Market Operations Report

ERCOT Board of Directors

October 19, 2010

Betty Day

Summary

Retail Activity

- **Overall Activity** – Significantly lower switching activity in August/September 2010 as compared to the same period in 2009. The higher numbers in August/September 2009 were due to the new expedited switch rule that allowed more switches to be completed within the reporting month.
- **Migration From Native AREPs** – Continued migration of customers from the affiliate REP.
- **Transaction Performance Measures** – Superb performance in third quarter.

Wholesale Activity

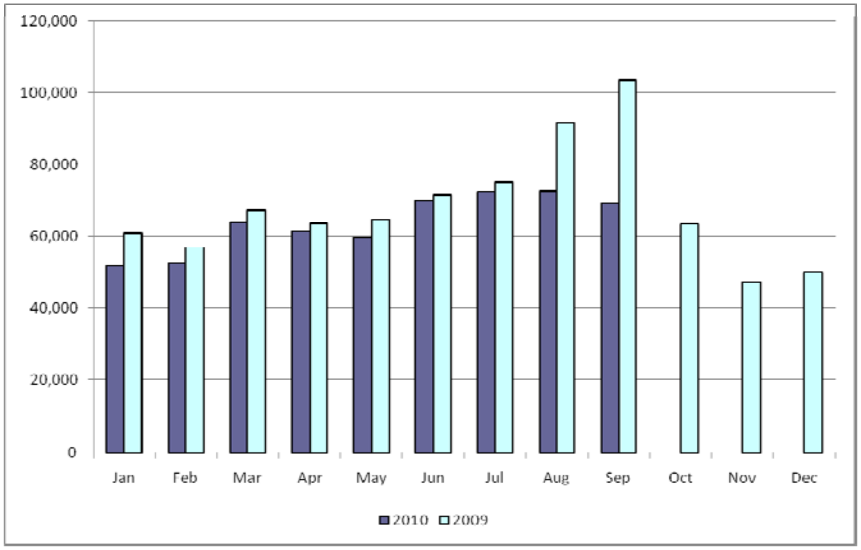
- **Settlements & Billing Performance Measures** – There were no late postings of statements or invoices in August 2010.
- **Energy Services** – August volumes up 7% in 2010 compared to 2009. This significant increase is also reflected in the new ERCOT wide peak demands that were established in August 2010. Natural as prices have remained fairly constant.
- **Capacity Services** – OOMC procured is higher in August 2010 compared to 2009. However, OOMC payments for August are low because of the clawback that resulted from high market clearing prices.
- **Summary Balancing Energy Price Data** – Load zone price data increased in August due to higher load volumes. No major congestion issues to cause significant price separation.
- **Congestion Management** – Local congestion (volumes and costs) are down significantly from the same period last year.
- **REPs and QSEs Added/Terminated**
  - 2 new REPs – 0 terminated REPs
  - 5 new QSEs – 5 terminated QSEs

Retail Transactions Summary

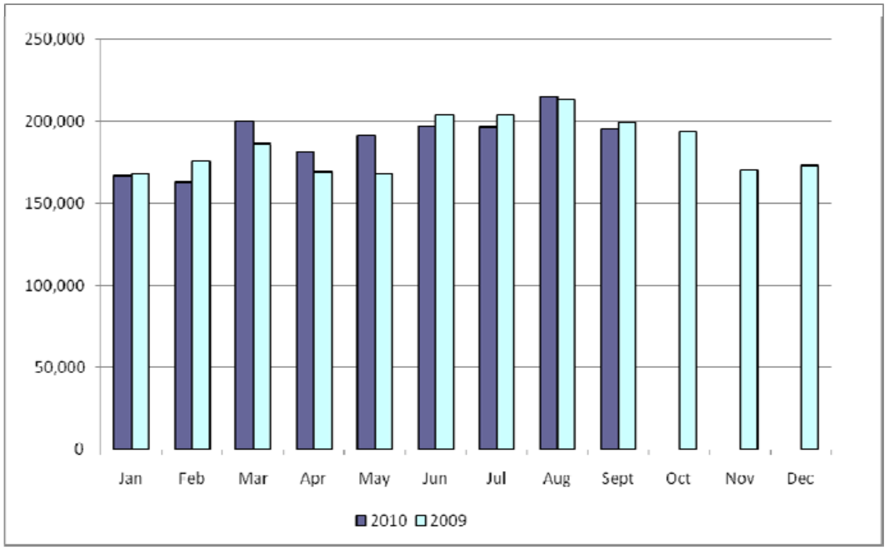
Transaction Type	YTD 9/30/2010	YTD 09/30/2009	September 2010	September 2009
Switches	573,763	655,028	69,249	103,464
Move - Ins	1,706,031	1,686,792	194,971	199,072
Move Out	939,822	963,512	110,259	121,998
CSA (Continuous Service Agreement)	306,956	262,836	26,868	25,899
Mass Transition	0	0	0	0
Total	3,526,572	3,568,168	401,347	450,433
Since June 1, 2001	39,272,958			

