Market Operations Presentation

ERCOT Board of Directors

November 16, 2010

Betty Day

Summary

Retail Activity

- **Overall Activity** – Higher switch activity in October than the same period last year. The higher switch numbers in August/September 2009 were due to the new expedited switch rule that allowed more switches to be completed in the reporting month.
- **Migration From Native AREPs** – Continued migration of customers away from the affiliate REP.
- **Transaction Performance Measures** – Near perfect performance in October.

Wholesale Activity

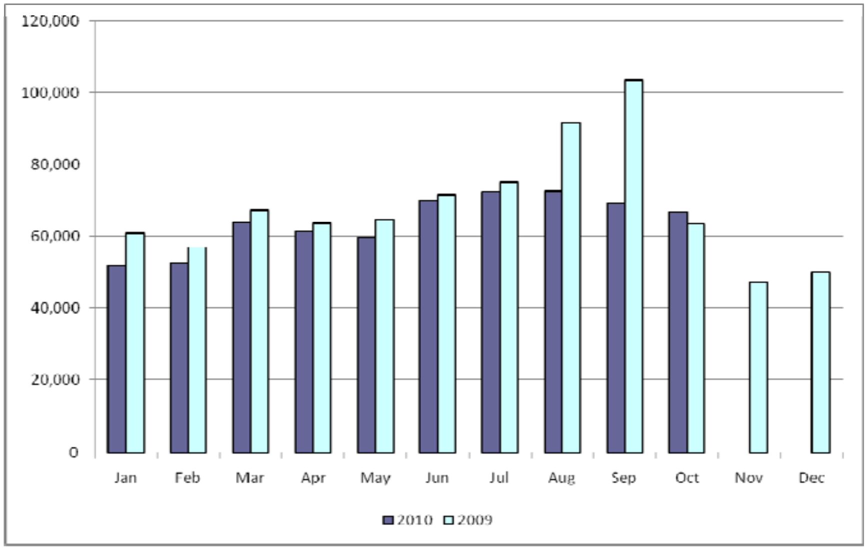
- **Settlements & Billing Performance Measures** – Late statement postings were due to errors in the Initial Statements for Operating Day September 6. Corrected statements were posted and dispute timelines were revised.
- **Energy Services** – September volumes up almost 10% from the same period last year. Natural gas prices continue to be low.
- **Capacity Services** – Procured volumes are comparable to last year. Capacity prices are slightly higher for most services.
- **Summary Balancing Energy Price Data** – Load zone price data is comparable to the same period last year. No major congestion issues to cause significant price separation.
- **Congestion Management** – Local congestion (volumes and costs) are down from the same period last year.
- **REPs and QSEs Added/Terminated**
  - 1 new REPs – 0 terminated REPs
  - 3 new QSEs – 0 terminated QSEs

Retail Transactions Summary

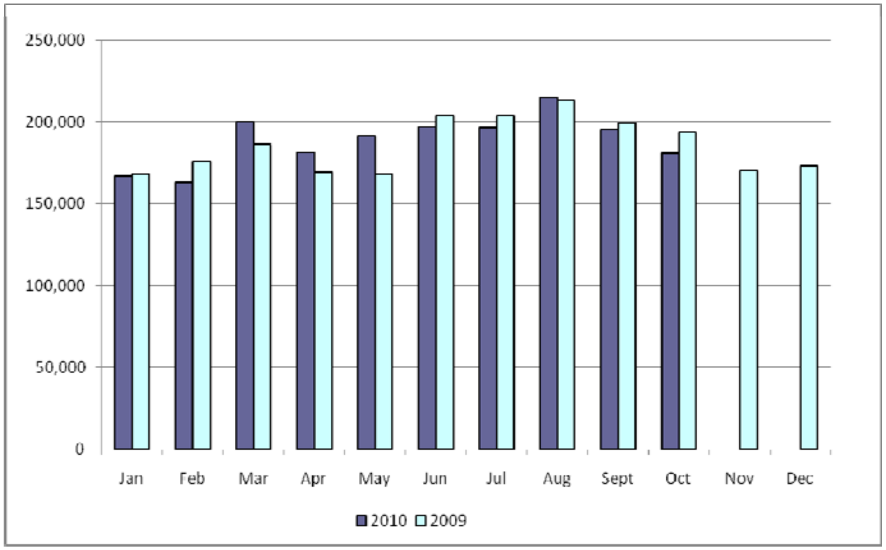
Transaction Type	YTD 10/31/2010	YTD 10/31/2009	October 2010	October 2009
Switches	640,493	718,480	66,730	63,452
Move - Ins	1,886,599	1,880,109	180,568	193,317
Move Out	1,042,414	1,083,824	102,592	120,312
CSA (Continuous Service Agreement)	334,705	304,512	27,769	41,676
Mass Transition	0	0	0	0
Total	3,904,231	3,986,925	377,659	418,757
Since June 1, 2001	39,650,617			

