



EILS Update

ERCOT Board of Directors

August 18, 2009

Kent Saathoff, VP, System Operations

- **Availability reviews are complete for the Feb.-May 2009 Contract Period:**
 - Overall fleet-wide availability factor of 93%
 - 26 of 38 EILS Resources achieved availability factors of 95% or greater for all Time Periods
 - 12 EILS Resources representing 38 MW did not meet the 95% requirement in at least one Time Period and will be suspended from EILS participation for six months
- **Settlement payout for Feb.- May '09 was \$4.2 million**
- **Bids are due Sept. 3 for the upcoming Oct.'09-Jan.'10 Contract Period**
- **Unannounced testing of EILS Resources continues per the Protocols**

EILS Costs & Benefits

- **The issue of EILS costs and benefits were raised at the May 2009 ERCOT Board meeting**
- **The same issue was raised in early 2007 when EILS Protocols were being considered**
- **ERCOT Staff's response to a series of questions posed by PRS included a discussion of EILS in the context of Value of Lost Load (VOLL)**
- **This discussion is summarized here**

Value of Lost Load

- **ERCOT Staff analyzed several VOLL studies from other markets**
- **VOLL estimates range from \$2,240 / MWh to \$20,000/ MWh**
- **Based on methodologies from the 2003 Northeast Blackout, direct VOLL for the April 17, 2006 ERCOT load shedding event can be estimated at between \$14.8 million and \$22.4 million**
- **VOLL is a mathematically-calculated estimation of direct economic loss due to loss of electric service**
- **VOLL does not capture broader, intangible societal costs associated with firm load shedding that are very difficult to quantify in monetary terms, such as:**
 - Potential risk to human health and safety posed by blackouts
 - Effect on consumer confidence in the electric grid and market
 - Negative national publicity to the region
 - Financial and business communities' outlook with potential impacts to future economic development and gross domestic product

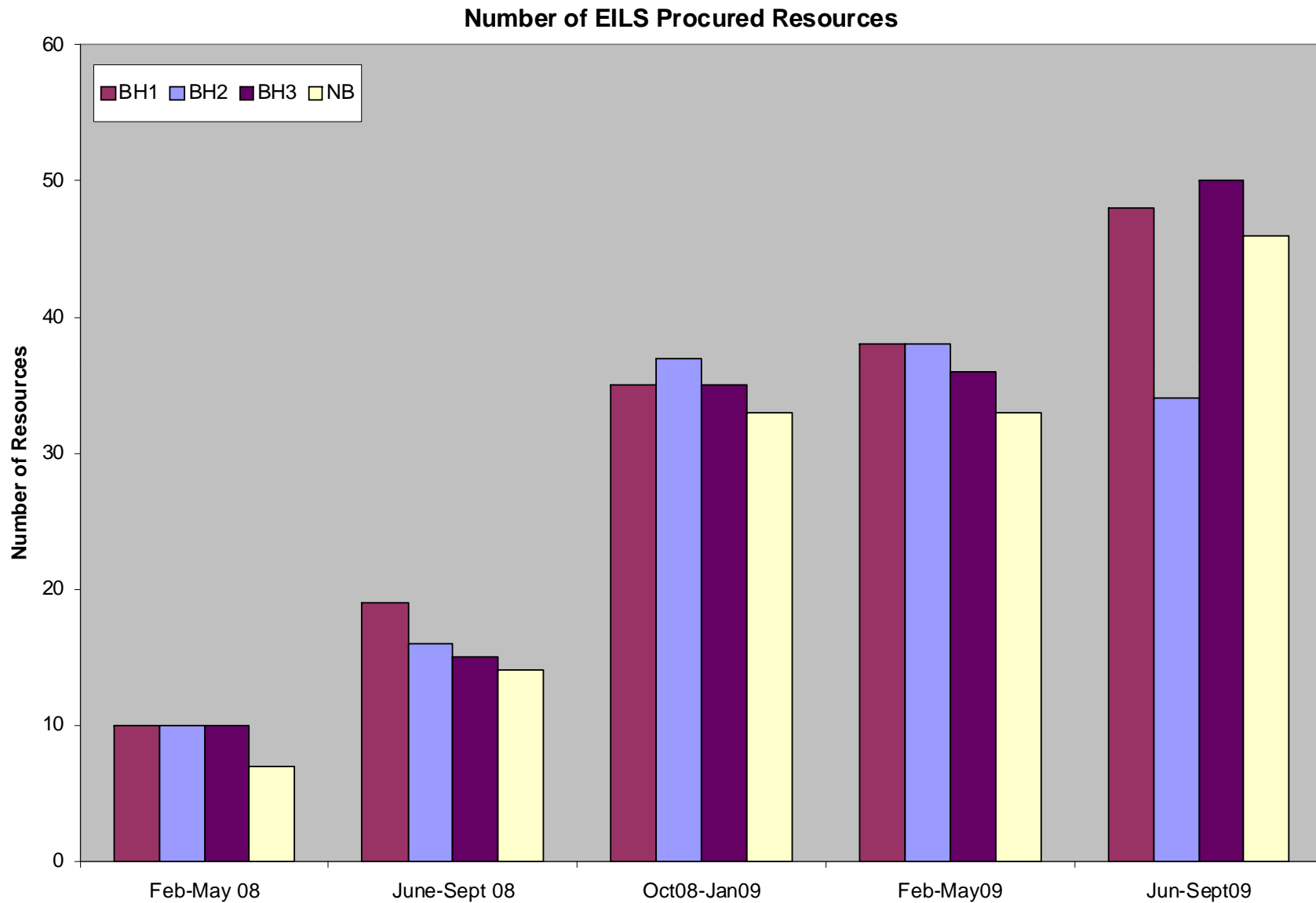
Cost of EILS

- **Since February 2008 ERCOT has procured between 150 to 310 MW of EILS at prices of \$8-\$11/MWh and a total cost of \$27 million**
- **Assuming EILS would only be used in potential loss of load events that statistically could occur approximately once in ten years, it would not be justified based on VOLL alone.**
- **However, since VOLL does not quantify all the intangible costs of a loss of load event, EILS can be viewed in a broader context as an additional hedge against firm load shedding**

