



Market Operations Presentation

Board of Director's Meeting

July 18, 2006

Retail Activity

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

Wholesale Activity

- Capacity Services
- Energy Services including Summary Hub Price Data
- Congestion Services
- REPs and QSEs Added/Deleted

Other Items

Overall Activity

Retail Transactions Summary

since June 1, 2001

As of Wednesday, May 31, 2006

| Transaction Type | |
|-------------------------------|-------------------|
| Switches | 2,556,344 |
| Move - Ins | 9,013,876 |
| Move Out | 5,171,316 |
| CSA | 1,447,591 |
| Drop to POLR | 313,459 |
| Total | 18,502,586 |
| Compared to Last Month | 440,136 |

Migration from Native AREP

| | % of Load * | % of ESI IDs | |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | at <u>05-31-06</u> | at <u>05-31-06</u> | at <u>05-31-05</u> |
| Residential | 40% | 31% | 23% |
| Small Non-Residential | 79% | 33% | 28% |
| Large Non-Residential | 74% | 72% | 70% |

* % of Peak Demand on 08-23-05

Capacity Services

| | YTD (\$'s in millions) | | May (\$'s in millions) | |
|---|---------------------------|-----------------|---------------------------|----------------|
| | <u>05/31/06</u> | <u>05/31/05</u> | <u>2006</u> | <u>2005</u> |
| • Market Perspective: | | | | |
| Approximate Retail Market (at \$.10/kWh PTB) | \$11,774.1 | 10,859.7 | 2,686.1 | 2,482.5 |
| Volume (GWh) | 117,741 | 108,597 | 26,861 | 24,825 |
| % Increase | 8.4% | | 8.2% | |
| Natural Gas Price Index (\$/MMBTU) | 6.8 | 6.3 | 6.0 | 6.4 |
| % Increase | 7.9% | | -6.3% | |
| • Capacity Services: | | | | |
| Reg Up and Down | 55.3 | 64.5 | 9.9 | 10.9 |
| Responsive (Spinning) Reserve | 52.1 | 54.3 | 11.6 | 10.0 |
| Non-Spinning Reserve | 11.2 | 10.1 | 4.8 | 4.2 |
| Black Start | 2.6 | 2.9 | 0.5 | 0.6 |
| Local Replacement Reserve | 4.5 | 0.0 | 3.1 | 0.0 |
| Zonal Replacement Reserve | <u>2.9</u> | <u>0.0</u> | <u>1.1</u> | <u>0.0</u> |
| TOTAL CAPACITY SERVICES | \$128.6 | \$131.8 | \$31.0 | \$25.7 |

Capacity Services – Reg Up and Down and Responsive Reserve

| | YTD | | May | |
|---|-----------------|-----------------|-------------|-------------|
| | <u>05/31/06</u> | <u>05/31/05</u> | <u>2006</u> | <u>2005</u> |
| Reg Up: | | | | |
| Required (MW) | 3,111,912 | 3,860,094 | 656,183 | 1,540,278 |
| Self Arranged (MW) | 1,224,018 | 1,232,574 | 256,358 | 220,014 |
| Procured (MW) | 1,918,712 | 1,607,814 | 423,242 | 293,228 |
| % Procured | 62% | 42% | 65% | 19% |
| Weighted Avg MCPC (\$/MW) | 18.1 | 19.9 | 17.2 | 12.7 |
| Reg Down: | | | | |
| Required (MW) | 2,933,399 | 4,360,364 | 579,635 | 1,983,648 |
| Self Arranged (MW) | 909,427 | 1,515,543 | 197,631 | 282,110 |
| Procured (MW) | 2,052,440 | 1,526,720 | 403,141 | 379,959 |
| % Procured | 70% | 35% | 70% | 19% |
| Weighted Avg MCPC (\$/MW) | 10.0 | 21.2 | 6.4 | 19.0 |
| Responsive (Spinning) Reserve: | | | | |
| Required (MW) | 8,272,576 | 11,744,492 | 1,655,250 | 5,127,162 |
| Self Arranged (MW) | 4,785,888 | 4,245,087 | 1,005,497 | 849,597 |
| Procured (MW) | 3,546,301 | 4,083,537 | 706,034 | 858,390 |
| % Procured | 43% | 35% | 43% | 17% |
| Weighted Avg MCPC (\$/MW) | 14.7 | 13.3 | 16.4 | 11.7 |
| Responsive (Non Spinning) Reserve: | | | | |
| Required (MW) | 911,779 | 2,063,579 | 407,771 | 1,359,861 |
| Self Arranged (MW) | 387,931 | 469,681 | 167,543 | 183,979 |
| Procured (MW) | 535,766 | 685,219 | 252,457 | 268,521 |
| % Procured | 59% | 33% | 62% | 20% |
| Weighted Avg MCPC (\$/MW) | 20.9 | 14.7 | 19 | 15.5 |
| Local Replacement Reserve: | | | | |
| Procured (MW) | 322,122 | 0 | 236,919 | 0 |
| Zonal Replacement Reserve: | | | | |
| Procured (MW) | 21,624 | 0 | 11,229 | 0 |

