

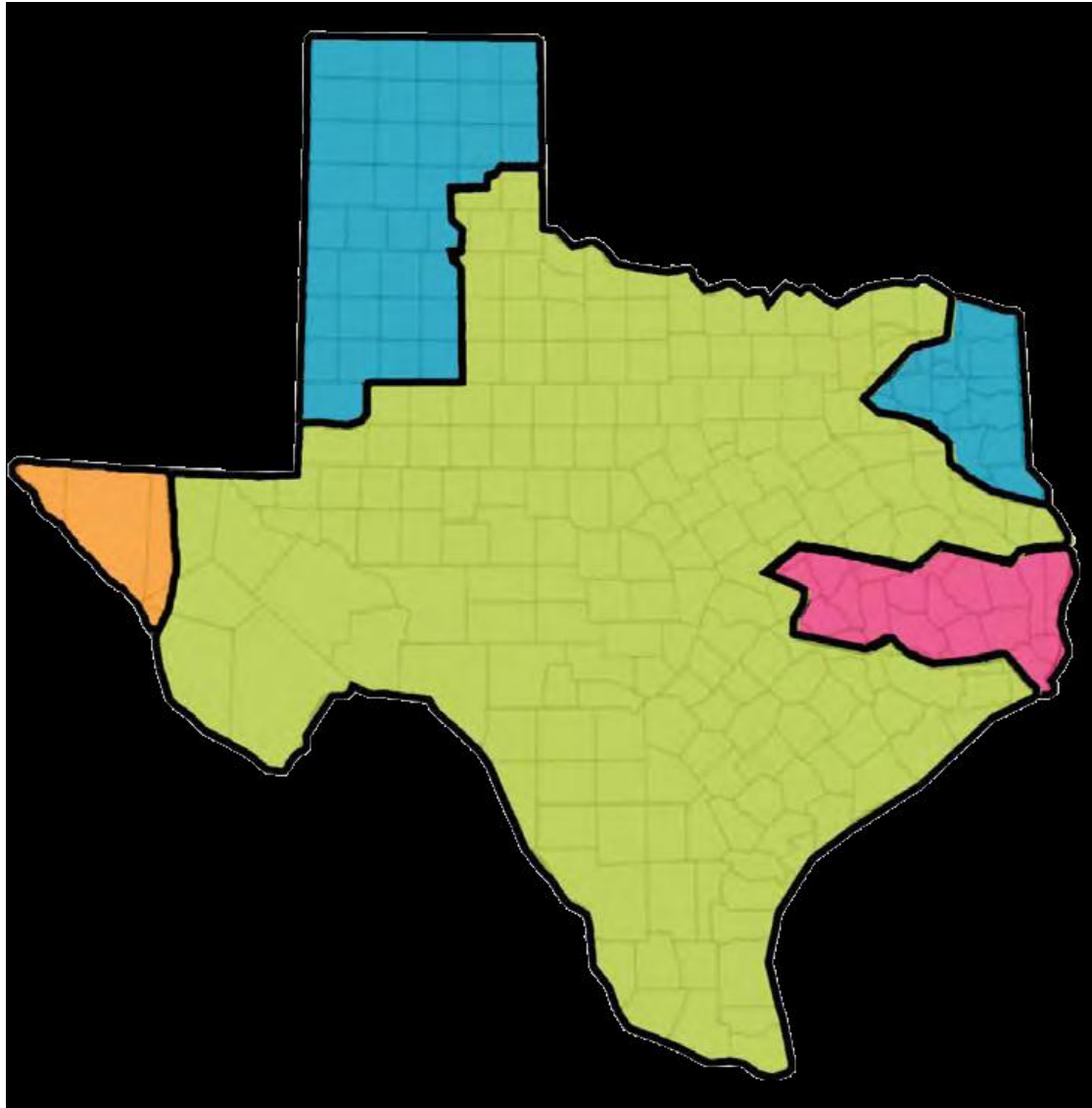
Senate Committee on Business and Commerce

Commissioner Donna L. Nelson

Public Utility Commission of Texas

October 25, 2010

The Texas Electric Market



The ERCOT Market

- 85% of Texas load & 75% of land
- 22 million Texans served
- Market size: \$34 billion
- 41,000 MW generation added since 1996
- Installed capacity of 84,237 MWs

