



Item 4.1: CEO Update

H.B. "Trip" Doggett

President & Chief Executive Officer

Board of Directors Meeting

ERCOT Public

December 8, 2015

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

Net Revenues After Department Expenditures as of October 31, 2015

Net Revenues Year to Date: \$0.1 M Unfavorable

Major Revenue Variances

\$0.6 M under budget: system administration fees are unfavorable due to milder-than-expected weather

Major Expenditure Variances

\$1.1 M over budget: higher benefit cost

\$0.5 M over budget: additional responsibilities surrounding new NERC transmission planning standards

\$0.8 M under budget: interest expense due to lower revolver usage and project funding

\$0.8 M under budget: minor capital spending postponed

Net Revenues Year End: \$0.4 M Unfavorable

Major Revenue Variances

\$0.1 M under budget: system administration fees unfavorable based on current actuals and load forecast for remainder of year

Major Expenditure Variances

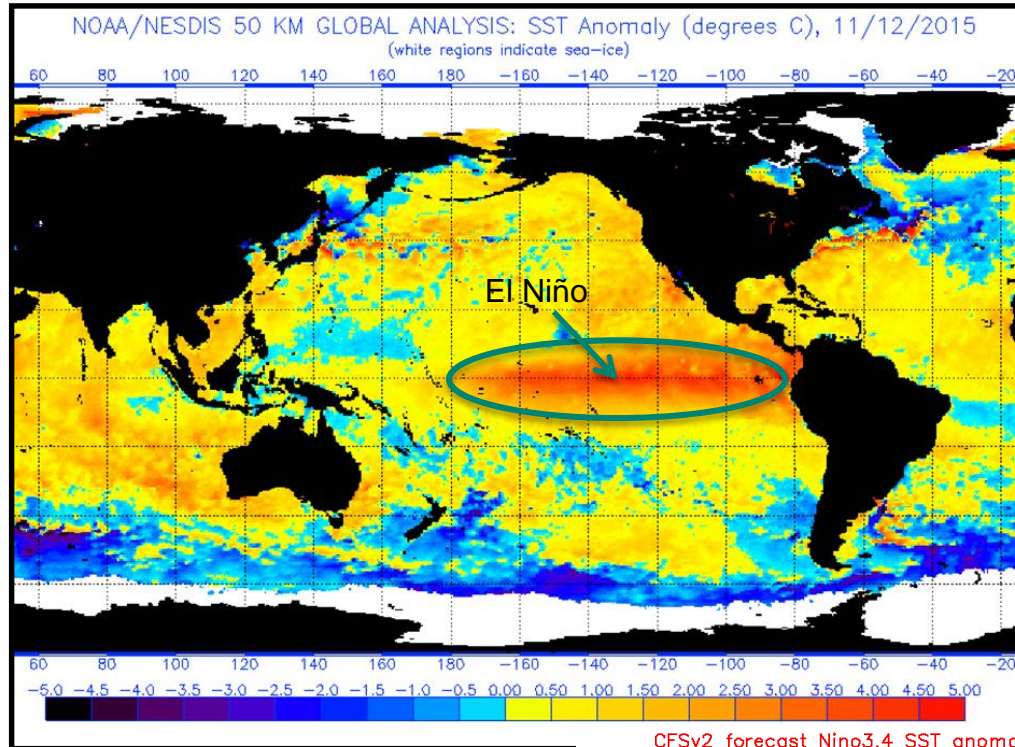
\$1.1 M over budget: higher benefit cost

\$0.7 M over budget: additional responsibilities surrounding new NERC transmission planning standards

