CEO UPDATE
JULY 19, 2011

Trip Doggett

President & CEO

FINANCIAL PERFORMANCE (UPDATED THROUGH JUNE)

YTD BUDGET VS. ACTUAL PERFORMANCE: $10.4 MILLION FAVORABLE

REVENUES

$3.6 Million favorable System Administration Fee

$3.2 Million favorable 2010 Carry Forward

$0.3 Million unfavorable Grant Funding

EXPENSES

$2.5 Million favorable in Revenue-Funded Projects

$0.7 Million favorable in Facilities & Equipment Cost

$0.3 Million favorable in Salary & Benefits

$0.2 Million favorable Outside Services

$0.2 Million favorable Interest & Other

FINANCIAL PERFORMANCE (UPDATED THROUGH JUNE)

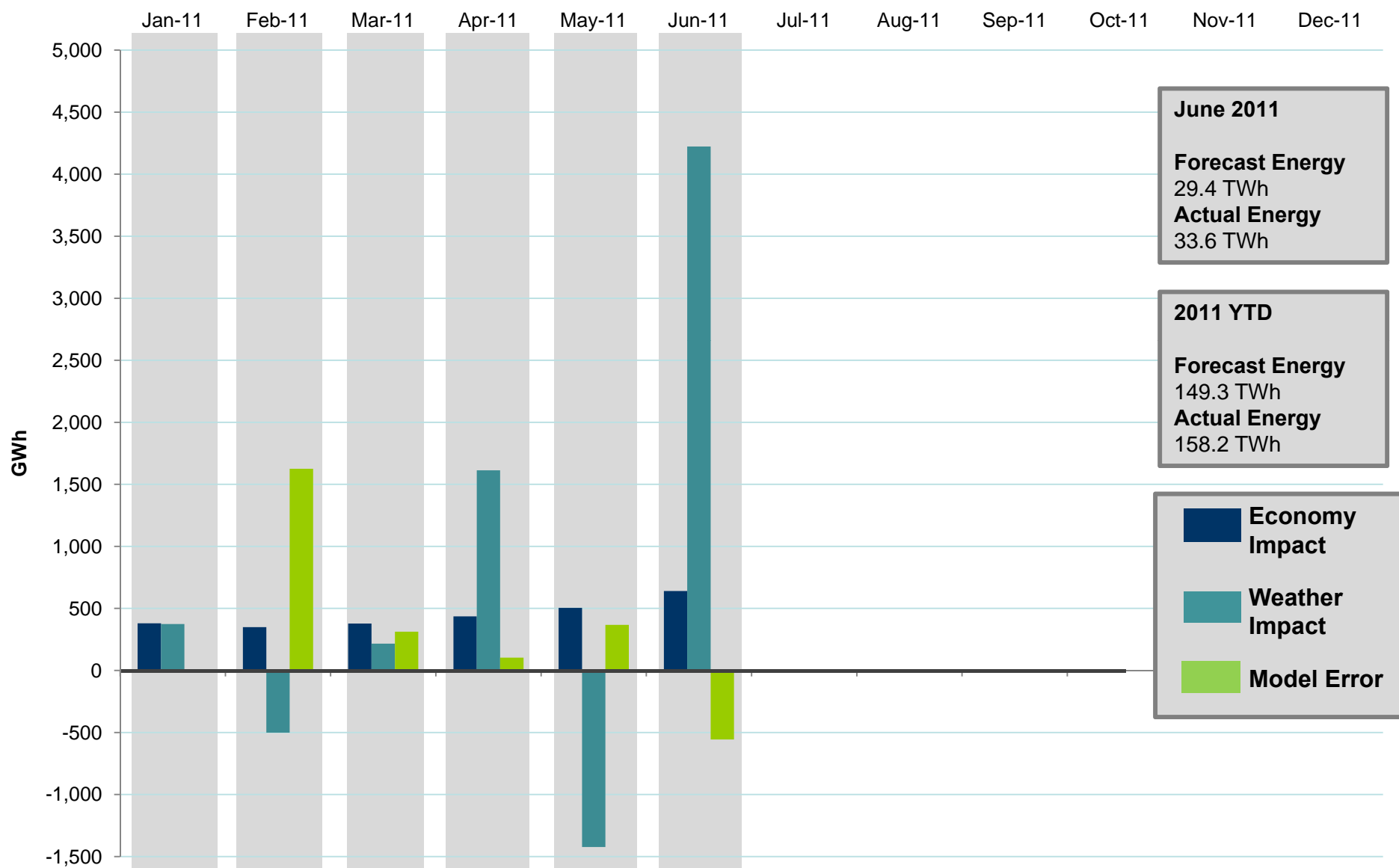## YEAR-END PERFORMANCE FORECAST: $12.0 MILLION FAVORABLE

REVENUES
$4.0 Million favorable System Administration Fee
$3.2 Million favorable 2010 Carry Forward

EXPENSES
$4.0 Million favorable Revenue-Funded Projects
$0.9 Million favorable Outside Services
$0.2 Million favorable Hardware/Software Maint. & Licenses
$0.3 Million unfavorable Salary & Benefits

IMPACTS OF ECONOMY & WEATHER – 2011

June 2011

Forecast Energy
29.4 TWh
Actual Energy
33.6 TWh

2011 YTD

Forecast Energy
149.3 TWh
Actual Energy
158.2 TWh

Legend:
- Economy Impact
- Weather Impact
- Model Error

DEPARTMENTAL UPDATES

IT/FACILITIES

Data Center Migration

- Current: 41.9%complete, 16.6% in progress
- Previous: 26.9% complete, 15.52% in progress
- Wave 1 (Corporate and Infrastructure support servers)
  - 66.5% complete (235 servers), 118 in progress
  - Primarily email and monitoring systems
- Wave 1.5.1 – VMWare Corporate is 100% complete
- Wave 1.5.2 – VMWare Development is 87.11% complete
- Wave 2 (Development and Test servers)
  - 47.1% complete (308 servers)
- Wave 4 – 87 Servers in flight (100%)
- Wave 5 – 6 Servers in flight (1.4%). Wave 5 started 8 weeks early.

Met Center Lease

- Negotiations continuing for sublease of data center and control room