Retail Transactions Summary

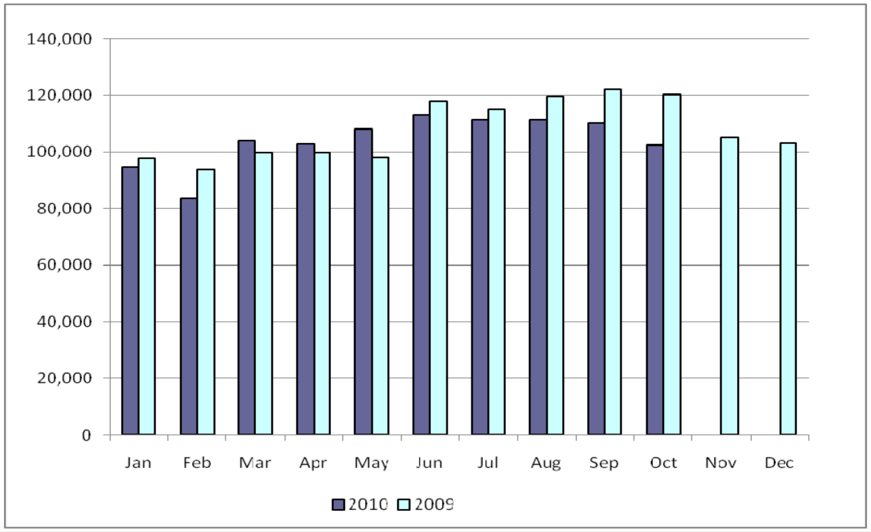
Switches



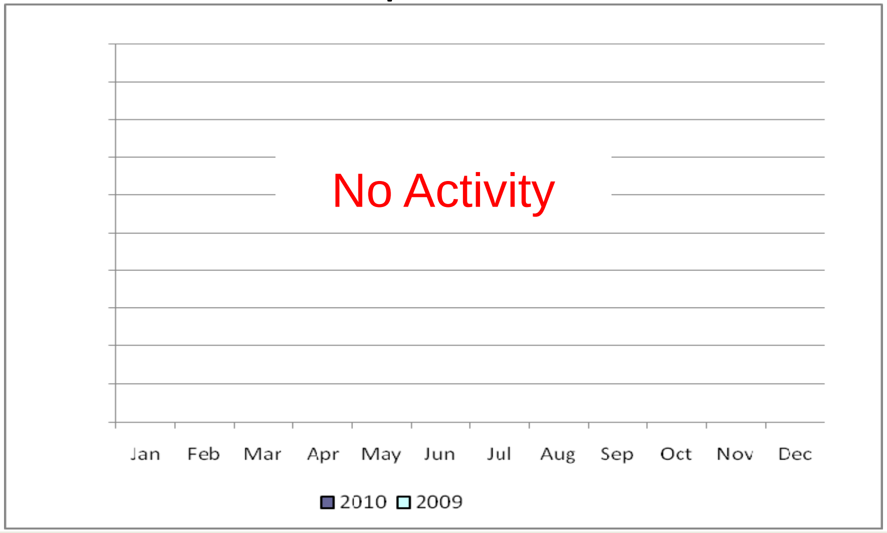
Move-Ins



Move-Outs



Drop to POLR



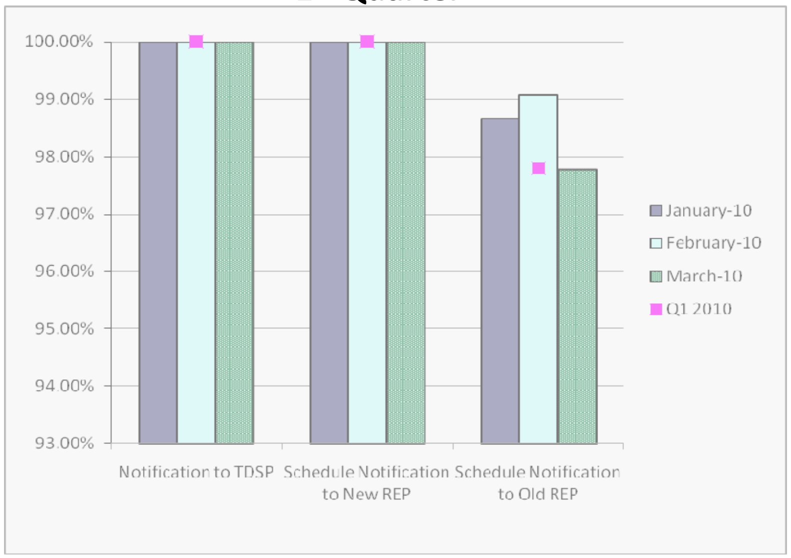
Migration from Native Affiliate REP

	% of Load [1]		% of ESI IDs	
	at 09/30/10	at 09/30/09	at 09/30/10	at 09/30/09
Residential	53%	49%	52%	48%
Small Non-Residential	80%	78%	59%	55%
Large Non-Residential	76%	75%	79%	77%

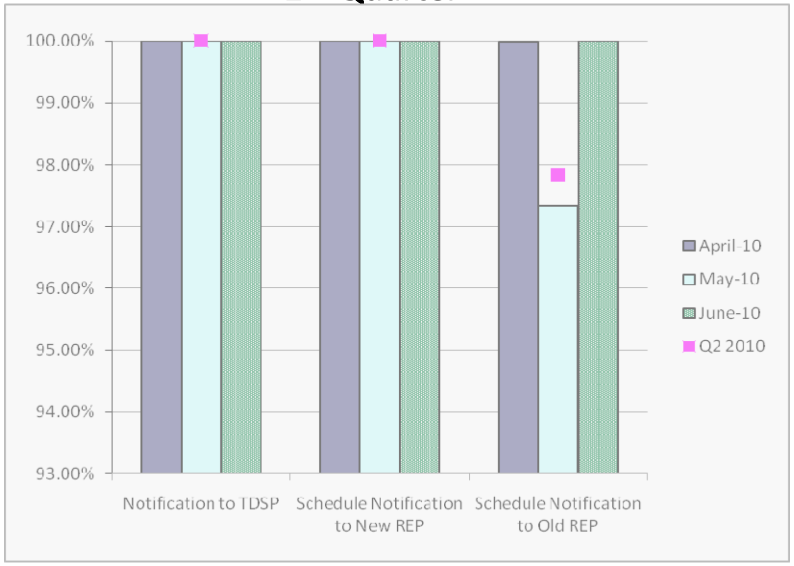
[1] - Percent of Deregulated (Non-NOIE) ESI IDs and Load. Usage based on monthly settlement results.

