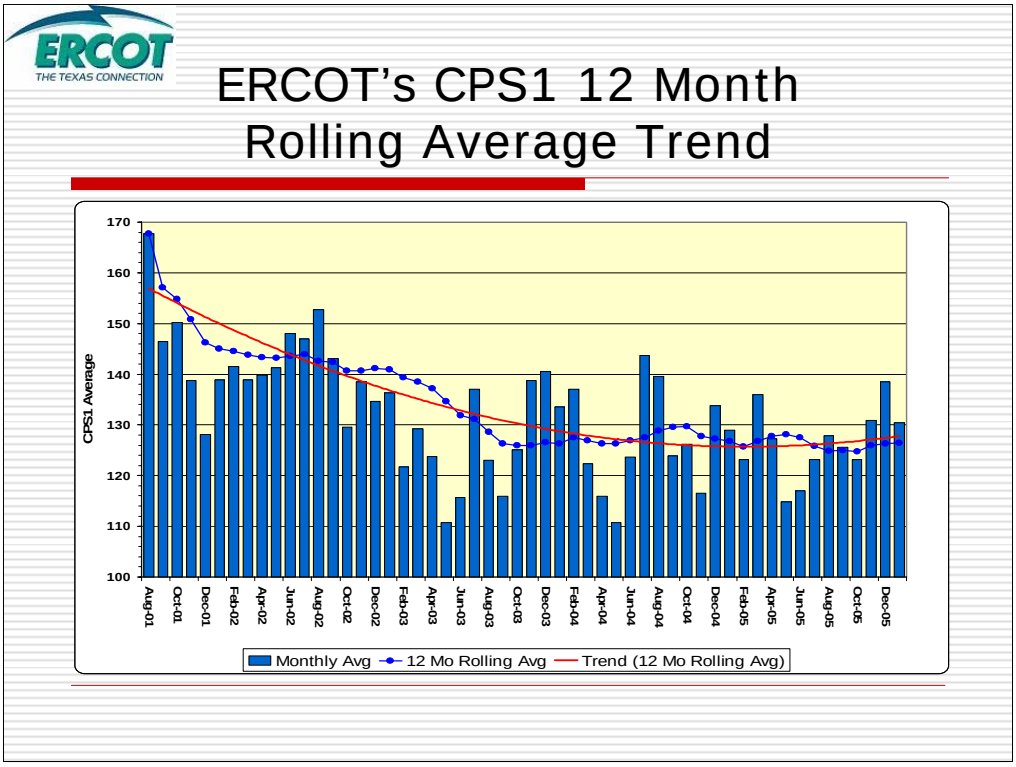
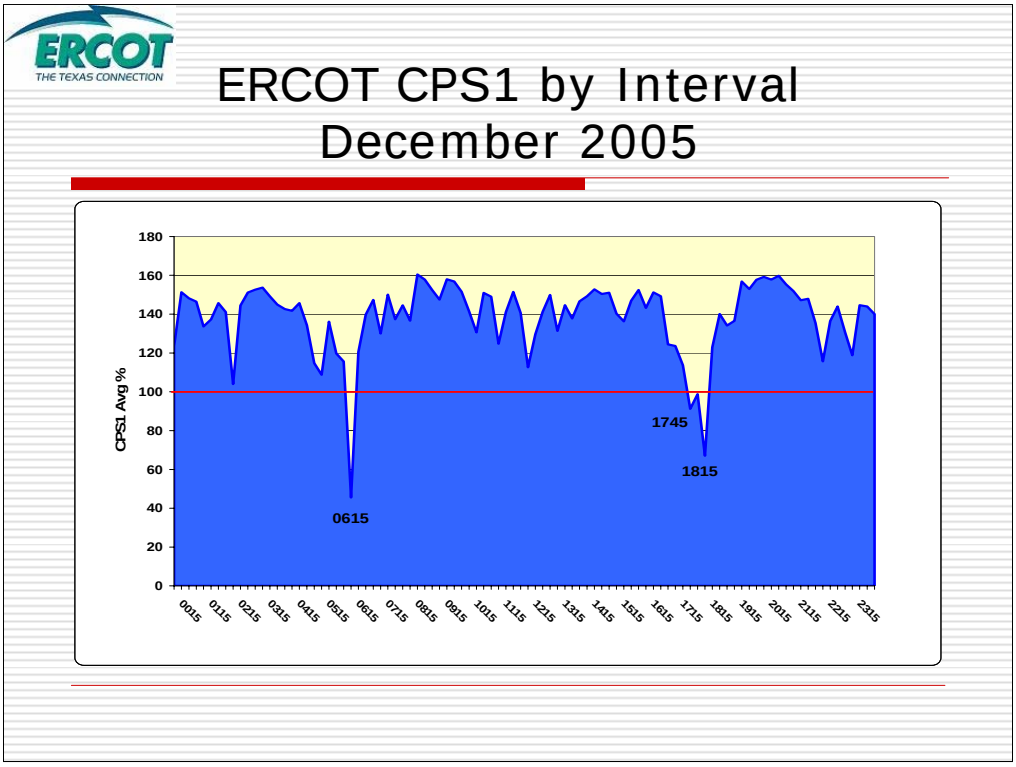
Compliance Update

