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APPLICATION OF THE ELECTRIC	§	PUBLIC UTILITY COMMISSION
RELIABILITY COUNCIL OF TEXAS,	§	
INC. FOR A DEBT OBLIGATION	§	OF TEXAS
ORDER TO FINANCE UPLIFT	§	
BALANCES UNDER PURA CHAPTER	§	
39, SUBCHAPTER N, AND FOR A	§	
GOOD CAUSE EXCEPTION		

DIRECT TESTIMONY

OF

LORI SIMPSON

ON BEHALF OF

EXELON GENERATION COMPANY, LLC and
CONSTELLATION NEWENERGY, INC.

August 12, 2021

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1		**I. POSITION AND QUALIFICATIONS**
2	Q.	**PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.**
3	A.	My name is Lori Simpson. My business address is 1005 Congress Ave, Austin, TX 78701.
4		I am a Director of Wholesale Market Development for Exelon Corporation.

5	Q.	**PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**
6		**QUALIFICATIONS.**
7	A.	I have worked in the electric power industry for over 15 years, and in that time, I have
8		developed an understanding of market dynamics. I have served in my current position as
9		Director of Wholesale Market Development at Exelon since August 2020. Prior to that,
10		from August 2010 to August 2020, I held positions of increasing responsibility within
11		Exelon's commodity trading business, which included trading electricity, gas, options and
12		ancillary services, rising to the level of Lead Trader and manager in real-time trading.
13		During my tenure, I also oversaw the transformation of assets for the Electric Reliability
14		Council of Texas (ERCOT) nodal market. From September 2006 to August 2010, I
15		formulated bids for transmission congestion rights, and forecast congestion, based on
16		regression analysis, statistical analysis, and Monte Carlo simulations, using UPLAN output
17		as well as models that I developed.

18	Q.	**WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?**
19	A.	In my current role, I have day-to-day responsibility for Exelon's wholesale policy
20		development in ERCOT to help ensure outcomes that are aligned with Exelon's business
21		strategy. In this role, I work closely with the various business units within Exelon
22		(wholesale retail, demand response, commodities trading, and generation) to understand

1		the business needs of Exelon, and I advise the commercial business on opportunities and
2		risks arising from energy market design and transmission policies.
3	Q.	**PLEASE STATE YOUR EDUCATIONAL BACKGROUND.**
4	A.	I hold a Bachelor of Science in Mechanical Engineering and a Bachelor of Arts in Spanish
5		from University of Nebraska Lincoln, and a Master of Science in the Engineering Systems
6		Division from the MIT Technology and Policy Program. Since 2017, I have been a lecturer
7		at Johns Hopkins University on "Electricity Markets and Trading".
8	Q.	**ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?**
9	A.	I am testifying on behalf of Exelon Generation Company, LLC ("Exelon") and
10		Constellation NewEnergy, Inc. ("Constellation").
11	Q.	**WERE YOUR TESTIMONY AND EXHIBITS PREPARED BY YOU OR BY**
12		**SOMEONE UNDER YOUR DIRECT SUPERVISION?**
13	A.	Yes.
14	Q.	**HAVE YOU REVIEWED THE APPLICATION AND TESTIMONY OFFERED BY**
15		**ERCOT IN THIS PROCEEDING?**
16	A.	Yes.

<p align="center">II.   <u>PURPOSE OF TESTIMONY</u></p>

18	Q.	**WHAT IS THE PURPOSE OF YOUR TESTIMONY?**
19		ERCOT's Application, filed pursuant to House Bill 4492 ("HB 4492"), provides some
20		financing relief for Load Serving Entities ("LSEs") for significant charges for the reliability
21		deployment price adder ("RDPA") and ancillary services costs in excess of the system-
22		wide offer cap incurred during Winter Storm Uri by allowing ERCOT to finance not more

1   than $2.1 billion associated with the Uplift Balance.[1] The Application contemplates that

2   ERCOT will distribute proceeds of securitization financing to those Qualified Scheduling

3   Entities ("QSEs") who represent LSEs that are eligible to receive the proceeds and require

4   the LSEs to pay back the proceeds over time.[2] My testimony addresses the following issues

5   related to the Application and the order to be issued in this proceeding:

6   • Documentation to demonstrate LSE eligibility for Uplift Balance financing
7   proceeds.
8

9   **III.   <u>DOCUMENTATION OF EXPOSURE</u>**

10   **Q.   WHAT DOCUMENTATION DO YOU RECOMMEND THE PUC RELY UPON TO**

11   **DOCUMENT LSE EXPOSURE TO DEFAULT UPLIFT?**

12   A.   The appropriate documentation of LSE exposure on which the PUC should rely is found

13   in the ERCOT settlement extract of the settlement invoice that ERCOT bills to the QSE

14   that represents the LSE. ERCOT's Market Information System ("MIS") contains the

15   QSE's settlement extracts that have the supporting details for the settlement invoice. These

16   details can be used to show what ERCOT charged the QSE for the LSE's share of the

17   RDPA costs and the ancillary costs over the system-wide offer cap during the specified

18   period of emergency in H.B. 4492.

