



Control Number: 51812



Item Number: 9

Addendum StartPage: 0

February 20, 2021

RECEIVED  
2021 FEB 22 AM 11:26

FILING CLERK

Chairman DeAnn T. Walker  
Commissioner Arthur C. D'Andrea  
Commissioner Shelly Botkin  
Public Utility Commission of Texas  
1701 N. Congress Avenue  
Austin, Texas 78701

Re: Dockets 51617 and 51812 - Filings by TEAM and Green Energy Exchange

Dear Commissioners:

Pulse Power offers the following comments in support of and addition to the recent filings by TEAM and Green Energy Exchange.

As a Texas-based company serving only the Texas market, Pulse Power serves over 100,000 residential and commercial customers through our various brands.

#### **MARKET PRICING FAILED DURING THE RECENT EVENTS**

Pulse Power started the week of February 8 with more than adequate power purchases to serve the customers through the end of the month. Even as late as February 12, market indicators showed that this was going to be a blip – costs were up slightly, but the severity and implications of the coming storm took everyone (obviously including many generators and even ERCOT itself) by surprise. As temperatures dropped through the weekend, Pulse customers used more than double the energy typically used during normal weather, even exceeding peak load levels from August 2019.

When generators failed to respond to the growing demand, ERCOT was forced to institute rolling blackouts to protect the integrity of the grid. At this point, the price was pegged at \$9,000 and remained there for four days. This scarcity pricing is intended to provide “incentives” to generators to bring supply back online. In isolated and short-term instances, this real-time market pricing works well, it encourages large users to curtail and brings on more potential generation to the rescue.

However, in this case, the scarcity pricing only acted as a punitive measure for retailers who were almost certainly short in the market, as customers were using double their forecasted usage or more. Mr. Woodson in his previous filing uses an example of prices 11,000 TIMES the normal prices. Obviously, in any other industry, this would be considered price gouging during an emergency.

9

Retailers were in no way at fault for this debacle. In fact, my company and many others asked customers to conserve in preparation for the event. Pulse Power even offered customers who curtailed the opportunity to win prizes if they reduced their usage 10% during Monday through Wednesday. We are giving away a Tesla Model 3. We tried to be part of the solution. However, the impact to the retailer industry will be staggering. While smart meter data is still being analyzed, we may have lost up to as much as \$2,000 per customer during the four day period, even while many of our customers went without power.

It has been well-documented by the media and other REPs that this event will have long-lasting impacts on the competitive market in Texas. Numerous REPs will leave the market, no new companies will enter, and the result is that prices will increase dramatically for consumers and businesses, harming the competitiveness of Texas as a whole. It is worth moving mountains to save our REPs.

#### **IT'S NOT TOO LATE TO ACT**

There will be a lot of finger-pointing in the next few months over this situation. There may be widespread changes, or there may be small tweaks, like the suspension of certain activities during declarations of disaster (while we may not have another polar storm, I'm afraid hurricanes are here to stay). Even the symbol of our American free market – the New York Stock Exchange – has circuit breakers that kick in to help things cool off if trading runs too fast. However, any changes will not repair the imminent damage about to be inflicted upon retailers and ultimately customers – we must act quickly to retroactively repair this damage.

You may have parties that stand to make tens of billions off the suffering of millions of Texans whispering in your ear – “Yeah, too bad about this, but you can't put the toothpaste back in the tube”, or some other colloquialism designed to protect their staggering profits during the event. However, as an industry, we can process millions of smart meter reads a DAY, we can certainly undue a few days of a catastrophic event. Here is my proposed path forward:

**Pricing:** Reduce or eliminate the scarcity pricing component starting on February 12, reverting to a lower cap (\$500) for both energy and ancillaries. The PUCT has broad powers, especially during an emergency, to adjust the price to more adequately reflect the current disaster market conditions. While this elevated level would still result in an incredible cost to retailers and an incredible windfall to generators, it would at least help to mitigate the impacts to retailers for an event they had no hand in creating.

**Fines:** Some may argue that the above reductions to pricing would remove the punitive nature for the generators that failed to perform during the event. The \$9,000 pricing could be replaced with fines for the generators that a post-mortem reveals they were not following the minimum reliability protocols, that would then be added back to either help to cover affected consumers, or cover the cost of unpaid bills that would otherwise be allocated to the other market participants.

**Rescission:** This is the toothpaste back in the tube piece. The primary argument that people will have against doing the above actions is that there may have been trades, etc. executed based on the results, and now we are undoing those. The solution is for Governor Abbott to declare an extended rescission period for any trade or related contract that deals with the delivery of February power that was entered into from February 8 to February 21. One or both parties would be allowed to rescind their agreement made due to this natural disaster. Obviously, the newly-impacted party could rescind the agreement, and any sales that were now made unfair because of the proposed pricing changes, would now be able to be rescinded. The rescission period could extend to March 15 to allow for the accounting and administrative clean-up.

To be clear, there will still be billions of dollars transferred from the retailer community to the wholesale/generation community. My proposed actions only help to keep this transfer to a level that maintains the integrity of both sides of the Texas deregulated industry. Given that retailers did not cause this event, and in fact attempted to mitigate the impacts to the community, I ask that the PUCT and Governor Abbott move quickly to implement my suggestions. Generators failing to respond to the call caused this event, and they should not benefit as an industry from their failure, to the detriment of Texas retail choice and consumers alike.

Sincerely,

/s/ Robert C. Cantrell

Robert C. Cantrell  
CEO, Pulse Power, LLC