



CEO UPDATE

ERCOT Board of Directors

January 19, 2010

Trip Doggett

Grid Planning & Operations

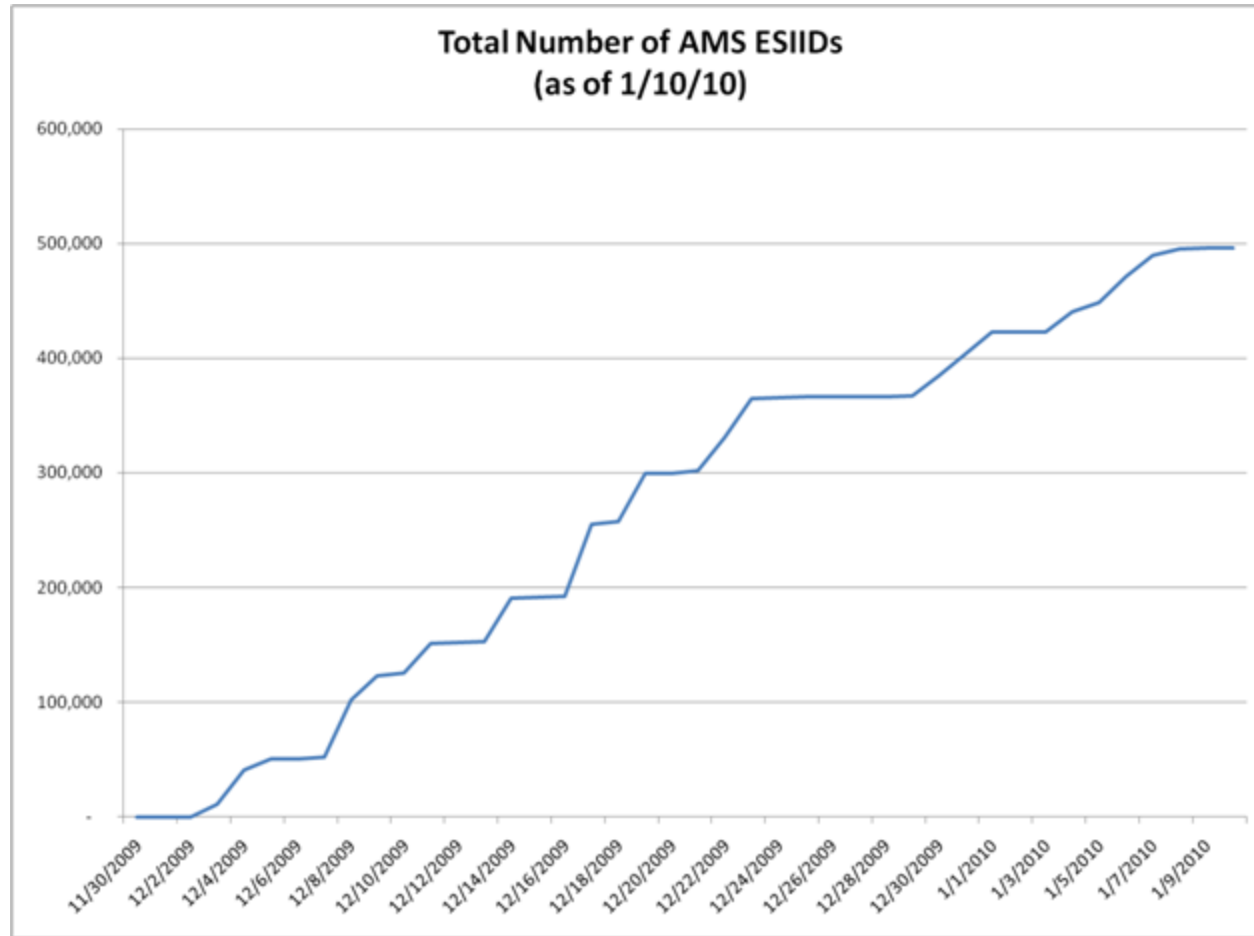
- Set an all-time high winter peak demand Friday, January 8 between 7 and 8 am of 55,856 MW. Temperatures were in the teens and low 20's over most of the state, the coldest weather in over 10 years. The previous record winter peak demand was 50,408 MW.
- Although there were a few more unit outages than normal, they were not significant and there were no system capacity shortages. There were no significant transmission outages since there was little freezing precipitation.
- The only gas curtailments reported were the chronic ones we regularly experience in the north DFW area during cold weather that affect only a few plants. As a precaution, we ordered some units to initiate oil burning capability.
- There was a NERC Disturbance Compliance Standard (DCS) event Saturday morning, January 9. A DCS event occurs when a unit equal to 80-100% of the capacity of ERCOT's largest single unit trips. At 10:28 am a unit meeting that criteria tripped for reasons apparently unrelated to the cold weather. ERCOT frequency dipped to 59.767 Hz and the system automatically deployed 1083 MW of responsive reserve carried on generation. Since NERC standards require frequency recovery from a DCS event within 15 minutes, ERCOT operators also deployed responsive reserves provided by Loads Acting as Resources. Frequency recovered within 4 minutes.

