

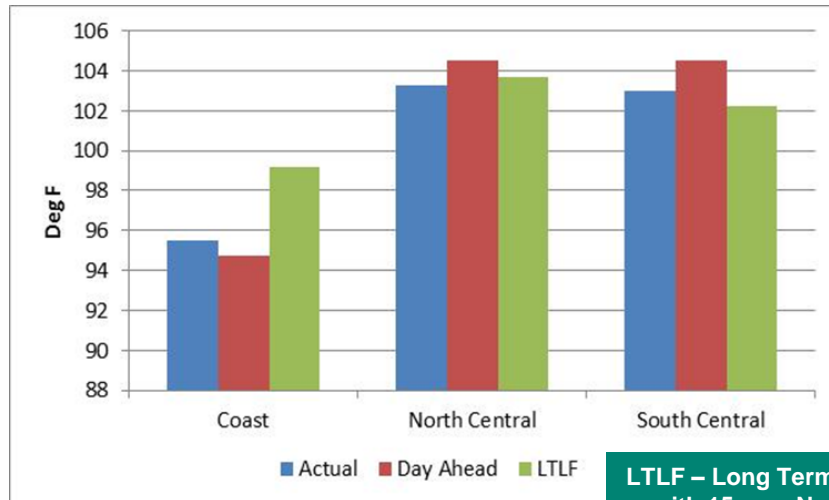
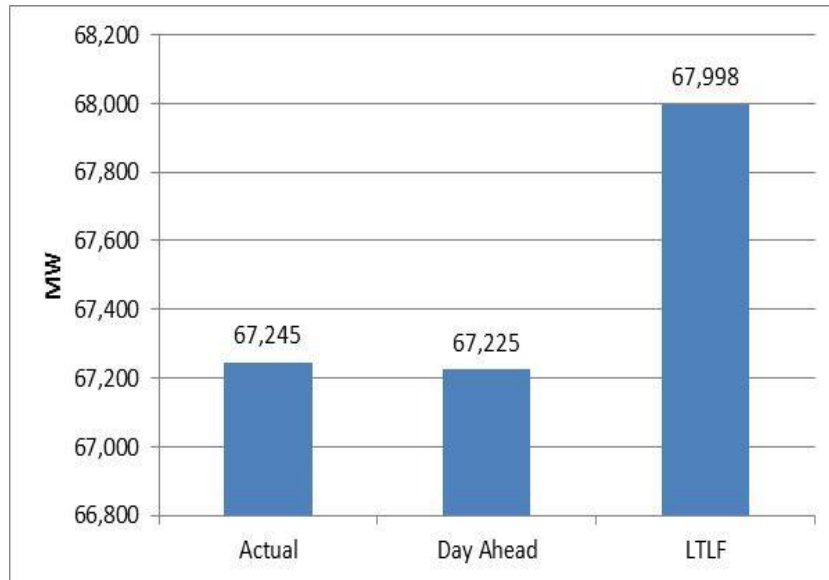


Quarterly Report

Trip Doggett
President & CEO
ERCOT

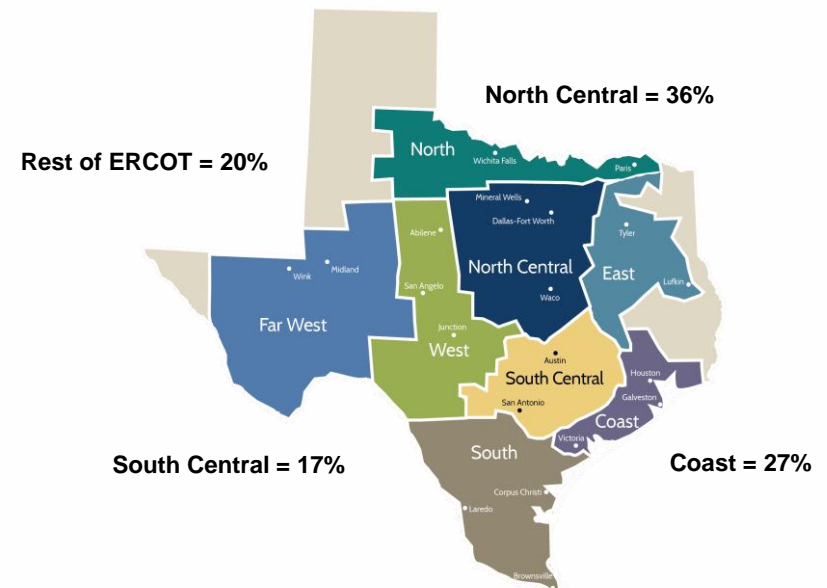
Texas Senate Business and Commerce Committee
October 15, 2013

