



# CEO UPDATE

## JANUARY 17, 2012

Trip Doggett  
President & CEO

# 2011 FINANCIAL PERFORMANCE

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## BUDGET VS. ACTUAL PERFORMANCE: \$19.4 MILLION FAVORABLE

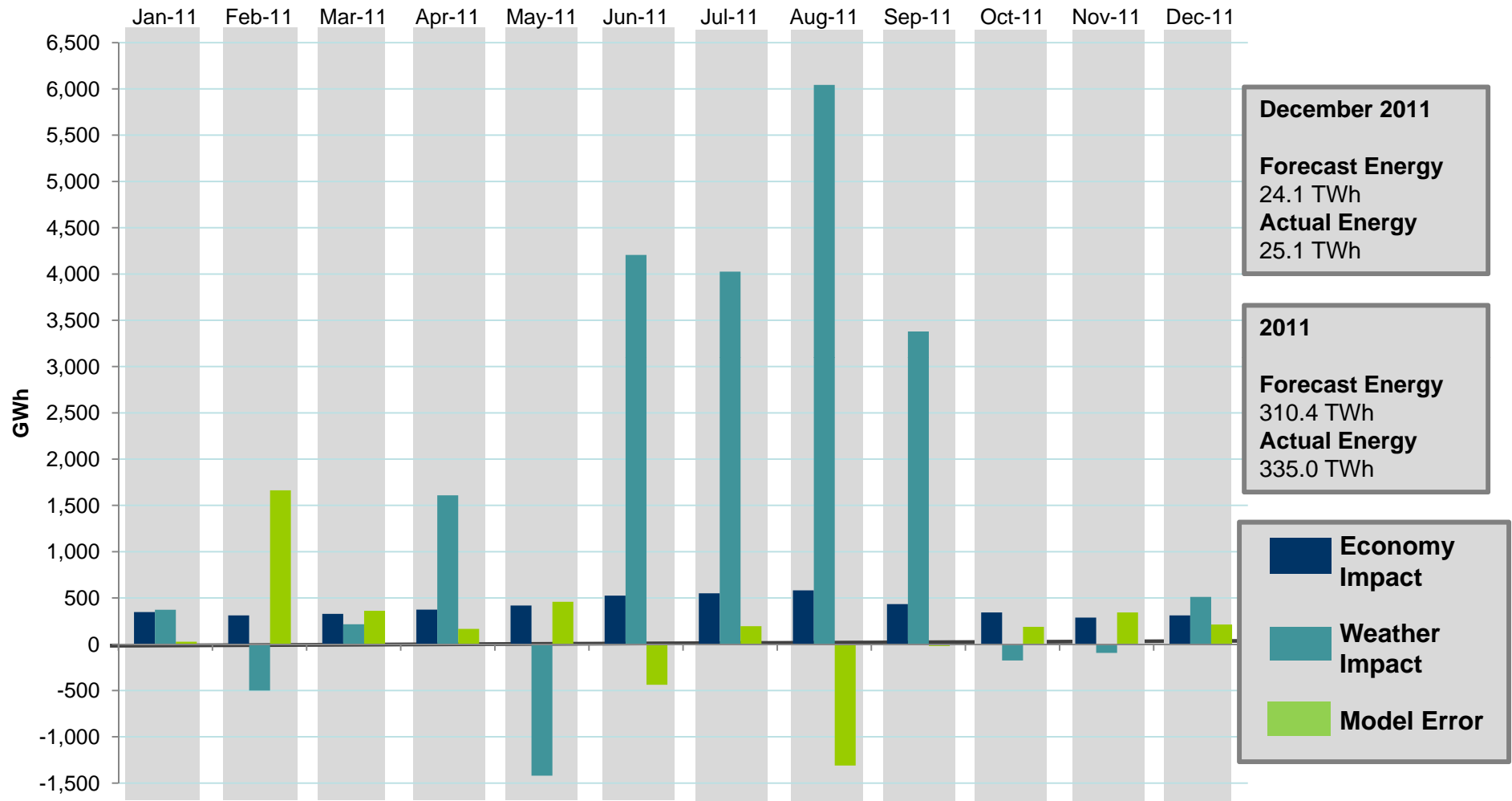
### REVENUES

\$10.0 Million favorable System Administration Fee  
\$3.2 Million favorable 2010 Carry Forward  
\$0.5 Million unfavorable Grant Funding

