Market Operations Presentation

ERCOT Board of Directors
October 20, 2009

Betty Day

Summary

Retail Activity

- **Overall Activity** – Very strong retail activity in 2009 compared to 2008.
- **Migration From Native AREPs** – Switching from the native AREP is higher in all customer classes.
- **Transaction Performance Measures** – Solid performance in September.

Project Update

- **Advanced Metering** – Higher than expected number of defects is resulting in more testing and use of contingency project dollars. Additionally, an unexpected iTest environment refresh is required due to human error during routine maintenance unrelated to the project. Project still targeting November release for core functionality. Will use December contingency release date as needed.

Wholesale Activity

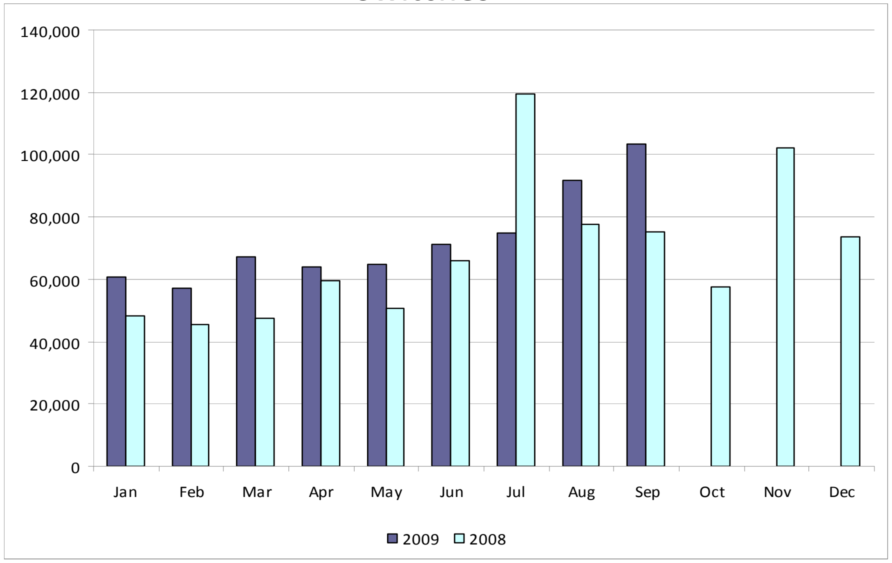
- **Settlements & Billing Performance Measures** – Perfect performance in August.
- **Energy Services** – August volumes were almost 4% higher in 2009 than 2008. Balancing Energy down continues to be significantly higher in 2009.
- **Capacity Services** – Prices for capacity services are significantly lower in 2009 compared to 2008 while volumes procured by ERCOT remain relatively stable.
- **Summary Balancing Energy Price Data** – Load zone prices are also significantly lower in 2009 compared to 2008.
- **Congestion Management** – Significantly more OOME to resolve local congestion in 2009 compared to 2008.

Retail Transactions Summary

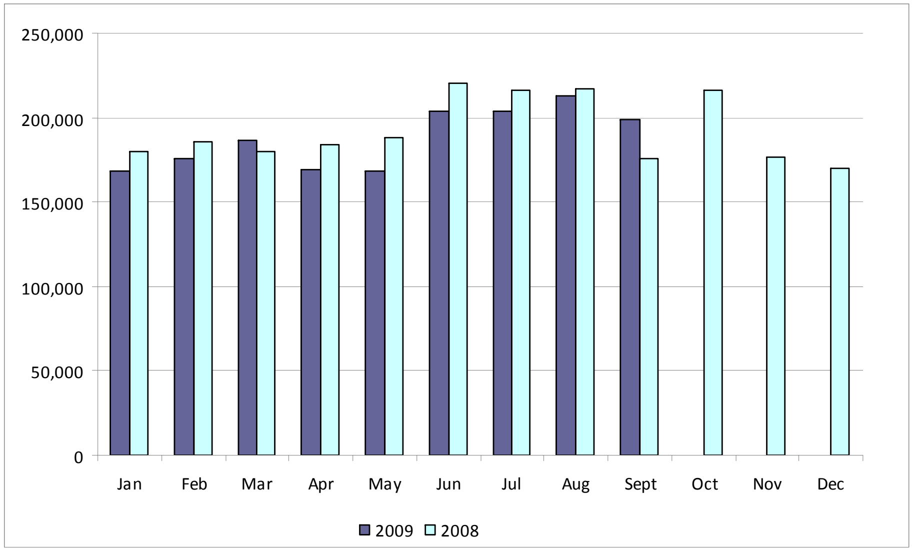
Transaction Type	YTD 09/30/2009	YTD 09/30/2008	September 2009	September 2008
Switches	655,028	589,478	103,464	75,394
Move - Ins	1,686,792	1,746,485	199,072	175,733
Move Out	963,512	945,276	121,998	101,406
CSA (Continuous Service Agreement)	262,836	262,260	25,899	18,955
Mass Transition	0	42,898	0	0
Total	3,568,168	3,586,397	450,433	371,488
Since June 1, 2001	34,607,036			

