Market Operations Presentation

ERCOT Board of Directors

July 20, 2010

Betty Day

Summary

Retail Activity

- **Overall Activity** – YTD overall retail activity is comparable between 2009 and 2010.
- **Migration From Native AREPs** – Over the last year there has been a slight increase in all customer classes in migration from the affiliate REP. Additionally, 64% of Residential customers have actively made a choice for a new REP.
- **Transaction Performance Measures** – Performance measures for Q2 fell below the 98% target primarily due to processing issues in May. There were no significant system issues in June that impacted performance measures.

Wholesale Activity

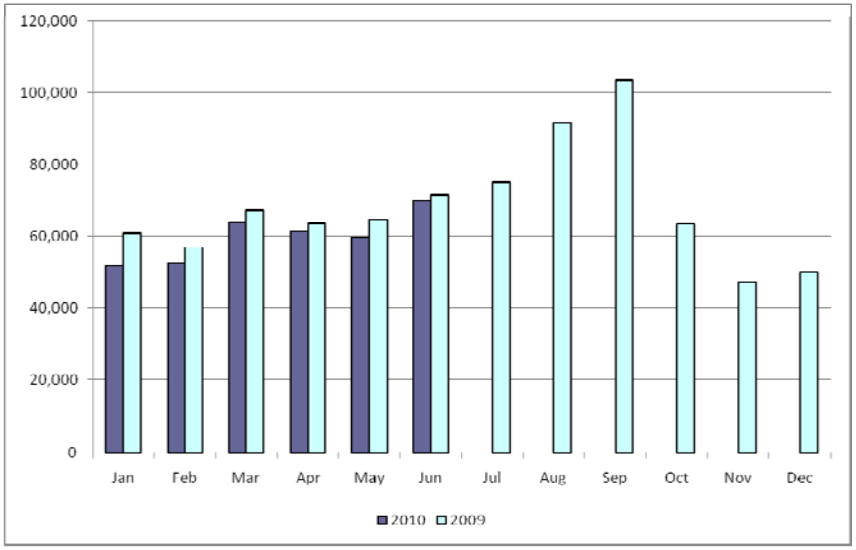
- **Settlements & Billing Performance Measures** – System processing issues caused delays in posting settlement statements on Monday, May 24, 2010. The performance metric dropped to 99.76% YTD for posting timeliness.
- **Energy Services** – Monthly energy volumes for May are slightly higher than the same period last year but YTD volumes are up almost 6% primarily due to weather differences.
- **Capacity Services** – MCPCs are up from a year ago in all capacity services except Responsive Reserve. ERCOT procured a higher volume of Non-Spin due to changes in A/S procurement methodology late last year. In addition, the percent procured for Reg Down is significantly more in 2010 than 2009 due to increased wind. Finally, significantly less OOMC procured in 2010 compared to 2009.
- **Summary Balancing Energy Price Data** – Price by zone is comparable to the same period last year and has remained relatively constant over the last 3 months.
- **Congestion Management** – Local congestion (volumes and costs) are down significantly from the same period last year.
- **REPs and QSEs Added/Terminated**
  - 0 new REP
  - 2 new QSEs
  - 0 terminated REP
  - 0 terminated QSEs

Retail Transactions Summary

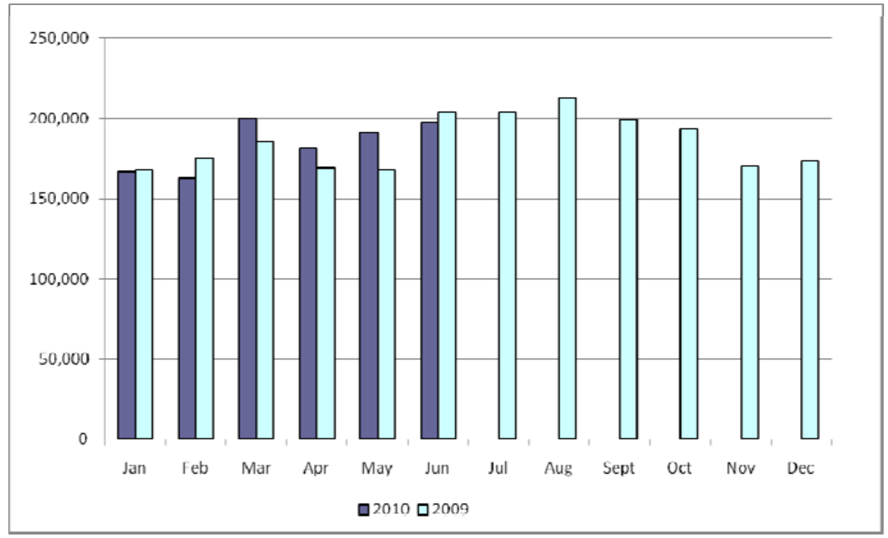
Transaction Type	YTD 06/30/2010	YTD 06/30/2009	June 2010	June 2009
Switches	359,306	384,904	69,871	71,383
Move - Ins	1,099,573	1,070,800	196,968	203,802
Move Out	606,917	607,111	113,207	117,890
CSA (Continuous Service Agreement)	216,573	170,630	39,655	38,842
Mass Transition	0	0	0	0
Total	2,282,369	2,233,445	419,701	431,917
Since June 1, 2001	38,028,755			

