Item 4.1: CEO Update

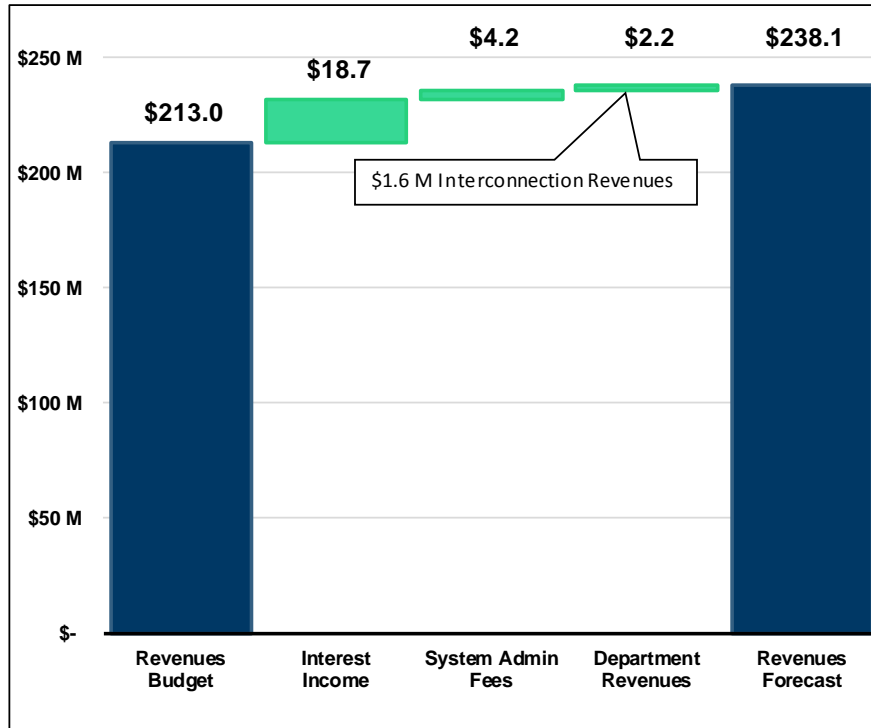*Bill Magness*
President & Chief Executive Officer
ERCOT

Board of Directors Meeting

ERCOT Public
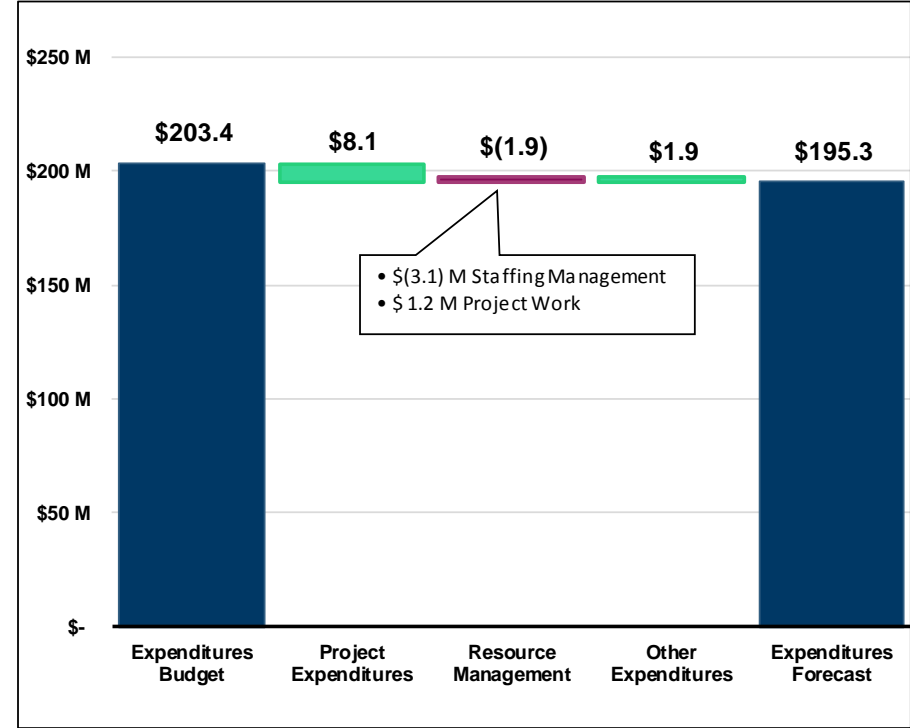June 11, 2019

Review 2019 Financial Summary:
2019 Variance to Budget ($ in Millions)

Net Available Year-End Forecast Variance to Budget = $33.2 M

Revenues Year-End Forecast
Variance to Budget = $25.1 M [11.8%]

$213.0	$18.7	$4.2	$2.2	$238.1

$1.6 M Interconnection Revenues

Revenues Budget · Interest Income · System Admin Fees · Department Revenues · Revenues Forecast

Expenditures Year-End Forecast
Variance to Budget = $8.1 M [4.0%]

$203.4	$8.1	$(1.9)	$1.9	$195.3

- $(3.1) M Staffing Management
- $ 1.2 M Project Work

Expenditures Budget · Project Expenditures · Resource Management · Other Expenditures · Expenditures Forecast

Charts may not foot due to rounding.