Markets

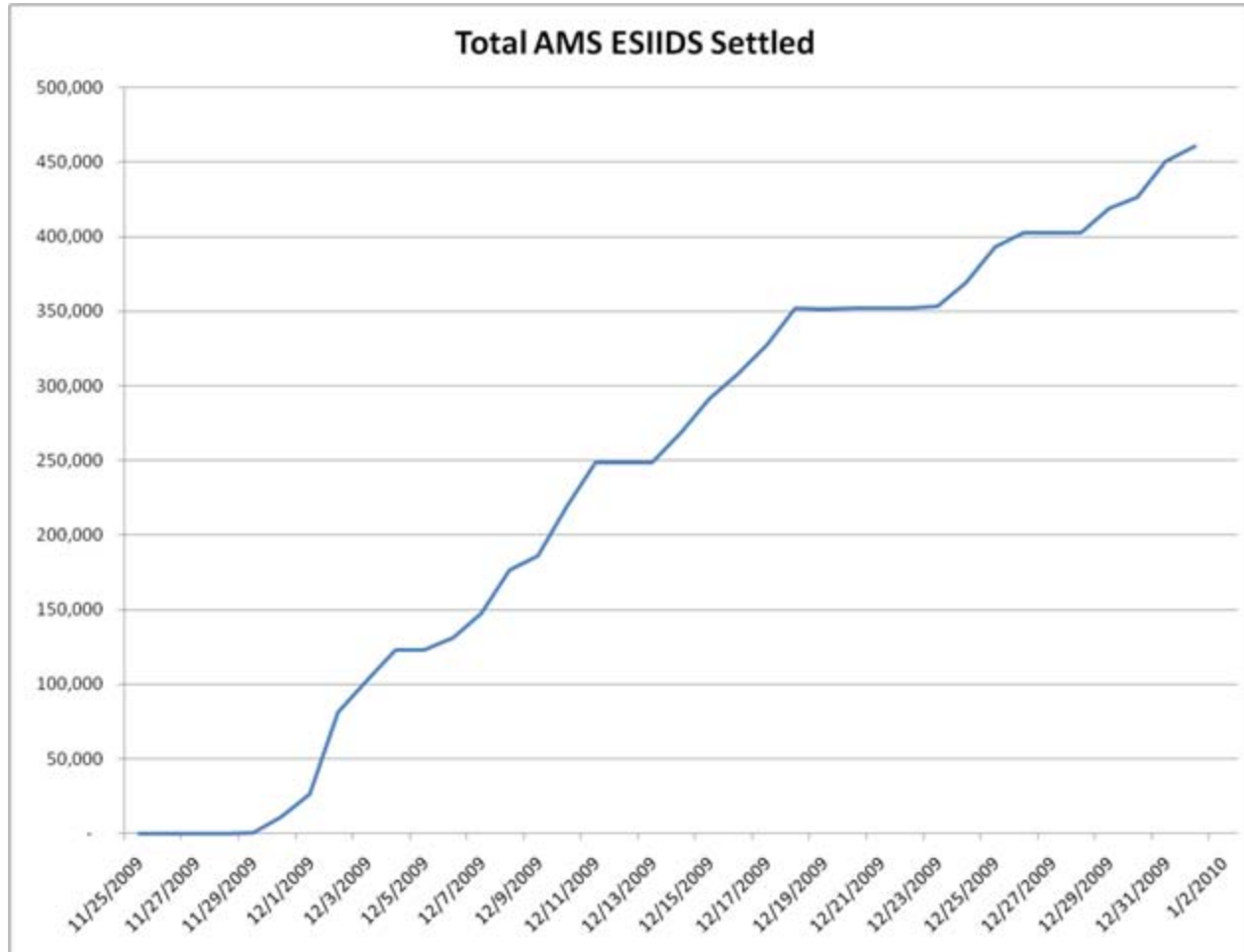
- Successfully conducted a test of the Universal Communication System designed to automatically call and email affected customers in the event of a Mass Transition, informing them that they will be transitioned to a Provider of Last Resort.
- AMS settlement update:
 - Oncor AMS ESIIDs – 388,984
 - CNP AMS ESIIDs – 107,239
 - Total AMS ESIIDs – 496,223