Retail Transactions Summary

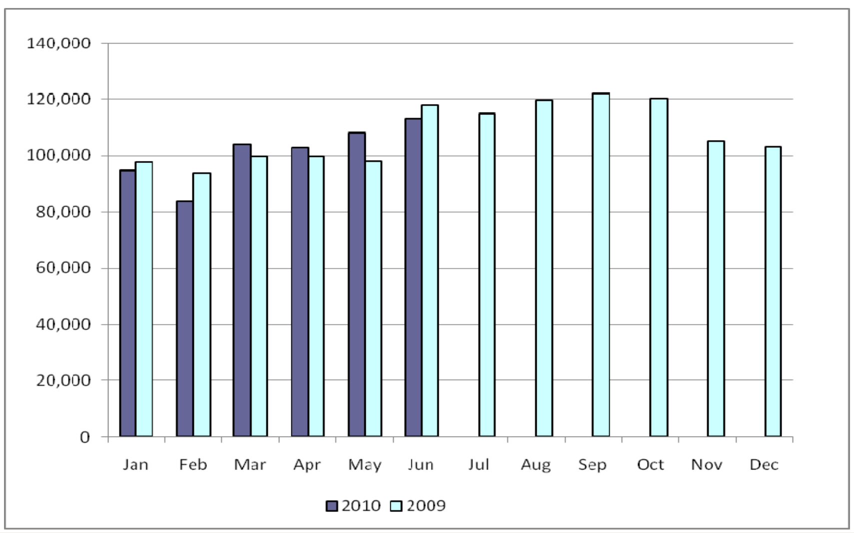
Switches



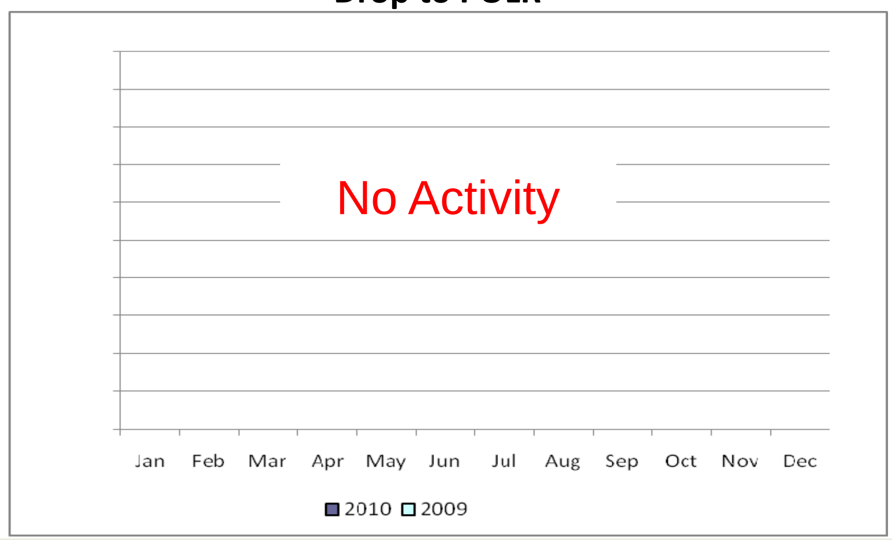
Move-Ins



Move-Outs



Drop to POLR



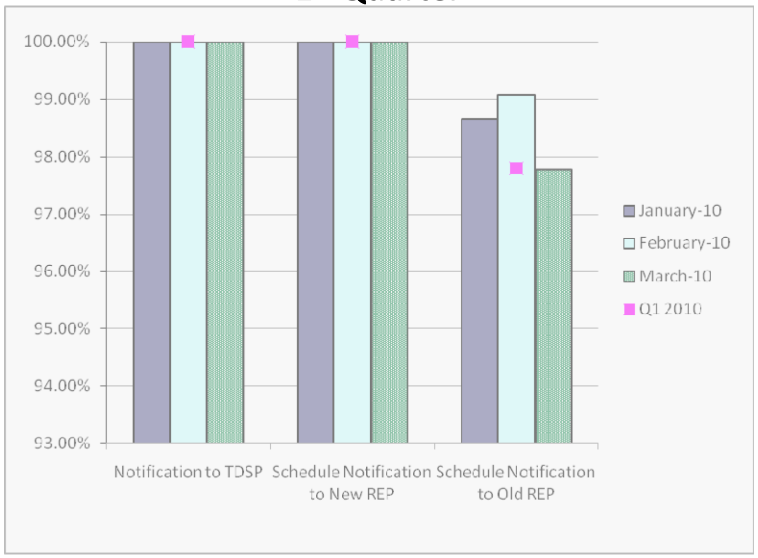
Migration from Native Affiliate REP

	% of Load [1]		% of ESI IDs	
	at 05/31/10	at 05/31/09	at 05/31/10	at 05/31/09
Residential	53%	48%	51%	46%
Small Non-Residential	80%	77%	57%	53%
Large Non-Residential	76%	73%	78%	75%

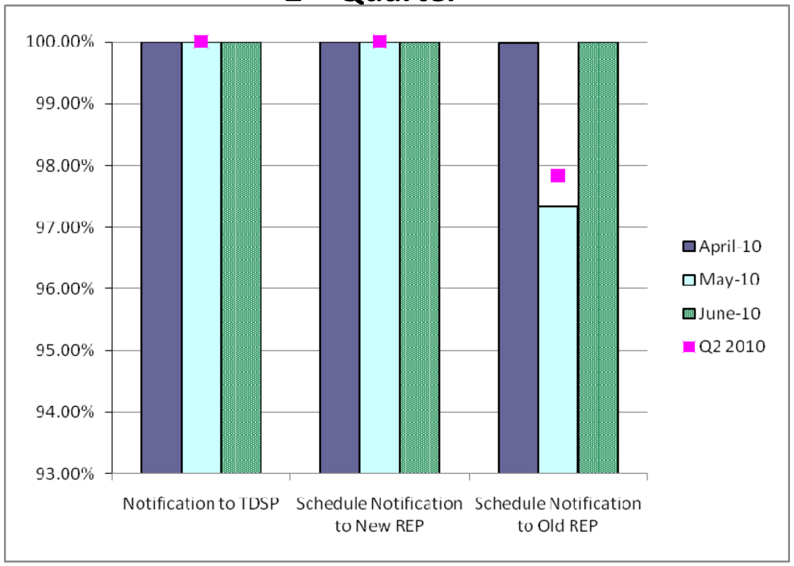
[1] **- Percent of Deregulated (Non-NOIE) ESI IDs and Load. Usage based on monthly settlement results.**