Retail Transactions Summary

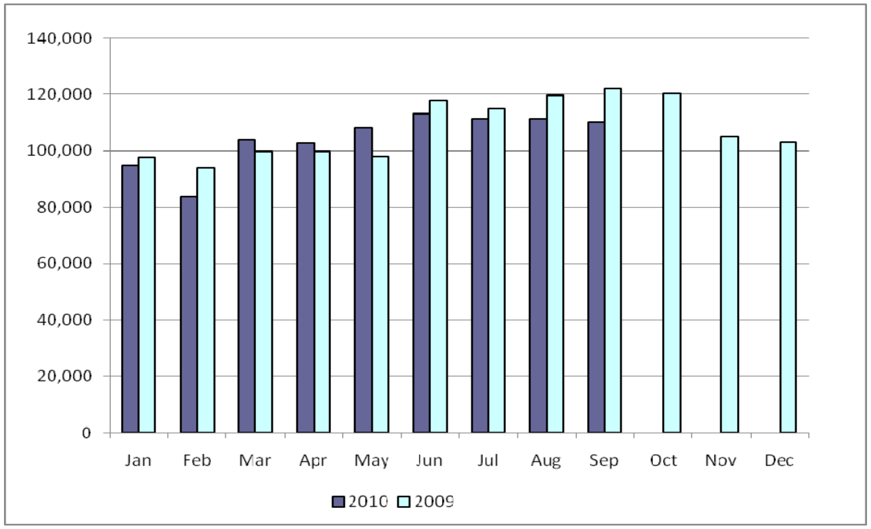
Switches



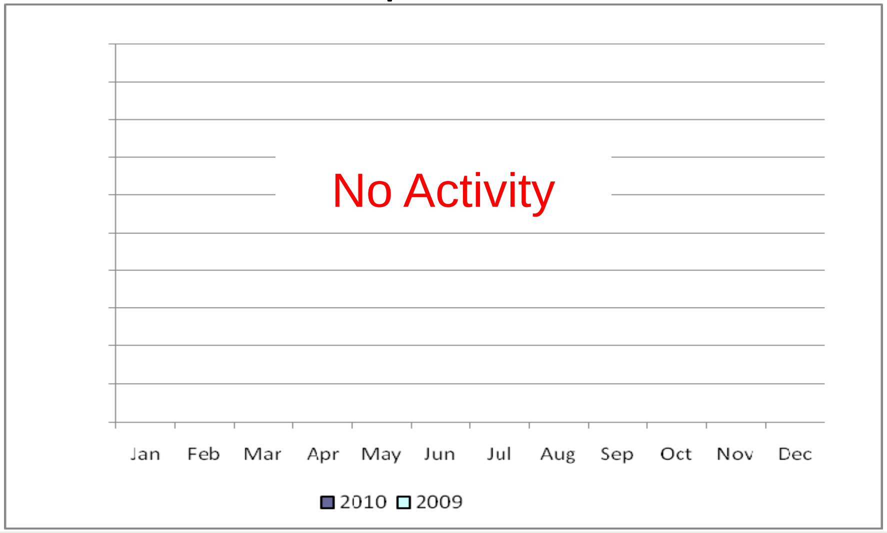
Move-Ins



Move-Outs



Drop to POLR



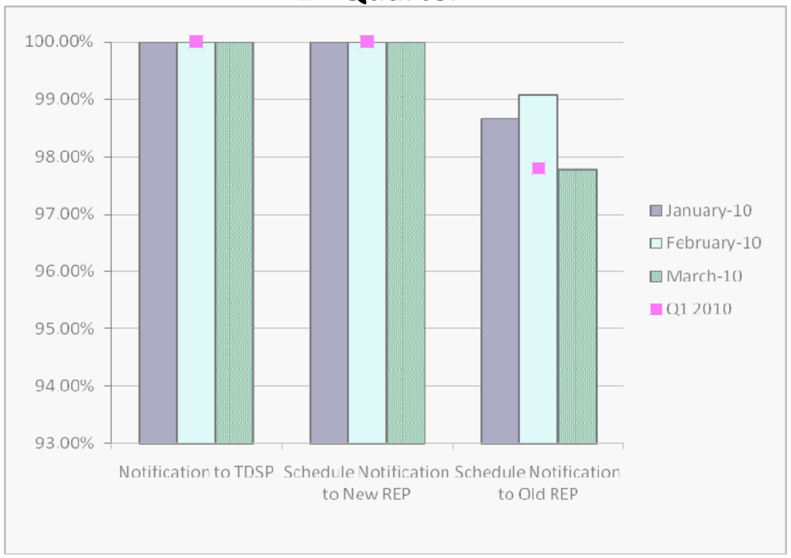
Migration from Native Affiliate REP

	% of Load [1]		% of ESI IDs	
	at 08/31/10	at 08/31/09	at 08/31/10	at 08/31/09
Residential	52%	48%	52%	47%
Small Non-Residential	80%	78%	58%	54%
Large Non-Residential	76%	75%	78%	77%

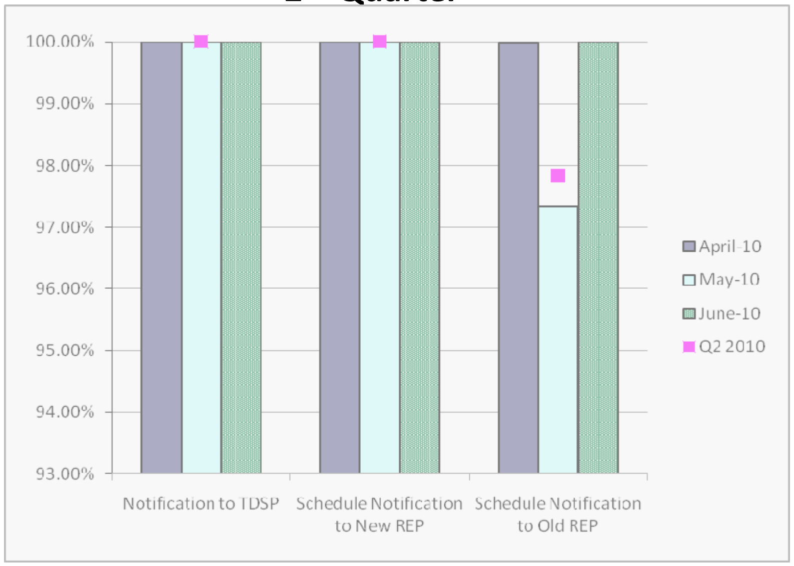
[1] - **Percent of Deregulated (Non-NOIE) ESI IDs and Load. Usage based on monthly settlement results.**

