



Item 4.1: CEO Update

H.B. "Trip" Doggett

President & Chief Executive Officer

Board of Directors Meeting

ERCOT Public

June 10, 2014

CEO Update: Financial Summary - Variance to Budget (\$ in Millions)

Net Revenues After Base Operating Expenses as of April 30, 2014

Net Revenues Year to Date: \$2.5 M Favorable

Major Revenue Variances

\$1.3 M over budget system administration fees due to colder-than-expected temperatures

Major Expense Variances

\$0.8 M under budget employee labor cost due to more efforts charged to projects

\$0.7 M under budget hardware/software maintenance due to contract renewals negotiated at lower rates

\$0.6 M under budget hardware/software vendor support services due to more work on capital projects

\$0.6 M over budget external staffing due to backfilling permanent positions

Net Revenues Year End: \$0.4 M Favorable

Major Revenue Variances

\$0.8 M under budget system administration fees due to recent milder temperatures

Major Expense Variances

\$2.0 M under budget hardware/software vendor support services due to more work on capital projects

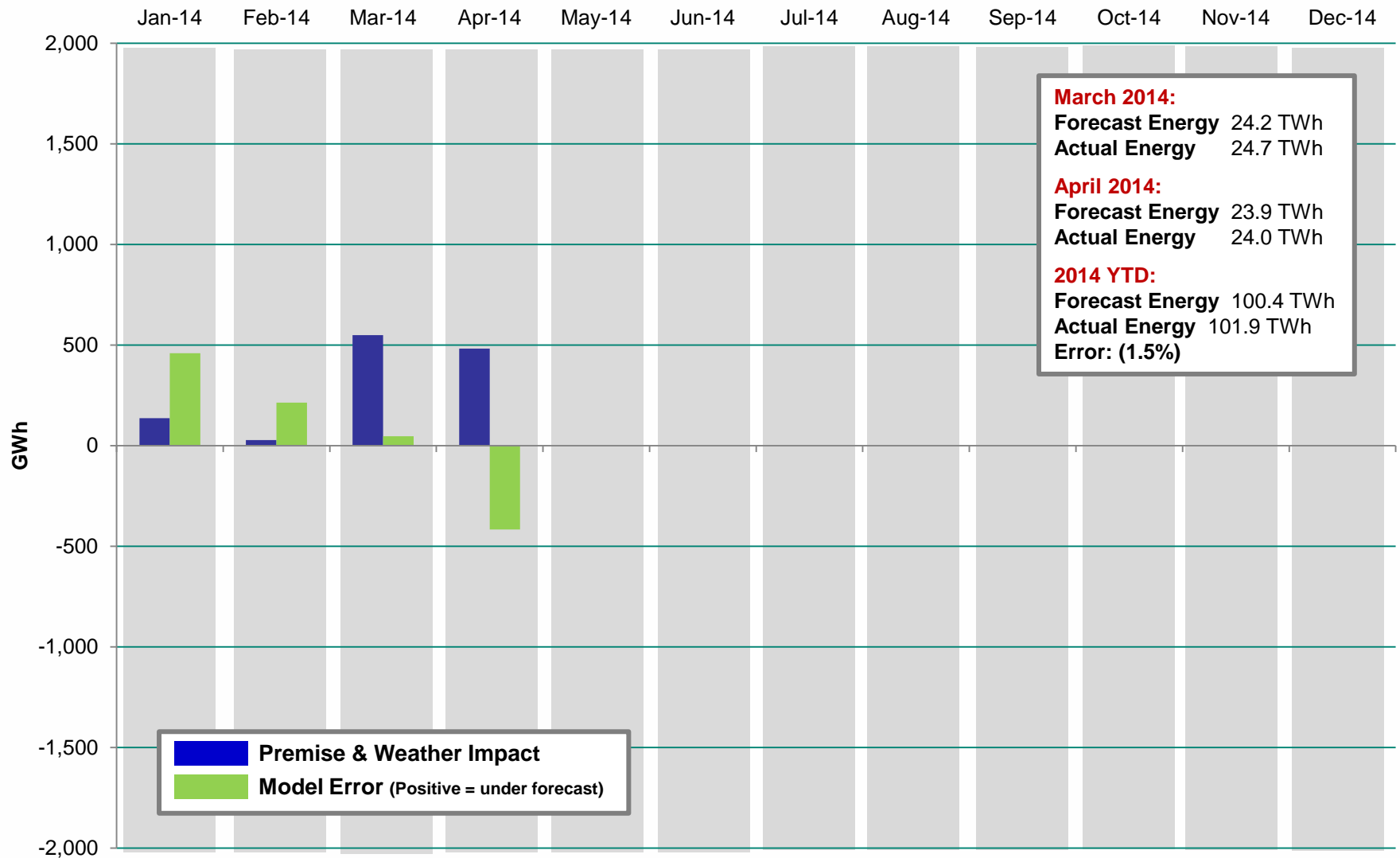
\$0.9 M under budget hardware/software maintenance due to contract renewals negotiated at lower rates

