The Finance & Audit (F&A) Committee is expected to consider F&A Committee Agenda Item 4:
Recommendation regarding Acceptance of ERCOT's 401(k) Savings Plan Audit Report
at its meeting on September 16, 2013.

The Board of Directors is expected to hear the F&A Committee's recommendation on this matter as part of the F&A Committee Report at the Board meeting on September 17, 2013.

Attached are the Board materials in relation to these agenda items.

Date: September 10, 2013
To: Board of Directors
From: Chuck Manning, ERCOT Vice President of Human Resources and Chief Compliance Officer
Subject: Acceptance of 2012 ERCOT 401(k) Savings Plan Audit

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: September 17, 2013
Item No.: 9.1

Issue:
Acceptance of the audited financial statements of Electric Reliability Council of Texas, Inc.'s (ERCOT's) 401(k) Savings Plan (401(k) Plan), as of December 31, 2012.

Background/History:
Internal Revenue Service (IRS) rules and regulations require an annual financial statement audit of the benefit plans such as ERCOT's 401(k) Plan.

ERCOT has engaged the firm of Maxwell, Locke & Ritter, LLP, to complete audits of the 401(k) Plan financial statements for 2012, 2013 and 2014.

It is expected that on September 16, 2013, representatives of Maxwell, Locke & Ritter LLP will meet with the Finance and Audit (F&A) Committee of the Board to discuss the proposed final audit report for the ERCOT 401(k) Plan, as of December 31, 2012.

The F&A Committee is expected to recommend that the Board accept the 2012 audited financial statements for the ERCOT 401(k) Plan, as of December 31, 2012, as prepared by Maxwell, Locke & Ritter LLP, during its meeting.

A draft of the final audit report for the ERCOT 401(k) Plan, as of December 31, 2012, prepared by Maxwell, Locke & Ritter, LLP, and submitted for the Board's acceptance is attached hereto as Exhibit A.

Key Factors Influencing Issue:
- The IRS reporting requirements and filing requirements for the annual IRS Form 5500 for ERCOT's 401(k) Plan. The 401(k) Plan's books and records must be audited by an independent auditor, and a copy of the audit report supplied with Form 5500. The 2012 filing is due no later than October 15, 2013.
- The draft report attached hereto reflects no findings indicating material issues with the administration of the 401(k) Plan, and the expectation that the F&A Committee will recommend approval of same.
- The expectation that Maxwell, Locke & Ritter, LLP, will issue a final opinion consistent with the draft version attached hereto,

Conclusion/Recommendation:

The F&A Committee is expected to review the final audited statements for ERCOT's 401(k) Plan prepared by Maxwell, Locke & Ritter, LLP, as of December 31, 2012, at its meeting on September 16, 2013, and is expected to recommended that the Board accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2011, as presented in draft form by Maxwell, Locke & Ritter, LLP, attached hereto as Exhibit A.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, Electric Reliability Council of Texas, Inc. (ERCOT) provided a 401(k) Savings Plan [the 401(k) Plan] as a benefit for its eligible employees during the fiscal year 2012;

WHEREAS, the Internal Revenue Service rules and regulations also require an annual financial statement audit of benefits plans such as the 401(k) Plan;

WHEREAS, Maxwell, Locke & Ritter, LLP, who was engaged by ERCOT for such audit in May 2013, has issued an opinion acceptable to this Board in connection with its audit of ERCOT's 2012 financial statement for the 401(k) Plan;

WHEREAS, after due consideration of the alternatives, the Finance and Audit (F&A) Committee has considered and recommended that the Board accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2012, as presented by Maxwell, Locke & Ritter, LLP, as its meeting of September 16, 2013; and

WHEREAS, the Board deems it desirable and in the best interest of ERCOT to accept the F&A Committee's recommendation to accept the audited financial statements of ERCOT's 401(k) Plan, as of December 31, 2012, as presented by Maxwell, Locke & Ritter, LLP;

NOW, THERFORE, BE IT RESOLVED, that the Board hereby accepts the audited financial statements for ERCOT's 401(k) Plan, as of December 31, 2012, as presented by Maxwell, Locke & Ritter, LLP.