February 2006



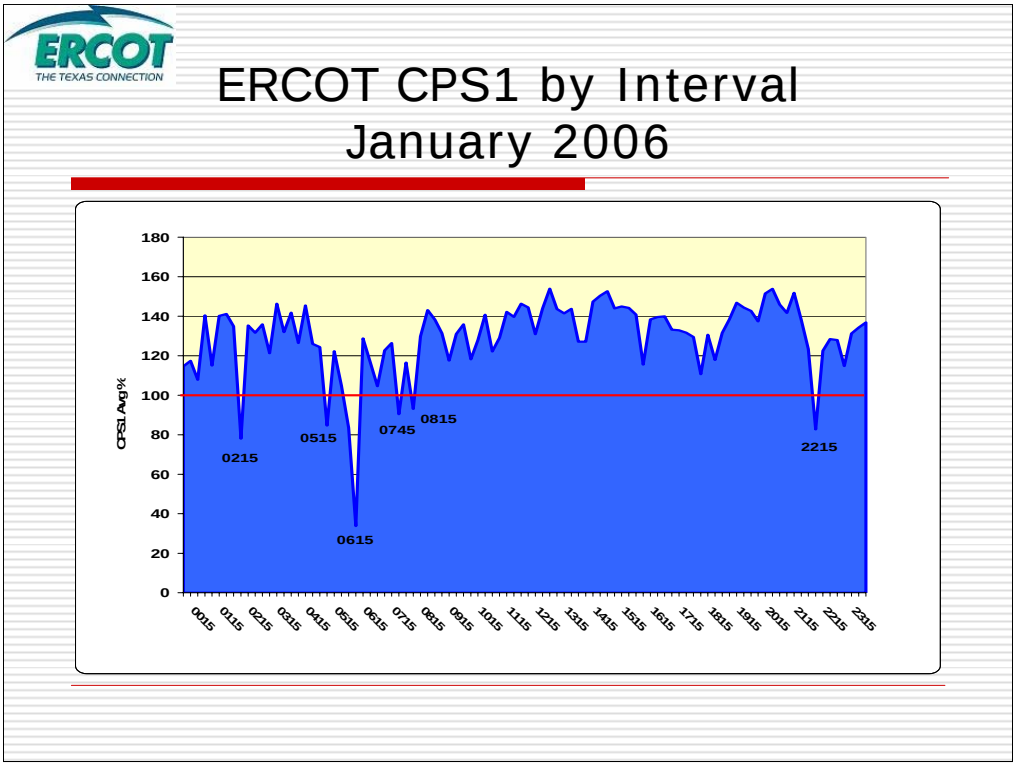
The Standard for CPS1 is 100% and is reportable to NERC as a 12-Month Rolling Average.

