



CEO UPDATE

JANUARY 18, 2011

Trip Doggett
President & CEO

FINANCIAL PERFORMANCE

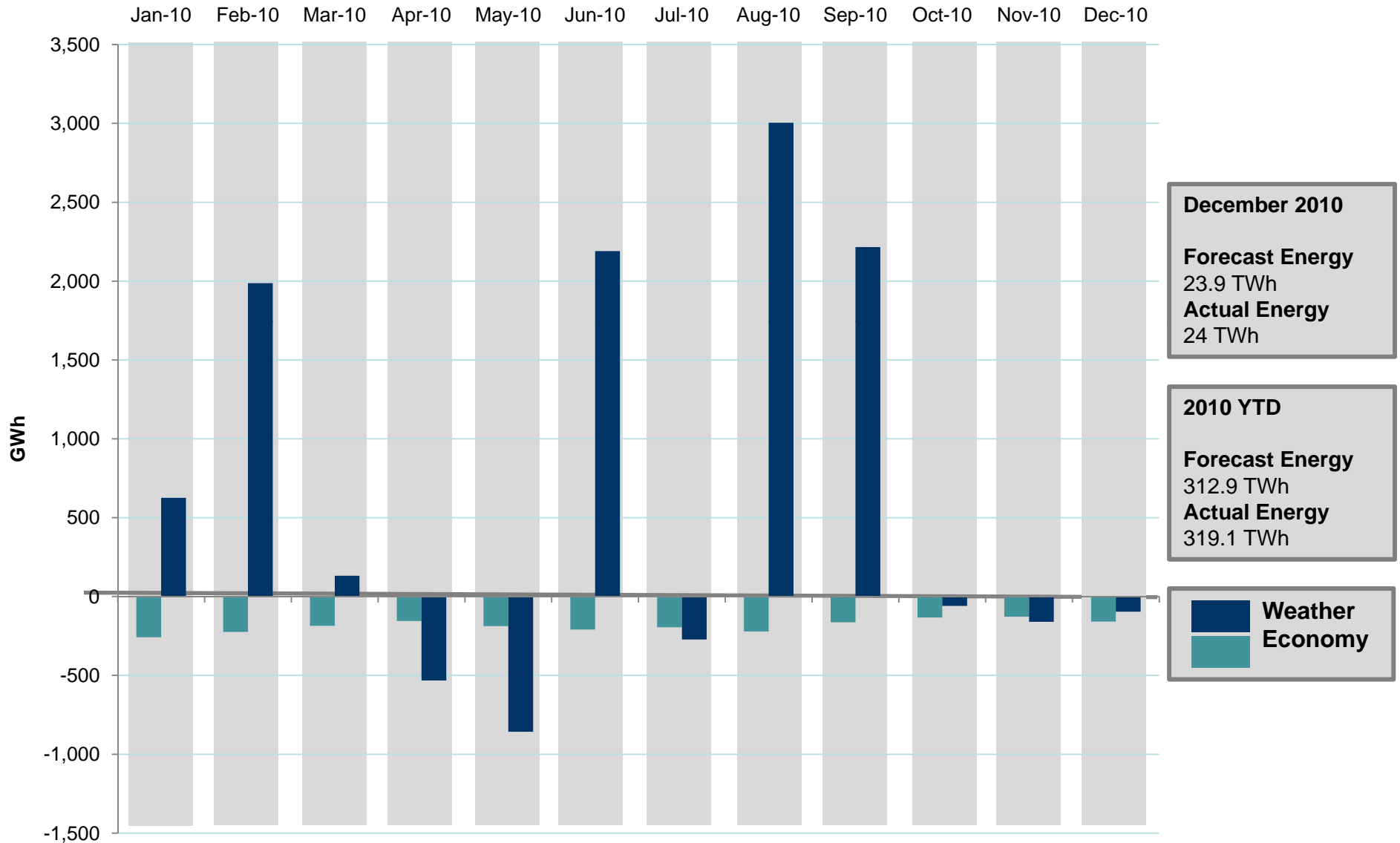
2010 YEAR-END PERFORMANCE: \$15.3 MILLION SURPLUS

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

REVENUE \$2.6 Million favorable System Administration Fee
\$0.8 Million favorable Other Miscellaneous Sources

\$7.5 Million favorable Salary & Benefits
\$2.6 Million favorable Interest Expense
EXPENSES \$1.3 Million favorable Other & Outside Services
\$0.8 Million favorable Protocol Services
\$0.3 Million unfavorable Revenue Funded Projects

IMPACTS OF ECONOMY & WEATHER – 2010



RECOGNITION TO ALL ERCOT EMPLOYEES – 2010 IN REVIEW

- Nodal go live successful on Dec. 1
 - With skilled employees
 - Knowledgeable market participants
 - Lots of training
 - 8351 in person attendees (2427 in 2010)
 - 7489 web based attendees (3169 in 2010)
 - Lots of Market Trials
 - 280+ QSEs
 - 110 DAM execution runs
 - 200 hours of LFC tests
 - while simultaneously operating Zonal systems
- Reduction in workforce without affecting services
- Developed a new process for coordinating budget development with the PUC, and successfully prepared the case for approval of use of nodal surcharge funding in 2011
- Completed strategic plan – met 29 of 33 Key Performance Indicators
- Celebrated ERCOT's 40th anniversary

RECOGNITION TO ALL ERCOT EMPLOYEES – 2010 IN REVIEW (CONT.)

