Market Operations Presentation

ERCOT Board of Directors

September 21, 2010

Betty Day

Summary

Retail Activity

- **Overall Activity** – Switching activity has slowed from a year ago. Activity tends to increase as the summer months end.
- **Migration From Native AREPs** – Continued migration of customers from the affiliate REP.
- **Transaction Performance Measures** – Very strong performance in August.

Wholesale Activity

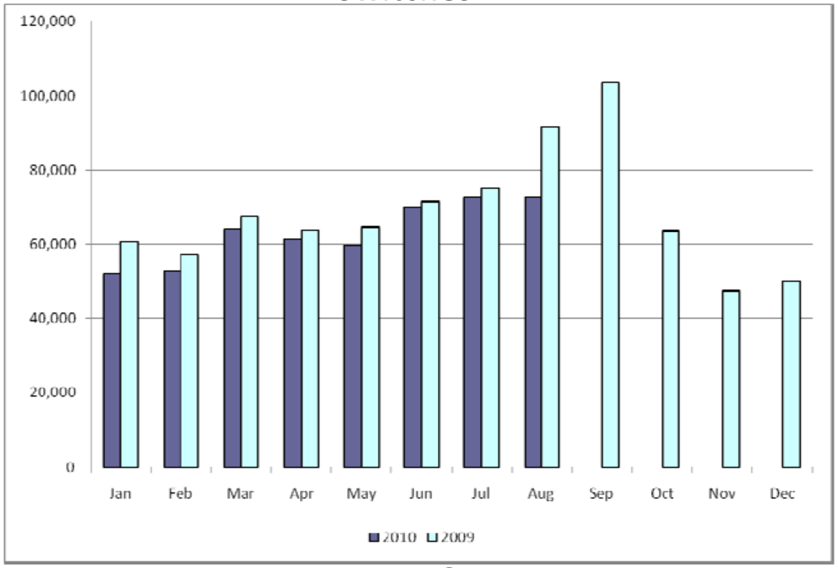
- **Settlements & Billing Performance Measures** – Perfect performance in July.
- **Energy Services** – July volumes down 4% in 2010 compared to 2009. Natural gas prices have remained fairly constant.
- **Capacity Services** – OOMC continues to be higher in 2010 compared to 2009 due to voltage stability in the DFW area.
- **Summary Balancing Energy Price Data** – Load zone price data has remained fairly constant through the summer months. No major congestion issues to cause significant price separation.
- **Congestion Management** – Local congestion (volumes and costs) are down significantly from the same period last year.
- **REPs and QSEs Added/Terminated**
  - 2 new REPs
  - 2 new QSEs
  - 0 terminated REPs
  - 0 terminated QSEs

Retail Transactions Summary

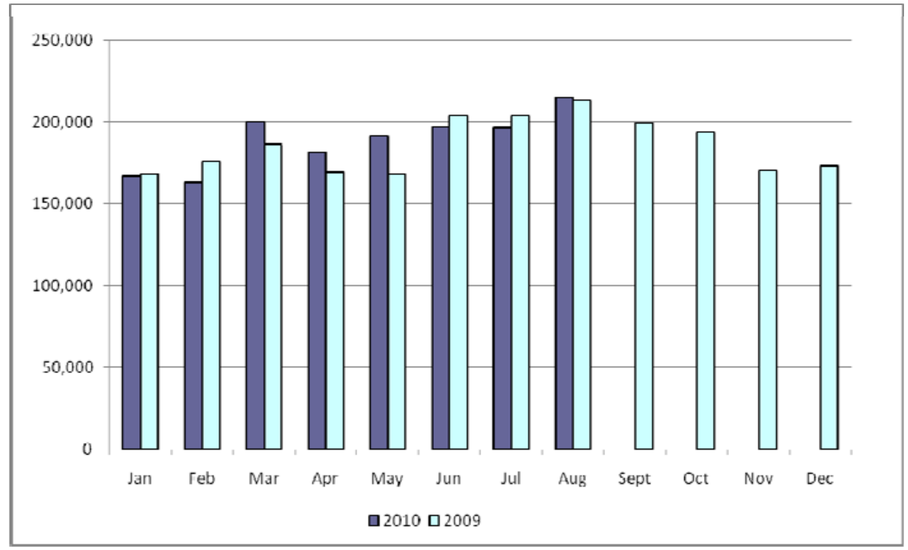
Transaction Type	YTD 08/31/2010	YTD 08/31/2009	July 2010	July 2009
Switches	504,514	551,564	72,770	91,632
Move - Ins	1,511,060	1,487,720	214,907	212,802
Move Out	829,563	841,514	111,305	119,613
CSA (Continuous Service Agreement)	280,088	236,937	28,158	42,440
Mass Transition	0	0	0	0
Total	3,125,225	3,117,735	427,140	466,487
Since June 1, 2001	38,871,611			

