs have taken corrective actions.
- ❑ Two were determined to be outside the control of the Market Participant; ERCOT made software changes based on the findings.

In the past six months, six incidents were investigated. These began when ERCOT's operators and market participants could not come to agreement about an obligation and were escalated through the Shift Supervisor and Chief System Operator, in accordance with ERCOT's Incident Reporting process.

The Incident Report shall include:

- a. Date and time of incident, including the duration of the problem,
- b. Protocol or Operating Guide or NERC requirement at issue,
- c. Name of the Shift Supervisor on duty at ERCOT at the time of the event.
- d. Name of the Market Participant personnel contacted,
- e. Brief narrative of the events, corresponding to related ERCOT log entries, and
- f. Time by which a response is expected and name of ERCOT Operations Staff to contact.

Incident Reports that are confirmed violations will be escalated as Protocol Violation Notices.