PROJECT NO. 37897

PUC PROCEEDING RELATING TO RESOURCE AND RESERVE ADEQUACY AND SHORTAGE PRICING	**§**	**PUBLIC UTILITY COMMISSION OF TEXAS**

ERCOT'S RESOURCE ADEQUACY STATUS REPORT

Electric Reliability Council of Texas, Inc. (ERCOT), submits the attached *Resource Adequacy Status Report* (Attachment A to this filing). This status report is being presented to the ERCOT Board of Directors at its May 15, 2012 meeting as a "Preview of Summer 2012." The presentation includes updates on weather and drought conditions, a summary of the Seasonal Assessment of Resource Adequacy (SARA) report issued by ERCOT on May 1, 2012, and a review of actions taken by the Commission, ERCOT, and the stakeholder community to address resource adequacy issues as ERCOT enters the peak Summer season.

ERCOT will be available to discuss the information in the presentation at the Commission's May 18, 2012 Open Meeting.

Respectfully submitted,

By:_____

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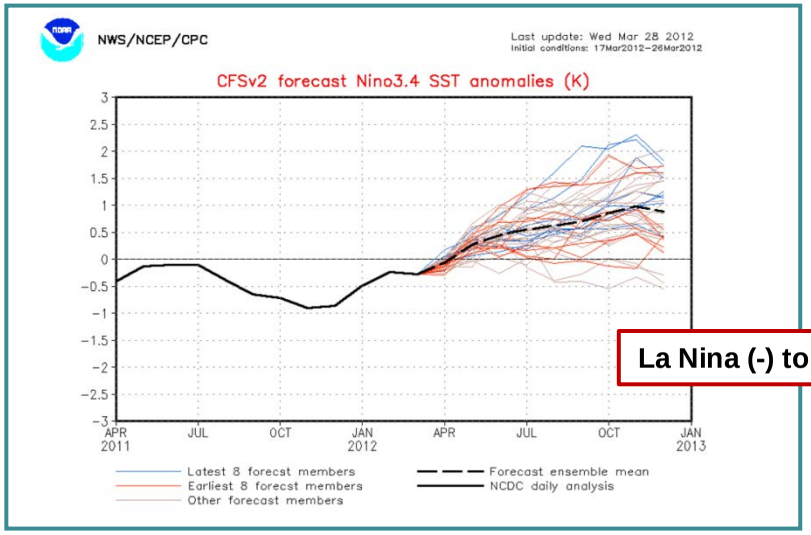
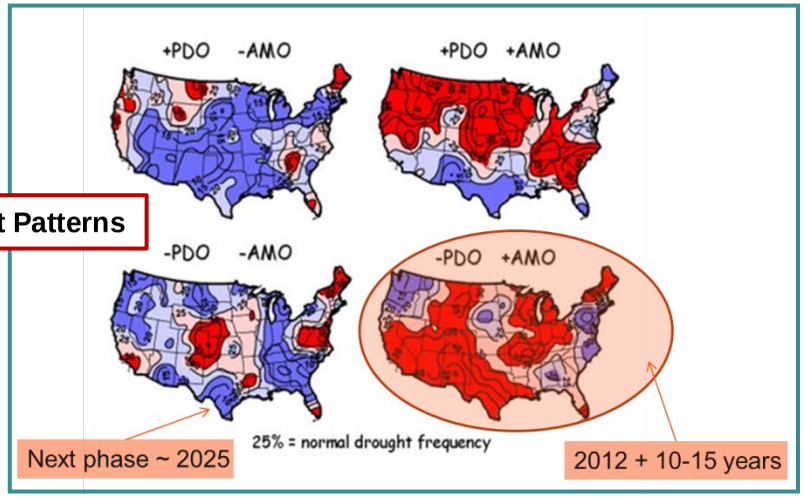
PREVIEW OF SUMMER 2012