Retail Transactions Summary

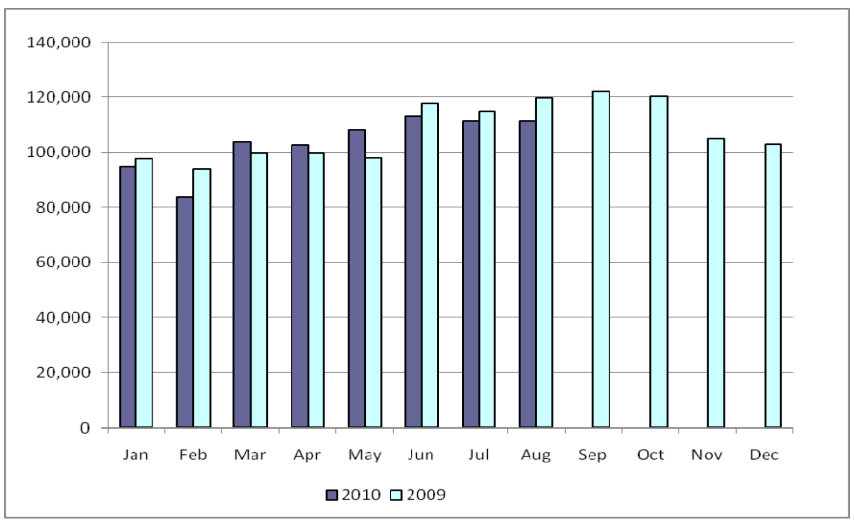
Switches



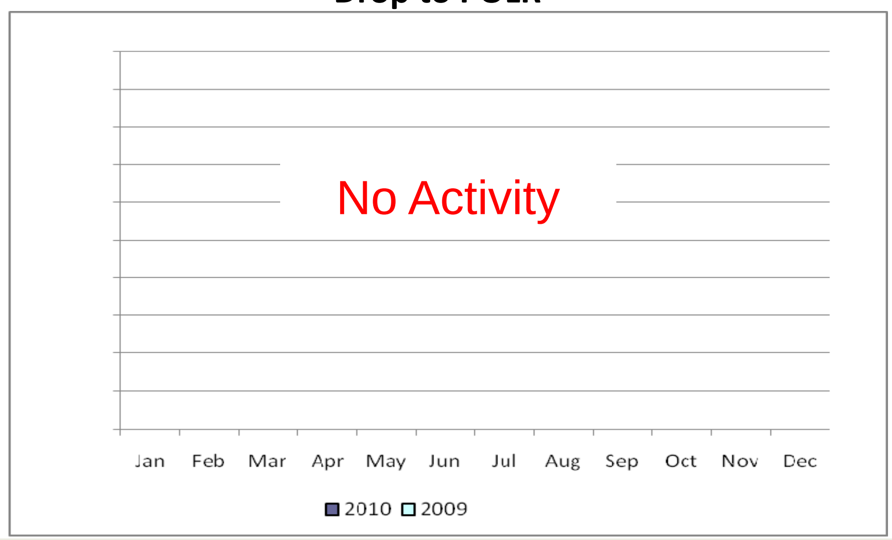
Move-Ins



Move-Outs



Drop to POLR



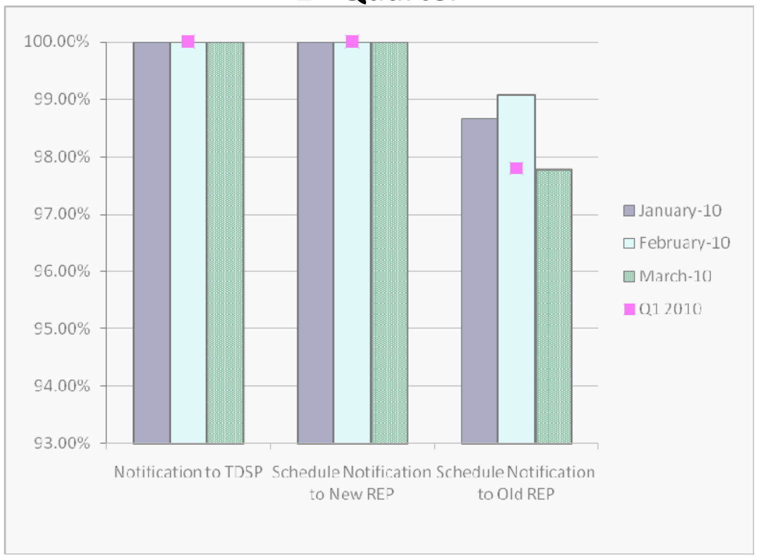
Migration from Native Affiliate REP

	% of Load [1] at 07/31/10	% of Load [1] at 07/31/09	% of ESI IDs at 07/31/10	% of ESI IDs at 07/31/09
Residential	52%	48%	51%	47%
Small Non-Residential	79%	77%	58%	54%
Large Non-Residential	76%	75%	78%	77%

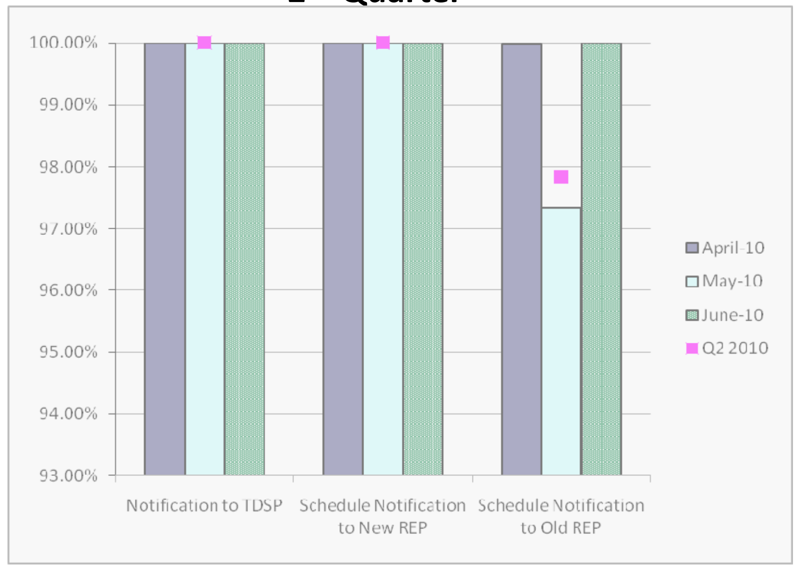
[1] - Percent of Deregulated (Non-NOIE) ESI IDs and Load. Usage based on monthly settlement results.

