



CEO Update

**Trip Doggett
President & CEO**

**Board of Directors Meeting
September 20, 2011**

FINANCIAL PERFORMANCE (UPDATED THROUGH AUGUST)

YTD BUDGET VS. ACTUAL PERFORMANCE: \$15.3 MILLION FAVORABLE

REVENUES

\$7.8 Million favorable System Administration Fee
\$3.2 Million favorable 2010 Carry Forward

EXPENSES

\$2.8 Million favorable Revenue-Funded Projects
\$1.2 Million favorable Facilities & Equipment Cost
\$0.9 Million favorable Salary & Benefits

FINANCIAL PERFORMANCE (UPDATED THROUGH AUGUST)

YEAR-END PERFORMANCE FORECAST: \$16.8 MILLION FAVORABLE

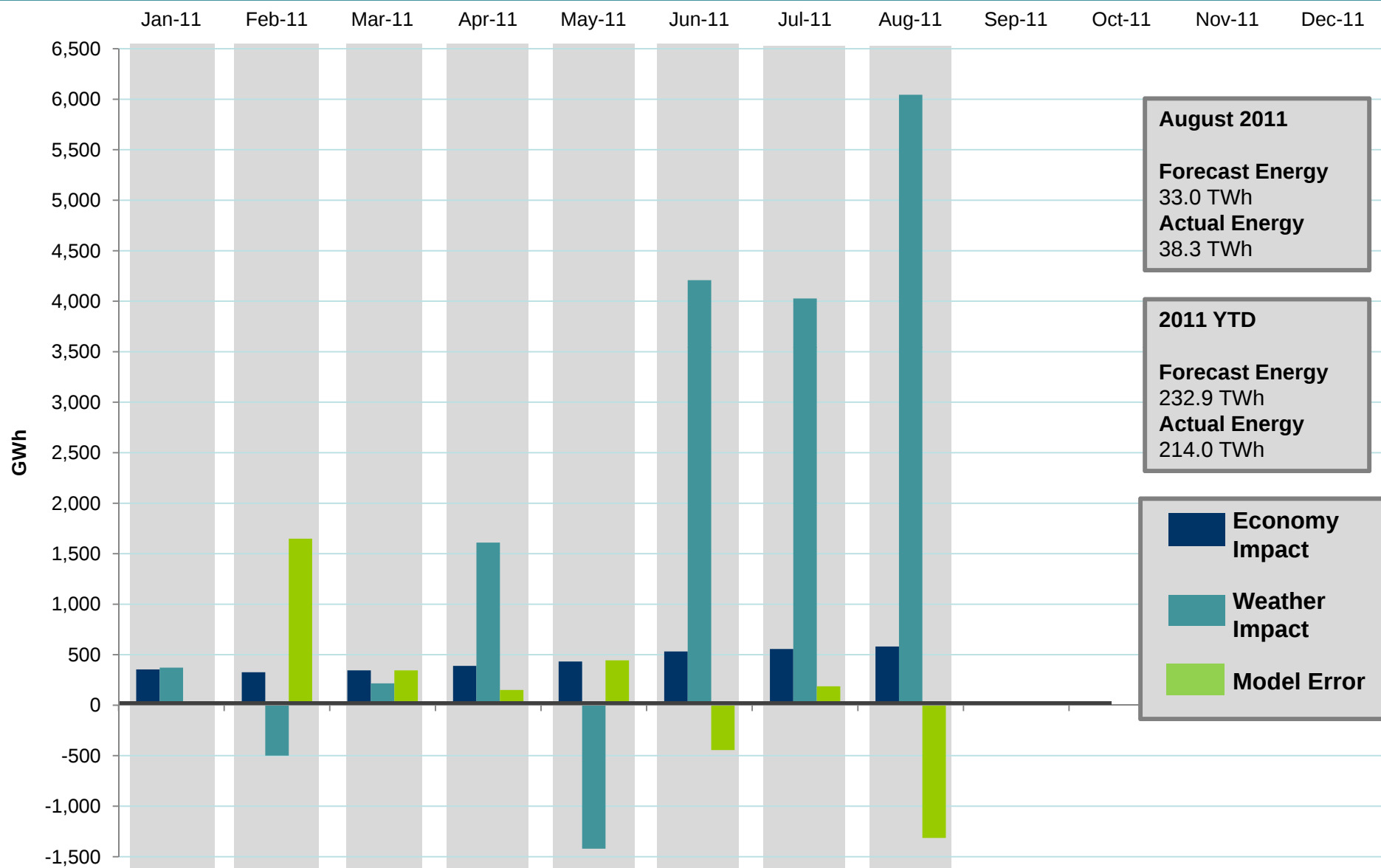
REVENUES

\$9.1 Million favorable System Administration Fee
\$3.2 Million favorable 2010 Carry Forward

EXPENSES

\$4.1 Million favorable Revenue-Funded Projects
\$0.8 Million favorable Facility & Equipment Costs
\$0.4 Million favorable Salary & Benefits
\$0.4 Million favorable Outside Services

IMPACTS OF ECONOMY & WEATHER – 2011



DEPARTMENTAL UPDATES

IT/FACILITIES

Data Center Migration

- ❖ Current: 64.3% complete, 12.0% in progress
- ❖ Previous: 41.9% complete, 16.6% in progress

- Wave 1 (Corporate and Infrastructure support servers)
 - 84.4% complete (254 servers), 47 in progress
 - Primarily departmental file shares and IT support equipment
- Wave 1.5.1 – VMWare Corporate is 100% complete
- Wave 1.5.2 – VMWare Development is 100% complete
- Wave 2 (Development and Test servers)
 - 78.8% complete (515 servers)
- Wave 3 – 50 Servers complete (73.5%), 18 in progress (26.4%)
- Wave 4 – 87 Servers in flight (100%)
- Wave 5 – 68 Servers complete (15.8%), 37 in flight (8.6%)

DEPARTMENTAL UPDATES (CONT.)