19   **Q.   ERCOT STATED IN ITS APPLICATION THAT IT CANNOT DETERMINE THE**

20   **COSTS ELIGIBLE FOR INCLUSION IN THE UPLIFT BALANCE BECAUSE**

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[1] Uplift Balance means: "an amount of money of not more than $2.1 billion that was uplifted to load-serving entities on a load ratio share basis due to energy consumption during the period of emergency for reliability deployment price adder charges and ancillary services costs in excess of the commission's system-wide offer cap, excluding amounts securitized under Subchapter D, Chapter 41. The term does not include amounts that were part of the prevailing settlement point price during the period of emergency." PURA § 39.652(4).
[2] Direct Testimony of Kenan Ogelman at Bates No. 42.

1		**ERCOT SETTLES THE WHOLESALE MARKET WITH QSES. DOES THAT**
2		**MEAN THAT ERCOT CANNOT PERFORM THE CALCULATION FOR LSE**
3		**EXPOSURE?**
4	A.	No, it does not. Although it is true that the charges on the ERCOT settlement invoice for
5		a QSE are provided at the QSE level, reflecting an aggregation of the charges among the
6		various LSEs that a QSE serves, ERCOT does possess the needed information and it can
7		be found using the details in the ERCOT settlement extracts.
8		Based on the LSE's load ratio share and the total costs for the particular 15-minute interval
9		or hour, for RDPA and ancillary services, respectively, each LSE's exposure can in fact be
10		determined. As previously stated, the information is found in the details underlying the
11		settlement invoice found in the settlement extracts.
12	Q.	**PLEASE EXPLAIN WHAT YOU MEAN BY LSE'S LOAD RATIO SHARE.**
13	A.	It is the ratio of the LSE's adjusted meter load to total ERCOT adjusted meter load for an
14		interval.
15	Q.	**PLEASE DESCRIBE HOW ERCOT CALCULATES THE ANCILLARY**
16		**SERVICES AND RDPA CHARGES FOR A LSE.**
17	A.	A QSE may hold one or multiple LSEs. ERCOT aggregates the load ratio shares of the
18		LSEs in a QSE to compute the ancillary services and RDPA charges of that QSE. ERCOT
19		protocols state that the allocation of the total system costs for ancillary services and RDPA
20		are based on that LSE's load ratio share. ERCOT protocol section 4.2.1.2 lays out the
21		ancillary service cost allocations on the day ahead market invoice: "ERCOT shall assign
22		part of the Ancillary Service Plan quantity, by service, by hour, to each Qualified

1   Scheduling Entity (QSE) based on its Load Serving Entity (LSE) Load Ratio Shares

2   (LRSs)". ERCOT protocol section 6.7.4 explains how the ancillary service cost allocations

3   are trued up on the real time market invoice using the LSE's load ratio share. Similarly,

4   ERCOT protocol section 6.7.6 explains how the RDPA costs are allocated: "The total cost

5   for Ancillary Service Imbalance payments and charges associated with ORDC and

6   reliability deployments is allocated to the QSEs representing Load based on Load Ratio

7   Share (LRS)".

8 **Q.**   **WHAT PROCESS DO YOU RECOMMEND FOR CALCULATING LSE**

9   **EXPOSURE TO ANCILLARY SERVICE COSTS ABOVE THE SYSTEM-WIDE**

10   **OFFER CAP?**

11 A.   As stated above, I recommend using ERCOT's data. The calculation for LSE exposure

12   should be done using the details from the settlement invoice found in ERCOT's settlement

13   extracts. The specific process is outlined below.

14   LSE exposure to the ancillary costs over the system-wide offer cap is performed by

15   calculating the ERCOT-wide costs of ancillary services provision over the system-wide

16   offer cap and multiplying it by the LSE's load ratio share.