Energy Services

| | YTD (\$'s in millions) | | May (\$'s in millions) | |
|---|---------------------------|-----------------|---------------------------|----------------|
| | <u>05/31/06</u> | <u>05/31/05</u> | <u>2006</u> | <u>2005</u> |
| • Market Perspective: | | | | |
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| Volume (GWh) | 117,741 | 108,597 | 26,861 | 24,825 |
| % Increase | 8.4% | | 8.2% | |
| Natural Gas Price Index (\$/MMBTU) | 6.8 | 6.3 | 6.0 | 6.4 |
| % Increase | 7.9% | | -6.3% | |
| • Balancing Energy: | | | | |
| Balancing Energy - Up | \$294.6 | \$218.3 | \$78.2 | \$65.2 |
| % Increase | 35.0% | | 19.9% | |
| Up (GWh) | 4,012.8 | 3,534.7 | 1,023.5 | 818.4 |
| % Increase | 13.5% | | 25.1% | |
| % of Market | 3.4% | 3.3% | 3.8% | 3.3% |
| Balancing Energy - Down | -\$87.9 | -77.3 | -22.3 | -25.2 |
| % Increase | 13.7% | | -11.5% | |
| Down (GWh) | -2,448.3 | -2,033.0 | -639.4 | -625.9 |
| % Increase | 20.4% | | 2.2% | |
| % of Market | 2.1% | 1.9% | 2.4% | 2.5% |

Hub Summary Data

- ERCOT Hubs**

Balancing Energy Weighted Average Price (\$/MWH)

| HUB | May 2006 | Apr 2006 | Mar 2006 | Feb 2006 | Jan 2006 | Dec 2005 | Nov 2005 | Oct 2005 | Sept 2005 | Aug 2005 | July 2005 | June 2005 |
|---------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| South | \$58.30 | \$63.14 | \$57.19 | \$55.16 | \$58.79 | \$89.00 | \$69.65 | \$114.96 | \$104.55 | \$84.76 | \$77.03 | \$62.27 |
| North | \$58.27 | \$66.04 | \$54.87 | \$55.19 | \$50.59 | \$96.26 | \$72.01 | \$117.39 | \$121.40 | \$106.76 | \$81.62 | \$75.23 |
| Houston | \$60.27 | \$68.50 | \$54.92 | \$51.77 | \$52.18 | \$86.11 | \$72.48 | \$143.31 | \$125.73 | \$115.75 | \$87.38 | \$80.92 |
| West | \$81.01 | \$92.11 | \$59.41 | \$58.20 | \$54.06 | \$93.14 | \$67.41 | \$128.08 | \$130.39 | \$121.16 | \$92.23 | \$80.11 |
| ERCOT Hub | \$60.08 | \$67.35 | \$55.89 | \$55.30 | \$53.37 | \$91.70 | \$70.64 | \$121.75 | \$117.74 | \$103.10 | \$83.24 | \$73.43 |
| ERCOT Bus | \$60.38 | \$67.81 | \$55.91 | \$55.04 | \$53.35 | \$92.16 | \$70.65 | \$123.09 | \$119.27 | \$105.09 | \$83.26 | \$74.46 |
| % Change | -11.0% | 21.3% | 1.6% | 3.2% | -42.1% | 30.4% | -42.6% | 3.2% | 13.5% | 26.2% | 11.8% | 18.8% |
| NGPI % Change | -13.0% | 6.2% | -9.7% | -5.3% | -32.1% | 47.4% | -33.3% | 5.6% | 18.7% | 21.3% | 4.2% | |