BUSINESS INTEGRATION

- Continue to work with ERCOT staff and Market Participants on Non-spin, Storage, and Look Ahead SCED

WHOLESALE MARKETS

- ERCOT performed a back-cast analysis of the stakeholder Non-Spinning Reserve pricing proposals in order to provide information on the dollar impact the proposals would have had on the peaker net margin.

CYBER SECURITY

- ERCOT met with the FBI on September 7, 2011, to review a classified briefing on the current cyber threat analysis to the grid

HUMAN RESOURCES

- The ongoing wildfires forced evacuations for several ERCOT families and claimed the homes of two employees. Boxes for monetary donations have been placed on security desks of both the Taylor and MET locations. Money collected will go directly to affected ERCOT employees. Donation boxes for non-monetary items to be donated to the Red Cross have been placed in the lobbies of TCC1, TCC2, and the MET. Many thanks for the generous responses received from the ERCOT Community Involvement Committee.

STUDENT MENTORING VOLUNTEER FAIR – SEPTEMBER 7TH

One focus of ERCOT's Community Involvement Committee (CIC) is student mentoring. The CIC recently hosted a Student Mentoring Volunteer Fair in Taylor. Employees were encouraged to attend to meet our existing 24 ERCOT employee mentors and to learn more about how they can participate. We also had 20 guests from various Taylor initiatives participate.

“Most successful professionals have had some sort of mentor in their life. Student mentoring gives employees the opportunity to give back, help out a child, and be a good corporate citizen.” – Trip Doggett



MAPS (2nd grade reading program) – 11 mentors

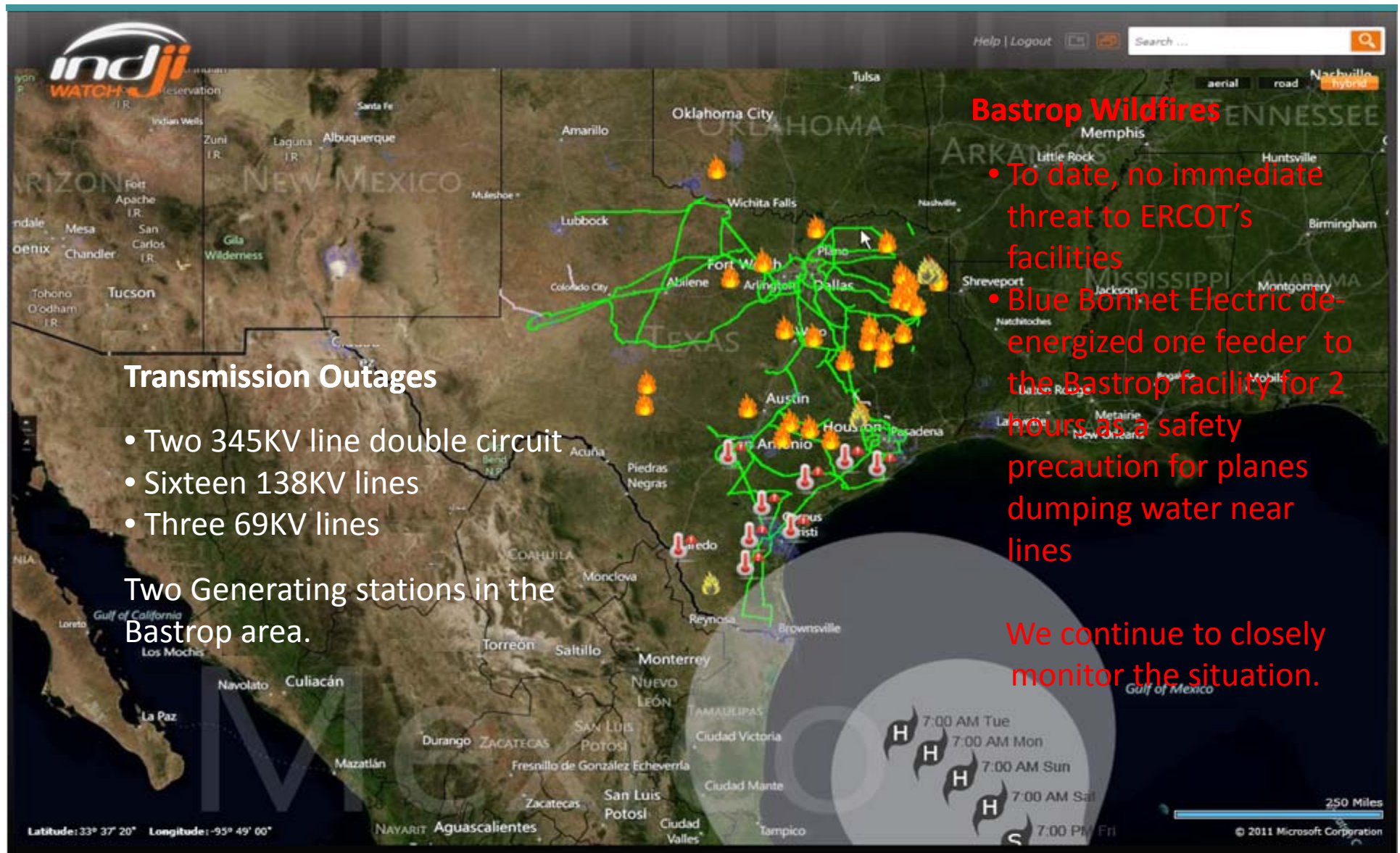
MUNCH (3rd – 12th grade mentoring at lunch) – 12 mentors

