Market Operations Presentation

ERCOT Board of Directors
December 15, 2009

Betty Day

Summary

Retail Activity

- **Overall Activity** – Continued strong retail activity in 2009 compared to 2008. The higher switching numbers in November 2008 compared to 2009 are due to (1) resolution activities following a production issue in November 2008 and (2) a REP utilizing switch transactions to combine ESIIDS into one DUNS within their umbrella
- **Migration From Native AREPs** – Switching from the native AREP continues to be healthy in all customer classes.
- **Transaction Performance Measures** – Performance was above the 98% target in all reported categories.

Project Update

- **Advanced Metering** – The first phase of the project was successfully implemented on 11/21/09 and delivered all AMS data loading and settlement functionality. ERCOT has received and successfully processed transactions to transition ESIIDs to AMS meters. AMS usage data has been successfully loaded in ERCOT systems to be used for settlement.

Wholesale Activity

- **Settlements & Billing Performance Measures** – Perfect performance in October.
- **Energy Services** – YTD total market volumes are lower in 2009 compared to 2008. Natural gas prices remain very low.
- **Capacity Services** – Prices for capacity services continue to be significantly lower in 2009 compared to 2008 while volumes procured by ERCOT remain relatively stable.
- **Summary Balancing Energy Price Data** – Prices continue to be significantly lower in 2009 compared to 2008.
- **Congestion Management** – Significantly more OOME to resolve local congestion in 2009 compared to 2008 – primarily due to increased installed wind capacity and outages taken to maintain and improve the transmission system.

- **REPs and QSEs Added/Terminated**
  - 1 new REP – 0 terminated REP
  - 2 new QSEs – 3 terminated QSEs

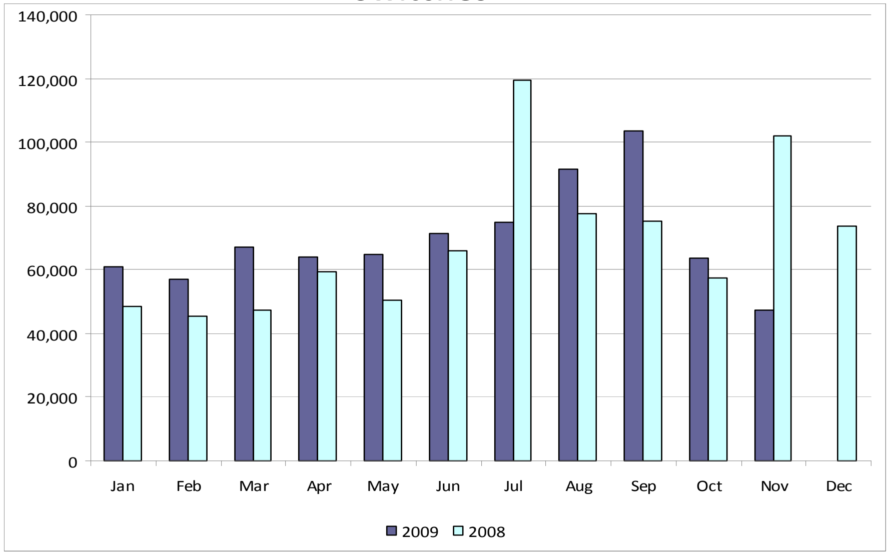
Overall Activity

Retail Transactions Summary

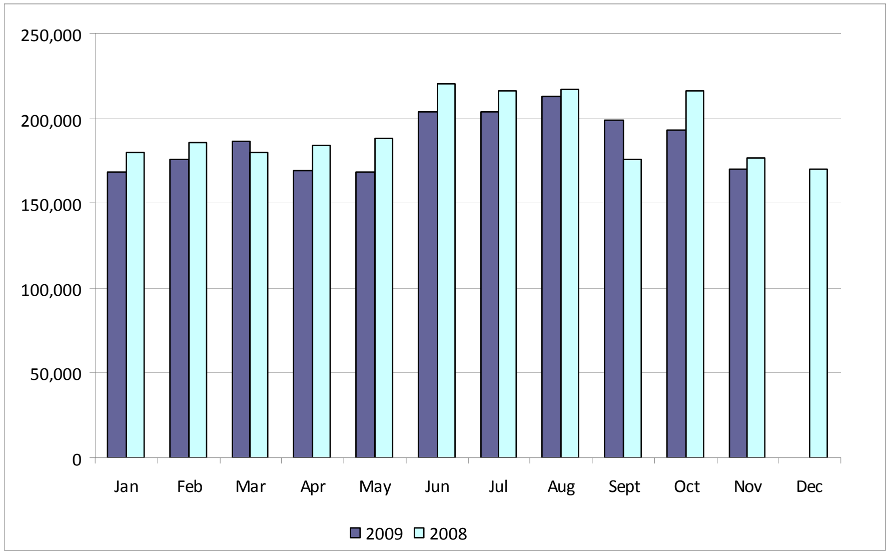
Transaction Type	YTD 11/30/2009	YTD 11/28/2008	November 2009	November 2008
Switches	765,880	748,927	47,400	102,044
Move - Ins	2,050,294	2,138,482	170,185	176,186
Move Out	1,188,884	1,165,554	105,060	99,652
CSA (Continuous Service Agreement)	335,221	301,689	30,709	15,589
Mass Transition	0	42,898	0	0
Total	4,340,279	4,397,550	353,354	393,471
Since June 1, 2001	35,379,147			