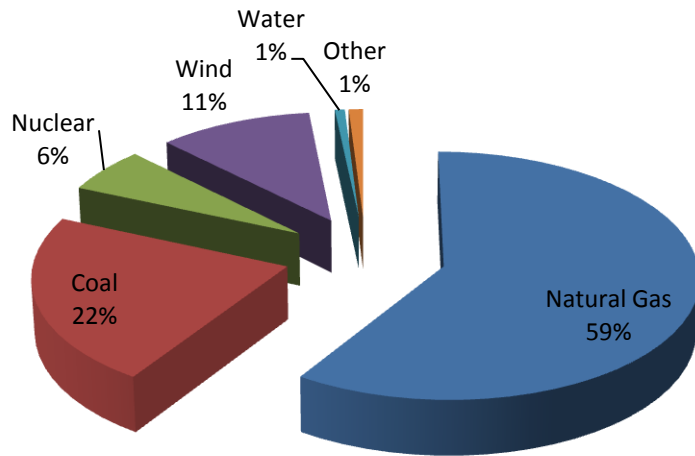
Generation

Generation in ERCOT

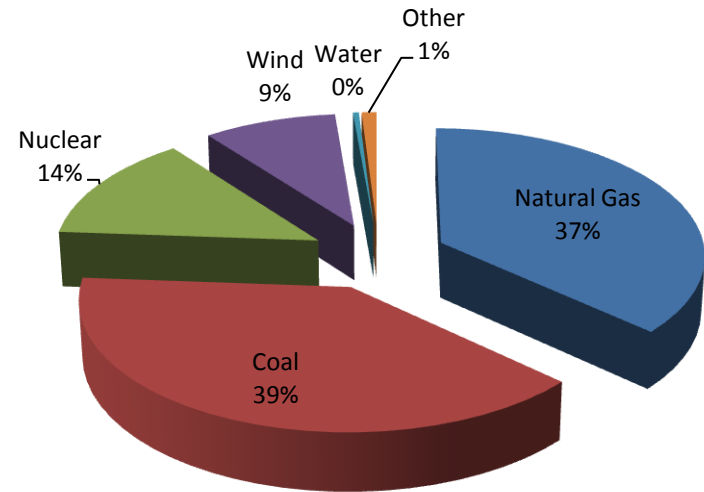
- Generators compete with one another in the wholesale electric market
- Approximately **95 percent** of energy is sold through bilateral contracts
- The remaining **5 percent** is sold through the balancing energy market and ancillary services, both administered by ERCOT

