



# Tab 4.1: CEO UPDATE

H.B. "Trip" Doggett  
President & Chief Executive Officer

Board of Directors Meeting  
ERCOT Public  
December 11, 2012

# FINANCIAL PERFORMANCE (UPDATED THROUGH NOVEMBER)

## YTD BUDGET VS. ACTUAL PERFORMANCE: \$4.5 MILLION FAVORABLE

### REVENUES

\$5.1 Million favorable 2011 carry forward

\$1.1 Million unfavorable system administration fees

\$0.8 Million favorable membership fees and other revenues

### EXPENSES

\$4.2 Million unfavorable outside services

\$2.5 Million favorable salary & related benefits

\$1.6 Million favorable hardware & software maintenance & licensing

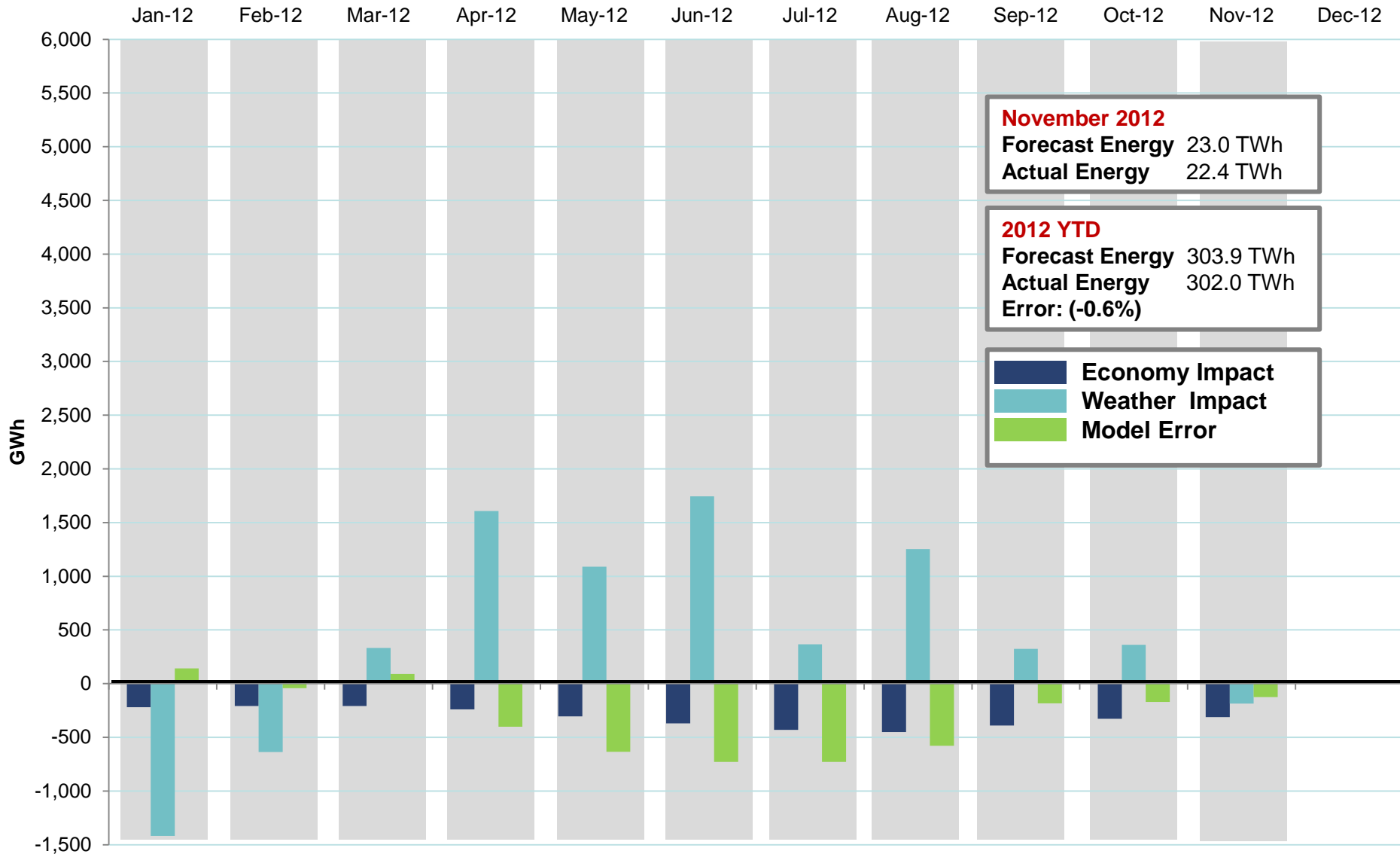
# FINANCIAL PERFORMANCE (UPDATED THROUGH NOVEMBER)