Retail Performance Measures – 2010 Switch

1st Quarter

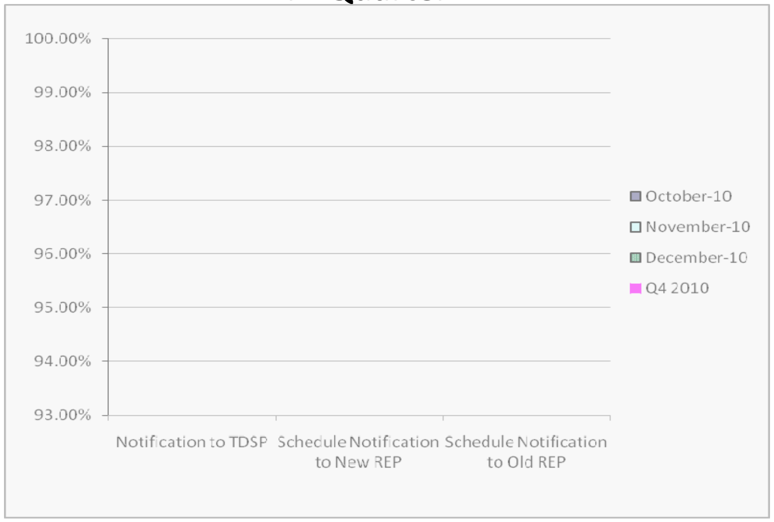


2nd Quarter



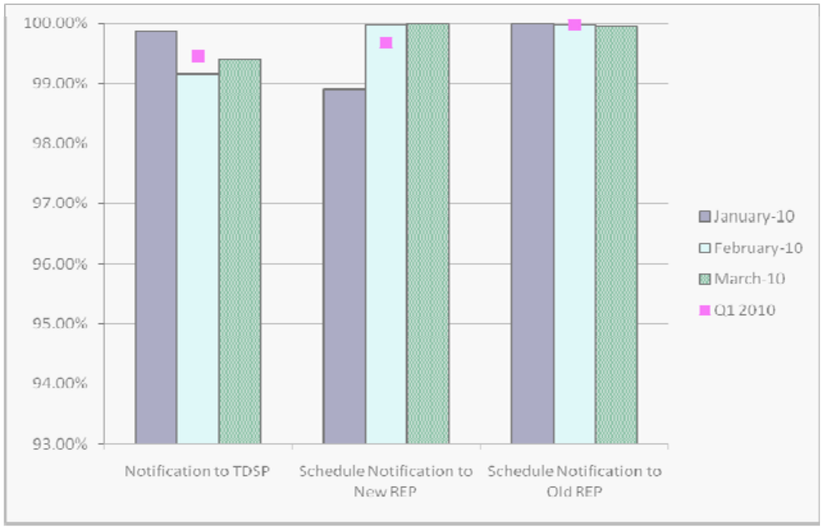
3rd Quarter

4th Quarter

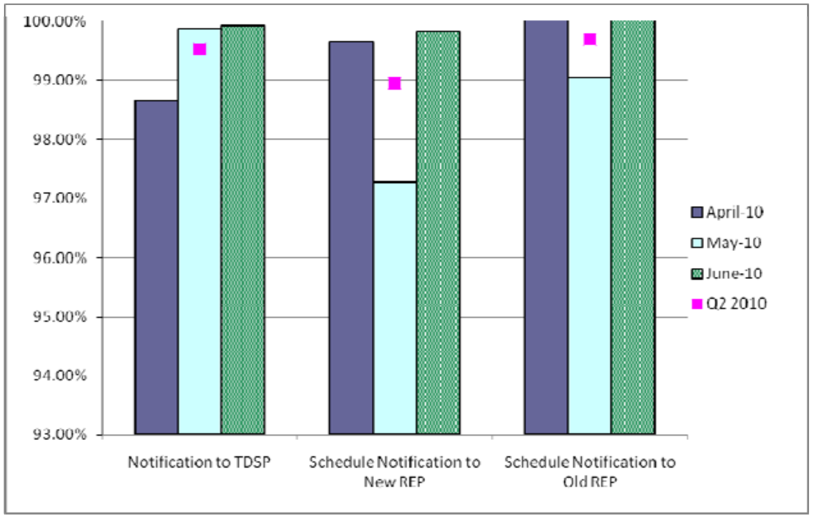


Retail Performance Measures – 2010 Move-In / Priority

1st Quarter



2nd Quarter

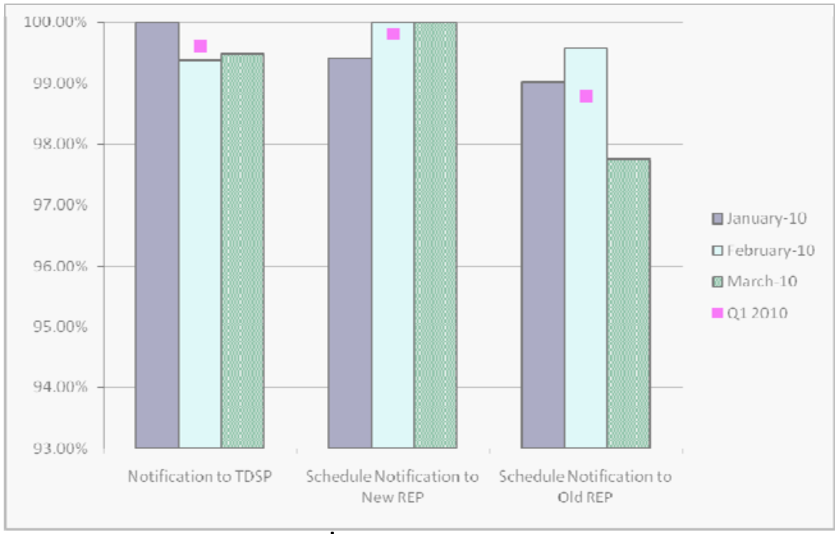


3rd Quarter

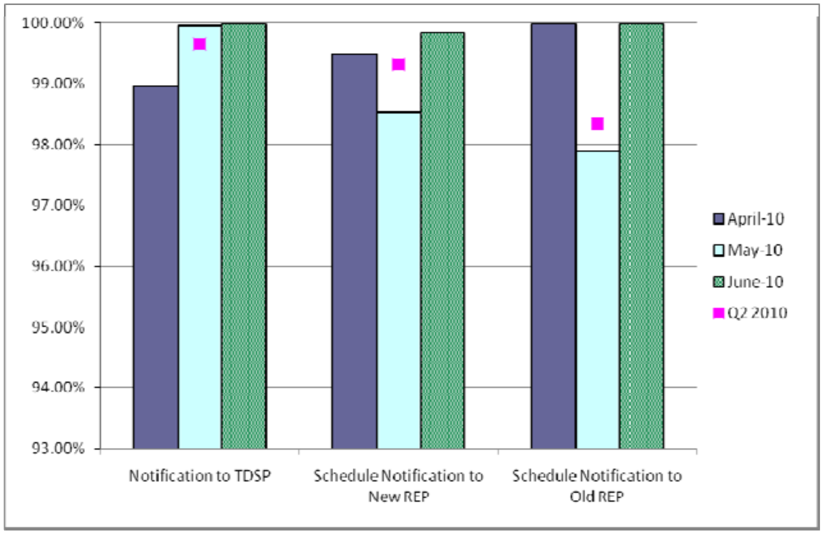
4th Quarter

Retail Performance Measures – 2010 Move-In / Standard

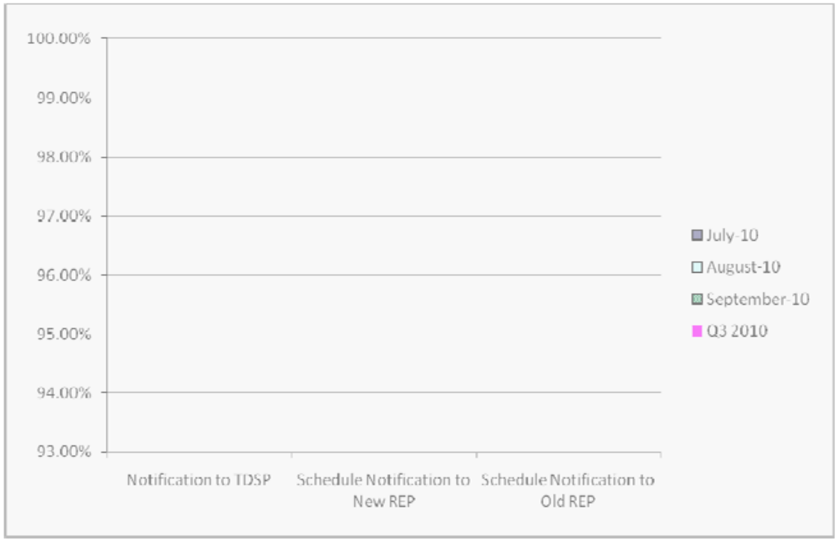
1st Quarter



2nd Quarter



3rd Quarter



4th Quarter

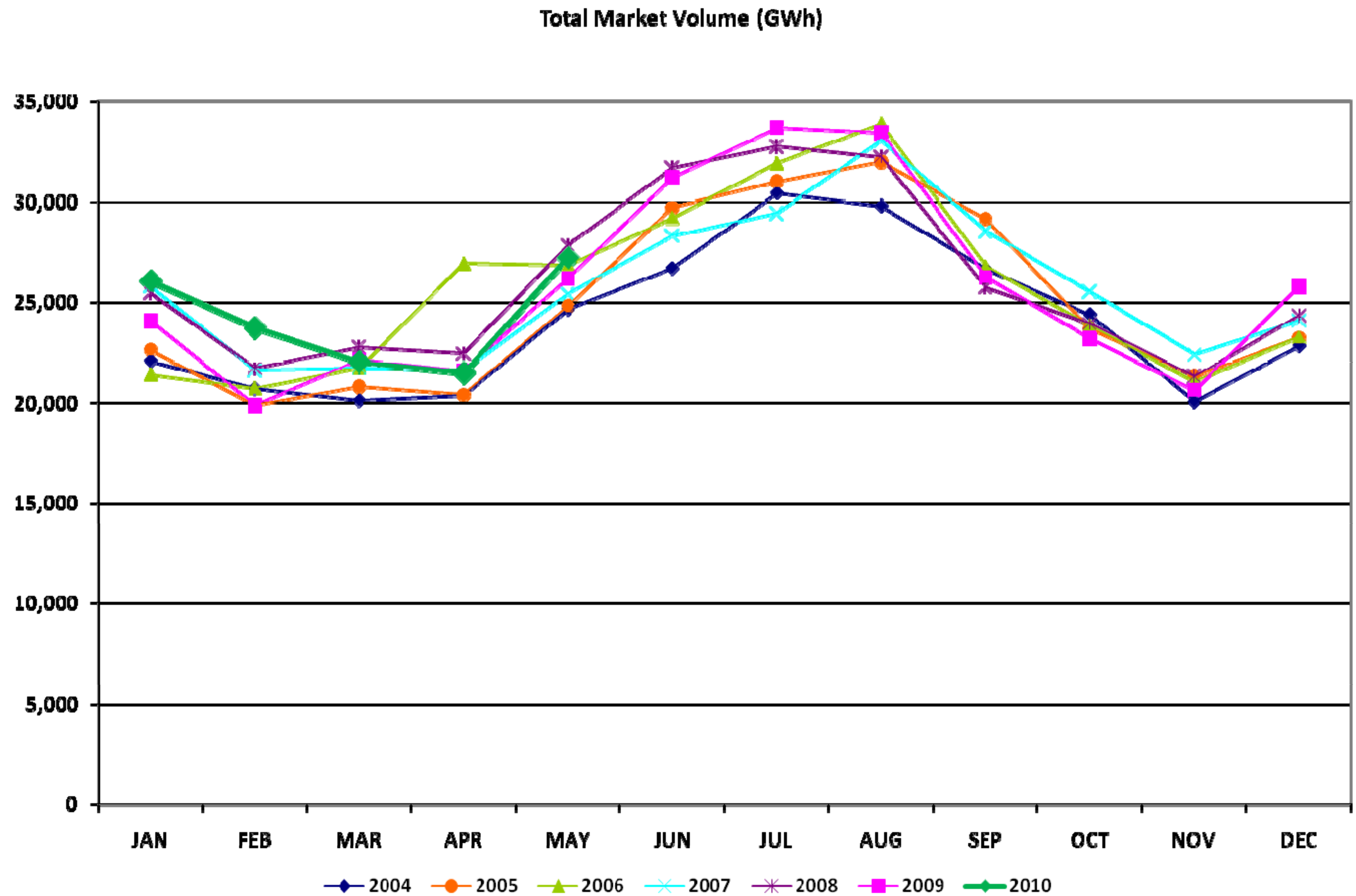
Settlements and Billing Performance Measures – May 2010

	YTD		May	
	05/31/10	05/31/09	2010	2009
Settlement Statements:				
Total	72,889	64,007	14,383	12,749
– Less than 24 hours late	**174**	**109**	**174**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	72,715	63,898	14,209	12,749
% Within Protocol	**99.76%**	**99.83%**	**98.79%**	**100.00%**
Invoices:				
Total	3,989	3,926	785	708
