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ISSUES RELATED TO THE
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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

**PETITION OF ACCENT ENERGY TEXAS, LP TO IMPLEMENT THE
RECOMMENDATIONS OF THE INDEPENDENT MARKET MONITOR AND THE
TEXAS ENERGY ASSOCIATION OF MARKETERS**

TO THE HONORABLE COMMISSIONERS OF THE PUBLIC UTILITY COMMISSION OF TEXAS:

Accent Energy Texas, LP, d/b/a IGS Energy (“IGS”), respectfully requests that the Public Utility Commission of Texas (“Commission”) direct the Electric Reliability Council of Texas (“ERCOT”) to implement the recommendations of the Independent Market Monitor (“IMM”) and Texas Energy Association of Marketers (“TEAM”) regarding the repricing of ancillary services and the removal of the administrative price adder as of ERCOT’s cessation of load shed on the morning of February 18, 2021, respectively.

I.
INTRODUCTION

As an ERCOT market participant and retail electric provider, IGS was adversely impacted by certain actions taken in response to the February 2021 Winter Weather Event (“Winter Storm”). Specifically, IGS supports TEAM’s petition to rectify ERCOT’s untimely decision to lift the Commission’s administrative price adders until well after firm load shed on the grid was reduced to zero. ERCOT’s decision contributed to inflated pricing and collateral requirements charged to IGS – and presumably most every other market participant – as a result of the providing service during the Winter Storm. As the IMM concluded, the methodology used to price ancillary services (“AS”) in the day-ahead market was not reflective of principles of economic market design and,

therefore, led to extraordinarily high settlement statements for IGS and others.¹ Although IGS repaid those invoices in full, it nevertheless seeks relief from the unusually high costs that were exacerbated by both issues.

II. IGS SUPPORTS THE IMM'S RECOMMENDATION AND REQUEST

IGS agrees with Potomac Economics, the IMM, that the day-ahead ancillary services clearing prices for operating days February 15 through February 20, 2021 should be repriced and capped at the system-wide offer cap ("SWCAP") of \$9,000 per MWh. As other stakeholders² have identified, ancillary services pricing during the Winter Storm cleared well-above market, and likely caused at least \$4 Billion in excess generation charges that were assessed to IGS and other retail market participants. These charges are a significant source of financial strain, and as the IMM concluded, do not result in an outcome consistent with principles of economic market design. The IMM's recommendation, which would set a SWCAP of \$9,000 per MWh better reflects the principle that value of reserves cannot (and should not) exceed the value of lost load; therefore, IGS supports the IMM's recommendation.

III. IGS SUPPORTS TEAM'S RECOMMENDATION AND REQUEST

IGS agrees with TEAM that ERCOT's untimely removal of the administrative price adder resulted in inflated pricing and collateral requirements that were not only harmful, but unfairly imposed upon competitive market participants. The administrative price adder was issued

¹ Engine North America, Bulb, Young Energy, LLC and others also filed petitions to implement the IMM's recommendation(s) regarding ancillary services pricing.

² See AP Gas & Electric (TX), LLC's Issues Related to the State of Disaster for the February 2021 Winter Weather Event, Mar. 3, 2021 at 1.

pursuant to a Commission Order³ that set ERCOT's system wide offer at \$9,000 per MWh to reflect scarcity conditions as load was shed. After ERCOT ceased load shedding efforts at 1:05 a.m. on February 18, 2021, scarcity conditions no longer existed. ERCOT, however, did not lift the administrative price adder until after 9:00 a.m. the following day. ERCOT's untimely response contravenes the Commission's Order, which it issued to address the relationship between market pricing and scarcity of supply.⁴

The delay in lifting the administrative price adder imposed significant financial harm to IGS, and now carries a risk of chilling future market participation absent Commission intervention to resolve this issue. Further, the failure to lift the administrative price adder will have the tendency to exacerbate the amount of defaults and increase the socialization of unpaid bills to remaining market participants. For example, Brazos Electric Cooperative announced potential liabilities of \$1.8 billion owed to ERCOT.⁵ To the extent these invoices are not paid, other market participants may have to pick up the check. Correcting the market price signal in effect on February 18 after 1:05 a.m. would somewhat mitigate the size of the bill that is ultimately due.

Moreover, most every retail supply contract includes a regulatory change provision that enables suppliers to pass through to customers costs that result from events such as the one at issue here. Thus, there is the real potential that costs may fall squarely with customers. While IGS may be able to insulate its customers from incurring significant costs that resulted from this event, we

³ See Order Directing ERCOT to Take Action and Granting Exemption to Commission Rules, February 15, 2021. (IGS notes that while this Order was replaced by an Order on February 16, 2021, those changes do not affect the request or facts presented here.)

⁴ *Id.*

⁵ <https://www.reuters.com/article/us-bankruptcy-brazoselectric-texas-outage/texas-power-cooperative-files-for-bankruptcy-citing-1-8-billion-grid-debt-idUSKCN2AT1FE>

join TEAM and other stakeholders in requesting that the Commission correct wholesale prices and remove the administrative price adder effective, 1:05 a.m., February 18, 2021.

IV.
CONCLUSION

IGS respectfully requests that the Commission exercise its authority pursuant to Tex. Util. Code Ann. § 39.151(d), and direct ERCOT to implement the recommendations to (1) reprice and cap ancillary services in the day-ahead market at the system-wide offer cap of \$9,000 per MWh; and (2) to correct wholesale prices by remove the administrative price adder as of ERCOT's cessation of load shed at 1:05 a.m. on the morning of February 18, 2021.

Dated: March 4, 2021.

Respectfully submitted,

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