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

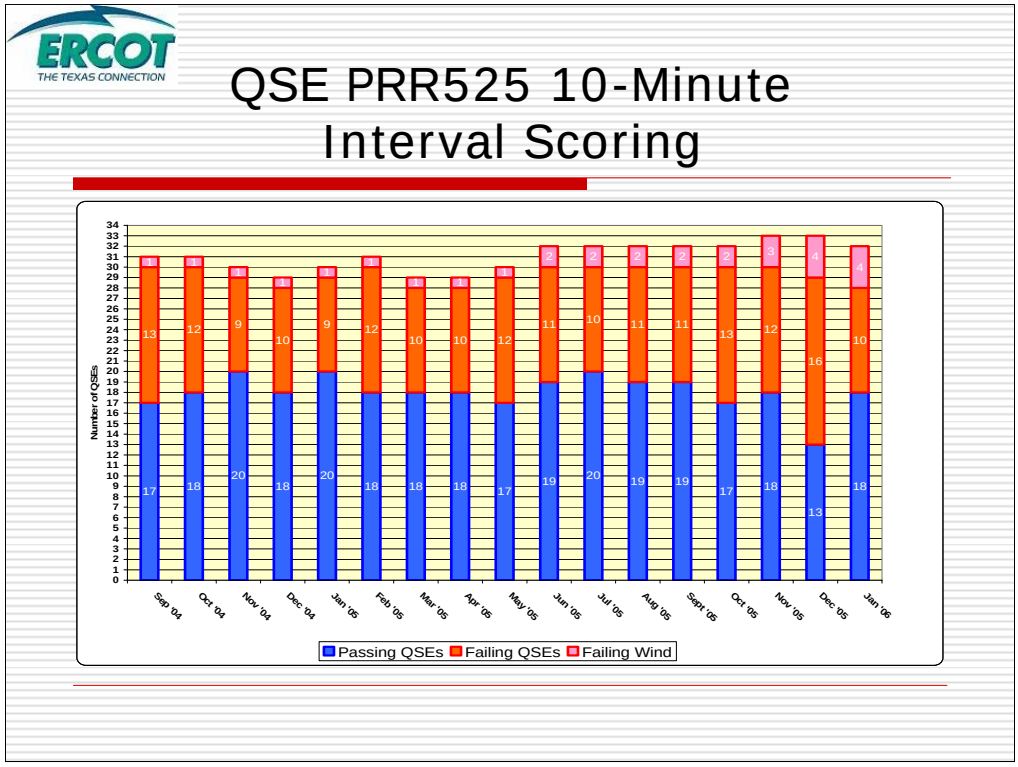


This is a visual representation of ERCOT's CPS1 monthly average by interval.

The minimum passing level is 100% and it is clear from this chart the times ERCOT struggles to meet this measure.



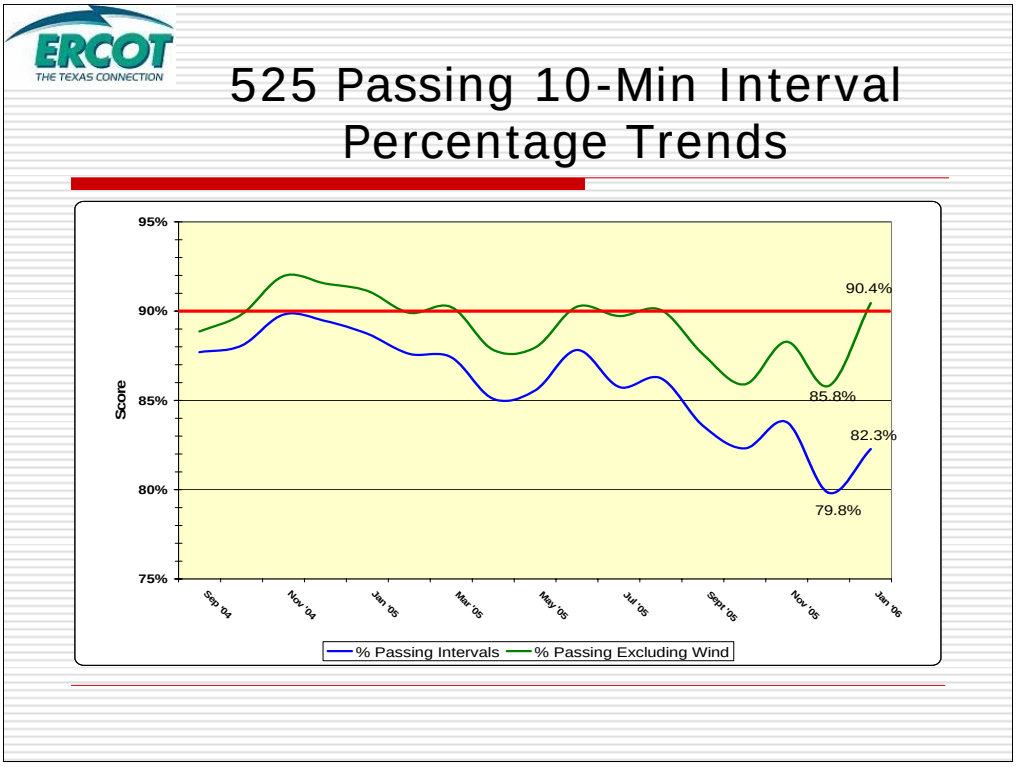
This is the same chart for January. Additional intervals where ERCOT failed CPS1 are clearly visible. Further review is required in order to understand what caused ERCOT to fall below the standard at other times.