2013 Summer Peak Demand (August 7)



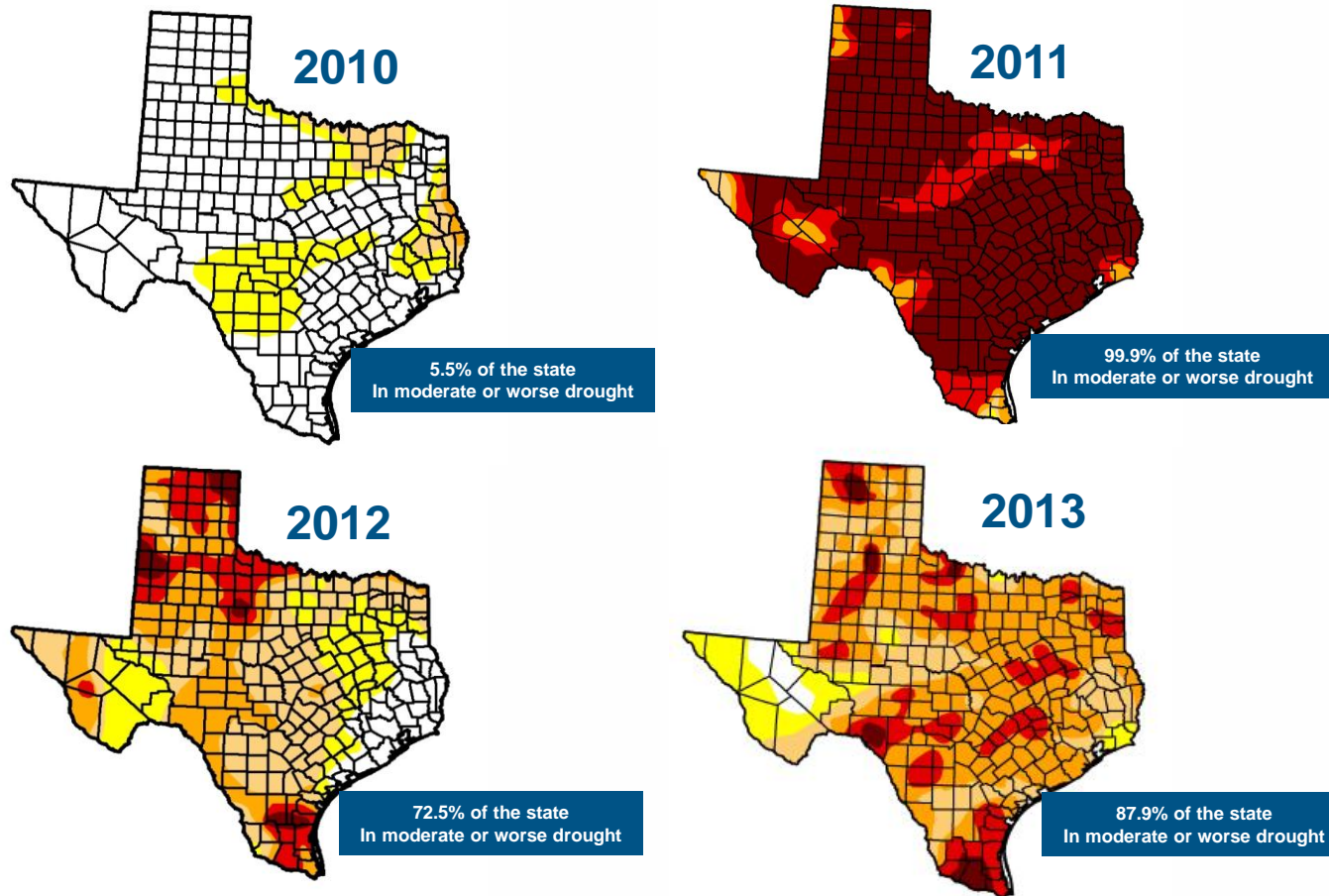
LTLF – Long Term Load Forecast with 15 year Normal Weather