Hub Summary Data

- ERCOT Hubs**
Balancing Energy Monthly Volume (GWH)

| HUB | May 2006 | Apr 2006 | Mar 2006 | Feb 2006 | Jan 2006 | Dec 2005 | Nov 2005 | Oct 2005 | Sept 2005 | Aug 2005 | July 2005 | June 2005 |
|------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| South | 399.8 | 349.2 | 310.1 | 403.8 | 237.8 | 400.3 | 460.8 | 404.7 | 447.4 | 451.4 | 368.6 | 391.3 |
| North | 775.0 | 747.2 | 441.1 | 470.0 | 400.0 | 542.7 | 408.0 | 637.2 | 844.3 | 771.0 | 782.6 | 864.8 |
| Houston | 366.8 | 327.6 | 254.3 | 177.8 | 227.5 | 196.9 | 188.2 | 308.8 | 388.5 | 471.5 | 433.8 | 445.3 |
| West | 121.3 | 112.4 | 90.8 | 148.3 | 100.1 | 236.9 | 135.5 | 137.5 | 205.1 | 177.8 | 199.6 | 218.0 |
| ERCOT Hub | 1,662.9 | 1,536.4 | 1,096.3 | 1,200.0 | 965.4 | 1,376.8 | 1,192.6 | 1,488.2 | 1,885.4 | 1,871.8 | 1,784.6 | 1,919.3 |
| ERCOT Bus | 1,662.9 | 1,536.4 | 1,096.3 | 1,200.0 | 965.4 | 1,376.8 | 1,192.6 | 1,488.2 | 1,885.4 | 1,871.8 | 1,784.6 | 1,919.3 |
| % Change | 8% | 40% | -9% | 24% | -30% | 15% | -20% | -21% | 1% | 5% | -7% | |

Hub Summary Data

- ERCOT Hubs**
Balancing Energy Average Daily Volume (GWH)

| <u>HUB</u> | <u>May</u> <u>2006</u> | <u>Apr</u> <u>2006</u> | <u>Mar</u> <u>2006</u> | <u>Feb</u> <u>2006</u> | <u>Jan</u> <u>2006</u> | <u>Dec</u> <u>2005</u> | <u>Nov</u> <u>2005</u> | <u>Oct</u> <u>2005</u> | <u>Sept</u> <u>2005</u> | <u>Aug</u> <u>2005</u> | <u>July</u> <u>2005</u> | <u>June</u> <u>2005</u> |
|-------------------|---|---|---|---|---|---|---|---|--|---|--|--|
| South | 12.9 | 11.6 | 10.0 | 14.4 | 7.7 | 12.9 | 15.4 | 13.1 | 14.9 | 14.6 | 12.3 | 12.6 |
| North | 25.0 | 24.9 | 14.2 | 16.8 | 12.9 | 17.5 | 13.6 | 20.6 | 28.1 | 24.9 | 26.1 | 27.9 |
| Houston | 11.8 | 10.9 | 8.2 | 6.4 | 7.3 | 6.4 | 6.3 | 10.0 | 13.0 | 15.2 | 14.5 | 14.4 |
| West | 3.9 | 3.7 | 2.9 | 5.3 | 3.2 | 7.6 | 4.5 | 4.4 | 6.8 | 5.7 | 6.7 | 7.0 |
| ERCOT Hub | 53.6 | 51.2 | 35.4 | 42.9 | 31.1 | 44.4 | 39.8 | 48.0 | 62.8 | 60.4 | 59.5 | 61.9 |
| ERCOT Bus | 53.6 | 51.2 | 35.4 | 42.9 | 31.1 | 44.4 | 39.8 | 48.0 | 62.8 | 60.4 | 59.5 | 61.9 |
| % Change | 5% | 45% | -18% | 38% | -30% | 12% | -17% | -24% | 4% | 2% | -4% | |

Hub Summary Data

- ERCOT Hubs**

Balancing Energy Average Daily Dollar Volume (\$'s in thousands)

