



Item 10.1: CEO Update

H.B. "Trip" Doggett

President & Chief Executive Officer

Board of Directors Meeting

ERCOT Public

February 9-10, 2015

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

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

Preliminary Net Revenues at Year End: \$0.5 M Favorable

Major Revenue Variances

\$0.6 M under budget system administration fees, which represents a 0.4% variance

\$0.5 M over budget due to more generation interconnection studies

Major Expense Variances

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

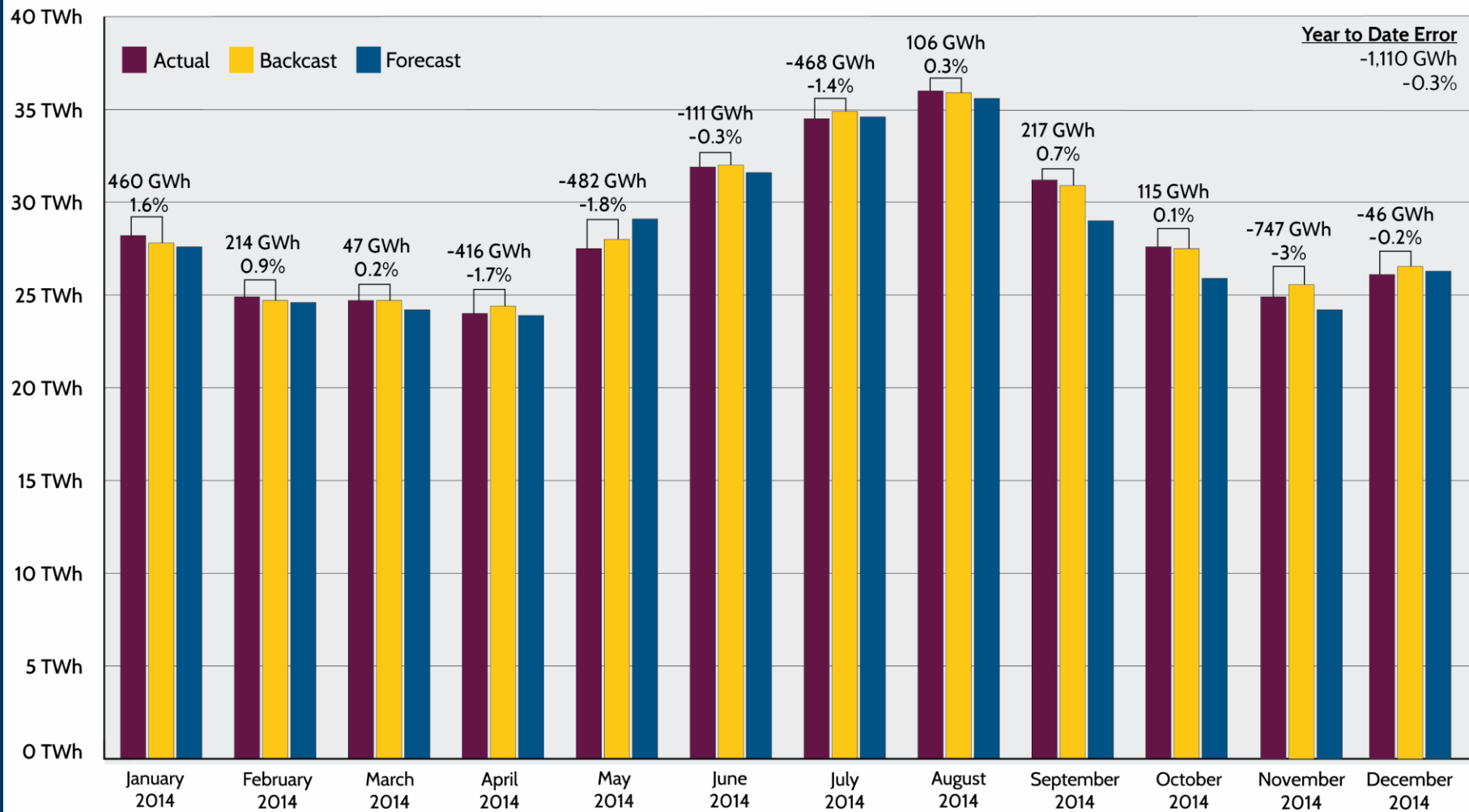
\$1.3 M under budget hardware/software maintenance due to net savings for contract renewals