### EXPENSES

\$4.0 Million favorable Revenue-Funded Projects  
\$1.7 Million favorable Facilities & Equipment Cost  
\$1.1 Million favorable Salary & Benefits

# IMPACTS OF ECONOMY & WEATHER – 2011



# RESOURCE ADEQUACY - UPDATE

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Summer 2012	12/01/11 CDR for 2012	1/09/12 Current
Firm Load Forecast (MW)	64,618	64,618
Resources (MW)	72,444	*73,574
Reserve Margin (Target = 13.75%)	12.11%	13.86%

\*

Returned to Service (MW)

Monticello 1&2 – 1130MW (as a result of a federal court's order to stay EPA's CSAPR)

# RESOURCE ADEQUACY ACTIONS – CATEGORY 1

Item	Complete	In Progress	Future	Notes
Online Non-Spin standing deployment & offer floor	X			<ul style="list-style-type: none"> <li>• NPRRs 426 /428</li> <li>• ERCOT Board approved 12/13/11</li> <li>• Implementation completed 1/5/12</li> </ul>
Offline Non-Spin offer floor	X			<ul style="list-style-type: none"> <li>• NPRR 428</li> <li>• ERCOT Board approved 12/13/11</li> <li>• Implementation completed 1/5/12</li> </ul>
Responsive Reserve & Regulation Up offer floor	X			<ul style="list-style-type: none"> <li>• NPRR 427</li> <li>• ERCOT Board approved 12/13/11</li> <li>• Implementation completed 1/5/12</li> </ul>
Institutionalize the process to recall units for capacity		X		<ul style="list-style-type: none"> <li>• NPRR 432</li> <li>• PRS voted Urgent status on 12/15/11</li> <li>• Special PRS meeting 1/9/12</li> <li>• Targeted for TAC discussion in Feb 2012</li> </ul>

## RESOURCE ADEQUACY ACTIONS – CATEGORY 2

Item	Complete	In Progress	Future	Notes
Expansion of Responsive Reserve with a corresponding reduction in Non-Spin		X		<ul style="list-style-type: none"> <li>Revised draft to be discussed at WMS &amp; ROS in Jan 2012, and TAC in Feb 2012</li> <li>Targeted for February Board approval</li> </ul>
The proper price for RUC units deployed for capacity		X		<ul style="list-style-type: none"> <li>NPRR 435 posted 1/3/12 and scheduled to be discussed at the 1/19/12 PRS meeting</li> <li>Targeted for February Board approval</li> </ul>
The proper magnitude and slope of the Power Balance Penalty Curve		X		<ul style="list-style-type: none"> <li>Discussed at Reliability Deployment Task Force (RDTF) 12/20/11</li> <li>Scheduled to be discussed on 1/11/12 at WMS</li> </ul>

## RESOURCE ADEQUACY ACTIONS – CATEGORY 3

Item	Complete	In Progress	Future	Notes
Raising System Wide Offer Cap			X	
Low Sustainable Limit problem for units RUC'ed online for capacity			X	<ul style="list-style-type: none"> <li>• RDTF subgroup to bring proposals to the next RDTF meeting 1/27/12</li> </ul>
Compensation for Reliability Unit Commitments made to provide local reliability and transmission relief and address the issue of whether and how RUC claw-back should be adjusted			X	<ul style="list-style-type: none"> <li>• On 11/17/11 NPRR 416 was tabled at PRS because of potential dependency on NPRR 435 (RUC Offers)</li> </ul>
Review Peaker Net Margin Cap			X	

# RESOURCE ADEQUACY – POTENTIAL FOR SUMMER 2012

Item	Complete	In Progress	Approximate MW Range	Notes
Mothballed Units which could return to service		X	0 – 2,750	
Proposed EILS Rule Change		X	130 – 200	<ul style="list-style-type: none"> <li>• PUC Proj. No. 39948, comments due 1/30/12</li> <li>• ERCOT Staff exploring options for 30-minute Emergency Response Service pilot</li> <li>• Tight timeline to implement changes for June to September 2012 contract period</li> </ul>
Distribution Load Aggregation		X	30 – 50	<ul style="list-style-type: none"> <li>• ERCOT staff developing concept in conjunction with Market Participants on Distributed Load Aggregation</li> </ul>
Posting non-binding near real-time forward prices		X		<ul style="list-style-type: none"> <li>• ERCOT Board approval 12/13/11</li> <li>• Implementation planned for June 2012</li> </ul>
<b>Total</b>			<b>160 – 3,000</b>	