Retail Performance Measures – 2010 Switch

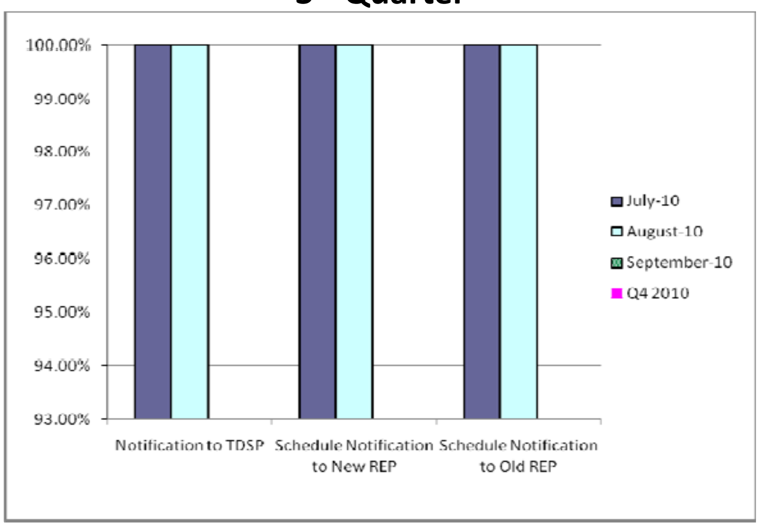
1st Quarter



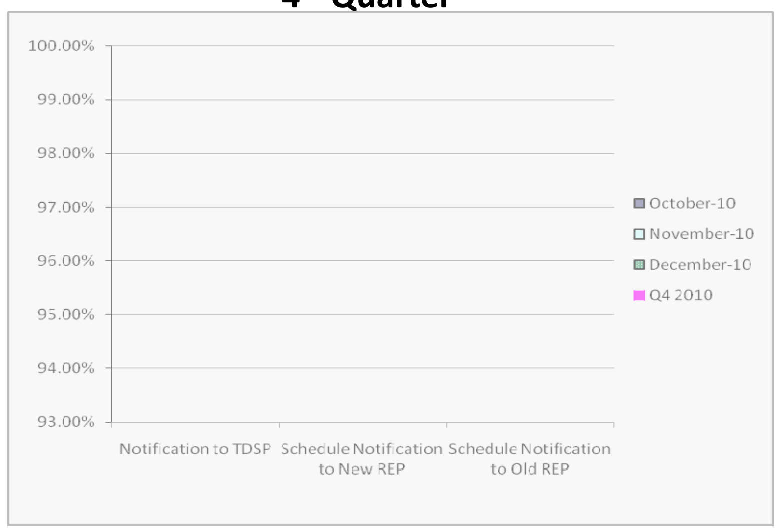
2nd Quarter



3rd Quarter

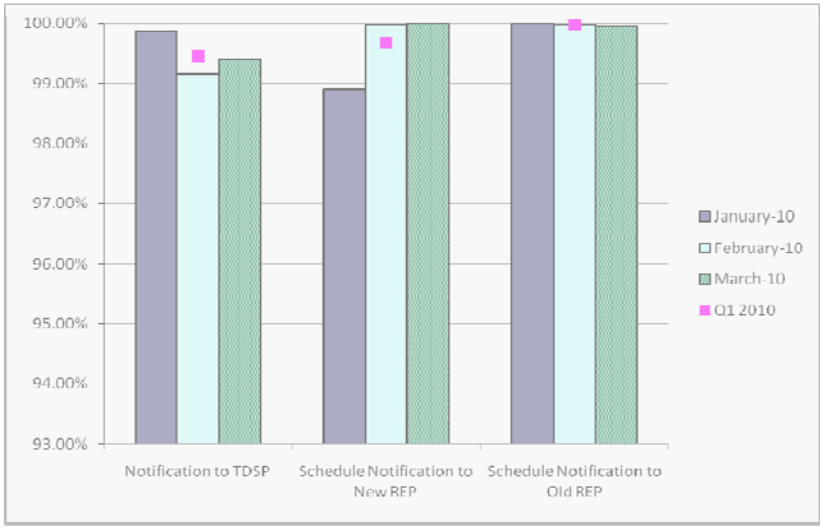


4th Quarter



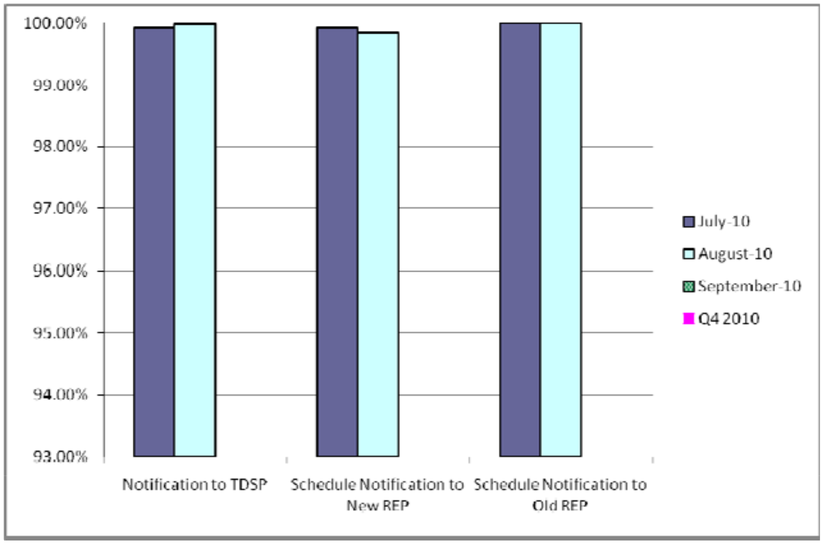
Retail Performance Measures – 2010 Move-In / Priority

