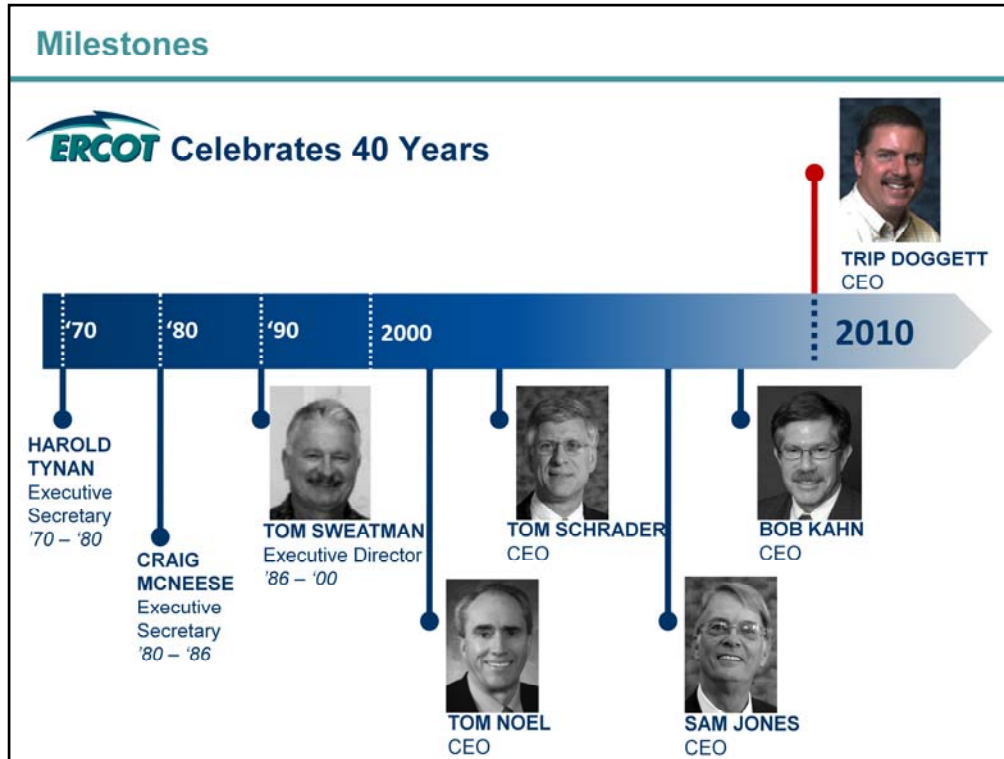




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## **CEO UPDATE July 2010**

**Trip Doggett  
President & CEO**



#### ERCOT Executives Chronology 1970-2010

##### Harold Tynan

Executive Secretary  
1970 – 1980

*Semi-retired from CPS-San Antonio; served from an office at CPS and salary paid by CPS*

##### Craig McNeese

Executive Secretary  
1980 – 1986

*Semi-retired from at Houston Lighting & Power; served from his office at HL&P and salary paid by HL&P*

##### Tom Sweatman

Executive Director  
1986 – May 2000

*Independent office created in Austin*

##### Tom Noel

CEO, May 2000 – July 2004

##### Tom Schrader

CEO, July 2004 – May 2006

##### Sam Jones

Interim CEO, May – July 2006  
CEO, July 2006 – May 2007

##### Bob Kahn

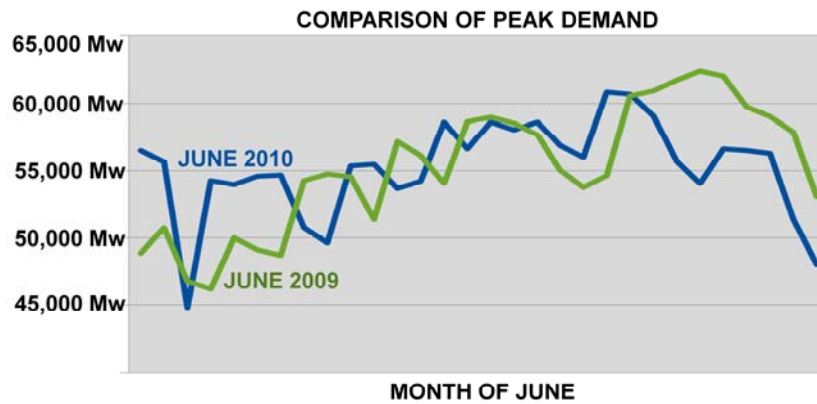
CEO, July 2007 - October 2009  
ERCOT Board, 2002 – 2006

