



CEO UPDATE  
NOVEMBER 16, 2010

Trip Doggett  
President & CEO

### **The following systems are live:**

- ✓ Market Participant Registration
- ✓ Network Model Management System (NMMS)
- ✓ Outage Scheduler (OS)
- ✓ Congestion Revenue Rights (CRR)
- ✓ Credit Monitoring and Management (CMM)
- ✓ Market Information System (MIS)

# NODAL MILESTONES

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- Load Frequency Control(LFC) Tests
  - LFC test scheduled for the week of November 8
  - In support of the Soft Launch, the last LFC test will begin on November 28 and become binding at Go-Live
- Market Trials
  - October 30, 2010: ERCOT concluded the October testing window:
    - 10/18 – 10/30 Day Ahead Market, DRUC and HRUC tested daily
    - 10/18 – 10/30 SCED published LMPs and base points
    - 10/25 – 10/29 Focused input from the Market (e.g. realistic COPs, telemetry, offers and bids)
    - 10/27 – 10/28 24-Hour LFC Test
  - November 15, 2010 - November 29, 2010 Go-Live Soft Launch:
    - Note that ERCOT has updated the start of the Soft Launch to 11/15 (previously 11/23)
    - Soft Launch will include a ramp into Go-Live bringing systems online, but non-binding over the stated 2-week period

## 24 HOUR LFC TEST – OBSERVATIONS

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- Defects: Code fixes migrated to NProd prior to 11/11 LFC Test
  - Caused SCED to stop for 3 intervals
  - Caused lack of updated Base Points for 5 units
  - Shift factor transfer from EMS to MMS
- Large volume of EMS alerts
  - Temporary fix applied 10/27 with permanent fix due 11/10
- High/Low Prices
  - Multiple outages (common this time of year)
  - Resource limit constraints (Ancillary Services, ONTEST)
  - Nodal prices are not incentivized
  - Conservative operations

## IT'S TIME TO LOOK FORWARD TO 2011...

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- Nodal Stabilization will be the primary focus after Go-Live
- A coordinated effort is needed to prioritize and implement future changes to the Nodal systems
  - Deferred Defects will be worked as time allows during Stabilization
  - Parking Deck items need an impact assessment before final prioritization can be completed
  - Other lists of proposed changes have been compiled
    - QSE / TSP / DAM Issues lists
    - Potomac Economics Market Assessment
    - ERCOT Risk Assessment
  - New requests will come through existing channels
    - NPRRs, SCRs, Revision Guide changes, etc.

## SYSTEM OPERATIONS

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- Nodal Outage Scheduling Protocols – effective November 1<sup>st</sup>
  - Successfully reviewed and approved Outages using the Nodal EMS and Outage Scheduling applications
- November 3<sup>rd</sup> – Sudden outage of a large generating unit required the use of LaaRs
  - System frequency restored within 4 minutes
  - LaaRs restored after 42 minutes
- ERCOT phasor data concentrator (PDC) upgraded to a version that is much easier to configure and maintain.
  - Connection between new ERCOT PDC and Oncor's PDC completed
  - Receiving phasor data from 7 new PMU installations
  - Ten PMUs mapped in our real-time phasor data display
    - AEP: 3
    - Oncor: 7

## SYSTEM OPERATIONS (CONT.)

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- Continuing to export from NMMS weekly Topology Processed Planning cases that are consistent with the ERCOT Network Operations model for TSPs to analyze
- December Models (including Go-live model) are nearing end of Market Validation (Nov 15). No problems have been reported.
- January Models will be posted for Market Validation on November 15
- February Models change deadline has past – currently being built by Network Modeling Group

## HUMAN RESOURCES

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- **EMPLOYEE TRAINING:** E-Learning initiative via our partnership with Skillsoft Corporation is a new training initiative for employees.
- **TALENT MANAGEMENT/SUCCESSION PLANNING:** Talent assessments currently being conducted. Once completed, succession and development plans will be discussed for each business area. Expected completion by February 2011.
- **2010 PERFORMANCE MANAGEMENT:** 2010 performance evaluations to begin by year end for all employees.



## COMMERCIAL OPERATIONS

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- Advanced Metering:
  - ✓ Over 1.9M ESIIDs provisioned with Advanced Meters
  - ✓ Over 1.8M settled with AMS data

# FINANCIAL PERFORMANCE

## YTD BUDGET VS. ACTUAL PERFORMANCE: \$14.9 MILLION FAVORABLE

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

### REVENUE

\$2.7 Million favorable System Administration Fee  
\$0.5 Million favorable Other, Interest Inc., & Study Fees

### EXPENSES

\$7.3 Million favorable in Salary & Benefits  
\$2.3 Million favorable in Interest Expense  
\$1.0 Million favorable in Facilities and Other  
\$0.7 Million favorable in Protocol Services  
\$0.6 Million favorable in Outside Services  
\$0.2 Million favorable in Revenue Funded Projects