PRR525 10-Minute Performance scores have been updated through January 2006.

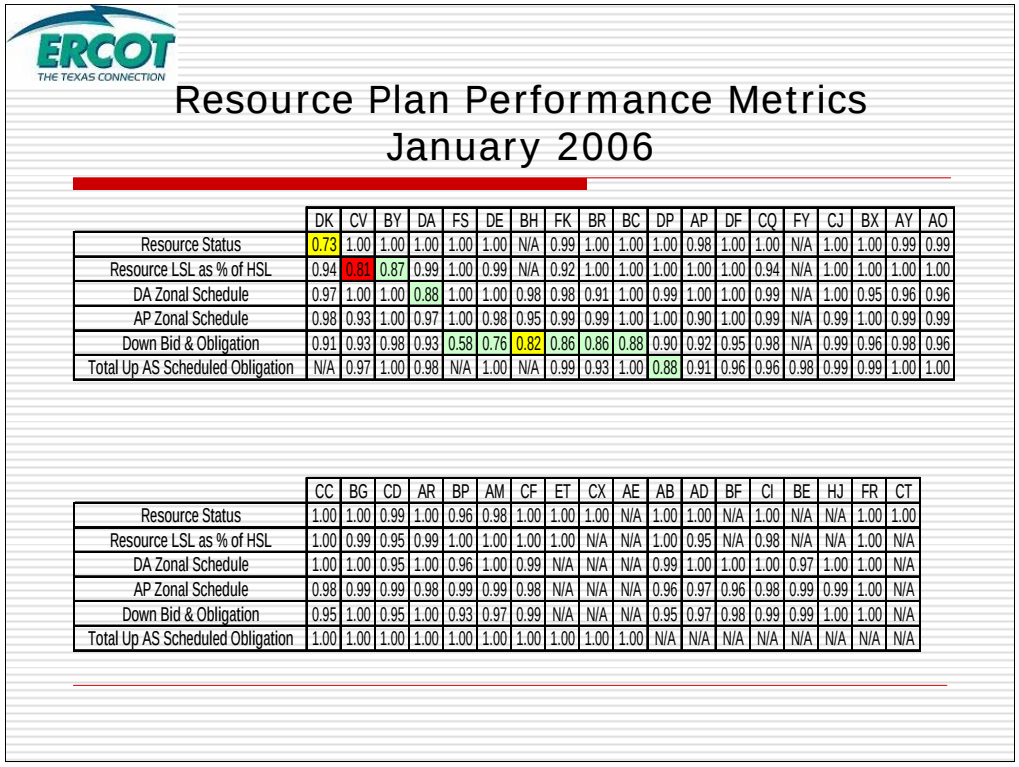
The trend of QSEs failing the 10-minute standard improved from December's 20 failing QSEs back to 14 failing QSEs for January.

We expect to see continued score improvement once each QSE reviews their data and provides a mitigation plan for addressing performance issues.



This graph indicates a significant improvement in the number of passing 10-minuite intervals from December to January.

We believe this graph more accurately reflects the efforts QSEs are making to meet the 525 measure.