 - Oncor AMS ESIIDs Settled – 364,326
 - CNP AMS ESIIDs Settled – 96,302
 - Total AMS ESIIDs Settled – 460,628
- AMS code included planned Nodal Data Aggregation performance improvements. Upon initial migration, saw an improvement in Data Aggregation performance but, as the number of AMS ESIIDs grew, performance deteriorated to a point that additional code improvements were initiated.

Number of AMS ESIIDs



AMS ESIDS Settled



IT

- All work completed to resolve issues related to Energy Management System Load Frequency Control outages during 2009. Non-critical file systems were relocated to non-production storage arrays.
- The first version of an ERCOT IT Long Term Strategy and Plan was completed and reviewed with the Executive Staff. The document provides a long-term plan and approach for Information Technology. It defines the key initiatives over the next 18-24 months and an approach for managing complex systems after Nodal Go-Live.
- IT and Business units continue to work on reducing system costs. An approach was defined to eliminate vendor maintenance and provide self-support. This will save approximately \$500k per year.

Finance

- Unaudited, year-end financial results favorable to budget
 - Approximately \$2.7 million relating to temporary cash flow timing difference on Met Center Disposition Project that is assumed carried forward into 2010
- Unrestricted net assets (equity) returns to positive territory for the first time since 2003
 - Reflecting positive affect of board policy to revenue fund 40 percent of project expenditures and match the amortization of debt to the average life of assets constructed and acquired with borrowed funds

Compliance

- The Transmission Owners (with local control centers) and ERCOT have been working countless hours to develop a JRO(Joint Registration Organization) as a result of the 2009 NERC Audit.
- The JRO is needed to resolve the NERC Registration issue related to the Transmission Operator Function.
- TRE granted an extension of time to both ERCOT and the TOs so that collectively we could produce a quality matrix of accountabilities.
- We appreciate the intense commitment of time and resources by the TOs to enable meeting the TRE deadline of January 13, 2010.

HR/Facilities/Project Management

- Turnover continues to decline, voluntary turnover for 2009 - 3%
- 15% (111 employees) received recognition awards in December
- Two data centers and backup control center on schedule - roofs complete
- Completed 29 projects for 2009 (25 planned) preliminary budget is 75k over
- Negotiating with vendor for Organizational Assessment project
- Plan to complete revised draft of Strategic Plan before BOD Retreat

Nodal

- Market Trials 2.1 (connectivity) - 40 of the 250 market participants, representing approximately 50% of ERCOT generation, are qualified for market trials.
- Market Trails 3 (Realtime Market) - have made up the 2 week slip in schedule and are on schedule for commencement on February 1.
- Market Trials 4 (Day ahead market) - plan is in place to recover the 2 weeks slip. No major issues at this early stage.
- Continuing to work with the market through the NATF and TAC on operating levels (DAM sizing, CRR sizing, frequency of model updates, etc.)
- Continue to have good reaction by the market to outreach and training initiatives. Our first readiness seminar of 2010 is scheduled for January 29 and includes the kick off for the communication with market participant senior executives on nodal

Legal

- Continue to be responsive to Sunset Commission requests
- Working with stakeholders to monitor commodity legislation issues
- Invited by the Texas House Republican Chiefs of Staff to provide an overview of ERCOT