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ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

Financial Statements and Supplemental Schedule as of and for the Year Ended December 31, 2011 and Independent Auditors' Report

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

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INDEPENDENT AUDITORS' REPORT

To the Benefits Committee and Participants of
Electric Reliability Council of Texas 401(k) Savings Plan:

We were engaged to audit the financial statements of Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan") as of December 31, 2011 and 2010 and for the year ended December 31, 2011, and the supplemental schedule as of December 31, 2011, as listed in the accompanying table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"), the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2011 and 2010, and for the year ended December 31, 2011, that the information provided to the Plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The supplemental schedule is presented for the purposes of additional analysis and is not a required part of the financial statements but is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

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July xx, 2012

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS:		
Investment funds	$ 97,378,279	$ 92,444,270
Notes receivable from participants	2,329,930	2,085,786
Net assets reflecting investments at fair value	99,708,209	94,530,056
Adjustment from fair value to contract value for fully benefit-responsive investment contract	(257,980)	(164,142)
NET ASSETS AVAILABLE FOR BENEFITS	$ 99,450,229	$ 94,365,914

See notes to financial statements.

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2011

ADDITIONS TO NET ASSETS ATTRIBUTED TO:	
Contributions:	
Employer, net of forfeitures	$ 8,145,477
Participant	5,142,985
Rollover	38,755
Total contributions	13,327,217
Interest income on notes receivable from participants	103,446
Interest and dividend income	1,859,462
Total additions	15,290,125
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:	
Benefits paid to participants	6,066,959
Administrative expenses	82,237
Net depreciation in fair value of investments	4,056,614
Total deductions	10,205,810
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	5,084,315
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	94,365,914
End of year	$ 99,450,229

See notes to financial statements.

1. DESCRIPTION OF PLAN

The following brief description of Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for complete information.

General - The Plan is a defined contribution plan covering substantially all employees of Electric Reliability Council of Texas ("ERCOT"). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The trustee of the Plan is Fidelity Management Trust Company ("Fidelity" or the "Trustee"). ERCOT acts as the administrator of the Plan.

Eligibility - Employees are eligible to participate in the Plan on the first day of the month following their date of employment. Leased employees and residents of Puerto Rico are not eligible to participate in the Plan.

Contributions - Eligible employees have the option to contribute either pre-tax contributions or Roth 401(k) contributions. A participant's contribution may not exceed 99% of his or her eligible compensation, not to exceed the annual limit established by the Internal Revenue Code ("IRC"). Newly eligible participants are automatically enrolled in the Plan with a contribution equal to 3% of their eligible compensation after thirty days following their employment date. Participants may also rollover amounts representing distributions from other qualified defined benefit or contribution plans.

ERCOT makes a matching contribution of 75% of each participant's contribution not to exceed 6% of base compensation. ERCOT may also make discretionary contributions to the Plan each year, although none were made in 2011. ERCOT makes a fixed non-elective employer contribution of 10% of each participant's eligible compensation, as defined.

Participants direct the investment of contributions into various investment options offered by the Plan.

Participant Accounts - Each participant's account is credited with the participant's contributions and an allocation of ERCOT's contribution and Plan earnings and may be charged with an allocation of Plan expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Vesting - Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in ERCOT's matching contributions is based on years of continuous service over five years, which increases in 20% increments starting after one year of continuous service. The fixed non-elective employer contributions are 100% vested after three years of service.

Payment of Benefits - Upon death, disability, retirement, or termination of employment, a participant may elect to purchase a guaranteed annuity through a group annuity contract or to receive the vested portion in a lump-sum payment. For terminated participants' account balances that are less than $1,000, the Plan administrator may distribute the entire amount in a lump sum without the participant's consent. Hardship distributions are also permitted from the participant's employee deferral account and will result in a six month suspension during which no participant contributions may be made to the participant's account.

Forfeitures - Forfeitures by participants of unvested ERCOT contributions are used to reduce employer contributions. Forfeitures totaling approximately $301,000 were utilized to reduce ERCOT's contributions for the year ended December 31, 2011. At December 31, 2011 and 2010, forfeitures available for use by ERCOT were approximately $89,500 and $34,100, respectively.

Administrative Expenses - Certain administrative expenses of the Plan are paid by the Plan.