Resource Plan Performance Metrics
January 2006

	DK	CV	BY	DA	FS	DE	BH	FK	BR	BC	DP	AP	DF	CQ	FY	CJ	BX	AY	AO
Resource Status	0.73	1.00	1.00	1.00	1.00	1.00	N/A	0.99	1.00	1.00	1.00	0.98	1.00	1.00	N/A	1.00	1.00	0.99	0.99
Resource LSL as % of HSL	0.94	0.81	0.87	0.99	1.00	0.99	N/A	0.92	1.00	1.00	1.00	1.00	1.00	0.94	N/A	1.00	1.00	1.00	1.00
DA Zonal Schedule	0.97	1.00	1.00	0.88	1.00	1.00	0.98	0.98	0.91	1.00	0.99	1.00	1.00	0.99	N/A	1.00	0.95	0.96	0.96
AP Zonal Schedule	0.98	0.93	1.00	0.97	1.00	0.98	0.95	0.99	0.99	1.00	1.00	0.90	1.00	0.99	N/A	0.99	1.00	0.99	0.99
Down Bid & Obligation	0.91	0.93	0.98	0.93	0.58	0.76	0.82	0.86	0.86	0.88	0.90	0.92	0.95	0.98	N/A	0.99	0.96	0.98	0.96
Total Up AS Scheduled Obligation	N/A	0.97	1.00	0.98	N/A	1.00	N/A	0.99	0.93	1.00	0.88	0.91	0.96	0.96	0.98	0.99	0.99	1.00	1.00

	CC	BG	CD	AR	BP	AM	CF	ET	CX	AE	AB	AD	BF	CI	BE	HJ	FR	CT
Resource Status	1.00	1.00	0.99	1.00	0.96	0.98	1.00	1.00	1.00	N/A	1.00	1.00	N/A	1.00	N/A	N/A	1.00	1.00
Resource LSL as % of HSL	1.00	0.99	0.95	0.99	1.00	1.00	1.00	1.00	N/A	N/A	1.00	0.95	N/A	0.98	N/A	N/A	1.00	N/A
DA Zonal Schedule	1.00	1.00	0.95	1.00	0.96	1.00	0.99	N/A	N/A	N/A	0.99	1.00	1.00	1.00	0.97	1.00	1.00	N/A
AP Zonal Schedule	0.98	0.99	0.99	0.98	0.99	0.99	0.98	N/A	N/A	N/A	0.96	0.97	0.96	0.98	0.99	0.99	1.00	N/A
Down Bid & Obligation	0.95	1.00	0.95	1.00	0.93	0.97	0.99	N/A	N/A	N/A	0.95	0.97	0.98	0.99	0.99	1.00	1.00	N/A
Total Up AS Scheduled Obligation	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Resource Plan Performance Scores shown are for January 2006.

These scores are preliminary and have not been reviewed by the QSEs.

QSE names have been replaced with two letter codes.

26 of 37 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
- Red indicates they have failed the measure the last four 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