\$0.9 M under budget hardware/software maintenance due to lower level of service for contract renewals

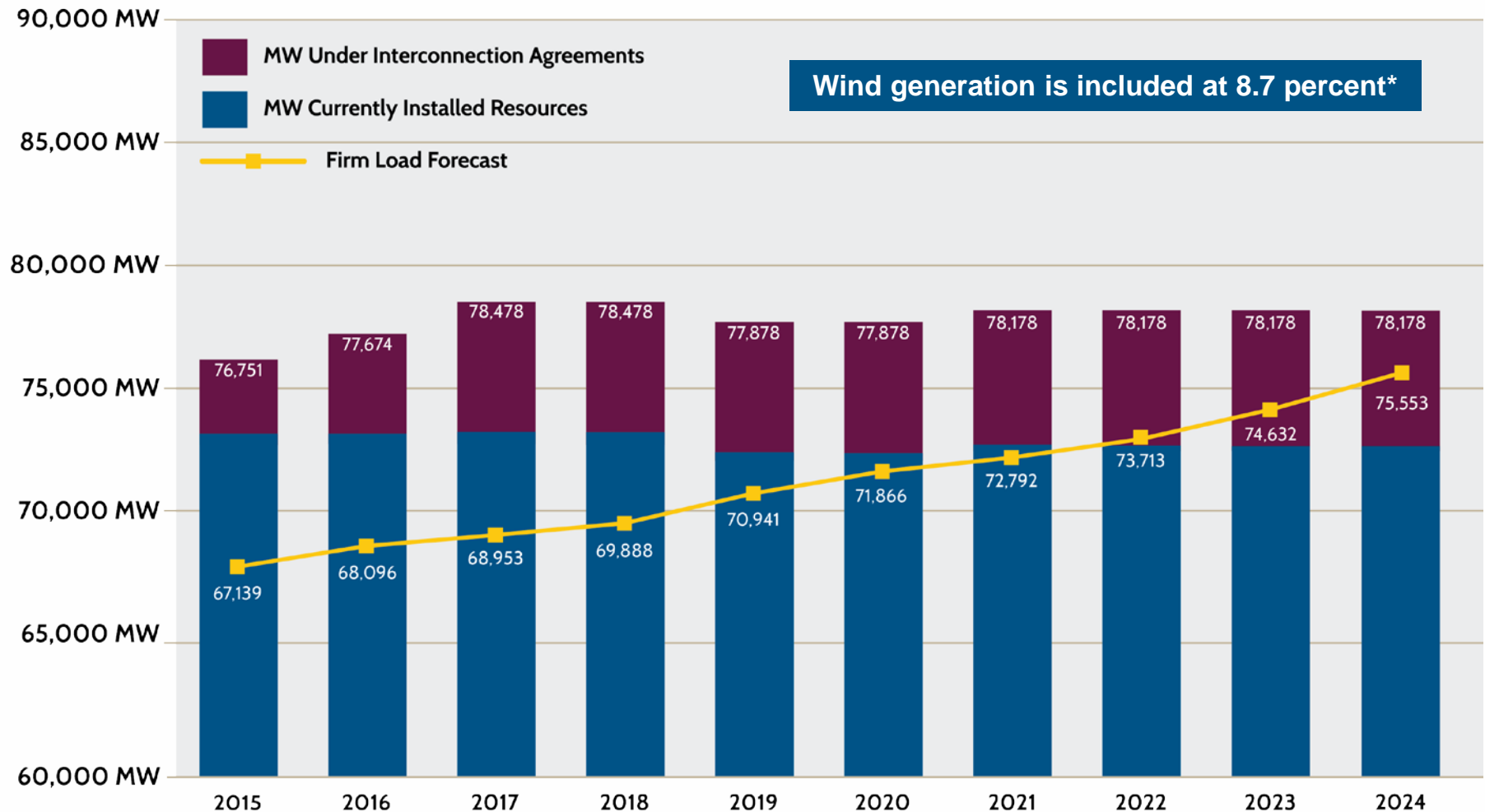
\$1.3 M over budget external staffing due to backfilling permanent positions