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its September 17, 2013 meeting, the ERCOT Board passed a motion approving the above Resolution by ______.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of September, 2013.

____
Vickie G. Leady
Assistant Corporate Secretary

July xx, 2013

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

We have conducted a Department of Labor ("DOL") limited-scope audit of the financial statements of Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan") for the year ended December 31, 2012 and have issued our report thereon dated July xx, 2013. As permitted by 29 CFR 2520.103-8 of the DOL'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 to those financial statements. Because of the significance of the information that we did not audit, we are unable to, and have not, expressed an opinion on those financial statements and supplemental schedule taken as a whole. We did, however, audit 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 Fidelity Management Trust Company, in accordance with auditing standards generally accepted in the United States of America and found them to be presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 20, 2013. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the valuation and leveling of investments and the net appreciation in fair value of investments. Management's estimates of these accounting estimates are based on various factors. We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were identified during the audit.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated [Date of Management Representation Letter.] .

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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OTHER AUDIT FINDINGS OR ISSUES
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We did not perform a detailed review of the Form 5500.

This information is intended solely for the use of the Benefits Committee, other Plan fiduciaries, and management of Electric Reliability Council of Texas 401(k) Savings Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Enclosure 1: Management Representation Letter

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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, 2012 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Electric Reliability Council of Texas 401(k) Savings Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") 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. 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, 2012 and 2011, and for the year ended December 31, 2012, that the information provided to the Plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedule, Schedule of Assets Held at End of Year, as of December 31, 2012 is required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplemental schedule.

Report on Form and Content in Compliance With DOL Rules and Regulations

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 DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

July xx, 2013

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ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS:		
Investment funds	$ 111,657,793	$ 97,378,279
Notes receivable from participants	2,561,749	2,329,930
Net assets reflecting investments at fair value	114,219,542	99,708,209
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(336,454)	(257,980)
NET ASSETS AVAILABLE FOR BENEFITS	$ 113,883,088	$ 99,450,229

See notes to financial statements.

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ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2012

ADDITIONS TO NET ASSETS ATTRIBUTED TO:	
Contributions:	
Employer, net of forfeitures	$ 7,657,981
Participant	5,031,106
Rollover	194,083
Total contributions	12,883,170
Interest income on notes receivable from participants	101,602
Investment gain:	
Net appreciation in fair value of investments	9,274,937
Interest and dividend income	2,838,292
Total investment gain, net	12,113,229
Total additions	25,098,001
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:	
Benefits paid to participants	10,609,777
Administrative expenses	55,365
Total deductions	10,665,142
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	14,432,859
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	99,450,229
End of year	$ 113,883,088

See notes to financial statements.

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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 (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 employeess are automatically enrolled in the Plan with a contribution equal to 3% of their eligible compensation thirty days following their employment dates, unless the employee elects otherwise. 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 the Plan's defined compensation. ERCOT may also make discretionary contributions to the Plan each year, although none were made in 2012. 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, ERCOT's contributions and an allocation of Plan earnings, and may be charged with Plan expenses if applicable. Allocations are based on participant earnings, account balances or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Notes Receivable from Participants - Participants may borrow from their accounts a minimum of $1,000 and up to a maximum of $50,000 less the highest outstanding notes receivable balance over the prior twelve months or 50% of their vested account balance, whichever is less. Participant notes receivable 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 notes receivable outstanding at a time. Notes receivable repayments are automatically deducted through after-tax payroll deductions over a period generally not to exceed five years.

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. Participants may also become fully vested upon attainment of normal retirement age or upon termination of employment due to disability or death.

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 benefits in a lump-sum payment. The Plan administrator may distribute terminated participants' account balances that are less than $1,000 in a lump sum without the participants' consent. In-service distributions for reasons of hardship and the attainment of age 59.5 are also permitted from a participant's employee deferral account, although hardship distributions will result in a six-month suspension during which no 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 $638,880 were utilized to reduce ERCOT's contributions for the year ended December 31, 2012. At December 31, 2012 and 2011, forfeitures available for use by ERCOT were $33,785 and $89,538, respectively.

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 contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared using the contract value basis for fully benefit-responsive investment contracts.

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.

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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 appreciation 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. No allowance for credit losses has been recorded at December 31, 2012 or 2011. 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.

Expenses - Certain expenses of maintaining the Plan are paid directly by ERCOT and are excluded from the financial statements. Fees related to the administration of notes receivable from participants are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation in fair value of investments.

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.

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 - ERCOT has evaluated subsequent events through July xx, 2013, the date the financial statements were available to be issued, and no events have occurred through that date that would impact the financial statements.

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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 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 daily closing price as reported by the fund. The mutual funds are registered with the Securities and Exchange Commission and are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. Units of the common collective trust fund (Wells Fargo Stable Value Fund Class C) are stated daily at their NAV as a practical expedient for fair value. The NAV of the common collective trust fund is based on the fair value of the underlying investments held by the fund less its liabilities, with fair value determined by the issuer based on independent pricing services.

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The common collective trust fund ("Fund") invests in financial instruments that seek to provide participants a stable crediting rate and security of principal plus accrued interest. The financial instruments include guaranteed investment contracts ("GICs"), security backed contracts, and separate account GICs. Underlying the security backed contracts and separate account GICs are fixed income portfolios. The fixed income portfolios may include investments in, but are not limited to, U.S. Treasury and agency bonds, mortgage-backed securities, corporate bonds, asset-backed securities, and bond funds. Bonds in the underlying portfolios are rated investment grade by independent pricing services at time of purchase. The Fund also may invest in cash or cash equivalents. There are no significant restrictions on redemptions; participants may redeem their funds daily. The Wells Fargo Stable Value Fund Class C has no unfunded commitments and there have been no changes in the methodologies used at December 31, 2012 or 2011.

The preceding method described for valuation of the Fund 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 method is 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, 2012:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds:				
Growth	$ 38,854,745	$ -	$ -	$ 38,854,745
Index	21,236,999	-	-	21,236,999
Blended	21,122,776	-	-	21,122,776
Value	11,407,402	-	-	11,407,402
Fixed income	4,955,476	-	-	4,955,476
Money market	2,000,957	-	-	2,000,957
World Fund	7,285	-	-	7,285
Intermediate term bonds	133,852	-	-	133,852
Common collective trust fund- Fixed income	-	11,938,301	-	11,938,301
Total investments at fair value	$ 99,719,492	$ 11,938,301	$ -	$ 111,657,793

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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 bond	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

4. INFORMATION CERTIFIED BY THE TRUSTEE

All information disclosed in the accompanying financial statements, notes and supplemental schedule related to the Plan's investment assets and notes receivable from participants at December 31, 2012 and 2011, and the related net investment gain and interest income for the the year ended December 31, 2012, was obtained or derived from information supplied to the Plan administrator and certified as complete and accurate by the Trustee.

5. INVESTMENTS

Individual investments that represented 5% or more of the Plan's net assets at December 31, 2012 and 2011 are as follows:

	2012	2011
Wells Fargo Stable Return Fund Class C	$ 11,938,301	$ 10,180,280
Vanguard Institutional Index Fund	10,670,985	9,042,770
Fidelity Contrafund	10,440,769	9,159,088
Oppenheimer Developing Markets Y	9,332,347	7,497,950
Prudential Jennison Mid Cap Growth Fund	7,429,702	5,937,478
Vanguard Total Bond Market Index Fund	7,182,795	8,346,331
Heartland Select Value IS	6,598,815	6,715,331
Fidelity Government Income Fund	*	5,549,932

* This investment represented less than 5% of the Plan's net assets at December 31, 2012.