- **The PUCT expanded the EILS mission in the 2007 rule amendments:**
- **‘The commission ... finds value in having resources that have not participated in demand response programs being enabled to do so by this program. The commission encourages ERCOT to make an effort to attract such customers to the program.’**
- **‘The commission ... agrees ... that it is in the public interest for the commission to expand the scope of demand-response through the implementation of EILS.’**

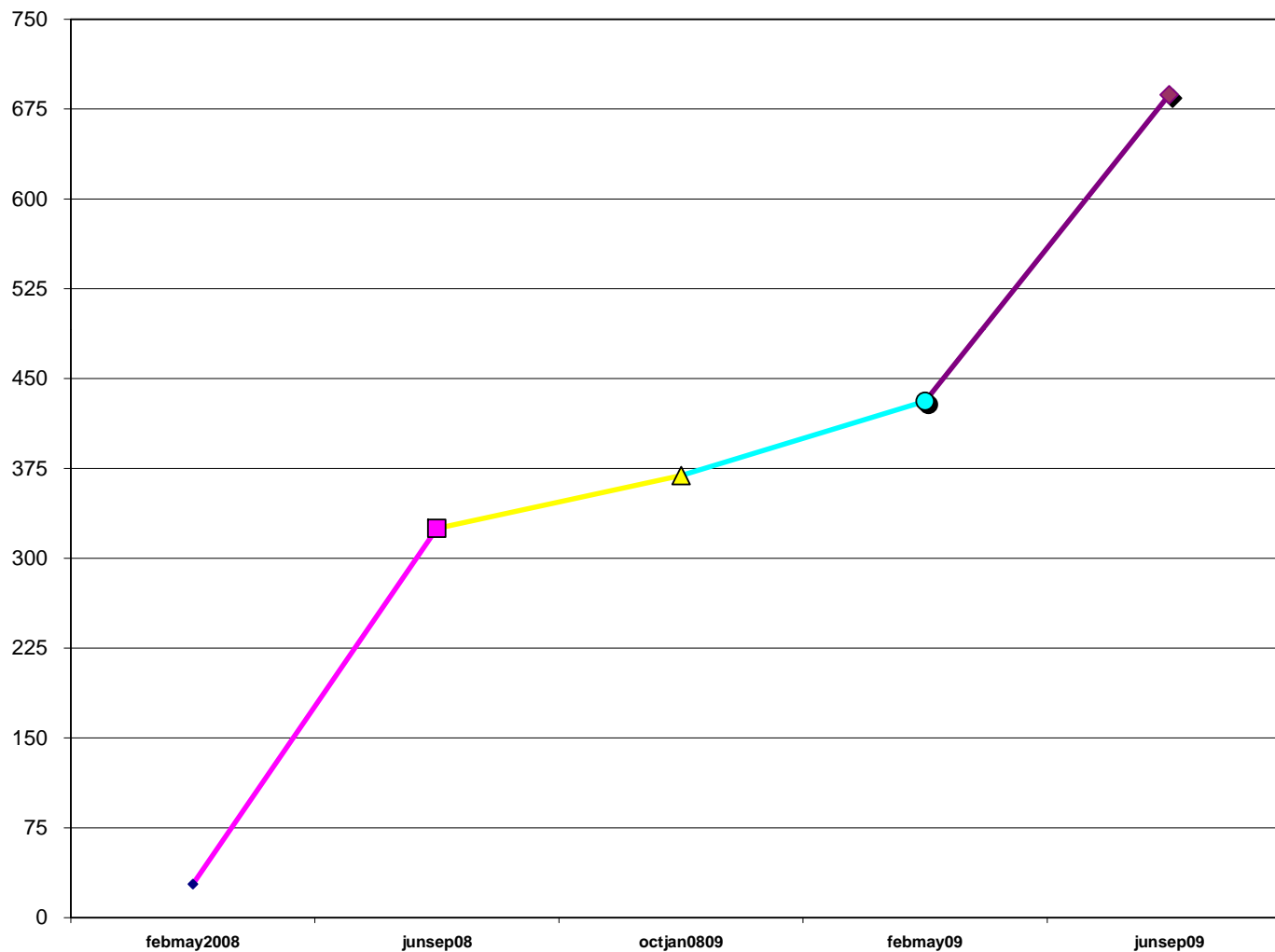
-- Preamble to the Order adopting amendments
to Subst. Rule §25.507, Nov. 1, 2007
(Project 34706)

EILS Procurement Trends



EILS Procurement Trends

- Cumulative unique ESI IDs offered into EILS**



Future of EILS

- **Any significant changes to or discontinuation of EILS will require revision of PUC Subst. Rule §25.507**
- **ERCOT Staff is open to any suggestions to modify or improve the program within the parameters of the PUCT Rule.**
- **There is a Demand Side Working Group of the WMS that is another appropriate stakeholder forum to have such discussions**