Retail Transactions Summary

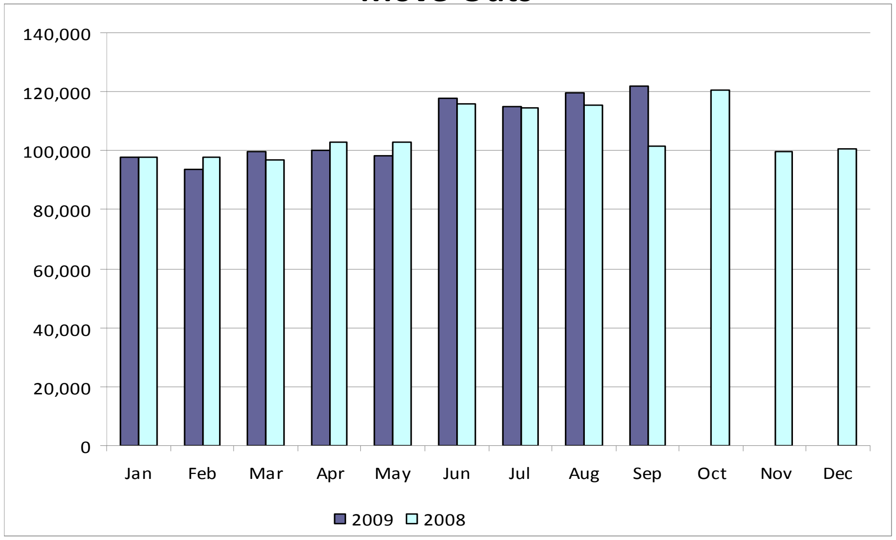
Switches



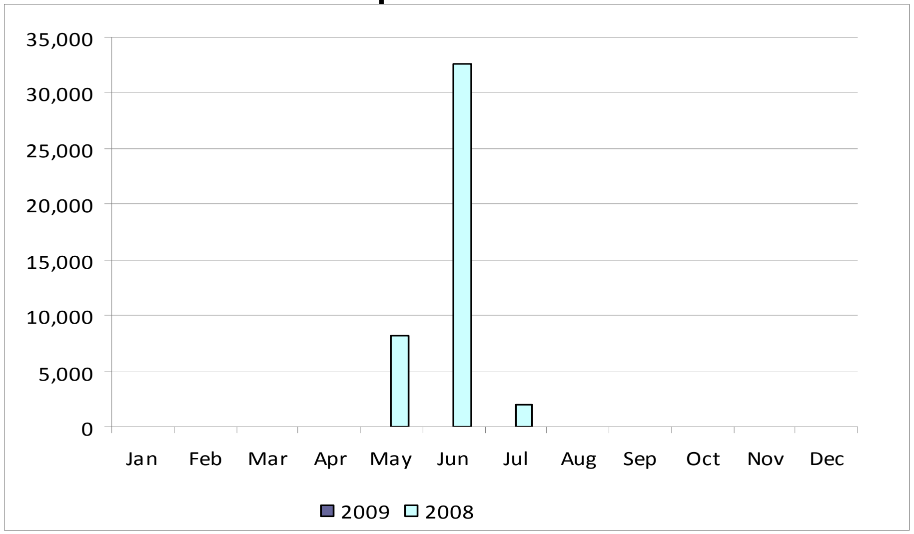
Move-Ins



Move-Outs



Drop to POLR



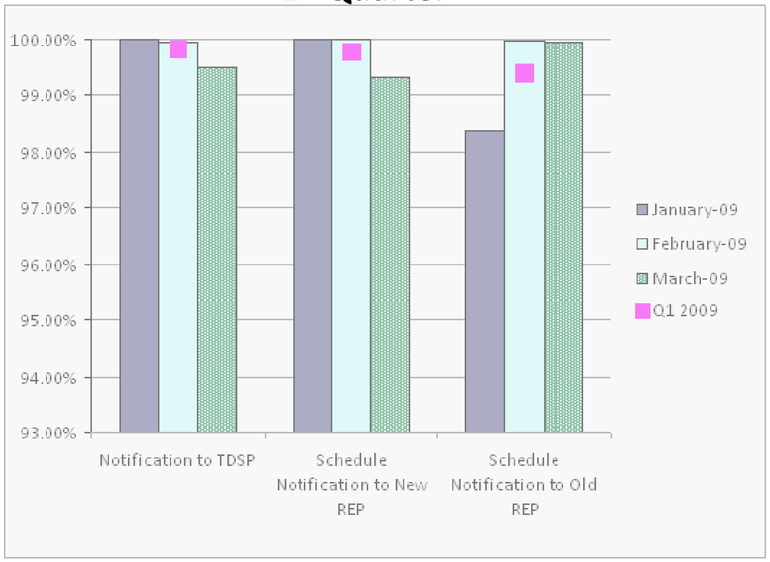
Migration from Native Affiliate REP

	% of Load [1]		% of ESI IDs	
	at 08/31/09	at 08/31/08	at 08/31/09	at 08/31/08
Residential	48%	45%	47%	43%
Small Non-Residential	78%	77%	54%	47%
Large Non-Residential	75%	73%	77%	73%

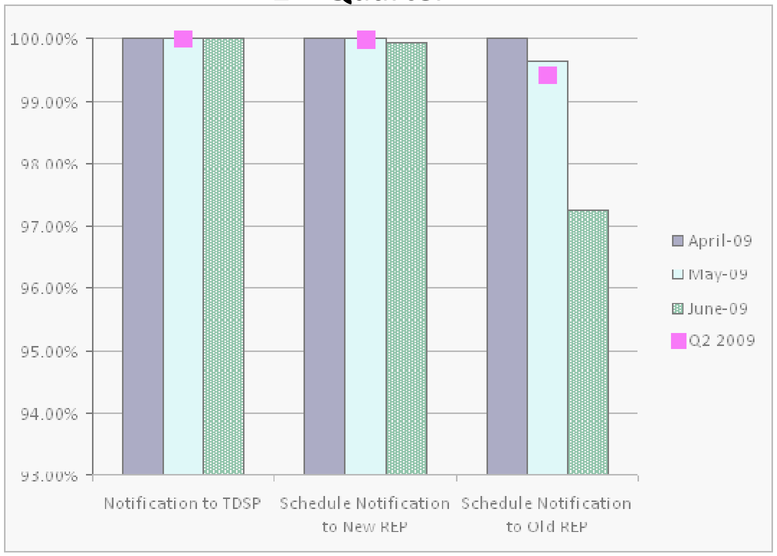
[1] - Percent of Deregulated (Non-NOIE) ESI IDs and Load. Usage based on monthly settlement results.