Major Projects Update

Project	Trend	Active Work
Credit Monitoring & Management Refresh (CMM)	• Go-live scheduled for 6/2/2019. • CMM Phase 1b scope includes implementation of a modern architecture, various user improvements & implementation of NPRRs 519, 620, 660, and 741 on 6/2/19 and NPRR 755 on 6/15/19.	• Go-live preparation activities. • Stabilization planning activities.
Identity & Access Management (IAM)	• Go-Live of automated access management solution and replacement of the previous Identity Management System occurred on 5/27/19.	• New system is live and in stabilization. No major issues to report. • Delivering defined post go-live scope: continued access certification, reports, UI enhancements, training. • Transition to FTEs for ongoing operations and support will continue through Q4.
RIOO – Resource Asset Registration Form Replacement (RARF)	• RARF re-planning effort complete and targeting: – Q4-19 capability to view/update resource registration data. – 2020 capability to create a new resource registration data.	• Service, system, and user experience design & development. • Ongoing market engagement through the Resource Integration Workshops.
Retail Portfolio Refresh	• The new ERCOT Flight Certification Website is live and in-use for the June 2019 Retail Flight Certification process. • Remaining projects and target start year: – NAESB Data Transport (2019) – Internal Monitoring & PUCT Reporting upgrade (2020/2021) – Retail registration system upgrade (2019/2020)	• Flight Certification website: New system is live and in stabilization. No issues to report. • EDI Map & Translator Replacement: business rule creation and validation, test environment preparation, determining verification and go-live strategy. • Updates and; applicable coordination through the Retail Market Subcommittee.
Market Management System / Outage Scheduler Upgrade (MMS/OS)	• In planning; targeting go-live in late 2020 / early 2021.	• Defining architecture and technical requirements. • Coordination with DC4 project addressing hardware refresh at vendor site. • Coordination with RTC planning team.
Data Center Refresh (DC4)	• Tracking to December 2019 for last project go-live.	• Remaining 3 of 12 DC4 projects address: telecom VoIP, MV-90 communications, and hardware located at vendor sites.

![ercot logo]

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2019 R3 Release Summary

R3 Release Dates: May 28 – 30, 2019

- 85 Change Requests across the application areas

- NPRRs and NOGRRs delivered in R3 Change Requests:

  - NPRR901: Switchable Generation Resource Status Code

  - NPRR910: Clarify Treatment of RUC Resource that has a DAM Three-Part Supply Award

  - NPRR912: Settlement of Switchable Gen Resources (SWGRs) Instructed to Switch to ERCOT

  - NPRR916: Mitigated Offer Floor Revisions (-$20 floor)

  - NOGRR174: AVR and PSS Testing Requirements

- R3 impacted functional areas

  - Data and Information Products, Data Management & Governance, Energy Management System, Market Information System, Market Management System, Market Settlements, Net Dependable Capability and Reactive Capability, Public Dashboards, Web Communications

ERCOT Staff Recognized for New Identity Access Management Tool

- Thanks to all of the staff who participated in a major upgrade to the Identity and Access Management (IAM) System.

- Benefits:
  - Modern interface, easy to use
  - Dashboards for monitoring
  - Simplified access terms and department roles
  - Improved vendor product support

Pictured, from left to right: Ricc Babbitt, Abdul Cheema, Cagle Lowe, Shawna Jirasek, Deanna Rodriguez, Kristee Watts, Dawn Herms, Amy Teel, Doris Berninger, Jimmy Weise, Alanna Lawrence, Mike Sisk, Brandt Rydell, Jamey Chisholm, Susan Jinright & Ken Casazza

Not pictured: Mike Whitlock, Bart Coleman, Brittany Barcuch, David Dickenson, Chris Pomeroy, Luis Quintanilla, Shawn Poe, Rachael Ragsdale Christine Hasha & Chad Barcak

Legislative & Policy Updates

- The 86th Legislative Session concluded on May 27.

- All three PUC Commissioners and Public Counsel for Office of Public Utility Counsel were confirmed.