Duck University (variety of after school programs) – 4 mentors

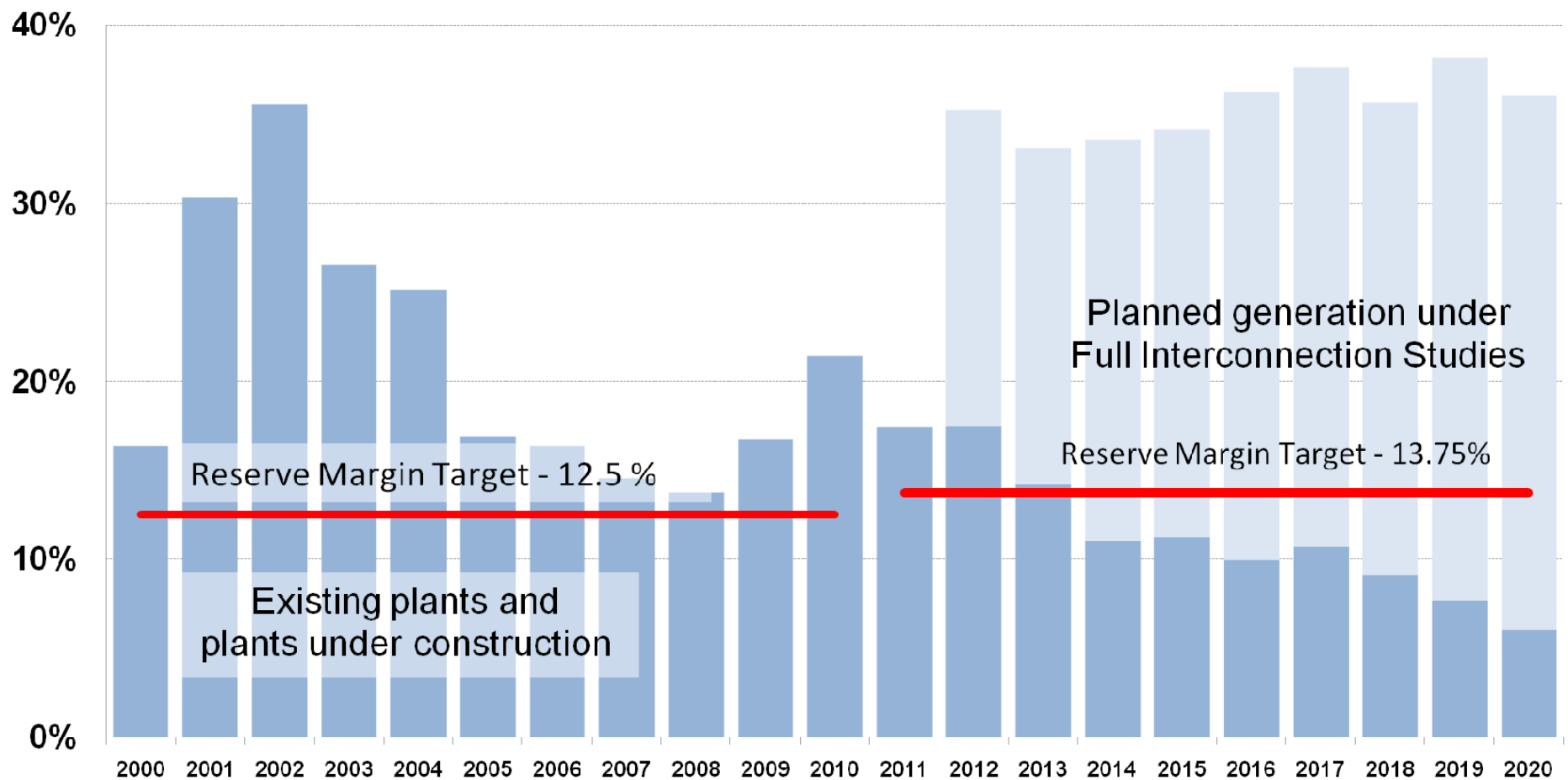
BLADEs (Beginners Learning Alternative Designs for Energy) – 25 mentors

ERCOT Community Involvement Committee – 6 volunteers

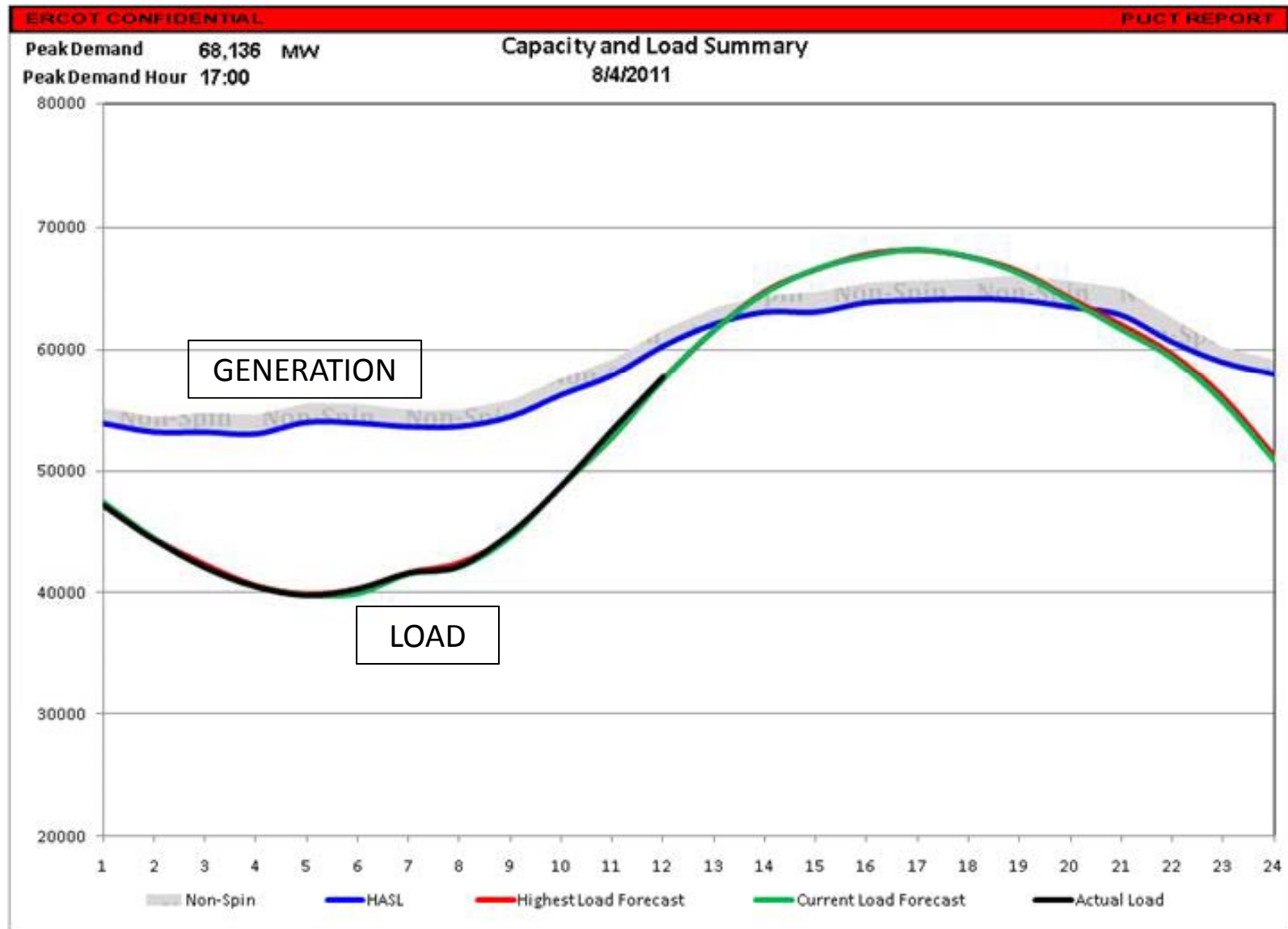
WILDFIRE ISSUES WITHIN ERCOT SEPTEMBER 2011