ERCOT in 2010

2010 Electric Capacity by Fuel Type



2010 Electric Generation by Fuel Type

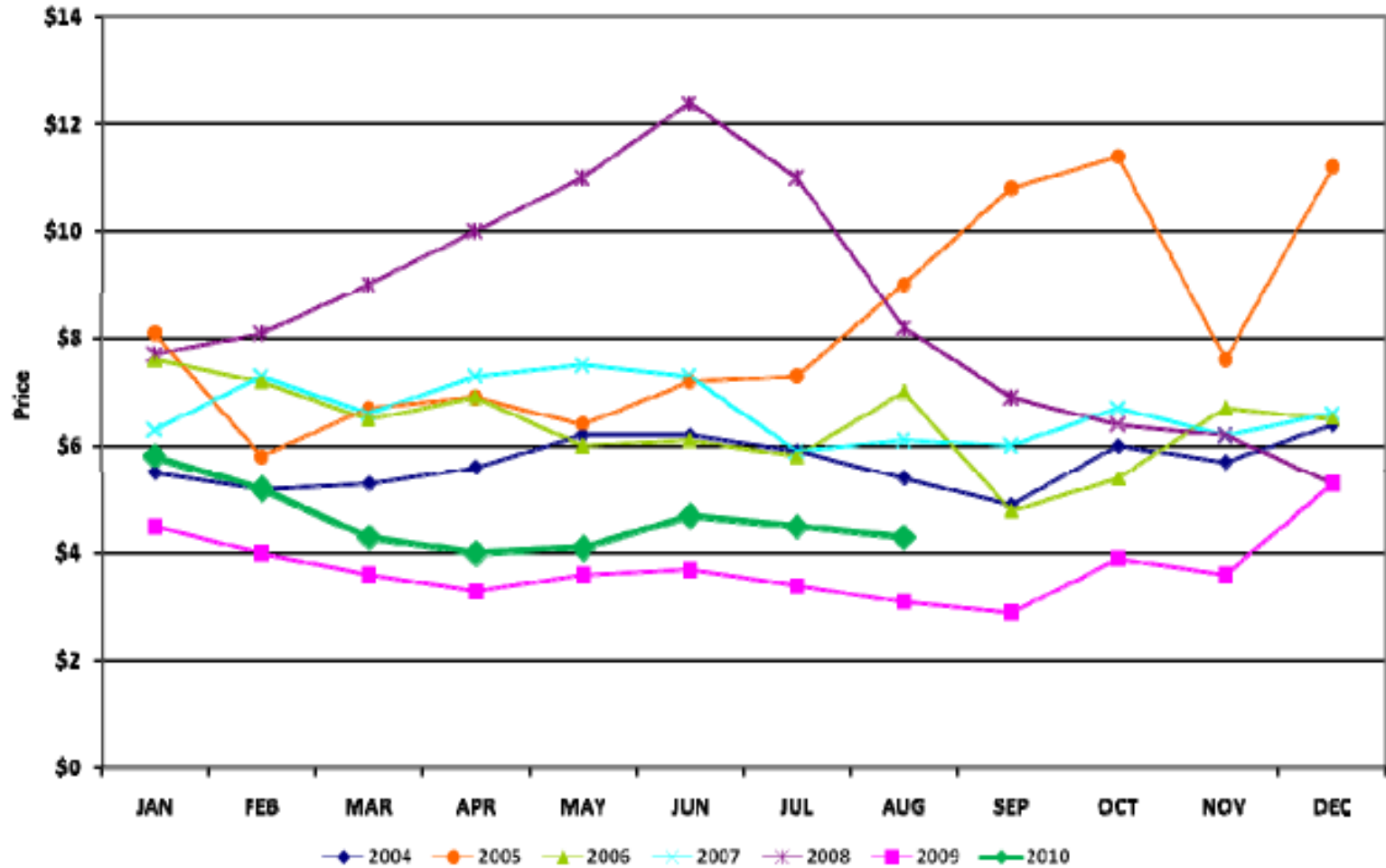


Generation in ERCOT

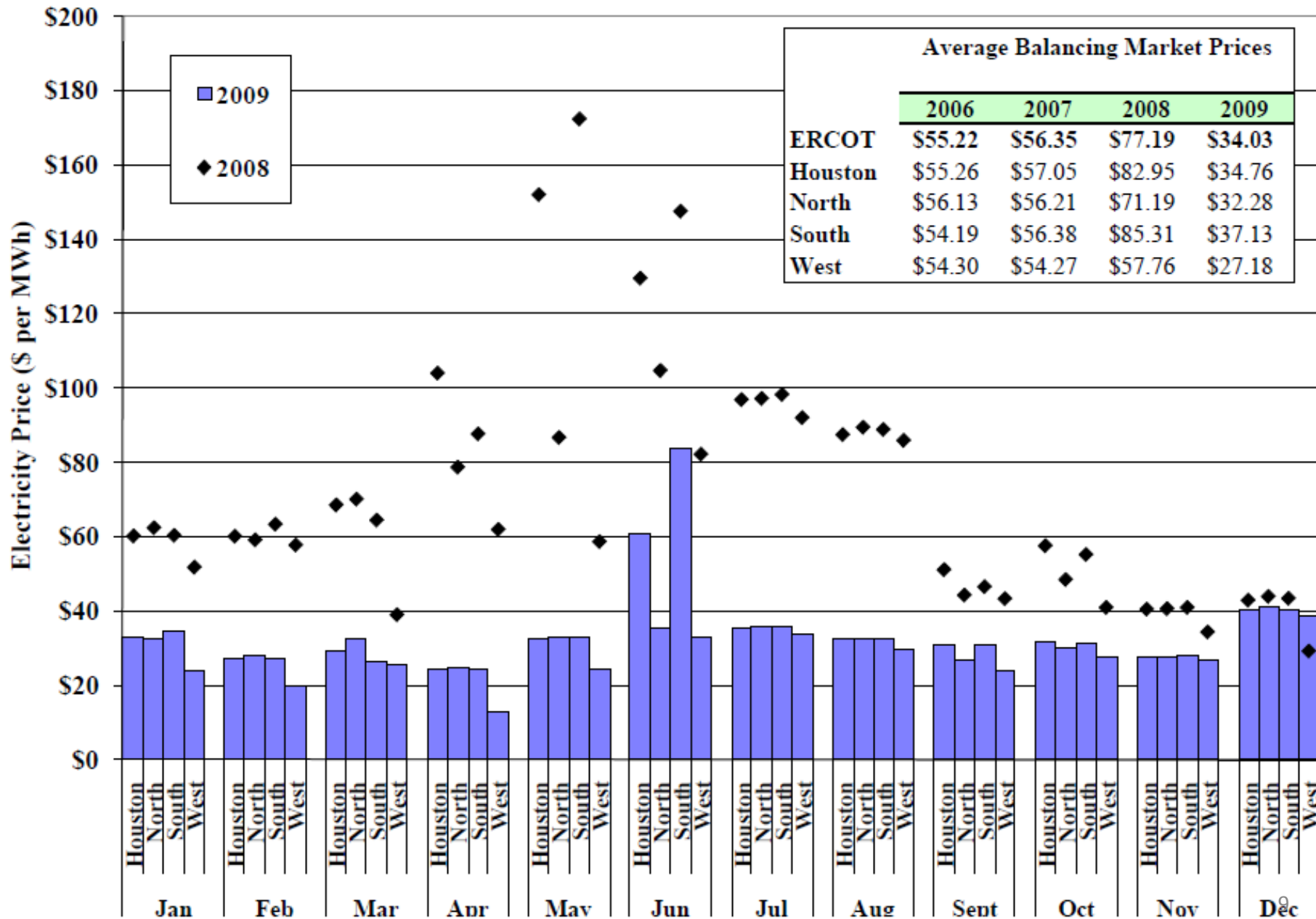
- Generators have invested \$36.5 billion since 1999 in new generation
- Many of these new power plants replace older, less efficient plants; thus, Texas uses less fuel and produces fewer emissions
- Since 1999, Texas has become nation's leader in wind energy, with over 10,000 mw of installed capacity