\$1.0 M under budget market design contingency was not utilized

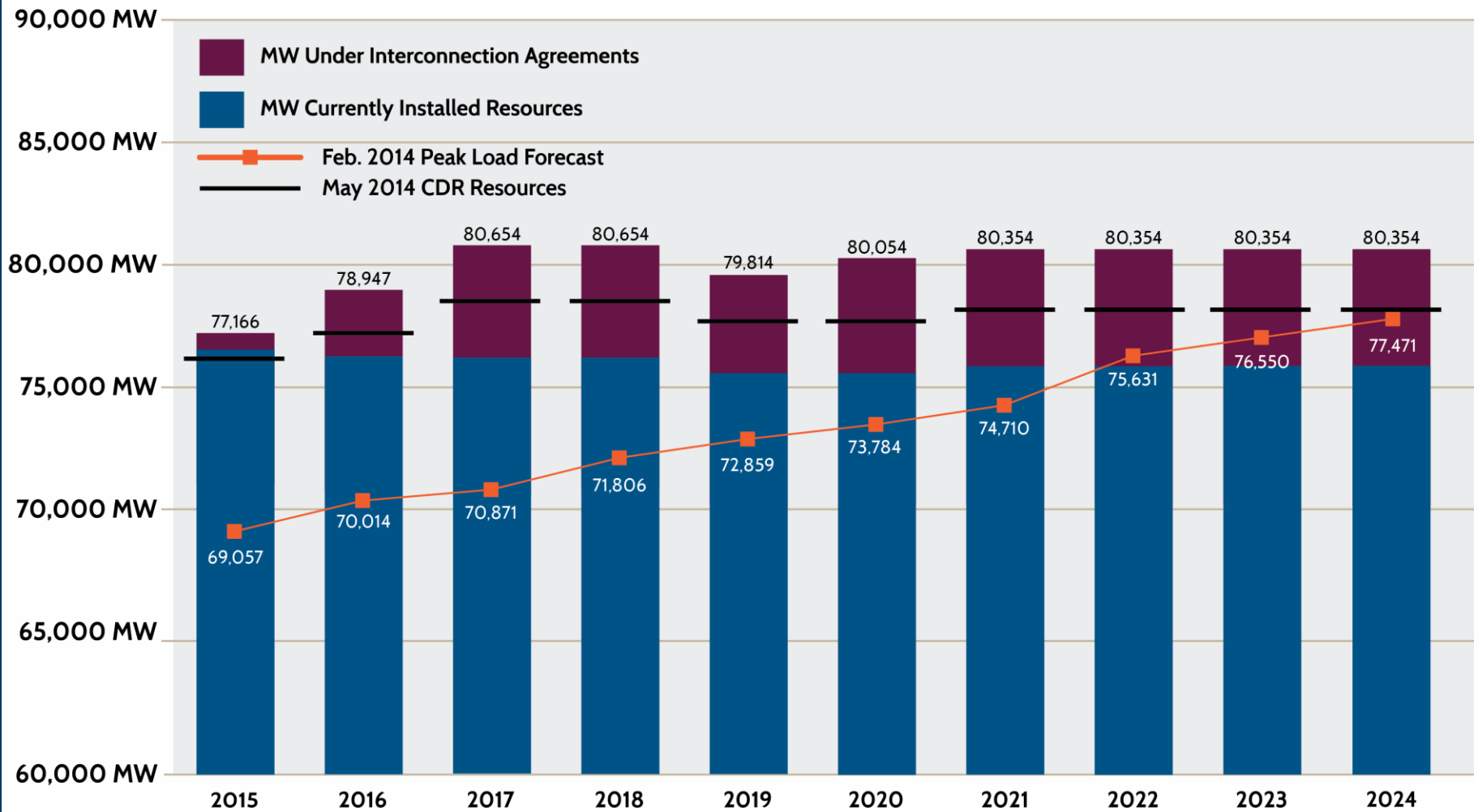
\$1.6 M over budget external staffing due to backfilling permanent positions