ERCOT RESERVE MARGINS – 2000-2020



HOW DOES THAT 17.5% BECOME <5%?



OPERATING RESERVE MARGIN

TIME: 08/03/2011 16:13

Load: 68,392 MW

2011 Report on the Capacity, Demand, and Reserves in the ERCOT Region

Summer Summary

Load Forecast:	REAL TIME	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Summer Peak Demand, MW	68392	63,898	65,665	67,757	70,540	72,591	74,198	75,365	76,654	77,866	79,274
less LAARs Serving as Responsive Reserve, MW	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063
less LAARs Serving as Non-Spinning Reserve, MW	0	0	0	0	0	0	0	0	0	0	0
less Emergency Interruptible Load Service	421	421	463	509	560	616	678	745	820	902	992
less Energy Efficiency Programs (per SB1125)	128	128	259	395	536	681	829	980	1133	1289	1448
Firm Load Forecast, MW	66,781	62,286	63,880	65,790	68,381	70,231	71,628	72,576	73,638	74,612	75,771
Resources:	REAL TIME	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Installed Capacity, MW	59,367	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859
Capacity from Private Networks, MW	4,176	5,023	5,071	5,074	5,074	5,074	5,074	5,074	5,074	5,074	5,074
Effective Load-Carrying Capability (ELCC) of Wind Generation, MW	1,895	822	822	822	822	822	822	822	822	822	822
RMR Units to be under Contract, MW	0	0	0	0	0	0	0	0	0	0	0
Operational Generation, MW	65,438	69,704	69,752	69,755	69,755	69,755	69,755	69,755	69,755	69,755	69,755
50% of Non-Synchronous Ties, MW	733	553	553	553	553	553	553	553	553	553	553
Switchable Units, MW	2,841	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962
Available Mothballed Generation, MW	0	0	110	146	164	181	198	198	198	198	198
Planned Units (not wind) with Signed IA and Air Permit, MW	619	260	1,940	1,940	2,720	4,880	5,500	6,780	6,780	6,780	6,780
ELCC of Planned Wind Units with Signed IA, MW	0	13	65	113	131	131	131	131	131	131	131
Total Resources, MW	69,631	73,492	75,382	75,469	76,284	78,461	79,099	80,379	80,379	80,379	80,379
less Switchable Units Unavailable to ERCOT, MW	317	317	317	317	317	317	317	0	0	0	0
less Retiring Units, MW	0	0	0	0	0	0	0	0	0	0	0
Resources, MW	69,314	73,175	75,065	75,152	75,967	78,144	78,782	80,379	80,379	80,379	80,379
Reserve Margin (Resources - Firm Load Forecast)/Firm Load Forecast	3.8%	17.5%	17.5%	14.2%	11.1%	11.3%	10.0%	10.8%	9.2%	7.7%	6.1%