Notes Receivable from Participants - Participants may borrow from their accounts a minimum of $1,000 up to a maximum of $50,000 less the highest outstanding loan balance over the prior twelve months or 50% of their vested account balance, whichever is less. Participant loans are secured by the balance in the participant's account and bear interest at a reasonable interest rate as determined by ERCOT. Participants may have up to two loans outstanding at a time. Principal and interest is paid ratably through payroll deductions over a period generally not to exceed five years.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Plan's financial statements are reported on the accrual basis of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a common collective trust fund. The statements of net assets available for benefits present the fair value of the investment contract as well as the adjustment of the fully benefit-responsive investment contract from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the Plan year.

Notes Receivable from Participants - Notes receivable from participants are measured at the unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the Plan document.

Benefits Paid to Participants - Benefits are recorded when paid.

Risks and Uncertainties - Financial instruments which potentially subject the Plan to concentrations of credit risk consist primarily of investment securities in which the Plan invests. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Plan Termination - Although it has not expressed any intent to do so, ERCOT has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts and distributions will be made as soon as administratively practicable after the Plan terminates.

Subsequent Events - The Company has evaluated subsequent events through July xx, 2012, the date the financial statements were available to be issued, and no events have occurred through that date that would impact the financial statements.

3. FAIR VALUE MEASUREMENTS

The Plan follows a framework for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are three general valuation techniques that may be used to measure fair value: i) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities; ii) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost); and iii) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Mutual funds are valued at the net asset value of shares held by the Plan at year-end. The common collective trust fund is valued using the market approach, with fair value determined by the issuer based on quoted market values of the underlying investments held by the Plan at year-end. There have been no changes in the methodologies used at December 31, 2011 or 2010.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Plan management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of December 31, 2011:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds:				
Growth	$ 32,711,841	$ -	$ -	$ 32,711,841
Index	20,232,272	-	-	20,232,272
Blended	15,490,324	-	-	15,490,324
Value	11,128,982	-	-	11,128,982
Fixed income	5,549,932	-	-	5,549,932
Money market	1,958,222	-	-	1,958,222
Intermediate term bonds	126,426	-	-	126,426
Common collective trust fund- Fixed income	-	10,180,280	-	10,180,280
Total investments at fair value	$ 87,197,999	$ 10,180,280	$ -	$ 97,378,279

The following table sets forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds:				
Growth	$ 37,895,393	$ -	$ -	$ 37,895,393
Index	12,766,836	-	-	12,766,836
Blended	11,757,462	-	-	11,757,462
Fixed income	11,627,139	-	-	11,627,139
Value	8,794,047	-	-	8,794,047
Money market	826,093	-	-	826,093
Common collective trust fund- Fixed income	-	8,777,300	-	8,777,300
Total investments at fair value	$ 83,666,970	$ 8,777,300	$ -	$ 92,444,270

4. INFORMATION CERTIFIED BY THE TRUSTEE

Unaudited information regarding the Plan's investment assets and notes receivable from participants at December 31, 2011 and 2010, and the related interest and dividend income and net depreciation in fair value of investments for the year ended December 31, 2011, was summarized from information prepared by the Trustee of the Plan. The Plan administrator has obtained a certification from the Trustee that such information is complete and accurate.

The following table presents the fair values of investments and the notes receivable from participants at December 31, 2011 and 2010. Individual investments that represent 5% or more of the Plan's net assets at December 31, 2011 and 2010 are separately identified.

	2011	2010
Wells Fargo Stable Return Fund Class C	$ 10,180,280	$ *
Fidelity Contrafund	9,159,088	*
Vanguard Institutional Index Fund	9,042,770	*
Vanguard Total Bond Market Index Fund	8,346,331	*
Oppenheimer Developing Markets Y	7,497,950	9,605,255
Heartland Select Value IS	6,715,331	7,171,761
Prudential Jennison Mid Cap Growth Fund	5,937,478	*
Fidelity Government Income Fund	5,549,932	*
Fidelity Advisor New Insights I	*	9,196,417
Spartan 500 Index Investor Class	*	8,828,674
Fidelity Advisor Stable Value Portfolio II	*	8,777,300
Fidelity U.S. Bond Index Fund	*	6,676,778
Fidelity Advisor Mid Cap II Fund I	*	5,957,939
Fidelity Advisor Gov Income Inst	*	4,950,361
Thornburg Int Value 5	*	4,938,515
Other investments	34,949,119	26,341,270
Total fair value of investments	$ 97,378,979	$ 92,444,270
Notes receivable from participants	$ 2,329,930	$ 2,085,786

*This investment was not offered at December 31, 2011 or 2010.

During the year ended December 31, 2011, the Plan earned interest and dividend income from its investments totaling $1,859,462. Interest income earned from notes receivable from participants totaled $103,446 during the year ended December 31, 2011. The net depreciation in fair value of investments (including gains and losses on investments bought, sold, and held during the Plan year) was $4,056,614 for the year ended December 31, 2011, as noted below.

Mutual funds	$ 4,062,892
Common collective trust	(7,425)
Bond funds	1,147
Total	$ 4,056,614

5. TAX STATUS

ERCOT has not applied for a determination letter from the Internal Revenue Service ("IRS") to determine if the Plan is designed in accordance with applicable sections of the IRC. The Plan document is based upon a volume submitter plan instrument from Fidelity Management & Research Company which received an IRS advisory letter dated March 31, 2008. The volume submitter plan instrument has been updated for legislative and regulatory changes. ERCOT's Benefits Committee and Plan administrator believe that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability or asset if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

6. RECONCILIATION TO THE FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2011 and 2010:

	2011	2010
Net assets available for benefits per the financial statements	$ 99,450,229	$ 94,365,914
Add: Adjustment from fair value to contract value for fully benefit-responsive investment contract	257,980	164,142
Net assets available for benefits per the Form 5500	$ 99,708,209	$ 94,530,056

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements to the Form 5500 for the year ended December 31, 2011:

Net increase in net assets available for benefits per the financial statements	$ 5,084,315
Add: Adjustment from fair value to contract value for fully benefit-responsive investment contract at December 31, 2011	257,980
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contract at December 31, 2010	(164,142)
Net increase in net assets available for benefits per the Form 5500	$ 5,178,153

7. PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are mutual funds managed by the Trustee. Transactions such as these qualify as party-in-interest transactions. The Plan pays both direct and indirect fees to the Trustee for investment management services.

SUPPLEMENTAL SCHEDULE

ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD AT END OF YEAR DECEMBER 31, 2011

EMPLOYER IDENTIFICATION NUMBER - 74-2843094
PLAN NUMBER - 001

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current value
	Mutual funds:			
*	Fidelity Management Trust Company	Fidelity Contrafund	Note 1	$ 9,159,088
	Vanguard Group	Vanguard Institutional Index Fund	Note 1	9,042,770
	Vanguard Group	Vanguard Total Bond Market Index Fund	Note 1	8,346,331
	Oppenheimer Funds	Oppenheimer Developing Markets Y	Note 1	7,497,950
	Heartland Funds	Heartland Select Value IS	Note 1	6,715,331
	Prudential Investments LLC	Prudential Jennison Mid Cap Growth Fund	Note 1	5,937,478
*	Fidelity Management Trust Company	Fidelity Government Income Fund	Note 1	5,549,932
	BlackRock Mutual Funds	BlackRock Small Cap Growth Equity	Note 1	4,676,014
	Thornburg International Value	Thornburg Int Value 5	Note 1	4,455,882
	BlackRock Mutual Funds	BlackRock Equity Dividend Instl	Note 1	4,316,261
*	Fidelity Management Trust Company	Spartan Extended Market Index Fund	Note 1	2,826,814
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2020 Fund	Note 1	2,574,204
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2040 Fund	Note 1	2,474,210
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Small Cap Value SHS	Note 1	2,235,512
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2035 Fund	Note 1	1,905,805
*	Fidelity Management Trust Company	Brokerage Link	Note 1	1,702,897
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2030 Fund	Note 1	1,577,794
*	Fidelity Management Trust Company	Fidelity Money Market Trust Retirement Government Money Market Portfolio	Note 1	1,408,267
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2025 Fund	Note 1	1,286,795
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2015 Fund	Note 1	1,284,234
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2045 Fund	Note 1	870,375
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2050 Fund	Note 1	557,828
*	Fidelity Management Trust Company	Vanguard Developed Markets Index	Note 1	425,458
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2010 Fund	Note 1	216,762
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement Income	Note 1	128,101
	T. Rowe Price Retirement Funds, Inc.	T. Rowe Price Retirement 2005 Fund	Note 1	25,906
	Common collective trust fund-			
	Wells Fargo Bank	Wells Fargo Stable Return Fund Class C	Note 1	10,180,280
*	Participant Loans	Interest Rate: Lowest 4.25%, Highest 9.25%	- 0 -	2,329,930

Note 1: As investments are directed by participants, cost information has been omitted as allowed by schedule instructions.

"*" - Denotes a party-in-interest as defined by ERISA.