



## Item 4.1: CEO Update

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President & CEO  
ERCOT

Board of Directors Meeting

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

**Net Revenues Year to Date Actuals: \$9.0 M Favorable** *(as of October 31, 2017)*

## **Major Revenue Variances**

\$0.1 M over budget: system administration fees favorable due to warmer-than-forecasted weather

\$0.8 M over budget: interconnection revenue

## **Major Expenditure Variances**

\$3.6 M under budget: interest expense due to project funding and no revolver usage; interest income due to higher rates

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

\$0.7 M under budget: building maintenance and property tax

\$0.4 M under budget: resource management (\$-1.6 M staff backfill and augmentation; \$1.3M project work, \$0.7M staffing management)

\$1.3 M under budget: timing differences

**Net Revenues Year End Forecast: \$7.6 M Favorable** *(as of November 30, 2017)*

## **Major Revenue Variances**

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

\$1.0 M over budget: interconnection revenue

## **Major Expenditure Variances**

\$4.1 M under budget: interest expense due to project funding and minimal revolver usage; interest income due to higher rates

\$1.3 M under budget: computer hardware and equipment purchases

\$0.8 M under budget: building maintenance and property tax

\$0.5 M under budget: resource management (\$-2.1 M staff backfill and augmentation; \$1.5 M project work; \$1.1 M staffing management)

\$1.0 M over budget: obtain enterprise-wide license agreement to ensure availability of key operations tools



## 2017 Release Summary

- Six full releases in 2017 + weekly off-cycle releases (R6: Two phases – Dec. 5-7 and Dec. 9-10 for Retail systems)
- Virtually all functional areas affected
- Changes in business requirements addressed:
  - 24 Nodal Protocol Revision Requests
  - 5 Planning Guide Revision Requests
  - 5 Resource Registration Glossary Revision Requests
  - 2 Retail Market Guide Revision Requests
  - 1 Nodal Operating Guide Revision Request
  - 1 System Change Request

### 2017 Change Requests: 890 *Up 42.4 percent from 2016*

• R1:	134
• R2:	85
• R3:	86
• R4:	126
• R5:	117
• R6:	130
• Retail 1–6:	12
• Off-Cycle:	200

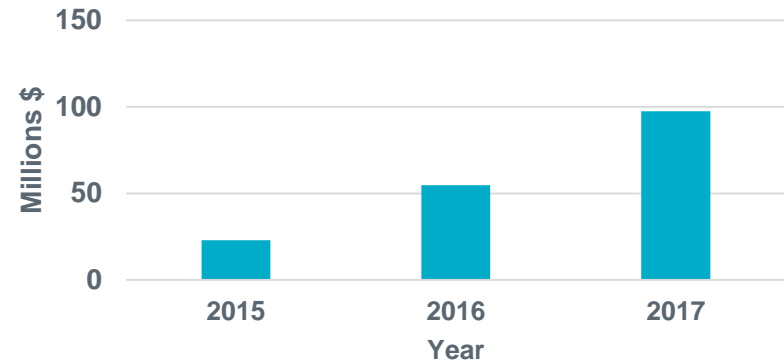
# Operations Report: Items Not Trending As Expected

Revenue Neutrality	As of settlement of Operating Day 10/31/2017, Revenue Neutrality uplift is a charge of \$10.45M, up from September 2017 which was a charge of \$4.68M and up from October 2016 which was a charge of \$3.50M. The main driver for this was the overselling of PTPs in the DAM due to the fact that DAM does not include PUN loads. This cause has been resolved with changes to the LDF methodology and NPRR831, both effective November 2, 2017.
Congestion Revenue Rights Price Convergence	Recent trends in CRR show day-ahead values significantly above auction costs in October. Higher-than-expected congestion in the Day-Ahead Market is the main driver.