OPERATING RESERVE MARGIN

TIME: 08/03/2011 16:13

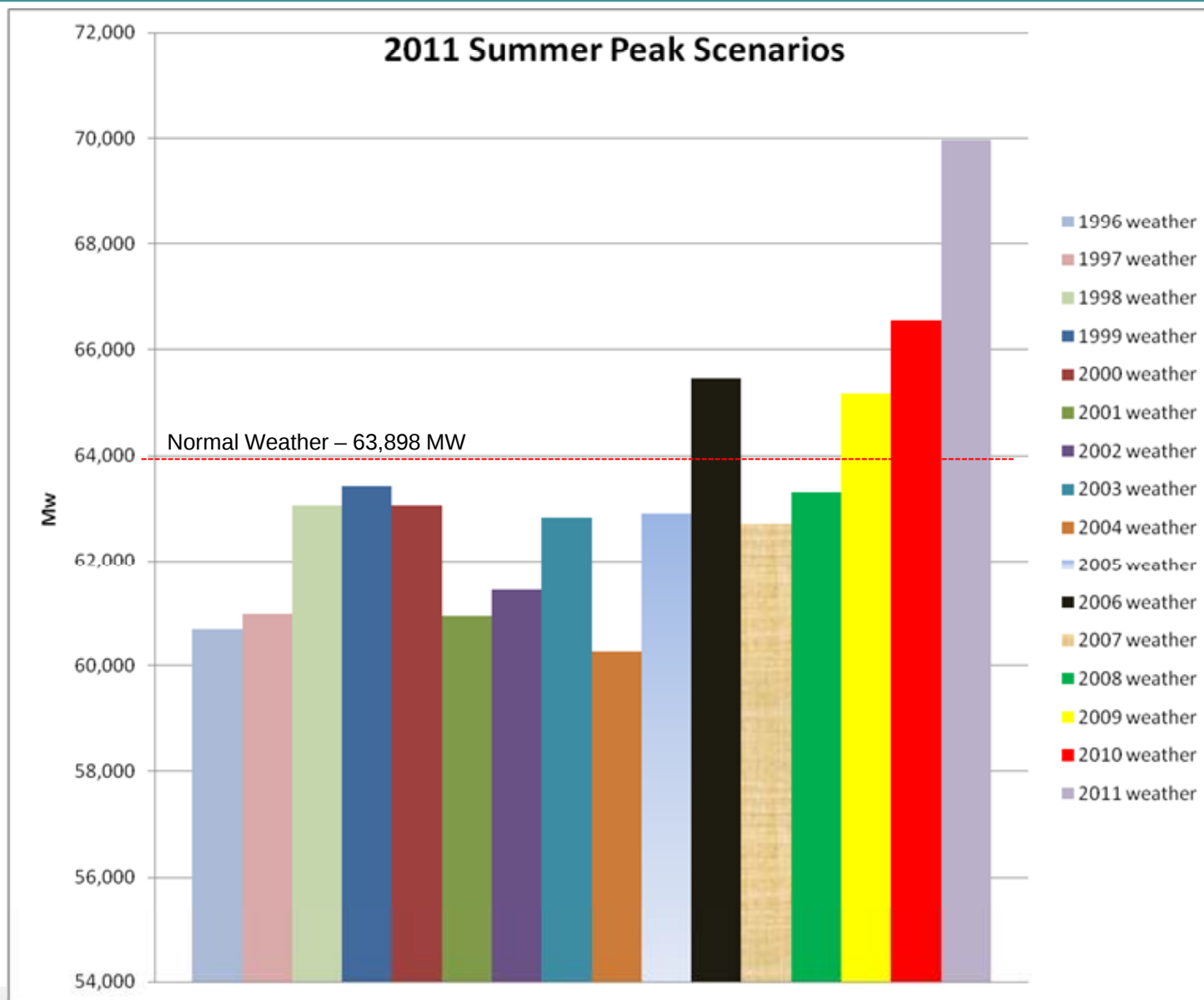
Load: 68,392 MW

2011 Report on the Capacity, Demand, and Reserves in the ERCOT Region

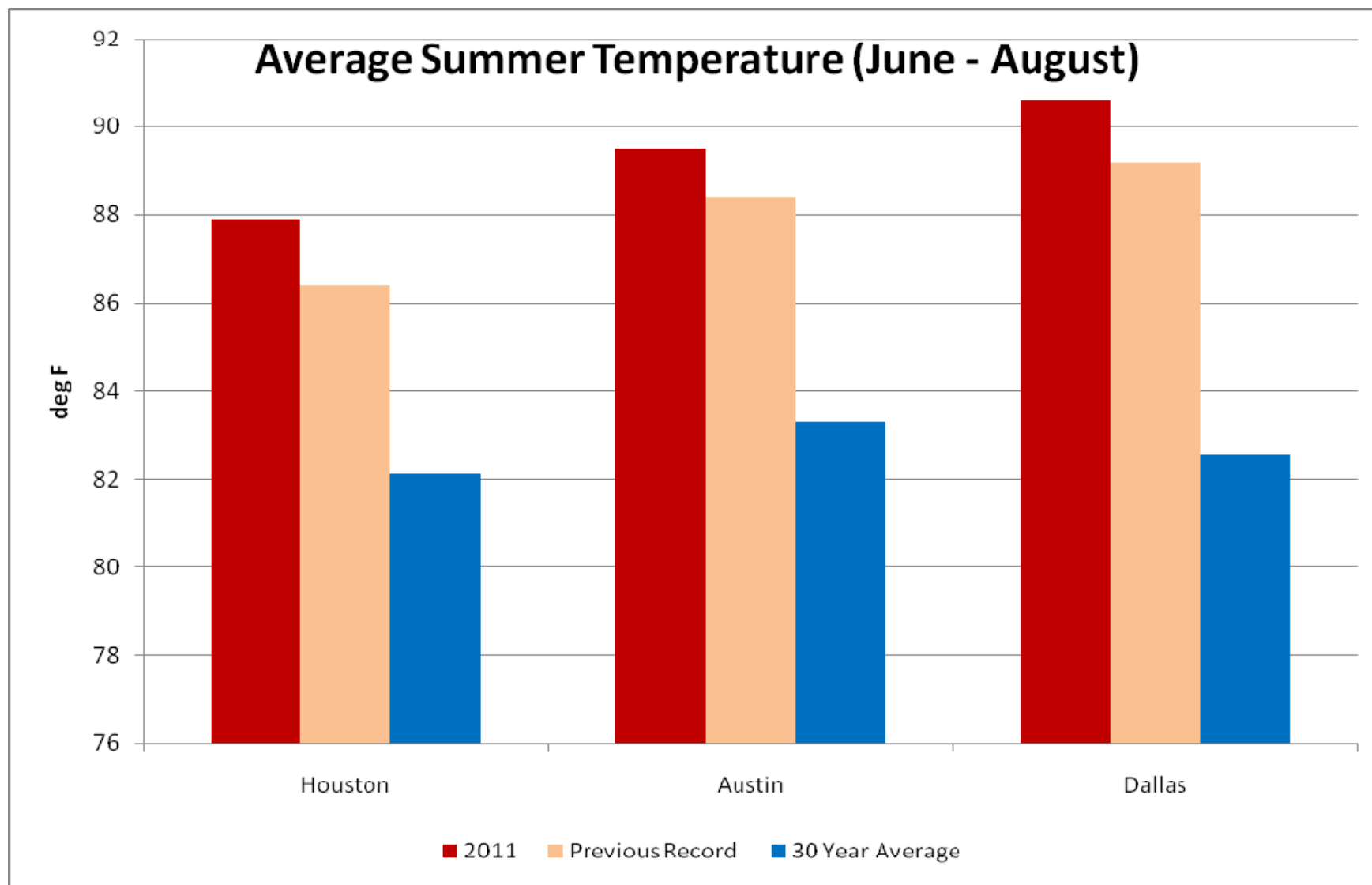
Summer Summary

Load Forecast:		Total Summer Peak Demand						2017	2018	2019	2020						
Total Summer Peak Demand, MW		68,392						63,898	75,365	76,654	77,866	79,274					
less LAARs Serving as Responsive Reserve, MW		1,063						1,063	1,063	1,063	1,063	1,063					
less LAARs Serving as Non-Spinning Reserve, MW		0						0	0	0	0	0					
less Emergency Interruptible Load Service		421						421	463	509	560	616	678	745	820	902	992
less Energy Efficiency Programs (per SB1125)		128						128	259	395	536	681	829	980	1133	1289	1448
Firm Load Forecast, MW		66,781						62,286	63,880	65,790	68,381	70,231	71,628	72,576	73,638	74,612	75,771
Resources:		REAL TIME	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019					
Installed Capacity, MW		59,367	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859					
Capacity from Private Networks, MW		4,176	5,023	5,071	5,074	5,074	5,074	5,074	5,074	5,074	5,074	5,074					
Effective Load-Carrying Capability (ELCC) of Wind Generation, MW		1,895	822	822	822	822	822	822	822	822	822	822					
RMR Units to be under Contract, MW		0	0	0	0	0	0	0	0	0	0	0					