Retail Transactions Summary

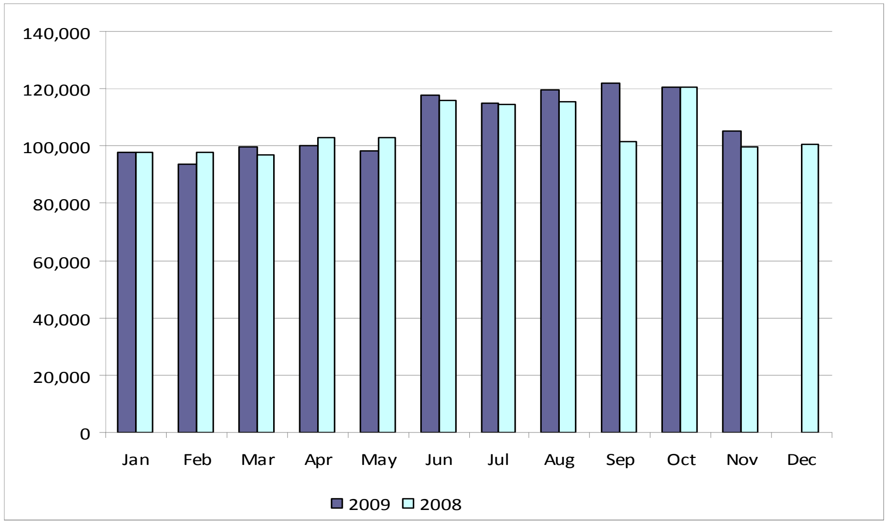
Switches



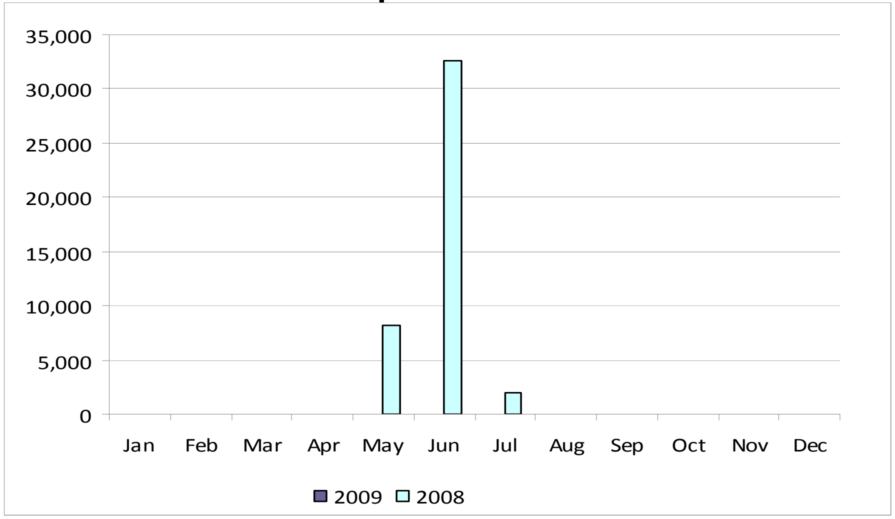
Move-Ins



Move-Outs



Drop to POLR



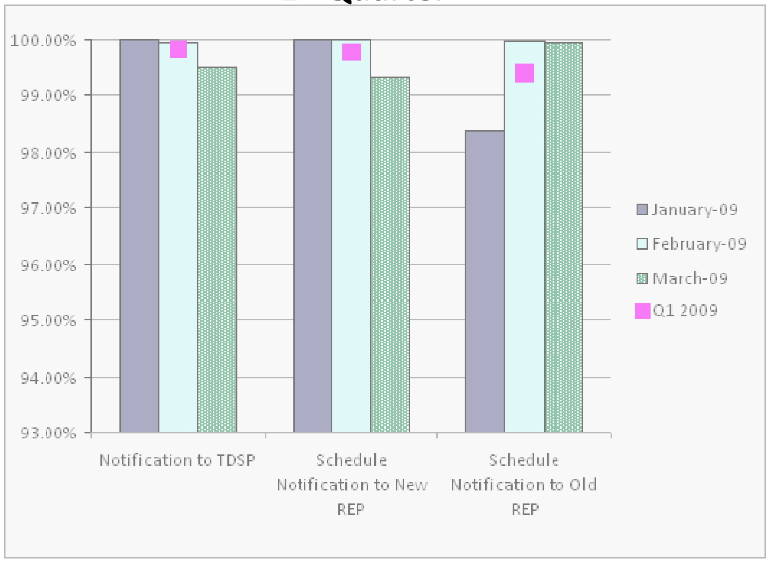
Migration from Native Affiliate REP

	% of Load [1]		% of ESI IDs	
	at 10/31/09	at 10/31/08	at 10/31/09	at 10/31/08
Residential	51%	46%	48%	44%
Small Non-Residential	80%	79%	55%	48%
Large Non-Residential	75%	74%	78%	74%

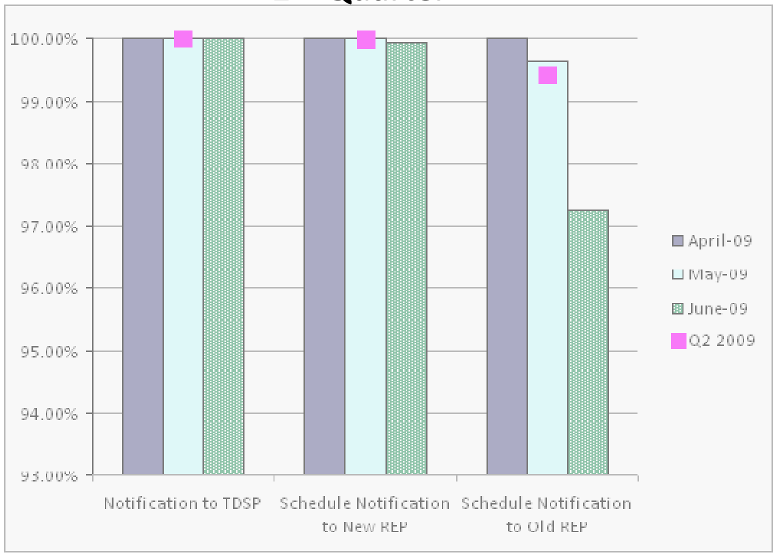
[1] - Percent of Deregulated (Non-NOIE) ESI IDs and Load. Usage based on monthly settlement results.