Retail Performance Measures – 2010 Switch

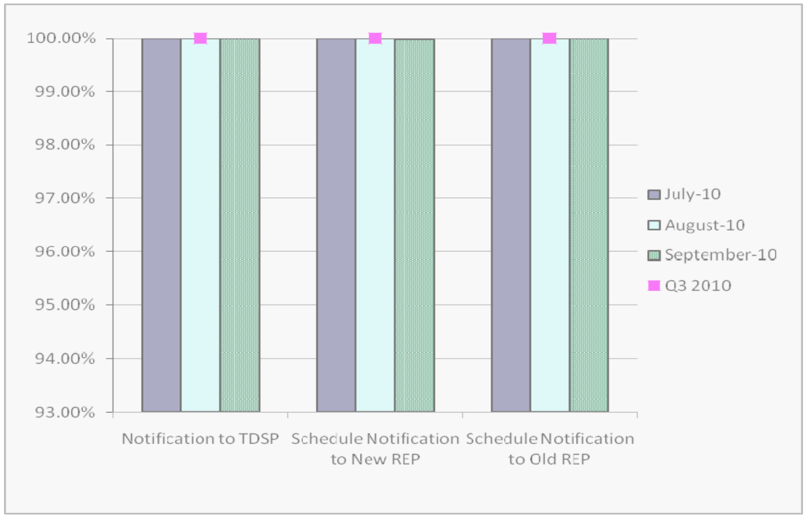
1st Quarter



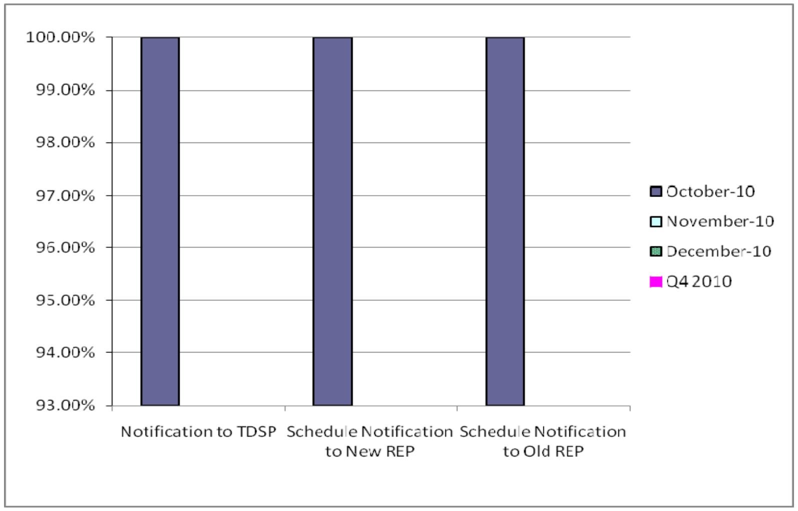
2nd Quarter



3rd Quarter

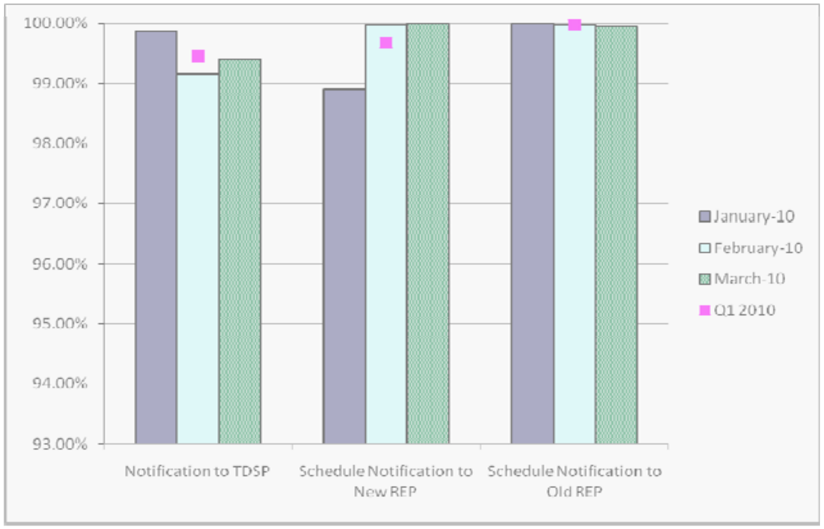


4th Quarter



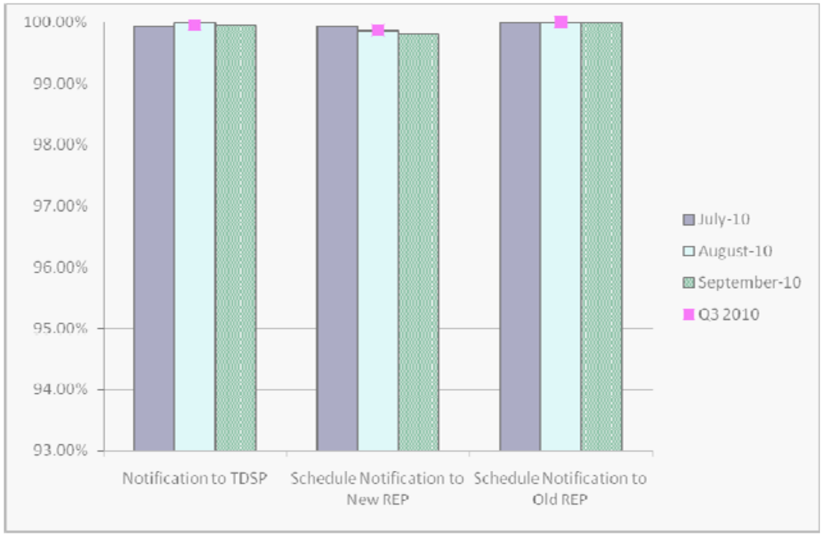
Retail Performance Measures – 2010 Move-In / Priority