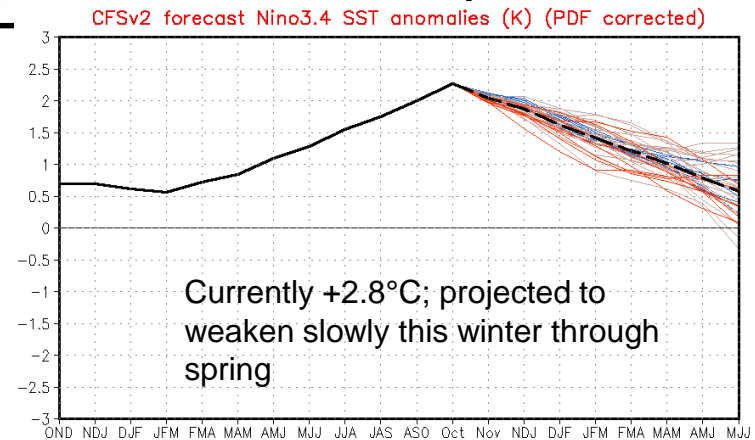
\$1.0 M under budget: interest expense due to lower revolver usage and project funding

\$0.5 M under budget: minor capital spending postponed

El Niño and Ocean Temperatures

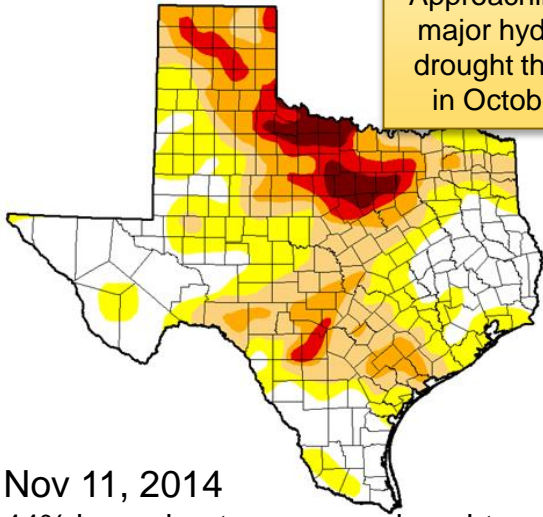


2015-16 El Niño is on pace to contend for the strongest on record (1997-98)



Drought

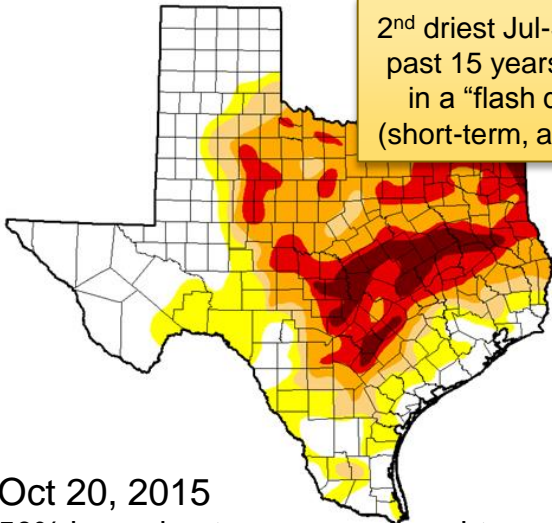
Approaching end of major hydrological drought that began in October 2010



Nov 11, 2014

44% in moderate or worse drought

2nd driest Jul-Sep of the past 15 years resulted in a "flash drought" (short-term, agriculture)



Oct 20, 2015

50% in moderate or worse drought

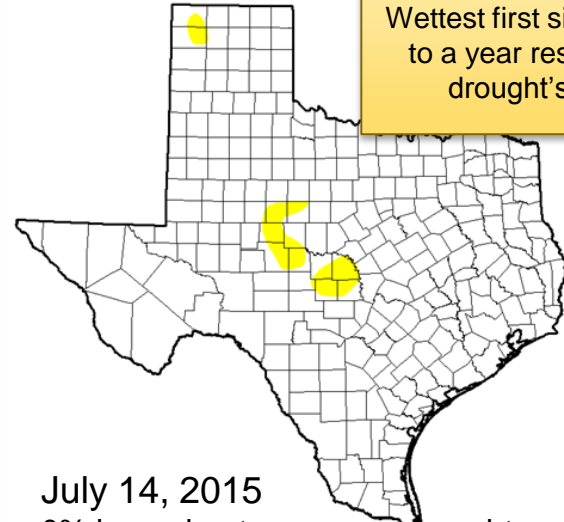


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El Niño impacts are much less during the summer season. We've seen record-breaking precipitation events in both the spring and fall as a direct result of El Niño.

