



CEO UPDATE

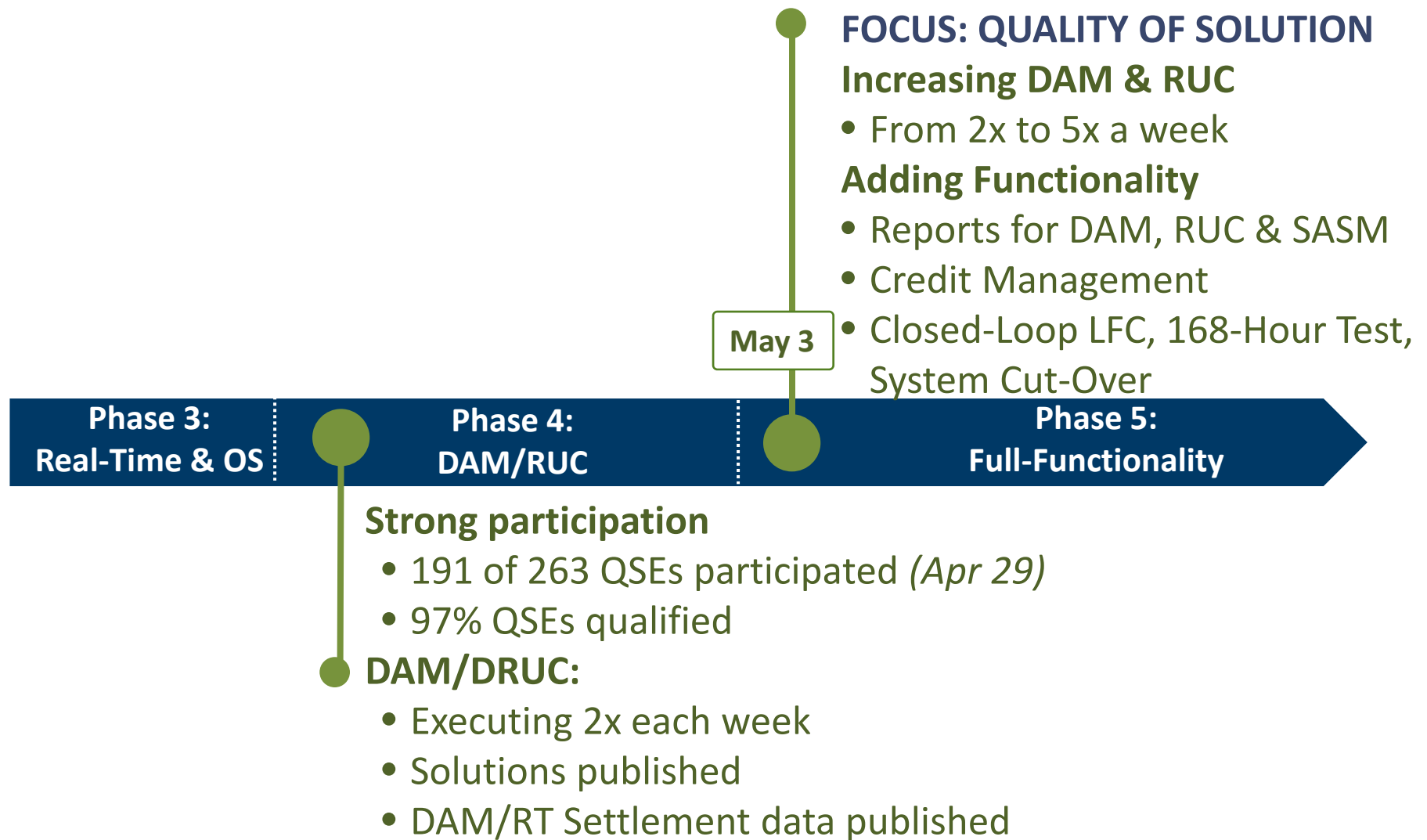
ERCOT Board of Directors

May 18, 2010

Trip Doggett

Interim President and CEO

CEO Update – Nodal



CEO Update – Market Operations

Projects Underway

- Advanced Metering System (AMS) Meter Flag implemented on April 25
- Information Lifecycle Management (ILM) Project
 - Freeing up over 11.6 TB of storage
- Zonal SAS70 Audit

Technical Issues

- May 2: Market Information Distribution (MID) implementation
- May 7: Internal system processing issue

CEO Update – Grid Planning & Operations

TRE Audit

- ERCOT compliant
- Audited areas:
 - Interconnection Of New Generation
 - Ancillary Service Requirements
 - Telemetry Requests
 - Remedial Action Plans
 - Generation & Transmission System Monitoring/Control

Lamesa Area

- Effort to address congestion in progress

Technical Issues: MID Implementation (*April 29 – May 2*)

- Large number of software/ infrastructure changes
- Inadequate testing, failure to correctly restart services
- Recovery procedures occurred during weekend

Impacts

- Affected Zonal systems, Nodal Market Trials, Market Participants & internal ERCOT business units
- 11 daily market reports were unavailable
- Retail Processing was delayed
- Nodal network model management system was unavailable
- Issues with system access, report access, slow response

CEO Update – Information Technology & Facilities

- Business Continuity Plan
 - Successful Business Continuity Drill with Taylor Police & Fire Depts.
 - Scenario: Taylor data center not assessable, damage to computer center equipment
- Macomber Map
 - Trademark application pending with US Patent & Trademark Office
- Settlement System Performance Improvements
 - A data loading process was reduced from 60 mins. to 7 mins.
 - A report process was reduced from 16 hours to 24 minutes
- New Data Centers
 - Construction ahead of schedule, below budget

