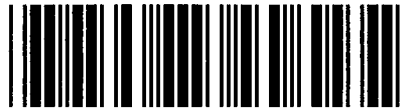




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# Green Energy Exchange

February 19, 2021

Public Utility Commission of Texas  
Filed via the Interchange



Dear Commissioners:

As we are still in the midst of the carnage created from the failures of our electricity market, there is a clear call for action. Action to prevent future tragedies, investigations to assign blame and inquiries to understand the causes of the incidents that savaged what was once the most efficient electric market in the nation. The millions of Texans who lost power for days on end, who battled a lack of water and freezing temperatures have a right to be angry and they have a right to demand action. The Public Utility Commission is one of the few entities that can and should take swift and decisive action on these matters. You cannot go back in time and stop the disaster from happening, but you can take action to prevent further impacts, protect Texas and preserve the competitive market in the state.

It is abundantly clear that many things lead up to this disaster and there is plenty of blame to go around. The ERCOT market was not designed to deal with an emergency of this scale, or duration. The reliance on the imposition of \$9,000 cap prices plus exorbitant ancillary costs has pushed the entire market to the brink of collapse. What the Commission should not do is allow the generators -whose inability to produce the additional generation needed -to make billions in profits while so many Texans suffered.

I operate a retail entity that serves customers in the market. We have credit support and followed all the prescribed rules. No one has ever seen the emergency conditions Texans suffered through in the last week. Press reports suggest as many as 22 retailers may be eliminated if things are left without action.

The problems were many. Forecasts were wildly off leaving a generation and services supply gap. Spot gas prices were a large contributor to the out of whack pricing seen even before the real crisis hit. Worse than expected weather left generators unable to produce, creating skyrocketing prices that could not be solved with merely increasing prices. The truth is there is not a price signal high enough to produce the generation when so much of it was not there. Generation could not magically appear, and the price signals did not stabilize the situation.

Quite the opposite, the imposition of price caps during these extraordinary times is creating profound instability in the markets. The isolation of the ERCOT market from other interconnects contributed to the issues, but at the end of the day the load far outpaced the available generation. The only action we have seen so far was an effort from this Commission was to ensure anyone left in the market paid the highest possible price with its Feb. 17 order regardless of where prices cleared. The prices last night as I began this letter had energy prints of locational marginal prices of \$270 dollars and \$8,700 in adders artificially attached to it to bring the total price to \$9,000 per hour. The pricing models do not function in these scenarios.

To put this in perspective, we have seen a 360 percent increase in the cost of real-time electricity and alone and an incredible 11,700 percent increase in the cost of ancillary services. s in the 10,000 percent price increases in the cost of electricity. Imagine if this happened with any other industry. What would you have been done if a \$5 package of toilet paper started selling for \$58,500 during the Covid-19 pandemic. No one would stand for it, but somehow we are expected to accept this reality as the price of doing business. Electricity prices rose from an average of \$25 for energy and \$1.80 for ancillary services to \$9,000 for energy and highs of \$21,000 per hour for ancillary services. Our company has spent twice as much on power serving our customers this week than we spent all of last year. The Commission should not let this stand. It is not sustainable and certainly not equitable.

It is clear to me there are protocols that allow people to be rewarded to these levels in this market. The PUCT, however, has the ability to step in and reset prices during the emergency period and should do so.

If you do not, several things are likely to happen. Billions of dollars will be stripped from the market primarily from those serving customers who have fixed price contracts. The state will likely experience the largest number of failures of retailers ever seen. Competition will all but cease to exist. This will have dire consequences for consumers who will be switched to provider of last resort (POLR) rates dramatically increasing the costs for Texans. Even if they are subsequently able to switch to other plans, consumers will end paying increased prices from the few participants remaining in the market. The consumers have suffered enough. Further market damage does not have to happen, and the Governor and the Commission have the power to stop it.

Pursuant to Texas Utilities Code 39.151 (d), we are urging the Commission to use its authority to reprice the hours since EEA 3 level conditions were declared on Feb. 15<sup>th</sup> through when EEA 3 was cancelled on Feb. 19 at 9 AM (market notice M-C-021521-04). We propose prices during the emergency period be capped at no more \$1,500 per megawatt hour for energy and no more than \$500 per megawatt hour for ancillary services for all of the hours since emergency (EEA3) conditions were declared.

This effort will preserve a number of market participants and fairly compensate generators performing during the crisis. Pricing above that will decimate the market and reward generators who clearly played a role in creating this crisis. Generators should not exorbitantly profit from a

crisis they helped create. Consumers and retailers should not be the only parties suffering from the failures of the market. This is the most proactive step the Commission can take to protect Texas consumers. The answer simply cannot be the market is worth destroying simply to reward generators at 11,000 times the normal price. Price caps work to send signals to incent generation, but in a scenario where load almost doubles available generation, the solution cannot be to bankrupt so many in the market to stick to a market principle that failed so spectacularly. Doing nothing is a disservice to the consumers and a death sentence for a competitive market.

Sincerely,

A handwritten signature in black ink, appearing to be 'P. Woodson', written in a cursive style.

Patrick Woodson  
CEO ATG Clean Energy Holdings, Inc. dba Green Energy Exchange