Retail Performance Measures – 2010 Switch

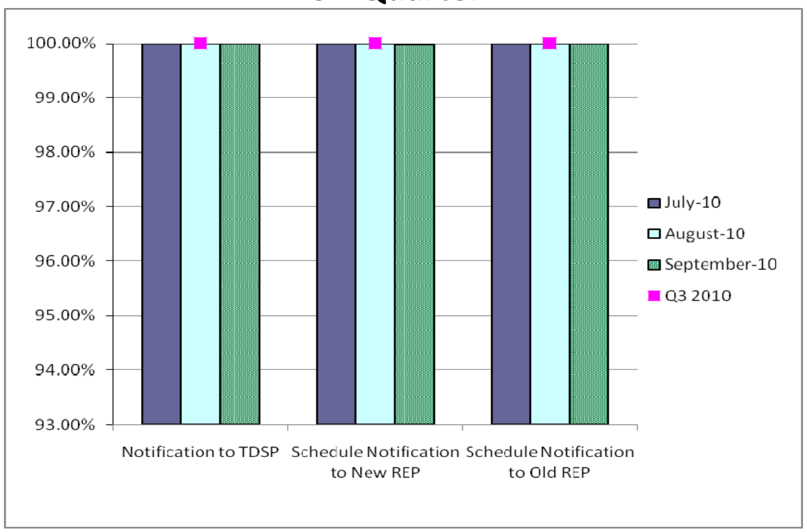
1st Quarter



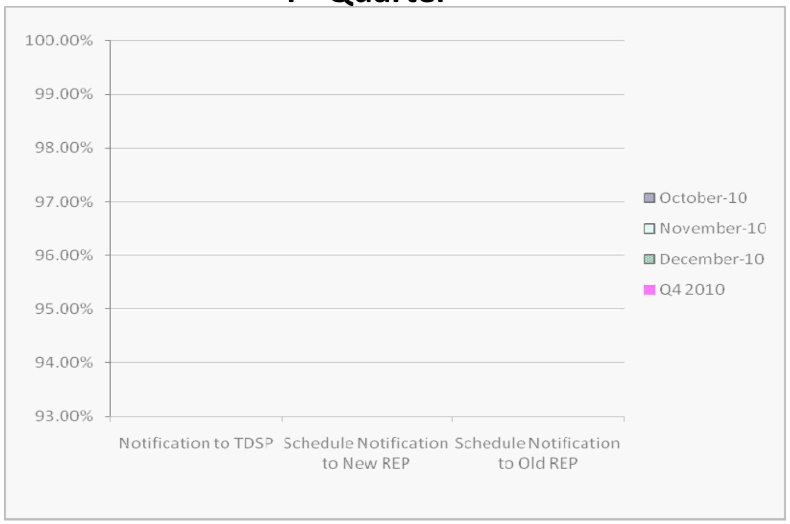
2nd Quarter



3rd Quarter

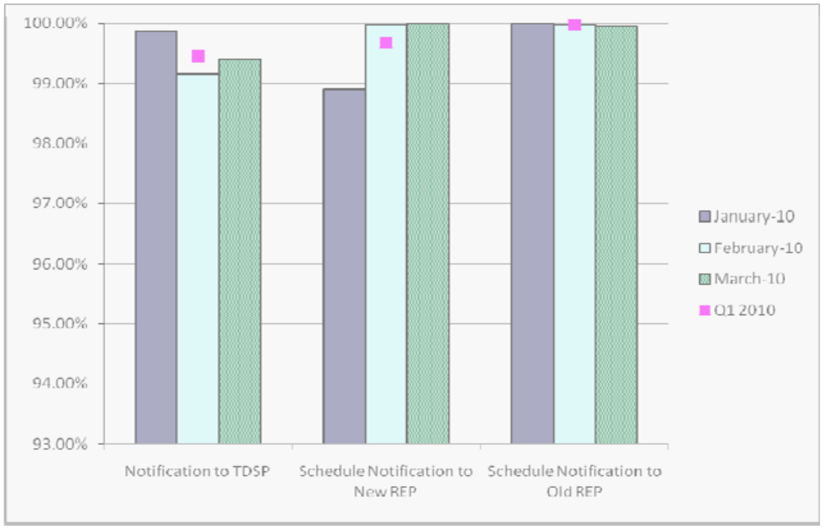


4th Quarter

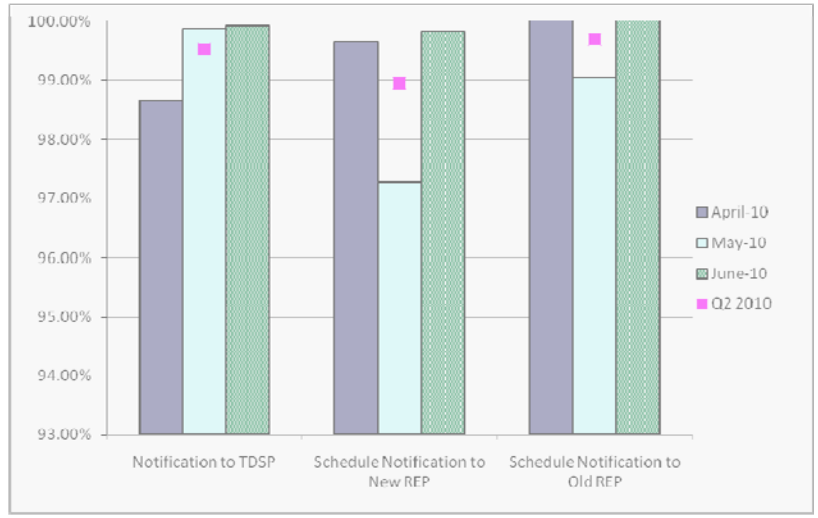


Retail Performance Measures – 2010 Move-In / Priority

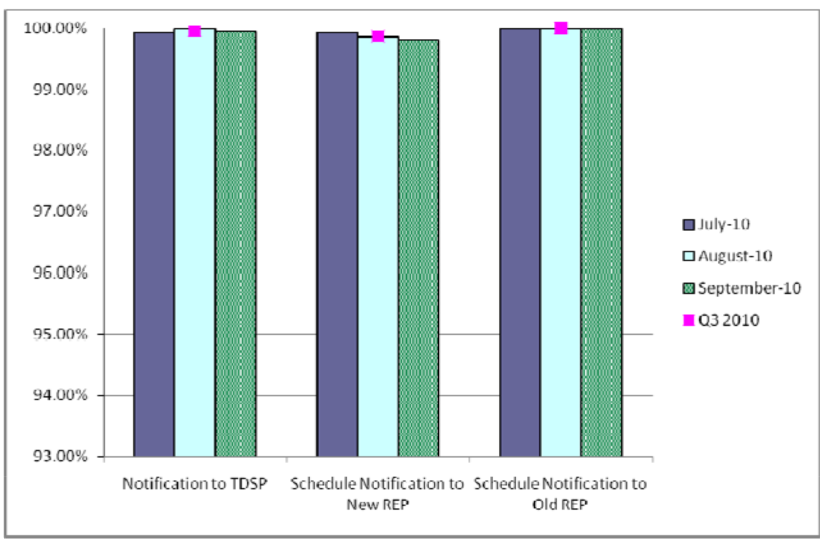
1st Quarter



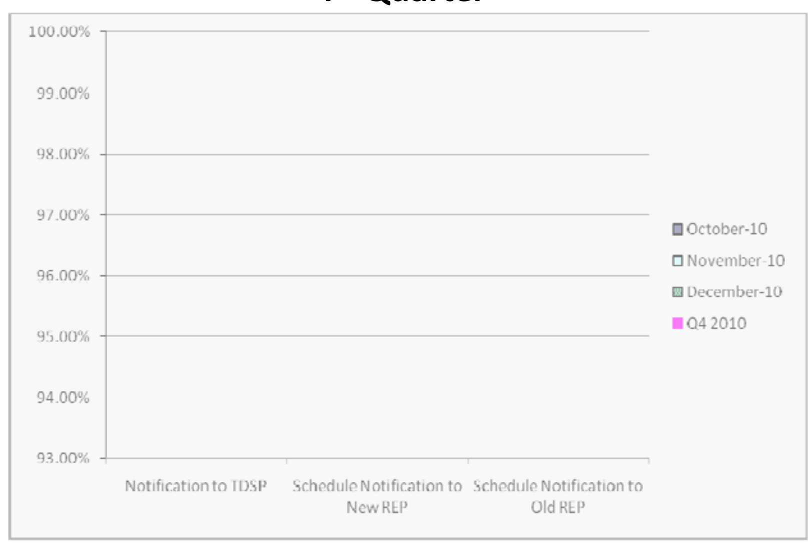
2nd Quarter



3rd Quarter

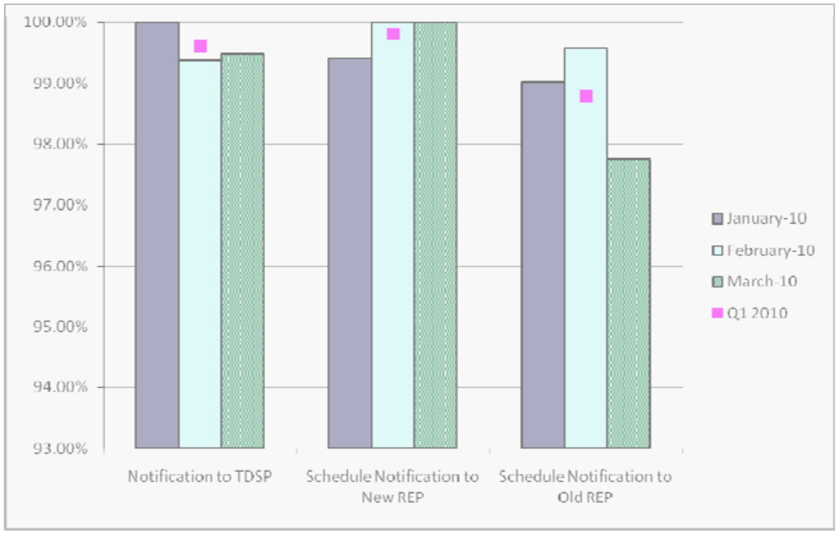


4th Quarter

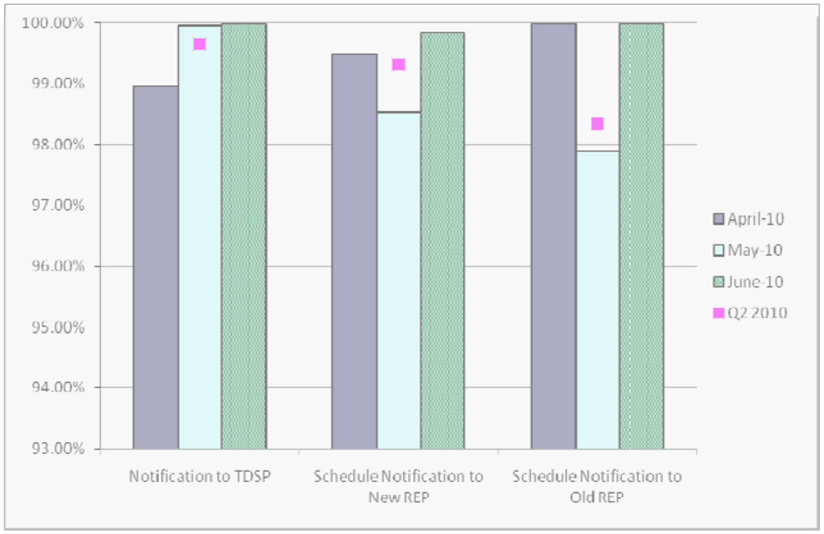


Retail Performance Measures – 2010 Move-In / Standard

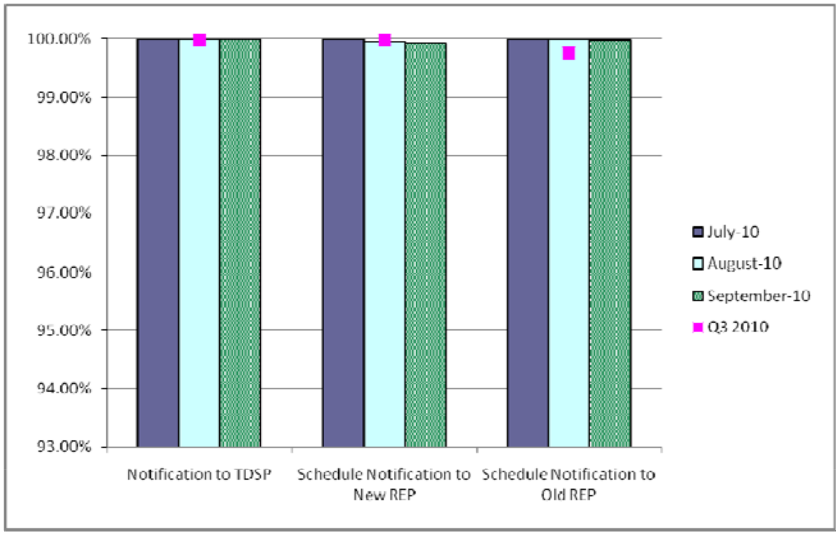
1st Quarter



2nd Quarter