Retail Performance Measures – 2009 Switch

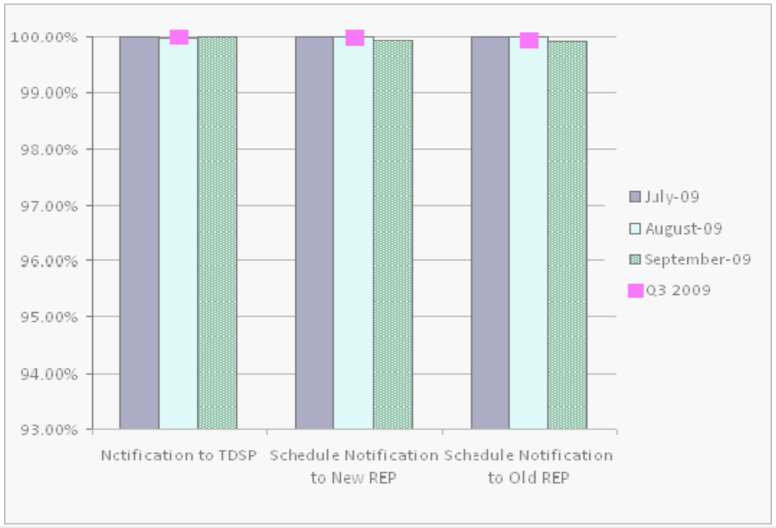
1st Quarter



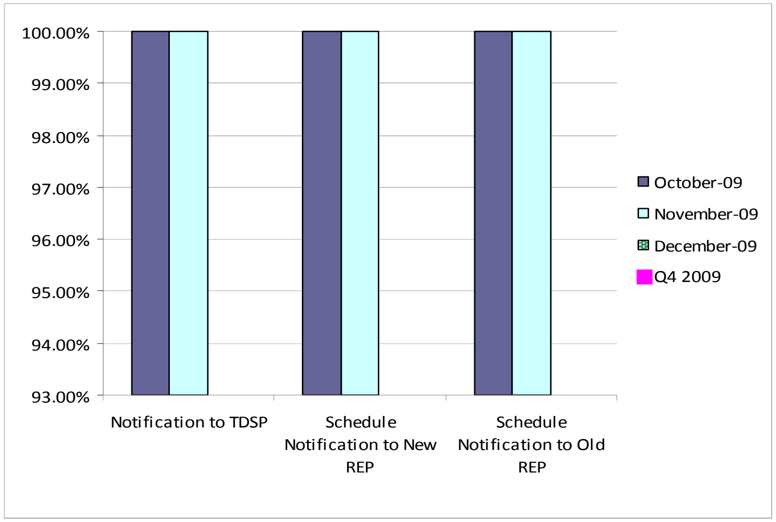
2nd Quarter



3rd Quarter

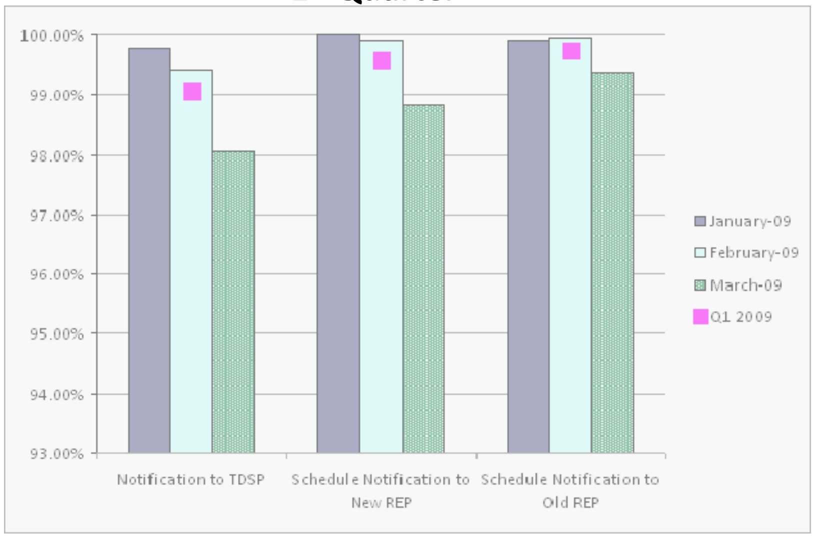


4th Quarter

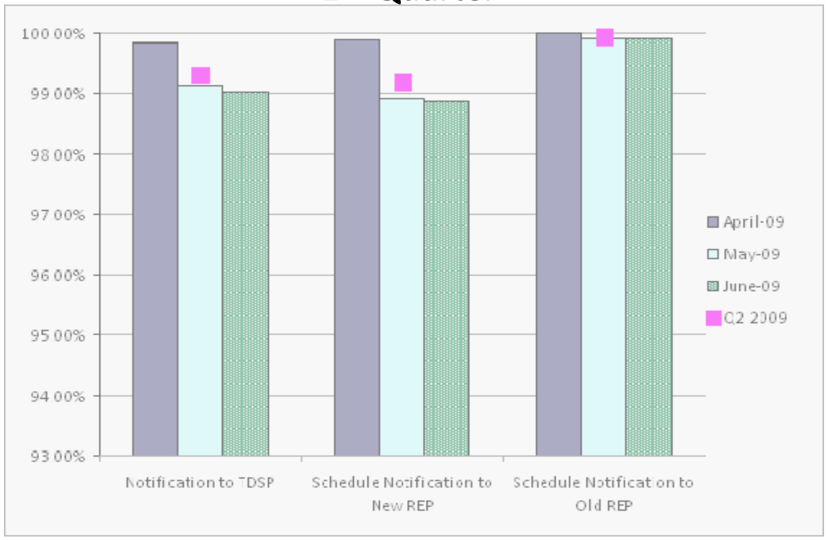


Retail Performance Measures – 2009 Move-In / Priority

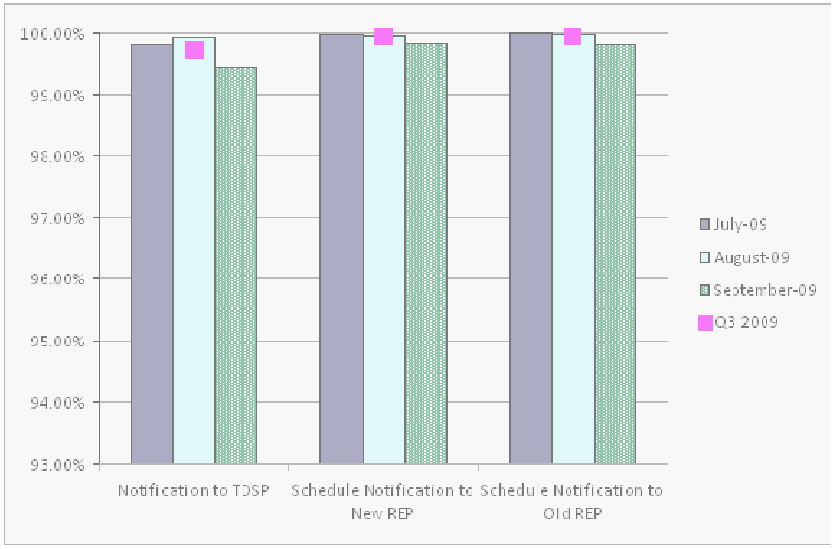
1st Quarter



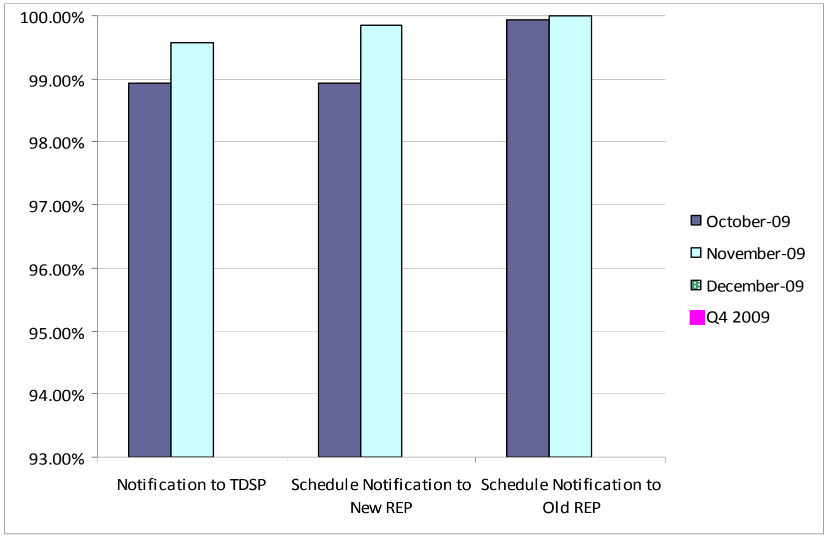
2nd Quarter



3rd Quarter

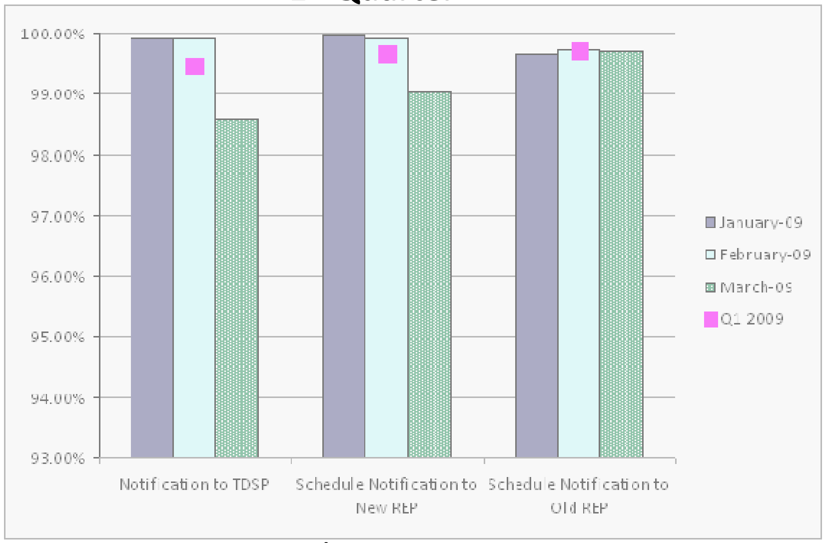


4th Quarter

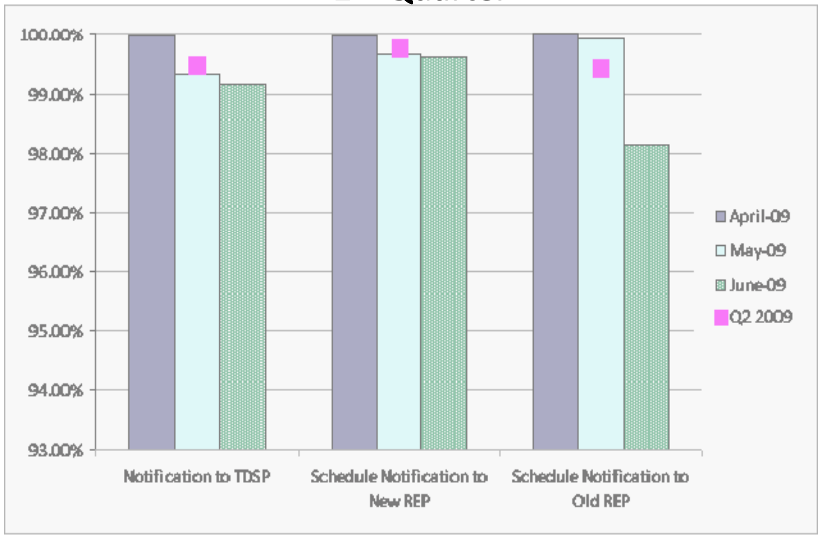


Retail Performance Measures – 2009 Move-In / Standard