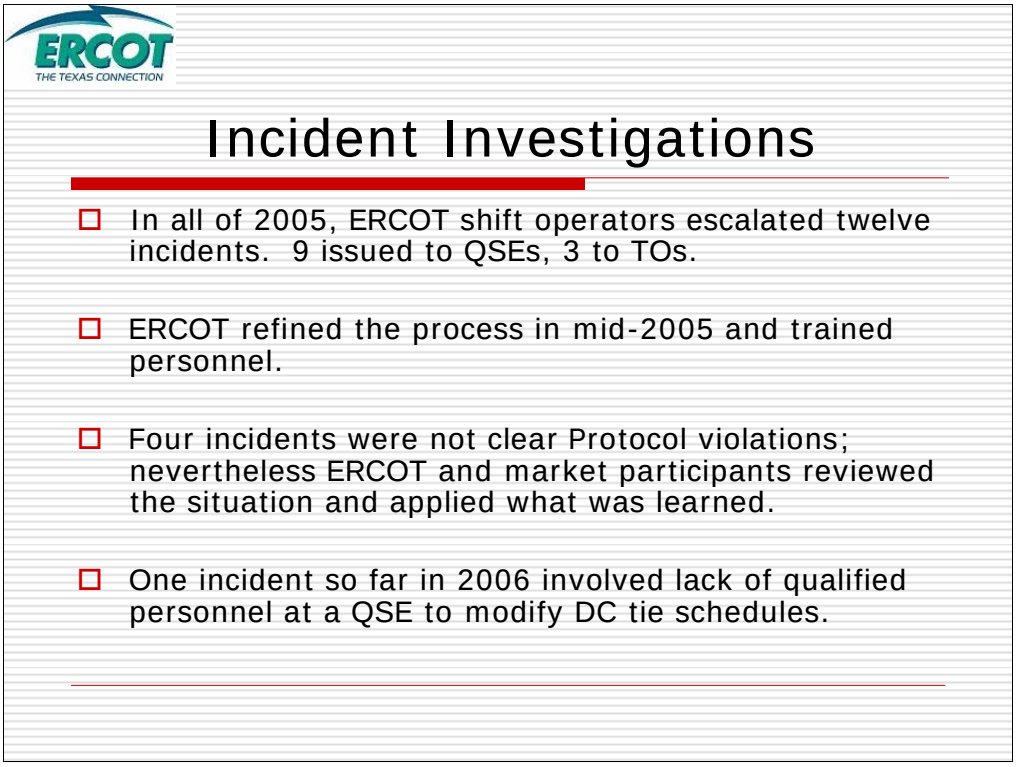
Resource LSL as a % of HSL – Compares Low Sustainable Limit (LSL) to High Sustainable Limit (HSL) for each “Online” Resource in the Resource Plan to ensure units can be moved for Reliability needs

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

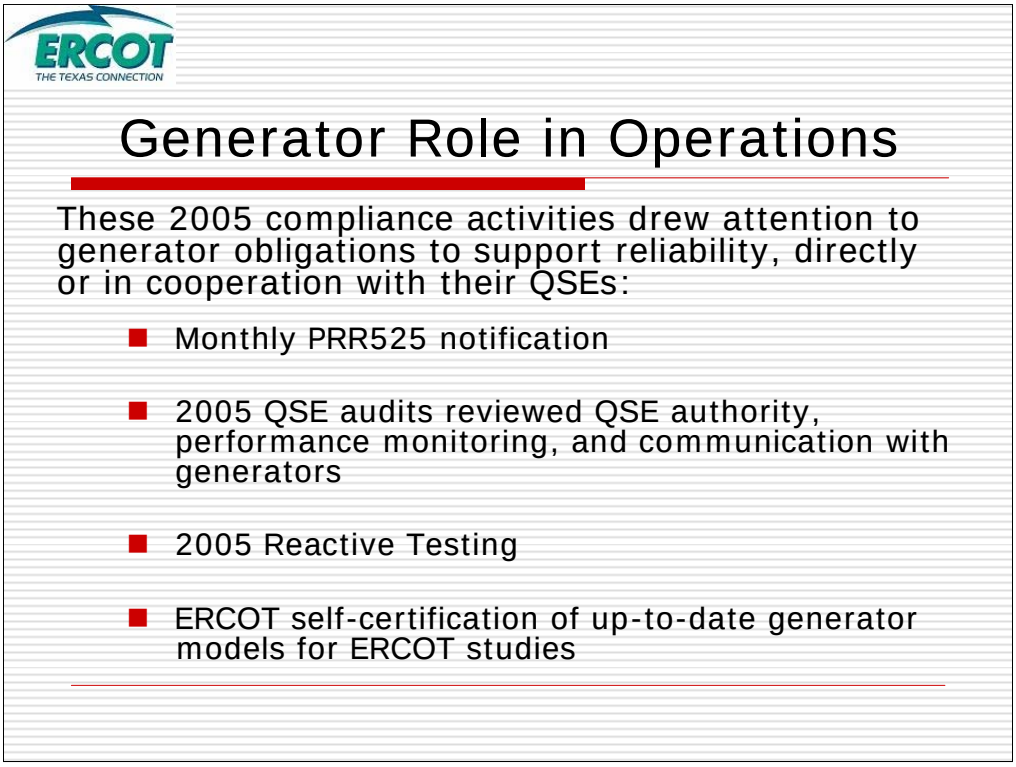
Total Up AS Scheduled Obligation – Ensures QSEs have the ability to cover Up Regulation Service (URS), Responsive Reserve Service (RRS), & Non-Spinning Reserve Service (NSRS) using Resource Plan Data



Incident reports are meant to address situations that occur during shift operations. Incident Reports that are confirmed violations will be escalated as Protocol Violation Notices.

