



Item 8.1: CEO Update

H.B. "Trip" Doggett

President & Chief Executive Officer

Board of Directors Meeting

ERCOT Public

October 13-14, 2014

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

Net Revenues After Base Operating Expenses as of August 31, 2014

Net Revenues Year to Date: \$0.7 M Favorable

Major Revenue Variances

\$1.3 M under budget system administration fees due to milder-than-expected temperatures

Major Expense Variances

\$1.6 M under budget hardware/software vendor support services due to more work on projects

\$1.1 M under budget employee labor cost due to more efforts charged to projects

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

\$1.2 M over budget external staffing due to backfilling permanent positions

Net Revenues Year End: \$0.9 M Favorable

Major Revenue Variances

\$1.2 M under budget system administration fees due to milder-than-expected temperatures

Major Expense Variances

\$1.4 M under budget hardware/software maintenance due to contract renewals negotiated at lower rates

\$1.1 M under budget employee labor cost due to more efforts charged to projects

\$1.0 M under budget hardware/software vendor support services due to more work on projects

\$1.0 M under budget market design contingency will not be utilized

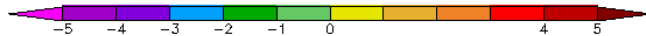
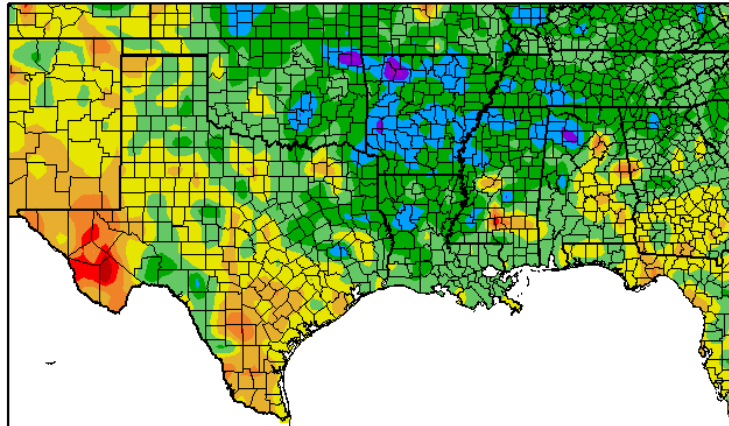
\$0.9 M under budget facilities and equipment due to lower property taxes and electricity consumption

\$1.8 M over budget external staffing due to backfilling regular positions

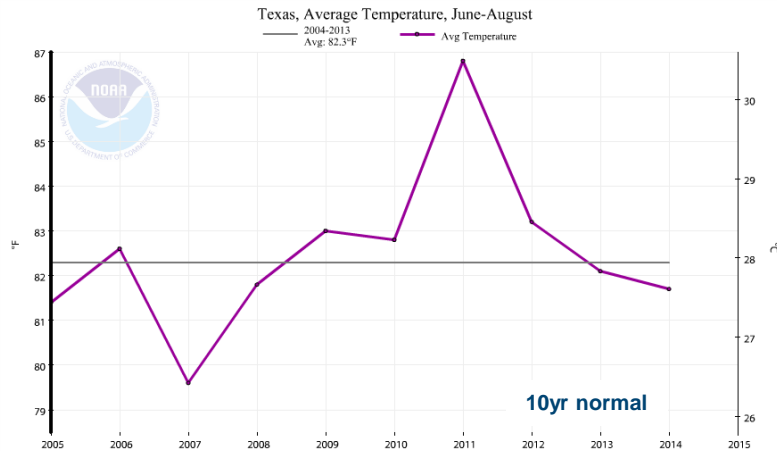
\$1.5 M over budget due to external studies, training, and other outside services

Summer 2014 Texas Temperatures

Departure from Normal Temperature (F)
6/1/2014 - 8/31/2014



Generated 9/11/2014 at HPRCC using provisional data. 30yr normal Regional Climate Centers

