



Control Number: 51812



Item Number: 57

Addendum StartPage: 0

2021 MAR -3 PM 12:55

ISSUES RELATED TO THE STATE OF §
DISASTER FOR THE FEBRUARY 2021 §
WINTER WEATHER EVENT §

PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
FILING CLERK
OF TEXAS

ORDER REINSTATING LOW SYSTEM-WIDE OFFER CAP

On February 12, 2021, in response to an extreme winter weather event, Governor Greg Abbott issued a Declaration of a State of Disaster for all counties in Texas. Further, on February 15, 2021, the Electric Reliability Council of Texas, Inc. (ERCOT) declared its highest state of emergency, an Energy Emergency Alert Level 3 (EEA3), due to exceptionally high electric demand exceeding limited supply. ERCOT remained in EEA3 through 9AM on February 19, 2021. Recovery from the emergency conditions is continuing as market activities stabilize.

On February 16, 2021, in response to significant market anomalies, the Commission found good cause to suspend, and issued an order suspending, the use of the low system-wide offer cap (LCAP) until after the Commission’s next regularly scheduled open meeting. The Commission ordered ERCOT to use the high system-wide offer cap (HCAP) until the LCAP is reinstated.

When administering the scarcity-pricing mechanism, the system-wide offer cap is set equal to the HCAP at the beginning of each calendar year and maintained at this level until the peaker net margin during a calendar year exceeds a threshold of three times the cost of new entry of new generation plants.¹ Once the peaker-net-margin threshold is achieved, the system-wide offer cap is set at the LCAP for the remainder of the calendar year.² The LCAP is set at the greater of either \$2,000 per megawatt-hour (MWh) and \$2,000 per megawatt (MW) per hour or 50 times the natural-gas-price-index value determined by ERCOT expressed in dollars per MWh and dollars per MW per hour.³

The peaker-net-margin threshold was exceeded during the ERCOT operating day of February 16, 2021. Due to exceptionally high natural gas prices at the time, and without

¹ 16 Tex. Admin. Code § 25.505(g)(6)(C).

² *Id.* § 25.505(g)(6)(D).

³ *Id.* § 25.505(g)(6)(A).

Commission action, the LCAP, calculated as 50 times the natural-gas-price-index value, would have exceeded the HCAP of \$9,000 per MWh and \$9,000 per MW per hour established by Commission rule.⁴ This anomalous event was the basis for the Commission's suspension of the LCAP mechanism. The natural gas price index has now stabilized and the LCAP is not expected to exceed the HCAP going forward.

Therefore, good cause no longer exists to suspend the use of the LCAP and reinstatement of the LCAP mechanism is necessary to protect consumers, as originally contemplated by the scarcity pricing mechanism. Accordingly, the Commission terminates the suspension of the use of the LCAP and orders ERCOT to resume application of the LCAP when administering the scarcity pricing mechanism as provided by Commission rule.

Signed at Austin, Texas the 3rd day of March 2021.

PUBLIC UTILITY COMMISSION OF TEXAS



ARTHUR C. D'ANDREA, COMMISSIONER



SHELLY BOTKIN, COMMISSIONER

⁴ 16 Tex. Admin. Code § 25.505(g)(6)(B).