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During the year ended December 31, 2012, the Plan earned interest and dividend income from its investments totaling $2,838,292. Interest income earned from notes receivable from participants totaled $101,602 during the year ended December 31, 2012. The net appreciation in fair value of investments (including gains and losses on investments bought, sold, and held during the Plan year) was $9,274,937 for the year ended December 31, 2012, as noted below.

Mutual funds	$ 9,092,004
Common collective trust	182,933
Total	$ 9,274,937

6. 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 2009.

7. 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, 2012 and 2011:

	2012	2011
Net assets available for benefits per the financial statements	$ 113,883,088	$ 99,450,229
Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts	336,454	257,980
Net assets available for benefits per the Form 5500	$ 114,219,542	$ 99,708,209

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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, 2012:

Net increase in net assets available for benefits per the financial statements	$ 14,432,859
Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2012	336,454
Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2011	(257,980)
Net increase in net assets available for benefits per the Form 5500	$ 14,511,333

8. PARTY-IN-INTEREST AND RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds that are managed by the Trustee or its affiliates. Fees incurred by the Plan for related investment management services are included in net appreciation in fair value of investments. Transactions such as these qualify as party-in-interest transactions. ERCOT pays directly certain other fees related to the Plan's operations.

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SUPPLEMENTAL SCHEDULE

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ELECTRIC RELIABILITY COUNCIL OF TEXAS 401(k) SAVINGS PLAN

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD AT END OF YEAR
DECEMBER 31, 2012

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
	Wells Fargo Stable Return Fund Class C	Common collective trust fund	Note 1	$ 11,938,301
	Vanguard Institutional Index Fund	Mutual fund	Note 1	10,670,985
*	Fidelity Contrafund	Mutual fund	Note 1	10,440,769
	Oppenheimer Developing Markets Y	Mutual fund	Note 1	9,332,347
	Prudential Jennison Mid Cap Growth Fund	Mutual fund	Note 1	7,429,702
	Vanguard Total Bond Market Index Fund	Mutual fund	Note 1	7,182,795
	Heartland Select Value IS	Mutual fund	Note 1	6,598,815
	BlackRock Small Cap Growth Equity	Mutual fund	Note 1	5,259,226
*	Fidelity Government Income Fund	Mutual fund	Note 1	4,955,476
	Thornburg Int Value 5	Mutual fund	Note 1	4,754,123
	BlackRock Equity Dividend Instl	Mutual fund	Note 1	4,668,944
	T. Rowe Price Retirement 2040 Fund	Mutual fund	Note 1	3,697,538
	T. Rowe Price Retirement 2020 Fund	Mutual fund	Note 1	3,498,018
*	Spartan Extended Market Index Fund	Mutual fund	Note 1	3,383,219
	T. Rowe Price Small Cap Value SHS	Mutual fund	Note 1	3,028,447
	T. Rowe Price Retirement 2035 Fund	Mutual fund	Note 1	2,734,513
	T. Rowe Price Retirement 2030 Fund	Mutual fund	Note 1	2,234,276
	T. Rowe Price Retirement 2025 Fund	Mutual fund	Note 1	2,057,472
*	Brokerage Link	Mutual funds	Note 1	1,754,107
	T. Rowe Price Retirement 2045 Fund	Mutual fund	Note 1	1,579,426
*	Fidelity Retirement Government Money Market	Mutual fund	Note 1	1,518,177
	T. Rowe Price Retirement 2050 Fund	Mutual fund	Note 1	1,057,286
	T. Rowe Price Retirement 2015 Fund	Mutual fund	Note 1	857,031
*	Vanguard Developed Markets Index	Mutual fund	Note 1	556,669
	T. Rowe Price Retirement 2010 Fund	Mutual fund	Note 1	285,558
	T. Rowe Price Retirement Income	Mutual fund	Note 1	155,715
	T. Rowe Price Retirement 2005 Fund	Mutual fund	Note 1	28,858
*	Participant Loans	Interest Rate: Lowest 4.25%, Highest 9.25%	- 0 -	2,561,749

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.

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