1st Quarter



2nd Quarter

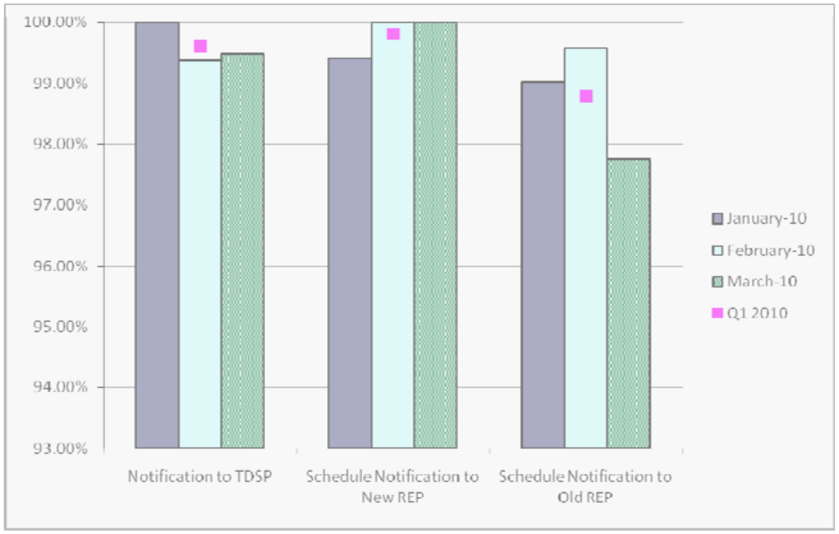
3rd Quarter



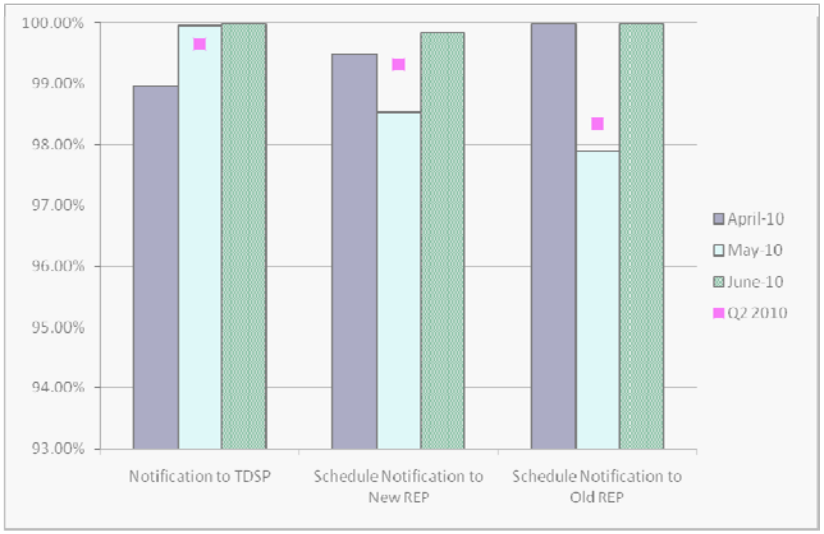
4th Quarter

Retail Performance Measures – 2010 Move-In / Standard

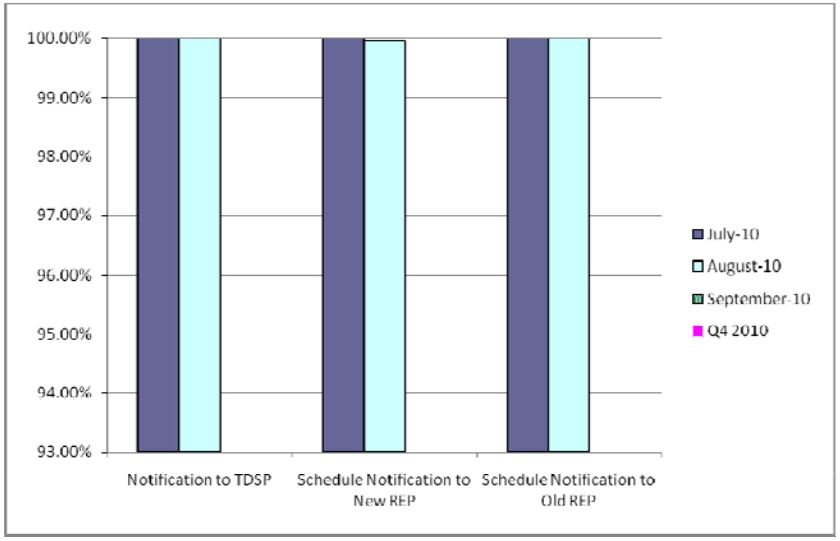
1st Quarter



2nd Quarter



3rd Quarter



4th Quarter

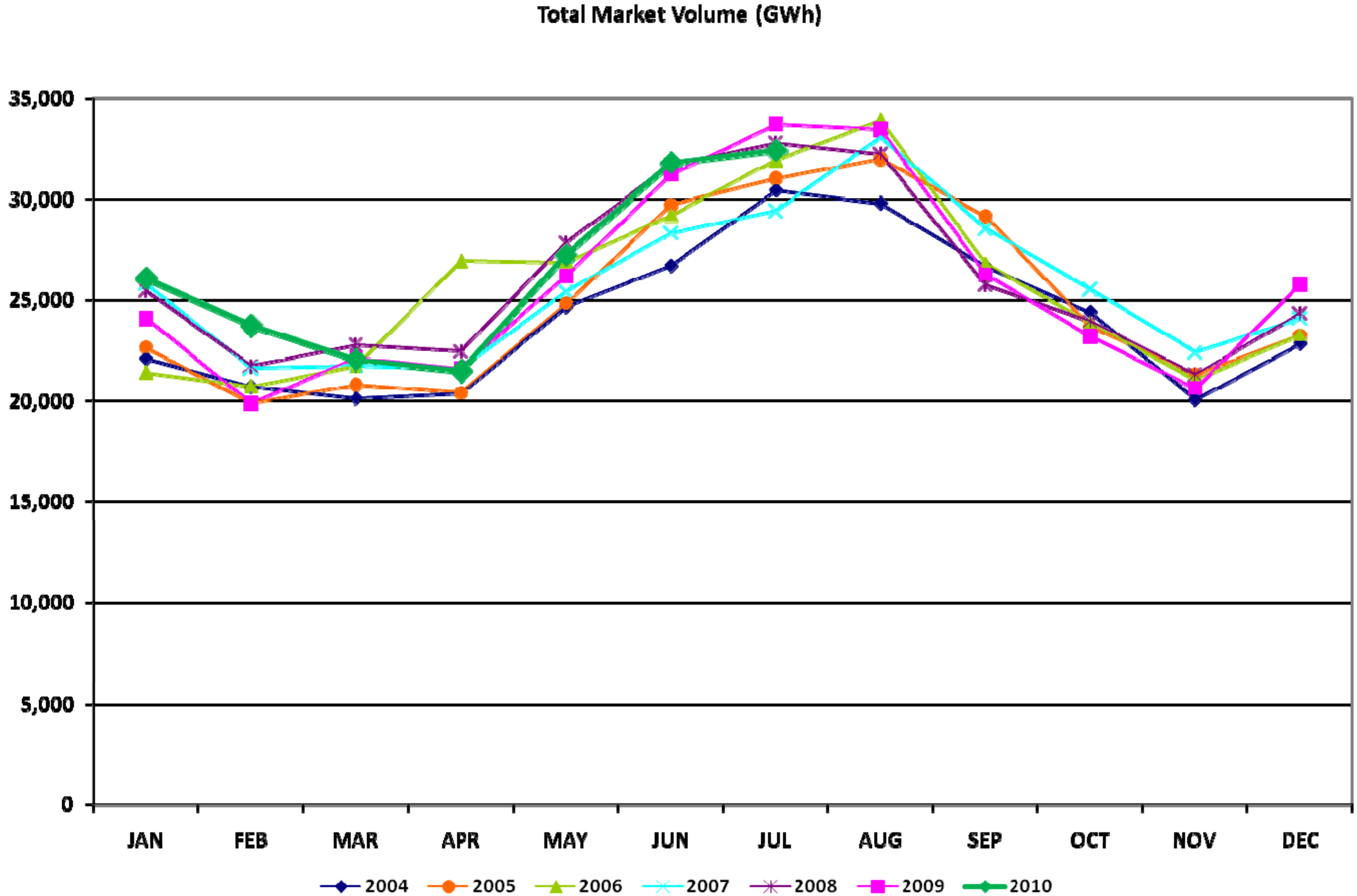
Settlements and Billing Performance Measures – July 2010

	YTD		July	
	07/31/10	07/31/09	2010	2009
Settlement Statements:				
Total	104,677	92,908	15,259	14,407
– Less than 24 hours late	**174**	**109**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	104,503	92,799	15,259	14,407
% Within Protocol	**99.83%**	**99.88%**	**100.00%**	**100.00%**
Invoices:				
Total	5,756	5,551	981	896
– Less than 24 hours late	**0**	**0**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	5,756	5,551	981	896
% Within Protocol	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Energy Services

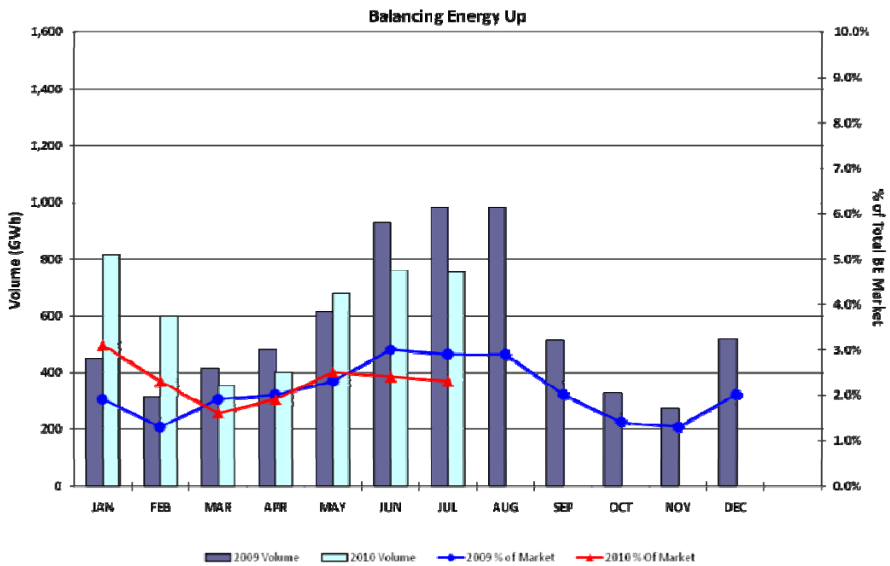
	YTD ($'s in millions) 07/31/10	YTD ($'s in millions) 07/31/09	July ($'s in millions) 2010	July ($'s in millions) 2009
• **Market Perspective:**				
Approximate Retail Market (at $.11/kWh)	**$20,322.0**	**$19,683.1**	**$3,563.8**	**$3,710.0**
Volume (GWh)	184,745	178,937	32,398	33,727
% Increase	3.2%		-3.9%	
Natural Gas Price Index ($/MMBTU)	4.7	3.6	4.5	3.4
% Increase	30.6%		32.4%	
• **Balancing Energy:**				
Balancing Energy - Up	**$264.2**	**$238.5**	**$44.0**	**$50.7**
% Increase	10.8%		-13.2%	
Up (GWh)	4,355.9	4,173.3	752.8	979.5
% Increase	4.4%		-23.1%	
% of Market	2.4%	2.3%	2.3%	2.9%
Balancing Energy - Down	**-$213.1**	**-$198.5**	**-$37.4**	**-$32.8**
% Increase	7.4%		14.0%	
Down (GWh)	-9,069.2	-10,867.2	-1,279.8	-1,462.6
% Increase	-16.5%		-12.5%	
% of Market	4.9%	6.1%	4.0%	4.3%