1st Quarter

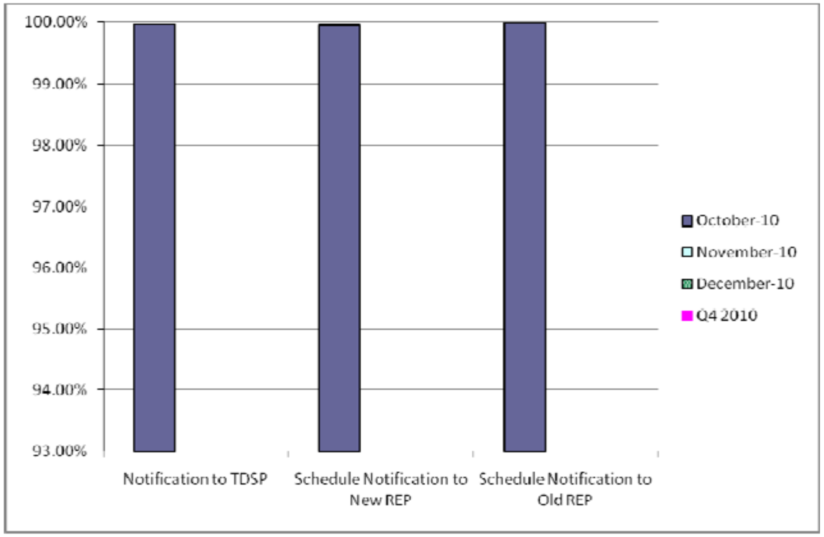


2nd Quarter

3rd Quarter

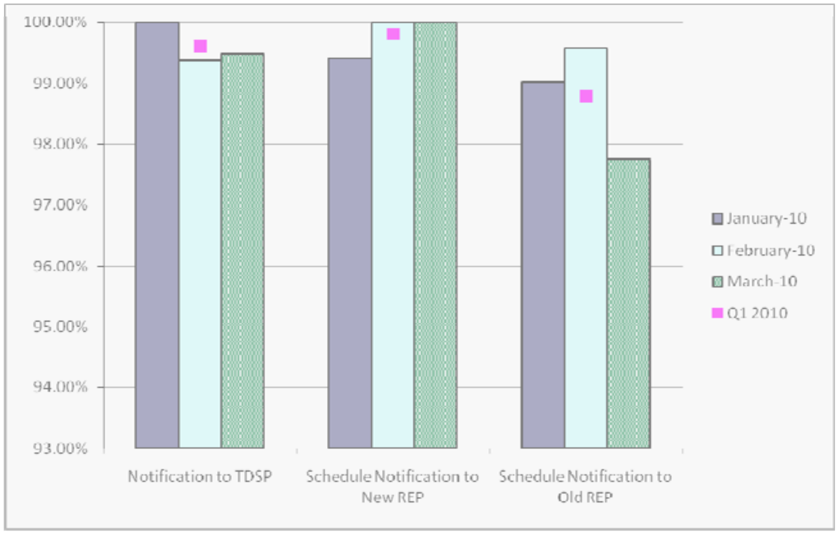


4th Quarter

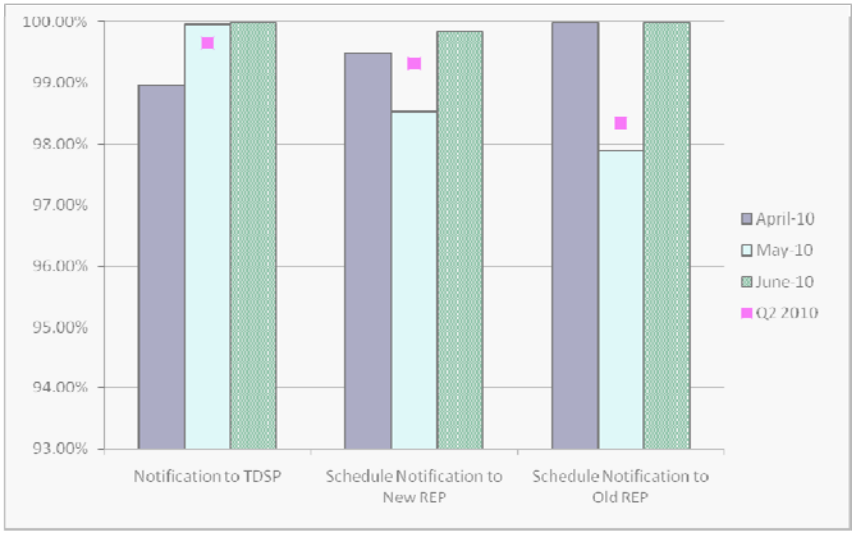


Retail Performance Measures – 2010 Move-In / Standard

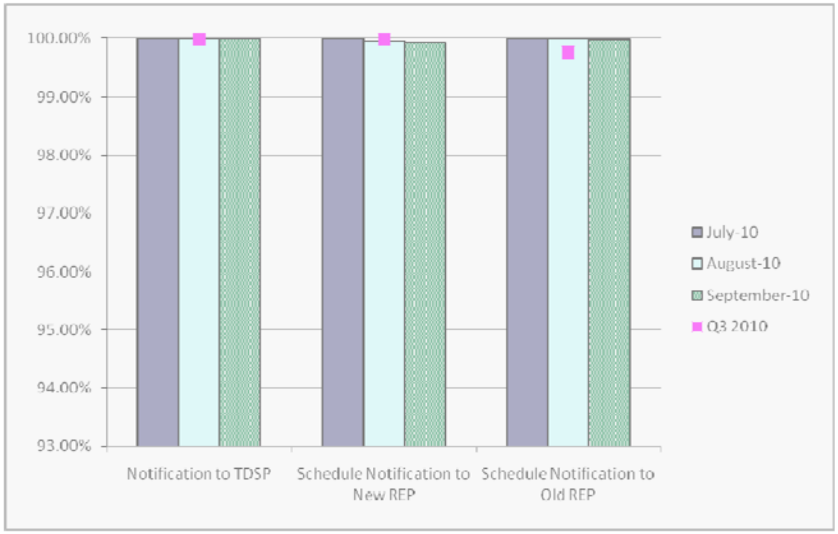
1st Quarter



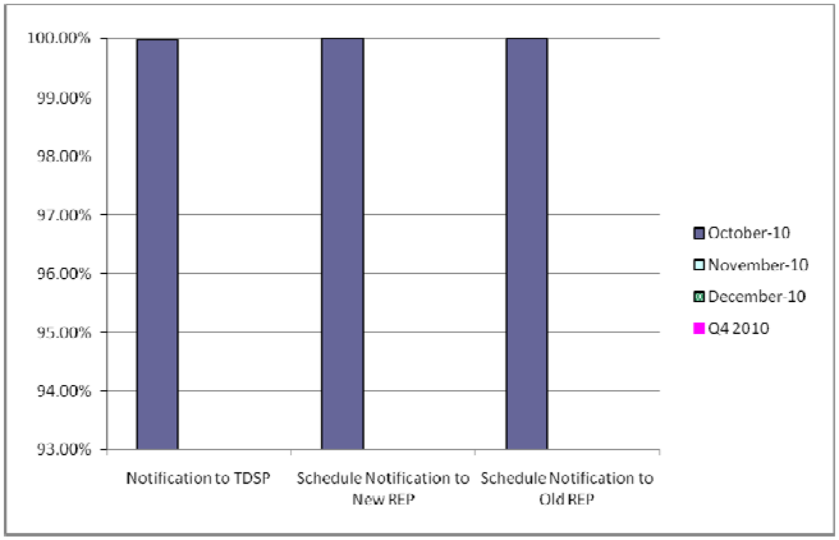
2nd Quarter



3rd Quarter



4th Quarter



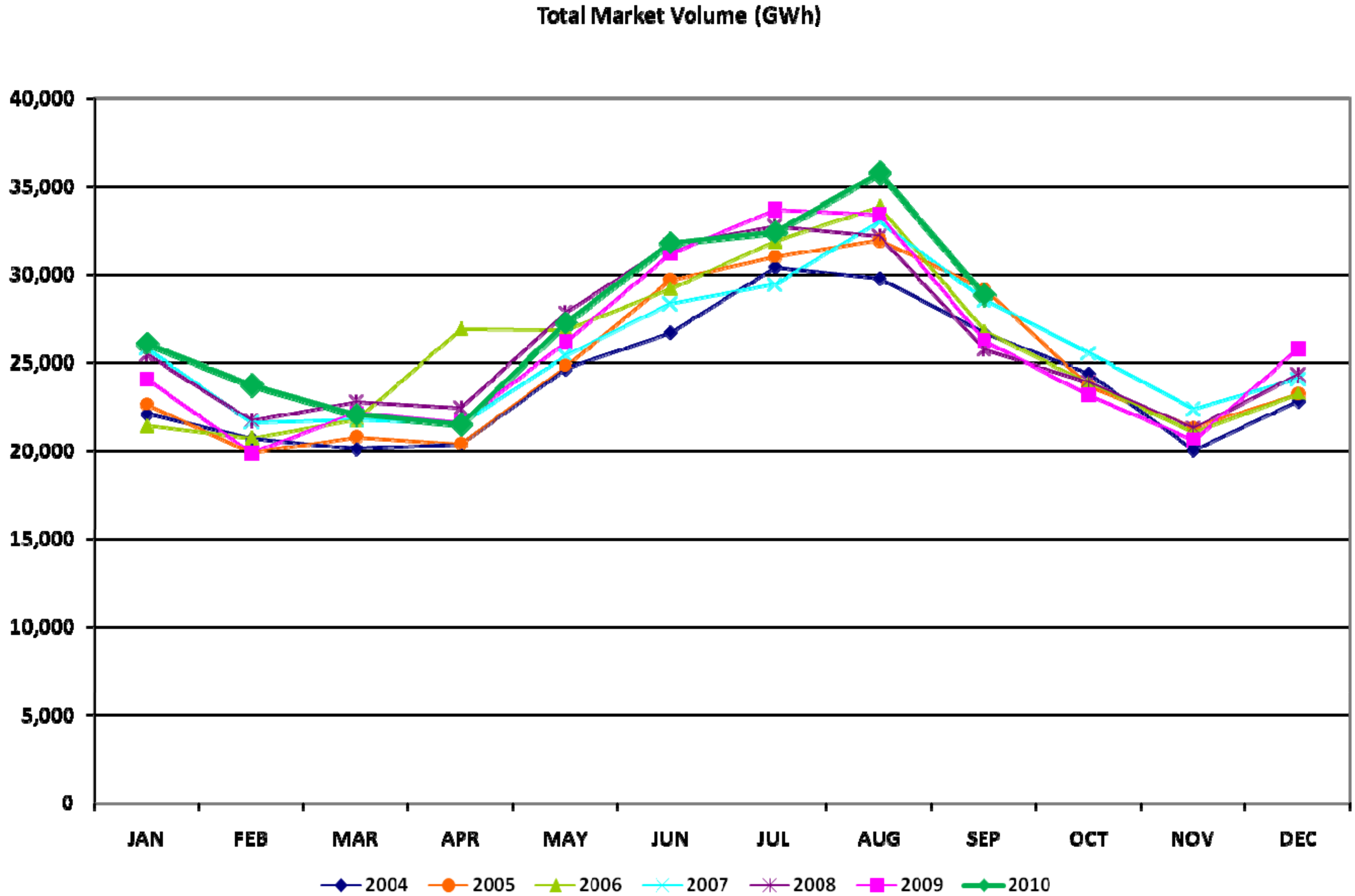
Settlements and Billing Performance Measures – September 2010

	YTD		September	
	09/30/10	09/30/09	2010	2009
Settlement Statements:				
Total	137,263	120,949	15,899	14,045
– Less than 24 hours late	**174**	**109**	**0**	**0**
– Greater than 24 hours late	**95**	**0**	**95**	**0**
Balance	136,994	120,840	15,804	14,045
% Within Protocol	**99.80%**	**99.91%**	**99.40%**	**100.00%**
Invoices:				
Total	7,513	7,014	966	706
– Less than 24 hours late	**0**	**0**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	7,513	7,014	966	706
% Within Protocol	**100.00%**	**100.00%**	**100.00%**	**100.00%**

