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March 11, 2021

Public Utility Commission of Texas  
William B. Travis Bldg.  
1701 N. Congress Avenue  
7th Floor  
Austin, TX 78701

RE: Real Time Pricing Adjustment  
February 18th and 19<sup>th</sup> 2021

Dear Commission Members,

The Independent Market Monitor ("IMM") of the Electric Reliability Council of Texas ("ERCOT") submitted a recommendation to the Public Utility Commission of Texas ("Commission") on March 4, 2021, to change the real-time energy prices from 0:00 February 18, 2021, to 9:00 February 19, 2021. Furthermore, the IMM's recommendation was to remove the requirement that real-time energy prices should be at their highest level of \$9,000 per MWh. The IMM assertion that ERCOT applied the Commission's order in error conflicts directly with the interpretation provided by ERCOT. The Commission's February 16th order ties the \$9,000 per MWh implementation directive not just to load shed instructions, but also to the presence of EEA3 conditions. While load shed may have ceased at an earlier time, the EEA3 directive was not lifted until 09:00 on February 19. The end result of implementing such recommendation, and reversal of ERCOT's instruction, would be an overwhelmingly significant reduction in real-time energy prices resulting in materially adverse financial impacts to entities that were in fact doing the right thing in supporting the market by overcoming the harsh weather and economic conditions in keeping their generating facilities operating. WattBridge Texas ("WattBridge") respectfully submits that the IMM's and others' repricing recommendations constitute a retroactive shift in the rules on which market participants relied and should not be adopted.

WattBridge provides peaking power to the ERCOT market. It was established with a primary focus of providing reliable and cost effective natural gas dispatchable power generation at times when Texas consumers need power the most. WattBridge also exists to bridge the inevitable gap in power resources that occurs as a result of the intermittent nature of wind and solar power. WattBridge has diligently raised significant capital financing to develop, build and operate its fast start facilities in ERCOT. To date, WattBridge has 1,152 MW's of fast start dispatchable peaking power facilities either in operation or under construction in ERCOT.

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During the recent winter weather event, the WattBridge HO Clarke power facility located in the Houston area provided on average 267 MW's of power per hour, from the evening of February 14 through February 19. The facility's ability to operate through the challenges of the event was a result of prudent actions put in place to secure natural gas and take appropriate proactive measures to additionally winterize the facility ahead of inclement weather. WattBridge incurred additional costs to secure firm gas supply that went uninterrupted while operating the facility during the event. WattBridge assets, including the HO Clarke facility, are designed and constructed to withstand weather events due to relatively lower levels of exposure to outside freezing conditions related to piping, instrumentation and critical equipment compared to other peaking and non-peaking thermal assets.

In summary, the WattBridge portfolio of generation assets in ERCOT is precisely the type of assets the market was designed to attract, and more importantly, is critical to ensuring safe and reliable power not only in inclement weather related events but also in the ongoing course of normal market operations that are increasingly driven by the intermittent nature of renewable resources.

Retroactively changing market pricing and reversing rule making that was constructed, deliberated on, and agreed to by the Commission and many other stakeholders, will undoubtedly cause significant disruption to the market and cause irreparable harm in many cases to entities like WattBridge that planned well and incurred additional costs to operate when Texas consumers needed it most. Each hour of every day from February 14 thru February 19, WattBridge made critical decisions to procure fuel at extremely high prices and dispatch according to ERCOT's direction to the market related to load shedding and EEA3 status and pricing at \$9000 per MWh.

A WattBridge peaking asset with an average heat rate of 10,000 and \$400/mmBtu gas cost, incurs \$4000 for every MWh hour of energy generated. To retroactively re-price energy would cause significant financial loss over the period in question with the end result of shifting the loss from one group of market participants to another group, without changing or lessening the overall financial impact. And most critically, penalize participants like WattBridge that have invested in technology and power generating facilities ideally suited to address ERCOT's reliability concerns. This type of market uncertainty and reversal of established rules will jeopardize, if not completely undermine, future investment in the very type of fast start peaking natural gas generation assets that are presently needed most in ERCOT. Additionally, the inevitable chaos and enduring market instability caused by a reversal of established market pricing likely will have significant impact on the willingness of the off-takers to buy power on a long term contracted basis, a feature that enables lenders to finance peaking assets such as the WattBridge HO Clarke power facility, and also deeply undermine banks' lending sources and their confidence in the market and willingness to finance critically needed generation assets. Make no mistake, a shifting of losses from one group of market participants to another if the IMM recommendation is to be followed will not solve this financial crisis. Instead it will worsen the financial and grid reliability conditions in the short and long term as well as hurt the consumers that the Commission is seeking to protect.

As the Commission has stated, the recent winter weather event is cause to consider potential improvements to the market in the interest of market reliability and ensuring that consumers do not experience disruption to a resource as essential as electricity. WattBridge is supportive of market improvements, but firmly believes such improvements should be assessed transparently with market participants and applied on a prospective basis. Undermining the integrity of the market through proposed retroactive repricing and reversal of rulemaking that market participants critically relied on is not the proper path forward and will have a greater near and longer-term destructive effect on the market.

WattBridge strongly urges the Commission to decisively reject IMM's recommendation of March 4 in order to return certainty and confidence in the market. WattBridge appreciates the opportunity to express our views to the Commission and would invite an opportunity to directly discuss our position and how our assets are uniquely positioned to respond to the ERCOT market and the needs of Texas consumers.



Mike Alvarado  
President  
WattBridge