



Item 9: CEO Update

Brad Jones

Interim President & Chief Executive Officer

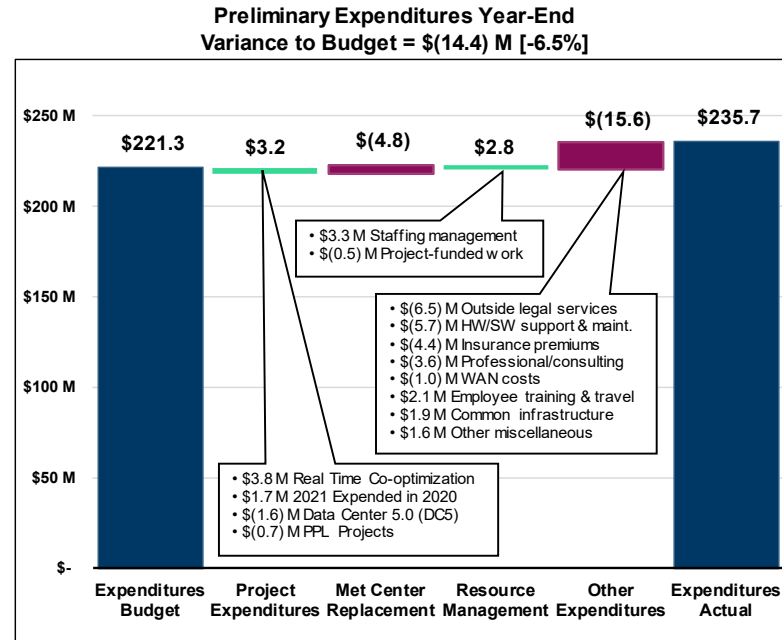
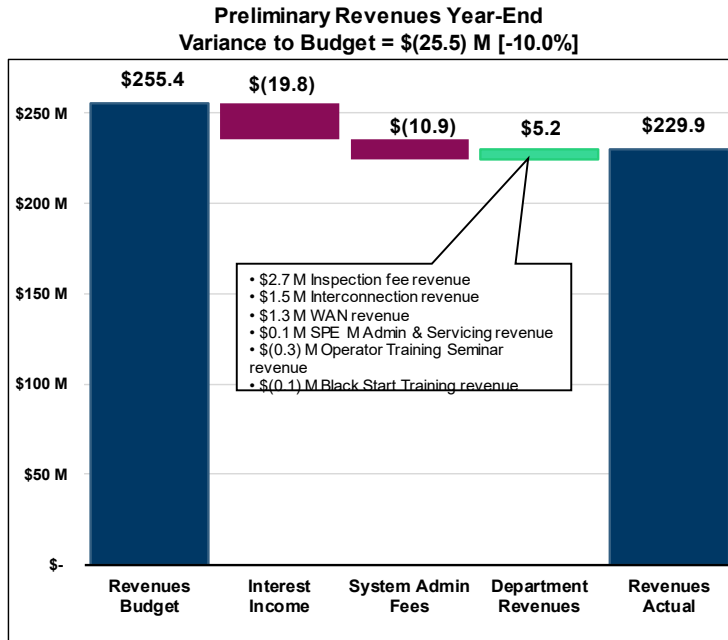
Board of Directors Meeting

ERCOT Public

March 7-8, 2022

Review 2021 Financial Summary: 2021 Variance to Budget (\$ in Millions)











Preliminary Net Available Year-End Variance to Budget = \$(39.9) M



Charts may not foot due to rounding



OKR Projects Update

| Status | Project | Update |
|---|---|---|
|  | Distribution Generation Resource / Distribution Energy Storage Resource (DGR/DESR) Implementation | <ul style="list-style-type: none"> • Deployed February 11th • Delivery supports DGR/DESR resources active in the model/market in April 2022 |
|  | Battery Energy Storage (BES) Combo Model Improvements | <ul style="list-style-type: none"> • Decision to break into multiple projects for delivery flexibility • Slotting individual projects into the portfolio for future start |
|  | Energy Management System (EMS) Upgrade | <ul style="list-style-type: none"> • On track - development, testing and environment activity • On track - full schedule and budget by July |
|  | Create Firm Fuel Supply Service | <ul style="list-style-type: none"> • NPRR filed and under review in the stakeholder process |
|  | RARF Replacement | <ul style="list-style-type: none"> • Modified schedule supports completion by September • <i>Requires additional budget to complete</i> |
|  | Fast Frequency Response (FFR) Advancement | <ul style="list-style-type: none"> • Activities re-aligned for October release • Ongoing engagement with market on technical impacts (TWG) • <i>Requires additional budget to complete</i> |
|  | Load Resource Participation in Non-Spinning Reserve (“NPRR1093”) | <ul style="list-style-type: none"> • On track - release by June • Ongoing market engagement for technical impacts (TWG) |
|  | ERCOT Contingency Reserve Service (ECRS) Implementation | <ul style="list-style-type: none"> • Early in planning phase activities • Initial market engagement (TWG) |
|  | Securitization - SubChapter N | <ul style="list-style-type: none"> • On track - March delivery to support automated invoicing |
|  | DC5 Infrastructure Refresh Program | <ul style="list-style-type: none"> • On track – planning & procurement activity (6 projects) |

