



Item 4.1: CEO Update

Bill Magness

President & Chief Executive Officer
ERCOT

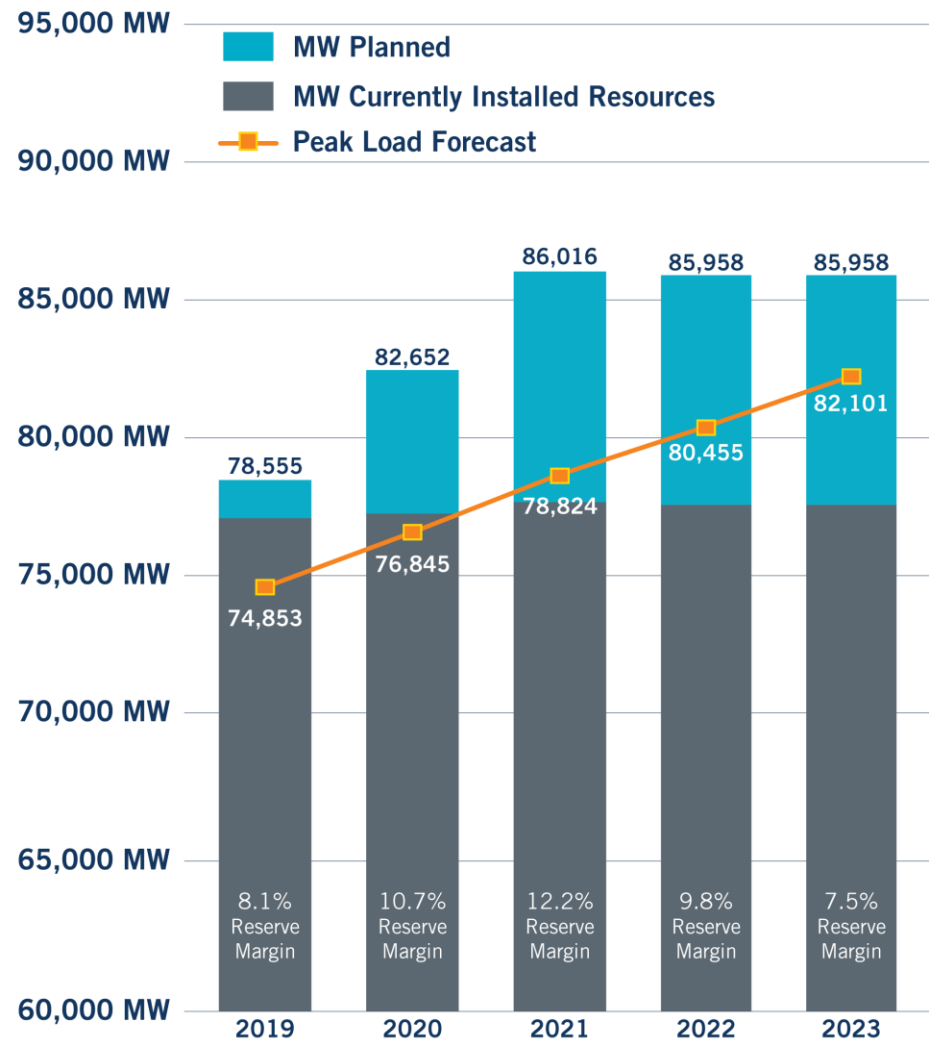
Board of Directors Meeting

ERCOT Public
December 11, 2018

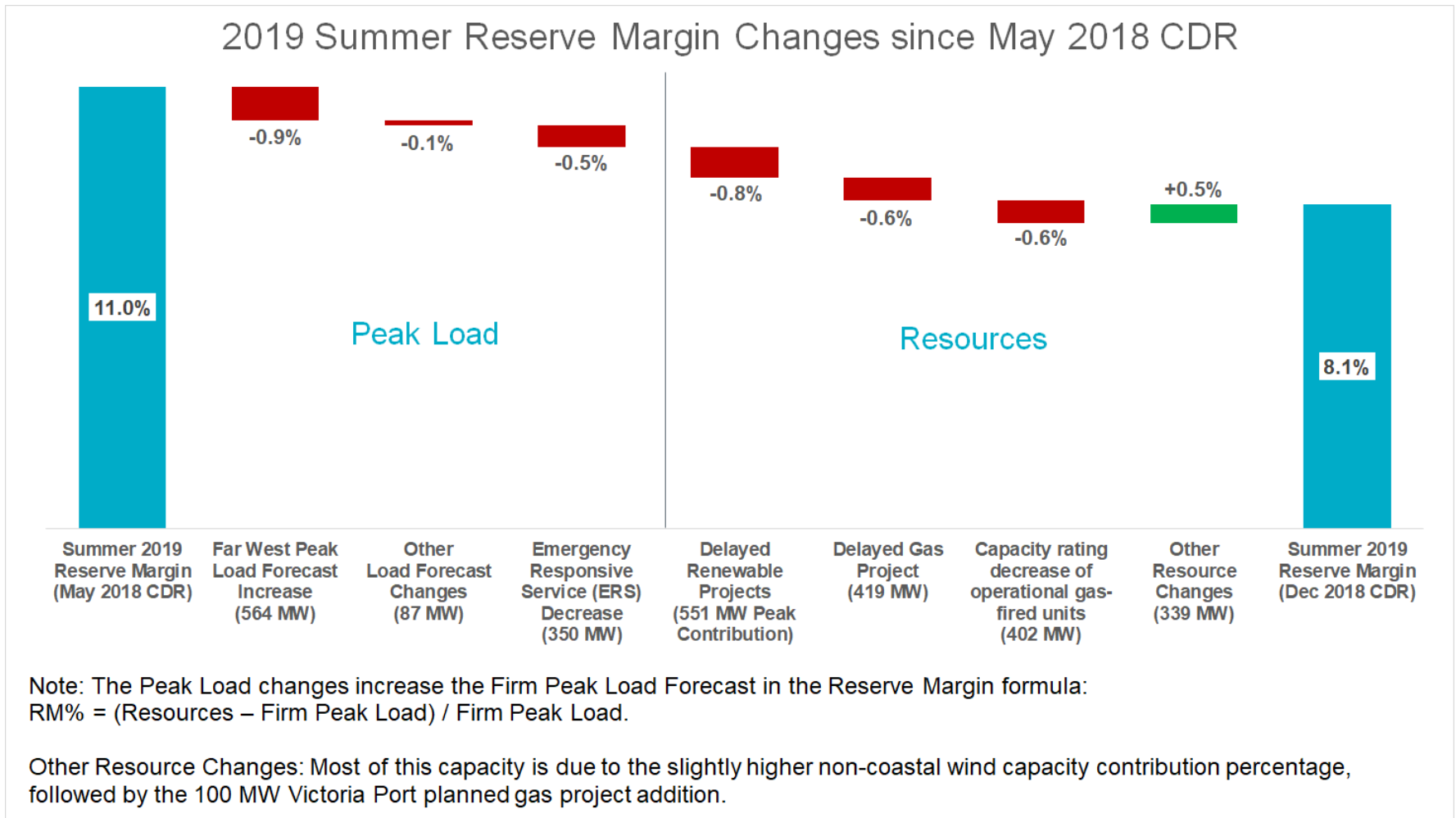
December 2018 CDR

ERCOT released its Capacity, Demand and Reserves (CDR) Report on Dec. 4.

- Planning reserve margin for summer 2019 is forecast to be 8.1%
- Anticipated decrease due to increased demand from oil and gas growth in far West Texas and fewer new generation projects
- Summer peak load forecast expected to be 74,853 MW, up 651 MW from the May CDR
- 2,832 MW of canceled projects
- 2,485 MW of delayed projects
- 1,714 MW approved for commercial operations since May CDR



2019 Reserve Margin Changes



Switchable Generation Resource Update

- NPRR901, Switchable Generation Resource Status Code, introduces a new Resource Status code for SWGRs, to provide additional transparency for operations and reporting to ERCOT.
- ERCOT, SPP and MISO developed Operating Policy Principles that provide the policy principles governing the use of SWGRs in emergency conditions. They also are in the process of revising coordination documents, which are expected to be completed by the end of 2018.