Percent of Total ERCOT Load at 2013 Peak



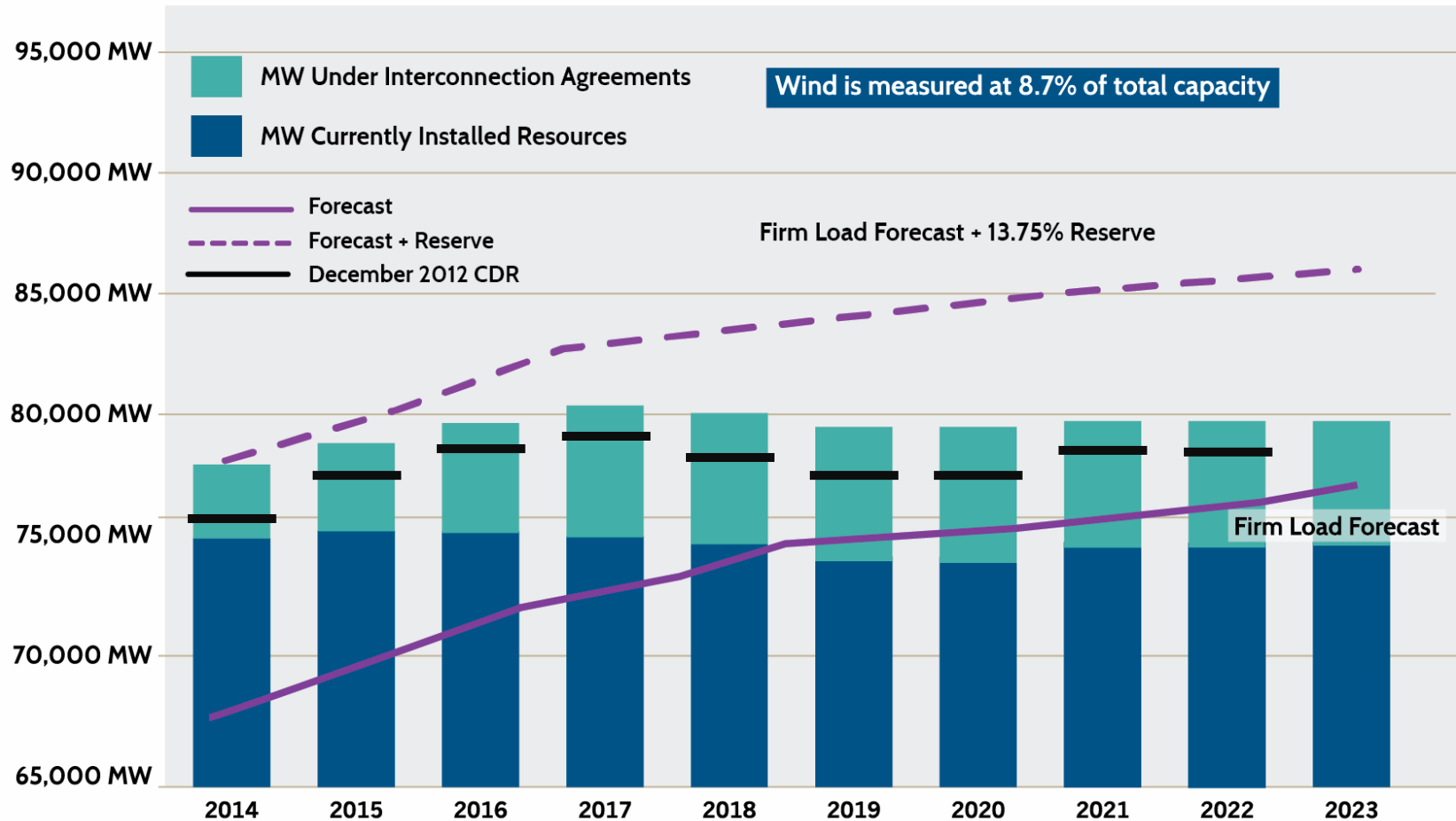
- North Central and South Central had normal temperatures at the time of 2013 peak. Coast was 4°F cooler.
- If Coast temperature had been 99°F, the 2013 peak demand would have likely exceeded 68,000 MW
- Under 2011 peak conditions, temperatures were at 103°F (Coast), 109 °F (North Central) and 109 °F (South Central)
- 2011 weather conditions in 2013 would have caused the load to likely exceed 70,000 MW