1st Quarter

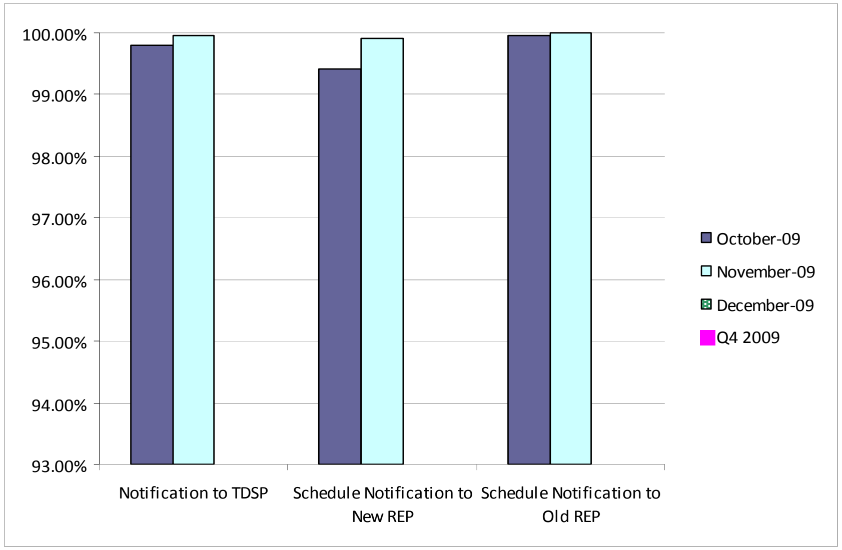


2nd Quarter



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 – Implementation 1	COMPLETED	11/04/2009	11/13/2009	11/19/2009
Go Live – Implementation 1	COMPLETED	11/14/2009	11/21/2009	11/21/2009
Integration Testing Complete – Implementation 2	IN PROGRESS	11/04/2009	12/04/2009	
Go Live – Implementation 2	-	11/14/2009	12/13/2009	
Execution Complete	-	03/19/2010	03/19/2010	
Project Complete	-	05/21/2010	05/21/2010	

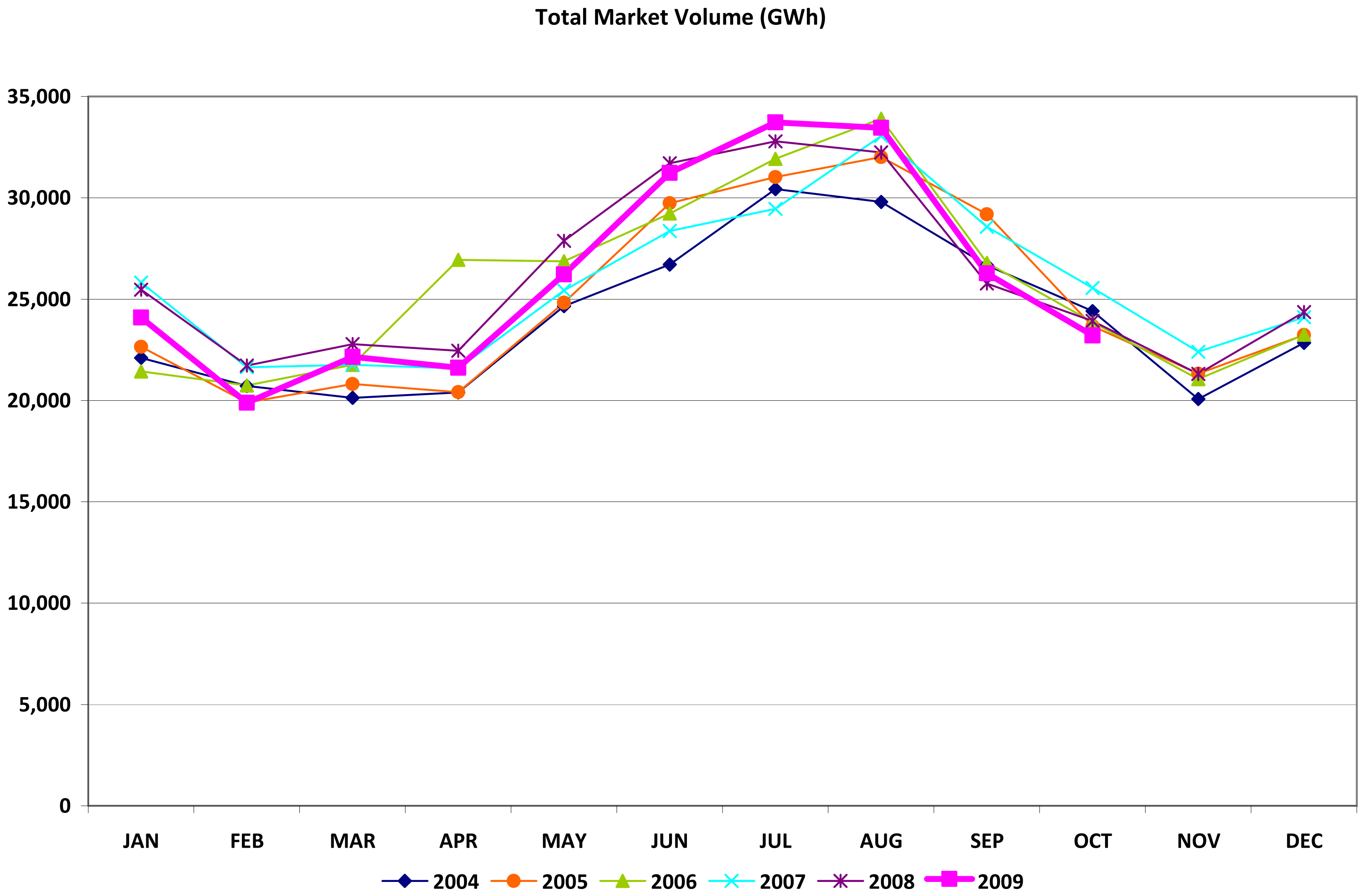
Settlements and Billing Performance Measures – October 2009