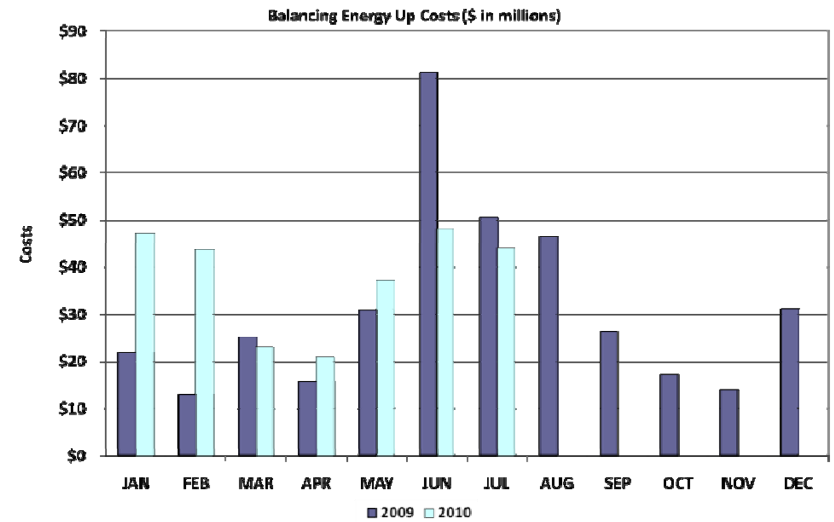
Energy Services

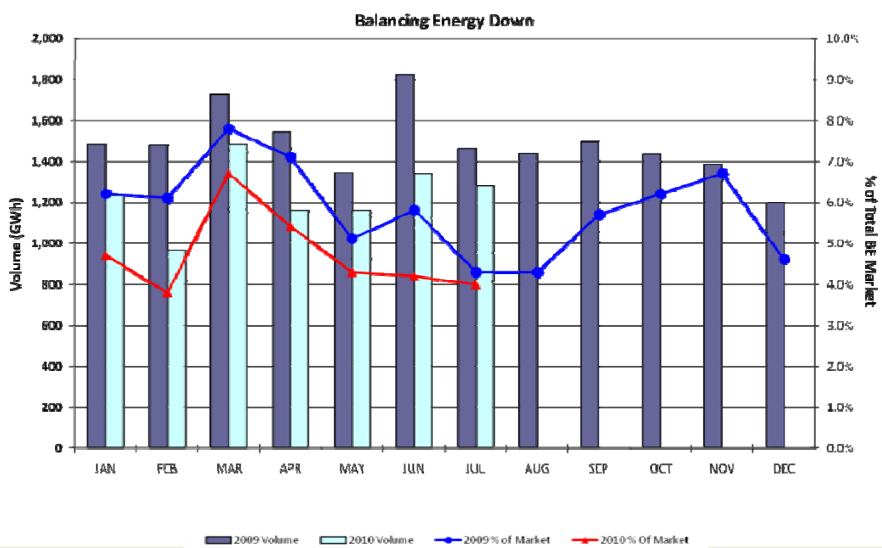


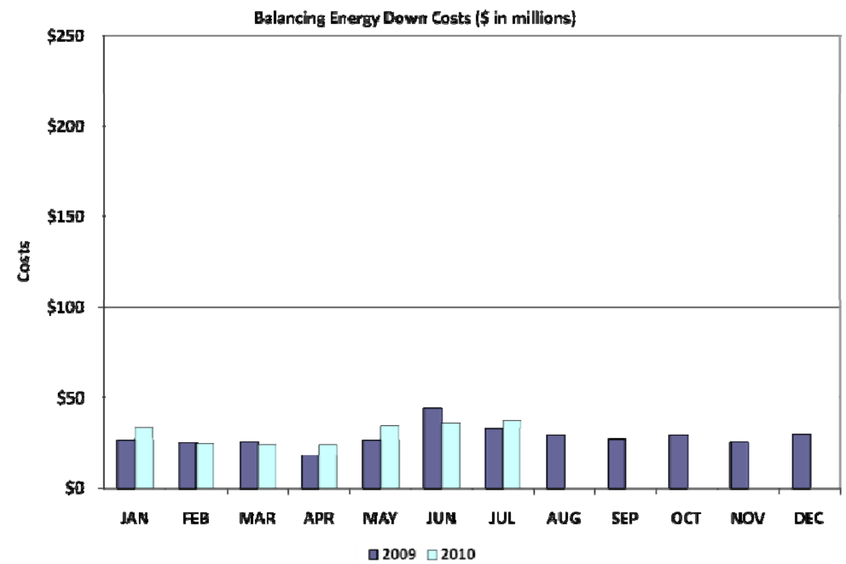
***Please note: August data will be provided at the Board Meeting**

Balancing Energy Services – Volume and Cost









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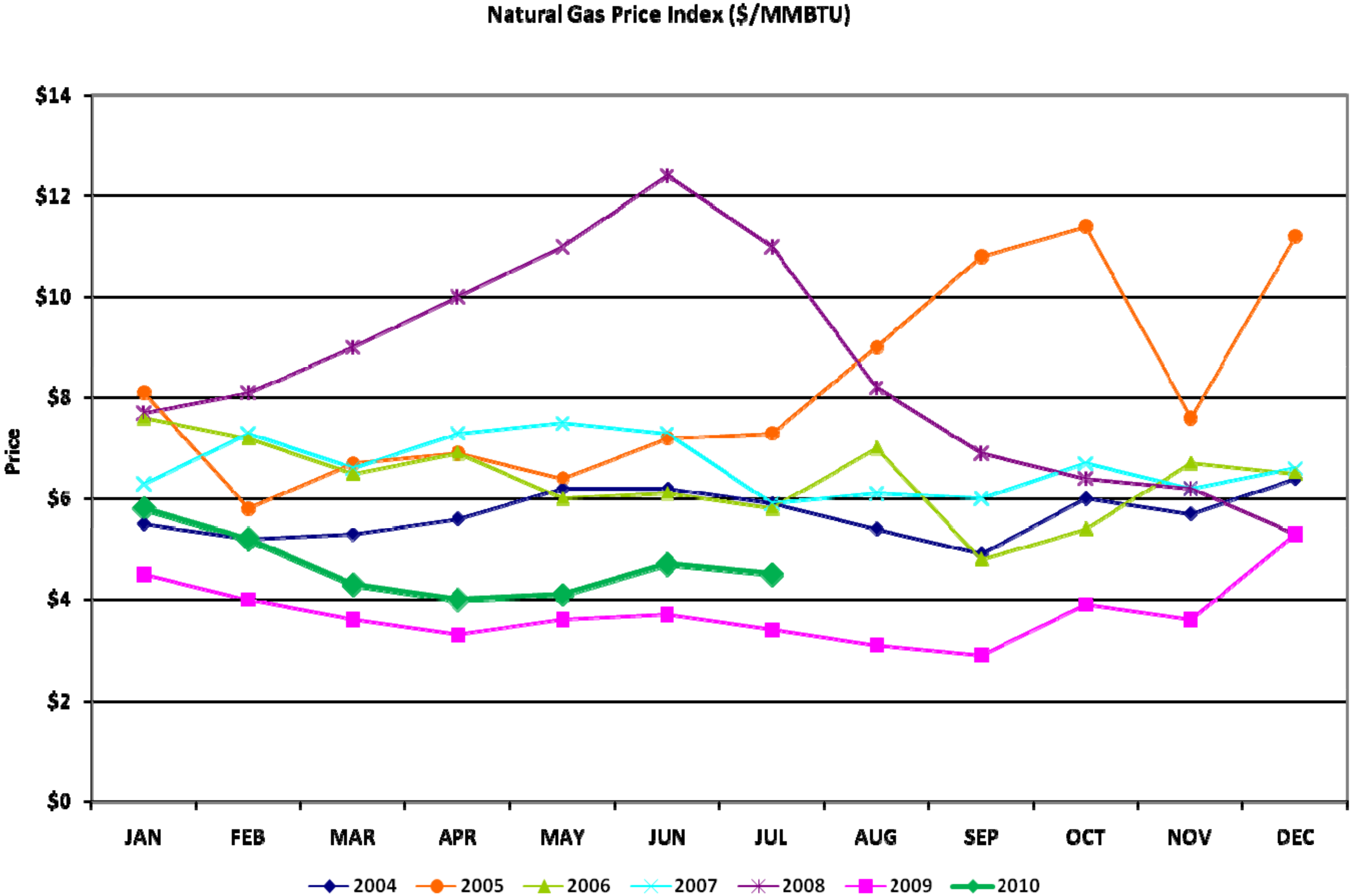
Natural Gas