MAY 18, 2012

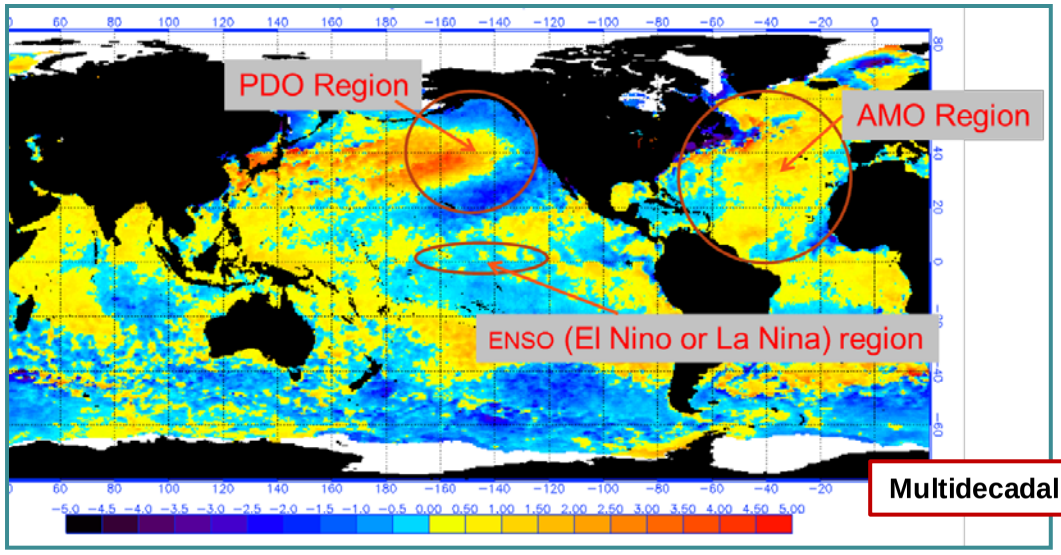
SUMMER 2012 WEATHER DEVELOPMENTS



La Nina (-) to El Nino (+)



Drought Patterns



Multidecadal Influences

Long Term Forecast – Contributing Factors

- **Variations in SST (Sea Surface Temps)**
  - El Niño (+) & La Niña (-)
  - Pacific Decadal Oscillation (PDO)
  - Atlantic Multidecadal Oscillation (AMO)
- Certain shorter term phenomena (e.g. North Atlantic Ocean Blocking) can only be forecasted 10-14 days out – such effects are not included in longer term forecasts

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SUMMER 2012 WEATHER OUTLOOK

ERCOT Summer Weather Issues

- Drought
- Flooding
- Heat
- Tropical Weather

Summer Weather Outlook

- 2011 an outlier for heat and drought
- El Niño expected this summer
- Past years (1951, 1963, 1976, 2006 & 2009), La Niña transitioned to El Niño during summer:
  - Warmer than normal temperatures
  - Lower than normal rainfall
- Climate models suggest:
  - Warmer spring followed by normal temperatures for summer
  - More variable rainfall from spring through summer
- Texas in more drought-prone period that could persist for next decade

2012 Storm Threat

- Early season storms expected in Gulf of Mexico due to above-normal water temperatures
- Lower seasonal threat
- El Niño-related wind shear increases later in the season to hinder storm development

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TEXAS DROUGHT CONDITIONS – OCT 4, 2011

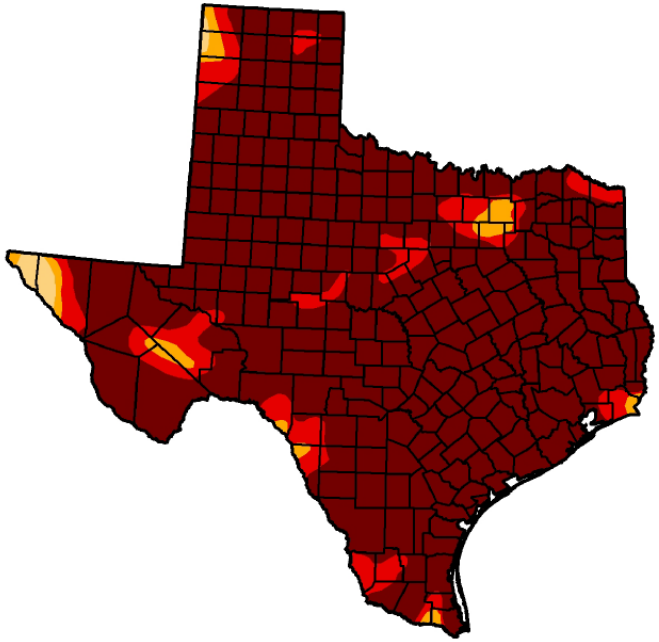
U.S. Drought Monitor

Texas

October 4, 2011
Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.00	100.00	100.00	99.16	96.99	87.99
Last Week (09/27/2011 map)	0.00	100.00	100.00	99.16	96.65	85.75
3 Months Ago (07/05/2011 map)	2.41	97.59	95.73	94.39	90.21	71.30
Start of Calendar Year (12/28/2010 map)	7.89	92.11	69.43	37.46	9.59	0.00
Start of Water Year (09/27/2011 map)	0.00	100.00	100.00	99.16	96.65	85.75
One Year Ago (09/28/2010 map)	75.57	24.43	2.43	0.99	0.00	0.00