The process didn't get into gear until mid-year, which explains why more occurred in the last part of the year. Last incident came from Engineering, not Operations, which indicates additional support for the process.

9 involved QSEs, 3 TO's. 8 of the 12 were determined to be violations of Protocols. Reserve capacity figured in 6 of the 12; lack of qualified personnel in 3 of 12; the 3 TO incidents were related to outage coordination.

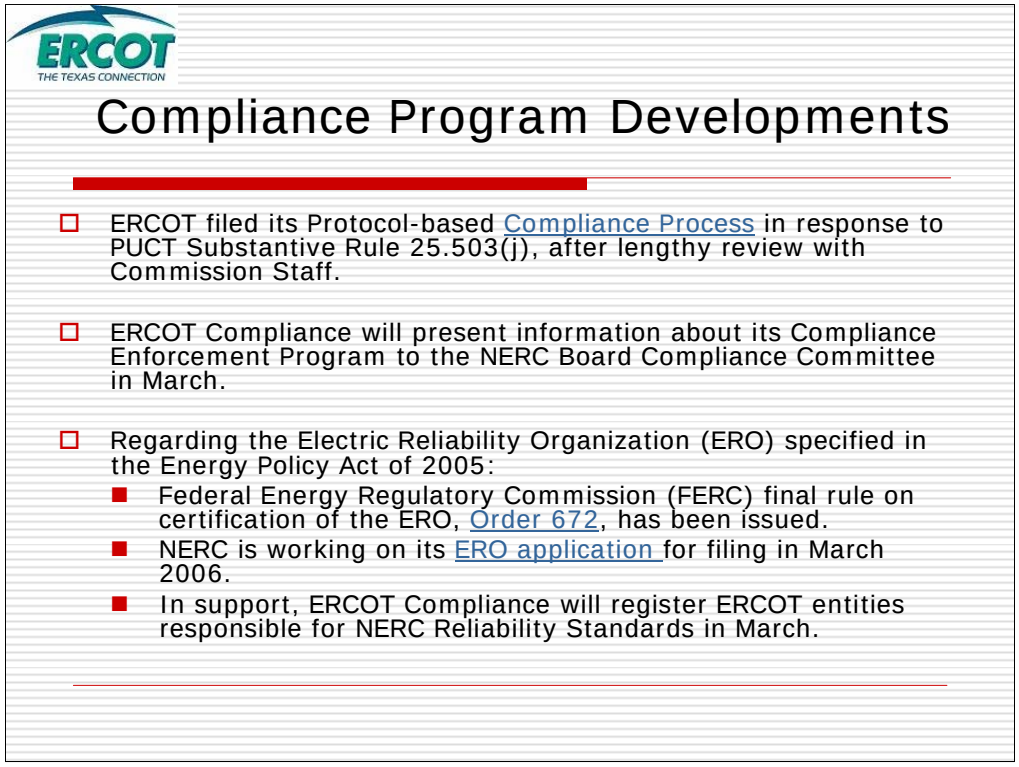


Monthly PRR 525 performance notification to QSEs has encouraged dialogue between QSEs and their generators about their Schedule Control Error (SCE) obligation and other operational responsibilities. More than one QSE has conducted meetings recently with its generators to find performance improvements.

2005 QSE audits conducted by ERCOT Compliance showed instances lacking clear, detailed documentation of authority and communications between QSEs and their generation portfolio related to grid operations. The audits also exposed the need for improvements to tools and training of personnel to meet ancillary service performance criteria based on SCE.

2005 Reactive Testing further showed lack of knowledge of ERCOT requirements, and issues with communication between ERCOT, QSE, and Resource Entities regarding another obligation of generators.

ERCOT Compliance obtained self-certifications from all Resource Entities owning generation that they had provided up-to-date models for ERCOT studies. Generator understanding of their obligation to provide and update these models is lacking in many cases.



Hyperlinks to these documents are included in the slide.