##### Trip Doggett

Interim CEO, October 2009 – May 2010  
CEO, May 2010- present

## Grid Operations

**Summer Peak Load so far...** 60,698 Mw on June 21 during HE17  
**Forecast Peak:** 64,052 Mw in August



July 2010

3

ERCOT Board of Directors

## System Operations

Actual Peak Load so far this summer was 60,698Mw during HE1700 on 21 June 2010.  
Forecasted Peak is 64,052Mw in August.

## Grid Operations

### New Wind Generation Record

- 7016 MW of Wind Generation
- 15.8% of System Load
- June 12th 2010, 10:52 p.m.

### Wind Capacity Increase

- Additional 200 Mw Installed in San Patricio County
- Total: 9,317 Mw

### Low Voltage Ride-Through Study:

LVRT capability is NOT needed for existing Wind Generators



July 2010

4



## System Operations

- Existing wind generation records stands at 7016Mw at 22:52 on 12 June 2010.
- Increase in installed wind capacity in June to 9,317 MW. It's been at 9,117 since March. (Increase due to Papalote Creek Phase 2 – 200 MW – in San Patricio County)
- Results of the Low Voltage Ride-Through (LVRT) study were reported to the Reliability and Operations Subcommittee (ROS) on June 25th as required by OGRR 208. The study did not show a need for LVRT capability for existing wind generators. A separate report on this subject will be presented to the Board.

## Grid Operations

### Nodal Operator Training

- Nodal training of system operators occurring in Taylor Control Ctr.
- Zonal operations run from Austin Control Ctr.



### Hurricane Emergency Operations

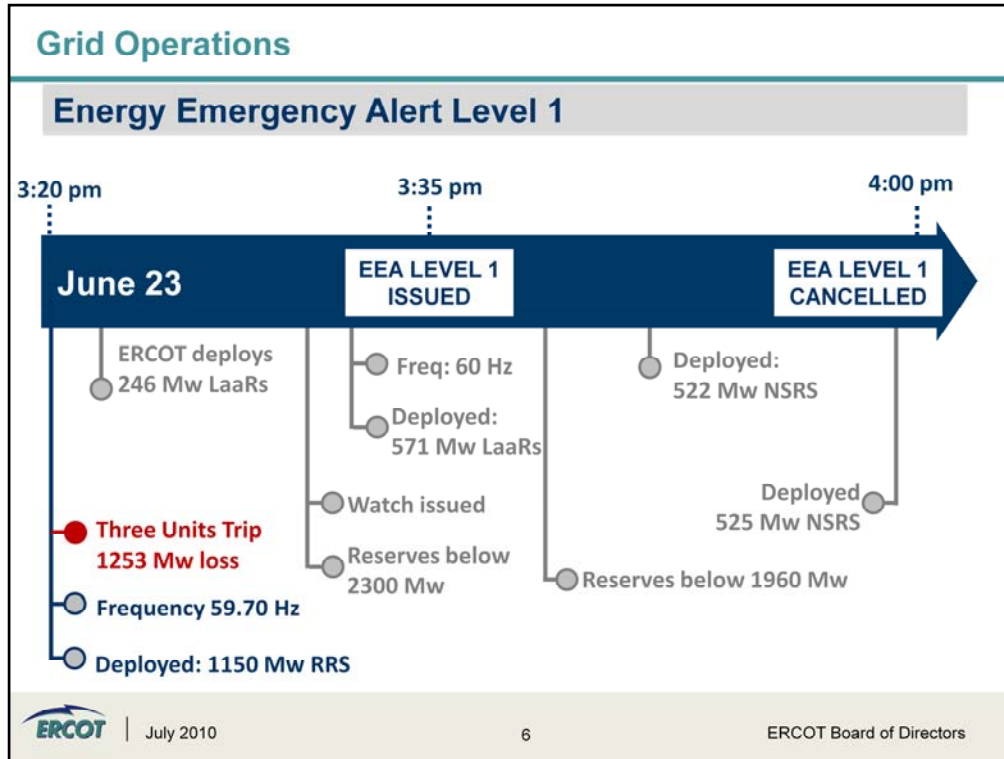
- **June 28:** ERCOT preps for hurricane
- **July 1:** Hurricane Alex hit Mexico
- No major impact to ERCOT system



