



CEO UPDATE

H.B. (Trip) Doggett
President & CEO

ERCOT Board of Directors Meeting
June 15, 2010

CEO Update – Nodal & Project Management

NODAL – By the Numbers:

- 169 Days to Go-Live
- 5th Phase of Market Trials: Implementing Full Functionality
- 0 Items Impacting Go-Live Date
- 79 of 81 QSEs with Resources qualified (*99.9% of Sys. Generation*)
- 176 of 182 QSEs without Resources qualified



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CEO Update – Nodal & Project Management

	Market Trials: Phase 5
DAM/RUC	<ul style="list-style-type: none">• DAM & DRUC running 5x per week• DRUC running <i>with</i> DAM for last 6 weeks• DAM Settlements are being executed• Settlement / extracts available since Mid-May• Strong market participation: (Avg. 186 QSEs per DAM run)
CRR	Completed & Invoiced: <ul style="list-style-type: none">• 4 monthly CRR auctions• 1 "Balance of the Year" auction
Real-Time	<ul style="list-style-type: none">• SCED• Real Time settlements
Other	Ancillary Services: SASM will run as needed Closed Loop LFC: 2-hour test occurred last month Credit: module launched May 14th



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CEO Update – Nodal & Project Management

Upcoming Market Trials Milestones:

- **Closed Loop LFC:** 8-hour test week of June 14th
- **DAM/RUC/SASM Scenarios:** Will run on Tues. & Thurs. in June
- **Credit:** CMM patch to address NPRR 206 in late June



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CEO Update – Market Operations

Market Trials:

- Teams actively executing business processes
- Working to improve quality of solution

Information Lifecycle Management (ILM) Project

- Recovered 26 TBs of storage to date
- Expectation to recover 40 TBs by end of June.
- Issues: Project efforts in Production systems caused retail processing issues on May 25.



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CEO Update – Market Operations

SAS70

- **Zonal:**

- Testing underway. No issues noted to date

- **Nodal:**

- Readiness work with external vendor near completion
- Final report due in late June

Issues:

- Some missing EPS meter information for operating days May 6-8
- Caused by internal process failures
- Resulted in settlement errors of greater than 2%
- Resettlement of impacted operating days week of May 24



CEO Update – Grid Planning & Operations

Load Frequency Control (LFC)

- May 20: Successful LFC test with Nodal system
- Frequency controlled for 30 mins. *(with all QSEs on Nodal control)*
- Controlled with 2 transmission constraints, handled a unit trip

New Wind Generation Record:

- May 23: instantaneous output of 6,722 MW

Network Model Update Schedule

- Reached agreement on plan to switch to 90-day Nodal update schedule by Sept. 1

Hurricane Drill

- Successful drill with QSEs and TSPs



CEO Update – Information Technology & Facilities

New Data Centers

- Construction ahead of schedule, below budget
- Permanent power installation completed in May
- Final integration testing and commissioning activities scheduled for July *(one month early)*

Data Center Relocation

- Completed contract for Bastrop data center dark fiber installation
- Major equipment vendor site/due diligence visits completed
- First equipment Requests for Proposals scheduled for June release



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CEO Update – Information Technology & Facilities



BCC1 Security Area

Bastrop Construction Site



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CEO Update – Information Technology & Facilities (*cont.*)

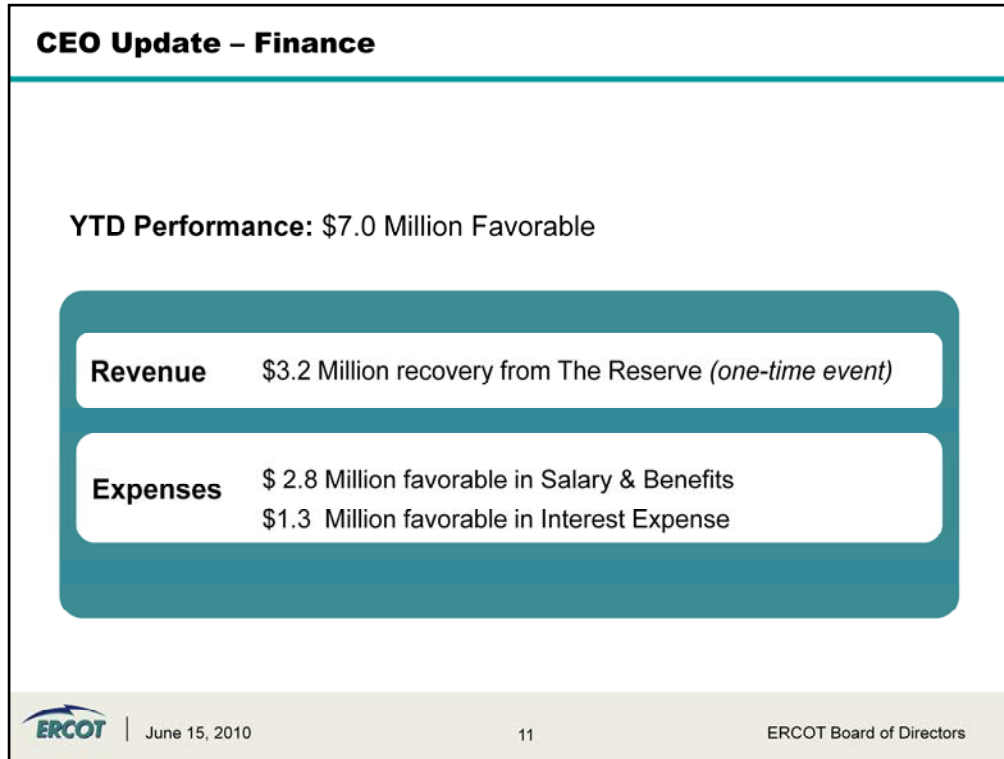
Nodal Credit Monitoring and Management System (CMM)

- CMM provides credit availability measures and exposure by Market Participant
- Application run with feeds from Congestion Review Rights (CRR) and Day-Ahead Market (DAM)
- Initial test successful in meeting test objectives.