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Capacity Services

	YTD 07/31/10	YTD 07/31/09	July 2010	July 2009
Reg Up:				
Required (MW)	4,459,829	4,244,865	619,889	592,911
Self Arranged (MW)	857,005	936,113	114,824	139,929
Procured (MW)	3,615,926	3,320,229	507,346	455,203
Mismatch Schedules (MW)	(13,102)	(11,477)	(2,281)	(2,221)
% Procured	***81%***	***78%***	***82%***	***77%***
Weighted Avg MCPC ($/MW)	11.4	11.6	8.4	13.7
Reg Down:				
Required (MW)	4,567,177	4,301,946	678,482	688,711
Self Arranged (MW)	931,909	1,194,933	143,803	154,000
Procured (MW)	3,648,493	3,116,961	536,802	535,750
Mismatch Schedules (MW)	(13,225)	(9,948)	(2,123)	(1,039)
% Procured	***80%***	***72%***	***79%***	***78%***
Weighted Avg MCPC ($/MW)	10.7	8.5	5.6	4.4
Responsive Reserve:				
Required (MW)	11,686,192	11,686,153	1,709,848	1,708,666
Self Arranged (MW)	4,348,878	4,844,896	647,495	750,996
Procured (MW)	7,351,650	6,856,124	1,063,358	961,394
Mismatch Schedules (MW)	(14,336)	(14,867)	(1,005)	(3,724)
% Procured	***63%***	***59%***	***62%***	***56%***
Weighted Avg MCPC ($/MW)	9.6	11.1	8.6	14.2
Non-Spinning Reserve: *				
Required (MW)	8,737,137	6,109,294	1,195,347	709,925
Self Arranged (MW)	1,722,804	909,842	364,192	102,551
Procured (MW)	7,028,329	5,209,006	832,780	608,217
Mismatch Schedules (MW)	(13,996)	(9,554)	(1,625)	(843)
% Procured	***80%***	***85%***	***70%***	***86%***
Weighted Avg MCPC ($/MW)	5.5	3.9	4.5	4.7
Local Replacement Reserve:				
Procured (MW)	51,106	172,077	16,566	51,273
Zonal Replacement Reserve:				
Procured (MW)	66,926	326,268	8,811	113,228
OOMC:				
Procured (MW)	3,684,348	4,928,357	467,423	227,177

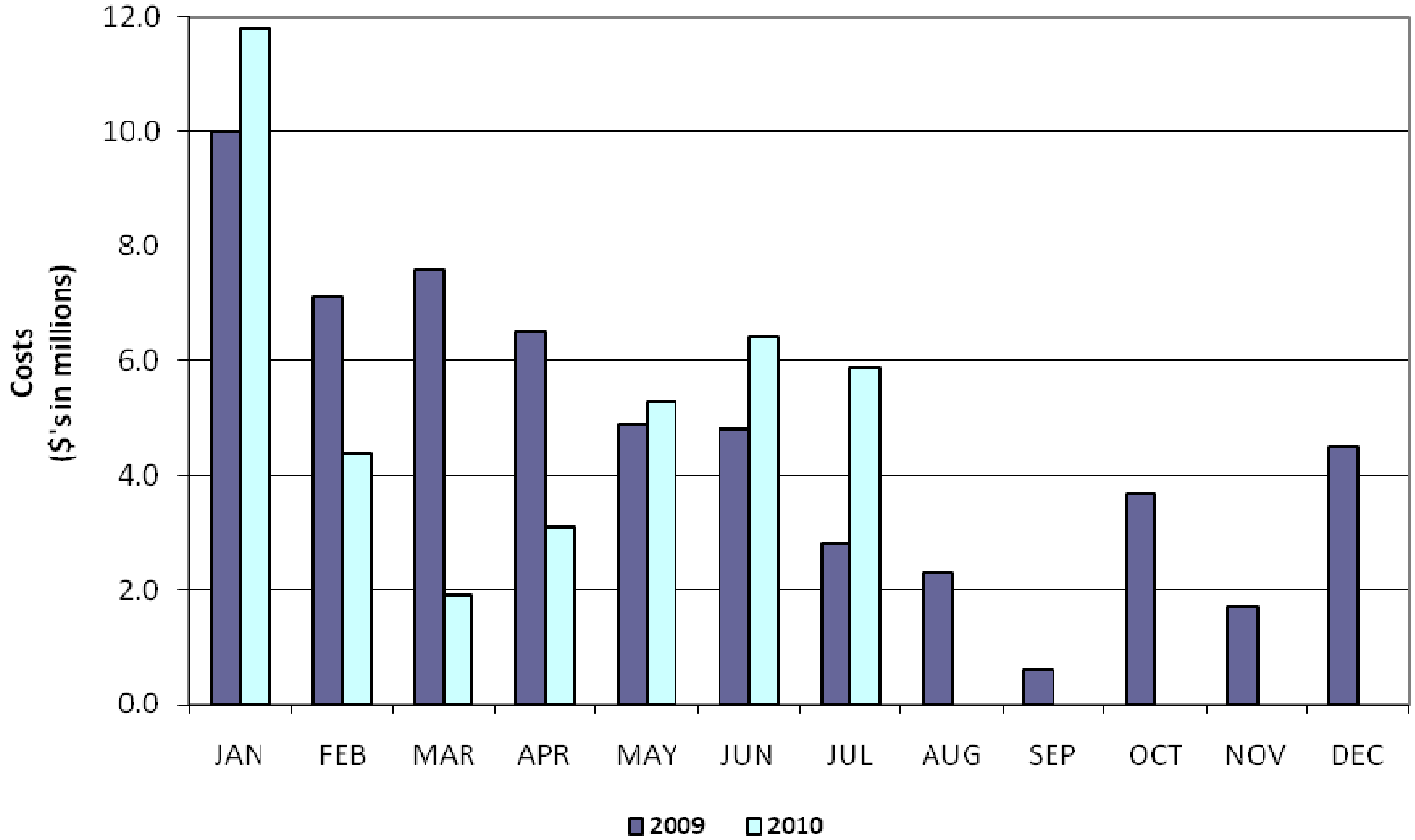
*A/S procurement methodology changed in December 2009

Capacity Services – Cost

	YTD ($'s in millions)		July ($'s in millions)	
	07/31/10	07/31/09	2010	2009
• **Capacity Services:**				
Reg Up	41.3	38.5	4.2	6.2
Reg Down	39.1	26.6	3.0	2.3
Responsive Reserve	70.8	75.8	9.1	13.7
Non-Spinning Reserve *	38.8	20.1	3.8	2.8
Local Replacement Reserve	0.9	2.1	0.2	0.7
Zonal Replacement Reserve	2.4	9.7	0.2	4.0
Black Start	3.4	3.3	0.5	0.5
OOMC	40.9	44.8	5.9	3.0
RMR Capacity and Start Up	$7.7	$0.4	$1.3	$0.1
TOTAL CAPACITY SERVICES	**$245.3**	**$221.3**	**$28.2**	**$33.3**