– Less than 24 hours late	**0**	**0**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	3,989	3,926	785	708
% Within Protocol	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Energy Services

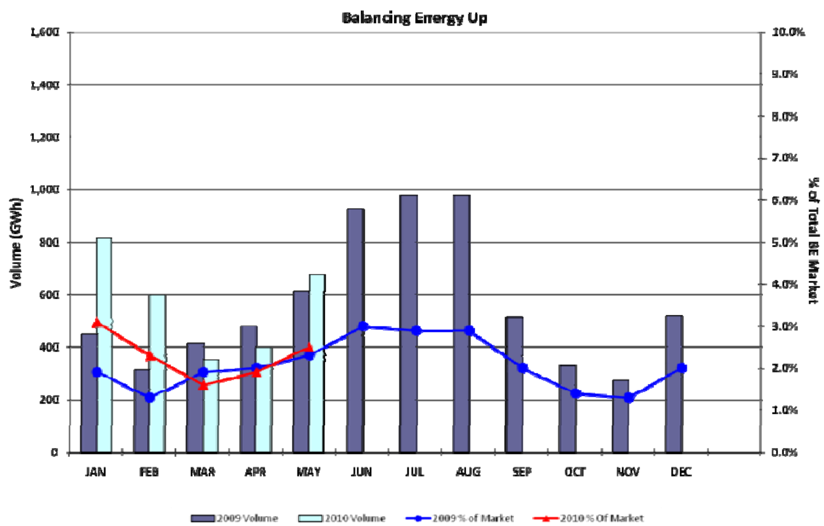
	YTD ($'s in millions)		May ($'s in millions)	
	05/31/10	05/31/09	2010	2009
• **Market Perspective:**				
Approximate Retail Market (at $.11/kWh)	**$13,262.0**	**$12,537.7**	**$2,994.4**	**$2,884.0**
Volume (GWh)	120,565	113,979	27,222	26,218
% Increase	5.8%		3.8%	
Natural Gas Price Index ($/MMBTU)	4.7	3.6	4.1	3.6
% Increase	30.6%		13.9%	
• **Balancing Energy:**				
Balancing Energy - Up	**$171.9**	**$106.6**	**$37.2**	**$30.9**
% Increase	61.3%		20.4%	
Up (GWh)	2,843.5	2,266.9	677.6	612.1
% Increase	25.4%		10.7%	
% of Market	2.4%	2.0%	2.5%	2.3%
Balancing Energy - Down	**-$139.9**	**-$121.7**	**-$34.4**	**-$26.6**
% Increase	15.0%		29.3%	
Down (GWh)	-6,450.5	-7,581.3	-1,159.5	-1,543.8
% Increase	-14.9%		-24.9%	
% of Market	5.4%	6.7%	4.3%	5.9%