17

Formula:	LSE charges for AS =	ERCOT-wide cost of AS provision over the cap	* (LSE's load ratio share)
	LSE charges for AS = max(AS Price - $9,000, $0) * (Total quantity of AS provision) * (LSE's load ratio share)		
	LSE charges for AS = max(AS Price - $9,000, $0) * (Procured AS + Self-arranged AS) * (LSE's load / System load)		
Units:	$ = $/mwh * (mwh + mwh) * (mwh / mwh)		

URS:	max(RUPR - $9k, $0) * (RUQTOT + SARUQTOT) * (LSEGUFE / RTAMLTOT)
DRS:	max(RDPR - $9k, $0) * (RDQTOT + SARDQTOT) * (LSEGUFE / RTAMLTOT)
RRS:	max(RRPR - $9k, $0) * (RRQTOT + SARRQTOT) * (LSEGUFE / RTAMLTOT)
NSRS:	max(NSPR - $9k, $0) * (NSQTOT + SANSQTOT) * (LSEGUFE / RTAMLTOT)

18   The following table shows which ERCOT settlement extract on MIS contains the billing

19   determinants listed above for the calculation.

6

Settlement Extract	Bill determinant
RTMMODE OUTPUTINTERVAL	RDPR RDQTOT SARDQTOT NSPR NSQTOT SANSQTOT RRPR RRQTOT SARRQTOT RUPR RUQTOT SARUQTOT
RTMCODE LLSOUTPUTINTERVAL	LSEGUFE
RTMMODE AGGOUTPUTINTERVAL	RTAMLTOT

2   **Q. WHAT PROCESS DO YOU RECOMMEND FOR CALCULATING LSE EXPOSURE TO RDPA COSTS?**

4   A.   This can likewise be extracted from ERCOT data. The calculation for LSE exposure should be done using the details from the settlement invoice found in ERCOT's settlement extracts. The specific process is outlined below.

7   LSE exposure to the RDPA costs is performed by calculating the ERCOT-wide costs for RDPA and multiplying it by the LSE's load ratio share.

Formula: LSE charges for RDPA =   ERCOT-wide RDPA costs   * (LSE's load ratio share)

Formula: LSE charges for RDPA = (RTRDASIAMTTOT + RTRDRUCRSVAMTTOT) * (LSE's load / System load)

Units: $ = $ * (mwh   /   mwh)

10   The following table shows which ERCOT settlement extract on MIS contains the billing determinants listed above for the calculation.

Settlement Extract	Bill determinant
RTMMODE RTMOUTPUTINTERVAL	RTRDASIAMTTOT RTRDRUCRSVAMTTOT
RTMCODE LLSOUTPUTINTERVAL	LSEGUFE
RTMMODE AGGOUTPUTINTERVAL	RTAMLTOT

13   **Q. HOW SHOULD THIS ANALYSIS BE CONDUCTED?**

14   A.   If ERCOT provides the applicable rate for each applicable 15-minute interval for RDPA and each applicable hourly interval for ancillary services in excess of the system-wide offer cap, each LSE is able to perform the calculation regarding its exposure. However, given that the data resides in ERCOT's systems, it would seem that ERCOT would be able to perform the analysis more quickly and efficiently for all LSEs and this may be better from a regulatory perspective to ensure uniformity of the calculation. Given the statutory

1   timeline in this proceeding, I recommend the Commission adopt the process I have outlined

2   above for calculating LSE exposure in this proceeding and utilize Docket 52364,

3   *Proceeding for Eligible Entities to File an Opt Out Pursuant to PURA § 39.653(d) and for*

4   *Load-Serving Entities to File Documentation of Exposure to Costs Pursuant to the Debt*

5   *Obligation Order in Docket No. 52322,* as the docket where ERCOT performs the

6   calculation of LSE exposure.

7 **Q.**   **DOES THIS CONCLUDE YOUR TESTIMONY?**
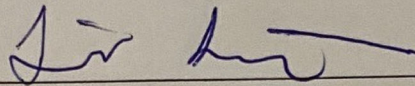
8 A.   Yes.

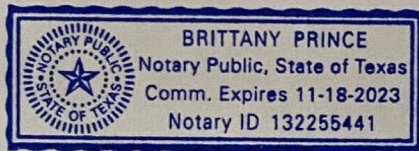# AFFIDAVIT OF LORI SIMPSON

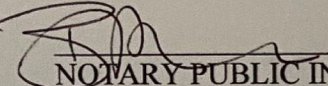State of Texas TX §

County of Travis §

    BEFORE ME, the undersigned authority, on this day personally appeared Lori Simpson who, having been placed under oath by me, did depose as follows:

    My name is Lori Simpson. I am of legal age and a resident of the State of Texas. The foregoing testimony and exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true, and correct.

_____

Lori Simpson

Subscribed and sworn before me on this 12th day of August, 2021.

BRITTANY PRINCE
Notary Public, State of Texas
Comm. Expires 11-18-2023
Notary ID 132255441

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NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS