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**INVESTIGATION OF THE ERCOT  
ENERGY EMERGENCY ALERT LEVEL 3  
ON FEBRUARY 2, 2011**

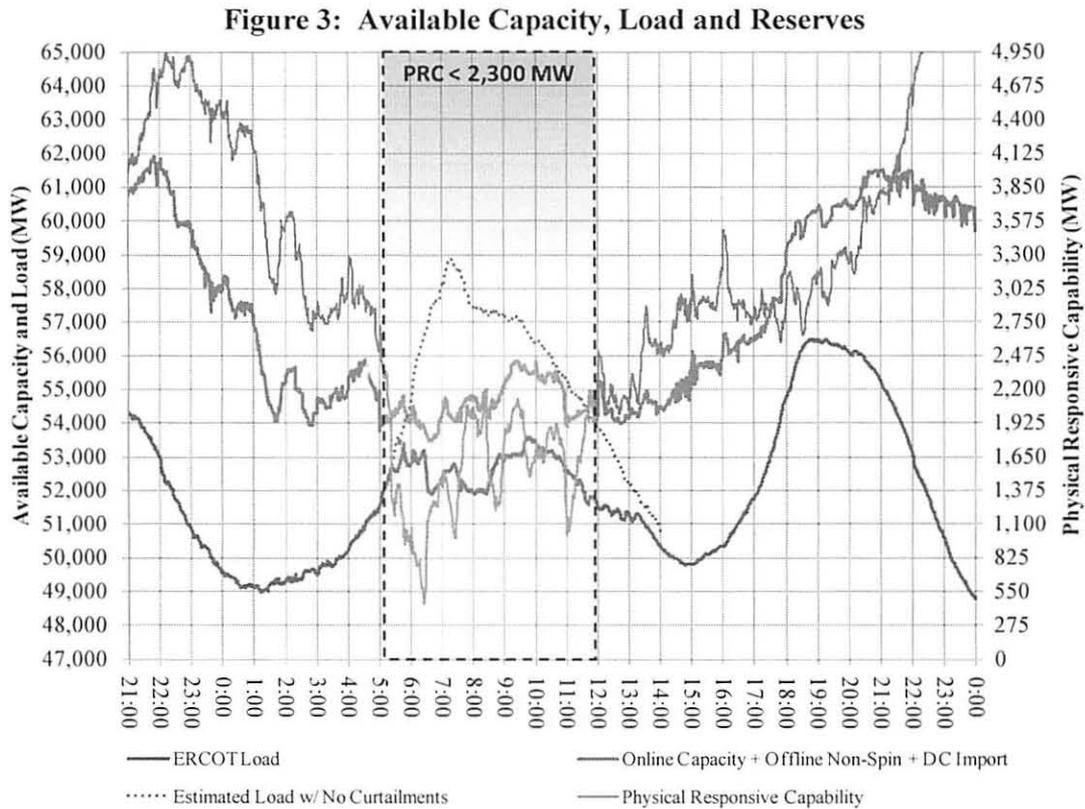
POTOMAC ECONOMICS, LTD.

Independent Market Monitor for the  
ERCOT Wholesale Market

April 21, 2011

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To ensure reliable recovery from the loss of the two largest generators under normal conditions, ERCOT’s minimum acceptable level of PRC is 2,300 MW. If PRC drops below 2,300 MW, ERCOT will initiate Energy Emergency Alert Level 1. As shown in Figure 3, PRC (on the right y-axis) was less than the ERCOT minimum level of 2,300 MW from just after 5 a.m. until approximately 12:00 p.m. on February 2<sup>nd</sup>, dropping as low as 445 MW at approximately 6:25 a.m.

To provide additional perspective on the capacity limitations experienced on February 2<sup>nd</sup>, Figure 4 shows the available capacity (online capacity plus offline non-spinning reserves) and the ERCOT load for the seven days from January 31 through February 6, 2011.