	YTD		October	
	10/31/09	10/31/08	2009	2008
Settlement Statements:				
Total	135,164	120,682	14,215	13,028
Late	109	754	0	0
– Less than 24 hours late	**109**	**754**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	135,055	119,928	14,215	13,028
% Within Protocol	**99.92%**	**99.38%**	**100.00%**	**100.00%**
Invoices:				
Total	7,909	6,870	895	835
Late	0	0	0	0
– Less than 24 hours late	**0**	**0**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	7,909	6,870	895	835
% Within Protocol	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Energy Services

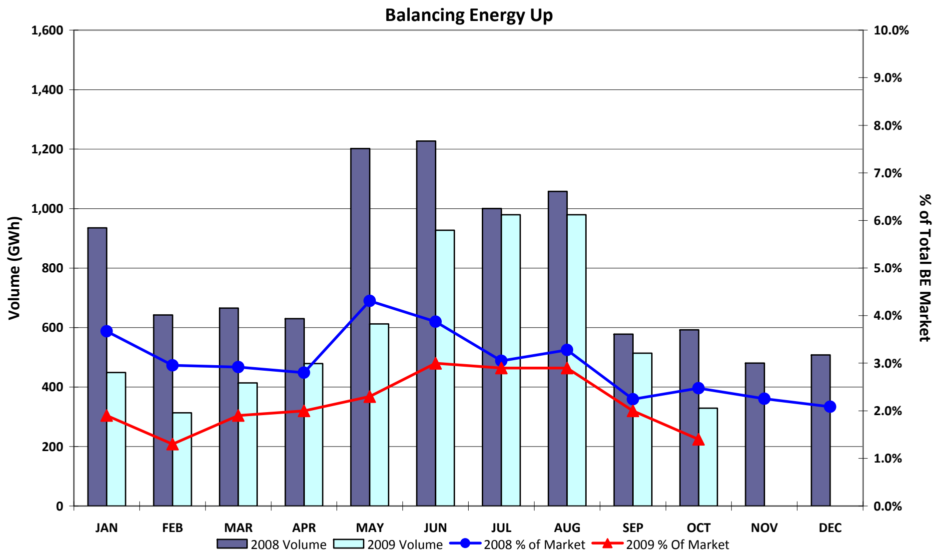
	YTD ($'s in millions) 10/31/09	10/31/08	October ($'s in millions) 2009	2008
• **Market Perspective:**				
Approximate Retail Market (at $.11/kWh)	**$28,805.2**	**$29,341.0**	**$2,552.3**	**$2,631.8**
Volume (GWh)	261,865	266,736	23,203	23,925
% Increase	-1.8%		-3.0%	
Natural Gas Price Index ($/MMBTU)	3.6	9.2	3.9	6.4
% Increase	-60.9%		-39.1%	
• **Balancing Energy:**				
Balancing Energy - Up	**$321.8**	**$1,004.2**	**$17.2**	**$46.1**
% Increase	-68.0%		-62.7%	
Up (GWh)	5,995.8	8,410.5	329.3	591.9
% Increase	-28.7%		-44.4%	
% of Market	2.3%	3.2%	1.4%	2.5%
Balancing Energy - Down	**-$284.0**	**-$445.9**	**-$29.3**	**-$44.2**
% Increase	-36.3%		-33.7%	
Down (GWh)	-15,236.3	-10,329.1	-1,435.7	-1,527.0
% Increase	47.5%		-6.0%	
% of Market	5.8%	3.9%	6.2%	6.4%

