



Item 4.1: CEO Update

Bill Magness
President & CEO
ERCOT

Board of Directors Meeting

ERCOT Public
June 12, 2018

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

Net Revenues Year-to-Date Actuals: \$8.3 M Favorable *(as of April 30, 2018)*

Major Revenue Variances

\$2.3 M over budget: interest income due to higher investment balance and rates

\$1.7 M over budget: system administration fees due to weather and stronger economy

\$0.4 M over budget: interconnection revenue

Major Expenditure Variances

\$0.4 M over budget: resource management (\$-1.1 M staffing management; \$0.7 M project work)

\$3.4 M under budget: timing differences

Net Revenues Year End Forecast: \$12.3 M Favorable *(as of May 31, 2018)*

Major Revenue Variances

\$8.5 M over budget: interest income due to higher investment balance and rates

\$3.6 M over budget: system administration fees based on current actuals and load forecast for remainder of year

\$1.2 M over budget: interconnection revenue

Major Expenditure Variances

\$1.6 M over budget: resource management (\$-2.5 M staffing management; \$0.9 M project work)



2018 R3 Release Summary

R3 Release Dates: May 29 – 31, 2018

- 142 Change Requests across the application areas

- Revision Requests
 - NPRR768: Revisions to Real-Time On-Line Reliability Deployment Price Adder Categories
 - NPRR815: Revise the Limitation of Load Resources Providing Responsive Reserve (RRS) Service
 - OBDRR002: ORDC OBD Revisions for PUCT Project 47199

- R3 impacted functional areas
 - Business Intelligence & Analytics, Data and Information Products, Data Management & Governance, Energy Management System, Enterprise Integration Nodal Services, Enterprise Integration Retail Services, Infrastructure, Market Management System, Market Settlements, Retail Operations, Web Communications



Developments Since Our Last Board Meeting



Final Summer
Seasonal Assessment
of Resource Adequacy
and May Capacity,
Demand and Reserves
Report, April 30

NERC 2018
Summer
Reliability
Assessment,
May 30

ERCOT Expects Record-Breaking Peak
Demand This Summer

Senate Committee on
Business and
Commerce hearing,
May 1

NERC
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION



In the News

Summer outlook for Texas electricity grid improves slightly

(Austin American-Statesman, April 30, 2018)

ERCOT sets May peak demand record, consumption set to rise further this week

(Platts, May 30, 2018)

ERCOT gearing up for record-breaking peak demand power this summer

(Houston Public Media, April 30, 2018)

NERC: Texas, California will face tight markets this summer

(Utility Dive, May 31, 2018)

Get ready, power generators; Summer in Texas is your 'Superbowl'

(Bloomberg, May 2, 2018)



Pre-Summer Communications & Planning

- Numerous industry segment meetings with PUCT and ERCOT
- Coordination efforts with TCEQ and gas pipeline companies



