



CEO UPDATE

OCTOBER 19, 2010

Trip Doggett
President & CEO

WORKSHOP FOR RETAIL ELECTRIC PROVIDERS

- HELD OCTOBER 6
- HOSTED BY ERCOT AND GCPA
- TRAINING AND PANEL DISCUSSIONS ON ISSUES RELEVANT TO REPs
- TAPED AND WILL BE SENT TO ALL REPs

UPCOMING TESTS:

OCTOBER

- CRR MONTHLY AUCTION FOR NOVEMBER
- 24-HR LFC TEST

Upcoming Milestones

- Load Frequency Control(LFC)Tests
 - 24Hr LFC Test is scheduled for October 27th and 28th
- Market Trials
 - October 1, 2010 - October 11, 2010: ERCOT will be performing system maintenance and verifications of production systems
 - Exceptions to this outage:
 - ❖ Outage Scheduling
 - ❖ NMMS
 - ❖ Telemetry
 - October 18, 2010 - October 30, 2010: ERCOT will be performing the following Market Facing Tests:
 - Day Ahead Market runs
 - DRUC and HRUC runs
 - SCED will publish LMPs and base points every five minutes during this period
 - November 23, 2010 - November 29, 2010:
 - Non-Binding: Day Ahead Market, HRUC and DRUC per protocol timelines
 - SCED will continue to publish base points and LMPs
 - Note that ERCOT is evaluating the request from the Market to start this November testing as early as November 15, 2010

SYSTEM OPERATIONS

- Operators are currently being qualified on the operating desks for which they have been assigned in the nodal market. They must prove to their supervisor and the Training Department that they know and understand their procedures and the new systems.
- Work continues with finding and filling any gaps we have in the operator procedures.
- We will start pulling data for Outage Scheduler (OS) to use in the first Nodal CRR auction. We are comparing the Outages between the Nodal OS and Zonal OS for the month of December.
- We are finalizing day ahead limit study procedures and we are also expecting an LMP contour map the operators can see for the next LFC test.
- Completed the analysis on the McCamey-Kendall-Gillespie line in response to Chairman Smitherman's request.
- Completed the CREZ reactive requirements study.
- The number of TSP issues now in the Monitor/Deferred/Resolved categories is 37, up from 28 last month.
- ERCOT is assisting TSPs in writing SCRs for the remaining outstanding issues.
- On October 15, ERCOT will post for Market Validation the model that will be used at Go-live.
- Network Modeling has now validated over 9500 NOMCRs in the NMMS system.

FINANCIAL PERFORMANCE

YTD BUDGET VS. ACTUAL PERFORMANCE: \$15.9 MILLION FAVORABLE

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

REVENUE

\$3.0 Million favorable System Administration Fee
\$0.4 Million favorable Other, Interest Inc., & Study Fees

EXPENSES

\$7.8 Million favorable in Salary & Benefits
\$2.2 Million favorable in Interest Expense
\$0.9 Million favorable in Outside Services
\$0.8 Million favorable in Facilities and Other
\$0.6 Million favorable in Protocol Services
\$0.2 Million favorable in Revenue Funded Projects