Retail Performance Measures – 2009 Switch

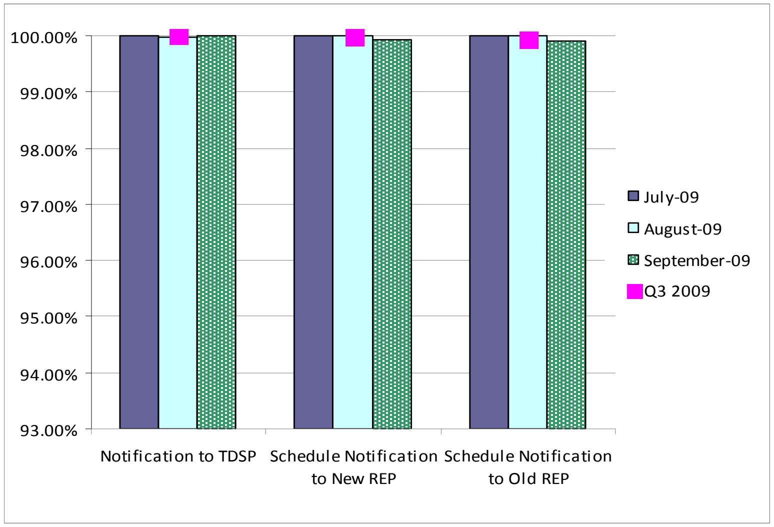
1st Quarter



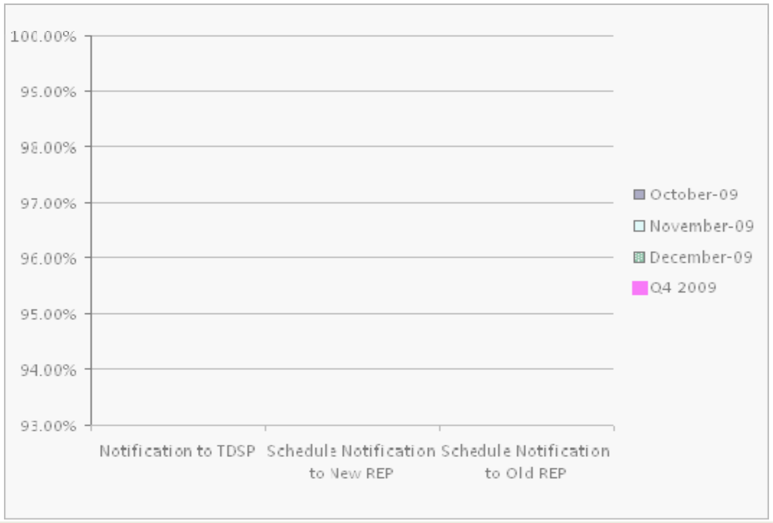
2nd Quarter



3rd Quarter

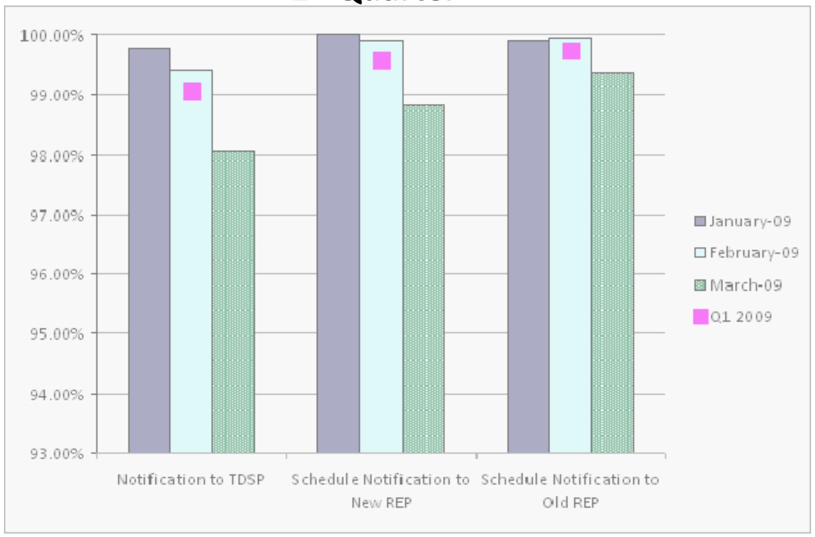


4th Quarter

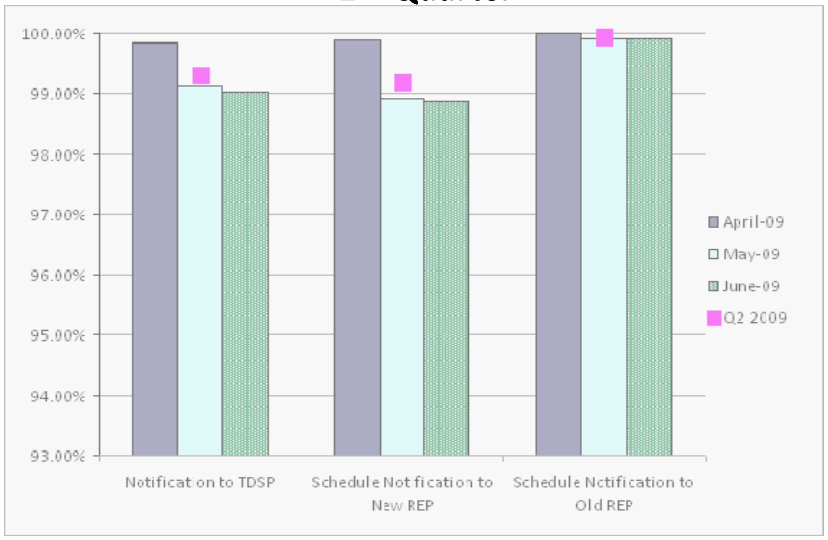


Retail Performance Measures – 2009 Move-In / Priority

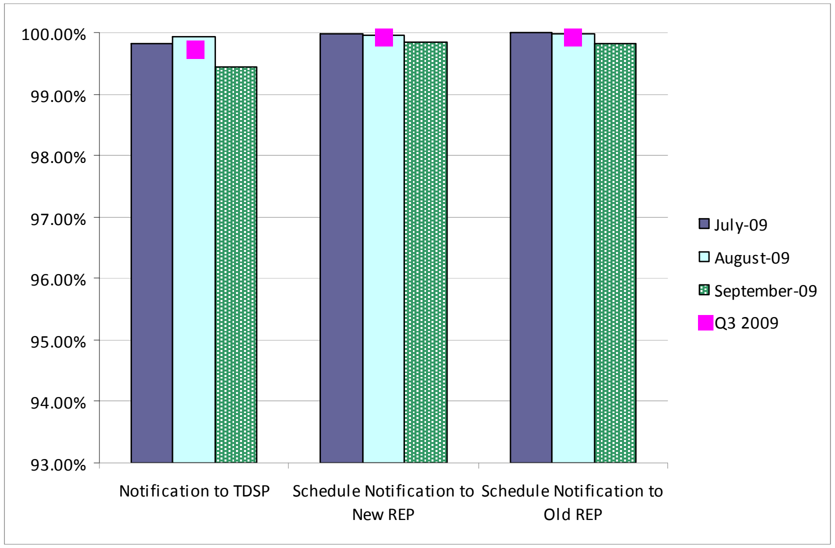
1st Quarter



2nd Quarter



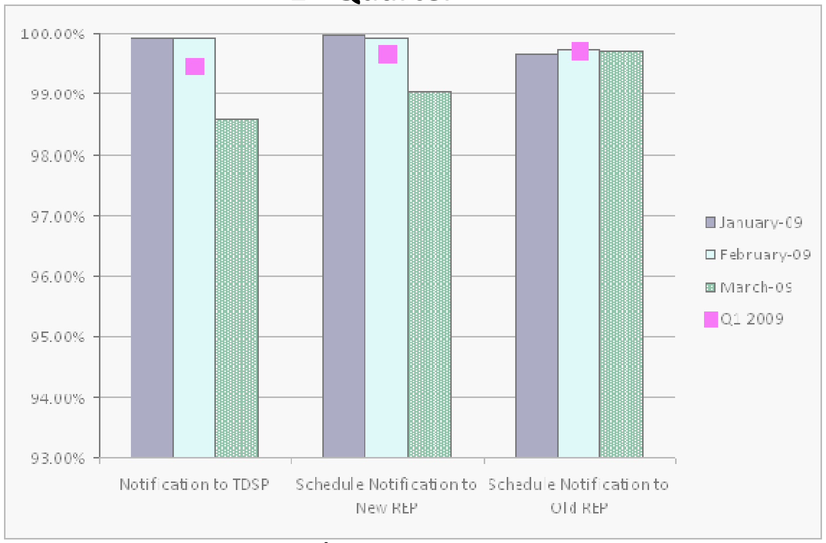
3rd Quarter



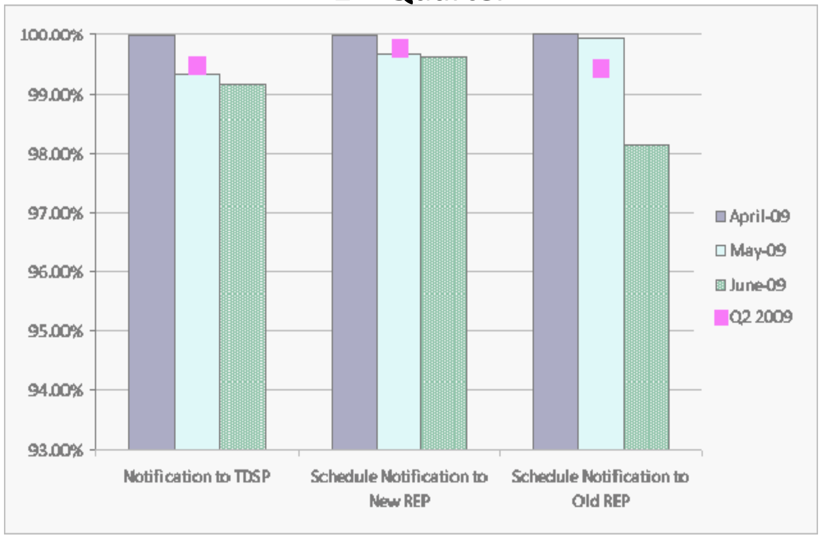
4th Quarter

Retail Performance Measures – 2009 Move-In / Standard

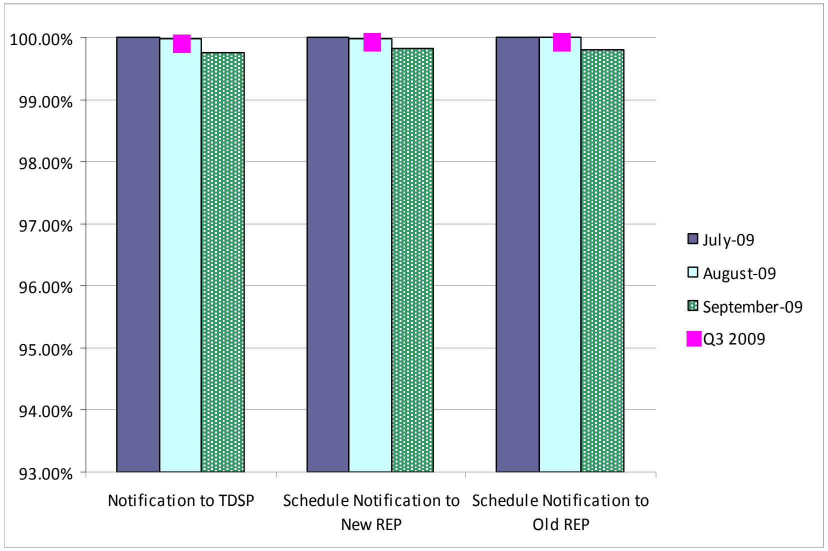
1st Quarter



2nd Quarter



3rd Quarter



4th Quarter

PR80027 Advanced Metering
Project Update – Execution Schedule

Execution Milestones	Status	Baseline Date	Forecast Date	Actual Date
Technical Architecture Complete	**COMPLETED**	**05/15/2009**	**05/15/2009**	**04/27/2009**
NAESB Detail Design (as built)	**COMPLETED**	**06/18/2009**	**07/17/2009**	**06/12/2009**
AMR Java Service Detail Design (as built)	**COMPLETED**	**06/18/2009**	**07/17/2009**	**06/12/2009**
AMR Transactional Report Detail Design (as built)	**COMPLETED**	**06/18/2009**	**07/17/2009**	**06/12/2009**
Usage Loading Detail Design (as built)	**COMPLETED**	**06/18/2009**	**07/17/2009**	**07/01/2009**
Replication Detail Design (as built)	**COMPLETED**	**06/18/2009**	**07/17/2009**	**07/01/2009**
Extracts Detail Design (as built)	**COMPLETED**	**06/18/2009**	**07/17/2009**	**07/01/2009**
TIBCO & WADS Detail Design (as built)	**COMPLETED**	**06/18/2009**	**07/17/2009**	**07/01/2009**
Data Aggregation Detail Design (as built)	**COMPLETED**	**06/18/2009**	**08/07/2009**	**08/07/2009**
Development Complete	**COMPLETED**	**07/24/2009**	**07/24/2009**	**07/24/2009**