- Very cold winter – new winter peak (55,878 on 01/8) beat previous peak by 5,500
- Very hot summer – four new summer peaks (65,776 on 8/26) beat previous peak by 2,300
- Reliably integrating most wind in the nation – 9,467 MW (2 new peaks)
 - ERCOT capacity is 3 times that of #2
 - If Texas were a country, we'd be #5 in the world
- Successfully operated during tropical storm Hermine on September 6th, producing heavy rains over northeastern Mexico and South Texas, with highest sustained winds of 60 mph
- Processed approximately 11,000 NOMCRs (Network Operating Model Change Requests) effecting approximately 600,000 changes to data and data attributes in NMMS (Network Model Management System)
- Outage Coordination processed 38,634 Zonal Outage Requests
- Developed and implemented the Macomber map, widely recognized as an innovative tool for operator situational awareness

RECOGNITION TO ALL ERCOT EMPLOYEES – 2010 IN REVIEW (CONT.)

- Won a major court victory at the U.S. Court of Appeals for the Fifth Circuit which resulted in a recovery for the market of over \$1 million (ERCOT v. May)
- Brought ERCOT's first Sunset Commission review to a successful conclusion
- Completed the physical and legal transitions necessary to create the independent TRE and the PUC Reliability Monitor function
- Board Member Orientation Binder completely reworked and updated

RECOGNITION TO ALL ERCOT EMPLOYEES – 2010 IN REVIEW (CONT.)

- Texas RE found ERCOT Operations to be 100% compliant on the 693 (Operating & Planning) reliability standards and protocol compliance audits
- 2010 NERC Reliability Standards CIP Audit – First complete CIP Audit, 143 Requirements, audit exit presentation 5 possible violations on minimal issues
- Internal Audit found Operations to be 100% compliant on the operating procedures audit
- Internal Audit found no negative findings in Outage Coordination
- Completed TOP Functional Registration - Implemented TOP CFR with 13 other registered TOPs in ERCOT Region. Met NERC expectations
- Successful SAS70 audit with new auditors; received an unqualified opinion
- Jim Brenton elected as voting member of the Executive Committee of the NERC CIP Committee

RECOGNITION TO ALL ERCOT EMPLOYEES – 2010 IN REVIEW (CONT.)

- Implemented Employee E-learning with Skillsoft Corporation
 - Developmental tool employees can utilize at their own time and pace
 - Supports employee development through innovative on-line learning accessible 24 hours a day, 7 days a week
 - Access to a library of courses covering a wide variety of subject matter – from highly technical topics to software application instruction to business skills development
- Talent Management/Succession Planning
 - Development and implementation of a Talent Management program.
 - All level Managers have worked to Identify Key Talent Employees that have demonstrated great results and the ability to scale.
 - Managers have engaged in Calibration meetings whereby profiles of employees are reviewed and validated. The Calibration sessions in turn drive the Succession and Development Plans.
- 2010 Performance Management
 - Stronger review and monitoring of setting measurable goals in Success Factors
 - Training sessions were held for all managers reviewing the usage of the tool and focused on driving key goals outlined in our Strategic business plan into the organization
 - Stronger emphasis was placed on defining goals that can be measured and tied to our business objectives.
- Rewards and recognition
 - Nomination and introduction of ERCOT's first Principals as defined by our Technical ladder – 6 employees recognized in 2010

RECOGNITION TO ALL ERCOT EMPLOYEES – 2010 IN REVIEW (CONT.)

- Bastrop and Taylor Data Centers completed ahead of schedule and under budget. Project savings \$2.9 MM.
- Information Life Cycle Management Project allowed storage cost reductions with use of lower cost storage media and elimination of stored data. In 2010, implementation of ILM policies resulted in an 80% reduction in the cost per Terabyte of the storage acquisition. In the future, we expect a 35% reduction in storage volumes and continued cost per Terabyte reductions.
- Established Vendor Management Program to negotiate contracts and assure performance
- Negotiated favorable equipment contracts for Asset Replacement Strategy
- Implemented high performance servers to support Day Ahead Market operations
- Replaced aging PBX and voice recording systems for Control Centers

RECOGNITION TO ALL ERCOT EMPLOYEES – 2010 IN REVIEW (CONT.)

- Settling 2 million+ advanced meters and actively participated in Advanced Meter Implementation Team
- Successfully conducted a test of the Universal Communication System designed to automatically call and email affected customers in the event of a Mass Transition, informing them that they will be transitioned to a Provider of Last Resort
- Retail Client Services responded to 11,020 information requests from Market Participants, 145 information requests received from the ERCOT Web Site, 684 calls to the ERCOT 2800 ERCOT Customer call in phone line and fulfilled 105 Data requests from Market Participants. Retail Client Services and Market Analysis also provided Retail Training for 682 individuals, and sent out 299 Market notices in 2010.
- 867_03 NIDR and IDR usage data transaction processing – 86,949,935 records processed
- Advanced Metering usage data transaction processing – ~400+ million records processed

HEARINGS

82ND LEGISLATIVE SESSION

- Began January 11, 2011

LEGISLATIVE OUTREACH:

- Lt. Governor David Dewhurst
- Senator Brian Birdwell
- Representative Jim Keffer
- Representative Rafael Anchia
- Representative Mark Strama

OTHER ITEMS:

- Two FERC Commissioners to visit and tour ERCOT
 - Commissioner Cheryl LaFleur
 - Commissioner John Norris