## YEAR-END PERFORMANCE FORECAST: \$4.2 MILLION FAVORABLE

**REVENUES** \$5.1 Million favorable 2011 carry forward  
\$0.8 Million favorable membership fees and other revenue  
\$0.9 Million unfavorable system administration fees

**EXPENSES** \$4.6 Million unfavorable outside services  
\$2.6 Million favorable salaries & related benefits  
\$1.8 Million favorable hardware & software maintenance & licensing

# IMPACTS OF ECONOMY & WEATHER – 2012



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# RESOURCE ADEQUACY ANALYSIS IN ERCOT

The analysis of long-term resource adequacy in ERCOT is conducted in two separate steps.

## 1. Comparison of forecasted loads to expected resources

- Published every six months in the Capacity, Demand and Reserves (CDR) Report. Latest version released on December 10, 2012.
- Planning Guides stipulate criteria for inclusion of resources; the intent is to include resources that are expected to be available during scarcity conditions
- The expected reserve margin is the amount of resources above forecasted load

## 2. Loss of Load Probability (LOLP) Study: a mathematical analysis of the relationship between reserve margin levels and the risk of rotating outages

- Reserves are needed due to unit outages, in case loads are higher than expected with normal weather, and to account for variable generation.
- These “loss-of-load” analyses inform the development of a target reserve margin (based on a predetermined index of the acceptable level of reliability)
- ERCOT currently uses a 1 event in 10 years standard to determine a recommended target reserve margin
- Results from the latest LOLP study will be presented at the next GATF meeting

# DEMAND-SIDE RESOURCES IN LOAD FORECAST

- The ERCOT load forecast is developed through an analysis of the historical relationships between weather, economic activity, and hourly loads. These relationships are used, in conjunction with future economic growth forecasts, to develop a long-term load forecast.
- Load impacts due to demand-response (DR) and energy efficiency (EE) programs are included in the forecast to the extent they are present in the historical data from 2002 - 2011.
  - Current load forecasts include impacts of 4-CP load reductions and DR initiatives from both REPs and NOIEs
- As a result, DR and EE impacts included in the forecast are fixed in future years. Any future incremental growth in DR/EE programs needs to be forecasted separately and then included as an adjustment to the load forecast.

**Final Spring & Preliminary Summer SARA's to be released on March 1<sup>st</sup>, 2013**

# NPRR347 & NPRR400 IMPLEMENTATION

- **The multi-system project was successfully delivered on November 9<sup>th</sup>.**
- **The changes include:**
  - Combining the Day-Ahead Market Invoice and the Real Time Market Invoice into a single Settlements Invoice that posts every Business Day;
  - Eliminating unsecured credit for CRR-related exposures;
  - Revising baseline credit calculation; and
  - Implementing minimum collateral amounts.
- **The changes provide significant commercial improvement:**
  - Supports CFTC conditions for exemption from the Commodity Exchange Act;
  - A 10 day reduction of the settlement period and the associated collateral window for an Operating Day; and
  - Better aligns collateral requirements to credit risk.

## The Project Team

### Settlements & Billing

Ohlen Genove  
Connie Harris  
Teresa Simien  
Anna Rocha

### Credit Management

Suresh Pabbisetty  
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### Commercial Application Services

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Stan Hartin  
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Michael Ackermann  
Babitha Kongara



## External Affairs

- **The Sunset Advisory Commission will meet on December 19 to hear the Sunset staff report on the PUC**
  - Report contains recommendations about ERCOT oversight
  - ERCOT has been participating in the process
  - The Sunset Commission will also hear public testimony on December 19
  
- **The Texas Legislature convenes on January 8, 2013**