



Market Operations Presentation

Board of Director's Meeting

August 15, 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

Retail Transactions Summary

since June 1, 2001

As of Friday, June 30, 2006

Transaction Type

Switches	2,710,730
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Move - Ins	9,239,228
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Move Out	5,300,468
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CSA	1,471,382
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Drop to POLR	314,753
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Total	19,036,561
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Compared to Last Month	533,975
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Migration from Native AREP

	% of Load *	% of ESI IDs	
	at <u>06-30-06</u>	at <u>06-30-06</u>	at <u>06-30-05</u>
Residential	41%	32%	24%
Small Non-Residential	81%	34%	29%
Large Non-Residential	74%	72%	72%

* % of AREP Peak Demand on 08-23-05

Capacity Services

	YTD (\$'s in millions)		June (\$'s in millions)	
	<u>06/30/06</u>	<u>06/30/05</u>	<u>2006</u>	<u>2005</u>
• Market Perspective:				
Approximate Retail Market (at \$.10/kWh PTB)	\$14,696.2	13,833.1	2,922.2	2,973.3
Volume (GWh)	146,962	138,331	29,222	29,733
% Increase	6.2%		(1.7%)	
Natural Gas Price Index (\$/MMBTU)	6.7	6.5	6.1	7.2
% Increase	3.1%		(15.3%)	
• Capacity Services:				
Reg Up and Down	\$62.2	\$73.8	\$6.9	\$9.3
Responsive (Spinning) Reserve	59.4	65.7	7.3	11.4
Non-Spinning Reserve	14.7	14.0	3.5	3.9
Black Start	3.1	3.4	0.5	0.6
Local Replacement Reserve	6.2	0.0	1.7	0.0
Zonal Replacement Reserve	<u>5.5</u>	<u>0.0</u>	<u>2.6</u>	<u>0.0</u>
TOTAL CAPACITY SERVICES	\$151.1	\$156.9	\$22.5	\$25.2

Capacity Services – Reg Up and Down and Responsive Reserve

	YTD		June	
	<u>06/30/06</u>	<u>06/30/05</u>	<u>2006</u>	<u>2005</u>
Reg Up:				
Required (MW)	3,723,797	3,332,116	611,885	498,874
Self Arranged (MW)	1,486,065	1,458,785	262,047	226,211
Procured (MW)	2,270,314	1,881,391	351,602	273,577
Mismatch Schedules (MW)	(32,582)	(8,060)	(1,764)	(914)
% Procured	61%	56%	57%	55%
Weighted Avg MCPC (\$/MW)	17.4	19.4	13.5	16.5
Reg Down:				
Required (MW)	3,564,670	3,651,833	631,271	613,901
Self Arranged (MW)	1,106,066	1,788,318	196,639	272,775
Procured (MW)	2,489,258	1,868,795	436,818	342,075
Mismatch Schedules (MW)	(30,654)	(5,280)	(2,186)	(949)
% Procured	70%	51%	69%	56%
Weighted Avg MCPC (\$/MW)	9.2	19.9	5.1	14.1
Responsive (Spinning) Reserve:				
Required (MW)	9,927,282	9,981,011	1,654,706	1,654,627
Self Arranged (MW)	5,807,040	5,098,049	1,021,152	852,962
Procured (MW)	4,181,150	4,886,546	634,849	803,009
Mismatch Schedules (MW)	(60,908)	(3,584)	(1,295)	(1,344)
% Procured	42%	49%	38%	49%
Weighted Avg MCPC (\$/MW)	14.2	13.5	11.6	14.2
Responsive (Non Spinning) Reserve:				
Required (MW)	1,065,708	1,322,254	153,929	165,249
Self Arranged (MW)	452,934	538,095	65,003	68,414
Procured (MW)	624,513	782,037	88,747	96,818
Mismatch Schedules (MW)	(11,739)	2,122	179	17
% Procured	59%	59%	58%	59%
Weighted Avg MCPC (\$/MW)	23.5	17.9	40	41.0
Local Replacement Reserve:				
Procured (MW)	400,057	0	97,936	0
Zonal Replacement Reserve:				
Procured (MW)	51,189	0	29,565	0

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• Balancing Energy:				
Balancing Energy - Up	\$380.6	\$341.5	\$86.0	\$123.3
% Increase	11.4%		(30.3%)	
Up (GWh)	5,243.8	5,020.6	1,231.1	1,485.9
% Increase	4.4%		(17.1%)	
% of Market	3.6%	3.6%	4.2%	5.0%
Balancing Energy - Down	(\$113.7)	(95.2)	(25.8)	(17.9)
% Increase	19.4%		44.1%	
Down (GWh)	(3,212.0)	(2,430.5)	(763.8)	(397.5)
% Increase	32.2%		92.2%	
% of Market	2.2%	1.8%	2.6%	1.3%