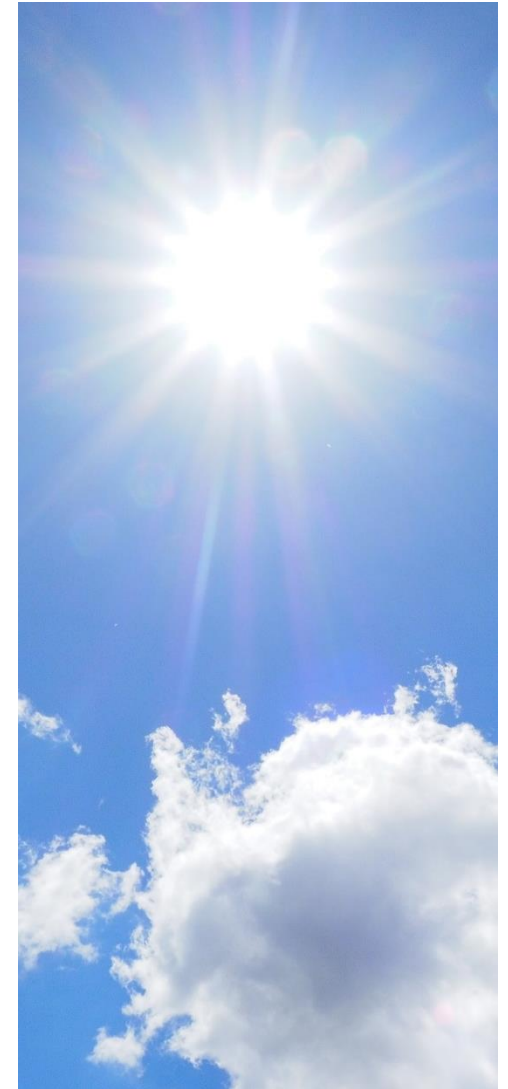
ERCOT Media Day, May 15



Pre-Summer Communications Meeting,
May 17

Summer Came Early: Record Loads in May & June

- Record high demand for May, as temperatures reached levels not typically seen before June. This May was one of the hottest in Texas history.
- Three May peak demand records (previous May record was 59,264 MW, set in 2017)
 - 61,519 MW between 5 and 6 p.m. on May 16
 - 63,661 MW between 4 and 5 p.m. on May 17
 - **67,271 MW** between 4 and 5 p.m. on May 29
- New June record set on first day of month
 - **67,887 MW** between 4 and 5 p.m. on June 1



Operational Performance Measures – April 2018

Performance Measure	Target Met	Further Information
Retail Transaction Performance (Target 98%)	No	**93.50% - Days Affected: March 29, 2018 to April 6, 2018 - The receipt and processing of certain retail transactions were delayed due to a material system outage of a third-party service provider that processes transactions on behalf of some Load-Serving Entities (LSEs). The party experiencing the outage is not an ERCOT Market Participant or Vendor.
Settlements Performance (Target 99%)	Yes	<ul style="list-style-type: none"> 100% timely statement and invoice posting

Operational Dashboard – March 2018

Metric	Trending as Expected	Further Information
Retail Transactions	Yes	<ul style="list-style-type: none"> Seasonal variations in transaction volumes trending as expected.
Advanced Metering	Yes	<ul style="list-style-type: none"> 98.6% of ERCOT load settled with 15-minute interval data. 7.1M Advanced Metering System (AMS) Electric Service Identifier (ESIID)s included in settlement as of March 2018.
Settlement Dollars	Yes	<ul style="list-style-type: none"> As of settlement of Operating Day 03/31/2018, the daily average settlement dollars for March 2018 are \$12.66M, which is down from \$13.61M in February 2018 and down from March 2017 which had an average of \$13.34M.
Revenue Neutrality	No	<ul style="list-style-type: none"> As of settlement of Operating Day 03/31/2018, Revenue Neutrality uplift is a charge of \$17.14M, which is up from a \$0.74M charge in February 2018 and down from a \$26.24M charge in March 2017.
Market-Based Uplift to Load	No	<ul style="list-style-type: none"> As of settlement of Operating Day 03/31/2018, the market-based uplift to load is a charge of \$18.00M, as opposed to a \$0.25M charge in February 2018 and a charge of \$34.14M in March 2017.



