



July 18, 2008

Dear Market Participants:

The North American Electric Reliability Corporation (NERC) and the Texas Regional Entity (TRE) will be auditing ERCOT from September 8 -12, 2008, in connection with its status as the Reliability Coordinator (RC), Transmission Operator (TOP), Balancing Authority (BA), and the Transmission Service Provider (TSP) for the ERCOT region. Please be advised that ERCOT may be requesting documentation from your organization in connection with the upcoming reliability audit.

Although ERCOT is the registered entity for the above referenced functions, due to the interactions between ERCOT and its stakeholders in the operation of the transmission grid and wholesale electricity markets, Transmission Owners (TDSPs) and Qualified Scheduling Entities (QSEs) possess information that may be relevant to the reliability audit. Accordingly, such entities may be asked to supply certain information to ERCOT to demonstrate compliance with particular audit requirements. ERCOT is preparing a list using NERC Reliability Standards Audit Worksheets to specifically identify the types of information that may be requested. It is anticipated that this list will be provided to affected entities via Market Notices in early August.

Under the new reliability paradigm it is critical that all ERCOT entities cooperate to ensure we meet our reliability obligations. ERCOT appreciates your assistance in this matter.

Thank you for your support.

Sincerely,

A handwritten signature in dark ink, appearing to read "H.B. Doggett". The signature is fluid and cursive.

H.B. (Trip) Doggett
Senior Vice President and
Chief Operating Officer