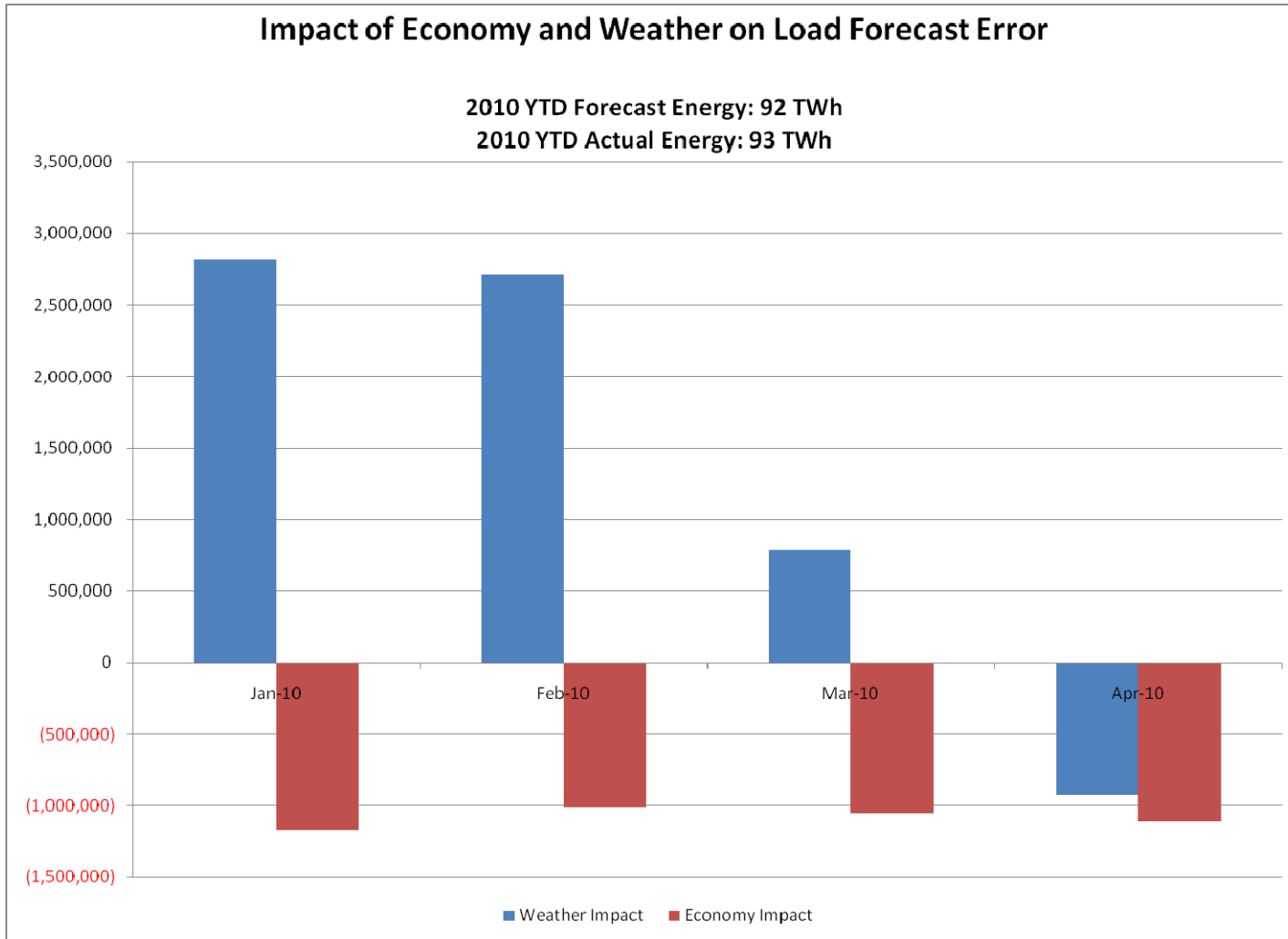
CEO Update – Finance

YTD Performance: \$6.8 Million Favorable

Revenue \$3.2M recovery from The Reserve, (*one-time event*)

Expenses \$2.4M favorable in Salary & Benefits
\$1.1M favorable in interest costs

CEO Update – Finance



Year-End Performance Forecast : \$7.1 Million Favorable

Revenue \$3.2 million recovery from The Reserve (one-time event)
 \$2.6 million unfavorable System Admin. Fee variance

Expenses \$3.1M favorable labor
 \$2.4M favorable interest expense
 \$.5M other favorable base operating costs
 \$.2M favorable revenue funding requirement in base projects

Legislative hearings

- April 29: Joint House State Affairs and Energy Resources hearing
- May 12: House State Affairs Committee meeting
- May 14: U.S. House Energy & Commerce staff to discuss Regional transmission planning issues

Sunset Commission

- ERCOT submitted response to recommendations
- Hearing May 25

Strategic Plan for 2010

- Finalizing Strategic Initiatives
- Target completion: End of May

Launch of Talent Management & Succession Planning Process

- In process of identifying key talent employees
- Next phase:
 - Review & validate key talent employee profiles
 - Use results to drive succession & development plans

Training Strategy

- Efforts to develop & define internal training strategy
- Looking at online, web-based training to address training needs

Market Reform Final Recommendations (due May 15)

- Recommended Governance & Organization Structures
- Options and Recommendation for Fee Structure
- Implementation tasks and high-level timeline
- 110 improvement initiatives

Next Steps:

- ERCOT to review recommendations and develop action plan
- Presentation of recommendations at June BOD meeting

CEO Update – Recognition

Christine Wright – PUCT

Heather Day – ERCOT

Mike Decker – Consultant to ERCOT

Advanced Meter System (AMS) Settlement – December 2009

Add AMS meter flag to the database query function on the Market Information System (MIS) – April 2010