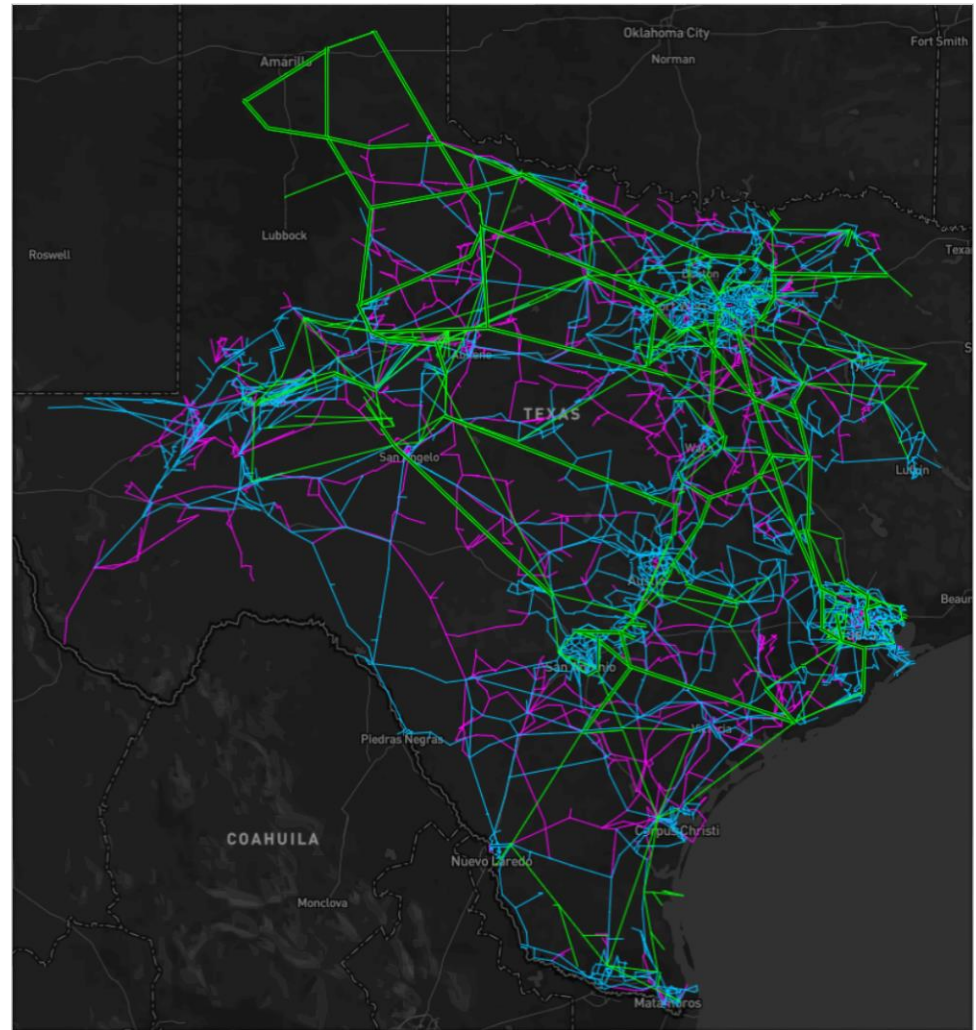
Select Project Highlights – (as of 05/23/2018)

Project	Trending as Expected	Further Information
<p>CRR Framework Upgrade – Improves the ability to support and maintain the CRR system by upgrading the User Interface framework and its related components to current versions</p>	<p>No</p>	<p>The project is in Execution and not trending to schedule.</p> <ul style="list-style-type: none"> • The team continues to address the outstanding defects and production readiness activities that delayed the production go-live. <ul style="list-style-type: none"> ◦ The delay is caused by increased time for defect resolution and retest cycles. Vendor is adding new roles to mitigate risk. ◦ The team is currently working with the vendor to address defects and to reforecast the project schedule; testing will continue through June 2018. • ERCOT has defined stability criteria that must be met before we declare readiness for go-live. ERCOT will provide the market with at least 60 days' notice prior to the production release once the stability criteria are met.
<p>2015 CMM NPRRs and Tech Refresh – Combines CMM NPRRs, a technical refresh and new Treasury functionality into a single project to gain efficiencies</p>	<p>Yes</p>	<p>The project is in Execution and is trending to schedule and budget.</p> <ul style="list-style-type: none"> • Phase 1 is in Execution and includes delivery of the CMM technical refresh along with the majority of the Credit-related NPRRs. This Phase is tracking to revised schedule and budget targets. <ul style="list-style-type: none"> ◦ Phase 1A is complete (NPRRs 648, 683, 743, 760 and 800 via the existing CMM application). ◦ Phase 1B development and FAT efforts continue to focus on delivery of the technical refresh along with related in-scope NPRRs. Go-live planned for R6 2018 (December). • Phase 2 (NPRR829) planning will commence Q3 2018. • Phase 3 planning will commence upon completion of Phase 2.
<p>SCR781 RARF Replacement – Allow Market Participants to electronically submit, review, and make online changes to data ERCOT requires of them. This is the first phase of a multi-phased project approach. Phase 1 will define the overall requirements, but only focus implementation on resource asset and network modeling data collected via ERCOT's Resource Asset Registration Form (RARF)</p>	<p>No</p>	<p>The project is in Execution and trending behind schedule and under budget for Stage 1.</p> <ul style="list-style-type: none"> • Multiple stages will be delivered on this initiative with the first stage tracking for delivery in Q4 2018 now. <ul style="list-style-type: none"> ◦ This initiative along with the GINR project is being delivered within a single framework known as RIOO (Resource Integration and Ongoing Operations). ◦ Due to the resource dependency on GINR the timeline for this effort has been extended. ERCOT is currently pursuing alternate resourcing approaches and we anticipate having an updated staffing plan by Aug 2018. ◦ Critical architecture work (e.g. data architecture, technical architecture) is in progress and progressing on schedule. ◦ Some components of development (front-end and integration systems) were originally planned to start late first quarter or early second quarter but are now rescheduled to begin in the fourth quarter to accommodate the Generation Interconnect (GINR) project resource needs.