3rd Quarter



4th Quarter

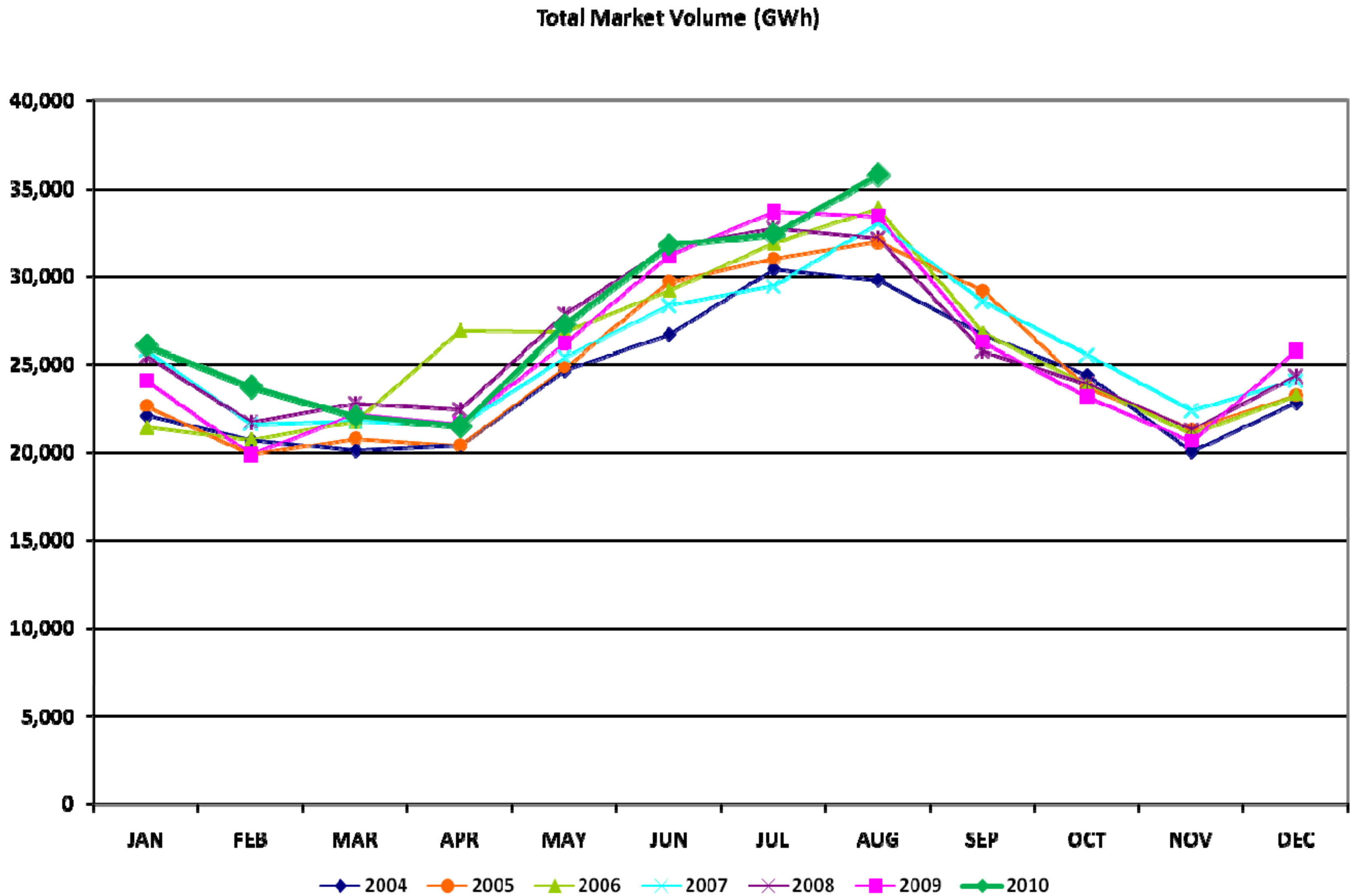
Settlements and Billing Performance Measures – August 2010

	YTD		August	
	08/31/10	08/31/09	2010	2009
Settlement Statements:				
Total	121,364	106,904	16,687	14,356
– Less than 24 hours late	**174**	**109**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	121,190	106,795	16,687	14,356
% Within Protocol	**99.86%**	**99.90%**	**100.00%**	**100.00%**
Invoices:				
Total	6,547	6,308	791	757
– Less than 24 hours late	**0**	**0**	**0**	**0**
– Greater than 24 hours late	**0**	**0**	**0**	**0**
Balance	6,547	6,308	791	757
% Within Protocol	**100.00%**	**100.00%**	**100.00%**	**100.00%**