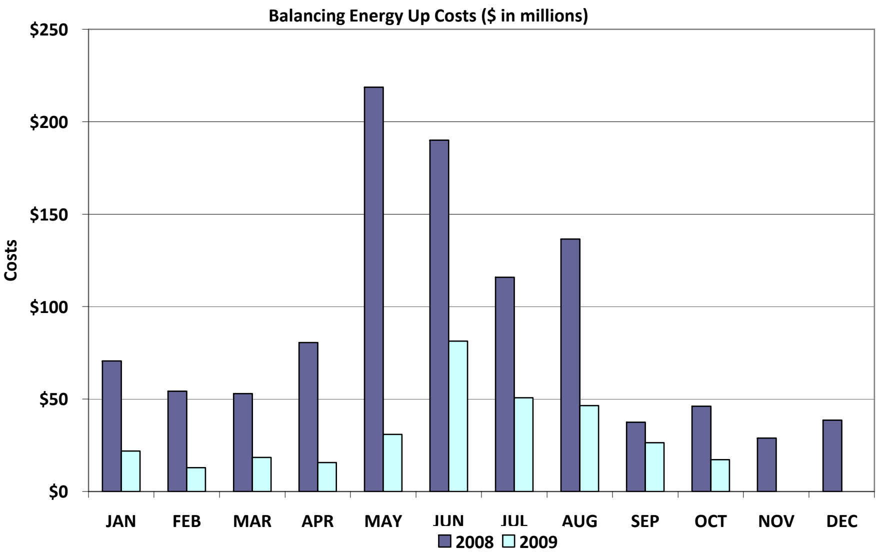
Energy Services

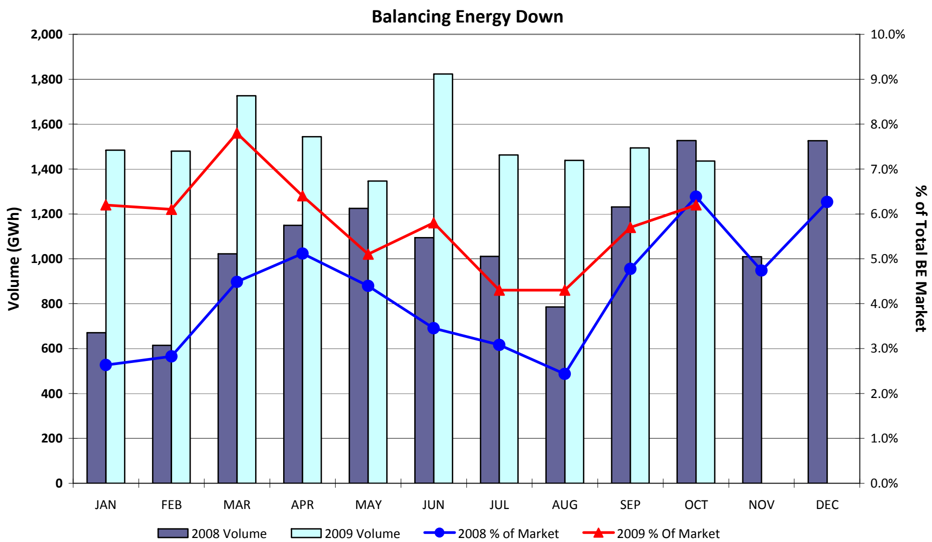


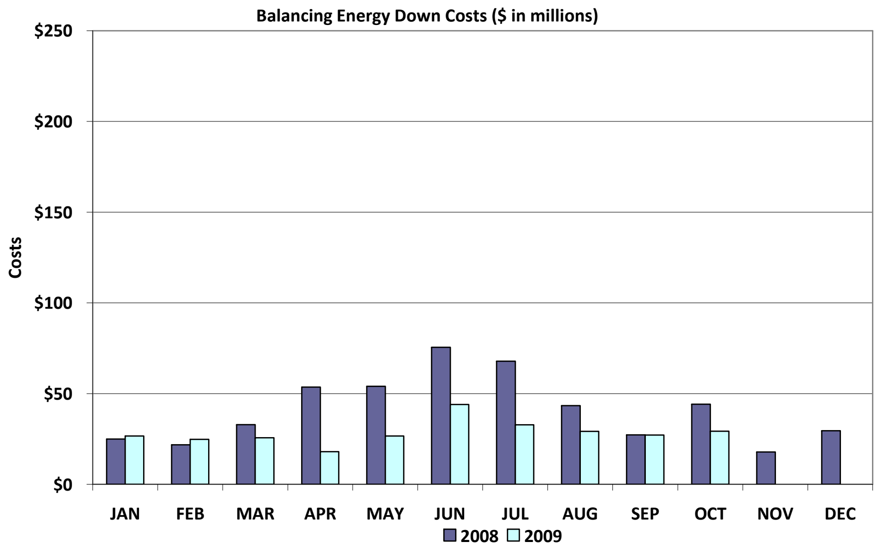
***Please note: November data will be provided at the Board Meeting**

Balancing Energy Services – Volume and Cost









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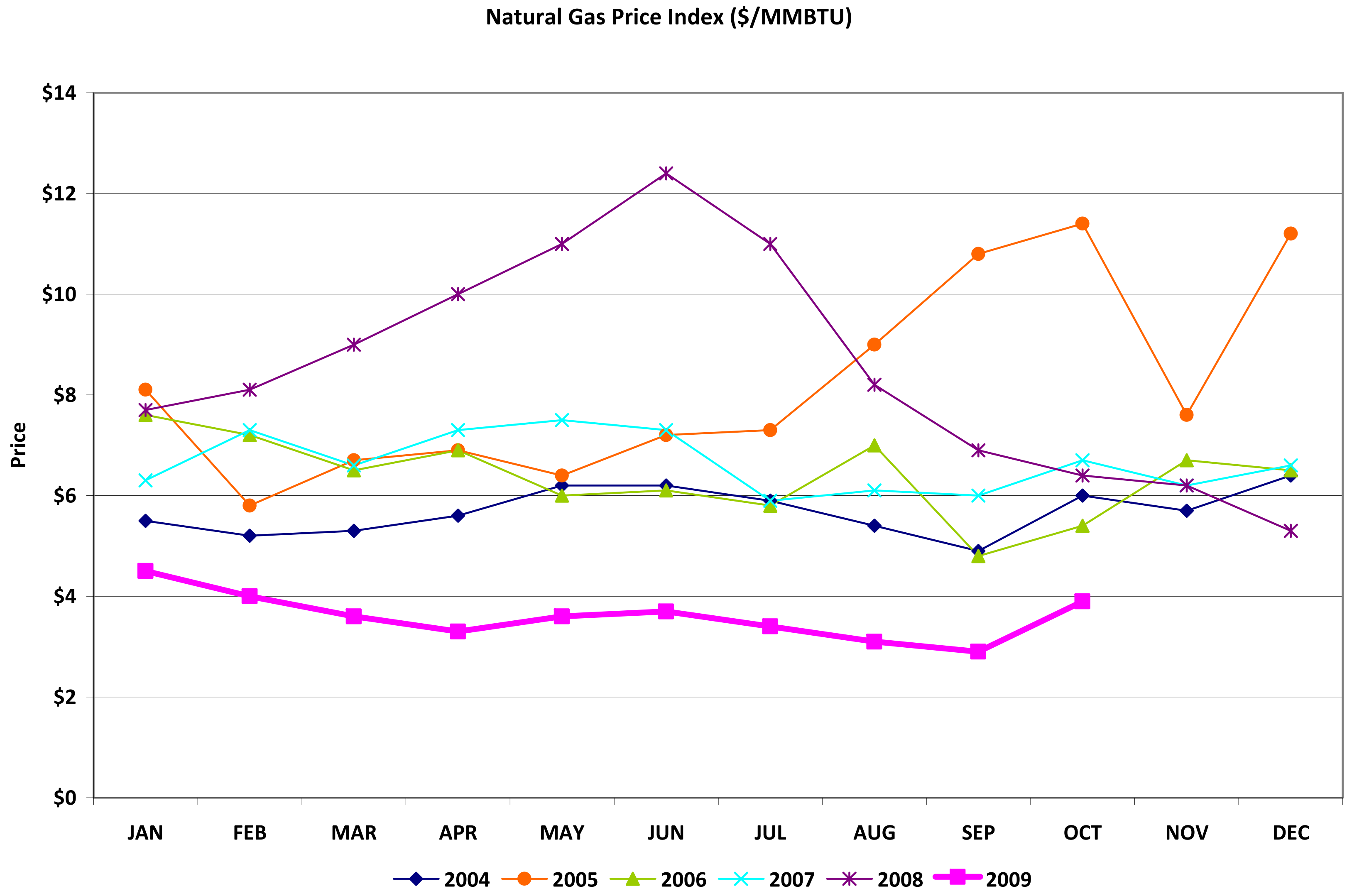
Natural Gas



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Capacity Services

	YTD 10/31/09	YTD 10/31/08	October 2009	October 2008
Reg Up:				
Required (MW)	5,997,925	6,146,909	596,193	620,572
Self Arranged (MW)	1,309,715	1,322,511	119,447	122,948
Procured (MW)	4,703,140	4,840,768	477,768	499,270
Mismatch Schedules (MW)	(14,930)	(16,370)	(1,022)	(1,646)
% Procured	***78%***	***79%***	***80%***	***80%***
Weighted Avg MCPC ($/MW)	10.7	26.3	12.1	14.4
Reg Down:				
Required (MW)	6,240,035	5,946,210	610,363	603,127
Self Arranged (MW)	1,626,301	1,160,811	132,425	120,360
Procured (MW)	4,625,913	4,802,871	479,050	484,742
Mismatch Schedules (MW)	(12,179)	(17,472)	(1,112)	(1,975)
% Procured	***74%***	***81%***	***78%***	***80%***
Weighted Avg MCPC ($/MW)	7.2	21.3	5.8	16.3
Responsive Reserve:				
Required (MW)	16,758,813	17,772,920	1,709,391	1,708,972
Self Arranged (MW)	7,036,831	7,613,071	732,950	680,629
Procured (MW)	9,742,429	10,144,758	978,249	1,030,846
Mismatch Schedules (MW)	(20,447)	15,091	(1,808)	(2,503)
% Procured	***58%***	***57%***	***57%***	***60%***
Weighted Avg MCPC ($/MW)	10.0	29.8	8.2	12.5
Non-Spinning Reserve:*				
Required (MW)	7,682,261	4,124,777	420,502	490,834
Self Arranged (MW)	1,154,312	729,955	63,303	84,233
Procured (MW)	6,540,664	3,402,416	357,305	407,261
Mismatch Schedules (MW)	(12,715)	(7,594)	(106)	(660)
% Procured	***85%***	***82%***	***85%***	***83%***
Weighted Avg MCPC ($/MW)	3.4	11.5	0.9	6.5
Local Replacement Reserve:				
Procured (MW)	232,337	252,074	13,896	6,364
Zonal Replacement Reserve:				
Procured (MW)	548,455	441,933	24,694	2,781