Operational Generation, MW		65,438	69,704	69,752	69,755	69,755	69,755	69,755	69,755	69,755	69,755	69,755					
50% of Non-Synchronous Ties, MW		733	553	553	553	553	553	553	553	553	553	553					
Switchable Units, MW		2,841	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962					
Available Mothballed Generation, MW		0	0	110	146	164	181	198	198	198	198	198					
Planned Units (not wind) with Signed IA and Air Permit, MW		619	260	1,940	1,940	2,720	4,880	5,500	6,780	6,780	6,780	6,780					
ELCC of Planned Wind Units with Signed IA, MW		0	13	65	113	131	131	131	131	131	131	131					
Total Resources, MW		69,631	73,492	75,382	75,469	76,284	78,461	79,099	80,379	80,379	80,379	80,379					
less Switchable Units Unavailable to ERCOT, MW		317	317	317	317	317	317	317	0	0	0	0					
less Retiring Units, MW		0	0	0	0	0	0	0	0	0	0	0					
Resources, MW		69,314	73,175	75,065	75,152	75,967	78,144	78,782	80,379	80,379	80,379	80,379					
Reserve Margin (Resources - Firm Load Forecast)/Firm Load Forecast		3.8%	17.5%	17.5%	14.2%	11.1%	11.3%	10.0%	10.8%	9.2%	7.7%	6.1%					

SUMMER PEAK SCENARIOS



AVERAGE SUMMER TEMPERATURES



OPERATING RESERVE MARGIN

TIME: 08/03/2011 16:13

Load: 68,392 MW

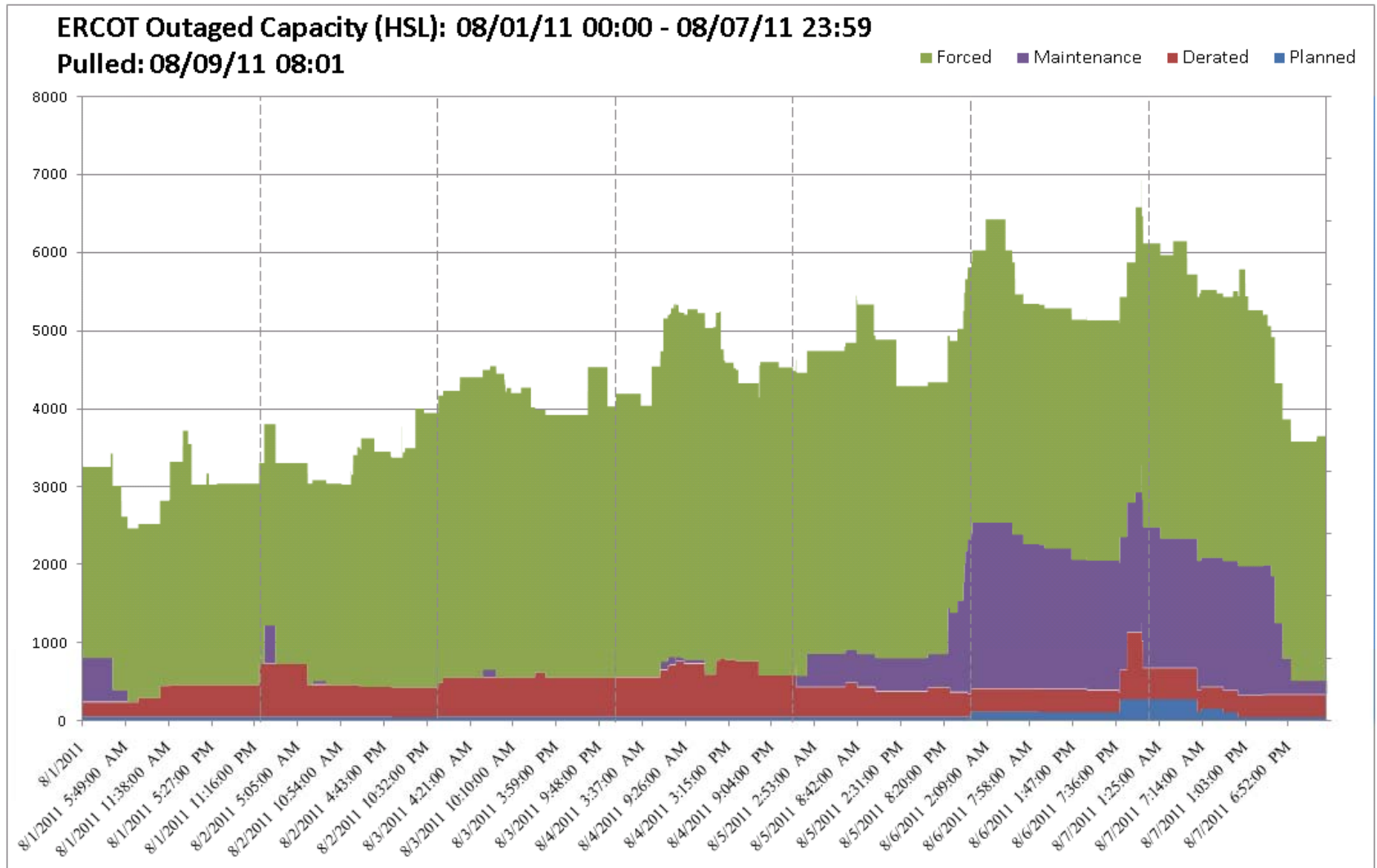
2011 Report on the Capacity, Demand, and Reserves in the ERCOT Region