Spring rains brought an end to the long-term drought. Fall rains brought an end to the short-term drought.

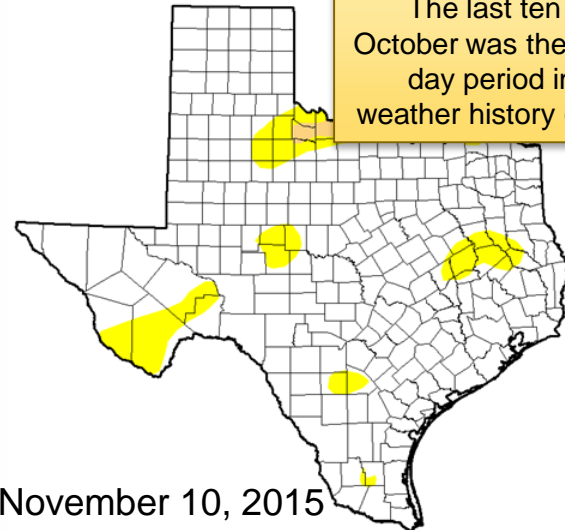
Wettest first six months to a year resulted in drought's end



July 14, 2015

0% in moderate or worse drought

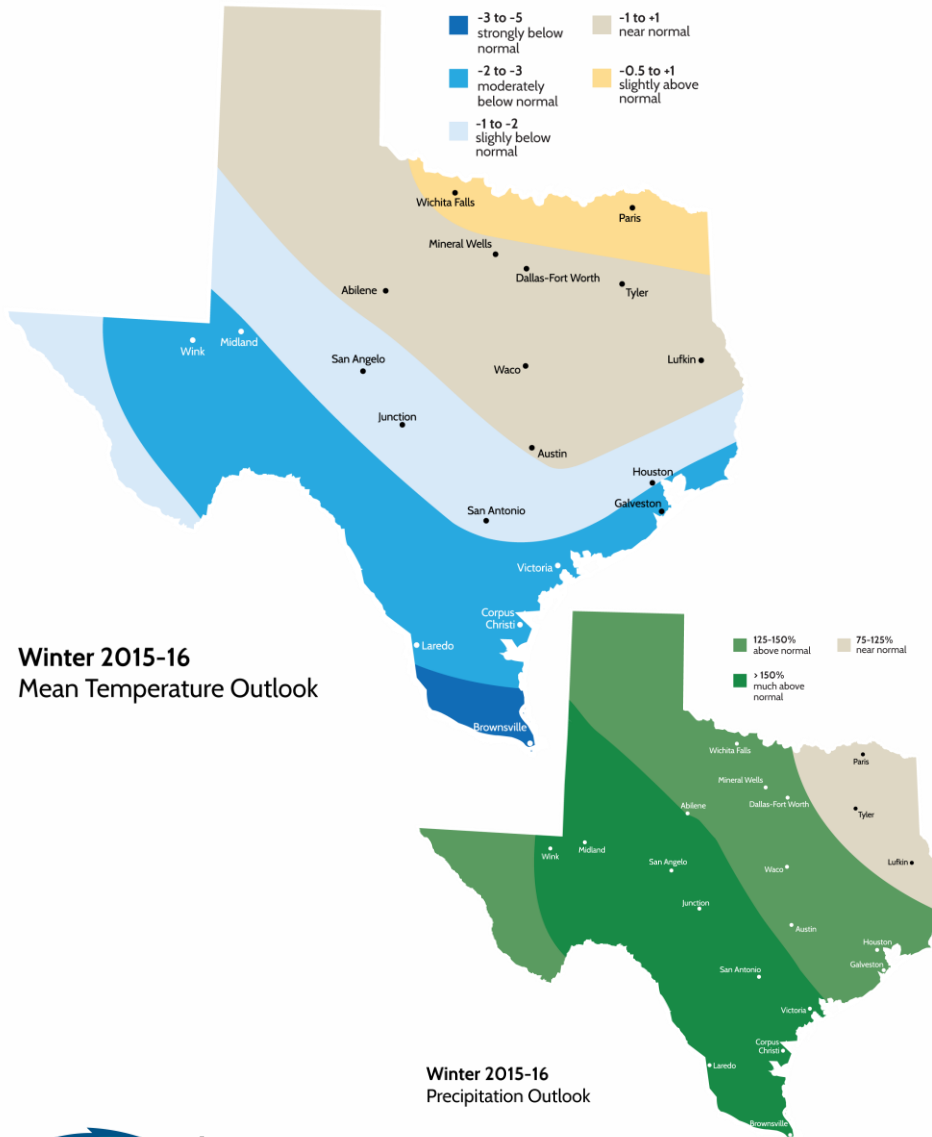
The last ten days of October was the wettest 10-day period in Texas weather history (April 1957)



