



CEO UPDATE

August 17, 2010

Trip Doggett
President & CEO

Grid Operations

New Peak Demand Record

- 63,594 MW on Aug 4, 2010 (4-5 p.m.)
- Previous peak was 63,400 MW in 2009
- Peak demand occurred during a 24-hour test of Nodal systems

Change in Operating Procedure

- Will utilize responsive reserves when regulation-up is exhausted and system frequency is below 60 Hz
- Will OOM down QSEs with positive Schedule Control Error when regulation-down is exhausted and system frequency is above 60 Hz
- Intended to reduce occurrence of fleet OOMEs

Grid Operations

Successful: Nodal 5-Hour System Reliability and Market Test

- Two transmission constraints reliably managed
- No system problems
- Frequency control met standards, ERCOT seeks to improve performance
- Fix for Shift Factor issue found during previous test performed to expectations

Successful: Nodal 24-Hour System Reliability and Market Test

- Continue to experience telemetry quality issues, primarily from QSEs.
- Continue to see Resources not following their Nodal Base Points.

CRR Model Issues

- Siemens continues to address missing Outages in CRR Model
- ERCOT confirmed that a manual workaround is available, if necessary.

NMMS Performance

- Siemens continues to work on performance improvements in NMMS
- Application remains stable
- Navigation within the application has improved
- Validation performance continues to be an issue. Working with Siemens to resolve.

Network Modeling

- ERCOT working to resolve issues raised by TSPs regarding business processes for updating the nodal network model.

Go-Live: Congestion Revenue Rights, Outage Scheduler

- TAC and ERCOT Management approved commencement
- Both resolutions presented for final Board approval today

168-Hour Test

- Plan and format of the 168 hour test will be presented today

Day-Ahead Market

- ERCOT and MPs participated in “deep dive” on Day-Ahead Market results (as observed from tests) at technical workshop
- NPRR 206 is now effective in Market Trials. Loaded “e” Factors for the DAM run on August 9.

Market Operations

Nodal SAS70 Readiness

- Internal Audit to begin testing some nodal controls

Information Lifecycle Management

- 66.5 TB of storage have been recovered to date

Resettlement

- Completed resettlement of 6/23 operating day (8-hour LFC test) to reflect no congestion across load zones

YTD Budget vs. Actual Performance: \$8.3 Million Favorable

Plus \$3.4 Million recovery from The Reserve (one-time event)

Revenue

\$0.5 Million favorable System Administration Fee

Expenses

\$ 5.0 Million favorable in Salary & Benefits

\$2.1 Million favorable in Interest Expense

\$1.0 Million favorable in Outside Services

\$0.7 Million favorable in Facility and Other

\$0.5 Million favorable in Protocol Services

\$1.5 Million unfavorable in Revenue-Funded Projects

Year-End Performance Forecast : \$5.9 Million Favorable

Plus \$3.4 Million recovery from The Reserve (one-time event)