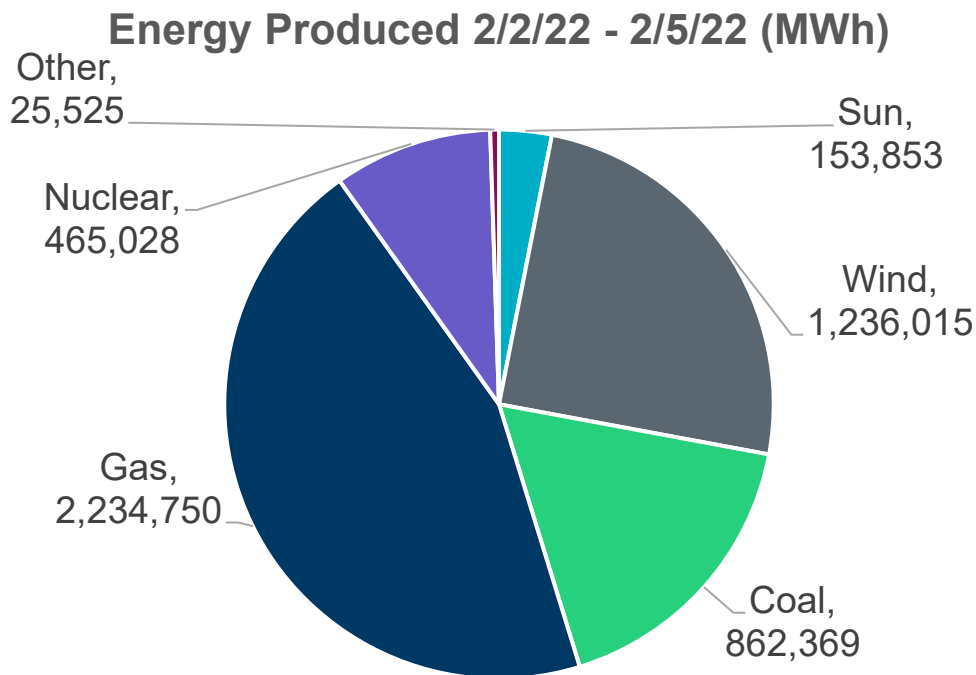
ERCOT Roadmap to Improving Grid Reliability Update

- 51 out of 60 points have been completed
- Revised market processes to plan for available resources in anticipation of tight grid conditions to allow grid operators to better coordinate generation outages.
- Establish a procedure for DOE exemption requests, similar to the Texas Commission on Environmental Quality to avoid delay/uncertainty.
- Reviewed weatherization and emergency operation plans for generation resources. Provide information, technical expertise and analysis to the PUC in support of rulemaking and implementation.

Winter 2022 Summary

- **Feb. 2 - Feb. 5, 2022:** Winter Storm Landon
- **Move to Reliability-Based Market Structure:** As a result of the positive changes by the Texas Legislature and PUC, the ERCOT market focus differed greatly:
 - Aggressive grid management approach
 - Conservative planning to prepare for worst case demand and bring on additional reserves
 - Purchased more ancillary services
 - **Pre-event changes:** weatherization, inspections, incentivizing alternative fuels
- Constant, consistent coordination with Governor Abbott, TDEM, PUC, Texas RRC
- Improved communication via daily coordination calls with grid/market participant communicators; legislative leadership offices; statewide news media

Weather Related Generation Outages (2/2 – 2/5)



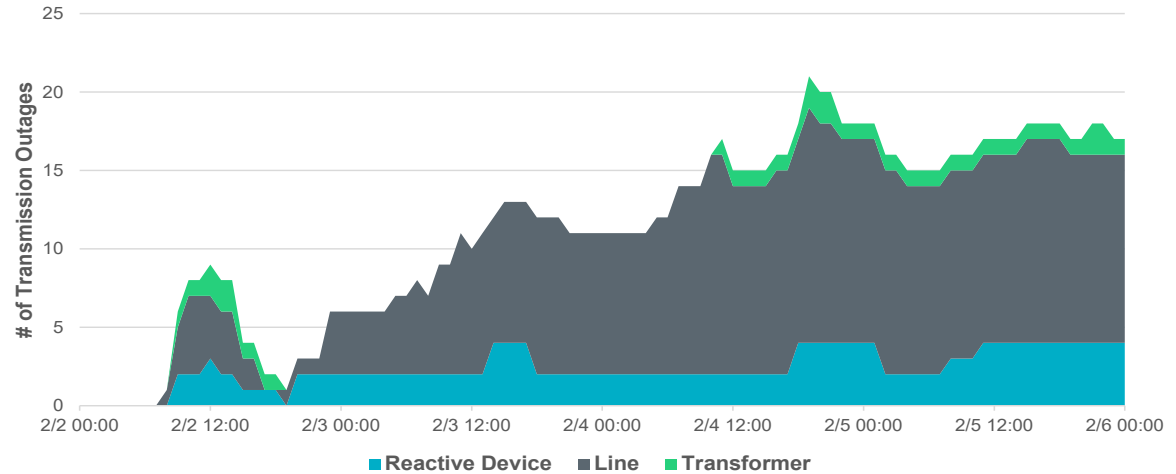
| | # Outages or Derates | MWh Lost | MWh Produced | % Lost |
|----------------|-------------------------|----------|-----------------|--------|
| Wind | 228 | 7669 | 1,236,015 | 0.620% |
| Sun | 8 | 602 | 153,853 | 0.391% |
| Gas | 1 | 304 | 2,234,750 | 0.014% |
| Coal | 2 | 256 | 862,369 | 0.030% |
| Nuclear | 0 | 0 | 465,028 | 0.000% |
| Other | 0 | 0 | 25,525 | 0.000% |
| Total | 239 | 8831 | 4,977,540 | 0.177% |