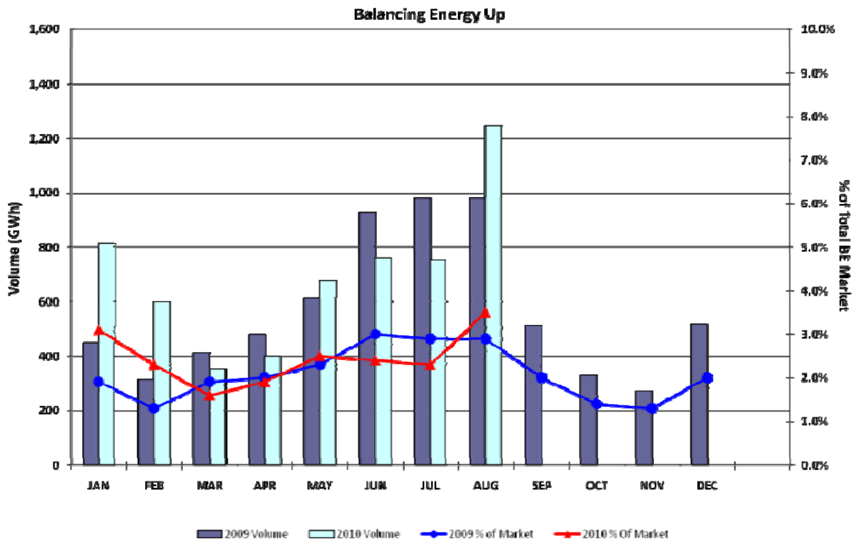
Energy Services

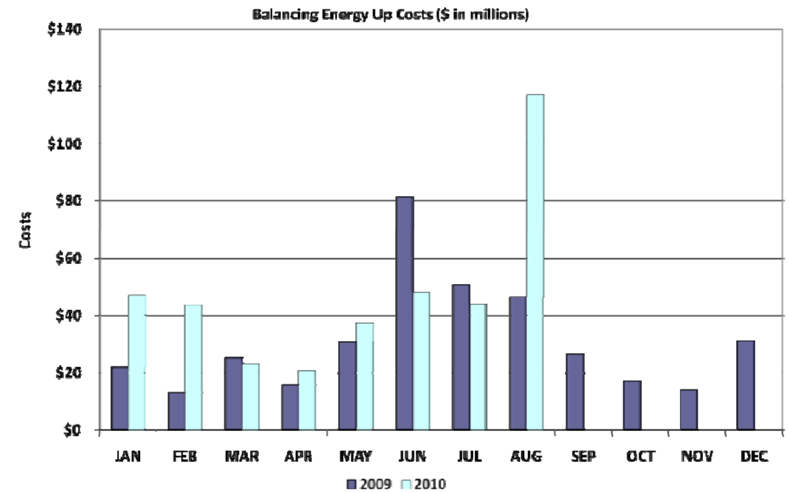
	YTD ($'s in millions) 08/31/10	YTD ($'s in millions) 08/31/09	August ($'s in millions) 2010	August ($'s in millions) 2009
• **Market Perspective:**				
Approximate Retail Market (at $.11/kWh)	**$24,257.2**	**$23,362.8**	**$3,935.3**	**$3,679.7**
Volume (GWh)	220,520	212,389	35,775	33,452
% Increase	3.8%		6.9%	
Natural Gas Price Index ($/MMBTU)	4.6	3.6	4.3	3.1
% Increase	27.8%		38.7%	
• **Balancing Energy:**				
Balancing Energy - Up	**$381.2**	**$285.0**	**$117.0**	**$46.5**
% Increase	33.8%		151.6%	
Up (GWh)	5,603.0	5,152.5	1,247.1	979.3
% Increase	8.7%		27.3%	
% of Market	2.5%	2.4%	3.5%	2.9%
Balancing Energy - Down	**-$259.3**	**-$227.6**	**-$46.2**	**-$29.2**
% Increase	13.9%		58.2%	
Down (GWh)	-10,500.0	-12,306.3	-1,430.8	-1,439.0
% Increase	-14.7%		-0.6%	
% of Market	4.8%	5.8%	4.0%	4.3%