Natural Gas

Natural Gas Price Index (\$/MMBTU)



Average Balancing Energy Market Prices



Transmission

TDU's in ERCOT

- Own and operate transmission lines and distribution lines
- Build new lines and maintain existing lines
- Read meters and collect usage information
- Fully regulated monopolies

Transmission Investment in Texas

- 7,730 circuit miles of transmission since 1999
- 5,729 circuit miles of transmission under study
- \$5.78 billion in transmission added since 1999
- \$8.2 billion under development in five-year plan, including \$5 billion to support 18,000 MW of wind

Retail Service

Retail Electric Providers in ERCOT

- REPs compete with one another in the competitive retail market
- Procure electricity through bilateral contracts and the balancing energy market
- Interface with end-use customers; must adhere to customer protection rules
- Required to obtain certification from PUCT; also have some reporting and disclosure requirements
- **Electric Choice:** www.powertochoose.org

Texas Customers Like Choice

- In a 2008 poll of registered voters, **80 percent** favor a competitive electricity market
- Approximately **53 percent** of eligible Texas residents have chosen non-incumbent providers
- Approximately **80 percent** of eligible consumers in the commercial and industrial segment are with non-incumbent providers

Variable Rate Retail Products

| Wire Co. | Price | REP | 2001 Reg'd Rate | Change |
|-------------|-------|----------|-----------------|--------|
| AEPC | 8.3 | Reliant | 9.6 | -13.5% |
| AEPN | 7.7 | Dynowatt | 10.0 | -23% |
| TNMP | 7.4 | Stream | 10.6 | -30.2% |
| Centerpoint | 7.3 | Reliant | 10.4 | -29.8% |
| Oncor | 6.8 | Nations | 9.7 | -29.9% |

As of 10/21/10

12 Mo. Fixed Rate Retail Products

| Wire Co. | Price | REP | 2011 Reg'd Rate | Change |
|-------------|-------|------------------|-----------------|--------|
| AEPC | 9.2 | Amigo | 9.6 | -4.2% |
| AEPN | 8.4 | Amigo | 10.0 | -16% |
| TNMP | 8.5 | Southwest P&L | 10.6 | -19.8% |
| Centerpoint | 9.1 | Amigo | 10.4 | -12.5% |
| Oncor | 8.2 | Amigo | 9.7 | -15.4% |