DEPARTMENTAL UPDATES (CONT.)

SYSTEM OPERATIONS

- Mike Legatt spoke at a Texas Society of Professional Engineers forum in Austin about emerging trends in the electric industry.

- Woody Rickerson spoke at the Midwest Reliability Organization in Minneapolis about ERCOT's innovative modeling initiatives.

- Black Start Simulator Training scheduled for July – August
  o Provides training for transmission and generation operators on grid restoration procedures
  o Black Start training will be attended by almost 500 participants across Texas
  o For the first time, ERCOT used automatically-generated breaker-to-breaker one-line diagrams for Black Start Training – much better than the Zonal one-lines used previously.
  o Board, PUC, and Lieutenant Governor's staff will be attending various sessions

ENERGY EMERGENCY ALERT LEVEL 1 — JUNE 27, 2011

12:54 PM Generation Lost **661 MW**
Frequency dropped to 59.825 Hz
1:01 PM Frequency Recovered to **60 HZ**
(within 7 minutes and 40 seconds)

2:38 PM Generation Lost **513 MW**
Frequency dropped to 59.849 Hz
2:45 PM Frequency Recovered to **60 HZ**
(within 6 minutes and 15 seconds)

**Cancelled
Advisory**

Issued EEA 1
Reserves below
2,300 MW

Issued Advisory
Reserves below
3,000 MW

**Cancelled
Media Appeal**

**Issued Media
Appeal**

1:34 PM   3:00 PM   3:25 PM   7:00 PM   7:50 PM

JUNE 27

1:40 PM   2:55 PM   4:50 PM   7:17 PM

1,909 MW Non-Spin
requested

Issued Watch
Reserves below
2,500 MW

**Cancelled
EEA 1**

**Cancelled
Watch**

1:07 PM Generation Lost **660 MW**
Frequency dropped to 59.869 Hz
1:14 PM Frequency Recovered to **60 HZ**
(within 6 minutes and 55 seconds)

Note: Watch also include:

- Qualified Scheduling Entity Hotline Call
- Transmission Operator Hotline Call
- Postings on the Market Information System and ERCOT website

DEPARTMENTAL UPDATES (CONT.)