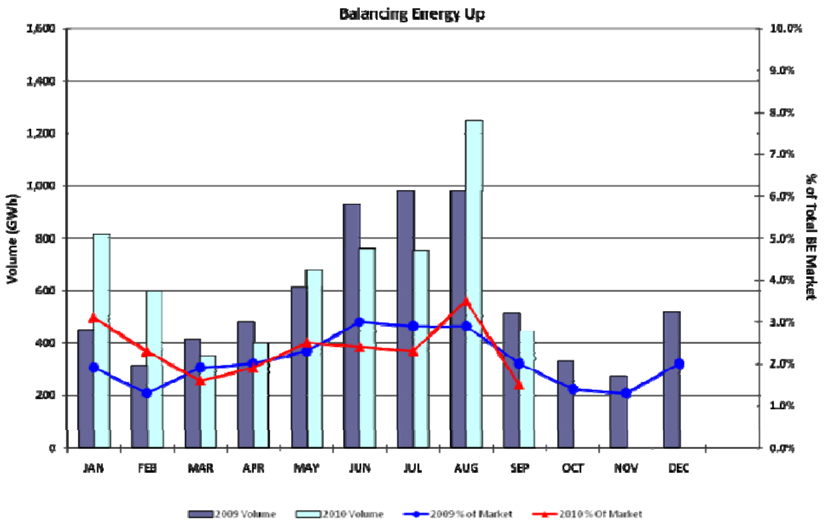
Energy Services

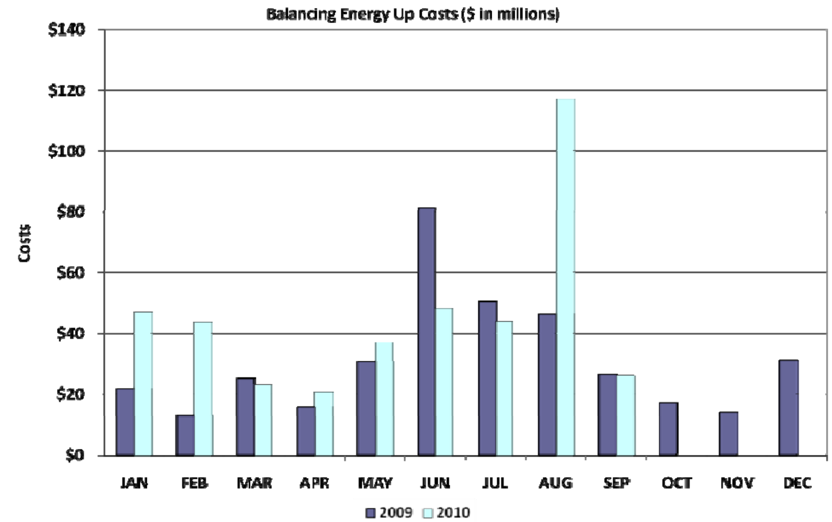
	YTD ($'s in millions) 09/30/10	YTD ($'s in millions) 09/30/09	September ($'s in millions) 2010	September ($'s in millions) 2009
• **Market Perspective:**				
Approximate Retail Market (at $.11/kWh)	**$27,430.0**	**$26,252.8**	**$3,172.8**	**$2,890.0**
Volume (GWh)	249,364	238,662	28,844	26,273
% Increase	4.5%		9.8%	
Natural Gas Price Index ($/MMBTU)	4.5	3.6	3.9	2.9
% Increase	25.0%		34.5%	
• **Balancing Energy:**				
Balancing Energy - Up	**$407.3**	**$311.4**	**$26.1**	**$26.4**
% Increase	30.8%		-1.1%	
Up (GWh)	6,048.3	5,666.4	445.3	513.9
% Increase	6.7%		-13.3%	
% of Market	2.4%	2.4%	1.5%	2.0%
Balancing Energy - Down	**-$301.8**	**-$254.7**	**-$42.5**	**-$27.1**
% Increase	18.5%		56.8%	
Down (GWh)	-12,253.4	-13,800.6	-1,753.4	-1,494.3
% Increase	-11.2%		17.3%	
% of Market	4.9%	5.8%	6.1%	5.7%

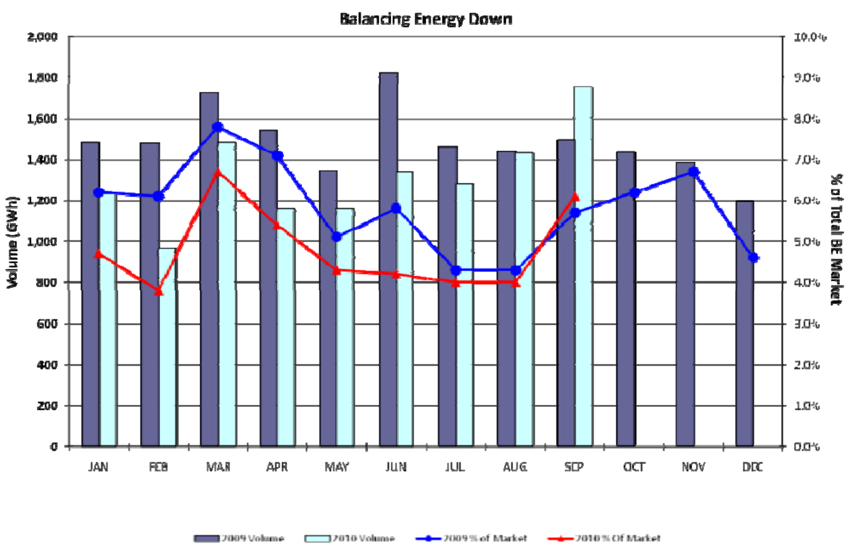
Energy Services

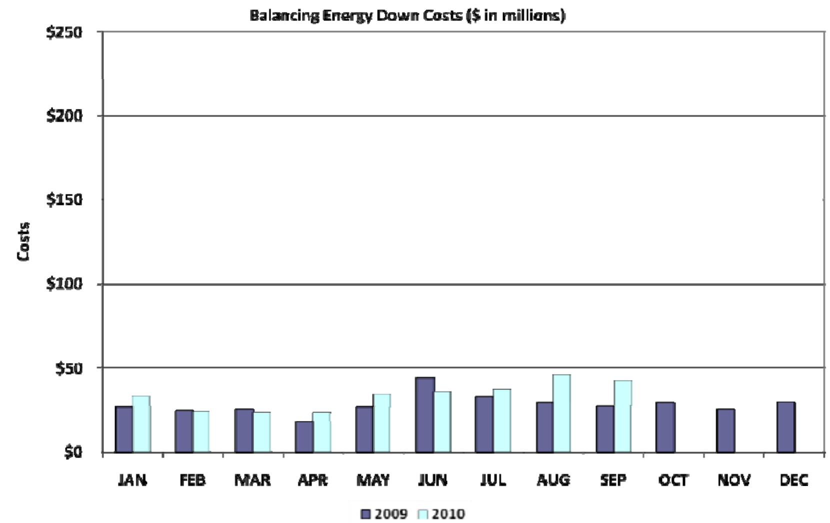


Balancing Energy Services – Volume and Cost

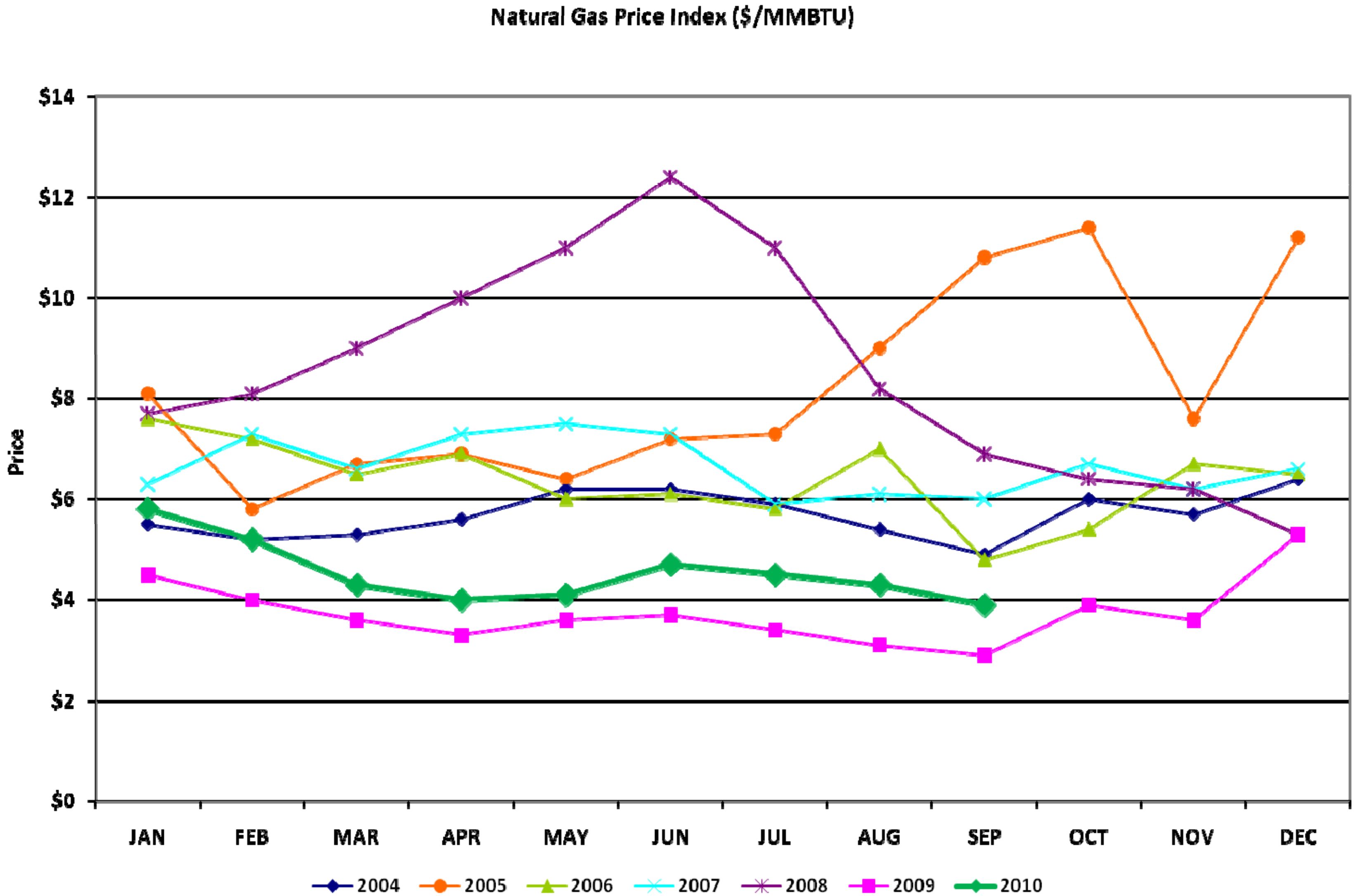








Natural Gas



Natural Gas Price Index ($/MMBTU)
$14
$12
$10
$8
$6
$4
$2
$0
Price
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
2004
2005
2006
2007
2008
2009
2010

