



Item 5: CEO Update – **REVISED***

Pablo Vegas

ERCOT President and Chief Executive Officer

Board of Directors Meeting

ERCOT Public

October 17, 2023

*Slide 7 corrected 10/17/2023

Overview

- **Purpose**

This presentation recaps ERCOT's recent Operations activity and highlights strategic areas of focus

- **Voting Items / Requests**

No action is requested of the Board; for discussion only

- **Key Takeaways**

- ERCOT continues to face record-setting demand driven by both economic growth and weather
- Market design key initiatives and the ERCOT reliability standard are in the planning & development stages
- ERCOT is preparing for Winter Operations, including continuing inspections, scheduled maintenance, and issuing an RFP for Capacity

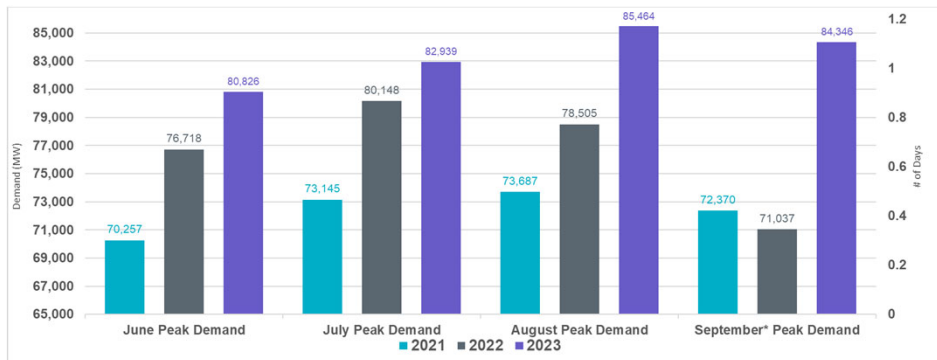
Summer Operations

- Record-setting Demand
 - 10 new all-time peaks
 - 85,464 MW set August 10 (5,316 MW more than 2022 record)
- TXANS Notifications
 - 6 Weather Watches
 - 3 Voluntary Conservation Notices
 - 8 Conservation Appeals
- Energy Emergency Alert Level 2 (EEA 2) September 6

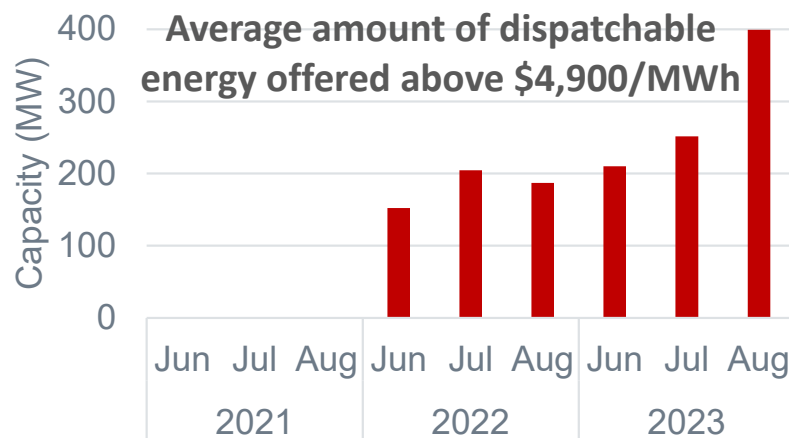
Key Takeaway: ERCOT managed the grid reliably this summer despite continued record growth in demand and extreme heat.