# FINANCIAL PERFORMANCE

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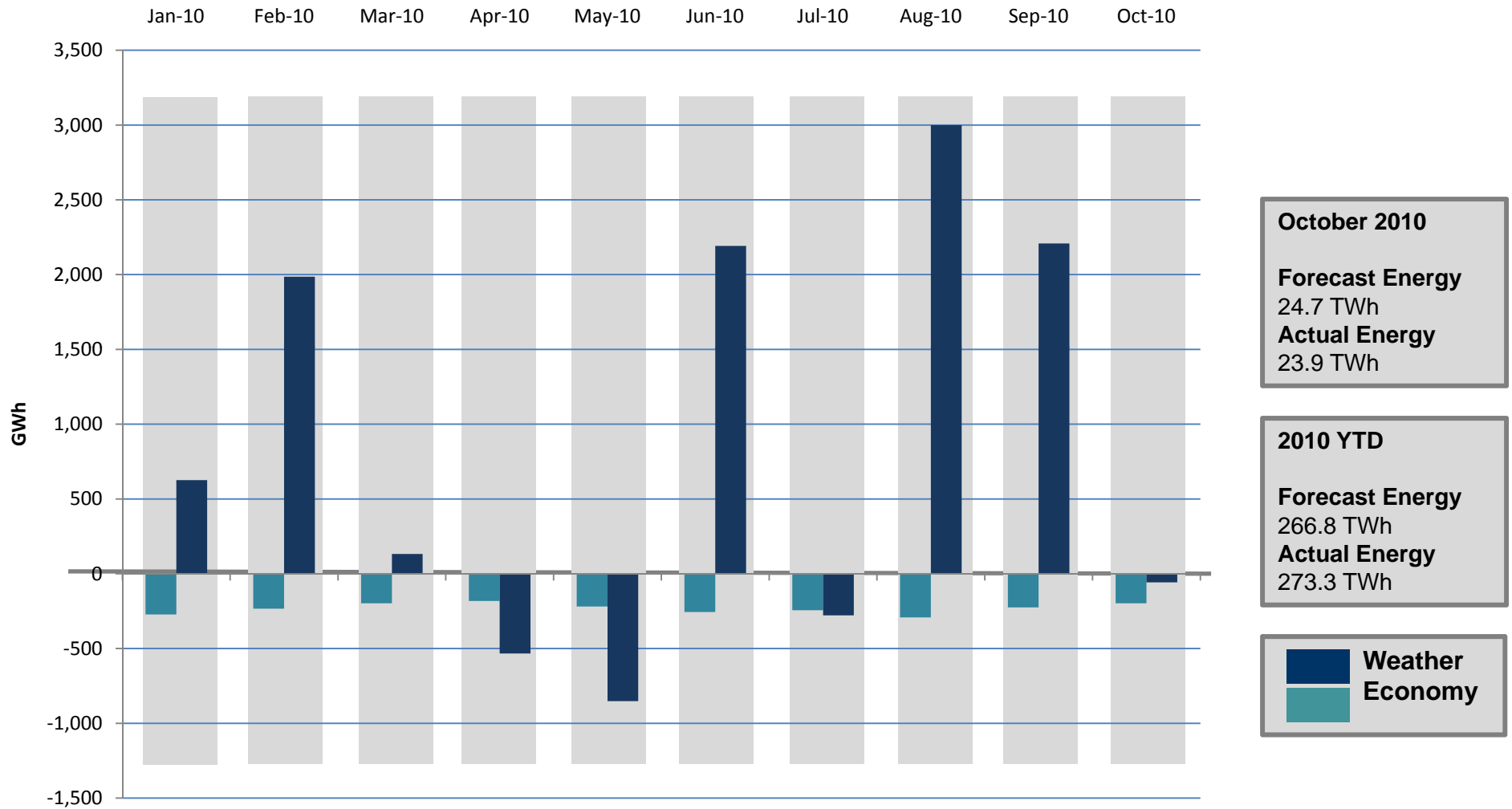
## YEAR-END PERFORMANCE FORECAST : \$10.8 MILLION FAVORABLE

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

**REVENUE** \$0.9 Million favorable System Administration Fee  
\$0.6 Million favorable Other, Interest Inc., WAN & Study Fees

\$6.5 Million favorable Salary & Benefits  
\$2.8 Million favorable Interest Expense  
**EXPENSES** \$0.7 Million favorable Protocol Services  
\$0.4 Million favorable Other, HW/SW Maint., & Outside Svcs.  
\$1.0 Million unfavorable Revenue Funded Projects

# IMPACTS OF ECONOMY & WEATHER



## INFORMATION TECHNOLOGY AND FACILITIES

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- **Data Center Outage on 10/22:**
  - Human error caused 237 minute outage of all Unix servers
  - Impacted Nodal production, wholesale, retail and test systems
  - There were no impacts to Zonal EMMS
  - System management processes have been changed to eliminate future occurrence
  - Automation work undertaken in past 6 months allowed improved service restoration time
  
- **NOIE – PTP Option – IBM P7 testing and implementation:**
  - Implemented in Nodal production environment Friday, October 29<sup>th</sup>, Market Trials, DAM processing
  - Significant performance improvements (30-40%) in the runtimes

# HEARINGS

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## **OCT 25 HEARING: SENATE BUSINESS & COMMERCE HEARING**

- Senate Business & Commerce met to discuss the retail market and REP Nodal readiness

## **FUTURE HEARINGS:**

- None scheduled at this time

## **OTHER ITEMS:**

- November 8th – Legislators have begun “prefiling” legislation for the 82<sup>nd</sup> Session
- The election is likely to result in energy committee chairmanship changes in Congress – ERCOT External Affairs is monitoring
- Dec 9<sup>th</sup> – Keynote address to the Texas Public Policy Foundation

## SPECIAL RECOGNITION TO:

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**ROY MCCOY**  
**MANAGER, REGULATORY SUPPORT & REPORTING**