FINANCE

- Grady Roberts attended the annual ISO/RTO Council (IRC) Procurement Roundtable hosted by the California ISO

BUSINESS INTEGRATION

- ERCOT held a workshop with Market Participants to discuss detailed issues related to NPRR 357 (12-month rolling CRR auction). As a result of the workshop, it was decided to delay the rolling auction format and focus on revisions that would enable ERCOT to go ahead with the annual CRR auctions as planned.

LEGAL

- The ISO/RTO joint application to the CFTC for an exemption under the Commodities Exchange Act is in process and expected to be filed soon. ERCOT is currently engaged in discussions with the CFTC to address issues related to the scope of the exemption. ERCOT is expecting to continue to press ahead with becoming a central counterparty. NPRRs to begin addressing the expected terms of the exemption will be filed shortly, along with more detailed proposals with respect to participant attestation and verification requirements.

COMPLIANCE, SECURITY AND LEGAL STAFF VISIT WITH FERC

- Specifically Recognized Frequency Response, LAARs, (2) Control Centers

- Complimented ERCOT for Openness, Participation on February 2, 2011 Review

- Impressed by Section 8 Protocol Requirement

- FERC conducted Classified Debriefing on Security Threats/Issues

- Excellent Dialogue

- Appreciated Specific Compliance Examples

EXTERNAL RELATIONS

✓ Special Legislative Session ends – No ERCOT impact

✓ Participated in the Taylor Economic Development Summit with Secretary of State Andrade

✓ Participated in and provided resource information at PUC generation adequacy workshops

✓ Coordinated with the TCEQ on outreach to generators regarding drought issues

FUTURE:

• Continue outreach to legislative contacts, including tours (of Taylor, Met and Bastrop Control Centers) and briefings

• Continue stakeholder outreach for Long Term Study

• Assist legislative staff with interim study topics and research

• Continue education on summer capacity and grid status concerns

CONGRATULATIONS, BETTY DAY – VP, BUSINESS INTEGRATION

BETTY DAY
VICE PRESIDENT, BUSINESS INTEGRATION

Started at ERCOT: July 1st, 2000

Betty began working for ERCOT on July 1, 2000 as Manager, Load Profiling and was instrumental in the zonal market go-live. She took on additional responsibilities of Data Aggregation and Settlement Metering in 2002 and was later promoted to Director, Commercial Operations in September 2005. In this role she had responsibilities for Retail Customer Choice, Settlement Metering, Data Aggregation, Settlements & Billing, and Data Integrity & Administration. During my role as Interim CEO, Betty managed many of my former COO responsibilities. During 2010, she was the ERCOT business lead on Mike's management team for nodal implementation.

Betty resides in Taylor with her husband, John, and their daughter, Jennifer. In her spare time, she enjoys gardening and all things equestrian.

Neha Ashok

- **Texas A&M University, College Station, TX**
  - Master of Science in Management Information Systems *(May, 2012)*
- **Visvesvaraya Technological University, Bangalore, India**
  - Bachelors of Engineering in Computer Science & Engineering (June, 2010)

