



Item 4.1: CEO Update

Bill Magness
President & CEO
ERCOT

Board of Directors Meeting

ERCOT Public
June 13, 2017

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

Net Revenues Year to Date Actuals: \$1.3 M Favorable *(as of April 30, 2017)*

Major Revenue Variances

\$2.3 M under budget: system administration fees unfavorable due to mild weather

Major Expenditure Variances

\$1.0 M under budget: interest expense due to project funding and no revolver usage; interest income due to higher rates

\$0.5 M under budget: computer hardware and equipment purchases

\$0.3 M over budget: higher employee health costs

\$0.3 M over budget: resource management (\$-0.5 M staff backfill; \$0.4M project work, \$-0.2M staffing management)

\$2.2 M under budget: timing differences

Net Revenues Year End Forecast: \$2.6 M Favorable *(as of May 24, 2017)*

Major Revenue Variances

\$0.4 M under budget: system administration fees unfavorable based on current actuals and load forecast for remainder of year

Major Expenditure Variances

\$2.9 M under budget: interest expense due to project funding and minimal revolver usage; interest income due to higher rates

\$1.2 M under budget: computer hardware and equipment purchases

\$0.8 M over budget: higher employee health costs

\$0.4 M over budget: resource management (\$-1.1 M staff backfill; \$0.5 M project work; \$0.2 M staffing management)



2017 R2 Release Summary

- Release Dates: May 8 – 12, 2017
 - 78 Change Requests across the application areas
 - NPRRs, PGRRs, RRGRRs, and SCRs
 - NPRR 746: Adjustments Due to Negative Load
 - NPRR 786: Consumption Data Adjustments for Negative Load
 - NPRR 792: Changing Special Protection System (SPS) to Remedial Action Scheme (RAS)
 - NOGRR 164: Alignment with NPRR 792, Removing SPS and adding RAS
 - PGRR 051: Alignment with NPRR 792, Changing SPS to RAS
 - PGRR 046: Addition of Geomagnetically Induced Current (GIC) Model Building Reqs
 - RRGRR 003: Modifications to Improve Wind Forecasting
 - RRGRR 006: Clarification of Descriptions and Alignment with RARF
 - RRGRR 007: Adding Solar Resource Registration Inputs
 - RRGRR 009: Adding Voltage Limit Sets, Relay Loadability, MLSE, and GMD Data
 - RRGRR 010: Seasonal Net Max Sustainable Rating Definitions
 - SCR 790: Wind Resource Power Production and Forecast Transparency
- Impacted functional areas:
 - Current Day Reports, Energy Management System, Enterprise Information Services, Market Information System, Settlements

2017 Off-cycle & R3 Release Summary

- May 31, 2017 for a June 1 effective date:
 - NPRR744: RUC Trigger for the Reliability Deployment Price Adder and Alignment with RUC Settlement
- R3 Release Dates: June 27 – 29, 2017
 - 88 Change Requests across the application areas
 - NPRRs and RRGRs
 - NPRR 573: Alignment of PRC Calculation
 - NPRR 789: Publish All Mid-Term Load Forecast Results
 - NPRR 797: Actual Load by Forecast Zone Report and Display
 - NPRR 801: Non-Controllable Load Resource MW in PRC
 - Impacted functional areas:
 - Current Day Reports, Data Management, Energy Management System, Enterprise Information Services, Market Information System, Market Settlements

Continuing Efficiency Improvements

Grid Information enhancements	Enabled Grid and Market Operations teams to develop their own analytical and situational awareness tools, using OSIsoft PI data with no risk to production systems or extensive projects requiring extensive staff time.
System consolidation	Consolidated Statistical Analysis System (SAS) use, reducing costs for licensing, maintenance and internal support and improving consistency .
Automated testing	Automated several IT testing processes, reducing staff time used on manual processes; recent emergency patch took 3 days vs. 2-3 weeks.
Fast-path projects	Streamlined process for low-risk, low-cost projects, reducing complexity and staff time and delivering to market and other users faster (22 so far in 2017).

