



# CEO UPDATE

**ERCOT Board of Directors**  
**April 20, 2010**

**Trip Doggett**

## **Nodal & Project Management**

- Market Trials Phase 3 (Realtime Market and Outage Scheduler) – operating for 11 weeks. Currently 95% of QSEs qualified for market trials. 99% of network model validated.
  - Market participant questions are shifting from technical qualification topics to more stability and operationally focused queries
  - Six month LMP analysis commenced March 1<sup>st</sup>
- Market Trials 4 (Day Ahead Market) – Four DAM market trials have been completed including unconstrained and DRUC. Strong participation (150 QSEs on April 6<sup>th</sup>).
- Market Trials 5 (Full Functionality) – Scheduled to commence May 3, 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 to outreach program complete – focus now on standby site visits to respond to Market Participants who may need additional assistance. Credit Management workshop conducted on April 5<sup>th</sup>.

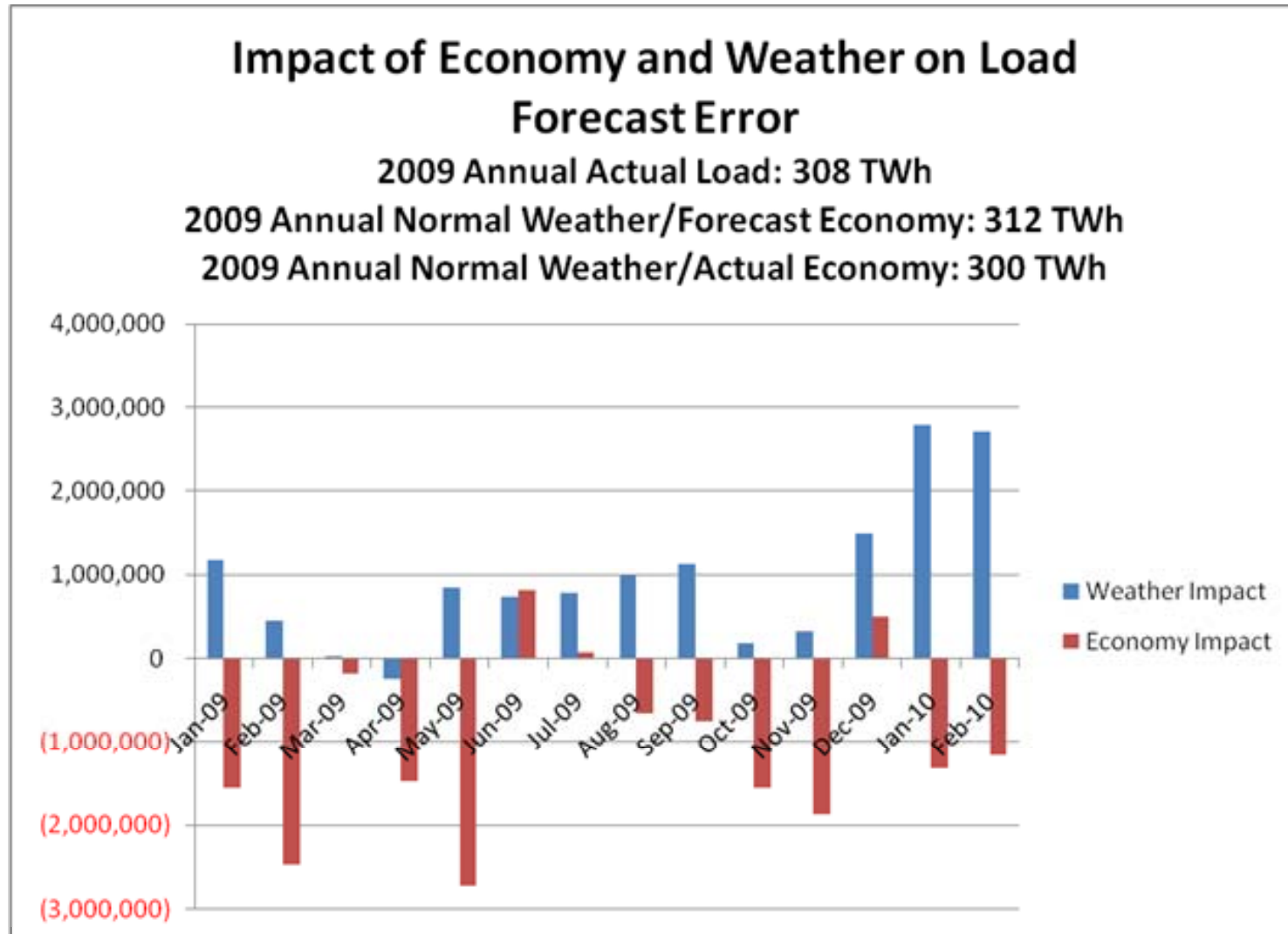
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## **Finance**