\$1.2 M over budget due to unbudgeted external studies, training, and other services

Impact of Premise Count & Weather – 2014



Capacity, Demand and Reserves (CDR) – May 2014

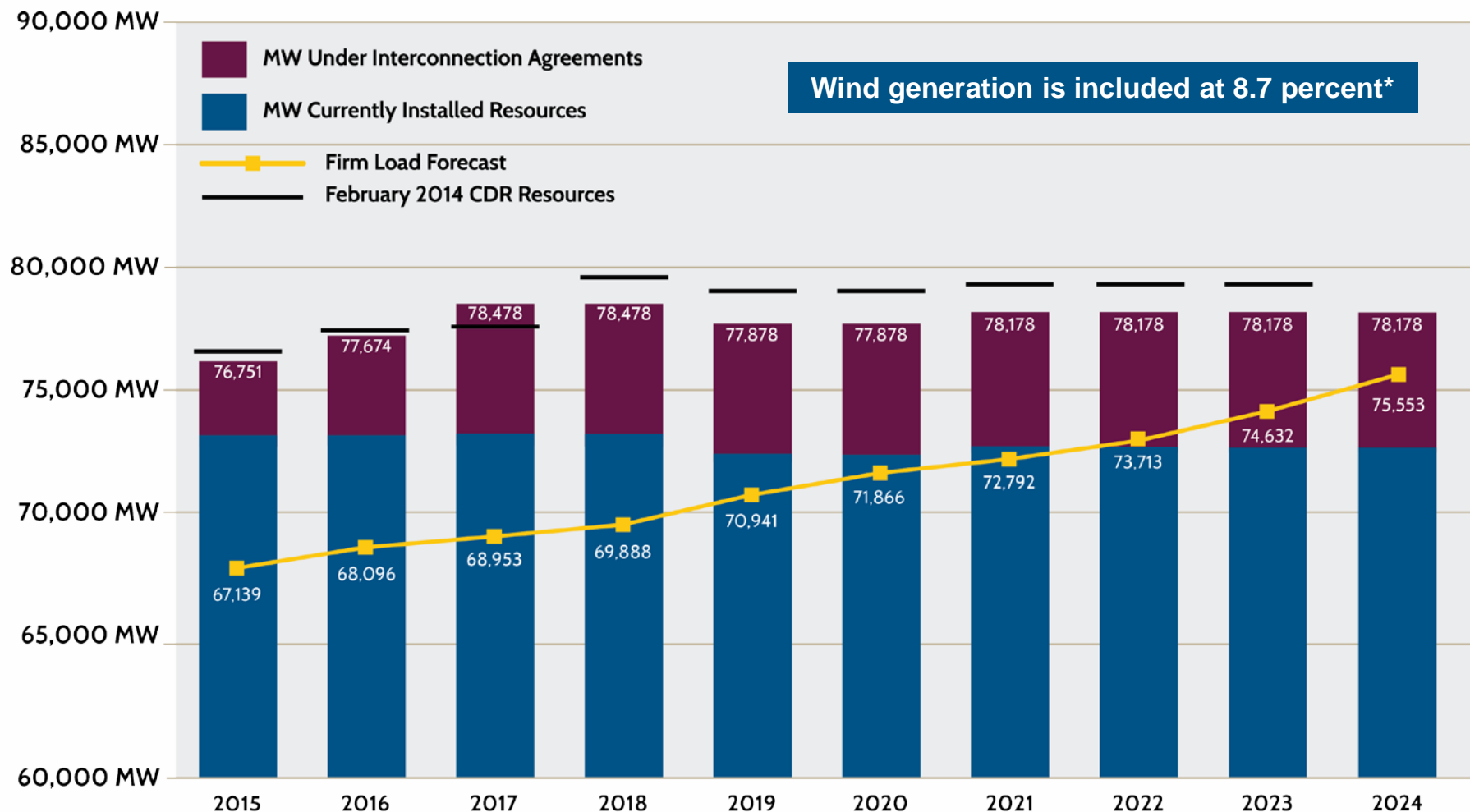


*ERCOT has been analyzing the operational characteristics of wind generation to determine whether it can depend on a higher percentage of installed capacity during periods of peak demand.