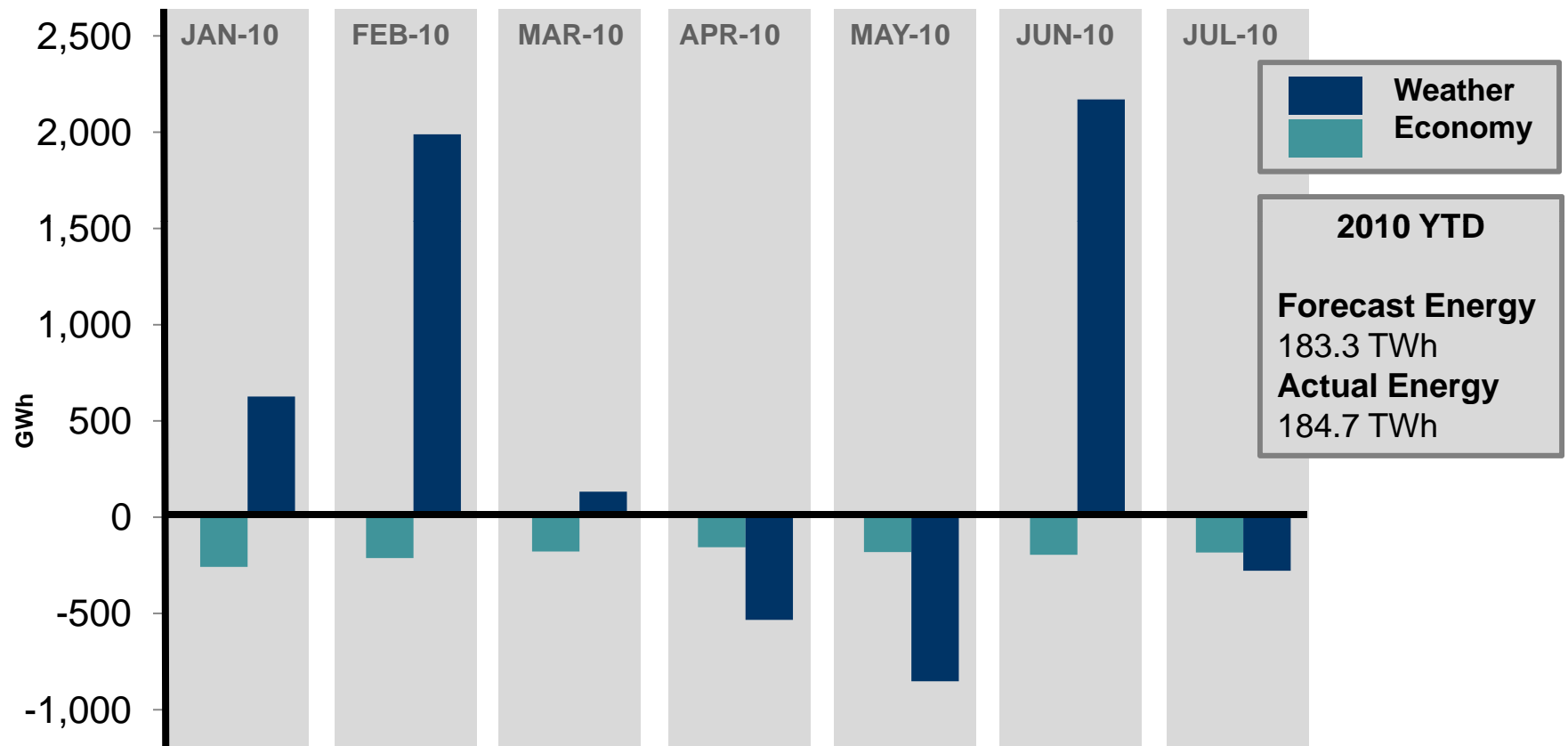
Revenue

- \$1.1 Million favorable Other Revenue
- \$1.4 Million unfavorable System Admin. Fee variance
- \$0.3 Million unfavorable Generation Interconnection

Expenses

- \$3.6 Million favorable Salary & Benefits
- \$3.0 Million favorable Interest Expense
- \$0.7 Million favorable Protocol Services
- \$0.9 Million unfavorable Outside Services

Impact of Economy & Weather on Load Forecast Error*



*COMPARISON BASED ON NEW LOAD FORECASTING MODEL

Load Forecast Accuracy

JUN-10

**Mean Absolute
Percent Error** 1.4%

Actual: 31,782 GWh

Forecast: 31,329 GWh

JUL-10

**Mean Absolute
Percent Error** 3.8%

Actual: 32,398 GWh

Forecast: 31,161 GWh

$$\text{Mean Absolute Percent Error} = \text{Absolute value of } \left(\frac{\text{Actual} - \text{Forecast}}{\text{Forecast}} \right)$$

Compliance

Copper Theft Summit

- Jim Brenton facilitated
- Sponsored by ERCOT/PUCT, 40+ attendees
- Utility security and operations experts, law enforcement professionals, Fed. government officials, PUCT
- Plans to sponsor ERCOT Copper Theft Task Force

Audit Results: 2010 TRE/NERC/FERC Audit

- Audit of ERCOT Operations and Planning Standards (693), Critical Infrastructure Protection Standards(CIP)
- O&P Standards were deemed Fully Compliant
- CIP audit found no operational issues with ERCOT's cyber or physical security program

Bastrop Control Center and Taylor Data Center Update

- Building system integration tests in progress
- Both projects ahead of schedule and below budget
- Two of four RFP's issued for data center equipment

Bastrop Control Center – July 28th, 2010



Bastrop Control Room – July 28th, 2010



Taylor (TCC3) Entrance – July 29th, 2010



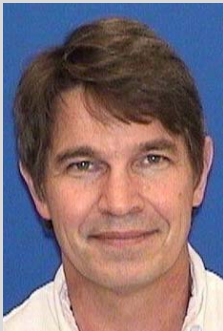
TCC3 Battery Room – July 29th, 2010



Recognition

ERCOT Technical Principals

JOHN ADAMS



**Grid
Operations**

14.5 years
ERCOT

29 years
*Industry
Experience*

JIM BRENTON



**Cyber
Security**

5 Years
ERCOT

30 years
*Industry
Experience*

STEVE MYERS



**Operating
Standards**

14.5 years
ERCOT

37 years
*Industry
Experience*

SAI MOORTY



**Enterprise
Architecture**

7.5 years
ERCOT

22 years
*Industry
Experience*

KEN RAGSDALE



**Market Design
& Analysis**

10 years
ERCOT

26 years
*Industry
Experience*