



CEO UPDATE

ERCOT Board of Directors

March 23, 2010

Trip Doggett

CEO Update

Grid Planning & Operations

- Recent wind generation records:
 - October 28 – 6228 MW
 - February 28 – 6242 MW
 - March 4 – 6272 MW
- No significant operational problems handling those amounts. Served 20-25% of ERCOT load at these times.
- 2010 Black Start Training
 - Dress rehearsal on March 15th and 16th
 - Training of Market Participants begins April 5th and 6th
 - Total of 12 classes and each class will be 1.5 days
 - 10 hours of simulation in each class, using the new ERCOT Nodal Operator Training Simulator
 - Simulation will be very close to reality
 - QSEs will be operating their own Generation.
 - TDSPs will be following their actual Black Start plans while working on their own system.
 - ERCOT Operators will be filling the role of Reliability Coordinator during the simulation and working with the MPs to restore the system.
 - Simulator training will be done in four separate rooms simulating the four black start regions.
 - All communications between MPs and ERCOT will be over the phone while restoring their individual islands.

CEO Update

Markets

- The March 7, 2010 ERCOT maintenance outage completed later than scheduled due to system issues. As a result, ERCOT experienced a delay in processing 5,500 cancel and notify transactions (814_06s, 814_08s, and 814_22s). All queued transactions were successfully processed outbound at ERCOT by 7:43AM on March 8, 2010.
- Participated in the ISO/RTO Council (IRC) Markets Committee quarterly meeting.
- Starting the SAS70 Nodal Readiness Assessment of proposed nodal controls to ensure readiness for a SAS70 audit in the nodal operating environment.
- Participated in the PUCT 34610 Advanced Metering Implementation Team (AMIT) Lessons Learned meetings. Will continue to actively participate in upcoming AMIT meetings held by PUCT.

CEO Update

IT/Facilities

- The redundant UPS change control for the Bastrop Control Center power was approved and incorporated into Austin Commercial's scope of work. Bastrop and TCC3 Data centers received generators and switches. Main power switches are scheduled for delivery week of April 5th. Last long lead time equipment will be UPS scheduled for May delivery. Data Center build out remains on schedule.
- Nodal / Black Start - The DSV7 based save case set is ready along with the relays – the plan for testing Black Start is moving forward as scheduled. A dry run is planned on March 15th and 16th with Managers, Directors and Trainers from TDSPs and QSEs. Initiated an internal ERCOT Operator Training Simulator (OTS) Black Start dry run and scenario testing went well.
- Identified the root cause of the MMS servers issue that caused Real Time Balancing Market (RTBM) failures on February 26th. A patch was developed, tested, and applied.
- The March 7th delay in processing Retail transactions occurred when IT installed a firmware update on the Storage Area Network (SAN) director during a regularly scheduled maintenance window. During the subsequent reboot, there was a SAN switch failure on one of the 48-port cards in the SAN fabric. The failed SAN switch affected access to data and caused a delay in Retail processing. The team worked with the vendor to re-establish access to the data to resolve the issue.

CEO Update

Finance

- As of March 12th, Internal Audit has completed three audits and is on track with the Audit Plan for 2010.
- Ernst & Young has started their field work of the 2009 year-end Financial Audit.
- With January and February financial performance being favorable by \$5.7 million, and including the remaining months forecasted, we are estimating financial results at year-end to be favorable by \$2.7 million.
- Favorable financial results can be primarily attributed to a \$3.2 million recovery from The Reserve (a one- time event) and colder than normal weather.
- By February month-end, system administration fee revenue has a positive Y-T-D variance of \$1.4 million. However, even with these positive first month's results, we are forecasting by year-end system administration fee revenue to be under budget by \$2.6 million.

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Compliance

- Successfully completed the 2010 Protocol audit with no identified findings. Final report due from Texas RE in 60 days.
- Signed 13 individual JRO agreements with the Transmission Owners who operate Local Control Centers. This resolves a significant NERC registration issue.
- Increased the scope of the Compliance Division by incorporating Internal Control Management Program (ICMP), Market Rules, Enterprise Risk Management and Nodal Traceability into Compliance.

Human Resources

- The rolling 12-month voluntary turnover is 3.0%. Employee voluntary and involuntary terminations were up in February due to increased focus on performance management.
- ERCOT readiness continues to make progress on the skills and training required for Nodal success.
- Strong demand for subject matter experts and technical positions continues.
- As of the end of February, ERCOT was seeking to fill 14 full-time positions and 12 summer intern positions.
- 2009 Performance evaluations have been completed. Currently finalizing 2010 goals and objectives with Officers, Directors and Managers.

Nodal & Project Management

- Market Trials Phase 3 (Realtime Market and Outage Scheduler) – commenced on schedule on February 1. Currently 256 of the 276 market participants, representing approximately 99.9% of ERCOT generation, are qualified for market trials.
- Market Trials 4 (Day Ahead Market) – recovered 2 weeks 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 3, mitigation plan in place to recover the 2 weeks slip. No major issues at this stage.
- Continuing to work with the market through the NATF and TAC on operating levels (DAM sizing, CRR sizing, frequency of model updates, etc.).
- Market outreach program complete – focus now on standby site visits to respond to Market Participants who may need additional assistance.
- Continue to have good reaction by the market to outreach and training initiatives. Plan to rerun the Retail Panel conducted on February 16th in May/June timeframe (location TBD).

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Legal

- Board Member Orientation Binder completely reworked and updated.
- Records and Information Management training, Enterprise Records Management Automation (ERMA) project, and Information Management Steering Committee all rolled out.
- Multiple Sunset Staff education meetings (credit, demand response/energy efficiency, procurement/contracting).
- Successful meetings in DC with Senator Cornyn's Staff and FERC's new Enforcement Director.
- Speeches given at National Wind Coordinating Collaborative in DC and Wartsila Fourth Flexible Power Conference in Colorado.

ERCOT Organizational Assessment by Market Reform

CURRENT

- **Situation Analysis completed**
 - Synthesis of interviews of PUCT Commissioners, BOD members, Market Participants, ERCOT Executives.
- **ERCOT Charter in review**
 - Clarify and confirm ERCOT's role and responsibilities in the market.
- **ERCOT Capability & Services Analysis initiated**
 - Management has been asked to allocate ERCOT's current state base operation FTEs to a standardized capability matrix.
- **Assess ERCOT People Strategy initiated**
 - Survey distributed to Executives, Directors, select staff and contractors to provide input regarding people practices and change management.

NEXT STEPS

- **Develop Operating Model**
 - Determine roles and resources needed to operate the ERCOT ISO
 - Governance model
- **Determine Financial Impact**
 - Budget implications
 - Fee structure
- **Propose Implementation Plan**
 - Identify resource requirements
 - Define critical path
 - Assign responsibilities

Employee Recognition

- **Charles King – A Lifesaver**