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Capacity, Demand and Reserves (CDR) – May 2014



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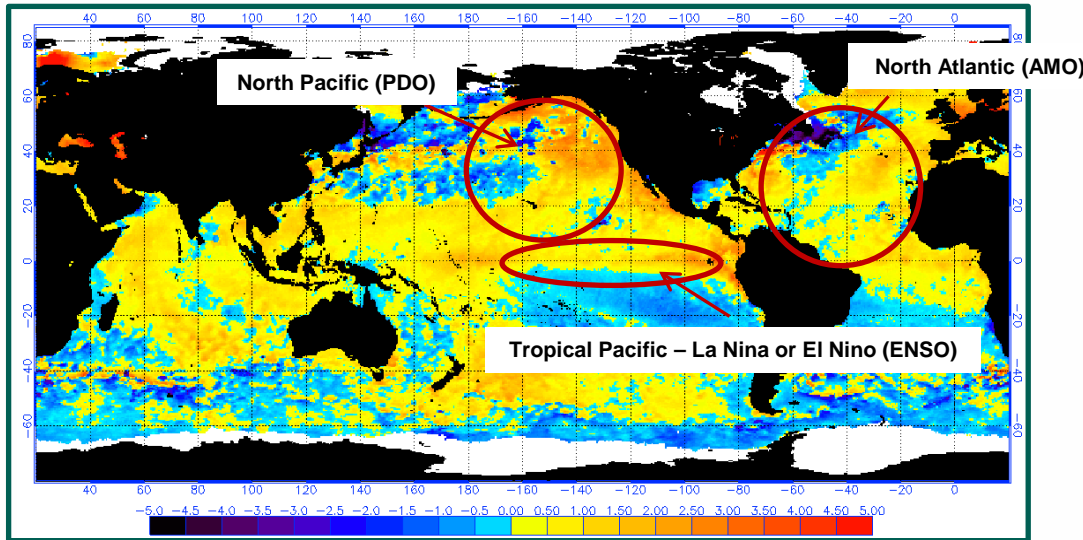


2014 Summer SARA (Final)

Item	Summer 2014	Forecasted Season Peak Load	Extreme Load/Typical Generation Outages	Extreme Load/Extreme Generation Outages
1	Total Resources	73,910		
2	Peak Demand	68,096		
3	Uses of Reserve Capacity	2,854	5,167	7,862
4	Capacity Available for Operating Reserves* (1-2-3)	2,960	647	(2,048)
5	Capacity Available for Operating Reserves** after August 1	5,113	2,800	105

- Tight reserves at start of summer
- Reduced likelihood of scarcity conditions by late summer

Long Term Climate – Influencing Factors



Long Term Forecast – Contributing Factors

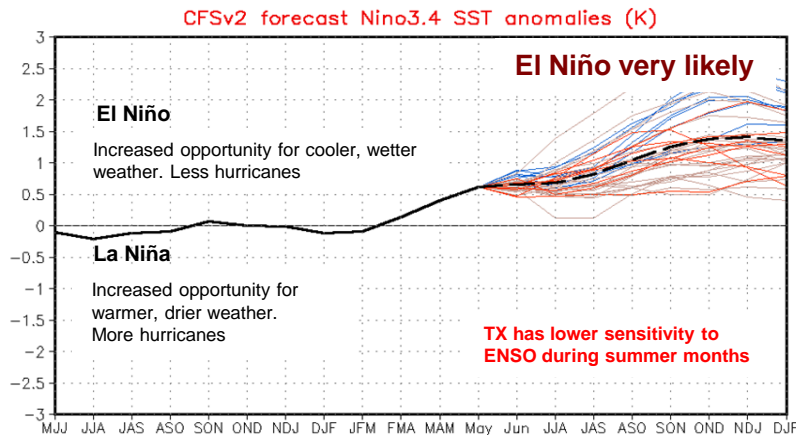
- Variations in SST (Sea Surface Temps)
 - El Niño (+) & La Niña (-) (ENSO)
 - Pacific Decadal Oscillation (PDO)
 - Atlantic Multidecadal Oscillation (AMO)
- Certain shorter term phenomena (e.g. North Atlantic Ocean Blocking) can only be forecasted 10-14 days out – such effects are not included in longer term forecasts

Pattern flipped to +PDO/-AMO in January. This presents opportunities to lessen (not necessarily end) the drought. Flip is likely temporary.