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

Capacity Services – Cost

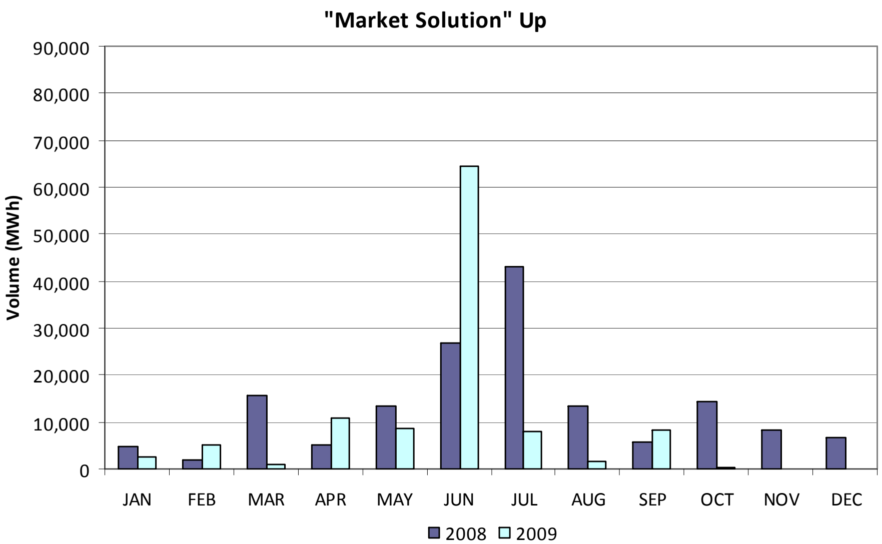
	YTD ($'s in millions) 10/31/09	10/31/08	October ($'s in millions) 2009	2008
• **Capacity Services:**				
Reg Up	50.5	127.3	5.8	7.2
Reg Down	33.4	102.1	2.8	7.9
Responsive Reserve	97.4	302.6	8.0	12.8
Non-Spinning Reserve*	22.2	39.3	0.3	2.7
Local Replacement Reserve	2.8	8.2	0.2	0.1
Zonal Replacement Reserve	18.1	23.0	2.3	0.1
Black Start	4.6	6.4	0.5	0.6
OOMC	51.1	40.1	3.7	6.5
RMR Capacity and Start Up	$2.5	$11.4	$0.8	$0.0
TOTAL CAPACITY SERVICES	**$282.6**	**$660.4**	**$24.4**	**$37.9**

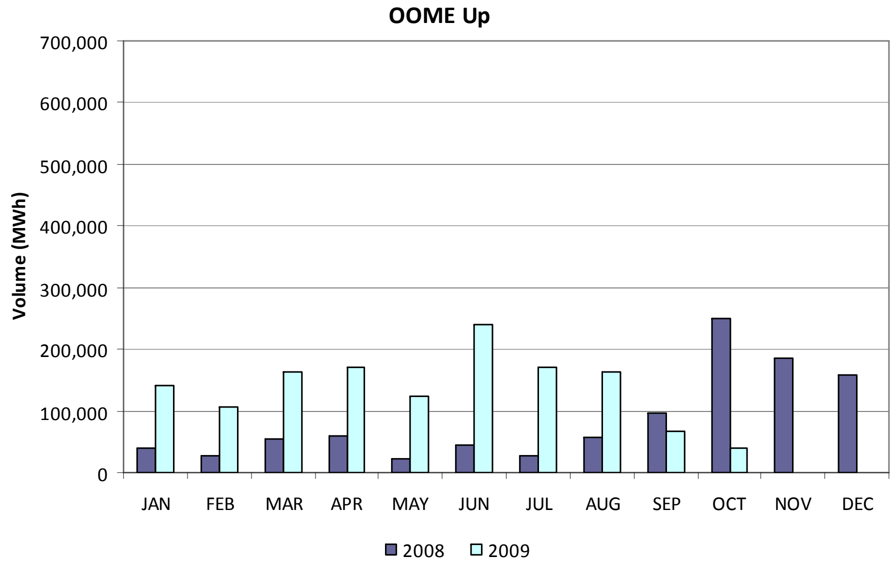
*A/S procurement methodology changed in November 2008 to procure in all hours rather than peak hours only.

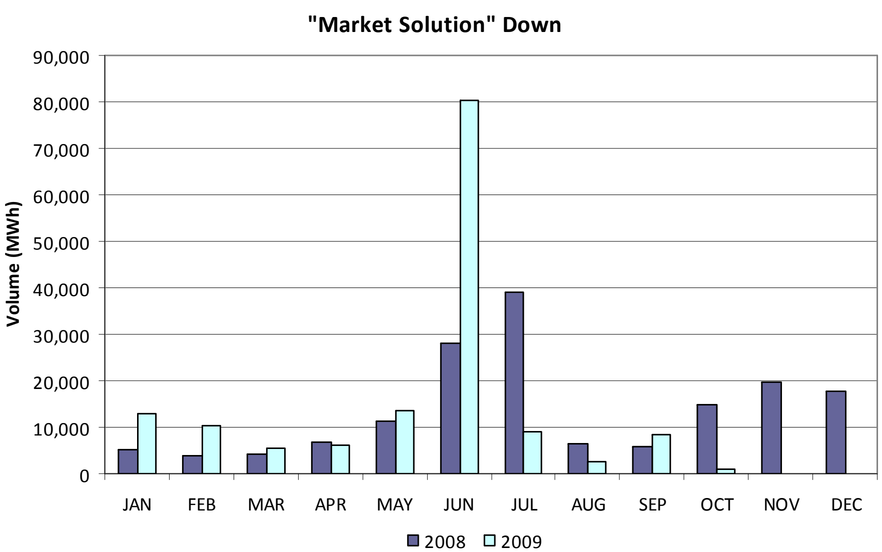
Congestion Management

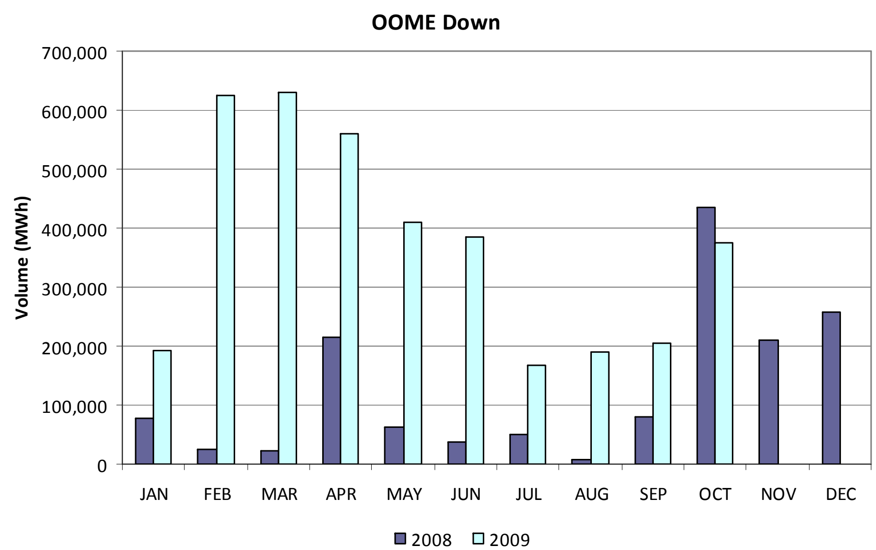
	YTD ($'s in millions)		October ($'s in millions)	
	10/31/09	10/31/08	2009	2008
• **Local Congestion:**				
"Market Solution" Down	8.4	14.4	0.1	3.3
"Market Solution" Up	0.8	4.4	0.1	0.3
OOME - Down	78.0	48.8	8.8	17.1
OOME - Up	16.6	20.0	0.4	8.8
Total Local Congestion Costs	**$103.8**	**$87.6**	**$9.4**	**$29.5**
• **Local Congestion Volume: (units in MWh)**				
"Market Solution" Down	149,604	125,784	1,125	14,982
"Market Solution" Up	110,994	144,050	425	14,401
OOME - Down	3,741,458	1,009,901	374,073	435,297
OOME - Up	1,386,050	677,357	40,232	249,948
Total Local Congestion Volume	**5,388,105**	**1,957,093**	**415,855**	**714,628**
• **Zonal Congestion and TCR / PCR:**				
TCR / PCR Annual Auction Proceeds received from Holders	($85.3)	($33.9)	($7.8)	($3.1)
TCR Monthly Auction Proceeds received from TCR Holders	($65.6)	($92.9)	($5.0)	($12.8)
Direct Assignment Proceeds received from QSEs based on schedules	($66.2)	($342.0)	($2.3)	($15.1)
Proceeds Paid to TCR / PCR Holders including Auction Refunds	$188.8	$455.2	$4.5	$24.6
Total Zonal Congestion and TCR / PCR Costs Uplift	**($28.4)**	**($13.6)**	**($10.7)**	**($6.4)**