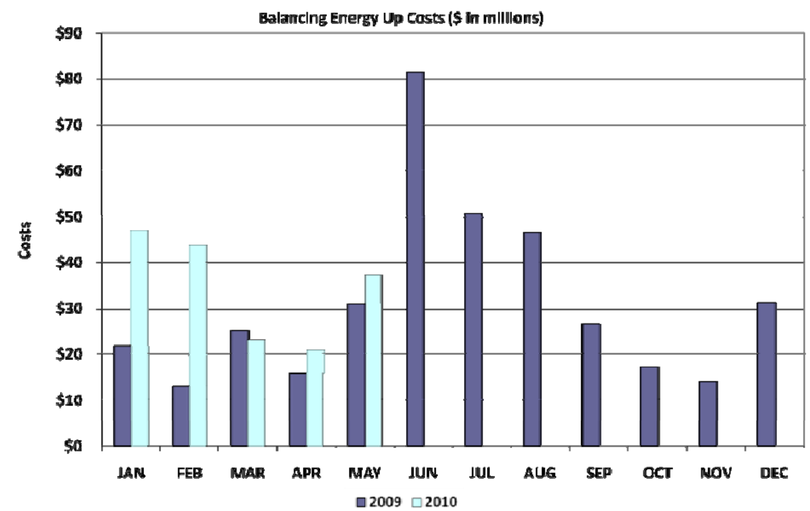
Energy Services

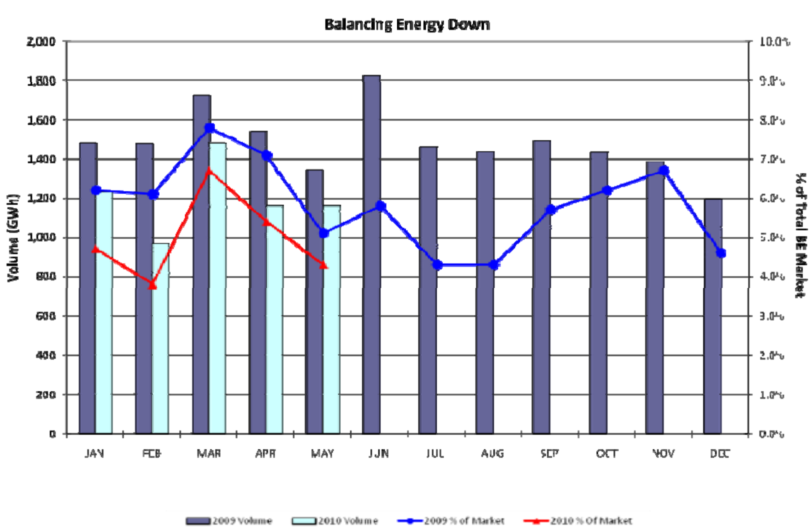


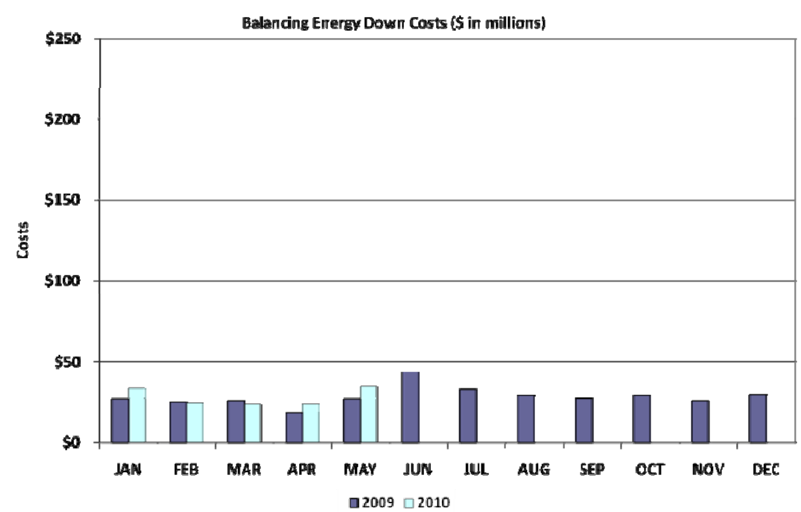
*Please note: June data will be provided at the Board Meeting

Balancing Energy Services – Volume and Cost









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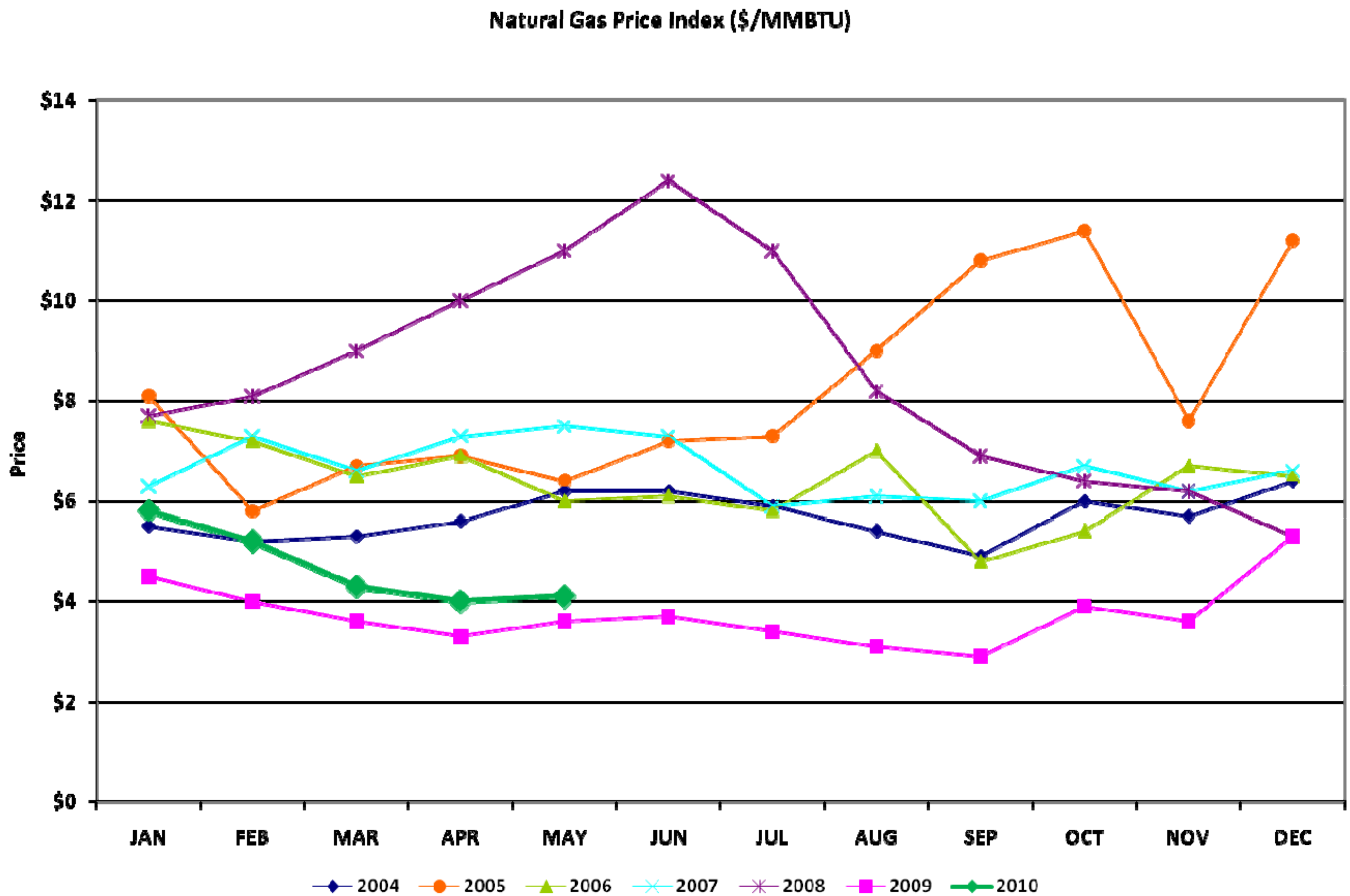
Natural Gas