<u>**ERCOT Department:**</u> Release Management
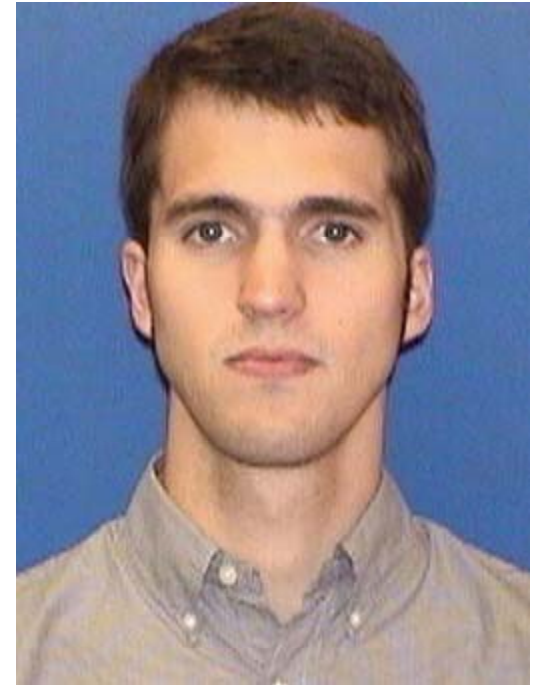
<u>**ERCOT Manager:**</u> Dianne Gwinn

<u>**Project:**</u> Work Effort Classification – identification and classification of work efforts of the customers of Change and Release Management. Once complete, the ERCOT Release Management Team will review the information for gaps across departments and identification of recommendations. The information will then be reviewed by ERCOT IT Directors for any modifications and ultimately considered for their approval.

Peter Garatoni

- **University of Texas, Austin, TX**
    - Master of Science, Electrical Engineering *(May, 2012)*
- **Trinity University, San Antonio, TX**
    - Bachelor of Science, Engineering Science (May, 2010)

ERCOT Department: Model Maintenance

ERCOT Manager: Joe Weatherly

Project: while performing in the role of an entry-level network model engineer, observe, learn and document the tasks needed to perform the role and provide a training guide to include suggested improvements and lessons learned to enhance and expedite the on-boarding process for future Network Model Engineers into the ERCOT Model Maintenance department.

Saurabh Kulkarni

- **University of Texas, Austin, TX**
  - Ph.D. Electrical and Computer Engineering *(December, 2011)*
- **University of Texas, Austin, TX**
  - Master of Science, Electrical and Computer Engineering (May, 2009)
- **University of Pune, India**
  - Bachelor of Technology in Electrical Engineering (May, 2007)
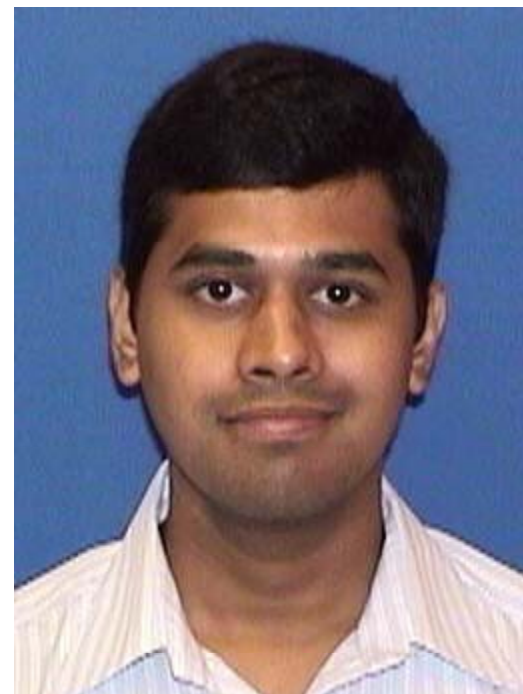
ERCOT Department: Settlement Metering

ERCOT Manager: Don Tandon

Project: analyze potential impact on settlements of the elimination of manual time error corrections currently in field trial study by NERC. Potential errors in settlements will be analyzed for the following loads: flat load, variable load (grid load curve), and price responsive load and/or demand response load. The impact on the UFE (unaccounted for energy) due to the imbalance between generation and load for a given 15 minute settlement interval will be studied. The project also attempts to quantify resulting potential savings/losses. Additionally, assisting with compliance monitoring of Nodal Protocol 10: Metering and Settlement Metering Operations Guide (SMOG).