Intensity:

- *D0 Abnormally Dry*
- *D1 Drought - Moderate*
- *D2 Drought - Severe*
- *D3 Drought - Extreme*
- *D4 Drought - Exceptional*

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu

USDA | National Drought Mitigation Center | NOAA

Released Thursday, October 6, 2011

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TEXAS DROUGHT CONDITIONS – MAY 1, 2012

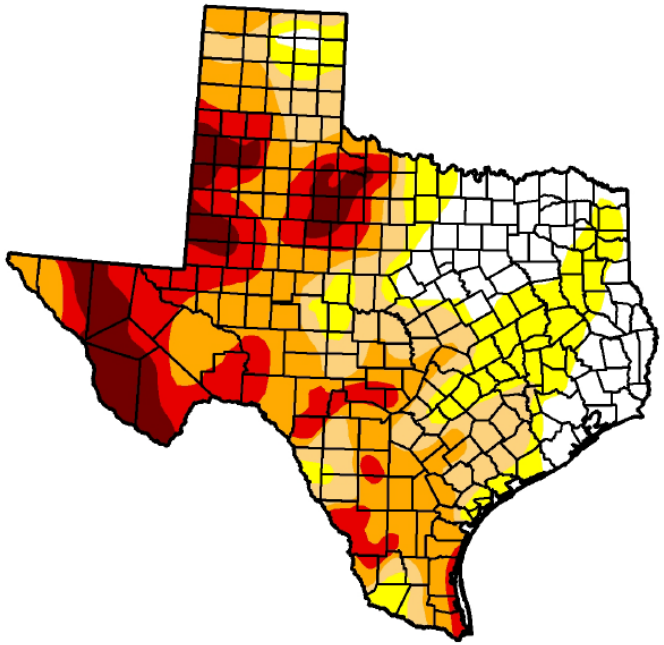
U.S. Drought Monitor

Texas

May 1, 2012
Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	17.09	82.91	66.59	49.70	24.72	8.70
Last Week (04/24/2012 map)	18.60	81.40	62.79	46.64	25.42	9.31
3 Months Ago (01/31/2012 map)	4.93	95.07	90.66	80.78	59.79	27.36
Start of Calendar Year (12/27/2011 map)	0.01	99.99	97.83	84.81	67.32	32.36
Start of Water Year (09/27/2011 map)	0.00	100.00	100.00	99.16	96.65	85.75
One Year Ago (04/26/2011 map)	0.00	100.00	100.00	94.97	70.42	17.16



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The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu

Released Thursday, May 3, 2012

Matthew Rosencrans, Climate Prediction Center/NCEP/NWS/NOAA

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What To Expect this Summer

- **Tight reserves = significant chance for multiple Energy Emergency Alerts**
  - Not likely to result in the need for rotating outages
- **If higher-than-normal number of forced generation outages during peak or record-breaking weather conditions similar to last summer, ERCOT system likely to have insufficient resources available**
  - Would result in the need for rotating outages to maintain grid stability
- **Improved drought conditions in many river basins**
  - Reservoir levels not expected to affect power plant operations this summer
  - Potential risks to generation capacity continue while Texas remains under drought conditions

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SARA Summer 2012 Final Report

Item	Summer 2012	Base Case	Extreme Load & Typical Gen Outages	Extreme Load & Extreme Gen Outages
1	Total Resources	73,853		
2	Base Case Peak Demand	67,492		
3	Uses of Reserve Capacity	3,790	7,371	9,438
4	Capacity Available for Operating Reserves* (1-2-3)	2,571	-1,010	-3,077
5	Demand Adjustment during Scarcity**	750		
6	Adjusted Capacity Available for Operating Reserves (4+5)	3,321	-260	-2,327

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*Less than 2300MW indicates risk of EEA1
**Represents effects of price responsive demand, conservation appeals, demand programs, etc.
based on summer 2011 experience; does not include Load Resource or Emergency Response Service (ERS) activation

Actions to Address 2012 Resource Adequacy Concerns

Completed

- Online Non-Spin standing deployment & offer floor
- Offline Non-Spin offer floor
- Responsive Reserve & Regulation Up offer floor
- Institutionalized the process to recall mothball units for capacity
- Pricing of energy for Reliability Unit Commitment (RUC) units deployed for capacity at System Wide Offer Cap
- Expansion of Responsive Reserve with a corresponding reduction in Non-Spin
- EILS service expanded to Emergency Response Service (ERS)