July 2010

5

ERCOT Board of Directors



## Time Line and Description of Significant Events

6/23

- 15:19:47 ERCOT ISO frequency prior to disturbance was 59.98 Hz.
- 15:19:54 Unit A at Station A was operating at 733 MW and tripped to zero. Also, Circuit breakers CB1 and CB2 tripped at the 345 kV Station A opening one end of the 345 kV line from Station A to Station B and isolating Station B Unit B which was operating at 157 MW, Unit C which was operating at 157 MW, and Unit D which was operating at 168 MW. Additionally, Unit E at Station C was operating at 38 MW and tripped to zero.
- 15:19:54 ERCOT ISO frequency dropped to 59.709 Hz immediately after the trip.
- 15:19:59 1150 MW of Generation Responsive Reserve was deployed from 3281 MW of ARR available at the beginning of the event.
- 15:20:47 Approximately 246 MW of LaaRs were deployed by under frequency relay action.
- 15:26:26 ERCOT ISO frequency returned to pre-disturbance value to 59.98 Hz
- 15:28 Watch issued ARR below 2500 MW.
- 15:30:55 ARR went below 2300 MW
- 15:31 to 15:34 Multiple VDIs issued to specific QSEs to control additional deployment of LaaRs providing RRS. This resulted in an additional 571 MW of LaaRs being deployed. A total of 817 MW of LaaRs were deployed during the event.

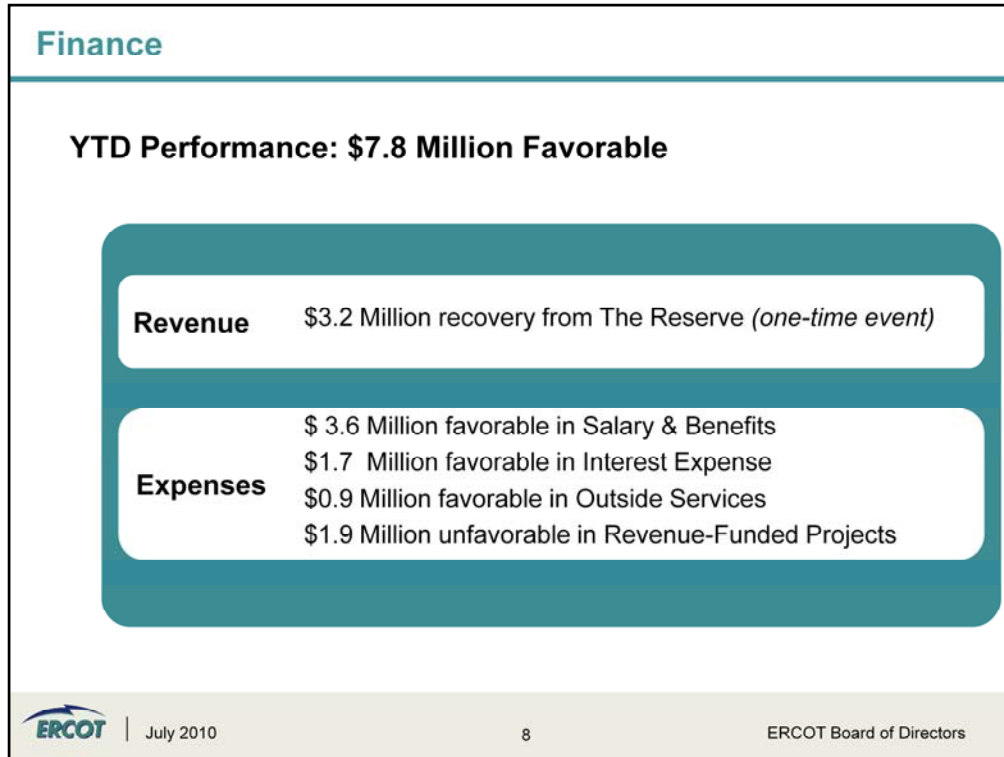
## Nodal & Market Operations

### Nodal & PMO

- Next LFC test scheduled for week of July 19
  - Analyzed issues identified during previous LFC testing
  - Proposed solutions to NATF
- Successful completion of DAM and DRUC (*5 days per week*)
- Successful completion of weekly RUC
- Improved NMMS stability, but performance still an issue