Akshay Manjeshwar

- **Texas A&M University, College Station, TX**
  - Master of Science in Management Information Systems *(December, 2011)*
- **Father Conceicao Rodrigues College of Engineering, Mumbai University, Mumbai, India**
  - Bachelor of Engineering in Information Technology (May, 2010)

ERCOT Department: EMMS Production Support

ERCOT Manager: Steve White

Project 1: Automation of Database Load – minimizing the time and manual effort required for loading of EMMS databases.

Project 2: SharePoint Redesign and Reorganization – improved accessibility as well as consistency of the SharePoint site by customizing homepage per role for easy access to important documents as well as recently added/modified and added features for searching documents based on role.

Project 3: Server Environment Using Visio – capture changes in the environment of the servers and their interconnections post Zonal to Nodal transition.

Project 4: Master Server List – develop master server list by collecting lists of servers from different employees who were responsible for different subtasks like EMS, MMS, NMMS, OTS, OPC etc.

Mark Mitchell

- **University of Houston Law Center, Houston, TX**
  - Juris Doctor *(May, 2012)*
- **University of Texas, Austin, TX**
  - Master of Arts in English Literature (June, 2006)
- **Duke University, Durham, North Carolina**
  - Master of Arts in Teaching & English Literature (May, 2001)
- **Asbury College, Wilmore, KY**
  - Bachelor of Arts in English Literature & Language (May, 1996)

ERCOT Department: General Counsel
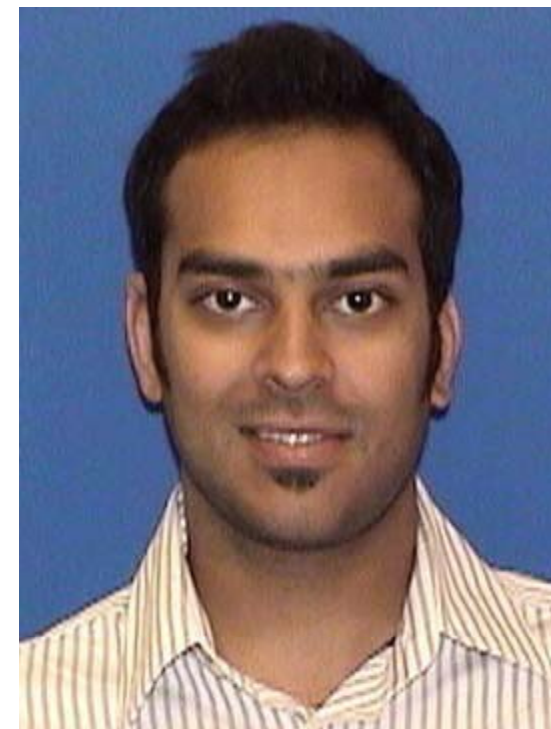
ERCOT Manager: Bill Magness

Project: support the General Counsel and External Relations offices by: 1) analyzing potential suits by third parties against ERCOT; 2) analyzing federal and state regulatory developments; and 3) creating and implementing strategies for communicating with the Texas Legislature.

Sahil Shanghavi

- **The University of Texas, Austin, TX**
  - M.S. Electrical Engineering *(May, 2012)*
- **University of Massachusetts, Amherst (Commonwealth Honors College)**
  - B.S. Electrical Engineering (May, 2010)

ERCOT Department: Mid Term Planning

ERCOT Manager: Gnanaprabhu Gnanam

Project 1: created a Procedural Document to assist beginners getting acquainted with PSS®MUST to perform Contingency Analysis.

Project 2: using the ERCOT Five Year Plan 2013 on-peak, SCOPF-dispatched case updated 12/17/2009, performed Contingency Analysis and Transfer Limit Analysis studies for flows from North to West and West to North (weather) zones for 2013, and provided report with the results of the study.