Electric Reliability Council of Texas

401(k) Savings Plan

Financial Statements and Supplemental Schedule with Report of Independent Auditors

December 31, 2005 and 2004

Electric Reliability Council of Texas
401(k) Savings Plan
Index

Page(s)

Report of Independent Auditors 1

Financial Statements

Statements of Net Assets Available for Plan Benefits as of December 31, 2005 and 2004 2

Statement of Changes in Net Assets Available for Plan Benefits
for the year ended December 31, 2005 3

Notes to Financial Statements 4-8

Supplemental Schedule*

Schedule H, Line 4i – Schedule of Assets (Held for End of Year) 10

* Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
300 West Sixth Street
Suite 1800
Austin TX 78701
Telephone (512) 477 1300
Facsimile (512) 477 8681
www.pwc.com

Report of Independent Auditors

To the Participants and Administrator of
Electric Reliability Council of Texas 401(k) Savings Plan

We were engaged to audit the financial statements and supplemental schedule of Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan") at December 31, 2005 and 2004 and for the year ended December 31, 2005, as listed in the accompanying index. These financial statements and schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Metropolitan Life Insurance Company ("MetLife"), the investment custodian of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that MetLife holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from MetLife as of December 31, 2005 and 2004 and for the year ended December 31, 2005, that the information provided to the plan administrator by MetLife is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by MetLife, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

PricewaterhouseCoopers LLP

Austin, Texas
November 6, 2006

Electric Reliability Council of Texas
401(k) Savings Plan
Statements of Net Assets Available for Plan Benefits
December 31, 2005 and 2004

	2005	2004
Investments, at fair value		
Pooled separate accounts	$ 18,893,582	$ 13,881,996
Interest bearing cash	-	2,692
	18,893,582	13,884,688
Loans to participants	856,725	708,766
Total investments	19,750,307	14,593,454
Receivables		
Participants' contributions	126,007	118,630
Employer contributions	85,777	203,729
Net assets available for plan benefits	$ 19,962,091	$ 14,915,813

The accompanying notes are an integral part of these financial statements.

Electric Reliability Council of Texas
401(k) Savings Plan
Statement of Changes in Net Assets Available for Plan Benefits
Year Ended December 31, 2005

Additions to net assets attributed to	
Contributions:	
Participants'	$ 3,076,115
Employer	1,248,962
Rollover	190,725
Investment Income:	
Loan interest	40,614
Net appreciation in pooled separate accounts	1,201,282
Total additions	5,757,698
Deductions from net assets attributed to	
Benefits paid to participants	702,330
Administrative expenses	9,090
Total deductions	711,420
Net increase in net assets available for plan benefits	5,046,278
Net assets available for plan benefits	
Beginning of year	14,915,813
End of year	$ 19,962,091

The accompanying notes are an integral part of these financial statements.

1. Description of Plan

The following description of the Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General
The Plan is a defined contribution plan covering all employees of the Electric Reliability Council of Texas (“ERCOT") who are age twenty-one or older. The Plan was adopted December 2, 1996 with an effective date of January 1, 1997. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions
Participants in the Plan may make voluntary contributions based on a percentage of their annual compensation up to the maximum percentage allowable under applicable sections of the Internal Revenue Code. Participants self-direct their contributions and account balances among the pooled separate accounts provided by the Plan. ERCOT will make a matching contribution of 75% of the participant's contribution not to exceed 6% of the participant's base compensation, as defined. ERCOT may also make discretionary contributions to the Plan each year. No discretionary contributions were made by ERCOT in 2005.

Participant Accounts
Each participant's account is credited with the participant's contributions, ERCOT’S matching contribution and an allocation of (a) ERCOT’S discretionary contribution, if any, and (b) the participants' share of net earnings of the respective investment accounts of the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting
Participants are immediately 100% vested in their voluntary contributions. Vesting in the ERCOT’s matching contribution is based on years of continuous service as follows:

Years of Service	Percent Vested
Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years of more	100%

Payment of Benefits
On termination of service, a participant may elect (1) to continue investment of the value of the vested portion of his or her account under the terms of the Plan; (2) to purchase a guaranteed annuity through a group annuity contract; or (3) to receive the vested portion in a lump sum amount.