# THE 2011 TEXAS DROUGHT

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## Excerpts from Oct 2011 Report by Office of State Climatologist:

- Large portion of Texas will likely endure a second summer of drought.
- 2011-12 La Niña is forecasted to be less intense than 2010-11.
- It is impossible to determine at this point whether the drought will last beyond a second year.
  - On rare occasions in the past, La Niña conditions were observed for 3 consecutive years.
- Texas precipitation is also influenced by Pacific Decadal Oscillation & Atlantic Multidecadal Oscillation.
  - During the past decade, both patterns have been in an unfavorable state.
- Global patterns tend to reverse themselves over time, possibly leading to an extended period of wetter weather for Texas, though this may not happen for another 3-15 years.

## ERCOT ACTIONS TO MANAGE DROUGHT IMPACT

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- Surveyed generation entities in the state and reviewed drought concerns and possible mitigations
- Identified surface water most impacted and projected impacts to generation for 2012
- Reviewed public sources regarding state and regional water plans
- Met with TCEQ staff and drought response teams
- Working with generation and transmission entities to conduct a workshop in February 2012 to share best practices relevant to drought conditions

# 2012 DROUGHT IMPACT ASSESSMENT

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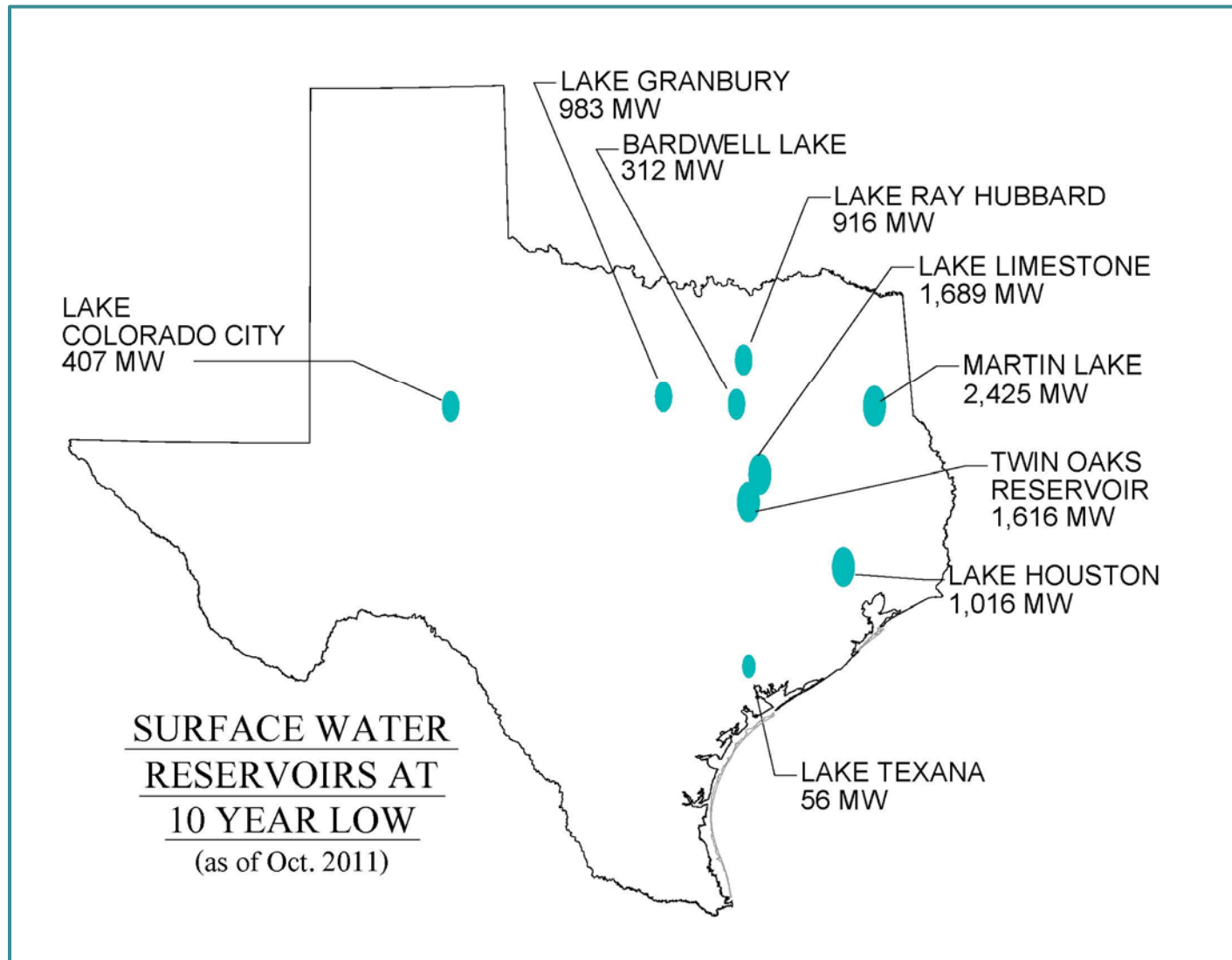
## Completed Assessment