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Capacity Services

	YTD 05/31/10	YTD 05/31/09	May 2010	May 2009
Reg Up:				
Required (MW)	3,186,370	3,022,094	640,447	640,567
Self Arranged (MW)	618,514	642,725	126,816	131,900
Procured (MW)	2,576,897	2,387,135	515,659	510,420
Mismatch Schedules (MW)	(9,041)	(7,766)	(2,028)	(1,753)
% Procured	***81%***	***79%***	***81%***	***80%***
Weighted Avg MCPC ($/MW)	12.5	10.6	9.0	7.8
Reg Down:				
Required (MW)	3,222,865	2,965,971	680,682	636,180
Self Arranged (MW)	651,054	861,463	138,659	176,314
Procured (MW)	2,580,943	2,112,381	543,806	461,674
Mismatch Schedules (MW)	(9,132)	(7,873)	(1,783)	(1,808)
% Procured	***80%***	***71%***	***80%***	***73%***
Weighted Avg MCPC ($/MW)	12.4	10.3	7.8	6.1
Responsive Reserve:				
Required (MW)	8,322,602	8,323,555	1,708,887	1,709,683
Self Arranged (MW)	3,067,755	3,407,706	650,988	699,085
Procured (MW)	5,265,923	4,924,928	1,060,306	1,012,111
Mismatch Schedules (MW)	(11,076)	(9,079)	(2,407)	(1,513)
% Procured	***63%***	***59%***	***62%***	***59%***
Weighted Avg MCPC ($/MW)	10.0	10.0	7.8	8.0
Non-Spinning Reserve: *				
Required (MW)	6,340,700	4,652,375	1,189,794	900,673
Self Arranged (MW)	998,021	707,116	306,380	136,156
Procured (MW)	5,352,565	3,953,004	885,808	765,572
Mismatch Schedules (MW)	(9,886)	(7,745)	(2,394)	(1,055)
% Procured	***84%***	***85%***	***74%***	***85%***
Weighted Avg MCPC ($/MW)	5.6	3.1	6.0	3.5
Local Replacement Reserve:				
Procured (MW)	26,819	92,698	6,986	39,654
Zonal Replacement Reserve:				
Procured (MW)	46,595	140,521	4,695	77,063
OOMC:				
Procured (MW)	2,700,801	4,179,750	949,385	604,245

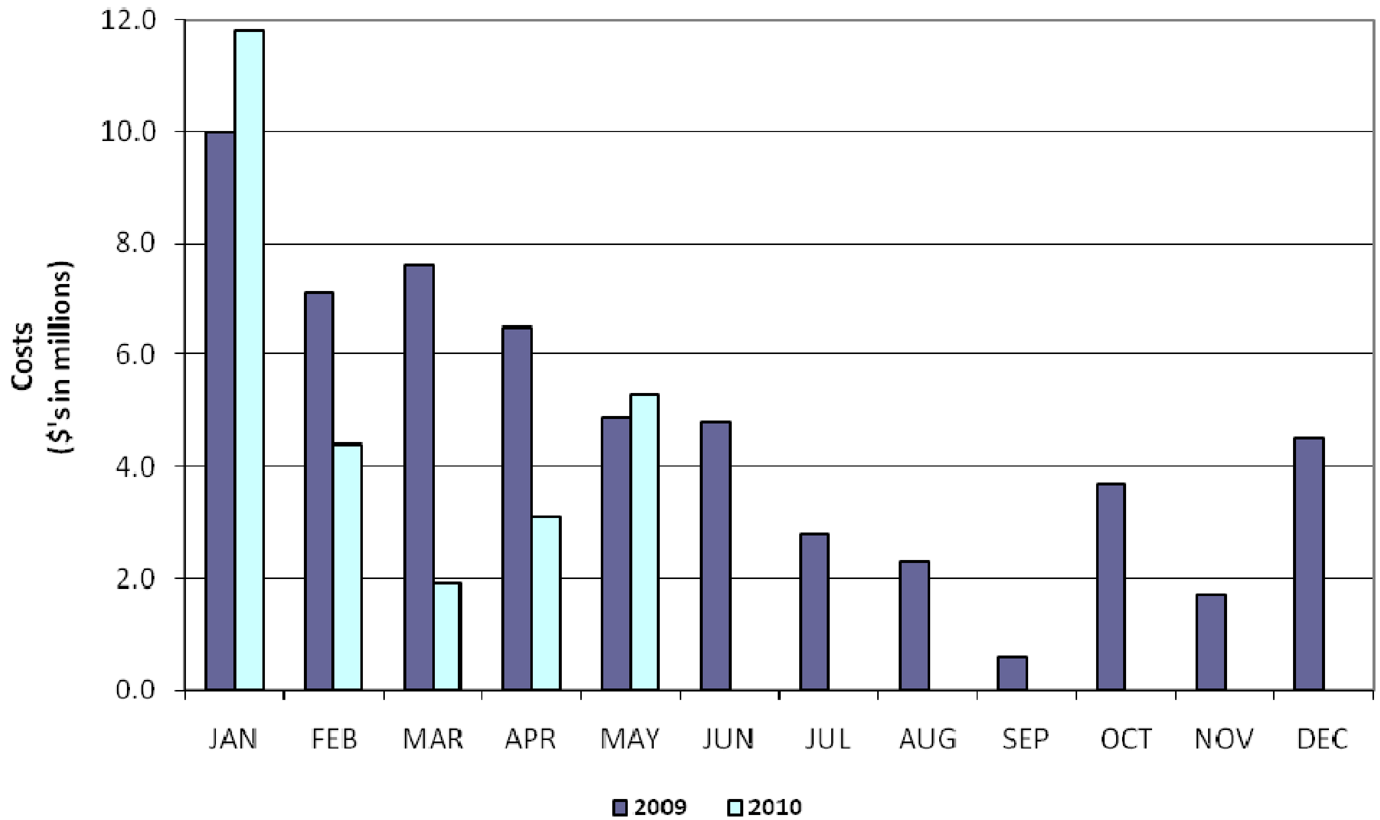
*A/S procurement methodology changed in December 2009