- PUC, OPUC and ERCOT sunset review date pushed back two years to 2024-25 review cycle.
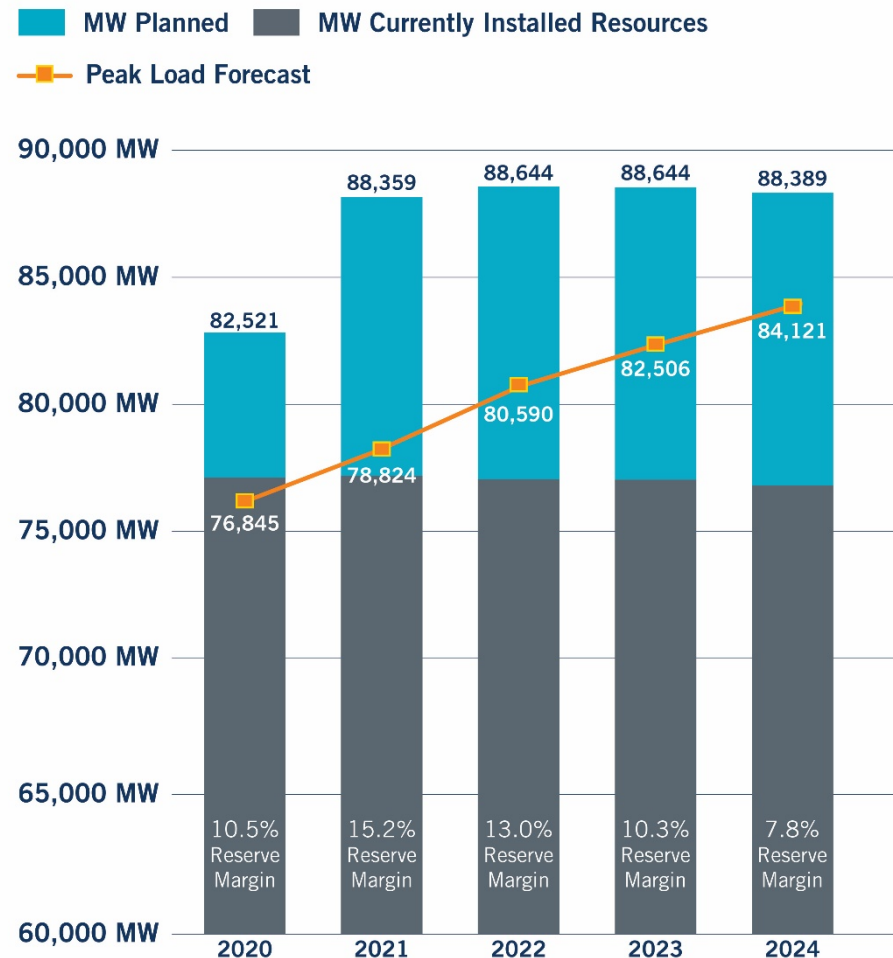
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New Legislation Impacting ERCOT

- Legislation effective immediately

  – <u>SB 1938</u>: Related to Certificates of Convenience and Necessity required to build new transmission; ERCOT will modify its transmission planning process to no longer designate Transmission Provider endpoints

  – <u>SB 475</u>: Establishes the Texas Electric Grid Security Council comprised of PUC Chair and ERCOT CEO or designees; ERCOT to serve as support and information resource to council

- Legislation effective Sept. 1, 2019

  – <u>SB 64</u>: Revises various cybersecurity requirements for state agency information resources

  – <u>SB 936</u>: Requires PUC and ERCOT to contract with entity to serve as PUC's cybersecurity monitor

Longer-Term: Capacity, Demand and Reserves (CDR) Report

- System-wide growth rate expected to be 2.5% to 3% through 2022

- CDR calculates higher planning reserve margins between 2020 and 2023
  - Primarily due to an increased number of potential wind and solar projects currently in the interconnection queue and eligible for inclusion in the CDR*

- Planned resources that became eligible for inclusion in this CDR total 5,643 MW of installed capacity by 2023, including 517 MW of battery storage

- Record number of interconnection requests in 2018; 30% increase compared to 2017

Legend: MW Planned | MW Currently Installed Resources | Peak Load Forecast

	2020	2021	2022	2023	2024
Total (MW Planned top)	82,521	88,359	88,644	88,644	88,389
Peak Load Forecast	76,845	78,824	80,590	82,506	84,121
Reserve Margin	10.5%	15.2%	13.0%	10.3%	7.8%

ERCOT does not anticipate all of these projects will get built, and some may be delayed for various reasons.

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Pre-Summer Communications Prep

- PUC Chairman DeAnn T. Walker gave opening remarks to Market Participants at ERCOT's pre-summer communications meeting on May 16.

- ERCOT hosted its annual Media Day on May 14.

- Social media and the ERCOT app will be primary forms of public communication during summer events.

ERCOT's pre-summer communications meeting in Austin

ERCOT Communications Channels

- Subscribe to EMERGENCYALERTS and NEWS_BULLETINS on ListServ (lists.ercot.com)

- Download ERCOT app (from Apple App Store or Google Play)

- Follow us on Twitter (@ERCOT_ISO)

- Follow us on Facebook (Electric Reliability Council of Texas)

- Conservation tips on ERCOT and PUC websites and ERCOT app
  - http://www.ercot.com/about/conservation
  - http://www.powertosavetexas.org/

New Informational Videos

- ERCOT developed three informational videos that showcase ERCOT's role.

  - Video 1 – What is ERCOT?

  - Video 2 – How does ERCOT work?

  - Video 3 – What is ERCOT's role with the financial side of the market?

- Available on www.ercot.com in the About ERCOT section