Summer Summary

Load Forecast:	REAL TIME	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Summer Peak Demand, MW	68392	63,898	65,665	67,757	70,540	72,591	74,198	75,365	76,654	77,866	79,274
less LAARs Serving as Responsive Reserve, MW	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063
less LAARs Serving as Non-Spinning Reserve, MW	0	0	0	0	0	0	0	0	0	0	0
less Emergency Interruptible Load Service	421	421	463	509	560	616	678	745	820	902	992
less Energy Efficiency Programs (per SB1125)	128	128	259	395	536	681	829	980	1133	1289	1448
Firm Load Forecast, MW	66,781	62,286	63,880	65,790	68,381	70,231	71,628	72,576	73,638	74,612	75,771
Resources:	Installed Capacity										
Installed Capacity, MW					59,367	63,859	2016	2017	2018	2019	
Capacity from Private Networks, MW							5,074	5,074	5,074	5,074	
Effective Load-Carrying Capability (ELCC) of Wind Generation, MW	1,895	822	822	822	822	822	822	822	822	822	822
RMR Units to be under Contract, MW	0	0	0	0	0	0	0	0	0	0	0
Operational Generation, MW	65,438	69,704	69,752	69,755	69,755	69,755	69,755	69,755	69,755	69,755	69,755
50% of Non-Synchronous Ties, MW	733	553	553	553	553	553	553	553	553	553	553
Switchable Units, MW	2,841	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962
Available Mothballed Generation , MW	0	0	110	146	164	181	198	198	198	198	198
Planned Units (not wind) with Signed IA and Air Permit, MW	619	260	1,940	1,940	2,720	4,880	5,500	6,780	6,780	6,780	6,780
ELCC of Planned Wind Units with Signed IA, MW	0	13	65	113	131	131	131	131	131	131	131
Total Resources, MW	69,631	73,492	75,382	75,469	76,284	78,461	79,099	80,379	80,379	80,379	80,379
less Switchable Units Unavailable to ERCOT, MW	317	317	317	317	317	317	317	0	0	0	0
less Retiring Units, MW	0	0	0	0	0	0	0	0	0	0	0
Resources, MW	69,314	73,175	75,065	75,152	75,967	78,144	78,782	80,379	80,379	80,379	80,379
Reserve Margin	3.8%	17.5%	17.5%	14.2%	11.1%	11.3%	10.0%	10.8%	9.2%	7.7%	6.1%
(Resources - Firm Load Forecast)/Firm Load Forecast											



GENERATION OUTAGES: 08/01 – 08/07



OPERATING RESERVE MARGIN

TIME: 08/03/2011 16:13

Load: 68,392 MW

2011 Report on the Capacity, Demand, and Reserves in the ERCOT Region

Summer Summary

Load Forecast:	REAL TIME	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Summer Peak Demand, MW	68392	63,898	65,665	67,757	70,540	72,591	74,198	75,365	76,654	77,866	79,274
less LAARs Serving as Responsive Reserve, MW	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063
less LAARs Serving as Non-Spinning Reserve, MW	0	0	0	0	0	0	0	0	0	0	0
less Emergency Interruptible Load Service	421	421	463	509	560	616	678	745	820	902	992
less Energy Efficiency Programs (per SB1125)	128	128	259	395	536	681	829	980	1133	1289	1448
Firm Load Forecast, MW	66,781	62,286	63,880	65,790	68,381	70,231	71,628	72,576	73,638	74,612	75,771
Resources:	REAL TIME	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Installed Capacity, MW	59,367	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859
Capacity from Private Networks, MW	4,176	5,023	5,071	5,074	5,074	5,074	5,074	5,074	5,074	5,074	5,074
Effective Load-Carrying Capability (ELC)								822	822	822	822
RMR Units to be under Contract, MW								0	0	0	0
Operational Generation, MW	65,438	69,704	69,752	69,755	69,755	69,755	69,755	69,755	69,755	69,755	69,755
50% of Non-Synchronous Ties, MW	733	553	553	553	553	553	553	553	553	553	553
Switchable Units, MW	2,841	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962
Available Mothballed Generation, MW	0	0	110	146	164	181	198	198	198	198	198
Planned Units (not wind) with Signed IA and Air Permit, MW	619	260	1,940	1,940	2,720	4,880	5,500	6,780	6,780	6,780	6,780
ELCC of Planned Wind Units with Signed IA, MW	0	13	65	113	131	131	131	131	131	131	131
Total Resources, MW	69,631	73,492	75,382	75,469	76,284	78,461	79,099	80,379	80,379	80,379	80,379
less Switchable Units Unavailable to ERCOT, MW	317	317	317	317	317	317	317	0	0	0	0
less Retiring Units, MW	0	0	0	0	0	0	0	0	0	0	0
Resources, MW	69,314	73,175	75,065	75,152	75,967	78,144	78,782	80,379	80,379	80,379	80,379
Reserve Margin (Resources - Firm Load Forecast)/Firm Load Forecast	3.8%	17.5%	17.5%	14.2%	11.1%	11.3%	10.0%	10.8%	9.2%	7.7%	6.1%