FINANCIAL PERFORMANCE

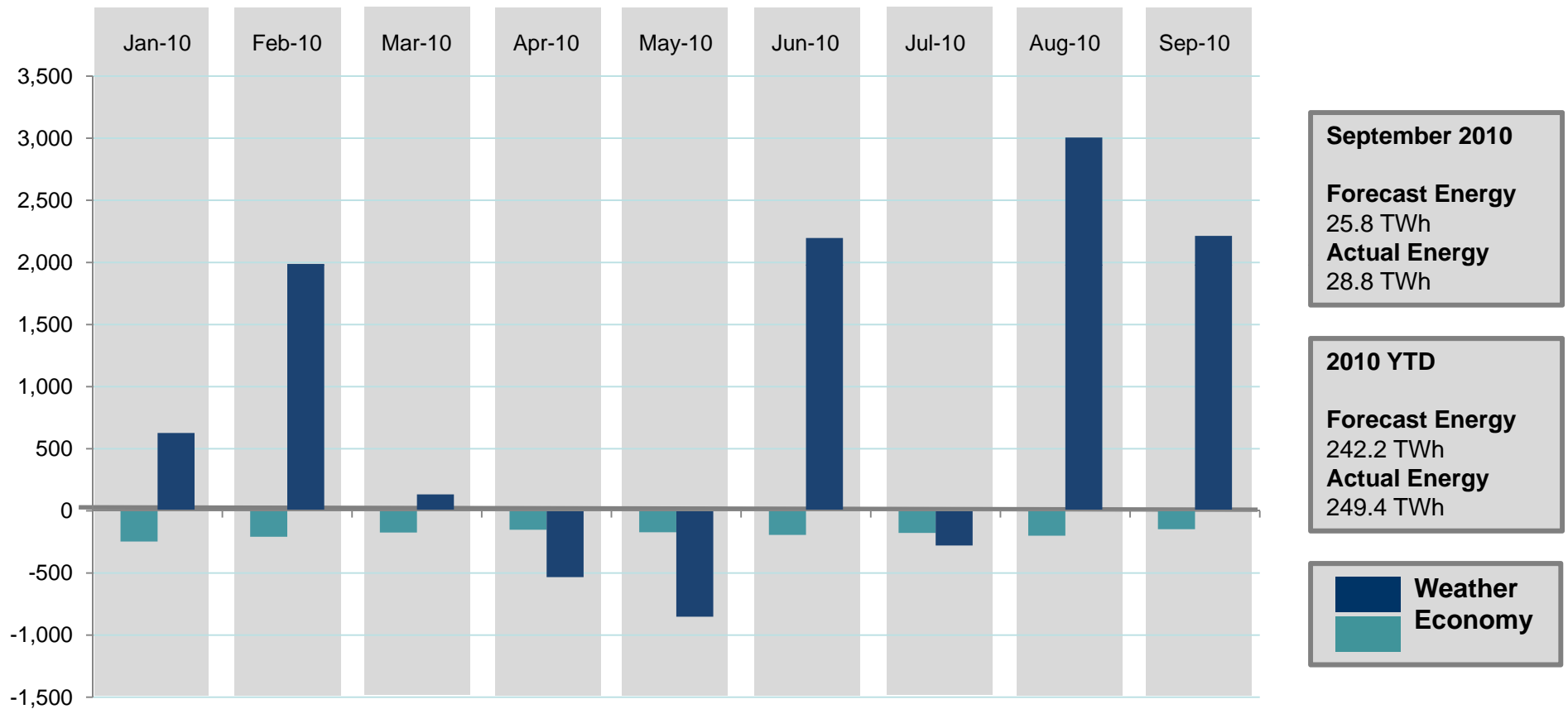
YEAR-END PERFORMANCE FORECAST : \$11.0 MILLION FAVORABLE

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

REVENUE \$1.1 Million favorable Other Revenue

EXPENSES \$6.7 Million favorable Salary & Benefits
\$2.8 Million favorable Interest Expense
\$0.7 Million favorable Protocol Services
\$0.4 Million favorable Other, HW/SW Maint., & Outside Svcs.
\$0.7 Million unfavorable Revenue Funded Projects

IMPACTS OF ECONOMY & WEATHER



INFORMATION TECHNOLOGY AND FACILITIES

- **NOIE – PTP Option issue resolution**
 - Progress continues on two fronts both scheduled for delivery by November 1st
 - Faster CPU's (P7 servers) – Servers are installed and application testing and certification in progress at both ERCOT and ABB sites
 - Software performance improvements achieved through enhancement function libraries testing in progress
- **New Data Centers and Bastrop Control Center**
 - New data center and operations control room buildings are completed
 - General contractor will finish final punch list items by Monday
 - Permanent 'Certificates of Occupancy' issued
 - Work is in progress to install data and telecommunications capabilities prior to system relocations in 2011

BASTROP CONTROL CENTER – OCTOBER 8TH, 2010



BASTROP CONTROL ROOM – OCTOBER 8TH, 2010



TAYLOR (TCC3) ENTRANCE – OCTOBER 8TH, 2010



TCC3 DATA CENTER – OCTOBER 8TH, 2010



HEARINGS

SEPT 30 HEARING: HOUSE COMMITTEE ON ENVIRONMENTAL REGULATION

- Testified on generation adequacy and transmission

FUTURE HEARINGS: OCT 25

- Senate Business & Commerce Hearing to discuss Competition in Electric Retail Markets including Impact of Nodal Transition on Electric Customers



SPECIAL RECOGNITION TO:

MISTI HANCOCK

MANAGER, BUDGET & FINANCIAL ANALYSIS

- Joined ERCOT June 14, 2004 as a Financial Analyst
- Her “can do” attitude, direct, “tell it like it is” style, and unmatched recall and understanding of ERCOT financial activity make Misti a valuable resource throughout the organization – from the individual contributor to the CEO office.
- Since she began leading preparation of ERCOT’s annual budget, Misti has repeatedly demonstrated her ability to produce quality budget work papers and financial analyses under sometimes intense deadline pressure.
- The 2011 budget materials are only the latest example of her dedication and attention to detail.