Capacity Services

	YTD 09/30/10	YTD 09/30/09	September 2010	September 2009
Reg Up:				
Required (MW)	5,685,573	5,401,732	599,432	574,072
Self Arranged (MW)	1,098,344	1,190,268	118,086	115,725
Procured (MW)	4,604,622	4,225,372	483,114	459,068
Mismatch Schedules (MW)	(17,393)	(13,908)	(1,768)	(721)
% Procured	***81%***	***78%***	***81%***	***80%***
Weighted Avg MCPC ($/MW)	11.1	10.6	8.3	5.6
Reg Down:				
Required (MW)	5,842,546	5,629,672	626,424	633,683
Self Arranged (MW)	1,204,784	1,493,876	135,516	140,871
Procured (MW)	4,655,864	4,146,863	493,134	493,179
Mismatch Schedules (MW)	(18,102)	(11,067)	(2,226)	(367)
% Procured	***80%***	***74%***	***79%***	***78%***
Weighted Avg MCPC ($/MW)	9.6	7.4	4.9	3.7
Responsive Reserve:				
Required (MW)	15,050,965	15,049,422	1,654,770	1,654,257
Self Arranged (MW)	5,603,676	6,303,881	600,977	709,287
Procured (MW)	9,464,598	8,764,180	1,054,997	946,563
Mismatch Schedules (MW)	(17,309)	(18,639)	(1,204)	(1,593)
% Procured	***63%***	***58%***	***64%***	***57%***
Weighted Avg MCPC ($/MW)	9.6	10.2	7.0	6.1
Non-Spinning Reserve: *				
Required (MW)	10,990,294	7,261,759	1,091,944	483,174
Self Arranged (MW)	2,386,074	1,091,009	317,957	77,186
Procured (MW)	8,621,395	6,183,359	775,483	406,998
Mismatch Schedules (MW)	(17,175)	(12,609)	(1,496)	(1,010)
% Procured	***78%***	***85%***	***71%***	***84%***
Weighted Avg MCPC ($/MW)	6.0	3.5	0.7	0.9
Local Replacement Reserve:				
Procured (MW)	162,292	218,025	3,490	12,654
Zonal Replacement Reserve:				
Procured (MW)	80,267	523,761	2,238	64,667
OOMC:				
Procured (MW)	4,288,765	5,002,316	29,042	64,871

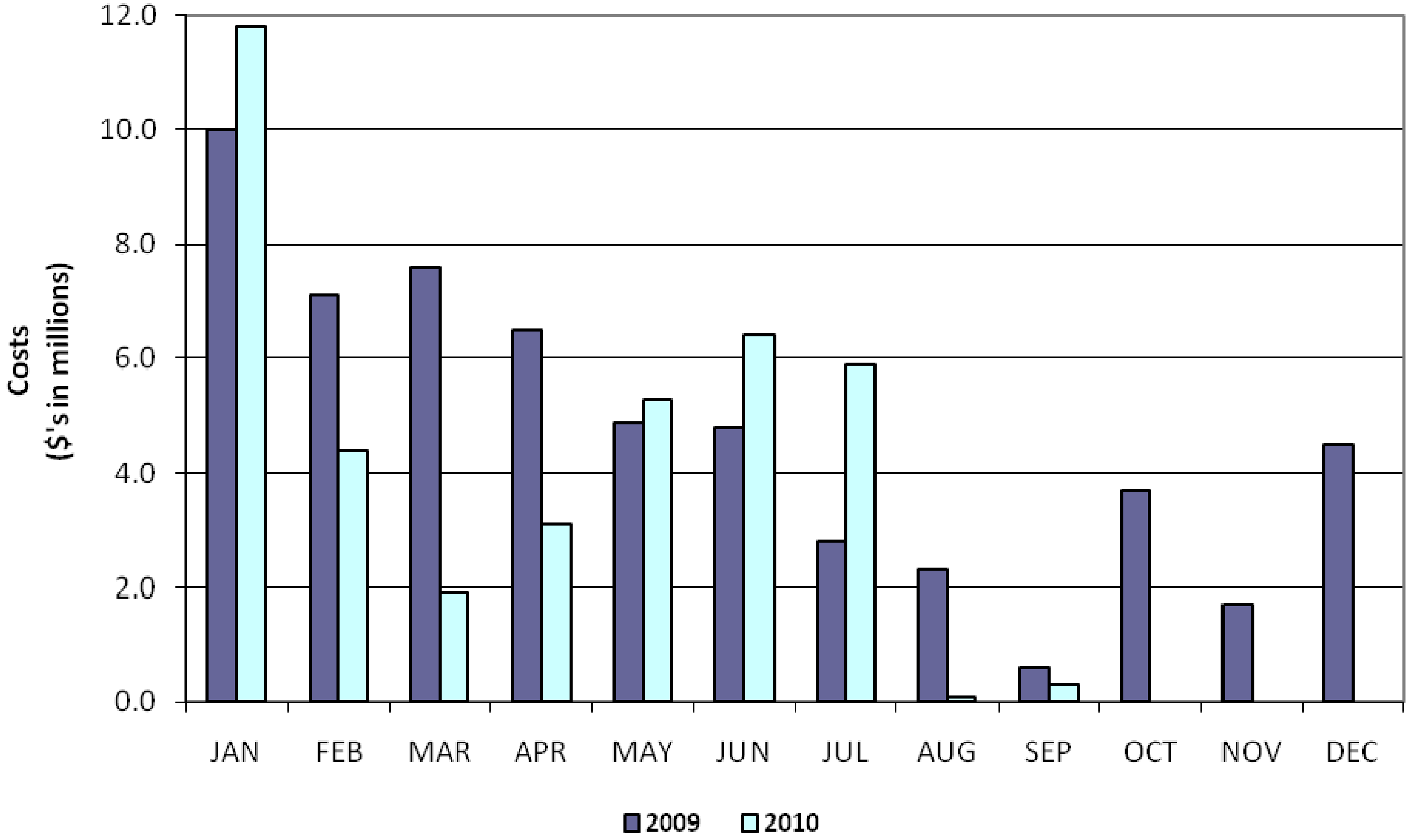
*A/S procurement methodology changed in December 2009

Capacity Services – Cost

	YTD ($'s in millions)		September ($'s in millions)	
	09/30/10	09/30/09	2010	2009
• **Capacity Services:**				
Reg Up	51.2	44.7	4.0	2.6
Reg Down	44.8	30.7	2.4	1.8
Responsive Reserve	91.0	89.4	7.4	5.7
Non-Spinning Reserve *	51.8	21.9	0.5	0.4
Local Replacement Reserve	1.7	2.7	0.02	0.2
Zonal Replacement Reserve	3.1	15.9	0.08	1.6
Black Start	4.4	4.2	0.5	0.5
OOMC	41.3	47.9	0.3	0.8
RMR Capacity and Start Up	$11.2	$0.8	$1.2	$0.1
TOTAL CAPACITY SERVICES	**$300.5**	**$258.2**	**$16.4**	**$13.7**