- ERCOT sponsored NPRR 912, Settlement of Switchable Generation Resources (SWGRs) Instructed to Switch to ERCOT, to address appropriate compensation to SWGRs when instructed to switch from a non-ERCOT Control Area to the ERCOT Control Area.



New Wind & Load Records

- New wind record
 - 17,920 MW of the load was served by wind power on Nov. 12 at 3:32 p.m.
- New November peak demand record
 - Set Nov. 14 when load reached 56,271 MW between 7 and 8 a.m.
 - Exceeded previous November peak set in 2014 by more than 5,400 MW
- Pre-summer planning underway
 - PUCT and ERCOT have met with generators and gas pipeline companies
 - Additional planning and readiness meetings to be scheduled



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

Net Revenues Year to Date Actuals: \$27.0 M Favorable *(as of October 31, 2018)*

Highlighted Revenue Variances

- \$8.9 M over budget: interest income due to higher investment balance and rates
- \$7.3 M over budget: system administration fees due to weather and stronger economy
- \$1.4 M over budget: interconnection revenue

Highlighted Expenditure Variances

- \$2.5 M under budget: external studies/consulting/legal services
- \$1.1 M under budget: employee health costs
- \$0.3 M under budget: computer hardware and equipment purchases
- \$0.2 M under budget: resource management (\$-1.8 M staffing management; \$2.0 M project work)
- \$2.0 M under budget: timing differences

