



# CEO UPDATE

**ERCOT Board of Directors**  
**February 16, 2010**

**Trip Doggett**

### **Grid Planning & Operations**

- **Successfully operated through extremely wide variations in wind generator output on January 28 due to a cold front. Frequency control was maintained within standards and no emergency operating actions were necessary.**
- **Processed over 300,000 changes to the network model since SEM go-live the end of August.**
- **Received a Notice of Suspension of Operations for Spencer Units 4 and 5 effective March 1, 2010. ERCOT has determined it will need one of the units for RMR service. We are currently working on an RMR exit plan to present to the Board.**

## **Markets**

- **Advanced metering – Over 500k ESIIDs currently being settled with Advanced Metering interval data.**
- **Retail Production Issues related to Retail Release – ERCOT implemented a point upgrade to NAESB during regular retail release on 1/24. There was a configuration change that resulted in some outbound files being sent by ERCOT that were not able to be decrypted by a subset of Market Participants. Problem did not impact all retail players. Issue resolved on 1/28, the Wednesday following the Sunday release.**
- **Nodal SAS70 Assessment – vendor selected to assist ERCOT with control objective design for those areas impacted by nodal.**

### IT

- **Received confirmation from Austin Commercial that the schedule for the two new data centers can accommodate computer room wiring and cable tray installation ahead of schedule. Wiring and cable tray installation is part of the approved telecommunications and network projects for 2010. The work will start in April. It was previously scheduled to start after building occupancy. The early implementation will give greater assurance that we remain on schedule for equipment relocation in 2011.**
- **Completed installation of the new “Hotline” system for the Operations Control Room. The system is highly expandable and provides additional recording and reporting features.**
- **Successfully implemented changes to the Market Participant Registry functions in MPIM, Siebel, Registration Systems that improved internal productivity.**
- **As part of the normal security penetration and vulnerability testing for new nodal systems, a security issue was identified. Quick actions by the Nodal Team, Security, IT, and the vendor allowed the problem to be corrected with limited disruption to Nodal Market Trials schedule.**

## **Finance**

- **Received distribution from The Reserve on 1/29/2010 in the amount of \$3,216,644.**
  - **Recorded as non-operating income in 2010, with footnote disclosure in 2009;**
  - **Represents recovery of approximately 99 percent;**
  - **Less than \$600,000 remains in loss category;**
  - **Additional recovery of funds is possible but is a long-term prospect with great uncertainty.**
- **Applied for additional \$142,000 refund relating to Texas sales taxes paid in mid-2008.**
  - **Timing of collection is uncertain, but full collection is expected.**

### **Compliance**

- **Consolidated Critical Infrastructure Protection (CIP) Compliance into Standards Compliance section allowing specific focus and economy of scale.**
- **Consolidated Kristi Hobbs' Market Rules department into the Compliance Department. We are aligning skill sets between Standards Compliance and Market Rules to expand capabilities and enhance overall department performance.**
- **Cheryl Moseley's Internal Control Management Program (ICMP) staff has also joined Compliance enabling Compliance to assume responsibility for Nodal traceability.**
- **Day Ahead Market security needs have been analyzed and we have determined that they will access Critical Cyber Asset (CCA) via Citrix which means that extra CIP protection will not be required.**

### **HR/Facilities/Project Management**

- **Nancy Capezzuti announced her resignation. Until a successor is recruited, Bruno Ierullo will report directly to me. Steve Grendel and Facilities will report to Richard Morgan. David Troxtell and the PMO will report to Mike Cleary. Lea Anne Porter, Cissy Lara and Paula Feuerbacher will report to Bruno Ierullo.**
- **Extensive discussions within the Executive Committee around the importance of management courage in evaluating under-performing employees.**
- **Taylor and Bastrop facilities continue to be on-time and on-budget and internal walls are under construction.**

## **Nodal**

- **Market Trials 2.1 (connectivity) – 191 of the 293 market participants, representing approximately 92.5% of ERCOT generation, are qualified for market trials.**
- **Market Trials 3 (Real-time Market and Outage Scheduler) – commenced on February 1.**
- **Market Trials 4 (Day Ahead Market) – recovered 2 week slip. Now on schedule to commence April 1 for operating day April 2. No major issues.**
- **Market Trials 5 (Full Functionality) – Scheduled to commence May 17. Mitigation plan in place to recover the 2 week 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, training initiatives and the readiness seminar conducted on January 28<sup>th</sup>.**
- **Wind Panel (hosted by Horizon Wind) and Retail Panel (hosted by StarTex) discussions scheduled for February 16 and 17.**



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## Legal

- **Williamson County Appraisal District property-tax litigation resolved successfully; \$1.0 million in the bank for tax years 2004-09;**
- **Records Information Management training and Enterprise Records Management Automation project both commenced;**
- **Sunset meetings and support continue to be a success. Met with Sunset Staff and Senator Nichols since the last Board meeting;**
- **Mike Grable moderated a panel discussion with House State Affairs Committee Chairman, Burt Solomons and PUC Chairman Barry Smitherman;**
- **Site visit and tour of ERCOT control center by FERC Chairman Jon Wellinghoff and PUC Chairman Barry Smitherman.**