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PUBLIC UTILITY COMMISSION  
FILING CLERK

March 4, 2021

Public Utility Commission of Texas  
Filed via Interchange

AP Gas & Electric (TX), LLC "APG&E" asks that you quickly approve the two Independent Market Monitor (IMM) recommendations on ancillary services and direct ERCOT to implement the changes immediately. By doing so, APG&E estimates that you will unburden LSEs (Municipalities, Co-ops, and REPs) of **~\$5 billion dollars** in charges at above market prices for ancillary services, some of which were not even delivered. By quickly signaling your intent to approve the changes recommended by the IMM, you may bring needed financial stability to Municipalities, Co-ops, and REPs across ERCOT...and ERCOT itself may be able to alleviate the need to short-pay invoices.

**The two recommendations from the IMM are:**

**Recommendation 1:** For operating days February 15 through February 20, 2021, reprice all day-ahead ancillary services (AS) clearing prices to cap them at the System-Wide Offer Cap (SWCAP) of \$9,000 per MWh,

**Recommendation 2:** For operating days February 14 through February 19, 2021, invoke the "failure to provide" settlement treatment for all AS that were not provided in real time.

**IMM recommendation #1**

APG&E estimates that allowing the ancillary services prices clear at ~\$24,000/MWh (~\$15,000/MWh above the SWCAP of \$9,000/MWh) during Feb 15-19 caused at least **\$4 Billion** of unwarranted charges to be assessed to LSE's for those operating days. ERCOT allowing these prices to clear above \$9,000/MWh is already in conflict with your own directives in your emergency order M-CO21521-01 Legal issued on Feb 15. These above market charges are causing LSE's significant financial strain and may have been a significant driver of a recent bankruptcy filing. These excess charges, which are not supported by the IMM, did nothing to provide reliability to the people of Texas and some of this \$4 Billion is owed to generators that did not even provide the service they were paid to provide (see #2 below).

**IMM recommendation #2**

It is understandable that the ERCOT operators did not have the time to complete their normal task of marking which generators did not perform on their ancillary services obligations in real time during the week of Feb 14-19. Those operators were performing amazing tasks under significant strain. However, the data exists to properly re-compute the costs, and it should be done. LSE's (and thus the people of Texas) should not pay generators billions of dollars for a service they did not provide in a time of serious need. The improper costs charged to LSEs for generators failure to provide is much harder to compute due to the lack of visibility into which generators won day ahead ancillary services bids and then failed to perform in real time. However, we place the estimate at somewhere around **\$1 Billion**, based on the approximate 25% failure rate of generators during that week, but we think it is likely much more.

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**The time to act is today**

APG&E feels certain the PUCT is already taking this matter very seriously and will act quickly. Allowing ERCOT to continue to improperly assess and demand payment for these charges is against PUCT directives and against the recommendation of the IMM. It will cause (for example) the customers of Co-Ops pay billions of dollars of above market prices to generators that failed to perform a service in a critical time of need. Not acting may also cause more LSE's to file bankruptcy or short-pay ERCOT invoices. Your quick action could help alleviate significant financial strain on the ERCOT system and unburden Municipalities, Co-ops, and REPs of the unjust charges.

While APG&E projects that we will not suffer losses due to the extreme winter weather, many LSE's (REP's, Muni's, and Co-Ops) did not share our fate. We submit this request in support of our customers and their friends and family members served by LSEs all across the great state of Texas. Your quick action to implement the IMM recommendations will benefit them all.

Sincerely,

Jay Harpole  
CEO  
AP Gas & Electric (TX), LLC "APG&E"