Capacity from Private Networks

4,176

5,023



OPERATING RESERVE MARGIN

TIME: 08/03/2011 16:13

Load: 68,392 MW

2011 Report on the Capacity, Demand, and Reserves in the ERCOT Region

Summer Summary

Load Forecast:	REAL TIME	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Summer Peak Demand, MW	68392	63,898	65,665	67,757	70,540	72,591	74,198	75,365	76,654	77,866	79,274
less LAARs Serving as Responsive Reserve, MW	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063
less LAARs Serving as Non-Spinning Reserve, MW	0	0	0	0	0	0	0	0	0	0	0
less Emergency Interruptible Load Service	421	421	463	509	560	616	678	745	820	902	992
less Energy Efficiency Programs (per SB1125)	128	128	259	395	536	681	829	980	1133	1289	1448
Firm Load Forecast, MW	66,781	62,286	63,880	65,790	68,381	70,231	71,628	72,576	73,638	74,612	75,771
Resources:	REAL TIME	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Installed Capacity, MW	59,367	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859	63,859
Capacity from Private Networks, MW	4,176	5,023	5,071	5,074	5,074	5,074	5,074	5,074	5,074	5,074	5,074
Effective Load-Carrying Capability (ELCC) of Wind Generation, MW	1,895	822	822	822	822	822	822	822	822	822	822
RMR Units to be under Contract, MW	0	0	0	0	0	0	0	0	0	0	0
Operational Generation, MW								69,755	69,755	69,755	69,755
50% of Non-Synchronous Ties, MW								553	553	553	553
Switchable Units, MW	2,841	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962	2,962
Available Mothballed Generation, MW	0	0	110	146	164	181	198	198	198	198	198
Planned Units (not wind) with Signed IA and Air Permit, MW	619	260	1,940	1,940	2,720	4,880	5,500	6,780	6,780	6,780	6,780
ELCC of Planned Wind Units with Signed IA, MW	0	13	65	113	131	131	131	131	131	131	131
Total Resources, MW	69,631	73,492	75,382	75,469	76,284	78,461	79,099	80,379	80,379	80,379	80,379
less Switchable Units Unavailable to ERCOT, MW	317	317	317	317	317	317	317	0	0	0	0
less Retiring Units, MW	0	0	0	0	0	0	0	0	0	0	0
Resources, MW	69,314	73,175	75,065	75,152	75,967	78,144	78,782	80,379	80,379	80,379	80,379
Reserve Margin (Resources - Firm Load Forecast)/Firm Load Forecast	3.8%	17.5%	17.5%	14.2%	11.1%	11.3%	10.0%	10.8%	9.2%	7.7%	6.1%

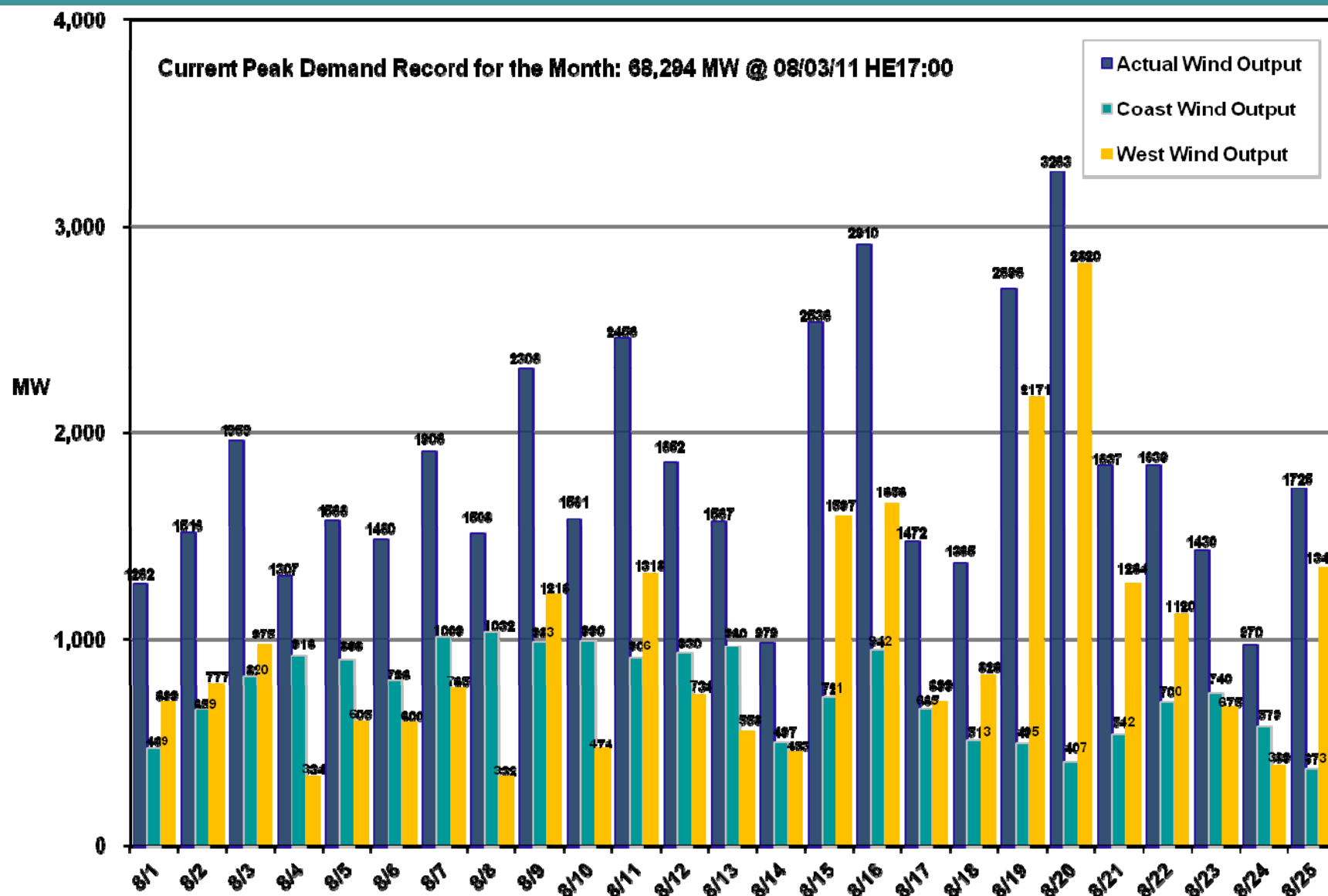
ELCC of Wind Generation

1,895

822



DAILY WIND GRAPH AT PEAK



ERCOT RESERVE MARGINS – 2000-2020

RESERVE MARGINS 2000 - 2020