Other Recent Activities and Updates

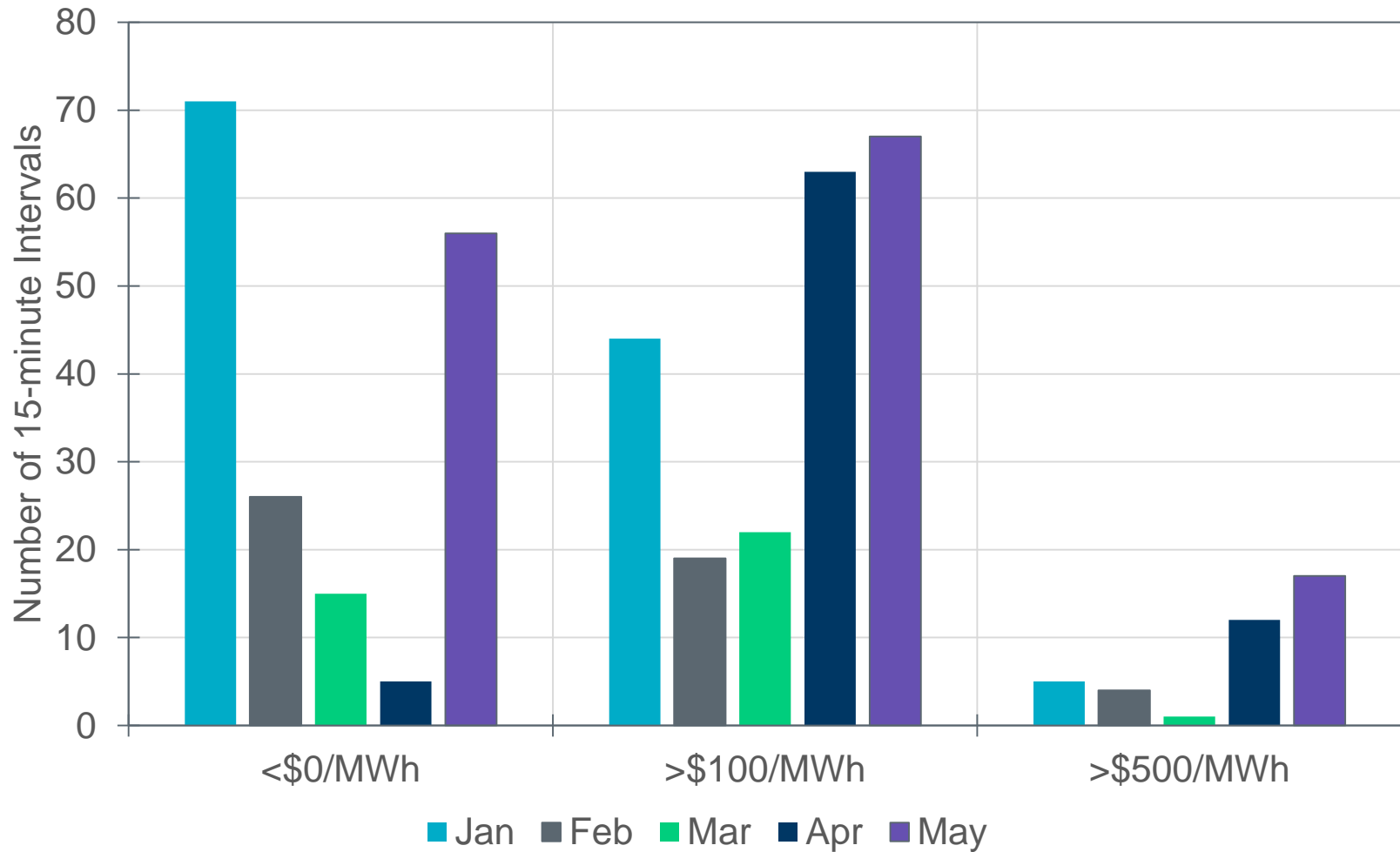
NMMS Upgrade Implementation	<ul style="list-style-type: none">• Successful implementation in May• Completing stabilization now
ABB Data Issue	<ul style="list-style-type: none">• Potential access to MP data by clients using issues tracking system for tech support related to MMS and Outage Scheduler• Initial assessment indicates minimal exposure
ETT Outages	<ul style="list-style-type: none">• Collecting stakeholder questions• WebEx meeting planned for June 15

Looking Back at Spring 2017



- Capacity, Demand & Reserves Report
 - Released May 2 with resource updates
 - Reserve margins 16.8%-18.9% in next five years
 - Uncertainty about unit retirements, new projects
- Spring monthly demand records
 - April: 53,420 MW, April 28
(Previously 51,800 MW on April 18, 2006)
 - May: 59,327* MW, May 26
(Previously 58,947 MW on May 29, 2012)

2017 Monthly Hub Real-time Settlement Point Prices



Looking Back at Spring 2017



- ERCOT work as resource to stakeholders and policymakers
 - 85th Legislature
 - Public Utility Commission
 - Studying Real-Time Co-optimization and other proposed market changes, as well as proposed connections to other grids and additions to the ERCOT system

- Preparedness and public awareness
 - Summer SARA: Sufficient resources anticipated for expected demand of 72,934 MW
 - Met with Market Participant Communicators and hosted Media Day (May 31 and June 2)
 - Tested Emergency Notification System (June 2)



Special Recognition – Shun-Hsien (Fred) Huang

- Manager of Dynamic Studies (Transmission Planning)
- Instrumental in strategic direction, studies and stakeholder communications related to Subsynchronous Resonance resolution (NPRR 562)
 - Identification
 - Study
 - Mitigation
 - Protection