### Market Operations

- Surpassed 1 Million mark for settlement of Advanced Meters



## Finance

Year-to-date performance is \$7.8 million favorable, primarily as a result of five factors:

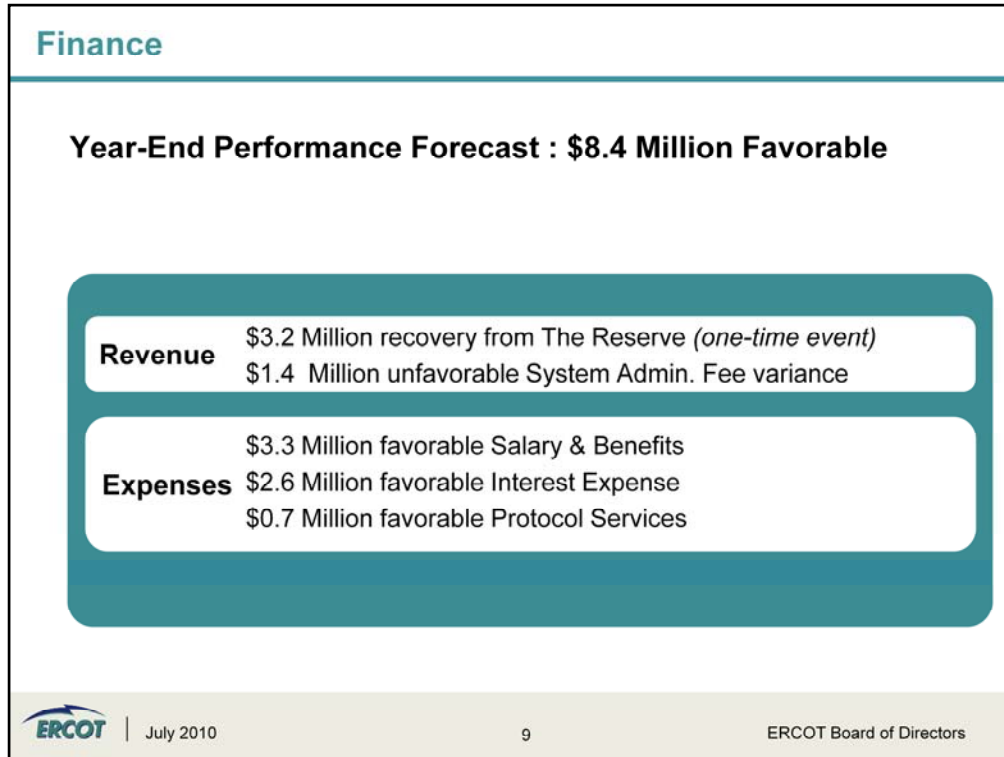
### **Revenue:**

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

### **Expenses:**

- \$3.6 million under run in Salary & Benefits attributable to lower than anticipated staffing levels and increased project effort
- \$1.7 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
- \$0.9 million under run in Outside Services primarily driven by savings in audit services and market notification services
- \$1.9 million over run in revenue-funded base projects caused by even budget spread and expense timing (annual forecast on budget)