Comparing Late-August Drought Conditions



- Drought conditions will likely not improve for most regions in Texas
- Some regions (especially South, Central, and East) will likely experience worsening conditions
- The drought will have completed a third full year in October. It's currently worse than at this point last year
- Lack of El Nino combined with AMO+/PDO- continues to support this trend

Capacity, Demand and Reserves – May 2013 outlook



Potential Changes to Capacity, Demand Reserves Report

Target Reserve Margin

- Currently 13.75%
- Using a 1-event-in-10-years loss-of-load criteria leads to a target reserve margin of ~13.8 % to ~18.9% depending on assumed likelihood of 2011 weather conditions
- Stakeholder review led to a TAC recommendation of 16.1%
- ERCOT board requested additional analysis using latest available load forecast

Effective Load Carrying Capability (ELCC)

- Currently 8.7% of installed capacity for wind
- TAC recommended an ELCC of 14.2% for non-coastal wind resources and 32.9% for coastal wind resources

Load Forecasting

- New approach is expected to decrease model error and decrease reliance on historical data that is subject to revision
- Will remove impact of overly optimistic near-term economic growth forecast

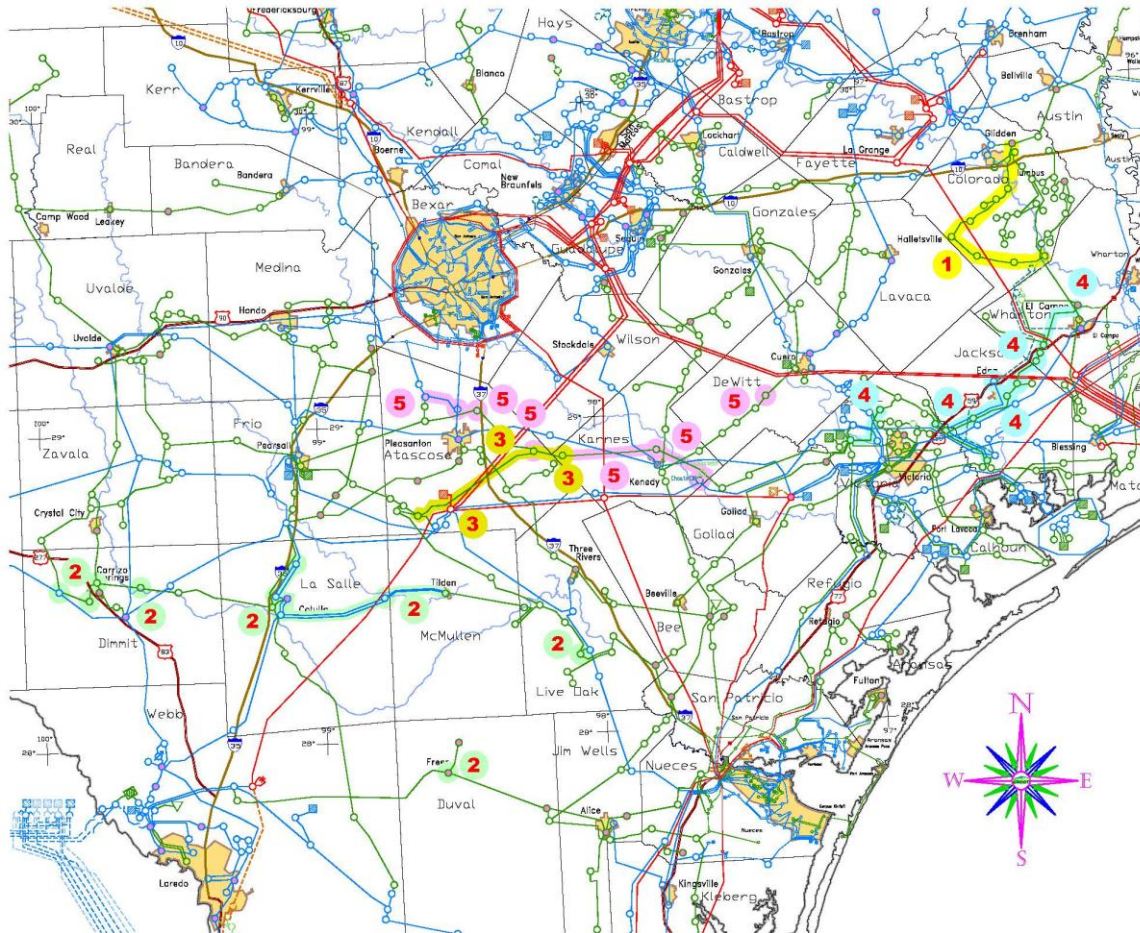
Recent Resource Adequacy Actions

- **ERCOT submitted NPRR 568 to implement Operating Reserve Demand Curve (ORDC) B+, as directed by the PUC**
- **Developing Emergency Response Services (ERS)**
 - ERCOT conducted a pilot of a 30-minute response service, and is now considering NPRR 564 to include the service in the Protocols