\$1.2 M over budget due to higher health claims

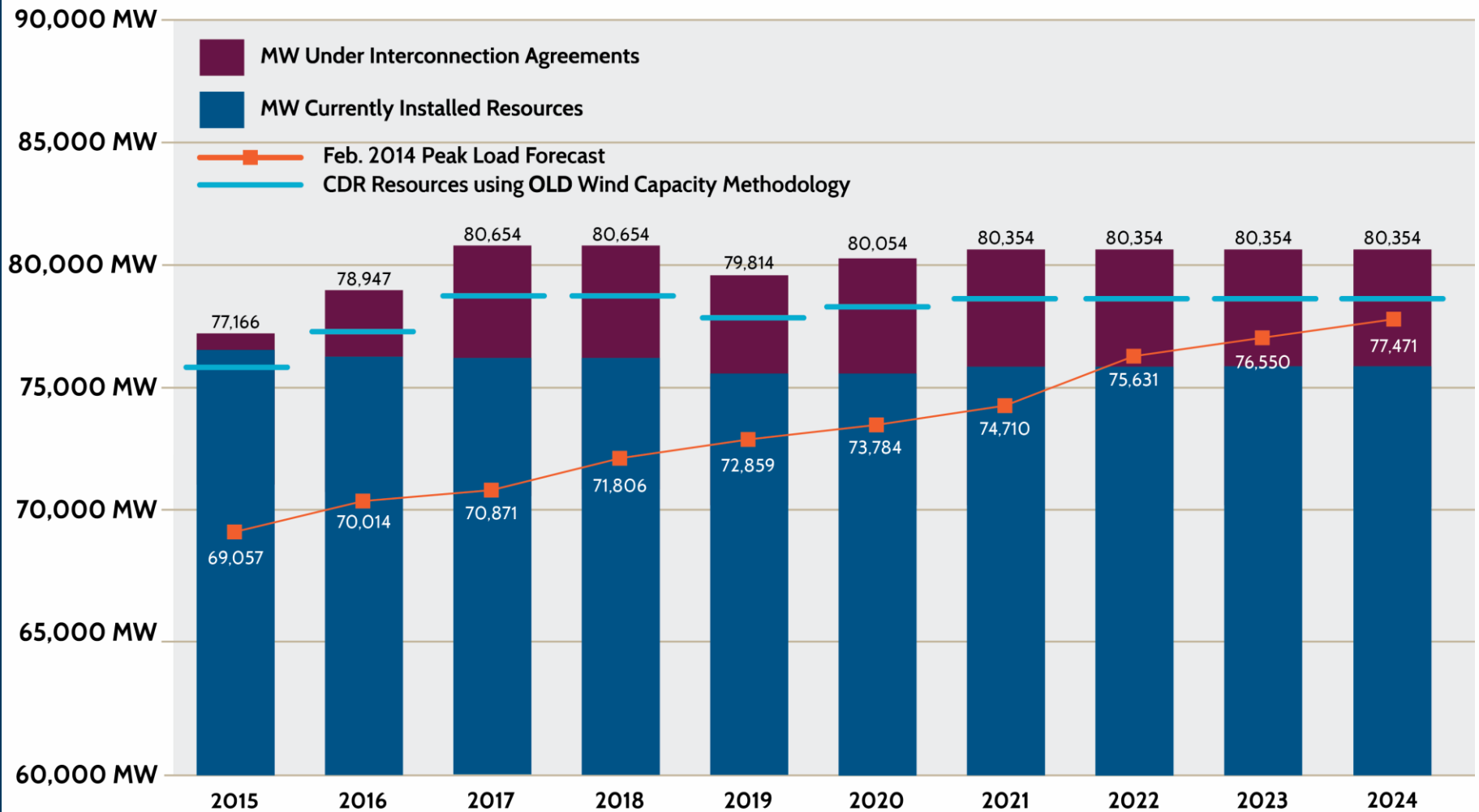
2014 Load Forecast Performance Summary



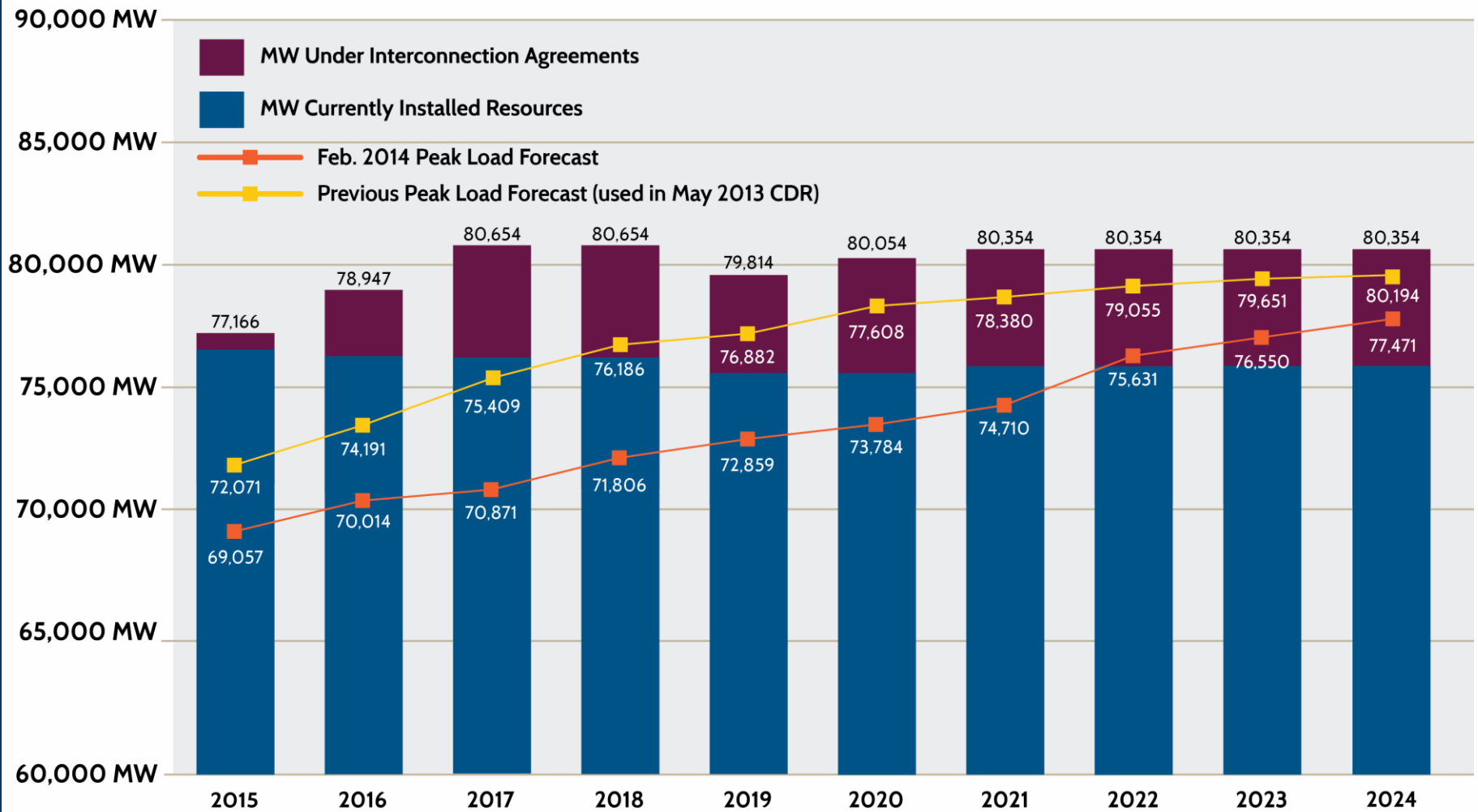
December 2014 CDR compared to May 2014



Effect of Wind Capacity Methodology Changes



Effect of Load Forecast Methodology Change



Potential Impacts of Environmental Regulations

ERCOT reviewed potential impacts of new and pending environmental regulations on grid reliability.

- Included CSAPR, MATS, Regional Haze, Clean Water Act Section 316(b), Ash Disposal Regulations & Clean Power Plan.

Studies indicate:

- Half of coal-fired generation capacity (about 9,000 MW) is likely to retire by 2022.
- Retirement of units serving urban areas may result in localized reliability issues.
- Growth in renewable resources may require development of new or additional generation and transmission facilities and technologies to manage operational issues (e.g., ramping, inertia, etc.).
- Costs of compliance could drive up consumer energy costs as much as 20%.
 - Does not include costs of transmission upgrades or other investments to support grid reliability.

ERCOT and other grid operators support incorporation of “safety valve” provisions to allow sufficient flexibility to maintain system reliability.