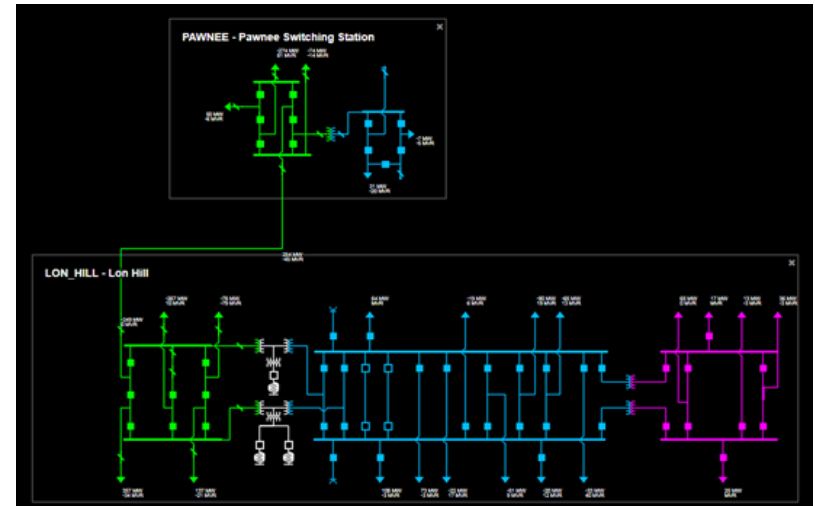
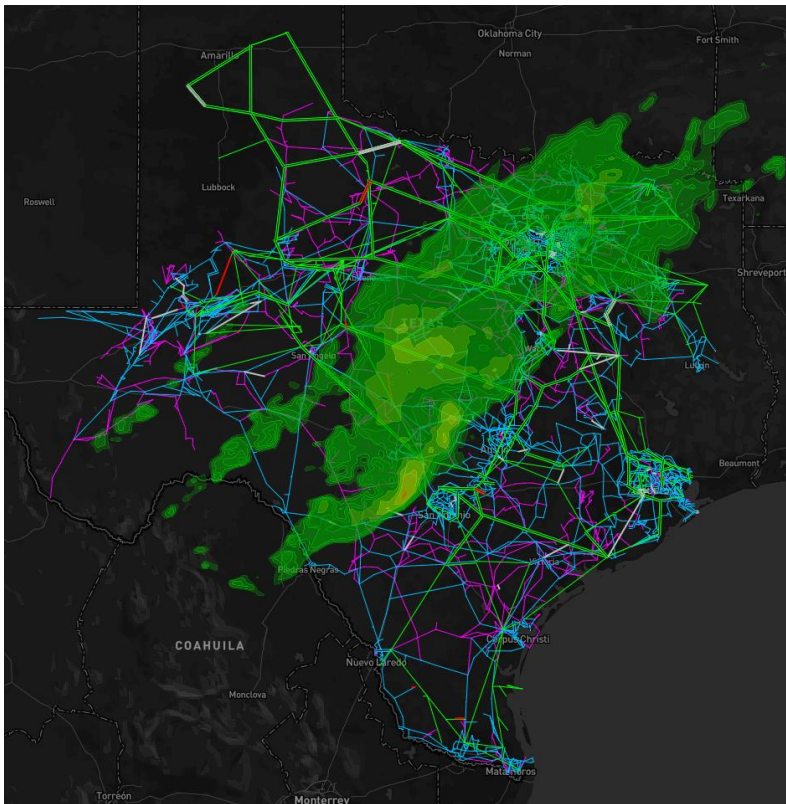
Grid Geo: ERCOT-Developed Platform Now in Production

- New platform called Grid Geo provides a geographical view of the ERCOT system
 - Went into production in May 2018
- Web-based design is easier to support and offers more options for operators
- Grid Geo content updates with each weekly model load
- Provides a base for a series of new tools



Grid Geo: A Platform for Future Improvements

- First release allows users to customize Multi-Station One-Lines on demand



- Future Releases
 - Weather Imaging and Line Observation (WILO)
 - User selectable weather overlays to be included (e.g., radar, infrared satellite, tropical storms, forecasts, temperature, wind)