| HUB | May 2006 | Apr 2006 | Mar 2006 | Feb 2006 | Jan 2006 | Dec 2005 | Nov 2005 | Oct 2005 | Sept 2005 | Aug 2005 | July 2005 | June 2005 |
|---------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| South | \$752.0 | \$734.8 | \$572.0 | \$795.5 | \$451.0 | \$1,149.4 | \$1,070.0 | \$1,500.7 | \$1,559.3 | \$1,234.3 | \$946.5 | \$786.1 |
| North | \$1,456.9 | \$1,644.8 | \$780.7 | \$926.5 | \$652.8 | \$1,685.1 | \$979.4 | \$2,413.0 | \$3,416.6 | \$2,655.3 | \$2,129.3 | \$2,098.6 |
| Houston | \$713.2 | \$748.1 | \$450.5 | \$328.7 | \$382.9 | \$547.0 | \$454.8 | \$1,427.6 | \$1,628.4 | \$1,760.7 | \$1,263.5 | \$1,162.3 |
| West | \$316.9 | \$345.2 | \$174.0 | \$308.3 | \$174.6 | \$711.8 | \$304.4 | \$568.1 | \$891.5 | \$695.0 | \$613.7 | \$563.3 |
| ERCOT Hub | \$3,222.6 | \$3,449.2 | \$1,976.6 | \$2,370.0 | \$1,662.2 | \$4,072.7 | \$2,808.2 | \$8,545.1 | \$7,399.4 | \$6,224.9 | \$4,951.9 | \$4,546.5 |
| ERCOT Bus | \$3,238.9 | \$3,472.9 | \$1,977.2 | \$2,359.0 | \$1,661.3 | \$4,093.2 | \$2,808.6 | \$5,909.7 | \$7,495.8 | \$6,345.2 | \$4,952.9 | \$4,610.2 |
| % Change | -6.7% | 75.6% | -16.2% | 42.0% | -59.4% | 45.7% | -52.5% | -21.2% | 18.1% | 28.1% | 7.4% | |
| NGPI % Change | -13.0% | 6.2% | -9.7% | -5.3% | -32.1% | 47.4% | -33.3% | 5.6% | 18.7% | 21.3% | 4.2% | |



Congestion Services

| | YTD (\$'s in millions) | | May (\$'s in millions) | |
|--|---------------------------|-----------------|---------------------------|----------------|
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| % Increase | 8.4% | | 8.2% | |
| Natural Gas Price Index (\$/MMBTU) | 6.8 | 6.3 | 6.0 | 6.4 |
| % Increase | 7.9% | | -6.3% | |
| • Local Congestion: | | | | |
| OOMC | \$31.3 | \$11.8 | \$4.9 | \$5.3 |
| "Market Solution" Down | 3.8 | 0.0 | 1.8 | 0.0 |
| "Market Solution" Up | 0.9 | 0.0 | 0.4 | 0.0 |
| OOME - Down | 4.3 | 18.2 | 0.8 | 10.0 |
| OOME - Up | <u>7.5</u> | <u>5.4</u> | <u>1.5</u> | <u>1.8</u> |
| Total Local Congestion Costs | \$47.8 | \$35.4 | \$9.4 | \$17.1 |
| • Zonal Congestion and TCR / PCR Activity: | | | | |
| Proceeds Paid to TCR / PCR Holders including Auction Refunds | \$23.1 | \$17.0 | \$5.2 | \$2.4 |
| TCR / PCR Annual Auction Proceeds received from Holders | (\$20.3) | (\$7.2) | (\$4.5) | (\$1.7) |
| TCR Monthly Auction Proceeds received from TCR Holders | (\$11.5) | (\$4.3) | (\$6.2) | (\$1.2) |
| Direct Assignment Proceeds received from QSEs based on schedules | <u>(\$19.1)</u> | <u>(\$11.3)</u> | <u>(\$4.2)</u> | <u>(\$2.0)</u> |
| Total Zonal Congestion and TCR / PCR Activity | (\$27.8) | (\$5.8) | (\$9.7) | (\$2.5) |
| • RMR: | | | | |
| RMR Capacity and Start Up | \$11.4 | \$19.1 | \$2.4 | \$4.1 |
| RMR Energy | 66.9 | 58.8 | 15.5 | 18.7 |
| BENA Credit | <u>-45.3</u> | <u>-40.2</u> | <u>-11.4</u> | <u>-14.1</u> |
| Net RMR | \$33.0 | \$37.7 | \$6.5 | \$8.7 |

REPs and QSEs Added/Deleted

- **Added Reps**

- ✓ Fulcrum Power Services, LP
- ✓ Hudson Energy Services, LLC
- ✓ LPT SP, LP
- ✓ SGE Energy Management Ltd.
- ✓ Tenaska Power Services Co., d/b/a TPS4
- ✓ WPS Energy Services, Inc.
- ✓ Vega Resources d/b/a Amigo Energy

- **Deleted Reps**

- ✓ None

- **Added QSEs**

- ✓ None

- **Deleted QSEs**

- ✓ None