EMMS Market Management System

- Resolved Issue: Missed Real-Time Balancing markets
- Has not reoccurred and can not recreate since last change applied





Finance

Year-to-date performance is \$7.0 million favorable, primarily as a result of three factors:

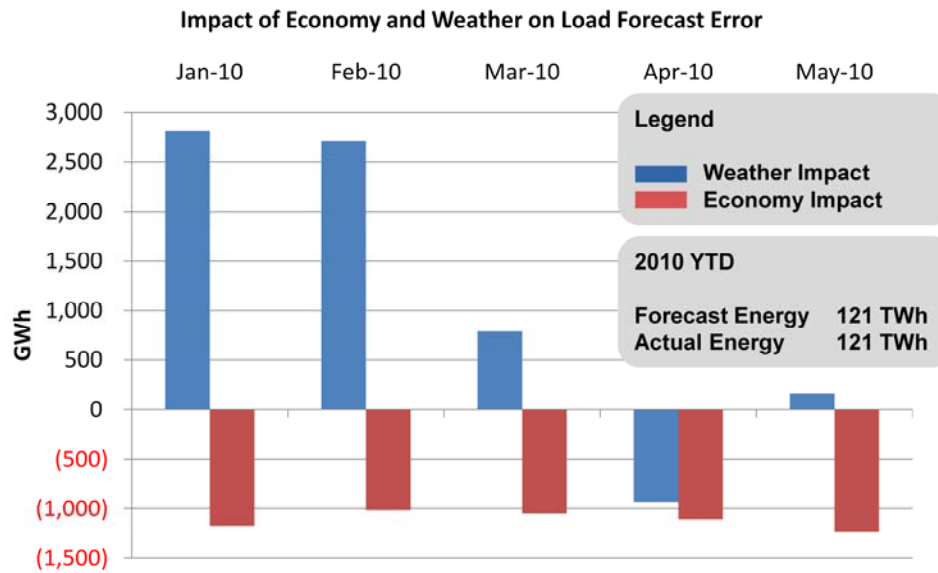
Revenue:

- \$3.2 million recovery from The Reserve, a one-time event

Expenses:

- \$2.8 million under run in Salary & Benefits attributable to lower than anticipated staffing levels and increased project effort
- \$1.3 million under run in Interest costs stemming from lower-than-budgeted interest rates and utilization of TCR auction receipts in lieu of borrowing from the revolver credit facility

CEO Update – Finance (*cont.*)



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CEO Update – Finance (*cont.*)

Economic and Weather Impacts on the Load Forecast

- Forecast for May = 28,284 GWh (forecast economy and normal weather)
- Backcast for May = 27,051 GWh (actual economy and normal weather)

Economic impact = 27,051 GWh – 28,284 GWh = (1,233) GWh
(actual economy less forecast economy) (weather is the same for both models)

- Actual May load = 27,220 GWh (actual economy and actual weather)

Weather impact = 27,220 GWh – 27,051 GWh = 169 GWh
(actual weather less normal weather) (actual economy for both models)



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CEO Update – Finance (cont.)

Finance


Year-End Performance Forecast : \$7.6 Million Favorable

Revenue

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

Expenses

\$3.3 Million favorable Salary & Benefits
\$2.4 Million favorable Interest Expense
\$0.5 Million favorable TRE Protocol Services
\$0.8 Million favorable other Base Operating Costs


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Finance continued

Year-end financial performance is forecast to be \$7.6 million favorable and reflects the following:

Revenue:

- \$3.2 million recovery from The Reserve
- \$2.6 million unfavorable System Administration Fee variance – a significant drop in energy demand relative to the budget over the remainder of the year

Expenses:

- Continuation of favorable labor (\$3.3M), interest expense (\$2.4M), TRE Protocol Services (\$.5M), and other Base Operating costs (\$.8M)

CEO Update – Legal

Macomber Map

- Excellent national media coverage
- Successful legislative briefing regarding development

Sunset Commission

- Completed hearing
- Provided follow-up information requested by Sunset Comm. Members



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CEO Update – Compliance

NERC 2009 693 Final Audit:

- Audit details will be provided to the Board in executive session
- ERCOT has not received the Final 2009 CIP audit report

Tracing Protocols in Business Procedures

- Set up new process to track progress and produce metrics
- Helps ERCOT Readiness Team track inclusion of Protocol traces in business procedures
- Using RequisitePro



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CEO Update – Human Resources

Progress in Talent Management & Succession Planning Process

- Identifying key talent employees
- Next phase: Review & validate key talent employee profiles
- Scheduled for Q3 2010

Training Strategy

- Posted RFP seeking On-line/Web-based training vendors
- Seeking to address technical skills, competencies, certifications, and over all employee development

Open Enrollment: 439 employees actively participated

Health & Wellness Plans: 98% of employees covered



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ERCOT & Habitat for Humanity

Karen Farley
Thelma Garza