As of 10/21/10

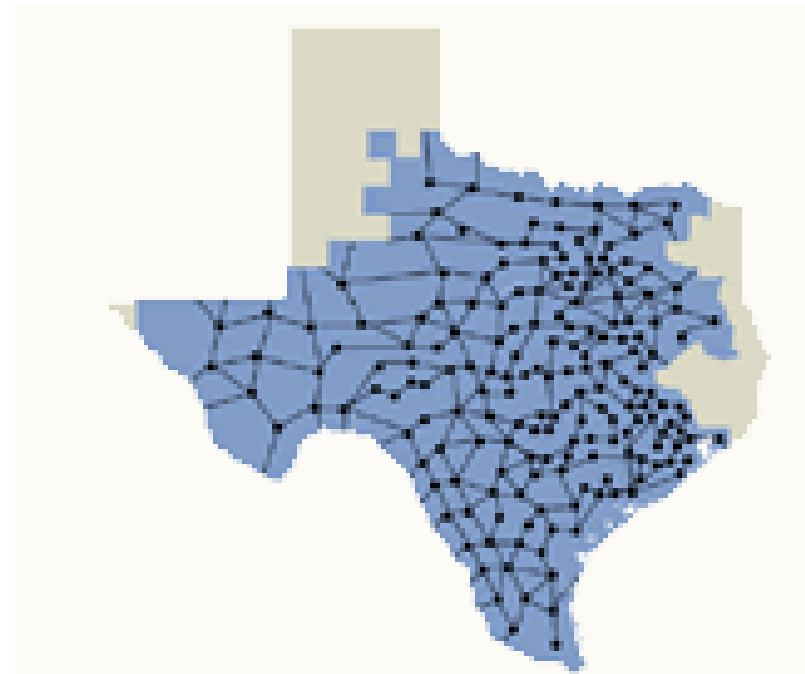
The Nodal Market

ERCOT Inc.'s Role in the Market

Texas Legislature restructured electric market in 1999. Assigned ERCOT four primary responsibilities:

- System reliability – planning and operations
- Open access to transmission
- Retail switching process for customer choice
- Wholesale market settlement for electricity production and delivery.