Product Testing Complete (Lodestar only)	**COMPLETED**	**08/11/2009**	**08/14/2009**	**08/13/2009**
Integration Testing Complete	**IN PROGRESS**	**11/04/2009**	**TBD***	
Go Live	**-**	**11/14/2009**	**TBD***	
Execution Complete	**-**	**03/19/2010**	**03/19/2010**	
Project Complete	**-**	**05/21/2010**	**05/21/2010**	

*The testing environment databases were corrupted due to human error during routine maintenance unrelated to the project. This has resulted in the need to refresh the test environment. Still targeting the November release for core functionality needed for settlements but may have to use December contingency release date. Evaluation and re-planning efforts are underway.

The project expects to begin using contingency $$ by late October 2009. This is a result of higher than expected number of data aggregation code defects requiring additional time by contractors and FTEs to troubleshoot and resolve as well as the test environment issues. The project is not currently expected to exceed the total approved budget of $1,540,063 (which includes contingency of $250K). However, the final amount will depend on outcome of test environment refresh.

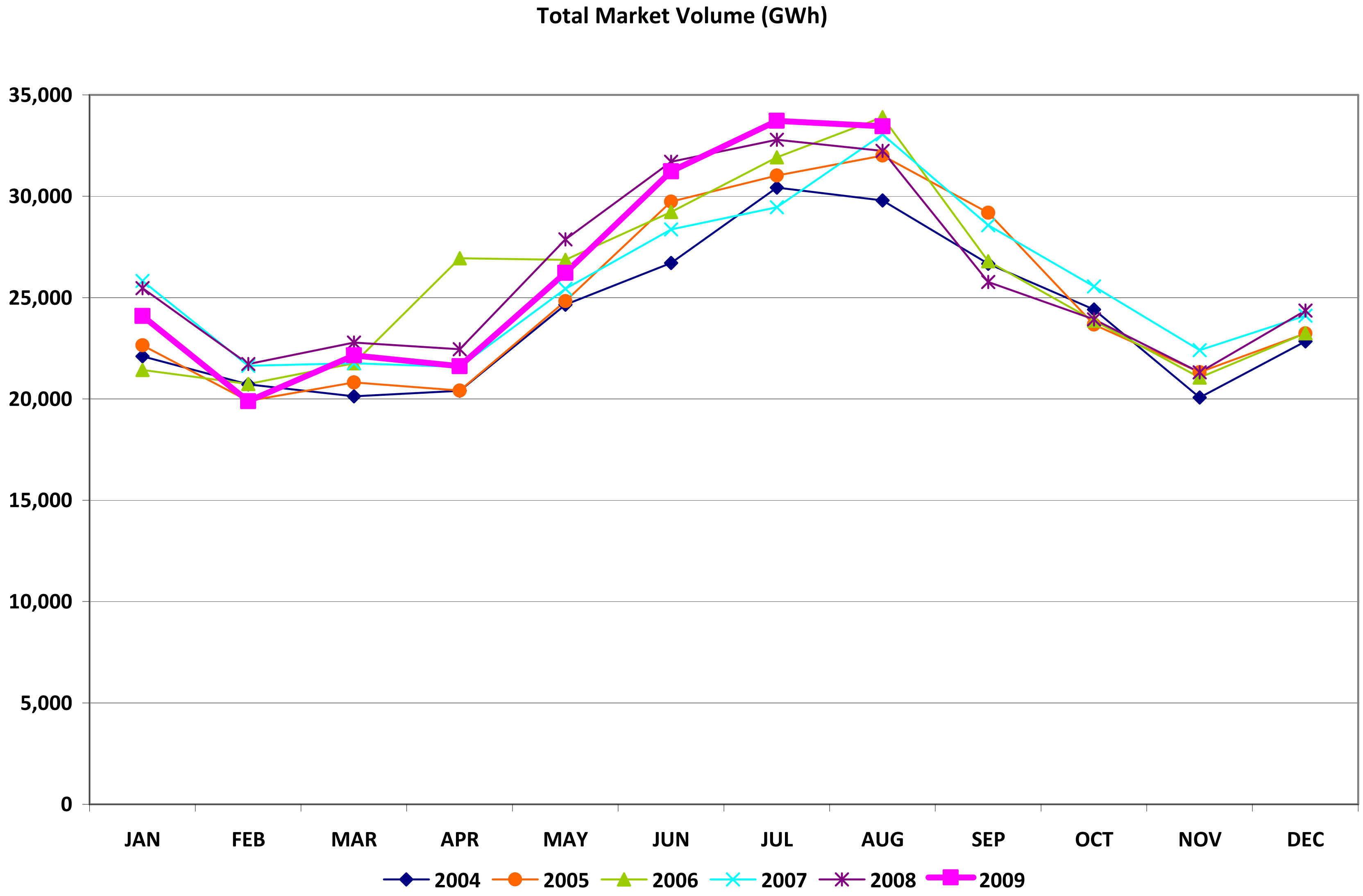
Settlements & Billing Performance Measures – August 2009

	YTD 08/31/09	YTD 08/31/08	August 2009	August 2008
Settlement Statements:				
Total	106,904	94,796	14,356	11,724
Late	109	754	0	0
– Less than 24 hours late	**109**	**754**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	106,795	94,042	14,356	11,724
% Within Protocol	**99.90%**	**99.20%**	**100.00%**	**100.00%**
Invoices:				
Total	6,308	5,385	757	646
Late	0	0	0	0
– Less than 24 hours late	**0**	**0**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	6,308	5,385	757	646
% Within Protocol	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Energy Services