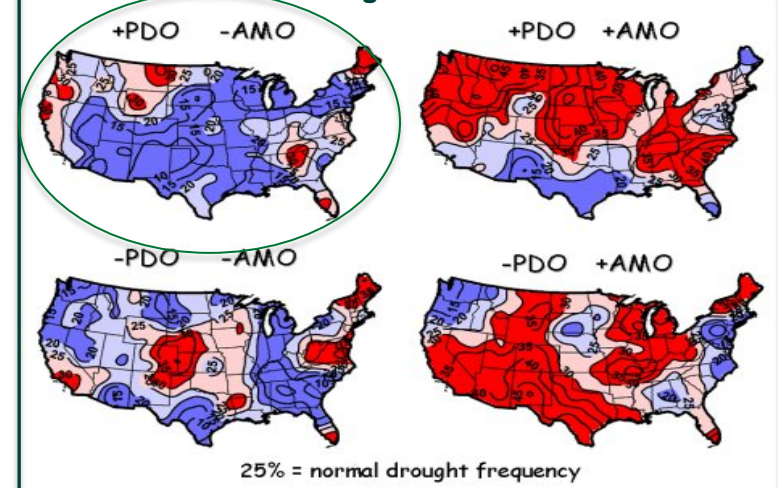


NWS/NCEP/CPC

Last update: Mon May 19 2014
Initial conditions: 8May2014–17May2014

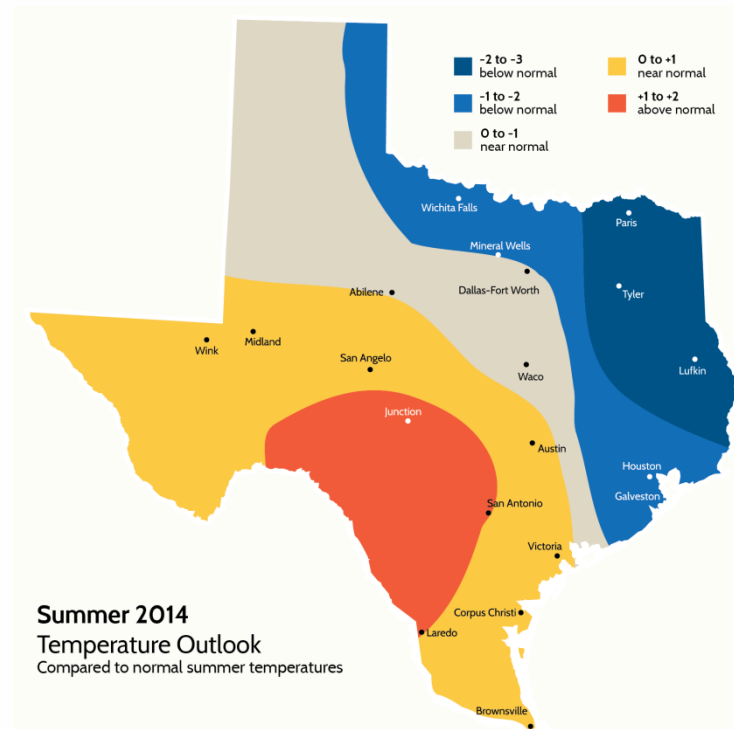


Drought Patterns

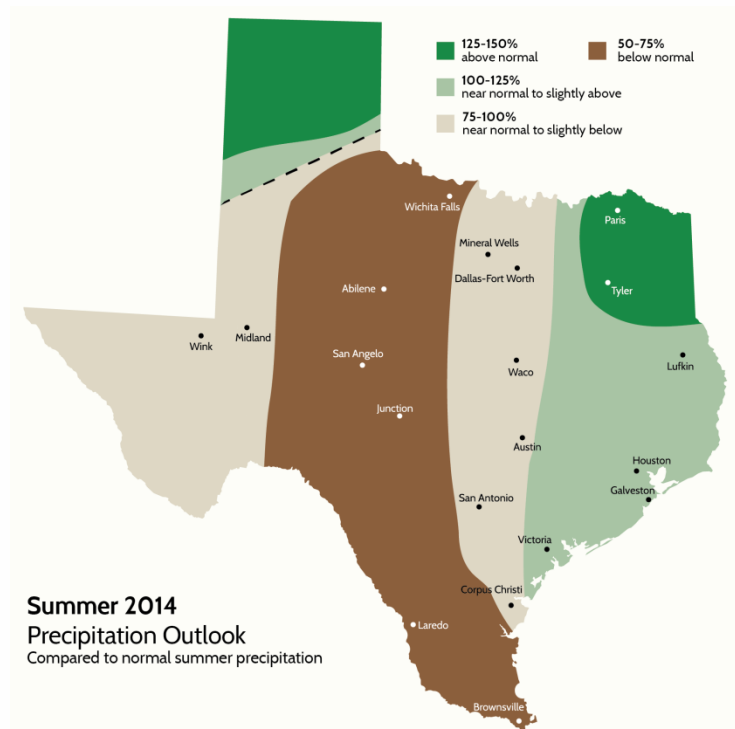


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Temperature and Precipitation Outlooks



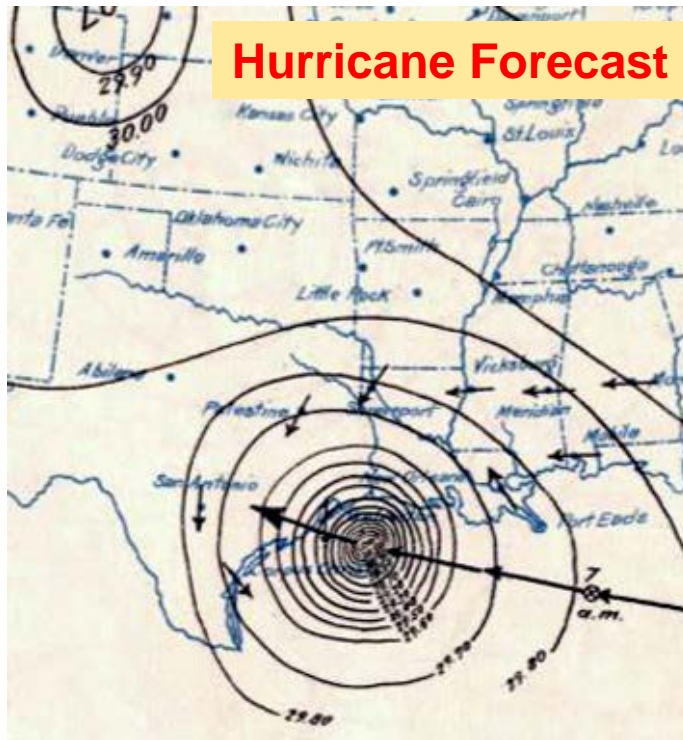
- Overall, slightly hotter than normal* for ERCOT as a whole
- More opportunities for above normal temperatures West rather than East.
- Not hotter than any of the past four summers (all were top 25)
- More potential for cooler rather than warmer.



- Below normal precipitation expected for the majority of the western half to two-thirds of the state.
- Best opportunities for above normal rainfall within ERCOT will fall within the East, Coast, and eastern North zones.