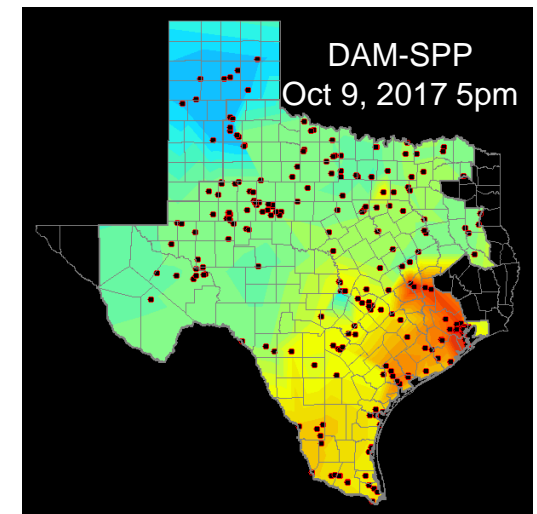
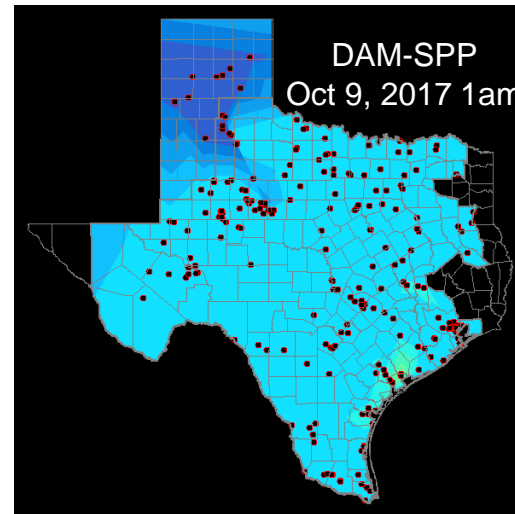
# CRR Convergence and the Balancing Account

- October trends show higher-than-expected CRR Balancing Account balance and day-ahead values vs. auction cost.
- Seeing higher-than-expected congestion in the Day-Ahead Market
  - Significant in all Load Zones, especially South, North, Houston and the Panhandle
  - Contributors include high Panhandle wind generation, planned and unplanned outages, record monthly demand
  - CRR funding was not a concern

Monthly DAM Congestion Rent<sup>1</sup> for the Last Three Octobers



<sup>1</sup> DAM Congestion Rent as defined in Nodal Protocol 7.9.3.1(2)



# Assessing Resource Changes and Future Needs

<b>Reliability Must-Run Studies for Planned Retirements</b>	Studied units slated for retirement or indefinite suspension of operations, determined not needed for transmission system reliability in respective areas
<b>Annual Load Forecast Update</b>	<ul style="list-style-type: none"><li>• Completed annual review and update to load forecast and presented to stakeholders (SAWG)</li><li>• Incorporating into studies for transmission needs and resource adequacy</li></ul>
<b>Resource Adequacy Updates</b>	<ul style="list-style-type: none"><li>• Released final Seasonal Assessment of Resource Adequacy report for winter and preliminary report for spring — sufficient resources expected</li><li>• Capacity, Demand and Reserves Report scheduled for release Dec. 18</li></ul>
<b>Transmission Needs and Project Updates</b>	Annual Constraints and Needs Report and Regional Transmission Plan scheduled for release Dec. 21

# Strategic Planning Process for 2018-2023



- Current plan covers 2014-2018; update will go through 2023.
- ERCOT leadership is developing plan to involve board members and stakeholders.
- Focus on key areas to address changing needs:
  - Grid and market
  - People
  - Technology

# Collaborating, Sharing Grid and Market Expertise

- ERCOT hosts visitors from all over the world — and sometimes sends delegates to other countries — to share expertise related to its grid and market operations and related topics.



In 2017, guests from these countries visited ERCOT facilities and staff:

- Argentina
- Australia
- Chile
- China
- India
- Japan
- Mexico
- Morocco
- New Zealand
- Poland
- South Korea
- Taiwan
- Ukraine





# Special Recognition – GridEx IV

- Scenarios included widespread physical and cyber attacks.
- More than 80 internal participants from throughout ERCOT Inc.
- More than 20 external participants on site, including regulatory, law enforcement, emergency management and gas industry
- Eight market participant companies, represented by more than 240 individuals, also enacted scenarios.
- Participated in NERC executive tabletop

**ERCOT GridEx IV Leaders:**  
Mike Allgeier and Mark Spinner