**Finance continued**

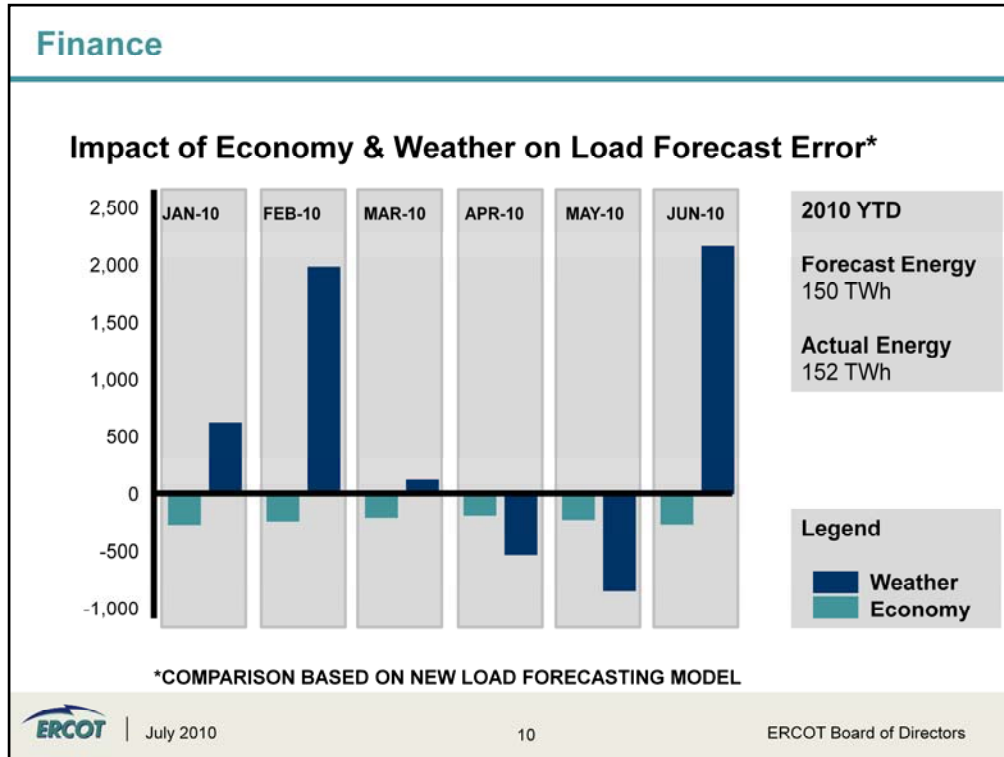
Year-end financial performance is forecast to be \$8.4 million favorable and reflects the following:

**Revenue:**

- \$3.2 million recovery from The Reserve
- \$1.4 million unfavorable System Administration Fee variance – latest MWh demand and projections improving for the remainder of the year

**Expenses:**

- Continuation of favorable labor (\$3.3M), interest expense (\$2.6M), and Protocol Services (\$.7M)



- 1) Calculate new Forecast using NEW MODEL with “forecast” economy and “normal” weather.
- 2) Calculate using NEW MODEL with “actual” economy and “normal” weather, compare to 1) = Impact of economy
- 3) Calculate using NEW MODEL with “forecast” economy and “actual” weather, compare to 1) = Impact of weather (NOTE – NEW - Directly measuring weather impact)

## Compliance

### Corporate Risk Inventory

- Review of potential new or emerging risks
- Also comparing ERCOT controls, SAS70, NERC controls

### Audits scheduled

- NERC 2010 CIP and Operations & Planning (*July 19 – 30*)
  - First full audit of CIP standard requirements
  - TRE lead with NERC and FERC observers
  - In preparation, ERCOT contracted NERC CIP expert



July 2010

11

ERCOT Board of Directors

Enterprise Risk Management is reviewing the current ERCOT corporate risk inventory and initiating review of potential new or emerging risks. Also comparing ERCOT internal controls, SAS70 controls and NERC standards against same.

### NERC 2010 CIP and Operations & Planning Audit scheduled

- July 19<sup>th</sup> – 30<sup>th</sup>
- TRE lead with NERC/FERC observers.
- First full audit of CIP standard requirements.
- In preparation, ERCOT Contracted NERC CIP expert to review our CIP documentation.

Internal Control Management Program (ICMP) established corporate share-point document library for policies, standards and procedures. Expect significant efficiency gains by maintaining version control, central repository for audit evidence and only allowing changes by business unit owner(s).

ERCOT / TRE / PUCT executed contract for TRE's protocol and operating guide compliance following TRE separation from ERCOT (7/1 – 12/31/2010).

## Human Resource

### **Employee Recruitment & Performance**

- Launch of Targeted Selection interviewing program
- Finalizing vendor selection for on-line learning programs

### **Appointment of ERCOT Principals**

- Recognized experts in industry with 10+ years experience
- John Adams, Jim Brenton, Steve Myers, Sai Moorthy, Ken Ragsdale



July 2010

12

ERCOT Board of Directors

## Information Technology & Facilities

### **Siemens Network Model**

Addressing stability concerns

### **TRE Separation**

No issues

### **Data Centers**

On schedule and under budget



July 2010

13

ERCOT Board of Directors

## Information Technology & Facilities