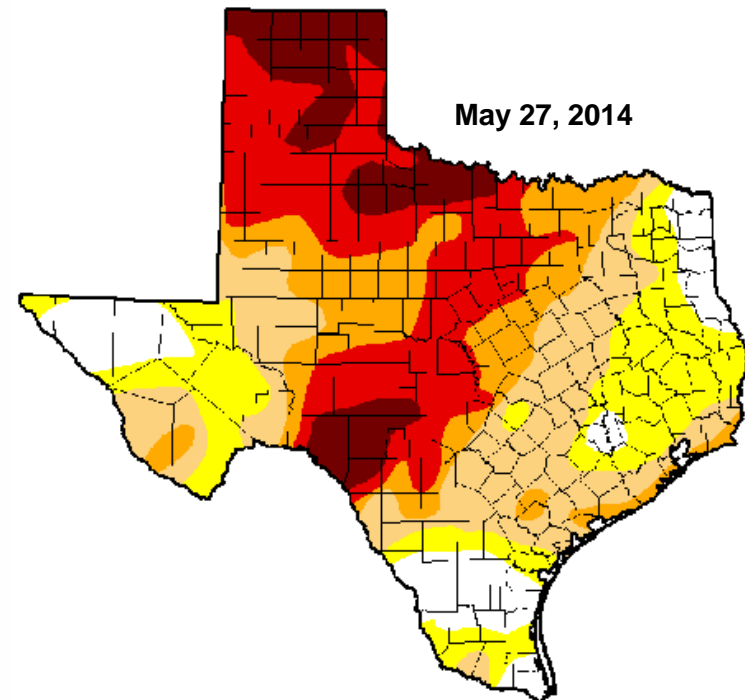
*10 year normal (2004-2013)

Hurricane Forecast and Drought Projection



- **Normal:** 11/6/2*
- **2013:** 14/2/0
- **2014 Forecast:** 9/5/3
- **Texas Landfall:** 0 or 1 Named Storm

*Total Named Storms / Hurricanes / Major Hurricanes



- Drought is expected to continue through the summer months for much of the state, especially West, worsening in many cases. Some improvement possible east of I-35.
- Not all El Niño events result in above normal rainfall in the summer
- Lake Travis is at 36% of capacity. Buchanan Lake at 39%.

2014 Releases 1 & 2

Release 1 (Feb 2014)

- 76 changes across major application areas / 6 NPRRs, 1 NOGRR and 2 internal projects
 - NPRRs 240, 416, 425, 484, 509, 575
 - NOGRR105
 - Alstom Load Forecasting Upgrade
 - IBM AIX Upgrades
- Improvements to key areas included:
 - Energy Management and Market Management Systems, Settlements & Billing, Credit Management, Net Dependable Capability and Reactive Capability (NDCRC), MIS Portal and Database Extracts / Reports, Retail

Release 2 (Apr 2014)

- 96 changes across major application areas / 4 NPRRs and 3 internal projects
 - NPRRs 533, 564, 570 590
 - Mitigation Plan RTCA Enhancements
 - CREZ Voltage Control and Coordination
 - CMSDK / MIR Replacement
- Improvements to key areas included:
 - Energy Management & Market Management Systems, Congestion Revenue Rights, Outage Scheduler, NDCRC, ERCOT.com, MIS Portal and Data Extracts / Reports

2014 Releases 2.5 & 3

Release 2.5 (5/18 – 5/31)

- 143 changes across major application areas / 5 NPRRs
 - NPRR532 - Performance Measurement and Verification and Telemetry Requirements for Load Resources Providing Non-Spin
 - NPRR555 - Load Resource Participation in Security-Constrained Economic Dispatch
 - NPRR568 - Real-Time Reserve Price Adder Based on Operating Reserve Demand Curve
 - NPRR591 - As-Built Clarification and Corrections Related to NPRR568 and NPRR555
 - NPRR598 - Clarify Inputs to PRC and ORDC
- Improvements to key areas included:
 - Energy Management and Market Management Systems, Current Day Reports, Public Dashboards , Settlements & Billing, Enterprise Integration, Enterprise Information Services, Infrastructure, Market Information System, Registration & Disputes

Planned deployment of R3 to production (6/9 – 6/13)

- 18 changes across major application areas
- Improvements to key areas included:
 - Energy Management and Market Management Systems, Network Model Management System, Enterprise Integration, MP Identity Management, NDCRC

ERCOT Fundamentals Certification Process

- As of April 1, ERCOT became responsible for the ERCOT Fundamentals Certification Process transferred from Texas Reliability Entity, Inc.
- The Operations Readiness group updated the fundamentals manual and created the exam bank for testing.
- Since April 1, there have been 14 people set for the exam, and there are additional requests to test.
- Starting June 5, the exam is offered every Thursday from 1-4 p.m.
 - The exam is administered by Dale Goodman's group with support from the Operations Readiness group

This undertaking would not have been possible without the contributions of these individuals:



From left to right:
Kelly Blackmer,
Jim Bowles,
Brian Barcalow,
James Stone and
Matthew Tschetter