*A/S procurement methodology changed in December 2009

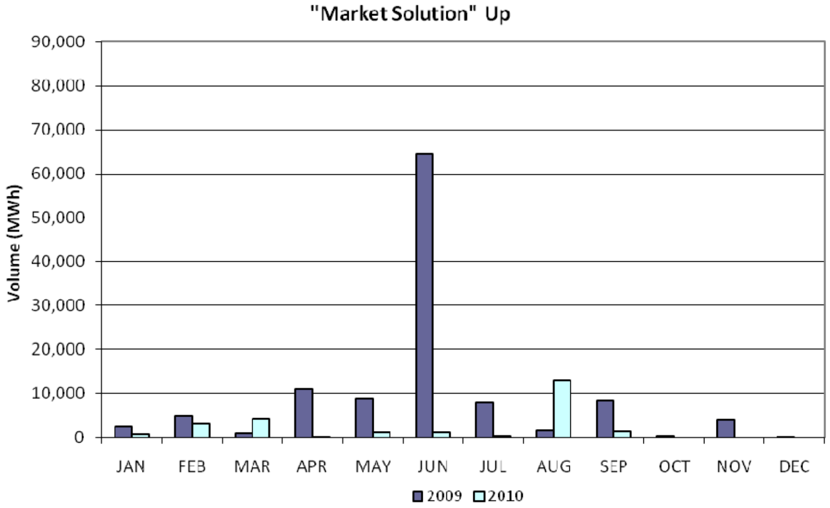
Capacity Cost – OOMC

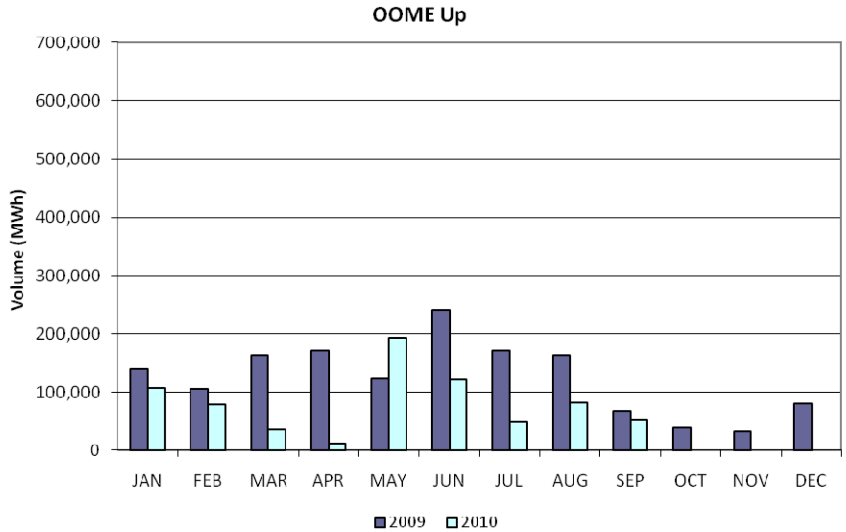


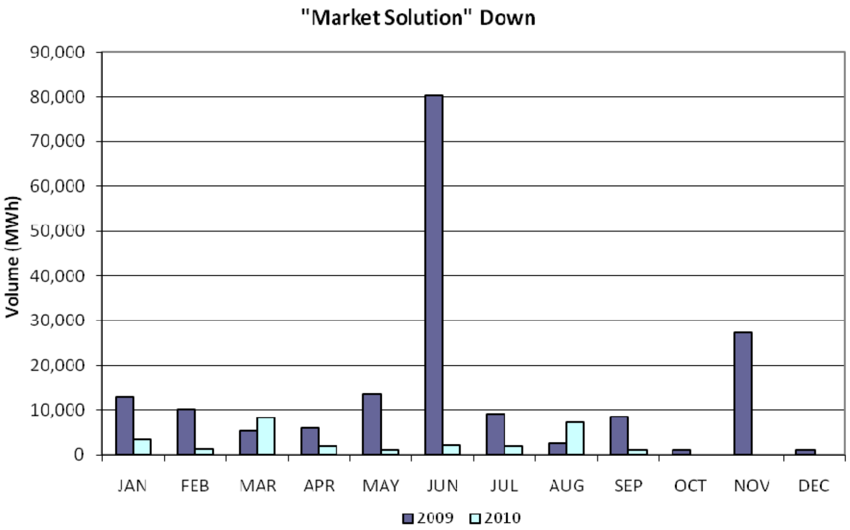
Congestion Management

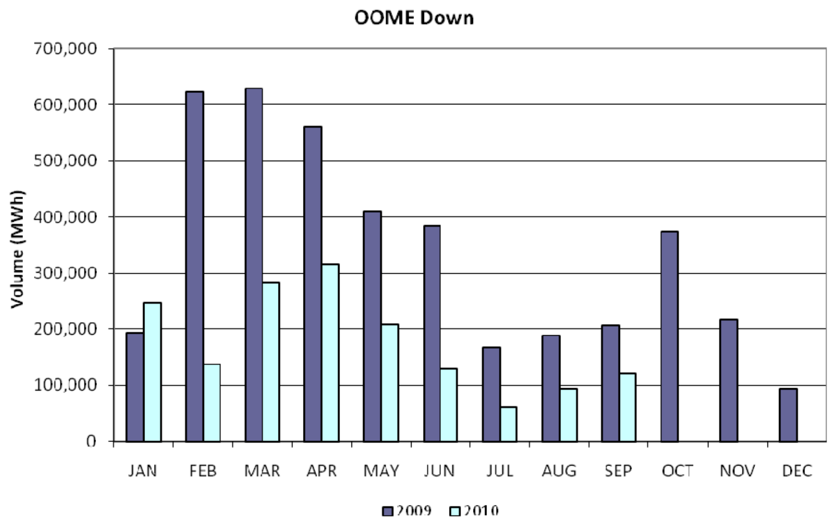
	YTD ($'s in millions)		September ($'s in millions)	
	09/30/10	09/30/09	2010	2009
• **Local Congestion:**				
"Market Solution" Down	1.3	8.4	0.01	0.2
"Market Solution" Up	0.2	0.8	0.002	0.06
OOME - Down	46.3	69.4	3.0	4.4
OOME - Up	12.1	16.2	0.9	0.8
Total Local Congestion Costs	**$59.9**	**$94.8**	**$3.9**	**$5.5**
• **Local Congestion Volume: (units in MWh)**				
"Market Solution" Down	28,563	148,479	1,165	8,508
"Market Solution" Up	25,845	110,569	1,349	8,426
OOME - Down	1,598,818	3,367,385	121,565	205,828
OOME - Up	732,995	1,345,818	53,462	67,614
Total Local Congestion Volume	**2,386,221**	**4,972,250**	**177,540**	**290,375**
• **Zonal Congestion and TCR / PCR:**				
TCR / PCR Annual Auction Proceeds received from Holders	($40.3)	($77.5)	($4.3)	($8.4)
TCR Monthly Auction Proceeds received from TCR Holders	($46.5)	($60.6)	($3.3)	($4.5)
Direct Assignment Proceeds received from QSEs based on schedules	($0.7)	($63.9)	($0.4)	($5.7)
Proceeds Paid to TCR / PCR Holders including Auction Refunds	$60.3	$184.3	$3.2	$14.3
Total Zonal Congestion and TCR / PCR Costs Uplift	**($27.2)**	**($17.7)**	**($4.7)**	**($4.3)**