Zonal vs. Nodal

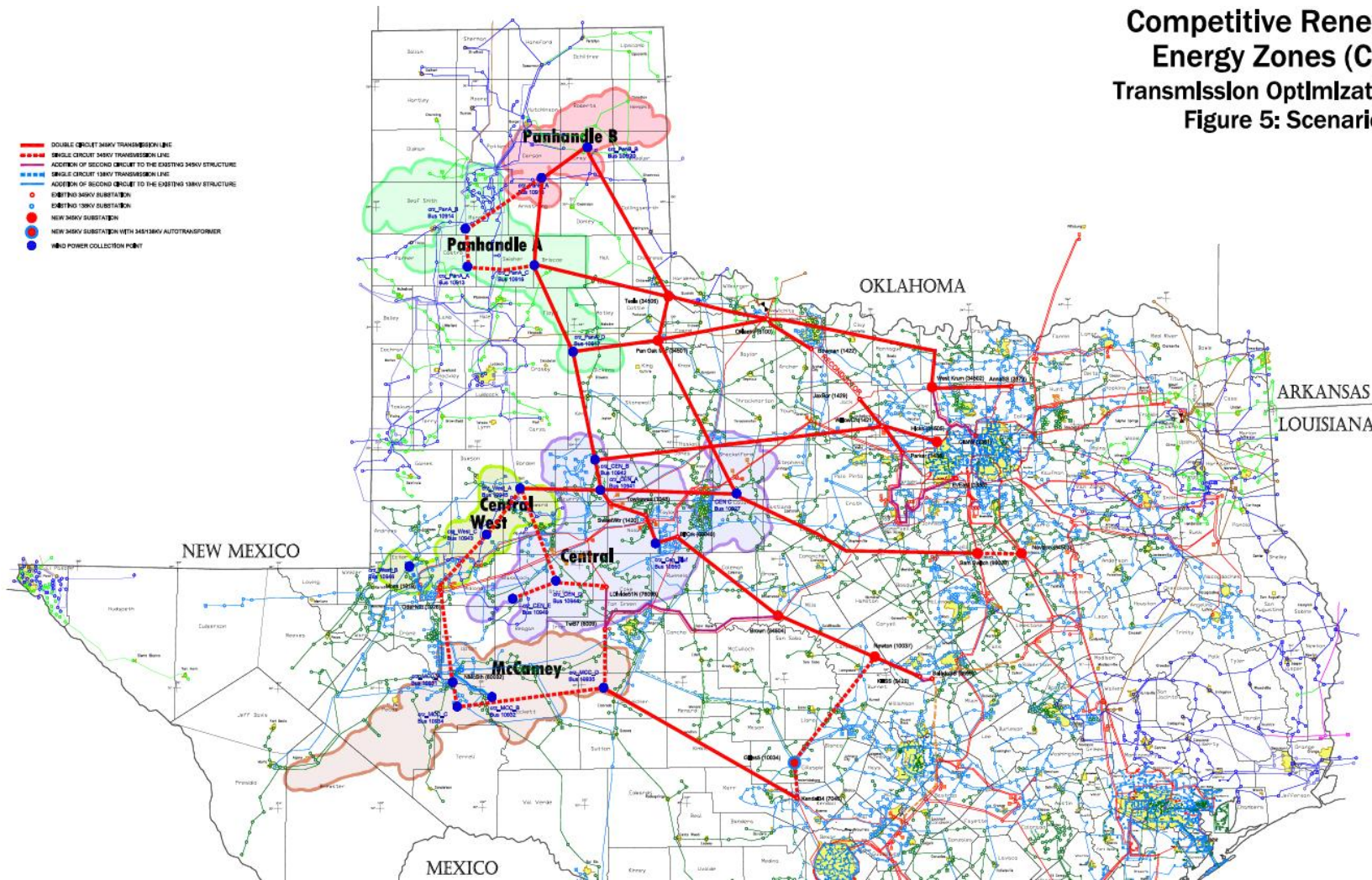


Appendix

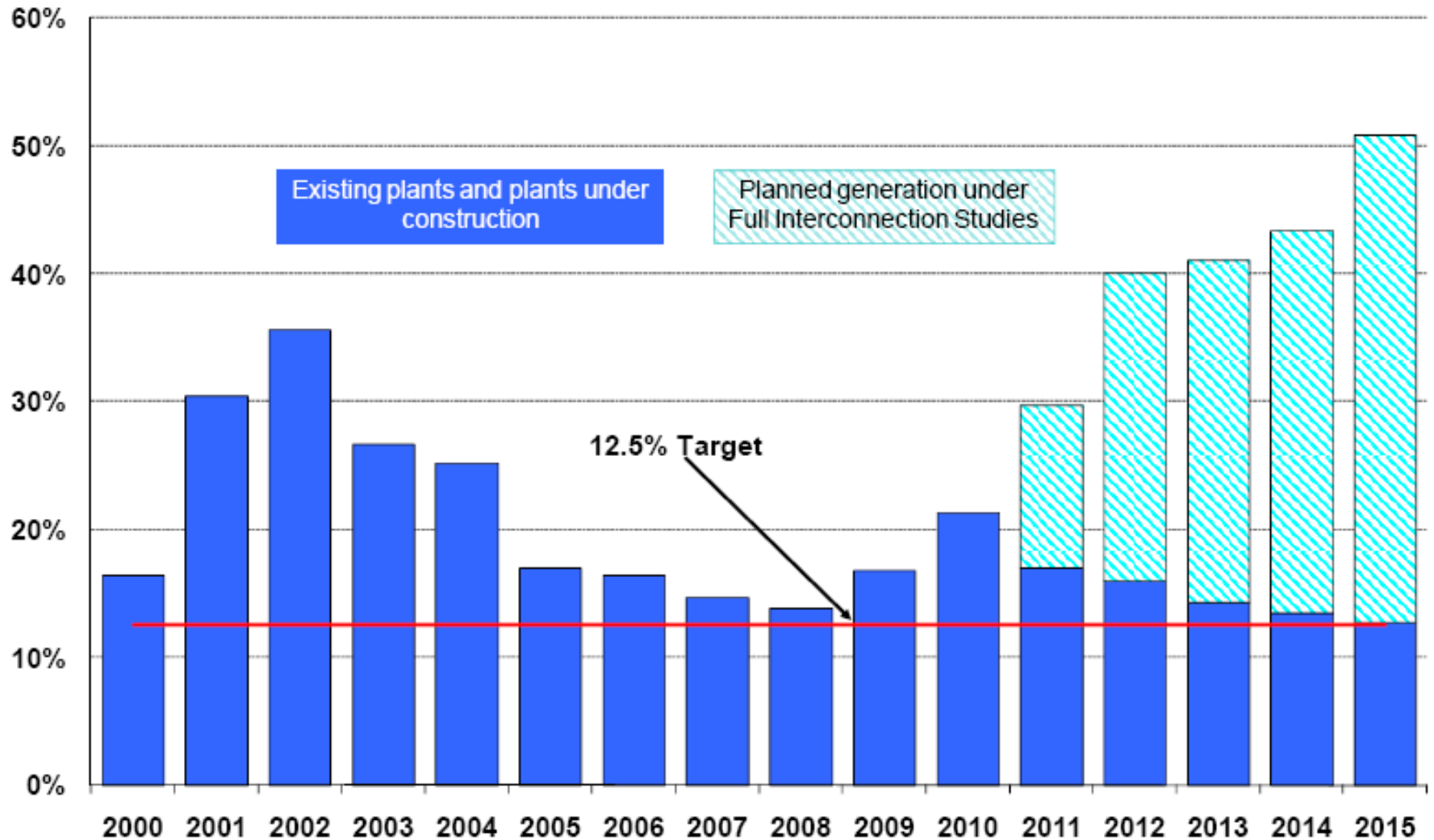
Competitive Renewable Energy Zones

Scenario 2

Competitive Renewable Energy Zones (CREZ)
Transmission Optimization Study
Figure 5: Scenario 2



