



Item 4.1: CEO Update

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President & CEO
ERCOT

Board of Directors Meeting

ERCOT Public
June 14, 2016

CEO Update: Variance to Budget (\$ in Millions) Net Revenues After Department Expenditures

Net Revenues Year to Date Actuals: \$2.3 M Favorable *(as of April 30, 2016)*

Major Revenue Variances

\$2.2 M under budget: system administration fees unfavorable due to milder-than-expected weather

Major Expenditure Variances

\$1.2 M under budget: resource management

\$0.7 M under budget: employee benefit costs

\$0.6 M under budget: computer hardware and other equipment purchases

\$1.4 M under budget: timing differences

Net Revenues Year End Forecast: \$3.1 M Favorable *(as of June 1, 2016)*

Major Revenue Variances

\$1.9 M under budget: system administration fees unfavorable based on current actuals and load forecast for remainder of year

Major Expenditure Variances

\$3.0 M under budget: resource management

\$0.7 M under budget: employee benefit costs

\$0.7 M under budget: interest expense due to project funding and no revolver usage

\$0.6 M under budget: computer hardware and other equipment purchases



2016 R3 Release Summary

- Release Dates: June 21 – 23
- 68 Change Requests across the application areas
- NPRRs and SCRs
 - NPRR515: Day-Ahead Market Self-Commitment of Generation Resources
 - NPRR617: Energy Offer Flexibility
 - NPRR700: Utilizing Actual Fuel Costs in Startup Offer Caps
- Majority of the R3 changes are for the following functional areas:
 - Current Day Reports, Enterprise Information Services, EPS Metering, Market Information System, Market Management System, Settlements
- EMS Upgrade Project Cut-over: June 16

EMS Upgrade Program – Status

- **Overall Status**

- *Cutover on schedule for June 16*
- Budget forecast is favorable to the \$18.9M estimate.

- **Testing**

- Completed major defect releases needed for cutover
- Parallel processing side-by-side comparison (old vs. new) shows expected results.

- **Infrastructure**

- Performance improvements included with the new infrastructure

- **Risks**

- Defects may be found as we continue parallel testing and production verification.

- **Operator Training**

- Upgraded Operator Training Simulator (OTS) with new EMS system
- Operator training & hurricane simulation completed on new simulator

- **Readiness**

- Grid Operations, IT Operations, GE & ERCOT Development to be staffed for cutover activities

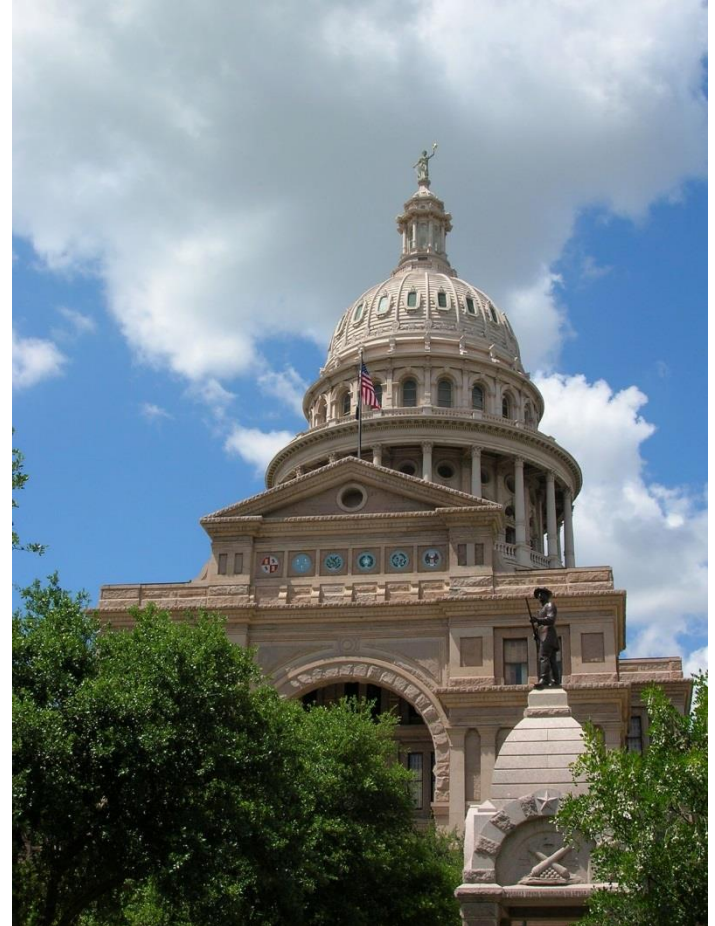


Critical Infrastructure Protection (CIPv5)

- CIPv5 goes into effect July 1, 2016.
- The CIPv5 process and tool enhancements are complete and continue to be verified.
- NERC Audit is scheduled with Texas RE, NERC and FERC staff for 3Q 2016.
- Portions of CIPv6 also go into effect on July 1, 2016 with minor changes.
- Drafting of CIPv7 is underway, and ERCOT is part of leading that effort.

Legislative Update: Interim Activities

- Interim Charges
 - Priorities include grid security and information sharing
- Committee Hearings
 - Senate Business & Commerce
 - House State Affairs
 - House Urban Affairs
 - House Select Federal Environmental Regulation



Special Recognition – Client Relations Team

Provide a number of services to Market Participants, from market entry to daily operations

- Single point of contact
- Registration – getting started
- Qualification and certification
- Manage resource interconnection
- Issue resolution and disputes
- Navigation through market rules
- Facilitate communication
- Requests for market information

Team Members:

From left, Leon Ricaud, Ted Hailu, Lloyd Pritchard, Brett Hunsucker, Eileen Weaver, Lisa Sumruld, James Allen, Brian Barcalow, Sarah Heselmeyer, Dale Tomlin, David Hanks, Rodney Rienfeld, Debbie Lightener and Richard DeFelice