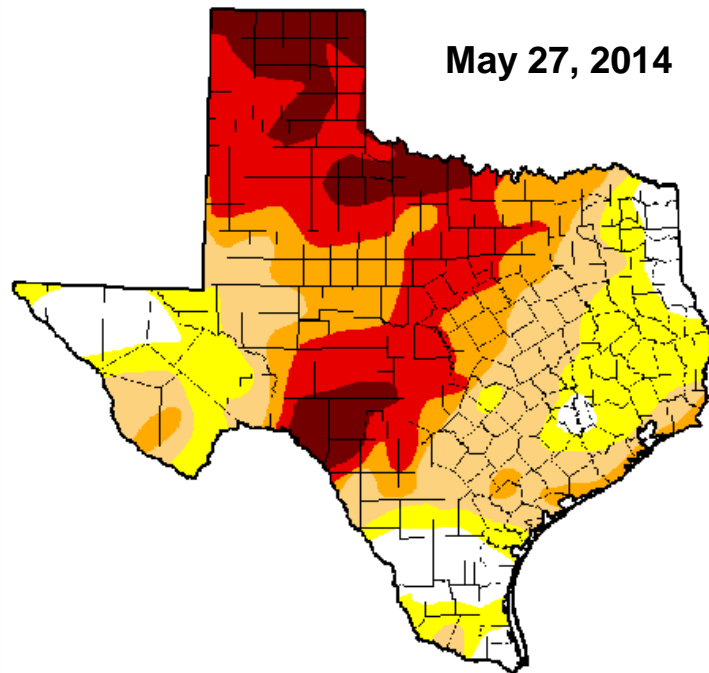


81.7° average state temperature.
0.4° above the 30-year normal
and 0.6° below the 10-year
normal.

Of the past 10 years, summer
2014 ranked as the 3rd coolest
(coolest since 2007).

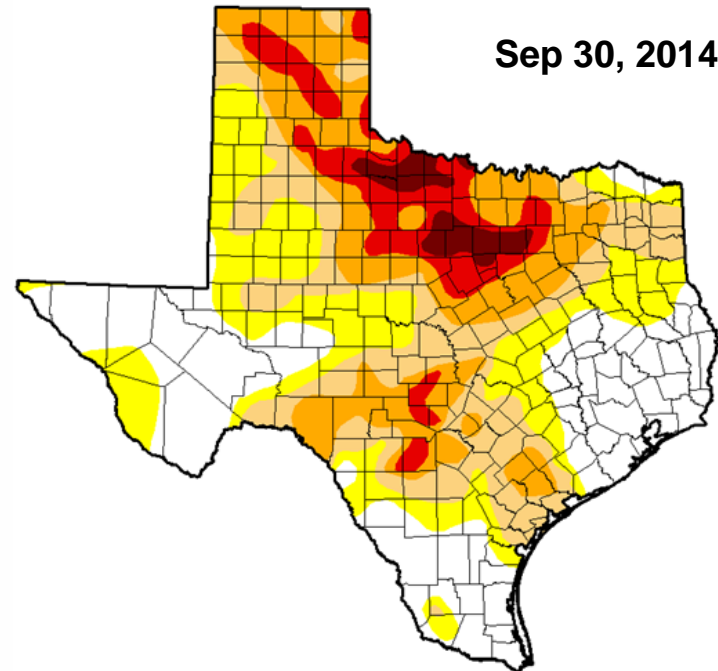
2014's 1615 Cooling Degree Days
(CDDs) were the least since 2007

Drought Update



71% of the state
in moderate or worse drought

- Lake Travis is at 35% of capacity. Buchanan Lake at 38%

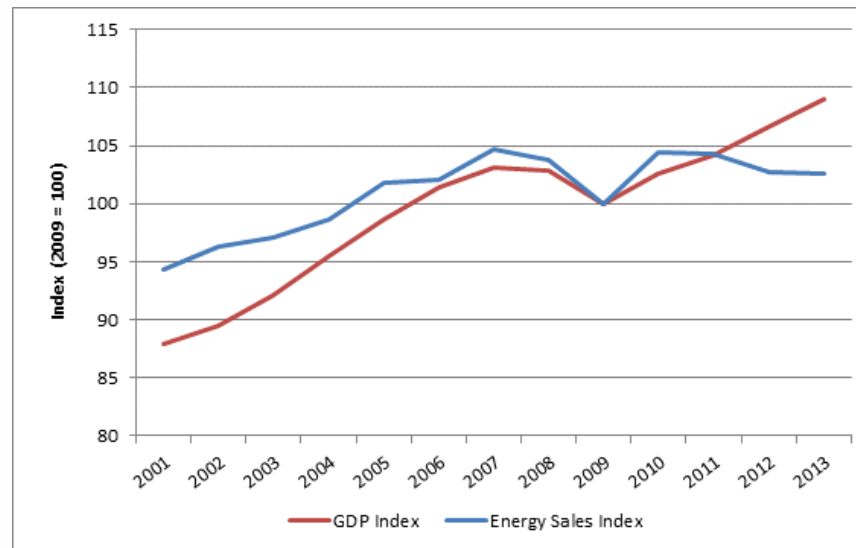


49% of the state
in moderate or worse drought

- The overall drought continues following the summer season, but some improvement over much of the state
- Largest improvement seen over East Texas
- Largest area of concern remains from the vicinity of Tarrant County and points west-northwest
- Lake Travis is at 34% of capacity. Buchanan Lake at 36%