Capacity Services – Cost

	YTD ($'s in millions)		May ($'s in millions)	
	05/31/10	05/31/09	2010	2009
• **Capacity Services:**				
Reg Up	32.1	25.2	4.7	4.0
Reg Down	32.1	21.8	4.2	2.8
Responsive Reserve	52.6	49.2	8.3	8.1
Non-Spinning Reserve*	30.2	12.2	5.3	2.7
Local Replacement Reserve	0.5	1.0	0.1	0.5
Zonal Replacement Reserve	1.9	3.3	0.1	1.5
Black Start	2.4	2.3	0.5	0.5
OOMC	27.4	36.8	5.3	5.0
RMR Capacity and Start Up	$4.9	$0.2	$1.3	$0.2
TOTAL CAPACITY SERVICES	**$184.1**	**$152.0**	**$29.8**	**$25.3**

*A/S procurement methodology changed in December 2009

Capacity Cost – OOMC



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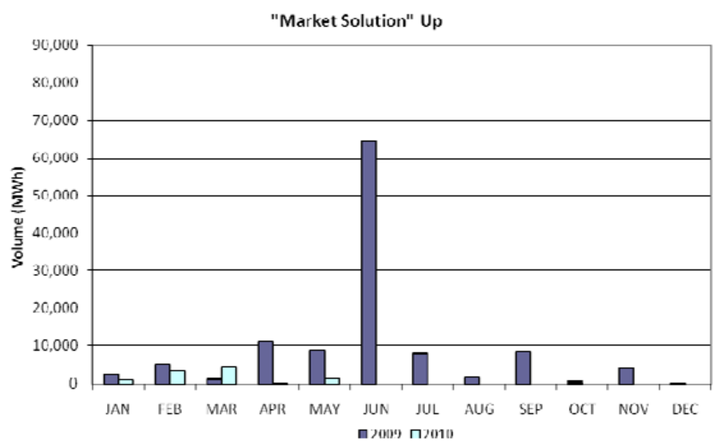
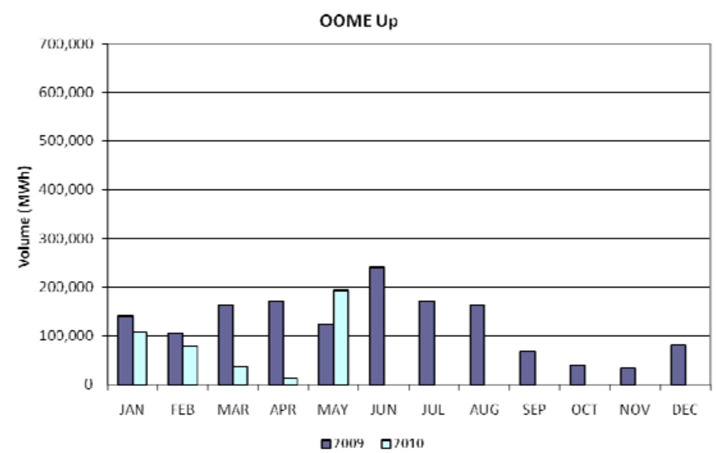
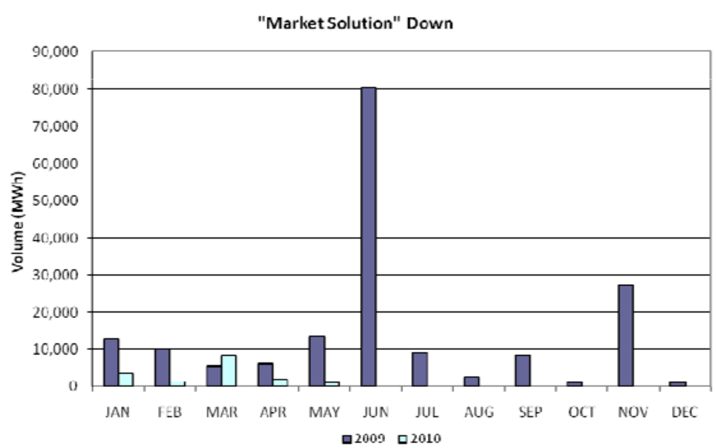
Congestion Management

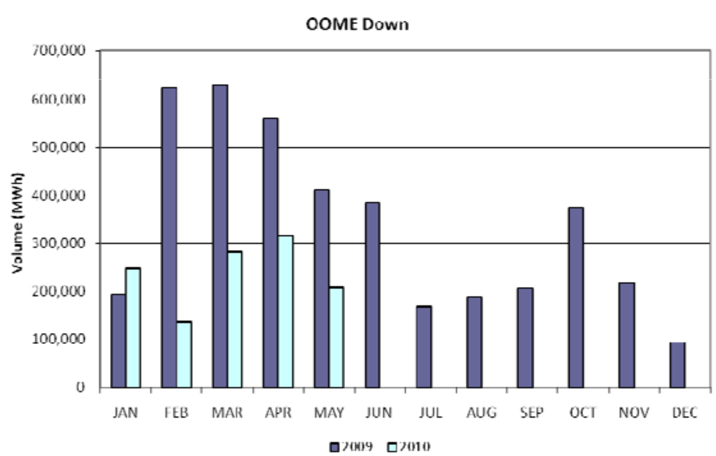
	YTD ($'s in millions)		May ($'s in millions)	
	05/31/10	05/31/09	2010	2009
• **Local Congestion:**				
"Market Solution" Down	0.5	1.3	0.02	0.4
"Market Solution" Up	0.1	0.3	0.01	0.04
OOME - Down	30.6	47.3	7.2	10.2
OOME - Up	8.6	10.3	2.7	1.4
Total Local Congestion Costs	**$39.8**	**$59.2**	**$9.9**	**$12.0**
• **Local Congestion Volume: (units in MWh)**				
"Market Solution" Down	16,141	48,048	1,066	13,441
"Market Solution" Up	9,655	28,031	1,142	8,741
OOME - Down	1,192,814	2,418,793	208,408	410,185
OOME - Up	428,029	702,975	192,274	123,922
Total Local Congestion Volume	**1,646,639**	**3,197,846**	**402,890**	**556,287**
• **Zonal Congestion and TCR / PCR:**				
TCR / PCR Annual Auction Proceeds received from Holders	($20.1)	($38.7)	($4.7)	($8.9)
TCR Monthly Auction Proceeds received from TCR Holders	($31.2)	($39.3)	($7.9)	($4.4)
Direct Assignment Proceeds received from QSEs based on schedules	($0.8)	($5.2)	($0.7)	($1.6)
Proceeds Paid to TCR / PCR Holders including Auction Refunds	$45.0	$81.8	$5.5	$10.0
Total Zonal Congestion and TCR / PCR Costs Uplift	**($7.1)**	**($1.4)**	**($7.8)**	**($4.9)**

