



Operations Report (May 2012)

Trip Doggett

President & CEO

Board of Directors Meeting

June 19, 2012

ERCOT Public

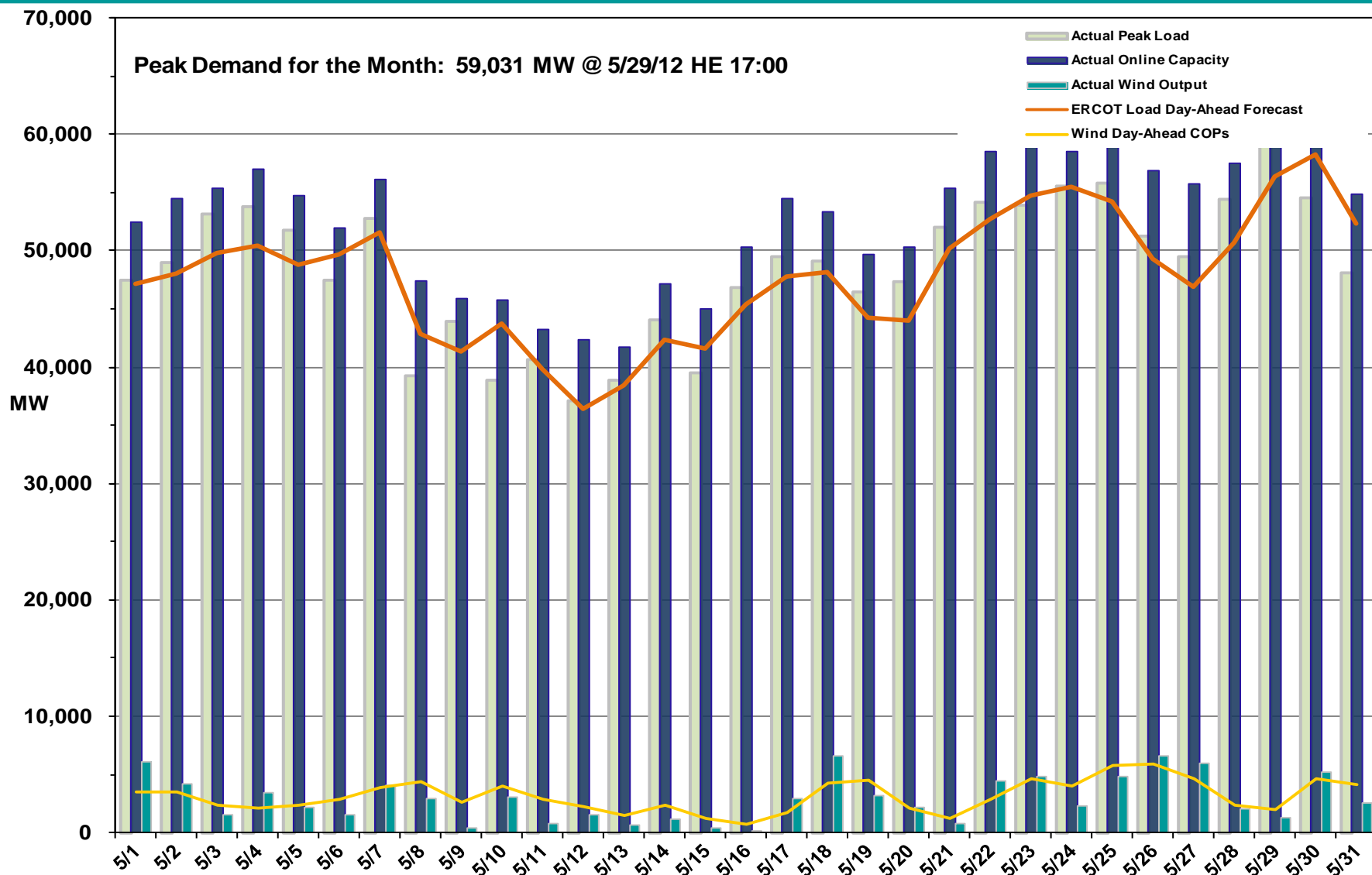
- **May 2012 Operations**

- The peak demand of 59,031 MW on May 29th was greater than the mid-term forecast peak of 56,326 MW and more than the May 2011 actual peak demand of 57,286 MW. The instantaneous load on May 29th was 59,337 MW.
- Day-ahead load forecast error for May was 3.09%
- No Advisory for Physical Responsive Capability (PRC) below 3000 MW issued
- No Watch for PRC under 2500 MW issued
- No Energy Emergency Alert (EEA) events