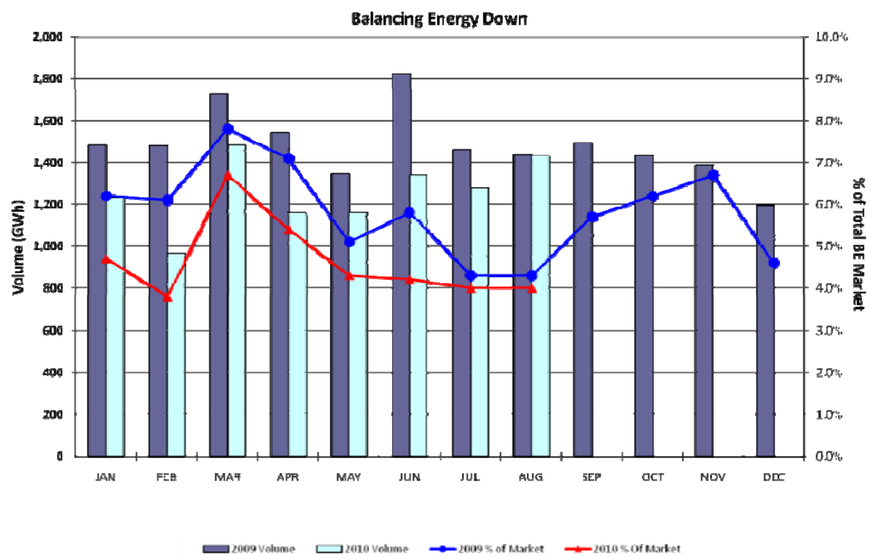
Energy Services

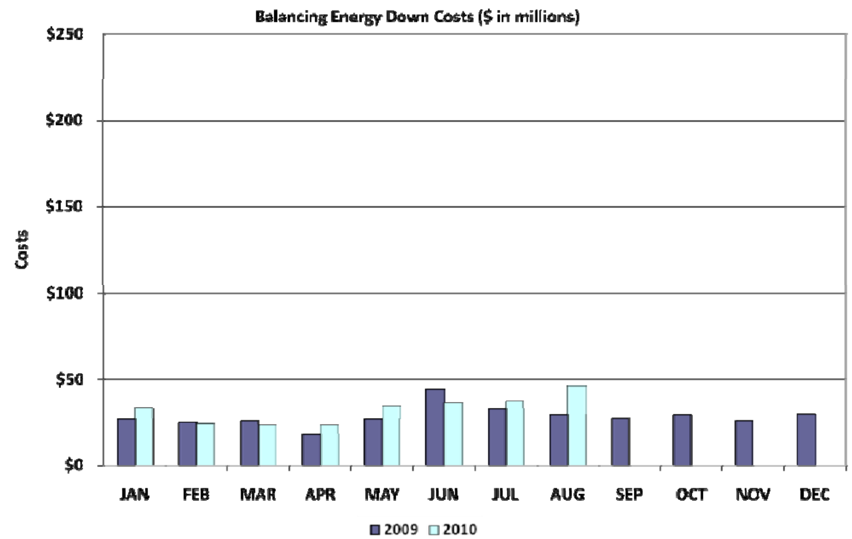


Balancing Energy Services – Volume and Cost

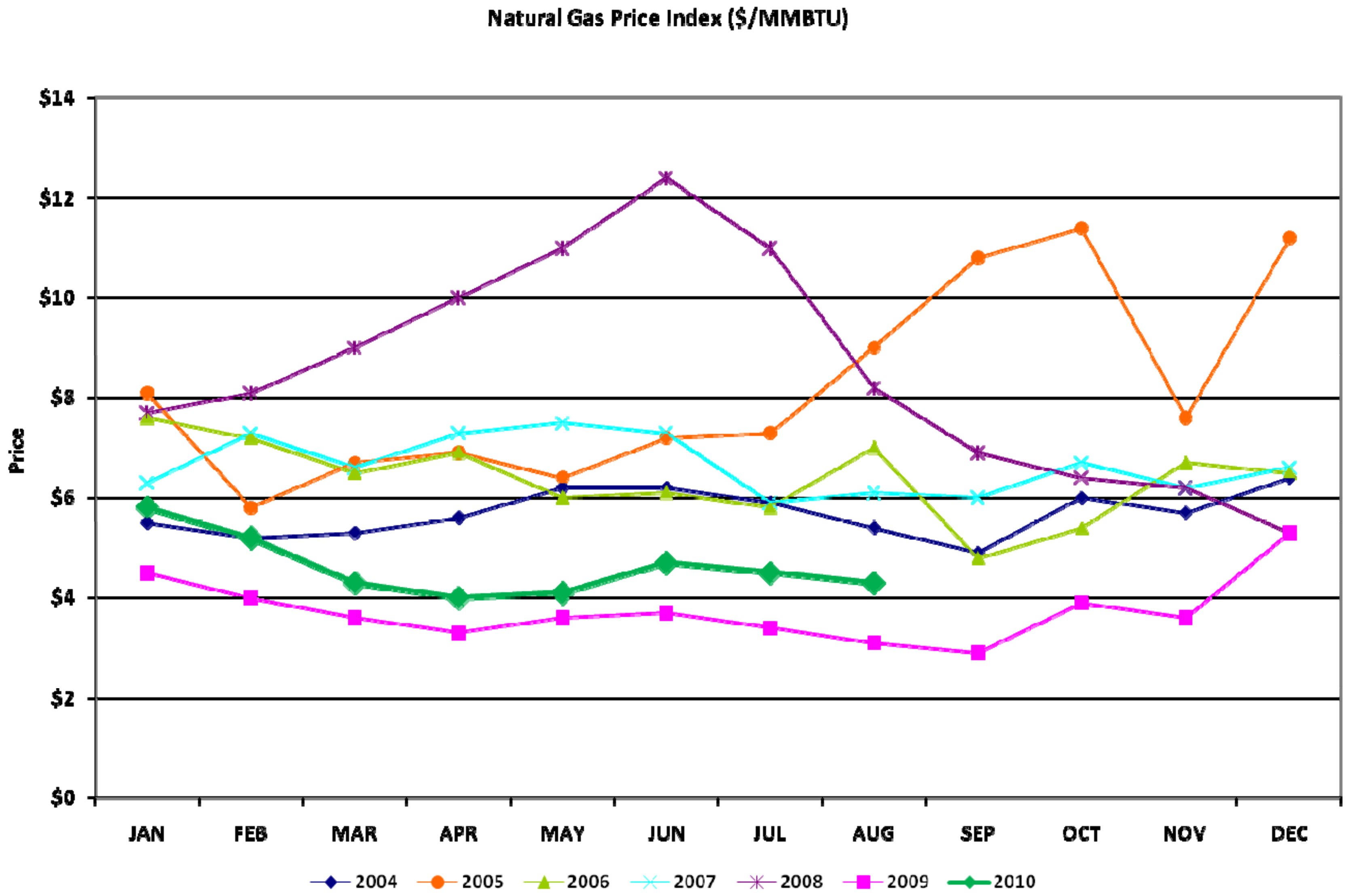








Natural Gas



Natural Gas Price Index ($/MMBTU)
Price
$14
$12
$10
$8
$6
$4
$2
$0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
2004
2005
2006
2007
2008
2009
2010

Capacity Services

	YTD 08/31/10	YTD 08/31/09	August 2010	August 2009
Reg Up:				
Required (MW)	5,086,141	4,827,660	626,312	582,795
Self Arranged (MW)	980,258	1,074,543	123,253	138,430
Procured (MW)	4,121,508	3,766,304	505,582	446,075
Mismatch Schedules (MW)	(15,625)	(13,187)	(2,523)	(1,710)
% Procured	***81%***	***78%***	***81%***	***77%***
Weighted Avg MCPC ($/MW)	11.4	11.2	11.6	8.3
Reg Down:				
Required (MW)	5,216,122	4,995,989	648,945	694,043
Self Arranged (MW)	1,069,268	1,353,005	137,359	158,072
Procured (MW)	4,162,730	3,653,684	514,237	536,723
Mismatch Schedules (MW)	(15,876)	(10,700)	(2,651)	(752)
% Procured	***80%***	***73%***	***79%***	***77%***
Weighted Avg MCPC ($/MW)	10.2	7.9	6.4	4.1
Responsive Reserve:				
Required (MW)	13396,195	13,395,165	1,710,003	1,709,012
Self Arranged (MW)	5,002,699	5,594,594	653,821	749,698
Procured (MW)	8,409,601	7,817,617	1,057,951	961,493
Mismatch Schedules (MW)	(16,105)	(17,046)	(1,769)	(2,179)
% Procured	***63%***	***58%***	***62%***	***56%***
Weighted Avg MCPC ($/MW)	9.9	10.7	12.1	8.2
Non-Spinning Reserve:*				
Required (MW)	9,898,350	6,778,585	1,161,213	669,291
Self Arranged (MW)	2,068,117	1,013,823	345,313	103,981
Procured (MW)	7,845,912	5,776,361	817,583	567,355
Mismatch Schedules (MW)	(15,679)	(11,599)	(1,683)	(2,045)
% Procured	***79%***	***85%***	***70%***	***85%***
Weighted Avg MCPC ($/MW)	6.5	3.7	15.2	2.5
Local Replacement Reserve:				
Procured (MW)	158,802	205,371	107,696	33,294
Zonal Replacement Reserve:				
Procured (MW)	78,029	459,094	11,103	132,825
OOMC:				
Procured (MW)	4,259,723	4,937,445	575,375	9,088

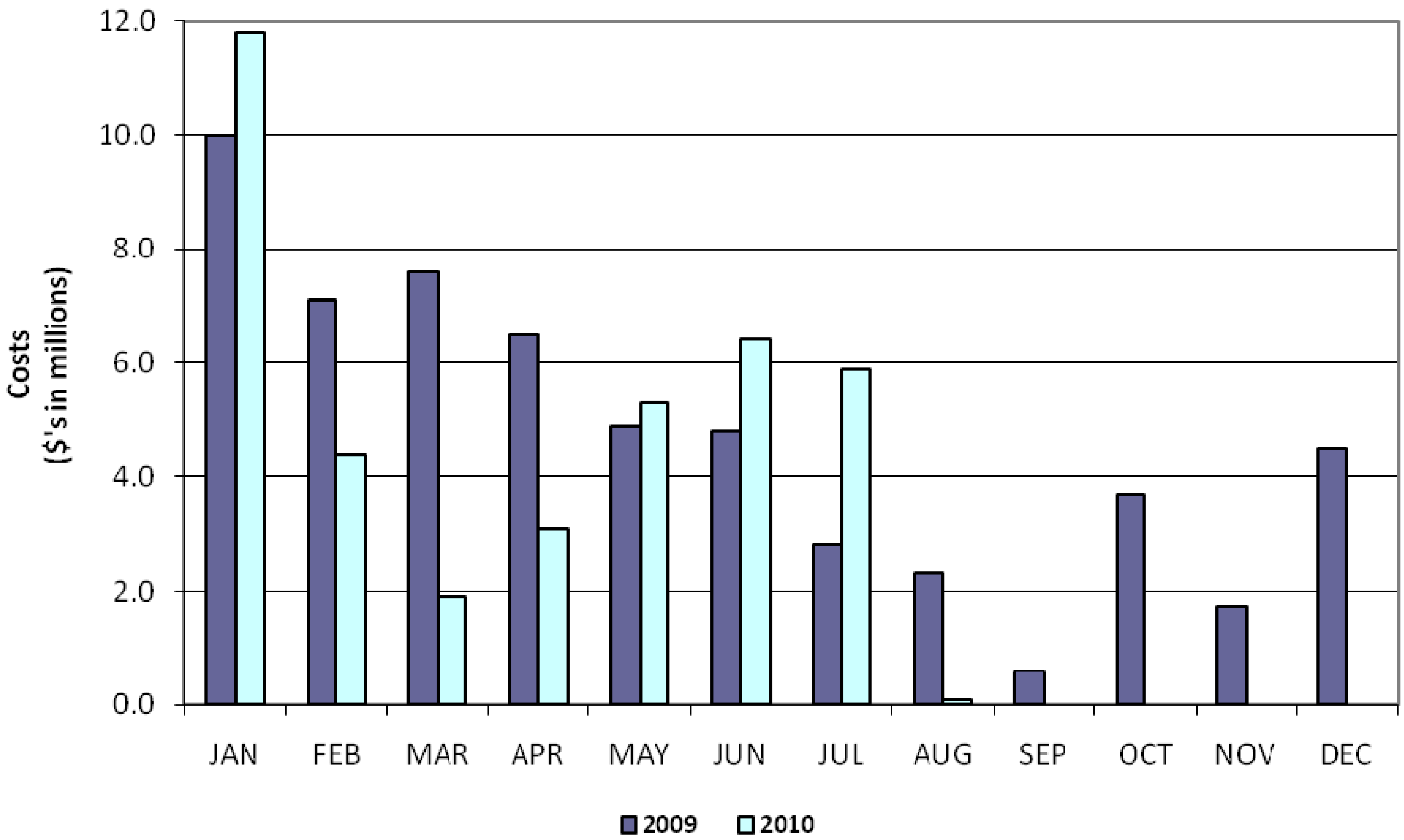
*A/S procurement methodology changed in December 2009