Local Congestion Volume









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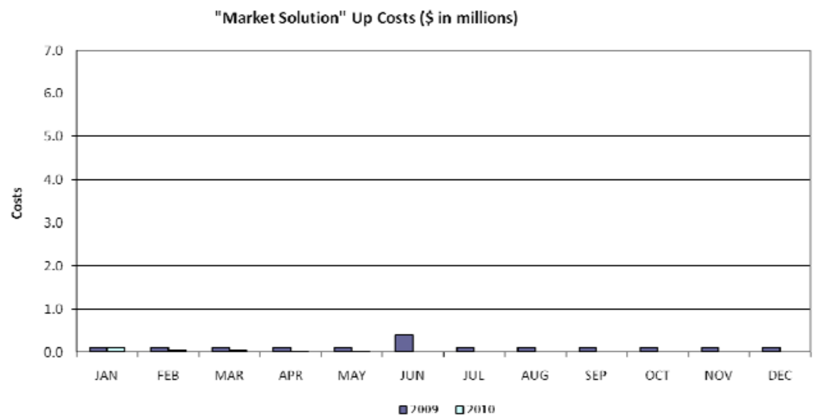
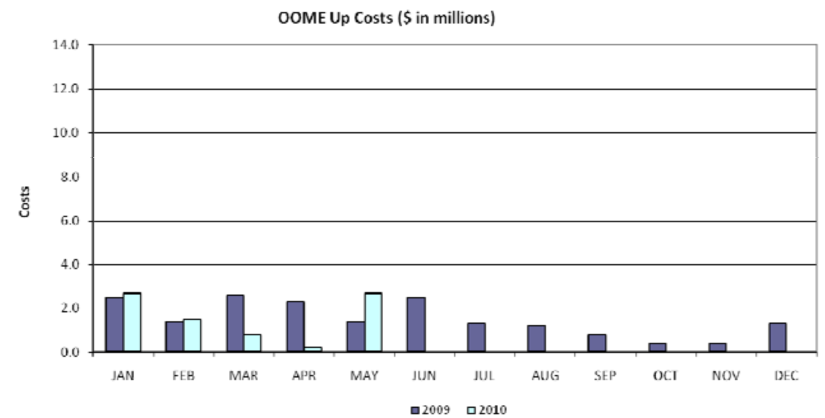
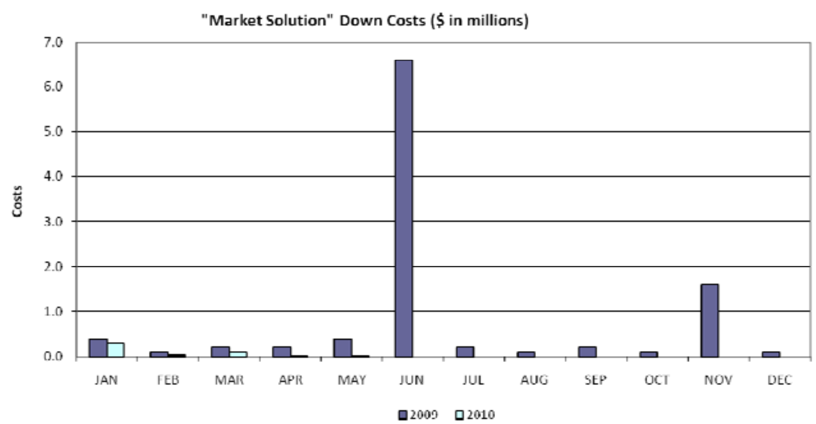
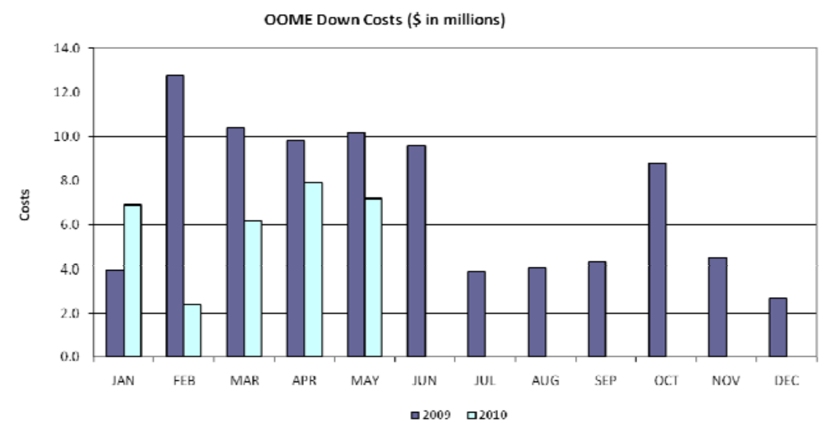
Local Congestion Costs









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Load Zone Price Data

Total Load Weighted Average Price ($/MWH)*

[MCPE weighted by Total Zonal Load]

LOAD ZONE	May 2010	Apr 2010	Mar 2010	Feb 2010	Jan 2010
South	$35.50	$32.54	$33.43	$47.56	$44.43
North	$35.54	$32.96	$34.22	$47.57	$42.96
Houston	$35.61	$32.65	$32.81	$46.65	$42.75
West	$30.39	$24.42	$23.17	$40.28	$39.19

LOAD ZONE	May 2009	Apr 2009	Mar 2009	Feb 2009	Jan 2009
South	$32.97	$24.27	$26.35	$27.27	$34.69
North	$32.99	$24.82	$32.21	$27.89	$32.31
Houston	$32.70	$24.58	$29.11	$27.19	$32.78
West	$24.57	$12.93	$25.70	$19.93	$24.04

Represents the average price for loads within the zone

***Please note: June data will be provided at the Board Meeting**

REPs and QSEs Added/Terminated – as of June 30, 2010

- **Added REPs**
  - ✓ None
- **Added QSEs**
  - ✓ Cargill Power Markets, LLC (SQ1)
  - ✓ SESCO Southwest Trading, LLC
- **Terminated REPs**
  - ✓ None
- **Terminated QSEs**
  - ✓ None

Questions?