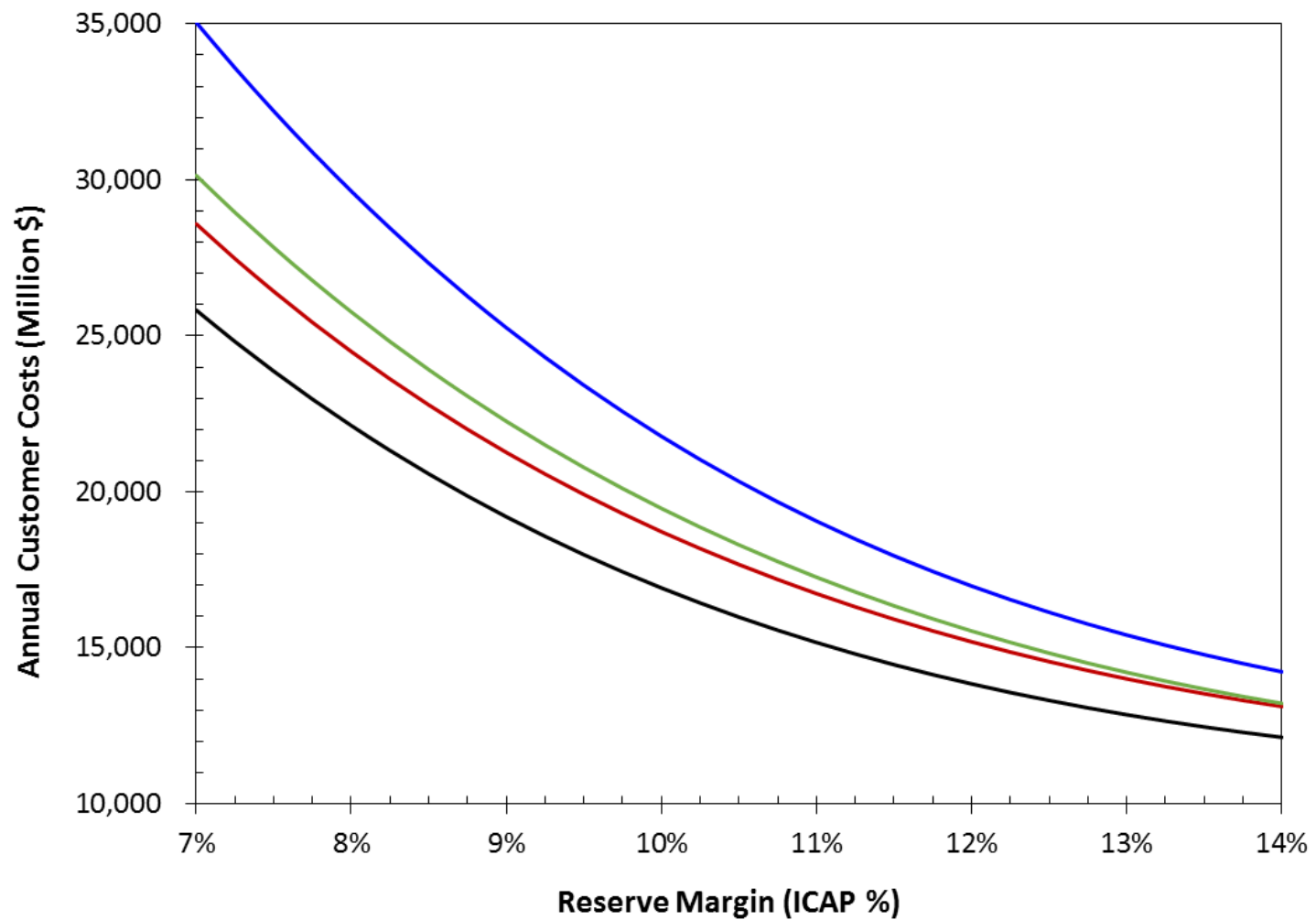


## MERM Long-Term Cost Impacts

- On Dec. 6, 2018, ERCOT filed a report completed by Brattle that illustrated sensitivities of Market Equilibrium Reserve Margins (MERM).
- In that report, the chart on slide 9 indicates the long-term cost impacts of the different MERMs for the base case and three change cases using dashed horizontal lines. These dashed lines extend from the Y-axis to the point on each solid curved line where that line crosses the MERM for that sensitivity. The MERMs for the four cases are provided on slide 7 of the Brattle sensitivity study.
- The first chart below depicts the same results shown on slide 9 of the Brattle sensitivity study (without the dashed horizontal lines).
- As part of its review of the Brattle results, ERCOT developed an alternate depiction of the long-term cost impacts. As seen in the second chart below, the curves representing the three change cases have been shifted to the left, so that the MERM points are all lined up vertically (indicated on the X-axis by the vertical dotted line). The 0.25 SD curve has been shifted to the left by 0.5%, the 0.5 SD curve has been shifted to the left by 0.75% and the 1.0 SD curve has been shifted to the left by 1.75% (consistent with the results on slide 7 of the Brattle sensitivity study). As a result, the increased cost results on slide 9 of the Brattle sensitivity study are visible in the distance between the solid curves along the dotted vertical line.

### Annual Average Customer Costs



— Base — 0.25 SD — 0.5 SD — 1.0 SD

### Annual Average Customer Costs