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Work In Progress

- **Brattle Group Study**
- **Evaluate**
  - Raising the System Wide Offer Cap
  - The proper magnitude and slope of the Power Balance Penalty Curve
- **Posting non-binding near real-time forward prices**
- **ERS Demand Response pilot & Load Management Initiatives**

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BRATTLE GROUP STUDY – CURRENT STATUS

- **Completed 4 sector group interviews and 33 individual interviews from the full spectrum of stakeholders**
- **Characterized investor types and their investment criteria**
- **Completing simulation analysis of current and proposed rules for scarcity operations and pricing, expected generator revenues, potential investment, and resulting reliability**
- **Report will include Brattle's evaluation of the pros and cons of a range of market design options for meeting a range of resource adequacy objectives**

Report to be released June 1

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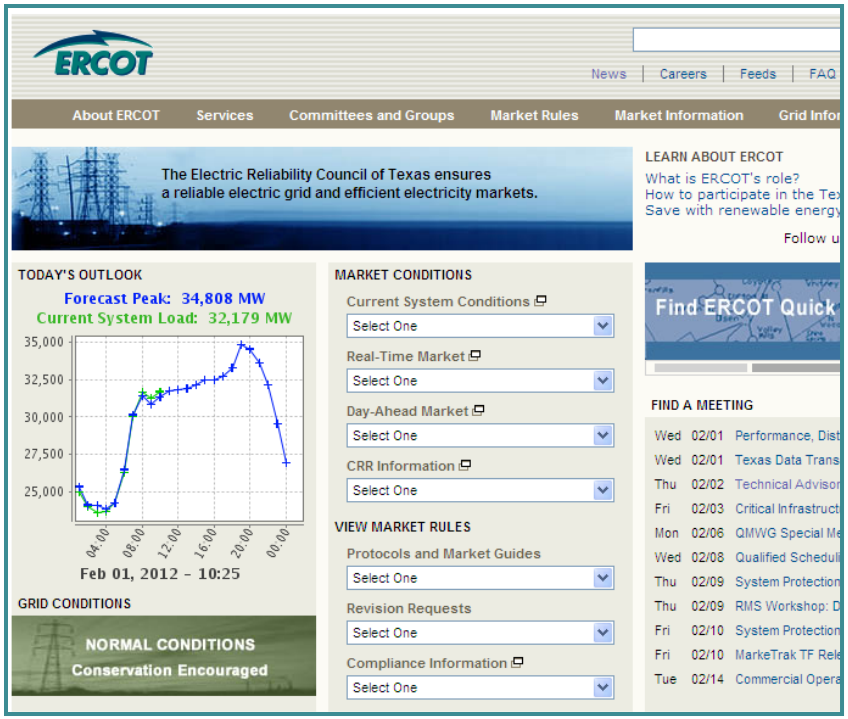
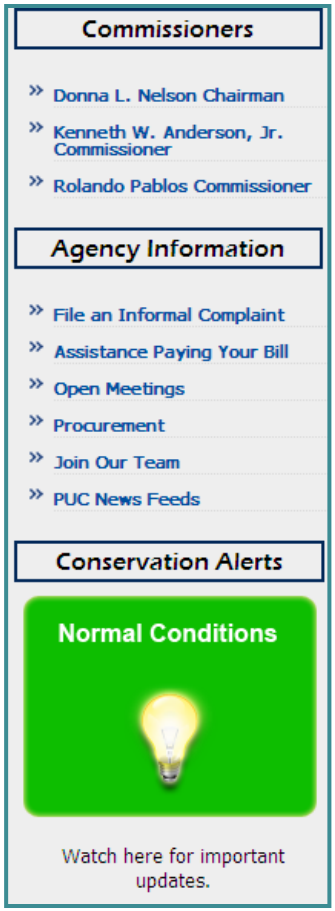
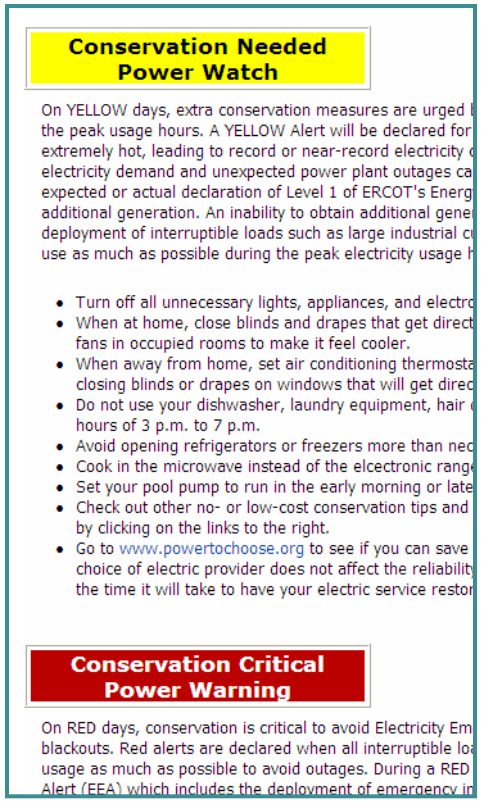
CONSERVATION MESSAGES – ERCOT & PUCT