Recordkeeper
Effective January 1, 2003, ERCOT changed its Plan Recordkeeper from Benefits Resource Group to Metropolitan Life Insurance Company ("MetLife") (formerly New England Financial "NEF").

Forfeitures
The portion of any account forfeited by a participant will remain in the existing investment fund until it is used to reduce ERCOT's future matching contributions. The Plan had $23 and $5,806 of forfeitures available to offset contributions at December 31, 2005 and 2004, respectively. Forfeitures of $143,708 were utilized to offset employer match contributions in 2005.

Loans to Participants
Under the terms of the Plan, loans may be granted to participants in maximum amounts not to exceed 50% of the participant's vested accrued benefit. The loans must bear interest rates that are commensurate with interest rates charged by commercial institutions for similar loans.

Administrative Expenses
All administrative expenses of the Plan are paid by the plan. For the year ended December 31, 2005, the plan paid $9,090 in administrative expenses.

2. Summary of Accounting Policies

Basis of Presentation and Valuation of Investments
The Plan's financial statements have been prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

The Plan's interests in pooled separate accounts are reported at current market value as measured by net asset value as of the last day of the plan year. The current market value of each fund is equal to the number of units of the fund held by the Plan times the net asset value of each fund.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned.

The Plan presents, in the Statement of Changes in Net Assets Available for Benefits, the net appreciation or depreciation in the fair value of investments which consists of realized gains and losses and the unrealized appreciation or depreciation on those investments. Dividends are recorded on the ex-dividend date.

Use of Estimates in the Preparation of Financial Statements
The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make significant estimates and assumptions that affect the reported amounts of net assets available for plan benefits at the date of the financial statements and the changes in net assets available for plan benefits during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Benefits
Benefits are recorded when paid.

Participant Loans
Participant loans are carried at original principal balance, less repayments, plus accrued interest, which approximates fair value.

3. Investments and Certification by the Plan's Investment Custodian

The Plan Administrator has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, the Plan's investment custodian has certified that the following data included in the accompanying financial statements and supplemental schedules is complete and accurate.

- Investments, as shown in the statements of net assets available for plan benefits.
- Investment income or loss, as shown in the statement of changes in net assets available for plan benefits.
- The schedule of assets held at December 31, 2005, as shown on Schedule H included in the supplemental schedule.

The Plan's independent accountants did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplemental schedules.

Substantially all Plan assets are invested in a group annuity contract with MetLife. The terms of the group annuity contract allow investment of deposits in various guaranteed investment funds or pooled separate accounts specified in the contract. At December 31, 2004, deposits were invested in an interest-bearing cash account and thirteen pooled separate accounts. The interest-bearing cash account was closed during 2005 and the balance was distributed to the applicable participants.

A participant can direct the investment of his or her account balance and contributions to any one or more of the pooled separate accounts offered under the Plan.

Balances of pooled separate accounts representing 5% or more of the total investment balance as of December 31, 2005 and 2004 are as follows:

	2005	2004
Pooled Separate Accounts		
Harris Oakmark Focused Value Account	$ 3,095,821	$ 1,884,610
NEF Select Large Cap Core Account	2,138,138	1,834,053
State Street Global Advisors Large Cap Account	1,694,445	1,331,466
Davis Venture Value Account	1,619,915	1,229,284
BlackRock Legacy Large Cap Growth Account	1,385,103	1,142,231
NEF Money Market Account	1,826,293	1,140,743
CS MidCap Growth Account	1,293,319	1,012,896
NEF Select International Account	1,302,469	913,813
NEF Select Aggregate Bond Index	1,027,010	831,007
Franklin Age High Income Account	1,003,759	806,460

4. Risks and Uncertainties

The Plan invests in a Group Annuity Contract with investment options including a guaranteed account and various pooled separate accounts from MetLife at the direction of each participant.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statement of net assets available for plan benefits.

