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Addendum StartPage: 0

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ISSUES RELATED TO THE STATE OF §
DISASTER FOR THE FEBRUARY 2021 §
WINTER WEATHER EVENT §

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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

**COMMENTS OF CITY OF AUSTIN D/B/A AUSTIN ENERGY REGARDING
FEBRUARY 15, 2021 COMMISSION ORDER**

The City of Austin d/b/a Austin Energy (“Austin Energy”) files these comments related to the February 2021 Winter Weather Event (“Weather Event”) and the Public Utility Commission of Texas’ (“Commission’s”) Order Directing ERCOT to Take Action and Granting Exception to Commission Rules issued on February 15, 2021 (“Order”). Austin Energy believes the Commission should maintain its position rejecting proposals to reprice the market for the dates of February 18-19, 2021.

As a municipally-owned utility, Austin Energy manages a large, diverse generation resource portfolio, operates as a transmission and distribution utility, and provides retail electricity service to an expansive customer base. Because it is both a generator and a load-serving entity, it is uniquely positioned to weigh in on current calls from stakeholders and policymakers to re-price wholesale energy prices during the Weather Event, and to demonstrate that re-repricing is not necessarily a panacea for electric customers. Many parties that have filed comments are taking positions that are outcome-oriented and based on their narrow interests as either primarily serving load or generation. Austin Energy does both. These comments are intended to balance these interests and also recognize the long-term impacts that such re-pricing changes could have on the long-term sustainability of the ERCOT system and wholesale electricity market.

Wholesale gains or losses from generation sold and power purchased by Austin Energy ultimately flow directly through to Austin Energy’s customers through its power supply adjustment factor. Its generation serves as a financial hedge against the market. Thus, the effect of any repricing undertaken by the Commission will be borne by Austin Energy’s customers in the long-term. Throughout the event, Austin Energy and other market participants followed clear

orders and directives issued by the PUC and ERCOT. As the Commission recently noted in declining to reprice, any attempt to do so after the fact – with incomplete information regarding market participants' cost and hedging positions – will simply create a different set of harmful outcomes.

Austin Energy's situation demonstrates the truth of this observation. Austin Energy customers stand to see significant financial losses passed through to them if repricing is adopted despite the relatively successful performance of Austin Energy's generation fleet throughout the event. Austin Energy made decisions based on the Order and notice from ERCOT on the morning of February 18 pricing energy at \$9,000/MWh up until EEA 3 conditions were lifted at 9:00 a.m. February 19, 2021. This included offering Austin Energy's generation resources into the market in the face of the exceptionally high gas prices existing in the market at the time. Simultaneously, Austin Energy was working to restore power to customers who had been in sustained ERCOT-directed outages as a result of the load shed directives. Repricing the energy market without the commensurate ability to reprice generators' enormous gas prices – or otherwise account for the impact of those costs – will force Austin Energy customers to bear these losses, despite the contention of the Independent Market Monitor ("IMM") regarding the ability of generators to receive adequate compensation under a repricing.

Market participant expectations for the very limited circumstances in which re-pricing can be expected within ERCOT were clear leading up to the weather event as the topic of pricing corrections has been discussed extensively in recent PUC and ERCOT discussions and actions prior to the event. Specifically, the Commission and ERCOT stakeholders until now have consistently taken the stance to not adjust or reprice wholesale market prices unless the impact is both of a material impact *and* attributable to technical errors in ERCOT's system or inconsistency with the ERCOT Protocols or the PUC's rules.

While the impact of re-pricing was material, it was not the result of a technical error made by ERCOT's systems. The sole question is whether ERCOT's actions were inconsistent with the Order. ERCOT correctly interpreted the Order to ensure the stability of the system and provide the

appropriate pricing signals to keep sufficient generation remaining online as load was restored and conditions remained tight. The fact that the PUC was monitoring and received this notice from ERCOT, like all market participants, yet over the next 32 hours took no actions to direct ERCOT to alter its activities, indicates that ERCOT's interpretation was clearly consistent with the PUC's intent.

Retroactively re-pricing the market for the 32 hours in question would create long-term regulatory uncertainty and diminish the confidence of all market participants. In particular, it would be detrimental to the ability of those who participate in the operation, bidding, and scheduling of resources in the ERCOT market to continue to operate and invest in the market to meet the system's resource adequacy. Austin Energy, and other market participants who manage generation resources, would have reduced confidence that their operational decisions are based on clear regulatory directives and compliance with ERCOT Protocols. During an emergency event, confidence in the market design and regulatory decisions is of paramount importance to manage the emergency and reduce its impacts on the health and safety of communities within the ERCOT region. This could have a chilling effect on both the short-term and long-term sustainability of the ERCOT market and could lead to exits from the market and hesitance to bring needed new generation resources online.

The IMM's recommendation – and the alternative recommendations of various market participants – to re-price the last 32 hours of the Weather Event should be rejected for the sound reasons the Commission cited at its March 5, 2021 open meeting. Adopting the IMM's recommendation would harm the market and would not compensate generators such as Austin Energy for the extreme fuel costs they incurred to support the grid. Austin Energy and other market participants made operational and financial decisions in reliance on the Order and ERCOT notice to ensure the stability of the grid and financial health of the customers they serve. A re-pricing and resettlement event, in the absence of demonstrated error on the part of ERCOT, is not supported by law, and would have the effect of undermining faith in the long-term viability of the ERCOT wholesale electricity market.

Respectfully submitted,

**CITY OF AUSTIN D/B/A AUSTIN ENERGY
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