Capacity Services – Cost

	YTD ($'s in millions)		August ($'s in millions)	
	08/31/10	08/31/09	2010	2009
• **Capacity Services:**				
Reg Up	47.1	42.2	5.9	3.7
Reg Down	42.4	28.8	3.3	2.2
Responsive Reserve	83.6	83.6	12.8	7.9
Non-Spinning Reserve *	51.3	21.5	12.4	1.4
Local Replacement Reserve	1.7	2.5	0.8	0.4
Zonal Replacement Reserve	3.1	14.3	0.6	4.6
Black Start	3.9	3.7	0.5	0.5
OOMC	40.7	47.1	0.07	2.4
RMR Capacity and Start Up	$10.1	$0.6	$1.9	$0.2
TOTAL CAPACITY SERVICES	**$283.9**	**$244.3**	**$38.3**	**$23.3**

*A/S procurement methodology changed in December 2009

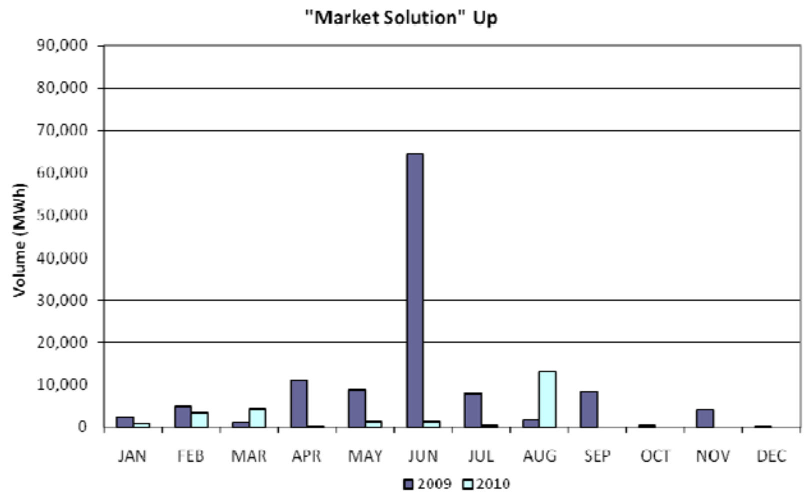
Capacity Cost – OOMC

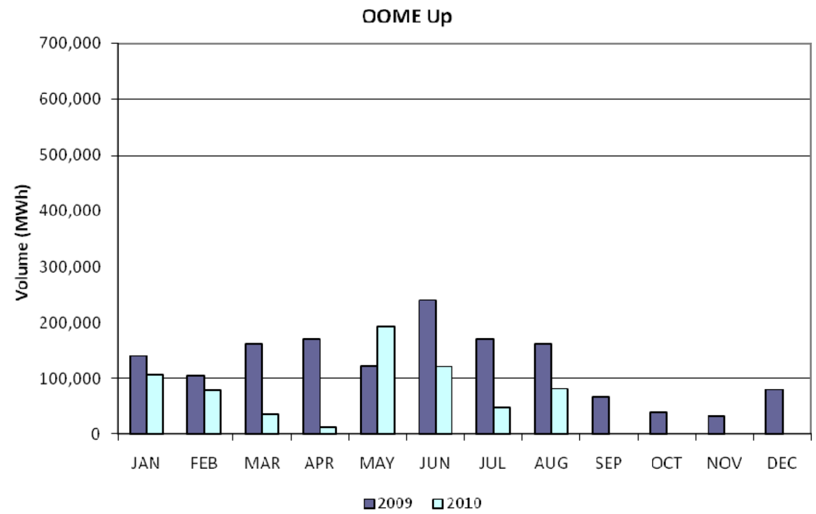


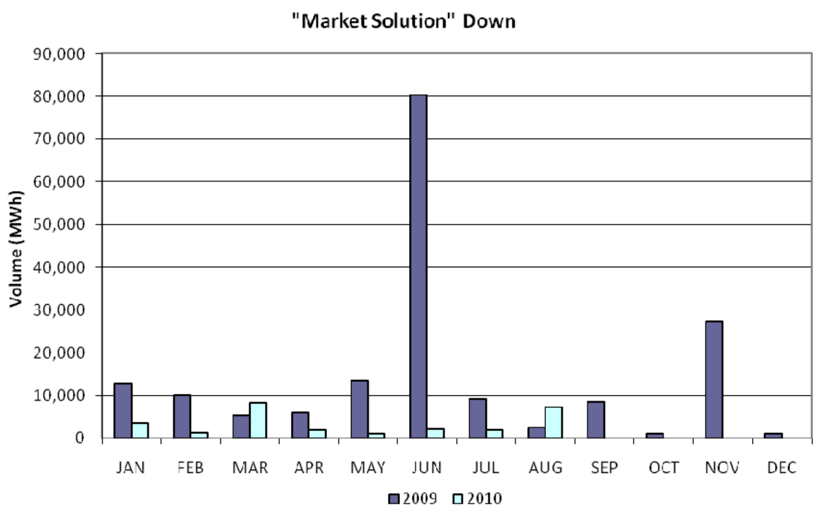
Congestion Management

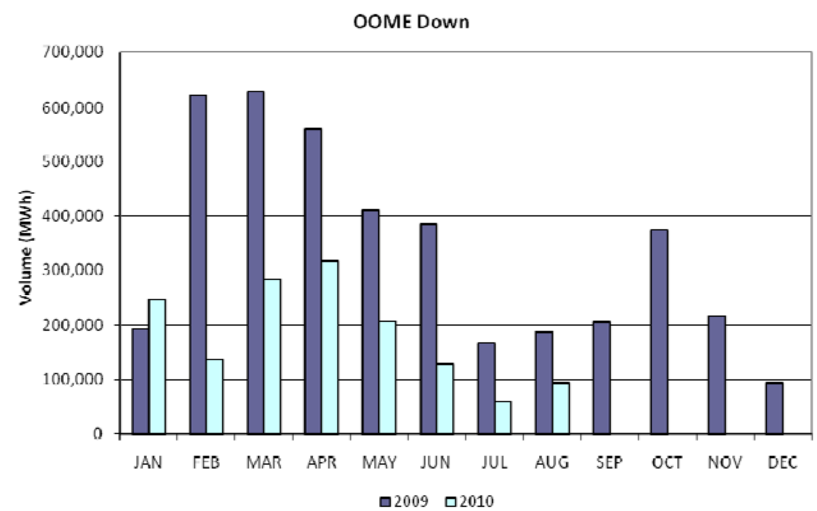
	YTD ($'s in millions)		August ($'s in millions)	
	08/31/10	08/31/09	2010	2009
• **Local Congestion:**				
"Market Solution" Down	1.3	8.2	0.2	0.1
"Market Solution" Up	0.2	0.8	0.04	0.01
OOME - Down	43.0	65.0	5.6	4.1
OOME - Up	11.2	15.5	0.6	1.2
Total Local Congestion Costs	**$55.7**	**$89.5**	**$6.4**	**$5.4**
• **Local Congestion Volume: (units in MWh)**				
"Market Solution" Down	27,398	139,971	7,356	2,524
"Market Solution" Up	24,496	102,143	13,148	1,602
OOME - Down	1,477,254	3,161,557	93,979	189,272
OOME - Up	679,533	1,278,204	81,489	163,224
Total Local Congestion Volume	**2,208,681**	**4,681,875**	**195,972**	**356,622**
• **Zonal Congestion and TCR / PCR:**				
TCR / PCR Annual Auction Proceeds received from Holders	($36.0)	($69.1)	($5.5)	($10.6)
TCR Monthly Auction Proceeds received from TCR Holders	($43.2)	($56.1)	($3.1)	($8.1)
Direct Assignment Proceeds received from QSEs based on schedules	($0.4)	($58.2)	($0.2)	($0.5)
Proceeds Paid to TCR / PCR Holders including Auction Refunds	$57.1	$170.0	$2.4	$4.5
Total Zonal Congestion and TCR / PCR Costs Uplift	**($22.5)**	**($13.5)**	**($6.4)**	**($14.7)**

Local Congestion Volume

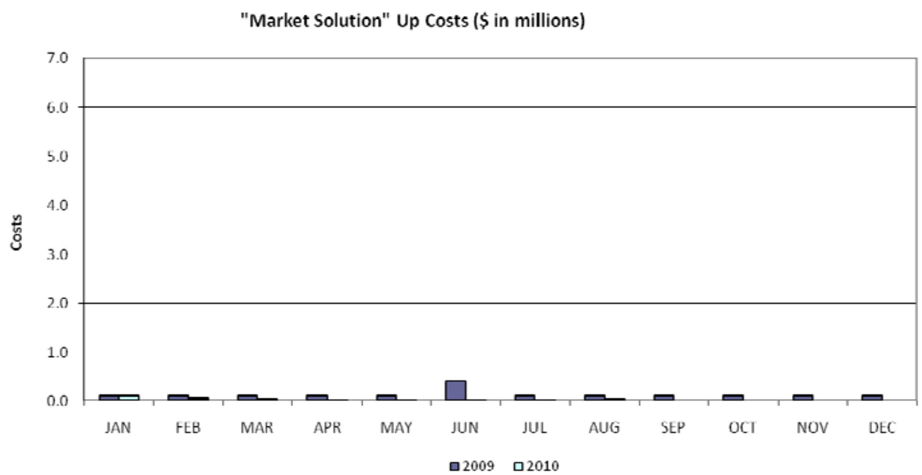


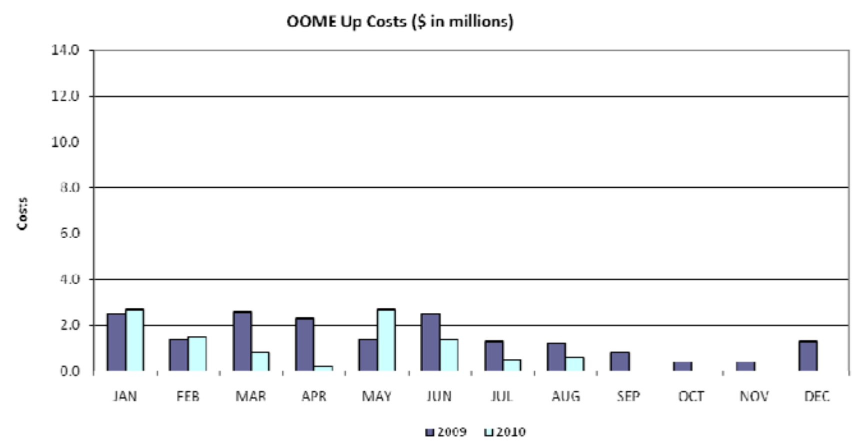


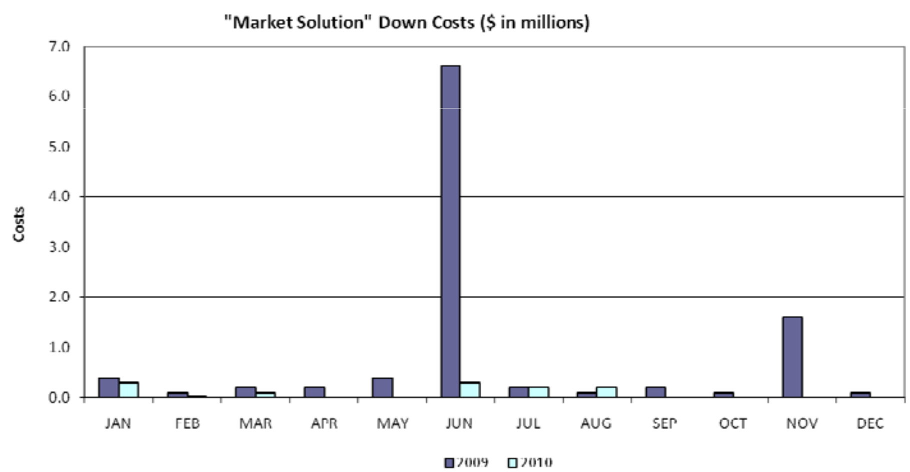


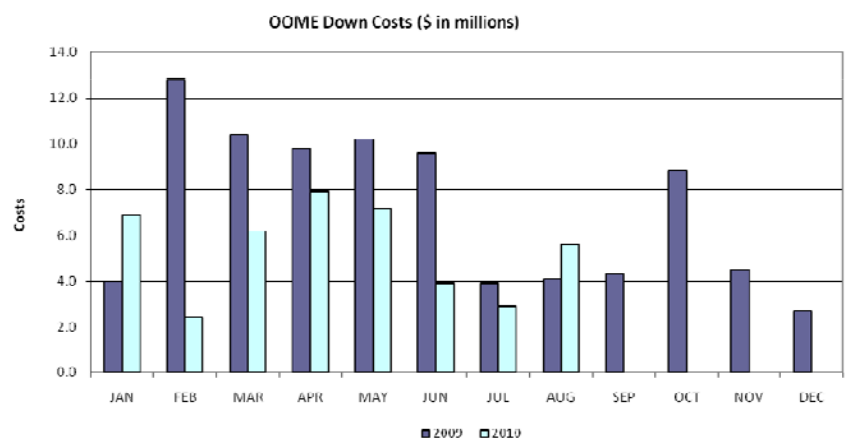


Local Congestion Costs









Load Zone Price Data

Total Load Weighted Average Price ($/MWH)*

[MCPE weighted by Total Zonal Load]

LOAD ZONE	Aug 2010	Jul 2010	June 2010	May 2010	Apr 2010	Mar 2010	Feb 2010	Jan 2010
South	$59.91	$41.39	$43.20	$35.50	$32.54	$33.43	$47.56	$44.43
North	$60.78	$41.36	$43.12	$35.54	$32.96	$34.22	$47.57	$42.96
Houston	$59.68	$41.60	$43.37	$35.61	$32.65	$32.81	$46.65	$42.75
West	$56.68	$39.25	$37.19	$30.39	$24.42	$23.17	$40.28	$39.19

LOAD ZONE	Aug 2009	Jul 2009	Jun 2009	May 2009	Apr 2009	Mar 2009	Feb 2009	Jan 2009
South	$32.51	$35.67	$82.81	$32.97	$24.27	$26.35	$27.27	$34.69
North	$32.47	$35.81	$35.15	$32.99	$24.82	$32.21	$27.89	$32.31
Houston	$32.81	$35.68	$61.82	$32.70	$24.58	$29.11	$27.19	$32.78
West	$29.84	$33.75	$32.95	$24.57	$12.93	$25.70	$19.93	$24.04

Represents the average price for loads within the zone

REPs and QSEs Added/Terminated – as of September 30, 2010

- **Added REPs**
  - ✓ TEXREP5 LLC d/b/a Allstar Energy LLC (LSE)
  - ✓ EDF Industrial Power Services (TX) V LLC (LSE)

- **Added QSEs**
  - ✓ Macquarie Energy LLC LS1 (SQ1)
  - ✓ Vitol Inc (QSE)
  - ✓ Infinite Electric LLC (QSE)
  - ✓ MP2 Energy LLC (SQ1)
  - ✓ TEXREP 5 LLC d/b/a Allstar Energy LLC (QSE)

- **Terminated REPs**
  - ✓ None

- **Terminated QSEs**
  - ✓ Direct Energy LP (SQ6)
  - ✓ Direct Energy LP (SQ7)
  - ✓ Direct Energy LP (SQ8)
  - ✓ TRQ2 (SQ2)
  - ✓ TRQ5 (SQ5)

Questions?