- Year-to-date performance is \$6.5 million favorable, primarily as a result of three factors:
  - \$3.2 million recovery from The Reserve, a one-time event
  - \$1.6 million under run in Salary & Benefits attributable to lower than anticipated staffing levels and increased project effort in the first quarter
  - \$1.2 million favorable System Administration Fee variance stemming from colder than average weather in January and February
- Year-end financial performance is forecast to be \$6.8 million favorable and reflects the following:
  - Favorable revenues (\$2.6 million unfavorable System Administration Fee variance – a significant drop in energy demand relative to the budget over the remainder of the year offset by \$3.2 million recovery from The Reserve)
  - Continuation of favorable labor (\$3M), interest expense (\$1.4M), and other Base Operating costs (\$1M)
  - Favorable revenue funding requirement of \$.5M in Base Projects

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## **Grid Planning & Operations**

- We continue to handle high levels of wind generation and planned transmission outages.
- Mean Absolute Percent Error (MAPE) was 2.24% in March. Would have been 1.74% except for 2 days during significant cold front.

## **Human Resources**

- The 2010 YTD voluntary turnover rate is 1.3%. As of March 31, ERCOT was seeking to fill 19 full-time positions and 3 summer intern positions. Twelve (12) summer intern positions have been filled with anticipated start dates in May.
- Strong progress has been made in finalizing ERCOT's 5-year Strategic Plan. The management team is working on the Strategic Initiatives to identify and define the projects and efforts required to deliver, as well as their associated timeline. This will be followed by a more detailed breakdown of tasks and resource requirements and will cascade to key objectives at the division, department and individual level. Additionally, the management team plans to take to the pulse of the organization on the Core Values and define action plans, as needed, to ensure we "walk the talk."

## **Markets**

- Retail Production Issue: After the March 27 Retail Release, invalid mapping status failures occurred which caused failure of some retail transaction processing. ERCOT successfully implemented an emergency fix on March 31<sup>st</sup> and worked with affected Market Participants to resolve any impacted transactions.
- Nodal SAS70 Readiness Assessment underway of the appropriateness of our proposed nodal controls. They will provide recommendations if additional controls are required, and recommend an approach from a SAS70 perspective as we transition from zonal to nodal.
- Implemented four (4) MarkeTrak changes as part of an ongoing effort to improve performance.
- All three initial market DAM runs completed out of the gate within Protocol timelines without significant issues.
- Fully approved the first Verifiable Cost submission for the nodal market.

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## **IT/Facilities**

- Met Center Disposition Project: Completed factory witness of UPS's for new data centers. Delivery is scheduled for April 16<sup>th</sup>. This is last of the long lead time items. Project remains on schedule and on budget.
- Conducted annual Business Continuity training for Disaster Management and Executive Teams. All ERCOT employees and contractors to complete training by end of April.
- March was a record month for system changes with 391 release packets installed with no roll-backs. Change levels continue to be high as new function is added in support of Market Trials.
- The system issue causing missed Real Time Balancing intervals in Austin system was isolated. The problem team identified the root cause and recreated the problem. All changes necessary to permanently resolve the issue are scheduled to be completed by April 15<sup>th</sup>.
- A series of performance improvements were made to the MarkeTrak System since the last Board of Directors meeting. The average response time for a request was reduced by over 50%. Market Participants' feedback verified the improved end user performance.

## **Compliance**

- Creating a single document repository for Nodal as-built documentation. In addition, the Protocol Trace information is being added to the CEO weekly review of NPRRs.
- Critical Infrastructure Security and Compliance staff met with IT Directors and confirmed that all Critical Cyber Asset requirements are covered for Nodal go-live.
- Agreements have been executed between ERCOT, appropriate transmission entities and the Comanche Peak and STP nuclear plants relative to the new NUC-001 NERC standards requirements. ERCOT has completed the necessary training and is fully compliant with the new standard.



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## Legal

- Successfully hired Interim General Counsel Bill Magness for smooth transition after resignation of Mike Grable
- Positive media coverage in New York Times regarding wind penetration and Megawatt Daily regarding Nodal Market Trials
- Resolved NUC/TOP registration issue with Texas RE and Transmission Owners
- Preparing testimony on House Interim Charge regarding the adequacy of electric generation resources