- **Planning Activities**

- 129 active generation interconnect requests totaling almost 35,000 MW, including 19,000 MW of wind, as of May 31, 2012. Four more requests and 1,000 MW more than April 30, 2012
- 10,035 MW wind capacity on line May 31, 2012; No change from April 30, 2012.

May 2012 Daily Peak Demand: Hourly Average Actual vs. Forecast, Wind Day-Ahead COPs & On-line Capacity at Peak



Note: All data are hourly averages during the peak load hour obtained from COPs, and EMMS.

Market Statistics – May 2012

Market Statistics	May 2011	May 2012	2011 Average	2012 YTD Average
Percentage of Real-Time load hedged in Day-Ahead Market	110.90%	117.26%	115.13%	124.90%
Average 'ERCOT Hub Average 345 kV Hub' Settlement Point Price in Day-Ahead Market (\$/MWh)	34.60	25.11	55.19	24.55
Average 'ERCOT Hub Average 345 kV Hub' Settlement Point Price in Real-Time (\$/MWh)	32.63	21.80	50.83	23.42

Operational Performance Measures – May 2012

Performance Measure	Target Met	Further Information
Retail Transaction Performance (Target 98%)	Yes	<ul style="list-style-type: none">Retail transaction processing performance was at 99.8%
Settlements Performance (Target 99%)	Yes	<ul style="list-style-type: none">100% timely statement and invoice posting

Operational Dashboard – May 2012

Metric	Trending as Expected	Further Information
Day-Ahead Schedule	Yes	<ul style="list-style-type: none"> Normal level of market activity and liquidity Loads appear to have hedged against exposure to Real-Time prices
Day-Ahead Electricity And Ancillary Service Hourly Average Prices	Yes	<ul style="list-style-type: none"> Hourly average prices correctly reflect the opportunity cost of energy
Day-Ahead vs Real-Time Load Zone Settlement Point Price (Hourly Average)	Yes	<ul style="list-style-type: none"> Day-Ahead & Real-Time prices for different Load Zones reflect relative transmission congestion
Day-Ahead vs Real-Time Trading Hub Settlement Point Price (Hourly Average)	Yes	<ul style="list-style-type: none"> The average energy price across the system reflects marginal offers and scarcity pricing impacts Higher average Day-Ahead energy prices reflect the risk premium between Day-Ahead & Real-Time
Day-Ahead Reliability Unit (DRUC) Commitment Monthly Summary	Yes	<ul style="list-style-type: none"> Capacity committed by the DRUC process indicates the level of out of market activity needed Day-Ahead to maintain reliability This month, no resource was committed in DRUC

Operational Dashboard – May 2012

Metric	Trending as Expected	Further Information
Hourly Reliability Unit Commitment (HRUC) Monthly Summary	Yes	<ul style="list-style-type: none">Capacity committed by the HRUC process indicates the level of out of market activity needed during the Operating Day to maintain reliabilityThis month, five resources were committed to resolve congestion
Supplemental Ancillary Service Market Monthly Summary	Yes	<ul style="list-style-type: none">Normal trend indicates that deliverability was not a major concern
Non-Spinning Reserve Service Deployment	Yes	<ul style="list-style-type: none">Offline Non-Spin was deployed to solve local congestion
Congestion Revenue Rights Price Convergence	Yes	<ul style="list-style-type: none">Normal trend indicates good ability of market participants to estimate value of hedges