Net Revenues Year End Forecast: \$26.1 M Favorable *(as of November 29, 2018)*

Highlighted Revenue Variances

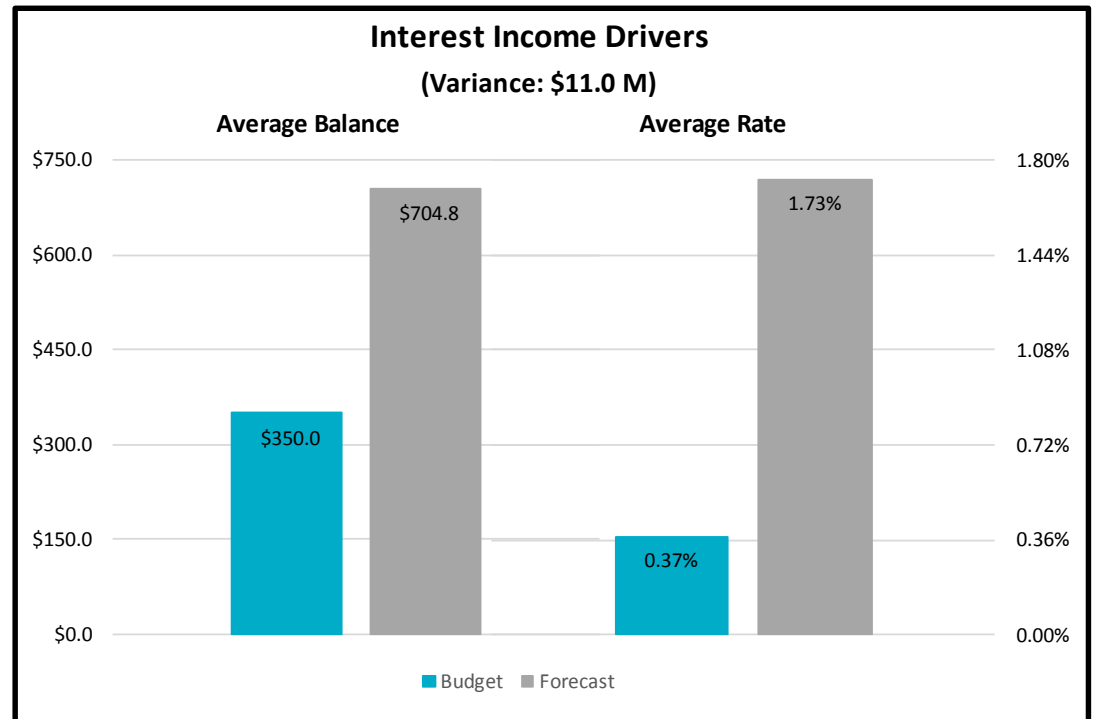
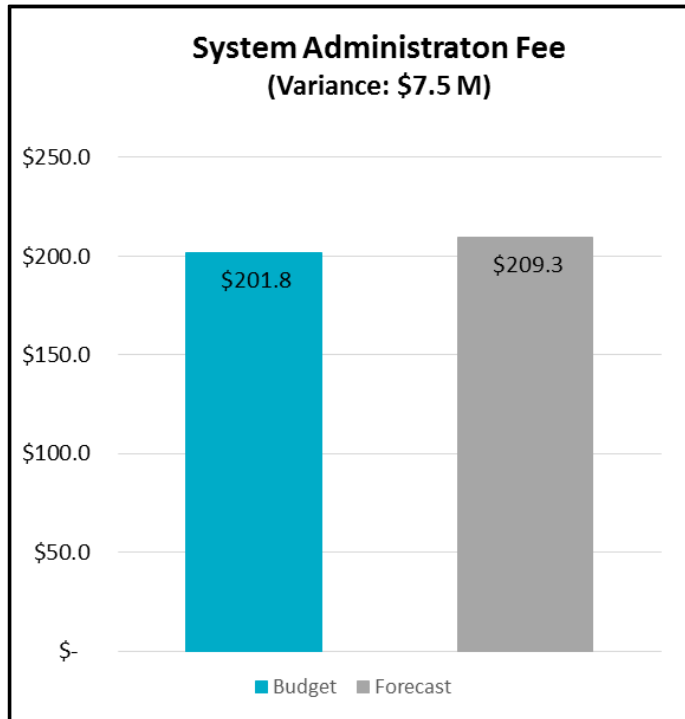
- \$11.0 M over budget: interest income due to higher investment balance and rates
- \$7.5 M over budget: system administration fees based on current actuals and load forecast for remainder of year
- \$1.6 M over budget: interconnection revenue