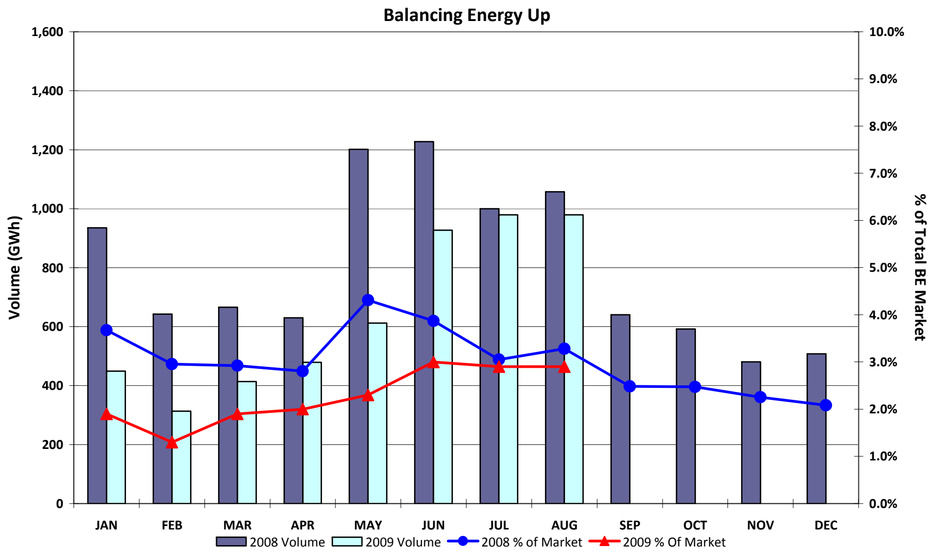
	YTD ($'s in millions) 08/31/09	YTD ($'s in millions) 08/31/08	August ($'s in millions) 2009	August ($'s in millions) 2008
• **Market Perspective:**				
Approximate Retail Market (at $.11/kWh)	**$23,362.8**	**$23,874.7**	**$3,679.7**	**$3,545.9**
Volume (GWh)	212,389	217,043	33,452	32,235
% Increase	-2.1%		3.8%	
Natural Gas Price Index ($/MMBTU)	3.6	9.8	3.1	8.2
% Increase	-63.3%		-62.2%	
• **Balancing Energy:**				
Balancing Energy - Up	**$278.2**	**$920.6**	**$46.5**	**$136.6**
% Increase	-69.8%		-66.0%	
Up (GWh)	5,152.5	7,241.1	979.3	1,057.4
% Increase	-28.8%		-7.4%	
% of Market	2.4%	3.3%	2.9%	3.3%
Balancing Energy - Down	**-$227.6**	**-$374.5**	**-$29.2**	**-$43.4**
% Increase	-39.2%		-32.7%	
Down (GWh)	-12,306.3	-7,571.4	-1,439.0	-785.1
% Increase	62.5%		83.3%	
% of Market	5.8%	3.5%	4.3%	2.4%

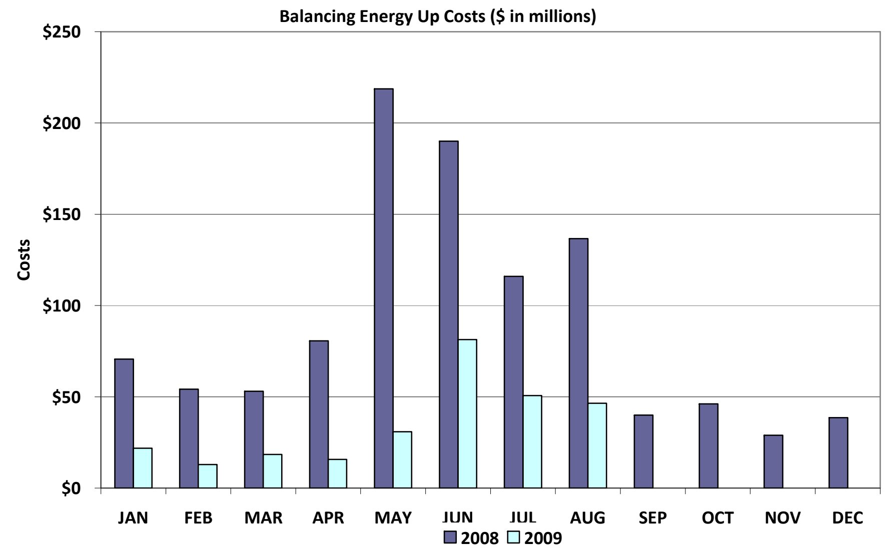
Energy Services

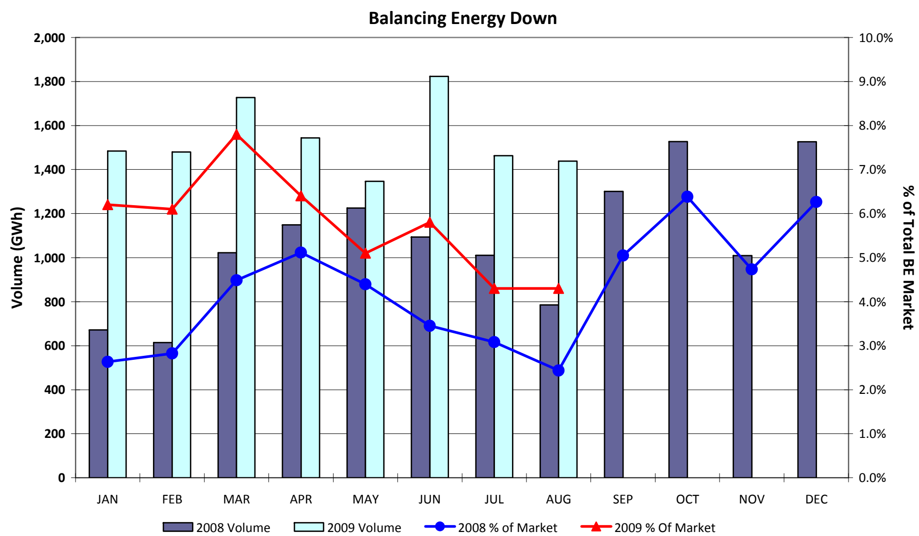


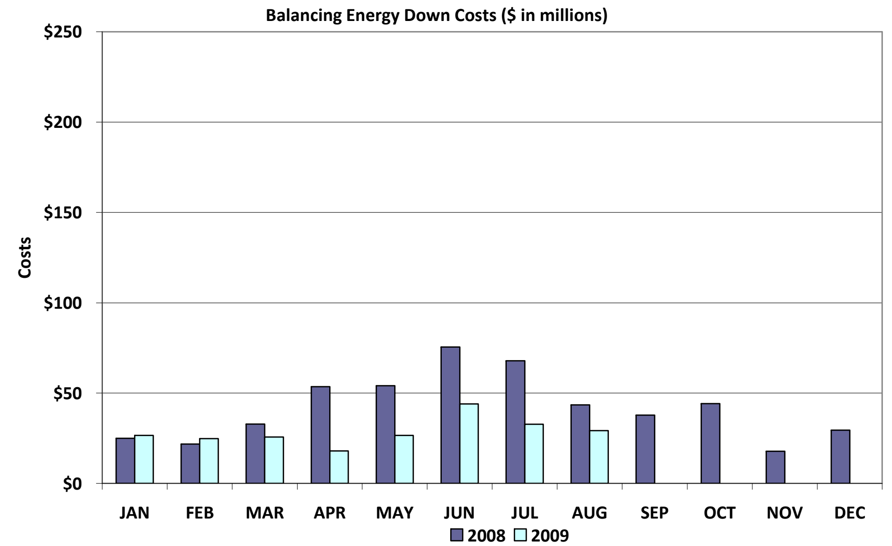
***Please note: September data will be provided at the Board Meeting**