November 10, 2015

1% in moderate or worse drought

Winter 2015 Temperature and Precipitation Outlooks



Temperatures

- Below normal temperatures this winter will be mostly due to clouds and precipitation holding down the daytime highs
- Overnight/morning low temperatures are not predicted to be significantly below normal
- This will not be an active winter for the Polar Vortex (but some exceptions possible late-winter)
- This winter will be more similar to 2014-15 rather than 2013-14

Precipitation

- Likely to be a wet winter for most of the state, especially South and West
- Potential for an above average number of ice events
- West Texas has potential for above average snowfall

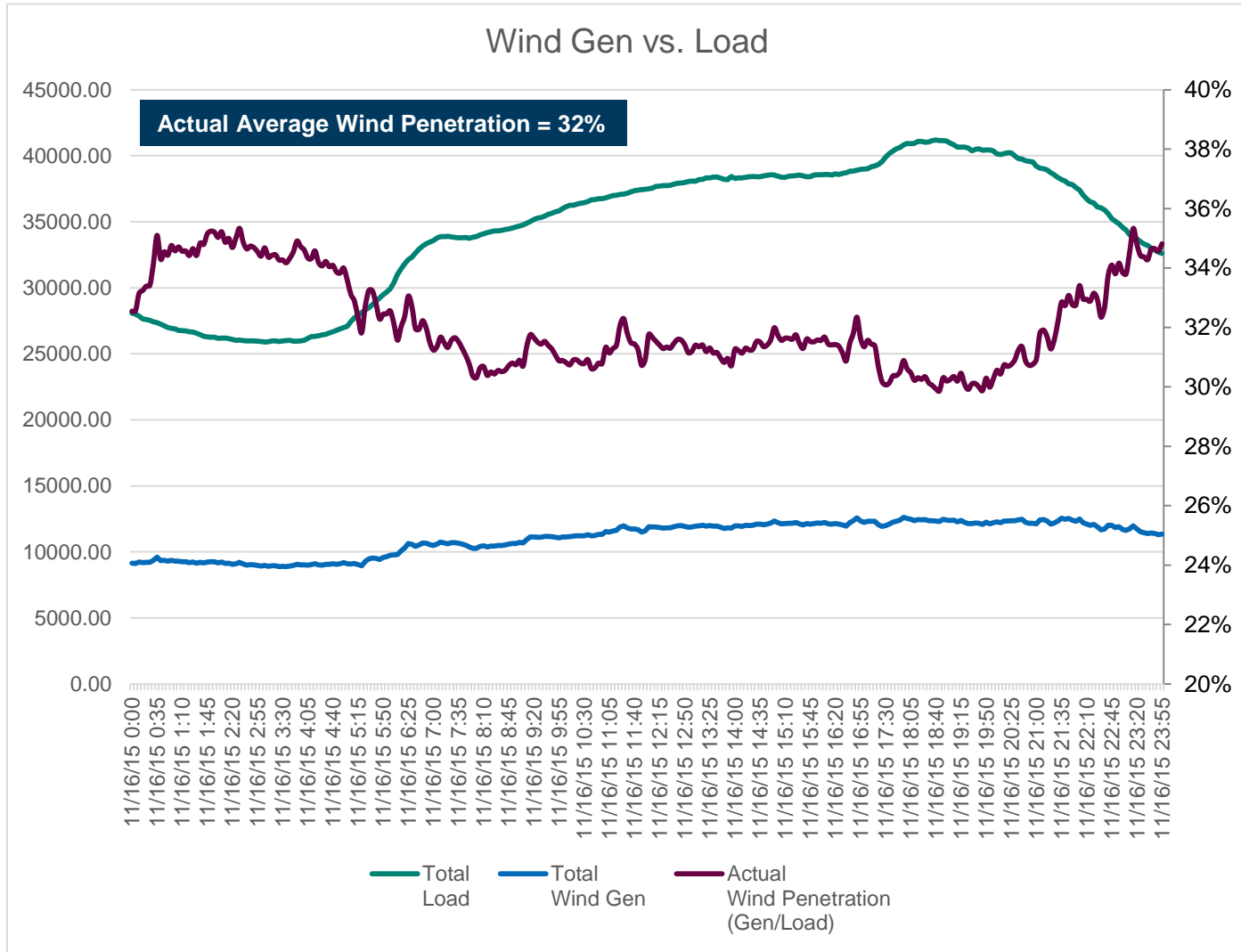
ERCOT Winter 2015-2016 Weatherization Spot Checks

- Eighty units are scheduled for spot checks
 - Seventy-two conventional units
 - Eight wind units
- Criteria used for selection
 - New generator resources commissioned to start by December 1.
 - Generator resources that experienced freezing equipment from previous winters.
 - Generators that notified ERCOT that improvements were planned from previous winter.
 - Randomly selected generators, including black start or next start resources.
- Weatherization training and workshops
 - To share lessons learned, best practices and field observations, ERCOT and Texas Regional Entity hosted
 - Generator Winter Weatherization Workshop and
 - Wind Generation and Winter Preparation Webinar
- Spotlight on ERCOT weatherization spot check program
 - ERCOT was invited to present at the NERC Operating Committee meeting in New Orleans, the North American Transmission Forum (NATF) winterization webinar and the NATF regional meeting in Tampa, FL.

2015 R6 Release Summary

- **Release Dates: December 07 – 11**
- **64 Change Requests including 8 NPRR's across the application areas**
- **NPRRs and SCRs**
 - NPRR484: Revisions to Congestion Revenue Rights Credit Calculations and Payments
 - NPRR660: Remove CRR State Change Adder
 - NPRR680: Allow QSEs to Self-Arrange AS Quantities Greater Than Their AS Obligation
 - NPRR686: Changing the IRR Forecast from Next 48 Hours to Next 168 Hours
 - NPRR692: Removal of MIS Posting Requirement of DAM Credit Parameters
 - NPRR693: Incorporation of “Threshold Values for Competitive Constraint Test” into the Protocols
 - NPRR703 / PGRR044: Clarification of Disclosure Requirements for GINR Study Information / MIS Classification of GINR Study Information
 - NPRR718: Correct Requirement for Posting AML Data
- **Majority of the R6 changes are for the following functional areas:**
 - Current Day Reports, Congestion Revenue Rights, Enterprise Information Services, Market Information System

Wind Generation – Nov 16, 2015



Special Recognition – Dana Lazarus



Planning Analyst
Resource Adequacy

Instrumental in analyzing the possible impacts of future environmental regulations.

The results indicate:

- At least 4,000 MW of coal-fired generation capacity is likely to retire due to the Clean Power Plan alone. When Regional Haze is also considered, there could be additional unit retirements, likely to occur before the Clean Power Plan compliance timelines.
- 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 16%.
 - Does not include costs of transmission upgrades or other investments to support grid reliability