- ERCOT Hubs**

Balancing Energy Weighted Average Price (\$/MWH)

HUB	June 2006	May 2006	Apr 2006	Mar 2006	Feb 2006	Jan 2006	Dec 2005	Nov 2005	Oct 2005	Sept 2005	Aug 2005	July 2005
South	\$53.66	\$58.30	\$63.14	\$57.19	\$55.16	\$58.79	\$89.00	\$69.65	\$114.96	\$104.55	\$84.76	\$77.03
North	\$55.31	\$58.27	\$66.04	\$54.87	\$55.19	\$50.59	\$96.26	\$72.01	\$117.39	\$121.40	\$106.76	\$81.62
Houston	\$56.52	\$60.27	\$68.50	\$54.92	\$51.77	\$52.18	\$86.11	\$72.48	\$143.31	\$125.73	\$115.75	\$87.38
West	\$64.50	\$81.01	\$92.11	\$59.41	\$58.20	\$54.06	\$93.14	\$67.41	\$128.08	\$130.39	\$121.16	\$92.23
ERCOT Hub	\$56.30	\$60.08	\$67.35	\$55.89	\$55.30	\$53.37	\$91.70	\$70.64	\$121.75	\$117.74	\$103.10	\$83.24
ERCOT Bus	\$56.07	\$60.38	\$67.81	\$55.91	\$55.04	\$53.35	\$92.16	\$70.65	\$123.09	\$119.27	\$105.09	\$83.26
% Change	(7.1%)	(11.0%)	21.3%	1.6%	3.2%	(42.1%)	30.4%	(42.6%)	3.2%	13.5%	26.2%	
NGPI % Change	1.7%	(13.0%)	6.2%	(9.7%)	(5.3%)	(32.1%)	47.4%	(33.3%)	5.6%	18.7%	21.3%	

Congestion Services

	YTD (\$'s in millions)		June (\$'s in millions)	
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• Local Congestion:				
OOMC	\$35.1	\$20.5	\$3.8	\$8.7
"Market Solution" Down	6.1	0.0	2.2	0.0
"Market Solution" Up	1.3	0.0	0.4	0.0
OOME - Down	5.1	23.1	0.8	4.9
OOME - Up	<u>8.8</u>	<u>7.4</u>	<u>1.2</u>	<u>2.0</u>
Total Local Congestion Costs	\$56.4	\$51.0	\$8.4	\$15.6
• Zonal Congestion and TCR / PCR Activity:				
Proceeds Paid to TCR / PCR Holders including Auction Refunds	\$28.4	\$28.3	\$5.3	\$11.3
TCR / PCR Annual Auction Proceeds received from Holders	(25.4)	(9.1)	(5.1)	(1.8)
TCR Monthly Auction Proceeds received from TCR Holders	(20.6)	(5.4)	(9.1)	(1.1)
Direct Assignment Proceeds received from QSEs based on schedules	<u>(23.6)</u>	<u>(20.8)</u>	<u>(4.4)</u>	<u>(9.5)</u>
Total Zonal Congestion and TCR / PCR Activity	(\$41.2)	(\$7.0)	(\$13.3)	(\$1.1)
• RMR:				
RMR Capacity and Start Up	\$13.9	\$24.3	\$2.2	\$5.2
RMR Energy	84.6	81.5	17.4	22.7
BENA Credit	<u>(58.7)</u>	<u>(57.5)</u>	<u>(13.4)</u>	<u>(17.4)</u>
Net RMR	\$39.8	\$48.3	\$6.2	\$10.5

PUCT POLR Rule: mass transition of customers in event of an MP default:

- ERCOT to initiate a drop to POLR using Texas SET transactions (PRR 660)
- ERCOT to allocate POLR ESI IDs to POLR Providers
- ERCOT to determine POLR Customer Class for all ESI IDs involved in a mass transition, and
- 07/01/2007 latest implementation date

PRR 672 Phase I*: directs ERCOT to process “priority Move-Ins” within two (2) hours

Texas SET Control changes: 12 additional changes anticipated to be passed by RMS in September

*Phases II and III of PRR 672 deferred pending further cost/benefit review

- **Added Reps**

- ✓ None

- **Deleted Reps**

- ✓ None

- **Added QSEs**

- ✓ None

- **Deleted QSEs**

- ✓ None