Transmission Outages (2/2/22 – 2/5/22)

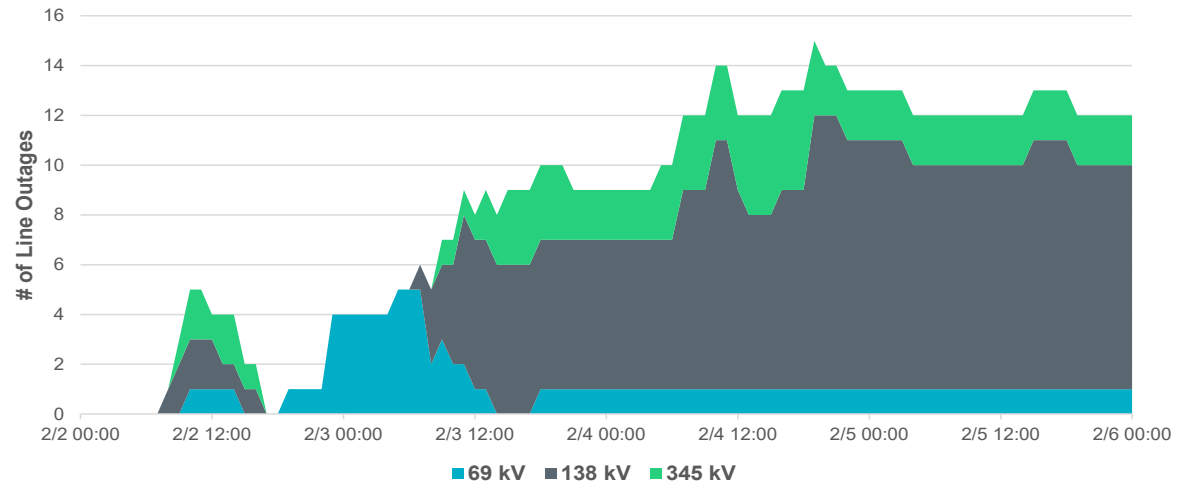
Most outages were on transmission lines, few on transformers or reactive devices.

Transmission Outages Since 2/2/22 By Device



Most outages were on 138 kV transmission lines.

Line Outages Since 2/2/22 By Voltage Level



Gas Desk Update

- **Intent:** Aggregate information at the intersection of gas and electric; operational information for those facilities that directly impact generation units.
- **Benefit:** Provide greater insight into the reliability of the electric grid.
- **Best Practice:** Similar functions exist at other ISOs.
- **Status / Next Steps:** Stakeholder alignment underway.
- **Recommended Timetable:** Prior to winter 2022 – 2023

Securitization Update

- ERCOT continues to complete “Subchapter N” Securitization milestones
 - Completed reviews: PRS, CWG / MCWG and TAC
- Upcoming milestones:
 - **March:** Continued reviews of NPRR 1114 and bond documents, including ERCOT board (March 7), PUCT (date TBD)
 - **March 29:** N system (back end) go-live **Invoicing will not start on this date*
 - **April:** Board (April 12) and PUCT (date TBD) review of Clarification NPRRs
 - **May:** Bond documents completed; announce and price transaction
 - **Late May:** escrow deposits due
 - **June:** Transaction close and funds received
 - **Market notice:** disbursement and invoicing schedule; payment information
 - Disbursements commence 2-3 days after closing
 - **July:** Invoicing begins no sooner than 30 days after funding

Sunset Review

Sunset Commission

- The Sunset Advisory Commission is a 12-member body comprised of members of the Texas Senate, House and two public members.

Sunset Commission Timeline

- ERCOT submitted its self-evaluation report to the Sunset Commission in September 2021
- Sunset will begin its review in April and complete its process by mid November 2022
- The 88th Legislature will meet beginning January 2023 and will file and debate ERCOT's sunset bill

Sunset Process

- Review ERCOT's self-evaluation report and receive input from interested parties
- Evaluate ERCOT, identify problems and develop recommendations
- Publish the staff report
- Sunset staff presents its report and recommendations, and ERCOT presents its response
- Sunset Commission hears public testimony and receives written comments
- Sunset Commission meets again to consider and vote on recommendations
- Final recommendations are incorporated into a bill which would be filed in the 88th Legislative Session

Source: Texas Sunset Commission