 - ERCOT recently completed a pilot of a “weather-sensitive load” ERS service, and will report on its findings at the November ERCOT Board meeting
- **Voltage Reduction Testing**
 - Testing completed this summer
 - Data is being analyzed and a report is targeted for end of 2013
- **ERCOT is implementing NPRR 520, which addresses SCED “over-mitigation” issues – to improve market pricing signals**

Load Resources in Security Constrained Economic Dispatch (SCED)

- **Legislators, PUC, and stakeholders have expressed a goal to integrate demand response (DR) into the ERCOT market**
- **Loads in SCED is currently targeted to go live in June 2014**
- **Load Resources in SCED**
 - Would allow DR to set prices by submitting 'up-to bids to buy'
 - Benefits:
 - Price-certain avoided cost of power at Load's strike price
 - Day-Ahead payment to Load if providing Non-Spin
 - Challenges:
 - Direct participation limited to Load-Serving Entities such as Retail Electric Providers (excludes third-parties except as technology partners)
 - Only a subset of DR resources are capable of responding to five-minute SCED base point instructions

Eagle Ford Shale Projects



Driver – Reliability Need to support new oil and gas load

Project Components:

1. Glidden-Colorado-Nada 69 kV upgrade project
2. Karnes Electric Cooperative-Medina Electric Cooperative load addition project
3. Coy City load addition project
4. El Campo-Vanderbilt load addition project
5. Karnes Electric Cooperative load addition project

Cost estimate = \$152.4M

Expected in-service – 2013-2017

What's next?