Local Congestion Volume









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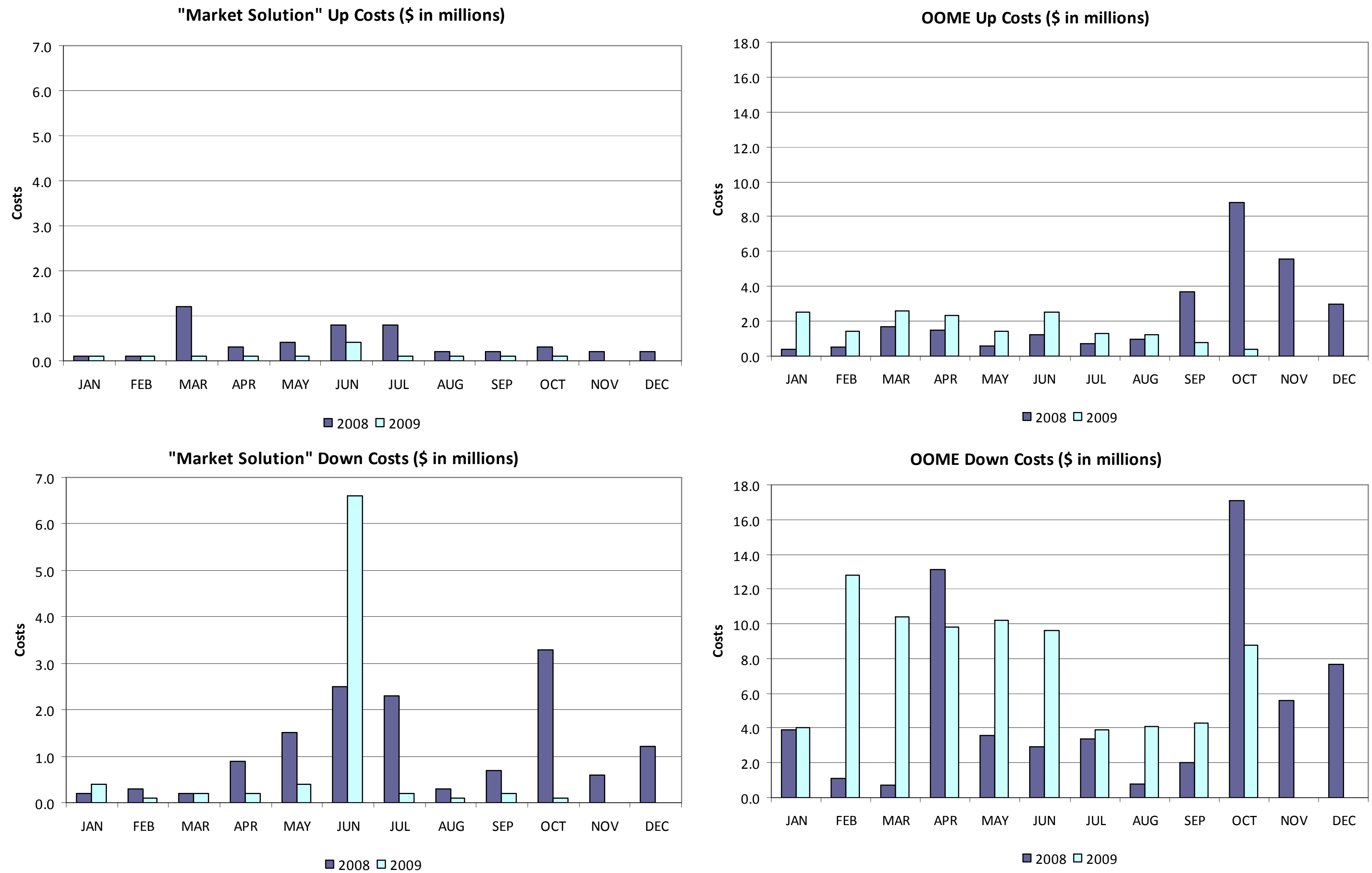
Local Congestion Costs



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Total Load Weighted Average Price ($/MWH)*

[MCPE weighted by Total Zonal Load]

LOAD ZONE	Oct 2009	Sep 2009	Aug 2009	Jul 2009	Jun 2009	May 2009	Apr 2009	Mar 2009	Feb 2009	Jan 2009
South	$31.22	$30.82	$32.51	$35.67	$82.81	$32.97	$24.27	$26.35	$27.27	$34.69
North	$30.25	$26.96	$32.47	$35.81	$35.15	$32.99	$24.82	$32.21	$27.89	$32.31
Houston	$31.61	$31.25	$32.81	$35.68	$61.82	$32.70	$24.58	$29.11	$27.19	$32.78
West	$27.84	$24.32	$29.84	$33.75	$32.95	$24.57	$12.93	$25.70	$19.93	$24.04

LOAD ZONE	Oct 2008	Sep 2008	Aug 2008	July 2008	Jun 2008	May 2008	Apr 2008	Mar 2008	Feb 2008	Jan 2008
South	$55.19	$46.77	$88.47	$97.86	$147.24	$171.09	$83.65	$64.34	$63.26	$60.24
North	$48.98	$45.38	$89.19	$97.08	$104.37	$86.41	$74.92	$69.64	$59.05	$62.31
Houston	$56.01	$48.61	$88.40	$97.30	$129.48	$152.76	$100.00	$68.19	$60.06	$60.16
West	$41.16	$43.72	$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: November data will be provided at the Board Meeting**

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

- **Added REPs**
  - ✓ Abacus Resources Energy, LLC
- **Added QSEs**
  - ✓ Abacus Resources Energy, LLC
  - ✓ Sempra Energy Trading LLC (SQ3)
- **Terminated REPs**
  - ✓ None
- **Terminated QSEs**
  - ✓ Tara Energy Inc.
  - ✓ Sitara Energy Inc.
  - ✓ Himalaya Power Inc.

Questions?