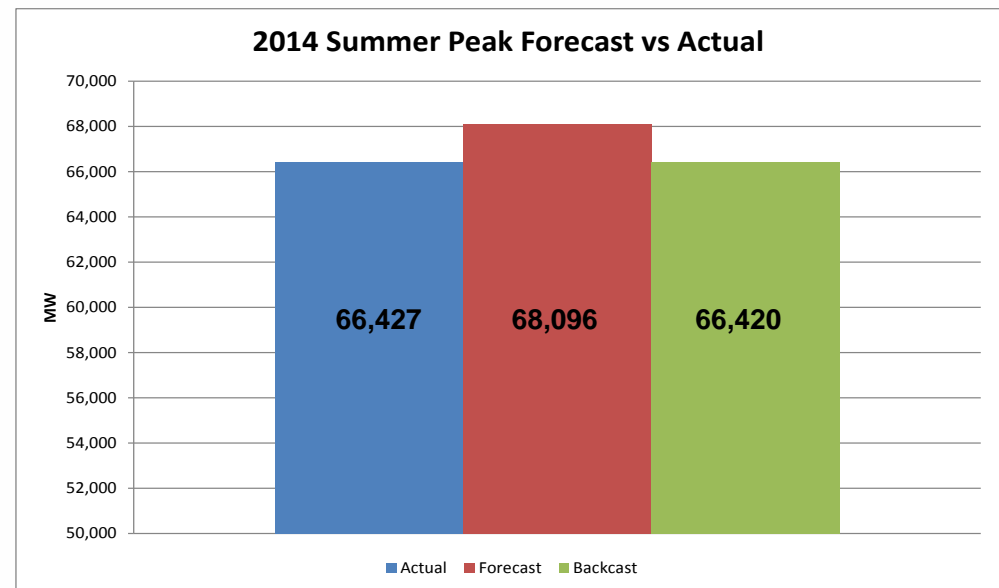
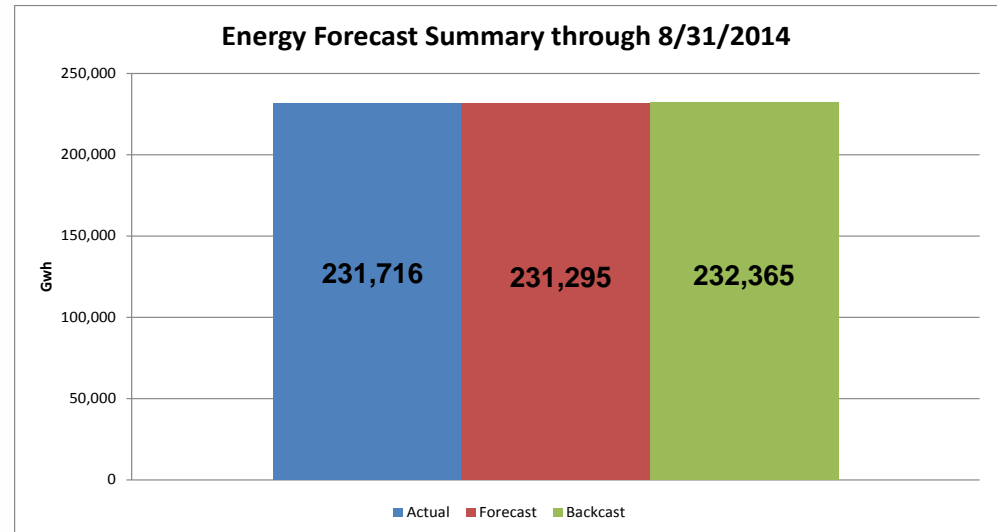
Performance of New Load Forecasting Methodology

- ERCOT began using new load forecasting methodology in 2014. While we have limited data, so far results indicate it tracks against experience more closely than previous model.
- We expect the new model will be more accurate by 1,000 - 2,000 MW over the long term.
- New model reflects national trend of total energy growing at a different rate than peak demand (the CDR is based on peak demand estimates).