Several Factors Led to Higher Energy Costs During Summer '23

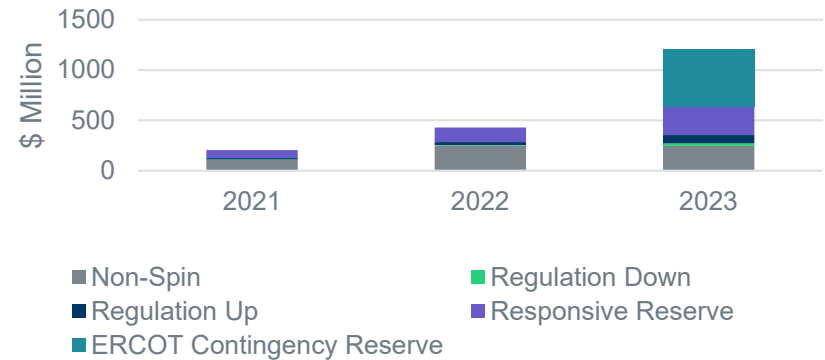
With continued economic growth and hotter and drier weather, Summer '23 record demand increased by 6.5% over '22



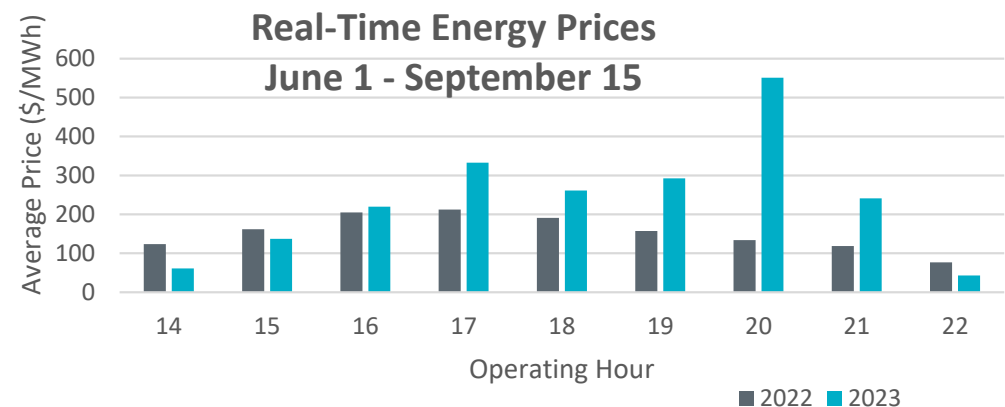
High offers from more resources that are marginal during tight conditions, when combined with an increase in the capacity reserved for AS, has led to higher energy prices for both energy and AS.



ERCOT is procuring more Ancillary Services (AS), including ECRS for more reliability and to address increasing operational risks, but have increased the cost of AS (~\$567.7 million)



The markets are adjusting to the time shift when grid conditions are most scarce and prices are highest



ERCOT Key Development Focus Areas

- Operating Reserve Demand Curve (ORDC)
- Dispatchable Reserve Reliability Service (DRRS)
- Performance Credit Mechanism (PCM)
- Real-Time Co-optimization (RTC)
- Reliability Standard
- NOGR 245 (Inverter-Based Resource (IBR) Ride-Through Requirements)
- Large Flexible Loads (LFLs)

Key Takeaway: ERCOT is advancing market initiatives and operations protocols to improve grid reliability and resiliency. Market design initiatives are tracking on schedule. Protocol efforts are slowing down to incorporate more discussions and input from market participants and OEMs.

Winter Preparations

- RFP for Capacity (up to 3,000 MW)
- Forecasting Improvements
- NPPRR 1176 Updates to Emergency Operations Triggers
- Scheduled Maintenance Period
- Firm Fuel Supply Service Phase 2
- Continued Weatherization and Inspections
- Critical Supply Chain and Critical Infrastructure Map
- Improved Communications with state agencies, market participants, public, and media

Key Takeaway: Anticipating additional winter season risk driven from strong demand growth, ERCOT is augmenting its winter preparations to meet reliability expectations.

Employee Recognition

Thank you to all the ERCOT employees who helped keep the grid operating reliably this summer and to the Resource Adequacy group for their work in creating the MORA report.

Control Room

- Jimmy Hartmann
- Darrell Cyphers
- Bryan Luker
- All 50+ of our operators

MORA Report:

- Pete Warnken
- Evan Neel
- Dan Mantena
- Fred Khodabakhsh
- Thair Mahmoud
- Tyler Vickery