Balancing Energy Services – Volume and Cost









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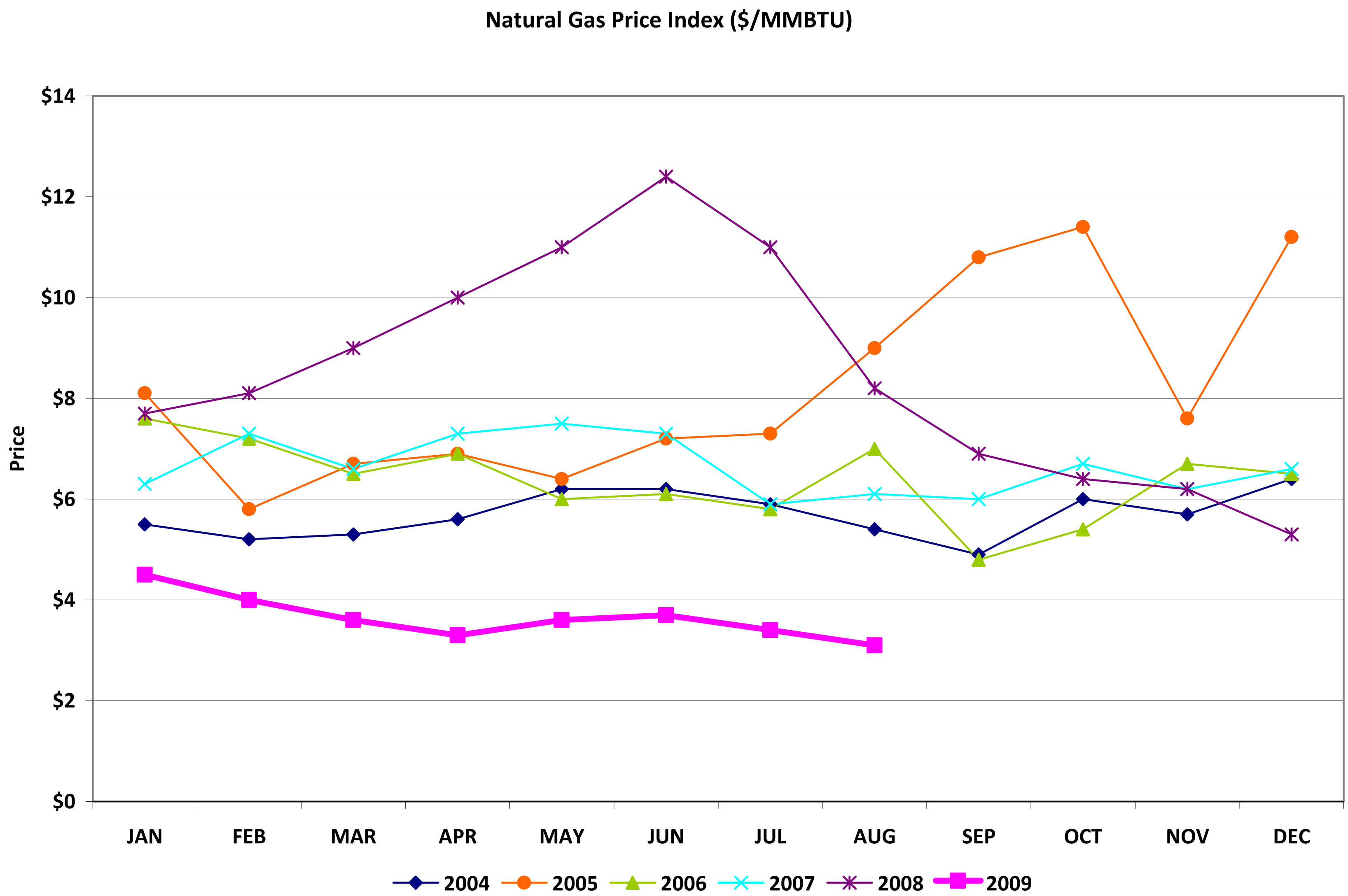
Natural Gas



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Capacity Services

	YTD 08/31/09	YTD 08/31/08	August 2009	August 2008
Reg Up:				
Required (MW)	4,827,660	4,949,074	582,795	613,179
Self Arranged (MW)	1,074,543	1,071,259	138,430	136,275
Procured (MW)	3,766,304	3,891,852	446,075	478,643
Mismatch Schedules (MW)	(13,187)	(14,037)	(1,710)	(1,739)
% Procured	***78%***	***79%***	***77%***	***78%***
Weighted Avg MCPC ($/MW)	11.2	28.3	8.3	29.0
Reg Down:				
Required (MW)	4,995,989	4,733,600	694,043	627,213
Self Arranged (MW)	1,353,005	909,764	158,072	131,439
Procured (MW)	3,653,684	3,837,866	536,723	497,241
Mismatch Schedules (MW)	(10,700)	(14,030)	(752)	(1,467)
% Procured	***73%***	***81%***	***77%***	***79%***
Weighted Avg MCPC ($/MW)	7.9	21.1	4.1	17.2
Responsive Reserve:				
Required (MW)	13,395,165	14,410,757	1,709,012	1,806,375
Self Arranged (MW)	5,594,594	6,315,533	749,698	769,041
Procured (MW)	7,817,617	8,076,671	961,493	1,036,293
Mismatch Schedules (MW)	(17,046)	18,553	(2,179)	1,041
% Procured	***58%***	***56%***	***56%***	***57%***
Weighted Avg MCPC ($/MW)	10.7	31.6	8.2	38.0
Non-Spinning Reserve:*				
Required (MW)	6,778,585	3,302,812	669,291	320,194
Self Arranged (MW)	1,013,823	583,940	103,981	48,037
Procured (MW)	5,776,361	2,725,207	567,355	272,861
Mismatch Schedules (MW)	(11,599)	(6,335)	(2,045)	(704)
% Procured	***85%***	***83%***	***85%***	***85%***
Weighted Avg MCPC ($/MW)	3.7	12.8	2.5	14.1
Local Replacement Reserve:				
Procured (MW)	205,787	236,749	33,294	29,688
Zonal Replacement Reserve:				
Procured (MW)	459,094	325,353	132,825	122,929

*A/S procurement methodology changed in November 2008 to procure in all hours rather than peak hours only.

Capacity Services – Costs

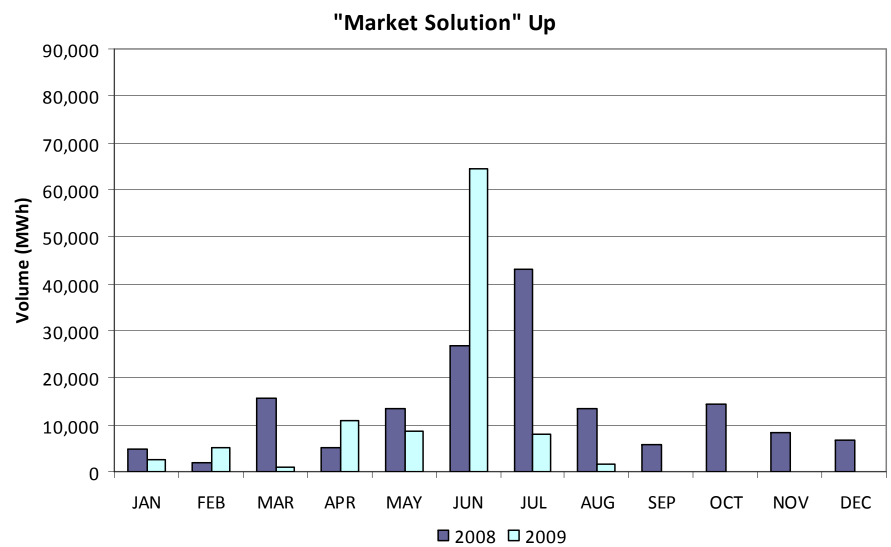
	YTD ($'s in millions)		August ($'s in millions)	
	08/31/09	08/31/08	2009	2008
• **Capacity Services:**				
Reg Up	42.2	110.2	3.7	13.9
Reg Down	28.8	81.1	2.2	8.6
Responsive Reserve	83.6	255.0	7.9	39.3
Non-Spinning Reserve*	21.5	34.9	1.4	3.8
Local Replacement Reserve	2.4	7.8	0.4	1.0
Zonal Replacement Reserve	14.3	19.8	4.6	10.2
Black Start	3.7	5.2	0.5	0.7
OOMC	46.2	28.7	2.3	0.4
RMR Capacity and Start Up	$1.4	$10.1	$0.4	$0.8
TOTAL CAPACITY SERVICES	**$244.1**	**$552.8**	**$23.4**	**$78.7**