Local Congestion Volume

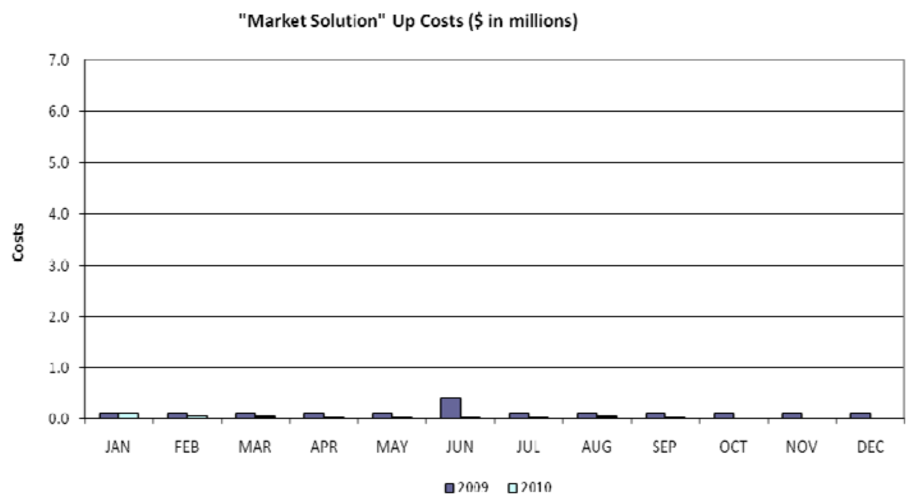


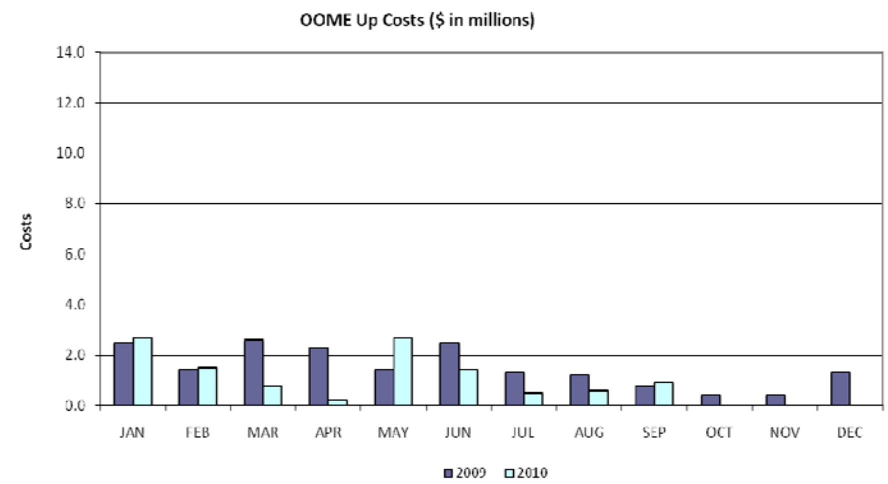


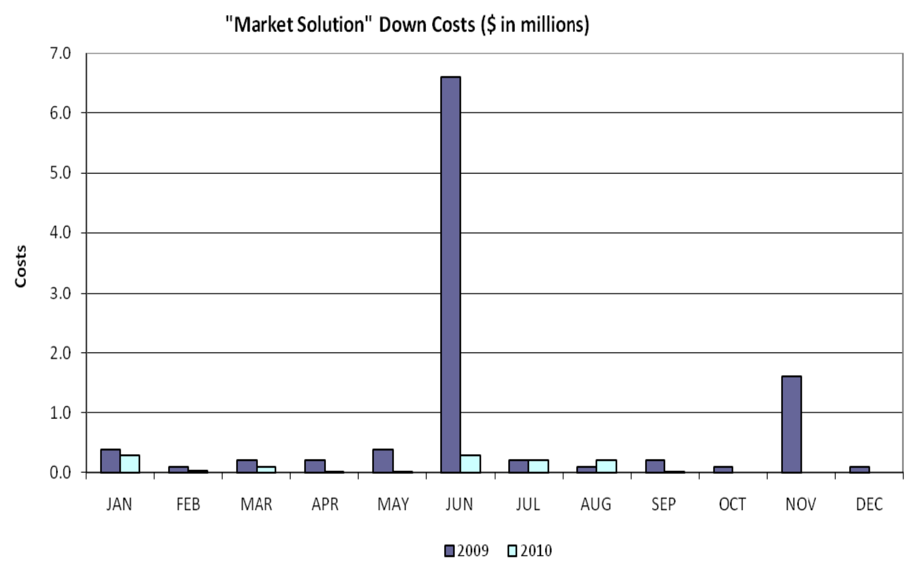


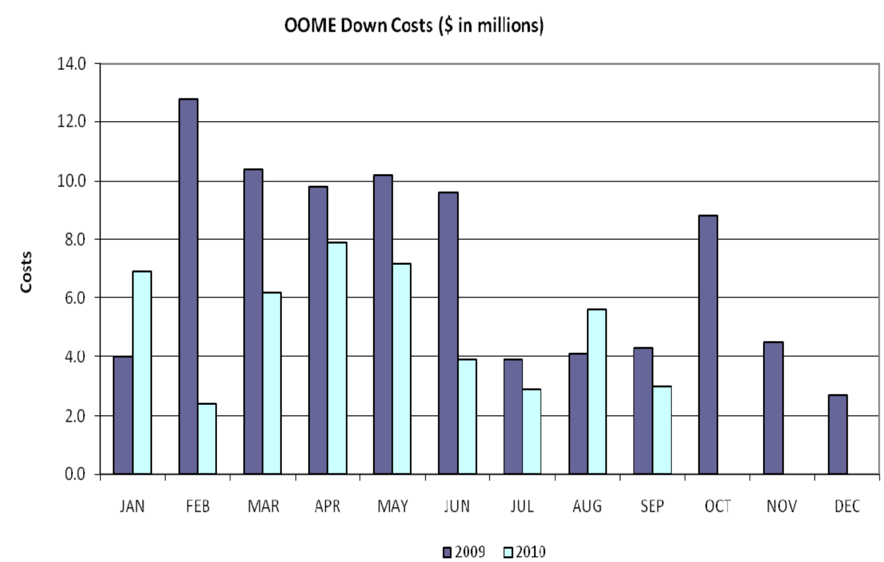


Local Congestion Costs









Load Zone Price Data

Total Load Weighted Average Price ($/MWH)*

[MCPE weighted by Total Zonal Load]

LOAD ZONE	Sep 2010	Aug 2010	Jul 2010	June 2010	May 2010	Apr 2010	Mar 2010	Feb 2010	Jan 2010
South	$35.83	$59.91	$41.39	$43.20	$35.50	$32.54	$33.43	$47.56	$44.43
North	$35.84	$60.78	$41.36	$43.12	$35.54	$32.96	$34.22	$47.57	$42.96
Houston	$36.00	$59.68	$41.60	$43.37	$35.61	$32.65	$32.81	$46.65	$42.75
West	$33.05	$56.68	$39.25	$37.19	$30.39	$24.42	$23.17	$40.28	$39.19

LOAD ZONE	Sep 2009	Aug 2009	Jul 2009	Jun 2009	May 2009	Apr 2009	Mar 2009	Feb 2009	Jan 2009
South	$30.82	$32.51	$35.67	$82.81	$32.97	$24.27	$26.35	$27.27	$34.69
North	$26.96	$32.47	$35.81	$35.15	$32.99	$24.82	$32.21	$27.89	$32.31
Houston	$31.25	$32.81	$35.68	$61.82	$32.70	$24.58	$29.11	$27.19	$32.78
West	$24.32	$29.84	$33.75	$32.95	$24.57	$12.93	$25.70	$19.93	$24.04

****Represents the average price for loads within the zone***

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

- **Added REPs**
  - ✓ Infinite Energy Inc. (LSE)
- **Added QSEs**
  - ✓ Mercuria Energy America Inc. (QSE)
  - ✓ Cirro Group Inc. (QSE)
  - ✓ Consolidated Edison Solutions Inc. (QSE)
- **Terminated REPs**
  - ✓ None
- **Terminated QSEs**
  - ✓ None

Questions?