November 1, 2013

Seasonal Assessment of Resource Adequacy (SARA):
Final for winter, preliminary for spring

December 3, 2013

Capacity, Demand and Reserves (CDR) report

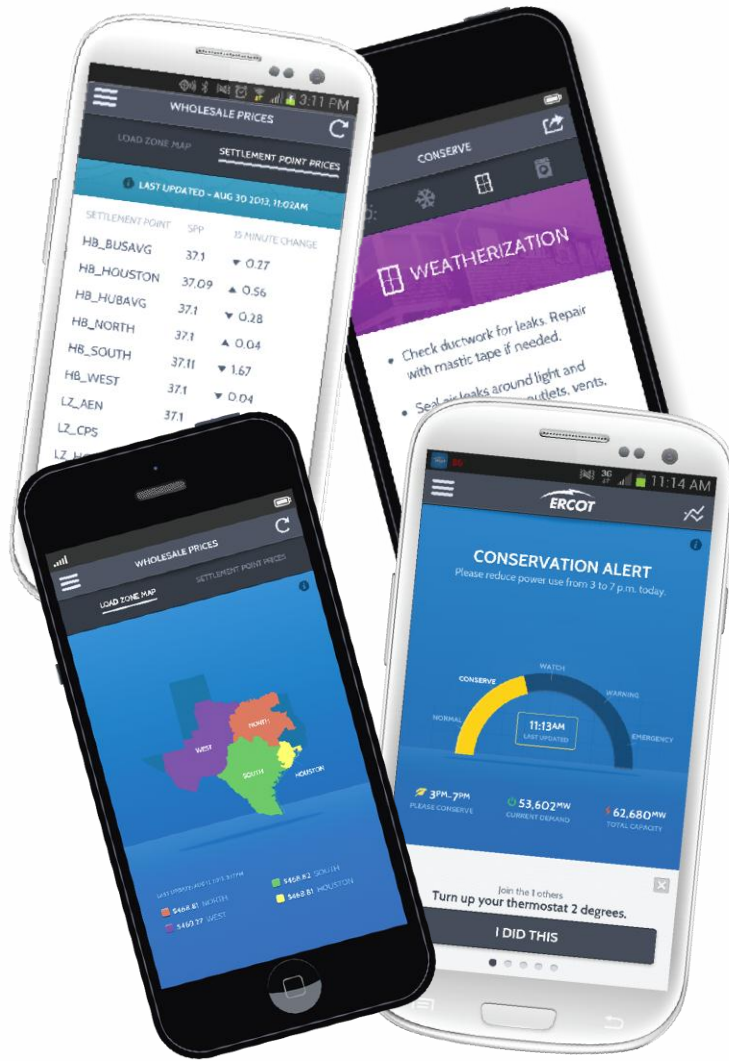
January 2014

Demand and Energy report
Regional Transmission Plan
Constraints and Needs report
Brattle Report on Economically Optimal Reserve Margin

March 2014

Seasonal Assessment of Resource Adequacy (SARA):
Final for spring, preliminary for summer

ERCOT Energy Saver app: The Next Generation



System operations

- Chart showing hourly demand and generation (Today's Outlook on landing page)
- Alternate chart with real-time demand and generation data (5-minute refresh)

Wholesale pricing

- Hub and load zone settlement point prices
- Map with four main load zone prices

Conservation tips

- Tips for appliance use, hot- and cold-weather practices and overall weatherization

Helpful information

- Quick Facts and Q&A, with links to Transmission Providers' websites
- Options for news releases, updates and sharing

Emergency alerts

- Continued push notifications, with interactive components (access to system conditions, reporting on conservation actions)