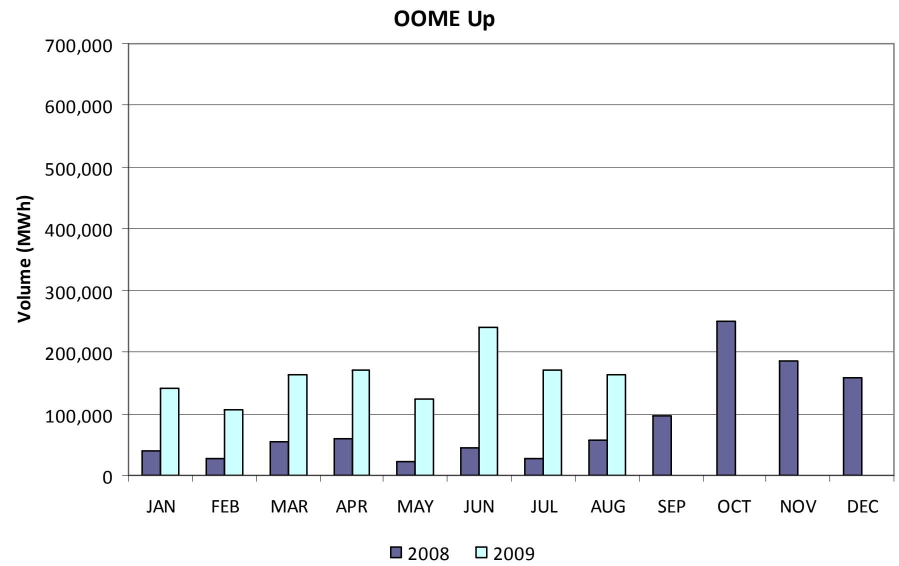
*A/S procurement methodology changed in November 2008 to procure in all hours rather than peak hours only.

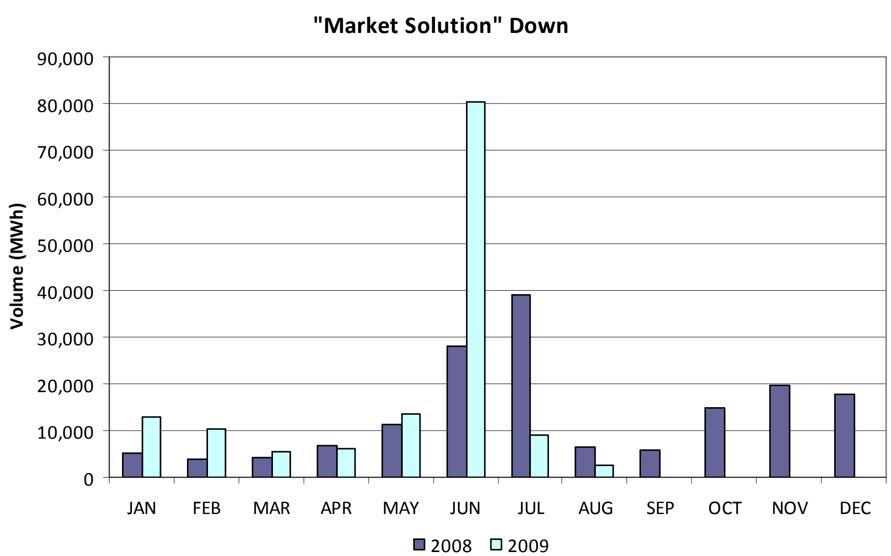
Congestion Management

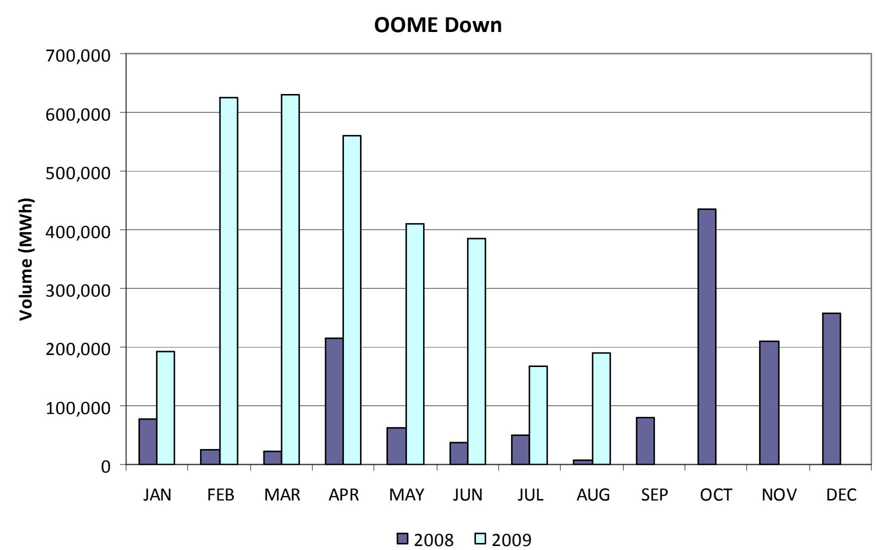
	YTD ($'s in millions)		August ($'s in millions)	
	08/31/09	08/31/08	2009	2008
• **Local Congestion:**				
"Market Solution" Down	8.2	10.5	0.1	2.6
"Market Solution" Up	0.8	3.8	0.1	0.2
OOME - Down	65.0	29.7	4.1	1.0
OOME - Up	15.5	7.6	1.2	1.1
Total Local Congestion Costs	**$89.5**	**$51.6**	**$5.5**	**$4.9**
• **Local Congestion Volume: (units in MWh)**				
"Market Solution" Down	139,971	104,890	2,524	6,318
"Market Solution" Up	102,143	123,950	1,602	13,370
OOME - Down	3,161,557	494,644	189,272	6,838
OOME - Up	1,278,204	331,131	163,224	56,361
Total Local Congestion Volume	**4,681,875**	**1,054,615**	**356,622**	**82,887**
• **Zonal Congestion and TCR / PCR:**				
TCR / PCR Annual Auction Proceeds received from Holders	($69.1)	($27.6)	($10.6)	($4.1)
TCR Monthly Auction Proceeds received from TCR Holders	($56.1)	($74.3)	($8.1)	($12.4)
Direct Assignment Proceeds received from QSEs based on schedules	($58.2)	($322.6)	($0.5)	($0.7)
Proceeds Paid to TCR / PCR Holders including Auction Refunds	$170.0	$424.8	$4.5	$1.9
Total Zonal Congestion and TCR / PCR Costs Uplift	**($13.5)**	**$0.3**	**($14.7)**	**($15.3)**