Reserve Margins for Years 2000 through 2015



BREAKOUT OF ELECTRIC BILL

Applies to Competitive Choice Areas of ERCOT

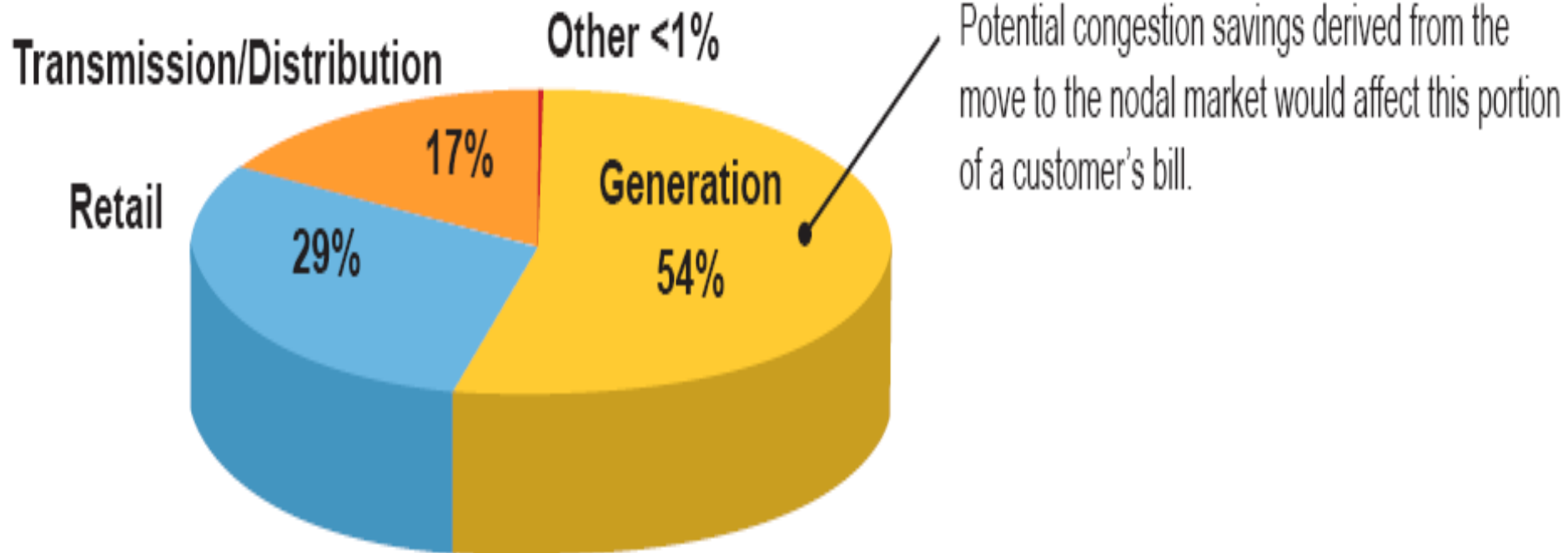


Chart based on retail data, market data, T&D charges and average retail margins for 2007-8. Does not include taxes.