Operational Dashboard – May 2012

Metric	Trending as Expected	Further Information
Retail Transactions	Yes	<ul style="list-style-type: none"> Seasonal variations in transaction volumes trending as expected – Increase in switches due to acquisition of one REP by another
Advanced Metering	Yes	<ul style="list-style-type: none"> 86.7% of ERCOT load settled with 15-minute interval data. 5.1M Advanced Metering System (AMS) Electric Service Identifier (ESIIDs) included in settlement as of 5/30/2012
Settlement Dollars	Yes	<ul style="list-style-type: none"> The daily average settlement is expected to be near \$9M and similar to May 2011
Revenue Neutrality	Yes	<ul style="list-style-type: none"> As of settlement of Operating Day May 29th, Revenue Neutrality uplift for May is trending under \$1.0M, which is within the expected range of +/- \$5M. <i>For full month detail refer to the appendix.</i>
Market-Based Uplift to Load	Yes	<ul style="list-style-type: none"> As of settlement of Operating Day May 29th, expect market-based uplift to load for May to be lower than May 2011 and April 2012 <i>For full month detail refer to the appendix.</i>

Market Enhancements Under Consideration

Enhancement	Further Information
Evaluating market design improvement proposals	<ul style="list-style-type: none">• Increasing System Wide Offer Cap to \$4500• Changing the shape of Power Balance penalty curve• NPRR444 to address<ul style="list-style-type: none">• 0 to LSL of RUC, RMR, Non-Spin and Quick Starts• ERS deployments• Load Resource deployments• Competitive Constraint Test design improvements• CRR rolling auction design improvements
Evaluating Pilot Project Feasibility	<ul style="list-style-type: none">• Request BOD approval of 30-Minute ERS Pilot• Target 30-minute ERS Pilot start date of July 15, 2012• Fast response regulation service pilot by Fall 2012
Look-Ahead SCED	<ul style="list-style-type: none">• NPRR351 - Phase I of Implementation (indicative future prices and ramping) is scheduled to be implemented by June 2012• Working with Market Participants to draft scope for future stages of Look Ahead SCED

Major Project Highlights

Project	Trending as Expected	Further Information
NPRR351 Look-Ahead SCED Indicative Pricing – Provides future advisory/indicative pricing and ramping	Yes	Project on track for release in late June.
SCR760 – Recommended Changes Needed for Information Model Manager and Topology Processor for Planning Models	Yes	On track for June delivery of SCR760-2b, 2c and SCR760-5. There are regular meetings with the project vendor and ERCOT project teams to review quality and schedule.
Texas Set 4.0 – Implement NPRR294, NPRR403, PUCT Project 34610, RMGRR100, Subst R 25.126	Yes	Released to Production weekend of June 9. Market-wide go-live occurred on planned contingency date to give a market participant time to address issues resulting from a critical system failure.
MarkeTrak Enhancements for TXSET 4.0 – Add functionality to the MarkeTrak Issue Resolution Tool	Yes	Released to Production weekend of June 9. Market-wide go-live occurred on planned contingency date to give a market participant time to address issues resulting from a critical system failure.
NPRR347/400 – Combines the DAM and the Real-Time Market Invoices into a single daily Settlement Invoice; Eliminate Unsecured Credit for CRR Auctions and for Future Credit Exposure (FCE); Eliminate netting of FCE with Current Credit Exposure (CCE)	Yes	Iterative project approach will be applied by continuing to define reports and execute on core system changes. Actively managing the risk of extensive hours for several key resources which could delay completion due to competing priorities.
Settlement System Re-Write – Replace proprietary code, data structures and tools with an ERCOT supported solution	Yes	Potential risks include new NPRR cross system impacts, loss of SME resources, and software performance.
CRR Upgrade – Upgrades the CRR clearing engine and associated components to Linux in order to provide measurable performance improvements in the annual auction	Yes	On track for a September delivery, however, high risk from aggressive schedule to deliver improvements by September in order to support annual auction activities in October.

Projects with Red or Yellow Status

Project	Trending as Expected	Further Information
Resource Asset Registration Form Upgrade (RARF) - Increase the data collected for Wind resources and add new resource type data	Yes	On track for June release per revised schedule. Budget is tracking to new forecasted amount.

The ***ERCOT Monthly Operational Overview*** will be posted to (<http://www.ercot.com/committees/board/>) on the 15th day of the following month