Highlighted Expenditure Variances

- \$2.5 M under budget: external studies/consulting/legal services
- \$1.4 M under budget: employee health costs
- \$1.4 M over budget: computer hardware and equipment purchases
- \$0.2 M over budget: resource management (\$-2.2 M staffing management; \$2.0 M project work)



Revenue in 2018: Major Drivers of Budget Variances



2018 R6 Release Summary

R6 Release Dates: December 11–13, 2018

- 118 Change Requests across the application areas
- NPRRs
 - NPRR843: Short-Term System Adequacy and AS Offer Disclosure Reports Additions
 - 60 day reports
 - PGRR063: Transmission Interconnection Study
- R6 impacted functional areas
 - Business Intelligence & Analytics, Data and Information Products, Data Management & Governance, Energy Management System, Enterprise Integration Nodal Services, Infrastructure, Market Management System, Market Settlements, Web Communications

2018 Release Summary

- Six full releases in 2018 + five limited releases + weekly off-cycle releases
- Virtually all functional areas affected
- Changes in business requirements implemented include over 30 Nodal Protocol Revision Requests and other approved change requests

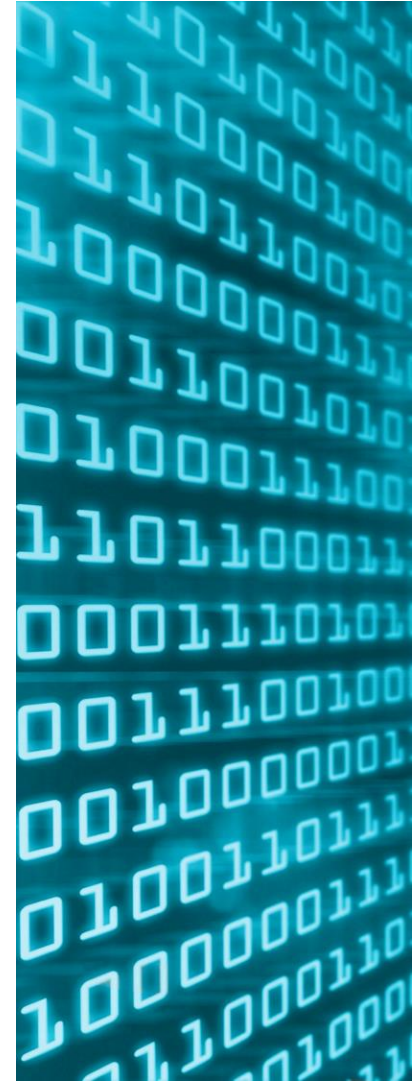
2018 Change Requests: 946
Up 6.3 percent from 2017

• R1:	115
• R2:	132
• R3:	142
• R4:	98
• R5:	127
• R6:	118
• Retail 1-6:	9
• Limited Releases:	18
• Off-Cycle:	187

CRR Framework Upgrade Completed

The CRR Framework Upgrade went live on Nov. 19, 2018.

- Improved user experience and efficiency
 - Improved navigation tools (6 clicks, down from 36 clicks)
 - Added improved task sequences to reduce errors
 - Improved system response time
 - Reduced manual work
- Improved market participant features
 - Improved error handling and messaging
 - Increased download file handling
- Refreshed technology
 - Updated operating system and web browser software
 - Updated database versions
- Enhanced security



Year-End Reports

- Report on Existing and Potential Electric System Constraints and Needs
 - Assesses recent constraints, planned improvements and projected constraints on the transmission system
 - Published annually
- Regional Transmission Plan
 - Assesses transmission needs for the next six years
 - Published annually
- Long-Term System Assessment
 - Assesses the potential needs of the ERCOT system 10-15 years into the future
 - Published in even number years

These reports will be available on the ERCOT website by the end of December, and will be reviewed with the Board in February 2019.



2019 Legislative Session

On Jan. 8, 2019, the 86th Texas Legislature convenes.

- Pre-filings of legislation as of Nov. 29: 406 from the House, 181 from the Senate and 31 from Joint Resolutions in the House and Senate
- So far, topics for bills affecting ERCOT, Inc. and the ERCOT market are related to cyber and physical grid security
- On Nov. 8, ERCOT presented emerging grid issues briefing to Chairman Hancock, other legislative leadership staff and PUCT staff
- Weekly emails updates will be sent to Board



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Strategic Plan 2019-2023 Recognition

- Thanks and congratulations to the Strategic Planning Team and the Enterprise Risk Management and Strategic Analysis staff for leading ERCOT in the development of the Strategic Plan 2019-2023.
- The process included identifying key drivers that shape ERCOT's strategies and objectives for the next five years.



Pictured (from left):
Mandy Bauld, Dave Maggio, Dan Woodfin, Kristi Hobbs, Matt Mereness, Debbie Lightener and Lauren Fleming

Not pictured:
Jason Chambers, Sean Taylor and Nitika Mago