



ERCOT 2006 in Review Milestones and Accomplishments

Sam Jones

President and Chief Executive Officer
Electric Reliability Council of Texas

36th Annual Meeting
December 12, 2006

RELIABILITY

- **Completed studies on reliability and economic projects to alleviate transmission congestion and meet PUC, NERC and legislative requirements:**
 - Pre-Nodal Transmission Improvements Study
 - Competitive Renewable Energy Zones Analysis
 - Entergy Interconnection Study
 - 5-year Transmission Plan
 - Long-Term Transmission Study
 - Voltage Stability Survey
 - Transient Stability Survey

- **Completed 70 generation interconnection screening studies and 62 full interconnection reviews**
- **Led Regional Planning Group reviews and recommendation to board for >\$200 million in transmission improvements:**
 - Kurten Switch Project (Bryan – College Station)
 - AEPTCC/MEC Western Region Project (Uvalde area)
 - CenterPoint Dynamic Reactive Project (Houston)
 - Venus-Sherry 345kV Project (DFW)

2006 Accomplishments – Reliability

- **Achieved 98% compliance with operation procedures in the 2006 compliance audit – only minor variances**
- **Revised EECF to incorporate April 17 “lessons learned”:**
 - Aligned EECF steps on discounted reserves value, rather than frequency
 - Instituted procedures for communications with PUC, government officials and state emergency officials on grid conditions
- **Initiated proposal for emergency interruptible load program that will reduce potential for firm-load shedding during an Emergency Electric Curtailment Plan**

PROCESS IMPROVEMENTS

- **Improved reliability of retail systems to 99.4% for the year**
 - Compared to 96% two years ago
- **Reached unqualified SAS 70 opinion in change control area**
- **Received 100% score from Deloitte & Touche on design and testing of IT internal controls**
- **Negotiated first service agreement between IT and the retail segment**

FINANCIAL, CORPORATE PERFORMANCE

- **Expect to complete 2006 operations within \$0.4171 fee – reduced from \$0.42 in 2005**
 - Holding fee flat in 2007 budget
- **Projecting best completion rate ever on capital budget**
 - \$25-\$27 million in completed projects (non-nodal)
- **Worked with market groups to develop process changes to reduce credit exposure by ~62%**
- **Developed and obtained PUC approval for initial nodal budgets and cost recovery methods**
 - Secured interim bank financing to support nodal development

- **Filled almost 300 employee positions**
 - Turnover rate of 11%; compared to 10% in 2005
- **Changed benefits provider, avoiding 37% increase in cost**
 - Offered choice in benefit options to mitigate increased employee medical expenses
- **Completed conversion of 401k and money purchase plan into combined Fidelity offering**
- **Submitted proposed budget and delegation agreements to NERC for Texas Regional Entity**
 - NERC accepted and forwarded to FERC for approval

MARKET SERVICES

- **No exceptions on SAS 70-2 Audit covering 13 market operations control areas**
- **Processed ~109,000 wholesale settlement statements and billings**
 - 100% accurate
 - 99.7% timely
- **Conducted TCR auctions totaling >\$100 million**
 - More than twice the 2005 total

- **Provided meeting management and technical support for 601 stakeholder meetings**
- **Managed all activities for:**
 - 70 PRRs (50% designated as urgent)
 - 37 NPRRs
 - 50+ guide changes, including >400 recommendation reports
- **Delivered >1,000 days of structured education sessions for all market participants**
- **Drafted and distributed 605 market notices**

2006 Accomplishments – Market Services

- **Coordinated three market-wide mass drops to POLR for ~10,300 ESI-IDs**
- **Processed more than 5 million retail switches, MIMO and other transactions**
 - Almost 100% within protocol
- **Administered four market-wide test flights required for Texas SET re-certification**
- **Tested >7,000 compilation and computing code changes**
 - Resolved >1,200 defects

TEXAS NODAL

- **Designed overall approach, scope and budget**
- **Created project office and staffed the program**
- **Completed nearly all business requirements; secured approval by TPTF**
- **Selected critical vendors**
- **Established details of transition plans for commercial operations and market services**
- **Completed requirements for settlements and billings, registration and dispute resolution systems**
 - Completed conceptual system design for settlements and billing
- **Established centralized integration testing lab**



Thanks for a good year!