Addressing growing needs in West Texas

Peak demand up 40 percent since 2010 (Far West zone)

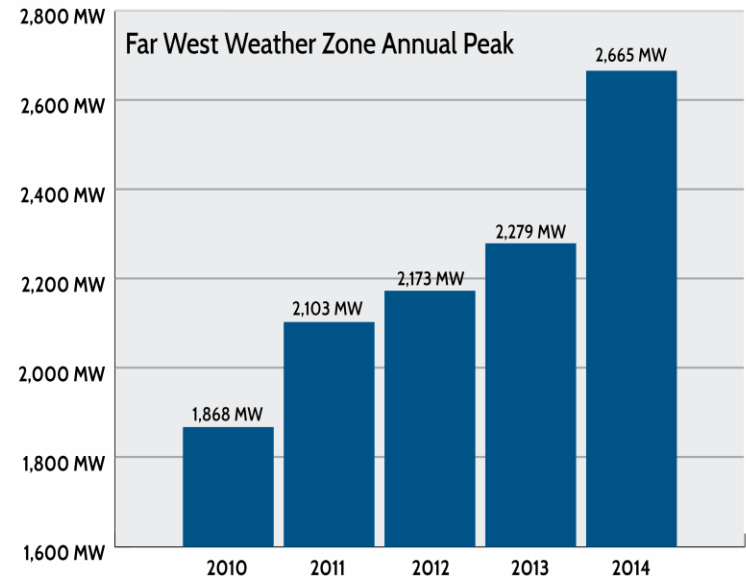
- Rapid growth of oil and gas exploration and production
- Higher power needs for horizontal drilling

Projects to address current needs

- \$299 million in improvements in 2014 (mostly 69 kV and 138 kV)
- \$950 million in improvements planned through 2020 (most by 2018)
- Most work performed while energized

Preparing for continuing growth

- Assessing future needs, with TDSPs and oil and gas industry
- Expect to complete study by fall 2015



Planned R1 Deployments to Production

- Release dates: February 02-13, 2015
- 67 changes across major application areas
- Two NPRRs and 1 SCR
 - NPRR491: Updated Distribution Generation and Demand Response Information for ERCOT Phase 2
 - NPRR500: Implement Posting of Generation that is Off but Available
 - SCR772: Implement New Extract for Five Minute Interval Settlement Data
- Major system projects
 - Implement regulatory reporting NERC BAL-TRE-001 Regional Standard
 - Migrate Public content accessible from ERCOT.com and MIS to a content management system with improved maintenance and support
 - Improve message consistency for channels of communication (Mobile, ERCOT.com, NoticeBuilder) during crisis
 - Update ERCOT's reporting tool to a new version and remediate reports to work correctly on the new version
- Improvements to key areas include
 - Market Management Systems, Energy Management Systems
 - Web Content Management, ERCOT.com, Network Model Management System, Current Day Reports
 - Mobile App, NoticeBuilder
 - Enterprise Integration, Market Information Systems, Public Dashboards, Retail Operations



Special Recognition – David Forfia



Director, Enterprise Architecture
Hired by ERCOT: October 16, 2006
Current position since February 16, 2012

Recent Achievements:

- Elected chairman of the GridWise® Architecture Council in January
 - Industry leaders shaping architecture of interactive electric grid (convened by U.S. Department of Energy in 2004)
- Also serves on Smart Grid Interoperability Panel Board of Directors (chairs one committee, serves on three others)
- Directs the Architect team that ensures technology aligns with business and industry and directs the IT Automation team that improves time-to-market and reliability
- Leading ERCOT IT Transformation Program



Project Recognition – Settlement System Upgrade

Benefits

- Designed to replace the aging unsupported system with modern tools
- Saved \$5M+ in vendor cost (eliminated \$1M annual maintenance since 2010)
- Developed in-house which avoided vendor license, maintenance, and integration costs

Successfully deployed during 2014: A huge win for ERCOT

- Full Functionality
- Improved Performance
- Reduced Maintenance



The following individuals are just a few of the 40+ team members who made it all happen:

From bottom to top:
Randy Roberts, Kelly Brink,
Cary McCafferty, Ginger Budzenski,
Keely Hilton, Angelica Kelley, Denise Xu,
Paras Dave, Sai Peddineni,
Michael Ackermann, Stan Hartin