Local Congestion Volume









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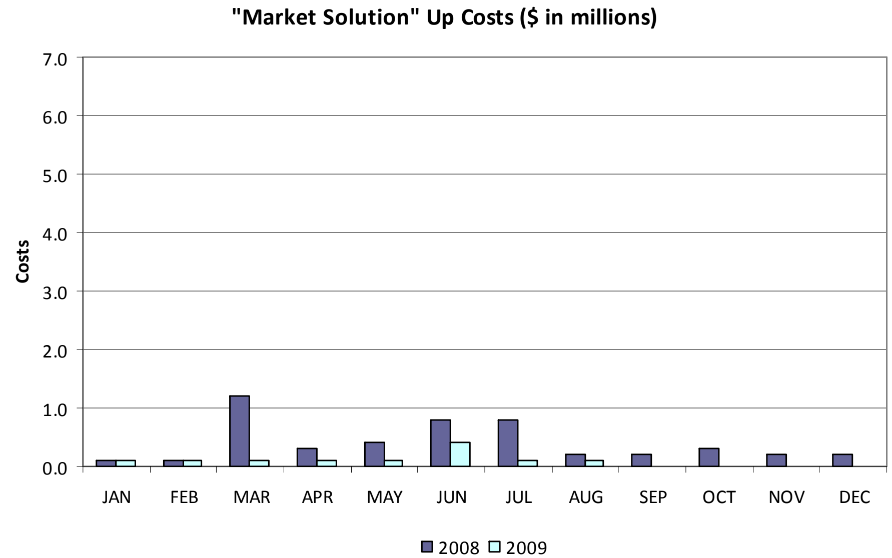
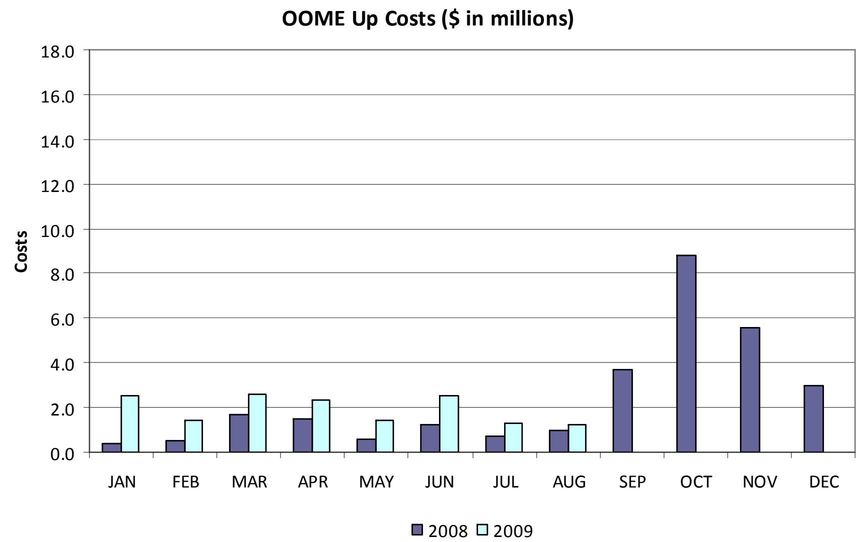
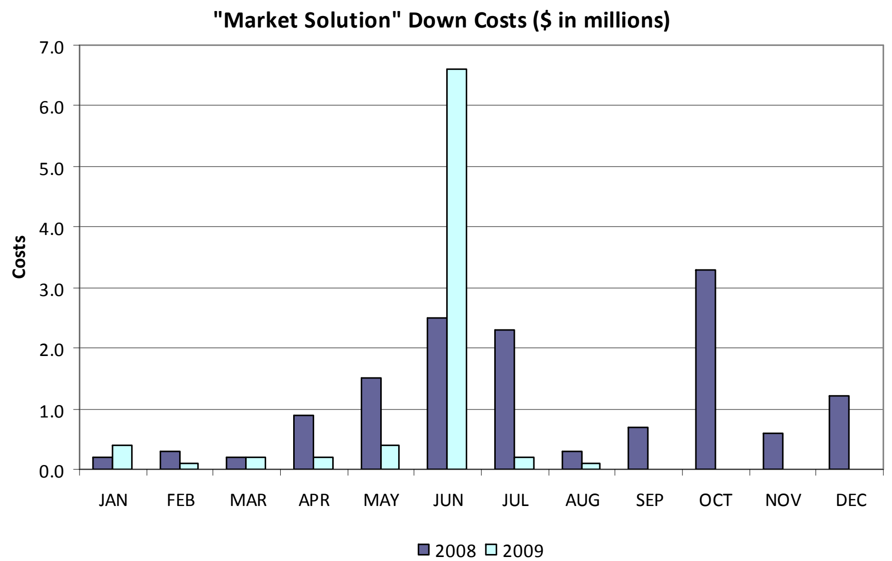
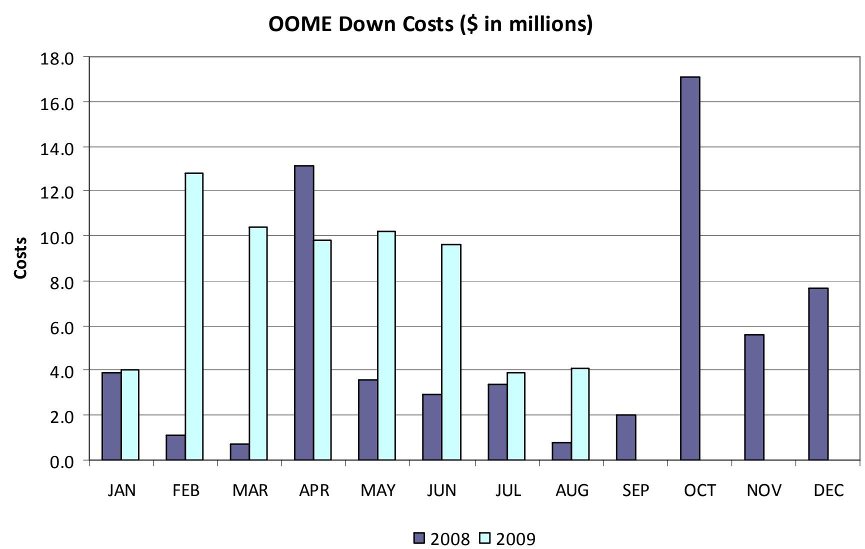
Local Congestion Costs









***Please note: September data will be provided at the Board Meeting**

Load Zone Price Data

Total Load Weighted Average Price ($/MWH)*

[MCPE weighted by Total Zonal Load]

LOAD ZONE	Aug 2009	Jul 2009	Jun 2009	May 2009	Apr 2009	Mar 2009	Feb 2009	Jan 2009
South	$32.51	$35.67	$82.81	$32.97	$24.27	$26.35	$27.27	$34.69
North	$32.47	$35.81	$35.15	$32.99	$24.82	$32.21	$27.89	$32.31
Houston	$32.81	$35.68	$61.82	$32.70	$24.58	$29.11	$27.19	$32.78
West	$29.84	$33.75	$32.95	$24.57	$12.93	$25.70	$19.93	$24.04

LOAD ZONE	Aug 2008	July 2008	Jun 2008	May 2008	Apr 2008	Mar 2008	Feb 2008	Jan 2008
South	$88.47	$97.86	$147.24	$171.09	$83.65	$64.34	$63.26	$60.24
North	$89.19	$97.08	$104.37	$86.41	$74.92	$69.64	$59.05	$62.31
Houston	$88.40	$97.30	$129.48	$152.76	$100.00	$68.19	$60.06	$60.16
West	$84.92	$90.98	$82.22	$58.01	$58.59	$38.52	$56.84	$52.04

Represents the average price for loads within the zone

***Please note: September data will be provided at the Board Meeting**

REPs and QSEs Added/Terminated – as of September 30, 2009

- **Added REPs**
  - ✓ Telecom Consulting and Services, LLC d/b/a TCS Energy
  - ✓ Energy Transfer Retail Power, LLC

- **Added QSEs**
  - ✓ None

- **Terminated REPs**
  - ✓ Energy Services Providers of Texas, Inc.

- **Terminated QSEs**
  - ✓ Energy Services Providers of Texas, Inc.

Questions?