*A/S procurement methodology changed in December 2009

Capacity Cost – OOMC



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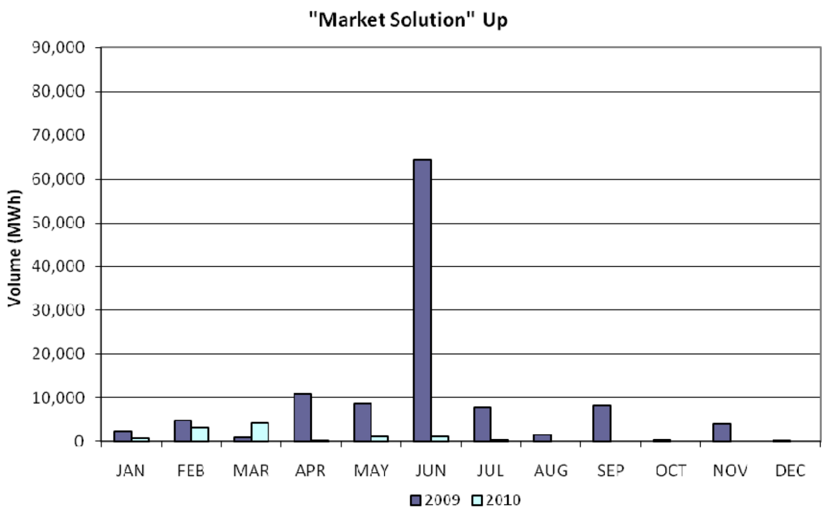
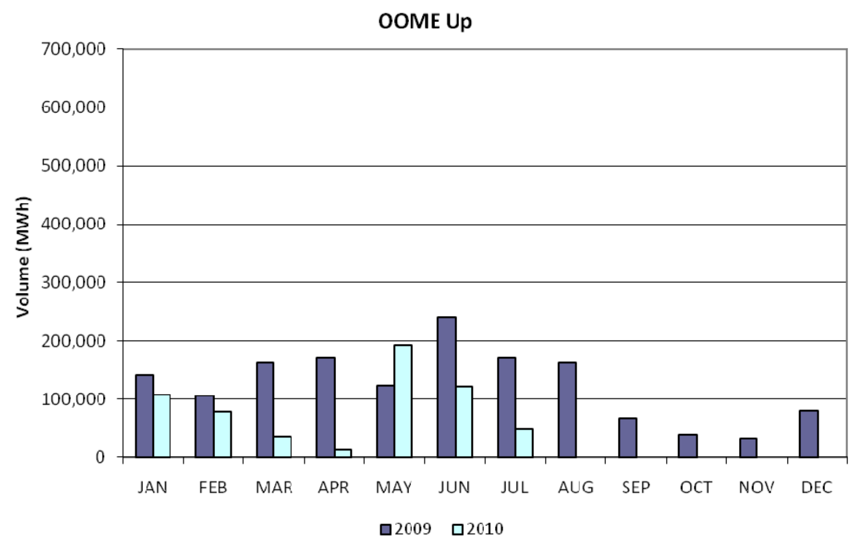
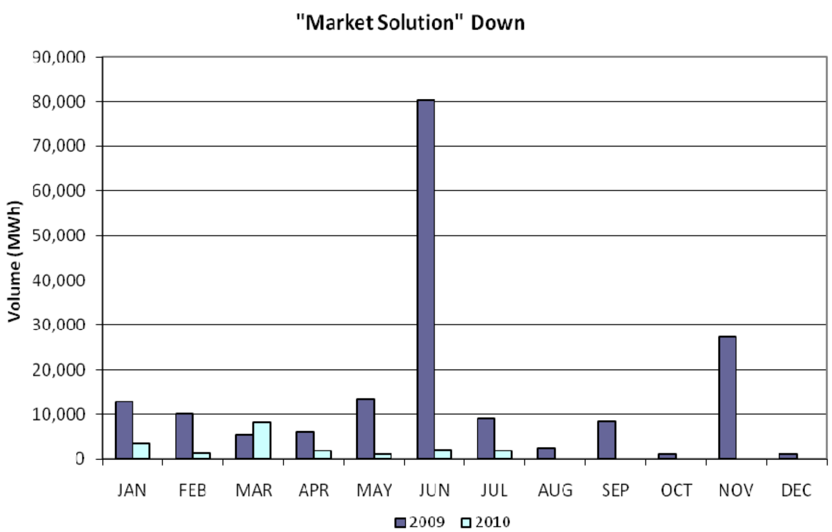
Congestion Management

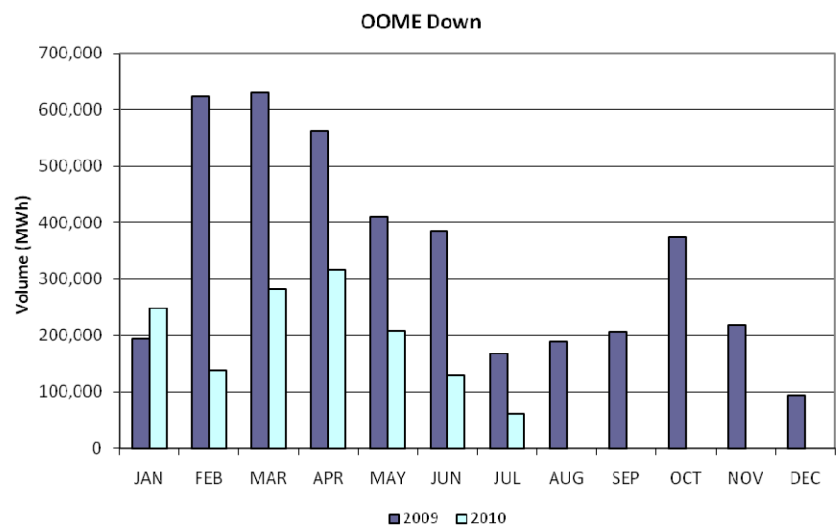
	YTD ($'s in millions)		July ($'s in millions)	
	07/31/10	07/31/09	2010	2009
• **Local Congestion:**				
"Market Solution" Down	1.1	8.1	0.2	0.2
"Market Solution" Up	0.1	0.7	0.004	0.03
OOME - Down	37.4	60.8	2.9	3.9
OOME - Up	10.6	14.3	0.5	1.3
Total Local Congestion Costs	**$49.2**	**$83.9**	**$3.6**	**$5.4**
• **Local Congestion Volume: (units in MWh)**				
"Market Solution" Down	20,042	137,448	1,821	9,107
"Market Solution" Up	11,348	100,541	430	8,009
OOME - Down	1,383,275	2,972,284	60,685	167,654
OOME - Up	598,043	1,114,980	48,379	171,334
Total Local Congestion Volume	**2,012,709**	**4,325,253**	**111,315**	**356,105**
• **Zonal Congestion and TCR / PCR:**				
TCR / PCR Annual Auction Proceeds received from Holders	($30.5)	($58.6)	($5.5)	($10.4)
TCR Monthly Auction Proceeds received from TCR Holders	($40.1)	($47.9)	($3.4)	($3.5)
Direct Assignment Proceeds received from QSEs based on schedules	($0.2)	($57.7)	($0.1)	($0.0)
Proceeds Paid to TCR / PCR Holders including Auction Refunds	$54.7	$165.5	$2.9	$2.2
Total Zonal Congestion and TCR / PCR Costs Uplift	**($16.1)**	**$1.3**	**($6.1)**	**($11.7)**

