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PUBLIC UTILITY COMMISSION
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March 12, 2021

Public Utility Commission of Texas
Chairman Arthur D'Andrea
1701 N. Congress Ave.
Austin TX 78711

Re: Project No. 51812, IMM's Recommendation in its March 4, 2021 Letter

Dear Commissioners:

I commend your decision to invoke the "failure to provide" settlement treatment for all ancillary services that were not provided in real time for operating days February 14 through February 19, 2021. The decision comports with basic market principles that payment should be provided only when service is provided. The decision also highlights the importance of fact-driven decision making and the need for agreement on actual events. The facts were undisputed and a decision could follow.

Obviously, much debate has occurred regarding the pricing of electricity provided to the ERCOT market on February 18 and 19, including assertions that generators received scarcity pricing after load shedding ended. However, unlike the "failure to provide" issue, there is no consensus on the timing and facts related to the end of the load shed on or about February 18 and 19. For example, the Independent Market Monitor ("IMM") has stated that "ERCOT recalled the last of the firm load shed instructions at 23:55 on February 17, 2021." ERCOT, on the other hand, issued market notices stating EEA3 ended at 9:00 on February 19, 2021.¹ On February 18, 2021, ERCOT reported that, "While ERCOT has authorized the Transmission and Distribution Service Providers to restore all Load associated with the EEA ... many customers have not yet been re-energized. As a result, ERCOT will remain in EEA3 through at least the morning peak period on Friday, February 19, 2021."² The timing of industrial load shedding, as noted in the March 11, 2021, hearings adds even more complication to assessing the facts related to scarcity and pricing in this timeframe. Especially now that previous concerns about the Intercontinental Exchange ("ICE") settlement schedules should have passed, I encourage the Commission to take the time for a fact-intensive, thoughtful evaluation of ERCOT pricing related to February 18 and 19. No matter

¹ M-C021521-05 Update: ERCOT Expectations Regarding Exiting EEA3 and Public Utility Commission Emergency Orders Affecting ERCOT Market, available at http://www.ercot.com/services/comm/mkt_notices/archives/5228

² M-C021521-04 Update: ERCOT Expectations Regarding Exiting EEA3 and Public Utility Commission Emergency Orders Affecting ERCOT Market Prices, available at http://www.ercot.com/services/comm/mkt_notices/archives/5225

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what decision the Commission ultimately makes on the issue, material review of the facts will increase confidence in the decision-making process and should mitigate concerns of regulatory uncertainty.

The Commission and ERCOT have used deliberate examination of repricing considerations in the past; deliberate consideration of the February 18 and 19 events would comport with past practice. As you noted in March 11, 2021's hearings, repricing has occurred in the past. That process took months, not days, because the facts were fully vetted. Prior repricing considerations related to amounts far smaller than those at issue with the Winter Storm, but they warranted proper vetting nonetheless. To now act without at least the same level of investigation with amounts far larger conflicts with the thoughtful analysis used in years past. The ERCOT Protocols themselves include a roadmap for repricing.³ The pricing review process was built to provide support the type of inquiry that is before you and which the Legislature is also undertaking.

The Commission and ERCOT similarly should use a fact-driven analysis related to real-time energy pricing related to the Value of Lost Load ("VOLL") related to the days prior to the Commission's February 15 and 16 orders. The current orders create a situation where pricing after the Commission orders differs from that prior to the orders but where the VOLL and generation scarcity are otherwise the same. Just as the events related to February 18 and 19 warrant thoughtful review; so, too, should the logic and facts related to the VOLL prior to the February 15 and 16 orders. Simply put, I encourage you to prioritize thoughtful deliberation over speedy resolution.

I believe that an objective review of the relevant facts supports the Commission's February 15th Order that retroactively raised prices to the cap for operating day February 15 and maintaining those prices at the cap until the expiration of the EEA3 status on February 19, or whenever it is determined that both industrial and residential load shedding ceased. This is consistent with the pricing protocols, the orders issued by the Commission, and the IMM's position that cap pricing should cease when load shedding abated.

I am grateful for your service to Texas and your great efforts to heal the ERCOT market in a manner consistent with free market principles. Please do not hesitate to contact me if I can be of service to you.

Sincerely,

/s/ Adam Sinn

Adam Sinn

³ See, e.g., Nodal Protocols Sec. 6.3(4).