Performance of New Load Forecasting Methodology

- The forecast for energy use was very close to actual through Aug. 31.
- The peak demand forecast, based on “normal” weather, was slightly high.
- Backcast results using actual values of input variables in the forecast model show demand and energy forecasts have been very accurate.



Greenhouse Gas (GHG) Proposal

- **The EPA's proposed state goals are based on four possible strategies for reducing carbon dioxide emissions**
 - Increase generation from renewable resources and maintain nuclear output
 - Shift dispatch to less carbon-intensive resources
 - Increase resource efficiency
 - Expand energy efficiency programs
- **Within the ERCOT competitive market, Texas already does many of these things very well**
- **ERCOT is working on a Declaration on potential impact of the GHG proposal that will be available in mid November.**
- **ERCOT is currently evaluating the cumulative potential impacts of the GHG and other recent environmental regulatory initiatives, including MATS, CSAPR, Regional Haze, and CWA §316(b). Study results will be available by early December 2014.**

Generation Development in ERCOT

ERCOT interconnection queue as of October 2, 2014:

Fuel Type	Initial Screening Study (MW)	Full Interconnect Study (MW)	Interconnect Agreement Executed (MW)	Total (MW)
Natural Gas	9,236	15,028	9,138	33,402
Coal	0	0	270	270
Wind-Noncoastal (Nameplate MW)	3,113	11,990	8,308	23,411
Wind-Coastal (Nameplate MW)	250	1,460	706	2,416
Solar	838	3,616	235	4,689
Storage	0	594	0	594
Total	13,437	32,688	18,657	64,782

Historically, approximately 15% of capacity under study reaches commercial operations.

Recent ERCOT Planning & Operations Study Initiatives

Impact Assessment of Recent Frontera Announcement

- Plant owner has notified ERCOT of intention to make the following portions of the facility output unavailable to ERCOT:
 - 170 MW as of January 1, 2015
 - Entire output (~520 MW) as of June, 2016
- ERCOT is assessing the potential reliability impacts of this announced change

Update to the West Texas Sensitivity (WTS) transmission study to examine impact of growing oil/gas production loads

- ERCOT is working with oil and gas developers and affected transmission service providers to assess additional transmission needs in the Permian Basin region

2014 Release 5 – Deployed in September

- **217 changes across major application areas**
- **Three NPRRs and one SCR**
 - NPRR 485, Clarification for Fuel Adder Provisions
 - NPRR 571, ERS Weather-Sensitive Loads Requirements
 - NPRR 586, Align Credit Lock for CRR Auctions with Transaction Submission Deadline
 - SCR 774, Enhancement to Outage Scheduler and Reports (Phase 1)
- **Improvements to key areas include**
 - Market Management, Outage Scheduler, Energy Management Systems
 - EPS Metering, Settlements & Billing, Net Dependable Capability and Reactive Capability (NDCRC)
 - ERCOT.com, Enterprise Information Services, Market Information System, Public Dashboards

IEEE Power & Energy Society General Meeting, July 2014

- Meeting Attendees – Jim Brenton, Pengwei Du, Julia Matevosyan, Jian Wu, Jose Conto, Calvin Opheim, Diran Obadina, John Moseley, Julie Jin, Sarma (NDR) Nuthalapati.
- Staff presented eight papers, participated in six panel discussions on a variety of topics, chaired two panel sessions and led a working group on State Estimator Concepts & Terminologies.
- ERCOT sponsored a Table at the Student/Faculty/Industry Lunch on session and participated in the Job/Career fair.



Special Recognition – Calvin Opheim



Manager, Load Forecasting and Analysis
Hired by ERCOT: August 21, 2000
Current position since April 16, 2010

Recent Achievements:

- Calvin's department is responsible for development of near-term and long-term load forecasts which are used in Operations, Planning, Outage Coordination, Finance, etc.
- Calvin's team also supports the settlements process and provides weather forecasting and analysis
- Calvin coordinated our complete rethink of the long-term load forecast, to more accurately account for the changing relationship between regional economic growth and customer demand for electricity
- Calvin spearheaded the process of communicating the details of new load forecast to stakeholders
- The new long-term load forecasting approach was vetted by stakeholders and an outside consultant and is now incorporated into resource adequacy and other economic planning studies