5. Related-Party Transactions

Certain Plan investments were managed by MetLife in 2005 and 2004. MetLife is the custodian as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions. Total fees paid to MetLife for the year ended December 31, 2005 were $9,090.

6. Plan Termination

Although it has not expressed any intent to do so, ERCOT has the right under the Plan to discontinue its contributions at any time and to terminate the plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

7. Tax Status

Management believes the Plan is qualified under Section 401(a) of the Internal Revenue Code and the related trust is, therefore, exempt from Federal income taxes under the provisions of Section 501(a). The Internal Revenue Service made a favorable determination in a letter dated April 12, 2005 that the Plan meets the requirements of IRC Section 501(c)(9) and is, therefore, exempt from federal income taxes under IRC Section 501(a).

The Company identified certain operational omissions with respect to the Plan. The omissions relate to activity in years 1999-2004, do not have a material effect on the Plan's financial statements. The amount of the correction impacting the 2004 statements totaled $130,689 with $125,118 reflected on the December 31, 2004 Plan financial statements as employer contributions receivable and $5,571 reflected on the December 31, 2004 Plan financial statements as participants' contributions receivable. The amount of the correction impacting the 2005 statements totaled $25,401 with the entire amount reflected on the December 31, 2005 Plan financial statements as employer contributions receivable.

8. Subsequent Event

Effective April 1, 2006, ERCOT merged the Money Purchase Plan into the 401(k) Savings Plan. Assets of the Money Purchase Plan totaling $17,640,146 were transferred to the 401(k) Plan on the effective date. In connection with the plan merger, the plan recordkeeper and trustee was changed to Fidelity Investments. The merger has no impact on vesting schedules. In addition, the maximum employee contribution percentage level has increased from 15% to 20%.

SUPPLEMENTAL SCHEDULE

Electric Reliability Council of Texas
401(k) Savings Plan
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
December 31, 2005

(a)	(b) Identity of issue, borrower or similar party	(c) Description of Investment	(e) Current Value
*	New England Life Insurance Company: Harris Oakmark Focused Value Account	Pooled separate account	$ 3,095,821
*	New England Life Insurance Company: NEF Select Large Cap Core Account	Pooled separate account	2,138,138
*	New England Life Insurance Company: State Street Global Advisors Large Cap Account	Pooled separate account	1,694,445
*	New England Life Insurance Company: Davis Venture Value Account	Pooled separate account	1,619,915
*	New England Life Insurance Company: BlackRock Legacy Large Cap Growth Account	Pooled separate account	1,385,103
*	New England Life Insurance Company: NEF Money Market Account	Pooled separate account	1,826,293
*	New England Life Insurance Company: CS MidCap Growth Account	Pooled separate account	1,293,319
*	New England Life Insurance Company: NEF Select International Account	Pooled separate account	1,302,469
*	New England Life Insurance Company: NEF Select Aggregate Bond Index	Pooled separate account	1,027,010
*	New England Life Insurance Company: Franklin Age High Income Account	Pooled separate account	1,003,759
*	New England Life Insurance Company: Salomon Brothers US Government Account	Pooled separate account	940,235
*	New England Life Insurance Company: New England Zenith Balanced Account	Pooled separate account	709,397
*	New England Life Insurance Company: NEF Select Small Cap Account	Pooled separate account	857,678
+	Participant Loans	Due in monthly installments, duration of the loans are from one to fifteen years. Interest rates range from 2.97% to 8.75%, and are collateralized by vested accrued benefit.	856,725
			$ 19,750,307

* Metropolitan Life Insurance Company (formerly New England Life Insurance Company) is a party-in-interest as defined by ERISA.
Metropolitan Life Insurance Company serves as the Plan's Trustee.

\+ Party-in-interest to the Plan.

This schedule was prepared from information certified by Metropolitan Life Insurance Company.