



Control Number: 51812



Item Number: 124

Addendum StartPage: 0

From: Fossum, Drew
Sent: Wednesday, March 10, 2021 11:25 AM
To: D'Andrea, Arthur <arthur.dandrea@puc.texas.gov>
Cc: Crouse, Jerry <jcrouse@TENASKA.com>; Smith, Kevin <KSmith@tnsk.com>
Subject: ERCOT Repricing
Chairman D'Andrea,

RECEIVED
2021 MAR 10 PM 1:19
PUBLIC UTILITY COMMISSION
FILING CLERK

I wanted to follow up on our conversation last week and on the letter from Jerry Crouse that we filed March 5 in Project No. 51812. We understand that repricing consistent with the Independent Market Monitor's recommendation appears to be moving forward, either through a PUCT order or through legislation. Accordingly, the concerns we raised with you and in our letter about QSEs potentially incurring large and unexpected credit risks remain very relevant. We have developed two concepts that would mitigate the risks we discussed and that we believe should be considered with respect to repricing:

First, we believe the PUCT should issue a "partial standstill" directive to QSEs that would give QSEs clear instructions to hold onto money that might otherwise be paid by QSEs to their customers over the next few days and weeks. This ensures the money will be available for ERCOT to retrieve if repricing is subsequently ordered, rather than become potentially lost to ERCOT and the market once disbursed by QSEs to their customers. As previously described to you, once a QSE has distributed payments to its customers, there is no certainty that the QSE will be able to recover any of those distributions from its customers in the event of an ERCOT repricing and request for refunds. While the public positions of the Lt. Governor and others are clear indications of their intent, at this point there has been no actual repricing decision. Accordingly, QSEs would benefit from a PUCT Order directing QSEs that they should suspend further payments to customers of money that would need to be refunded if the legislature or PUCT implements the repricing directive. The PUCT clearly has the authority to take such an action and we believe would provide welcomed certainty in the current fluid situation. Our suggested language for the PUCT to include in an order is:

"Through this Order the Commission directs qualified scheduling entities (QSEs) that until further notice they shall withhold from payment to market participants any amounts that would not be due to such market participants if the March 4, 2021 Recommendation of the Independent Market Monitor filed in Project 51812 ("IMM Recommendation") is ultimately adopted. QSEs shall estimate the amounts to be withheld in accordance with IMM Recommendation. QSEs shall have no liability and shall suffer no loss in the event that the estimate is ultimately determined to be inaccurate provided that the estimate was made in good faith."

Second, we also believe that the standstill order should recognize that thermal projects with fuel and other variable costs will ultimately be able to recover their cost of production where such costs are above the resettled price. This is pursuant to ERCOT protocols which prescribe that if a unit is dispatched by ERCOT out of merit order to address a reliability concern this unit is ultimately entitled to recover its cost of production. (This out of merit dispatch is called a Reliability Unit Commitment, or

“RUC”.) In order to avoid creating an unnecessary liquidity problem for thermal generators we propose that the standstill language permit QSEs to pass through any cost of production that is over and above the resettled price. QSEs will already have the cost data to make the necessary calculation as this is used for the offer curves submitted daily or hourly on behalf of the generators. Here is our proposed language implementing that concept:

“To the extent that a QSE determines in good faith based on ERCOT-provided settlement data and on cost data provided by a generator customer that for a particular pricing interval such generator customer incurred fuel and other variable costs in excess of the estimated resettled energy price such QSE may release this incremental amount to its generator customer and ERCOT shall not subsequently recover this amount from such QSE through netting of payments or otherwise.”

Tenaska will file a copy of this message in the Project 51812 public record. We can be available any time to discuss this issue with you or your staff. Please email me or use my cell: 402-253-6648.