Local Congestion Volume









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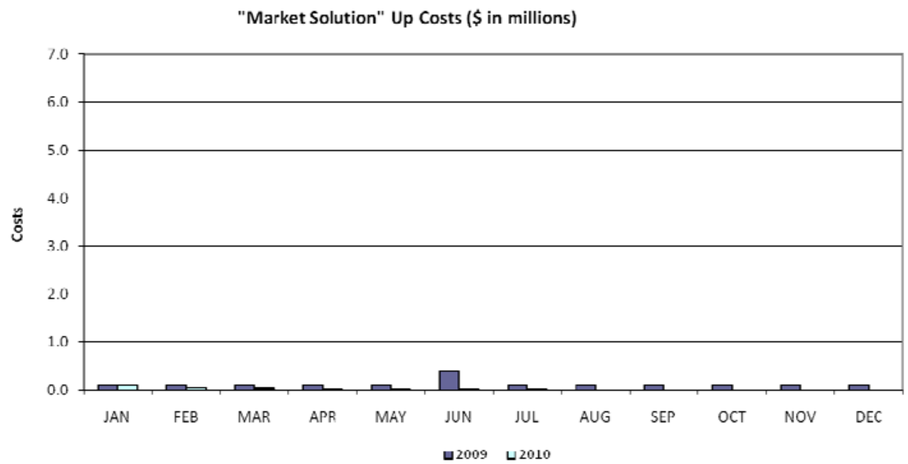
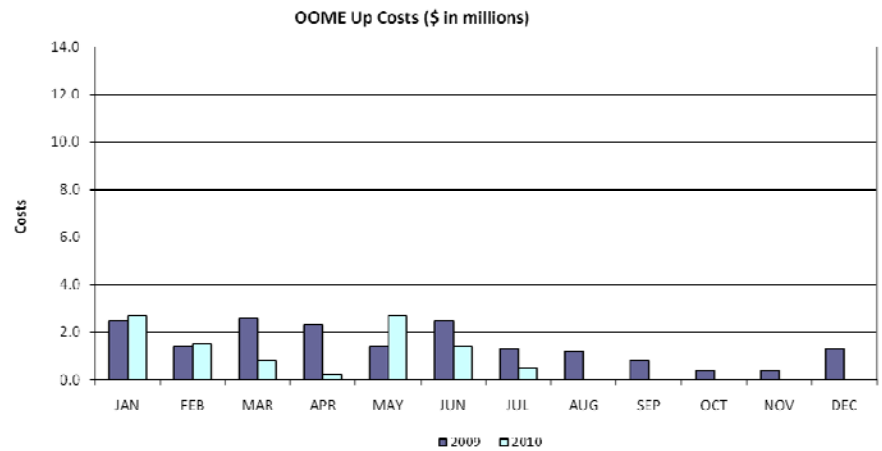
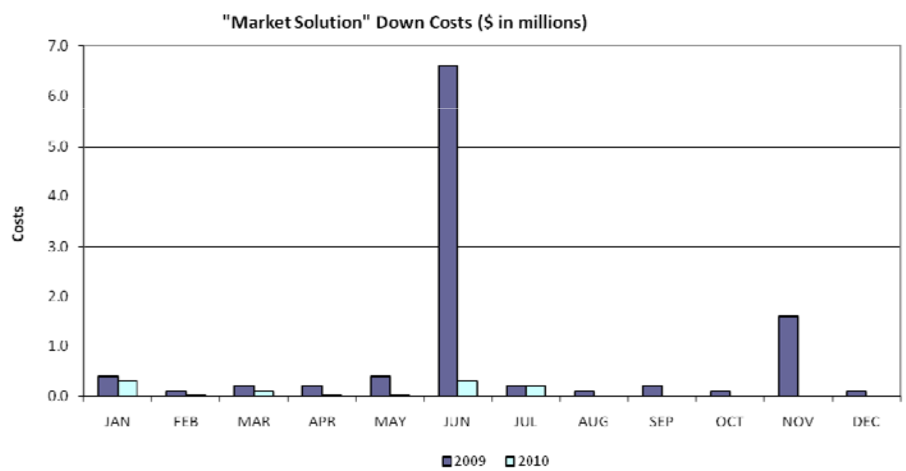
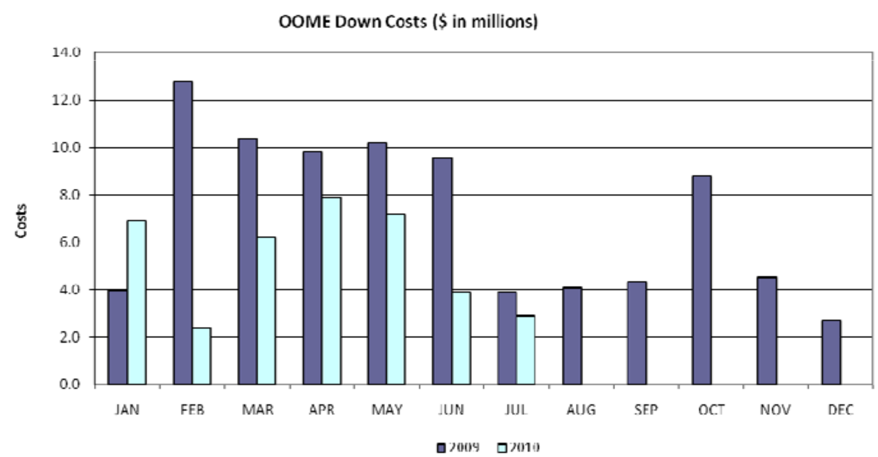
Local Congestion Costs









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Load Zone Price Data

Total Load Weighted Average Price ($/MWH)*

[MCPE weighted by Total Zonal Load]

LOAD ZONE	Jul 2009	June 2010	May 2010	Apr 2010	Mar 2010	Feb 2010	Jan 2010
South	$41.39	$43.20	$35.50	$32.54	$33.43	$47.56	$44.43
North	$41.36	$43.12	$35.54	$32.96	$34.22	$47.57	$42.96
Houston	$41.60	$43.37	$35.61	$32.65	$32.81	$46.65	$42.75
West	$39.25	$37.19	$30.39	$24.42	$23.17	$40.28	$39.19

LOAD ZONE	Jul 2009	Jun 2009	May 2009	Apr 2009	Mar 2009	Feb 2009	Jan 2009
South	$35.67	$82.81	$32.97	$24.27	$26.35	$27.27	$34.69
North	$35.81	$35.15	$32.99	$24.82	$32.21	$27.89	$32.31
Houston	$35.68	$61.82	$32.70	$24.58	$29.11	$27.19	$32.78
West	$33.75	$32.95	$24.57	$12.93	$25.70	$19.93	$24.04

Represents the average price for loads within the zone

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

REPs and QSEs Added/Terminated – as of August 31, 2010

- **Added REPs**
  - ✓ MXENERGY Electric, Inc. II (LSE)
  - ✓ Tara Energy LLC, d/b/a Smart Prepaid Electric (LSE)

- **Added QSEs**
  - ✓ Longhorn Energy LP d/b/a Longhorn Electricity Marketing LP
  - ✓ Westar (SQ2)

- **Terminated REPs**
  - ✓ None

- **Terminated QSEs**
  - ✓ None

Questions?