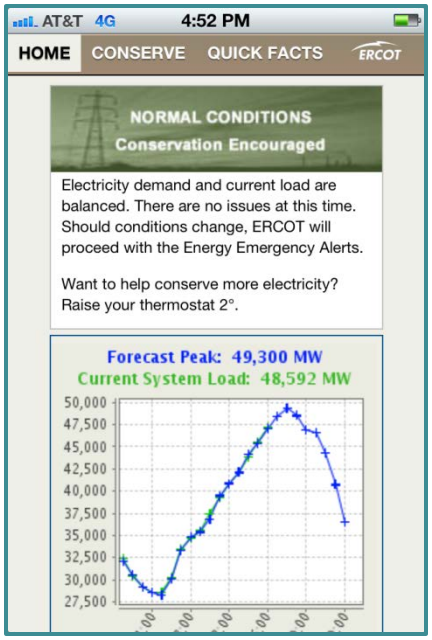


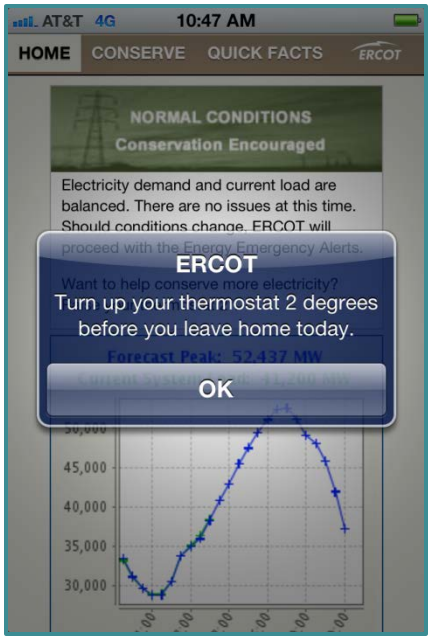


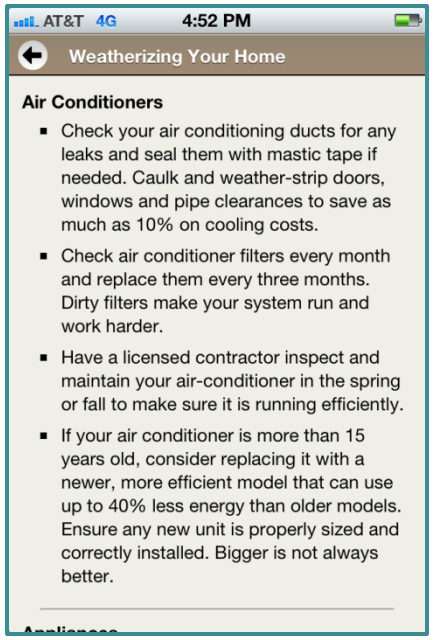
PLUS

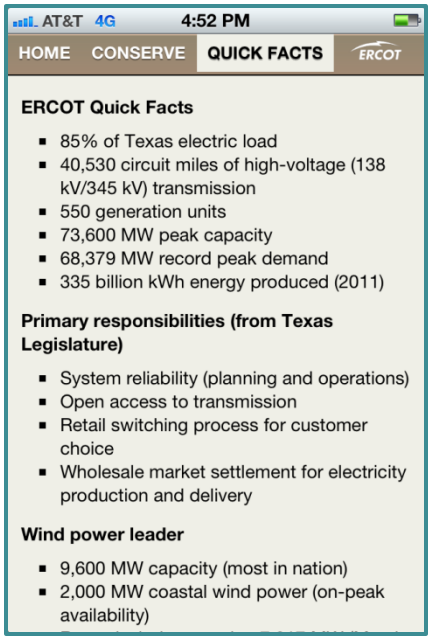
- News release
- Automated emergency notification message to major media

AND INTRODUCING … ERCOT MOBILE APP









ERCOT Mobile App

- First release (Android & Apple) scheduled for June 2012
- Pop up notifications
- Applications for first release
  - Conservation Spotlight
  - Load Forecast versus Actual graph
  - ERCOT Conservation Tips
  - ERCOT Quick Facts

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