- Identified water sources used by electric generation that are at historically low levels
- Estimated the risk to electric generation by comparing minimum intake level with projected minimum level of water source

## Assessment In Progress

- Surveying all thermal generation facilities regarding water use conditions so that other potential risks are identified
- Analyze survey results, identify risks, develop and implement applicable mitigating actions

# SURFACE WATER SUPPLIES AT 10 YEAR LOWS (OCT 2011)



## DROUGHT IMPACT – CONCLUSIONS

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- Persistent drought conditions are impacting electric generation resources, but are unlikely to cause significant generation shortfalls in 2012
- If the drought continues into 2013, consequences to electric generation availability are likely to become more severe
- ERCOT will continue to analyze survey results and will continue to keep regulatory authorities well-informed
- In February 2012, ERCOT will host an open drought workshop with generation and transmission entities to coordinate “best practices” in the electric sector

# DEPARTMENTAL UPDATES

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## **BUSINESS INTEGRATION**

- Nodal Stabilization Closed
  - Completed 23 NPRRs
  - Completed 5 SCRs
  - Completed 7 Internal Projects
  - 1,553 Defects Closed (Fixed or Marked Invalid)
  - 696 Remaining Defects

## **EXTERNAL AFFAIRS**

- Business & Commerce Committee Senate Hearing scheduled for January 10<sup>th</sup>
- Ongoing updates to the Public Utility Commission on Resource Adequacy
- Department of Energy correspondence

## **INFORMATION TECHNOLOGY**

- The Data Center Relocation Project completed another milestone in December with the successful Disaster Recovery (DR) test in Bastrop. As a result of the project, ERCOT was able to execute a full DR test and verification for Retail, Wholesale Settlements, and Market Data Transparency systems, greatly improving ERCOT's DR capability for those systems.
- Successfully completed the December On-cycle Production Release which included over 200 changes, including enhancements and defect fixes.

# RECOGNITION

## ERCOT Technical Principals

**JOSÉ CONTO**



**Dynamic  
Studies**

**11.5 years**  
*ERCOT*

**24 years**  
*Industry  
Experience*

**MICHAEL LEGATT**



**Human  
Factors**

**3 Years**  
*ERCOT*

**15 years**  
*Industry  
Experience*

**JOHN MOSELEY**



**Model  
Architecture**

**8 years**  
*ERCOT*

**16 years**  
*Industry  
Experience*

**DIRAN OBADINA**

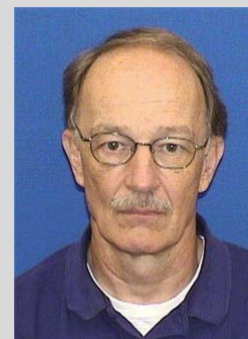


**System  
Development**

**8.5 years**  
*ERCOT*

**22 years**  
*Industry  
Experience*

**CARL RAISH**



**Load  
Profiling**

**9.5 years**  
*ERCOT*

**37 years**  
*Industry  
Experience*



# **HOLD THE DATE!**

## Joint Board / IRC Conference

Dates: May 23<sup>rd</sup> – 24<sup>th</sup> (Wednesday and Thursday)

Location: Dallas, Texas

Hosted by: ERCOT

2012 IRC Chair: Trip Doggett

*More details will be provided during the  
February board meeting.*