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Storm Uri resulted in record breaking cold weather across much of the U.S., heavily impacting Texas. Natural gas pipelines and power wind turbines froze, resulting in major power generation outages across the state even as homes and businesses increased demand for heating to record levels. Pricing of heating fuels, and natural gas surged. Demand for propane was at a 17-year high.

### **How did the storm affect my business?**

*Unfortunately, some retail suppliers are going out of business while some others are pointing to loopholes in their contracts (in addition to loosely interpreting contract language, i.e., Force Majeure, Change in Law, etc.) to justify passing through exorbitant costs to the buyer, as high as 80 times the monthly bill. Not all fixed price contracts are created equally...*

*If your company has been notified of your supplier's failure to continue to perform or has received notification of increased costs, TRA's exclusively endorsed energy consultant, Amerex Energy Services, can provide additional input. While Amerex is not able to fix the problem, they can help you navigate through this terrible situation and can certainly assist in your procurement strategy and process in the future. Amerex works only with retail suppliers that allow for preferred business terms negotiations, have solid financials, and provide superior customer service.*

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### **What happened during storm Uri?**

- All sources of power generation in Texas had failures, including fossil fuel and renewable resources.
- Wholesale electricity prices in Texas reached \$9,000/MWh, the maximum allowed in the ERCOT market.
- Natural Gas spot prices in multiple delivery points reached \$1,250/MMBtu before falling back to normal price levels, under \$4.00/MMBtu.

### **Some of the regulatory failures that have been brought to light so far:**

- Lack of winterization of power generation units. Natural Gas generation represents about 45% of the power supply delivered to the Texas grid. (Post-2011 vortex, some generators did in fact winterize.)

- The natural gas pipeline delivery system also froze and failed to perform. (Again, lack of winterization.)
- The lack of recognition of interconnectedness of the system by all the market participants- power generators, power providers, natural gas providers, ERCOT and the Railroad Commission. (The Texas electricity grid is managed by ERCOT, while interstate gas pipeline system is regulated by Texas Railroad Commission).
- The lack of appropriate channels of communication among all the market participants.
- ERCOT decision to keep real time power prices capped for 32 hours after power generators were offering much lower prices, and ERCOT allowance for Ancillary Services costs to reach as high as \$28,000/MWh.
- Lack of transmission infrastructure upgrades to help move power across grid.

### **Some of the actions by the Texas Legislature as of March 15<sup>th</sup>, 2021**

- PUCT decided not to reprice energy market prices, however, stated it would consider re-pricing Ancillary Services.
- Texas Senate approved bill to re-price ERCOT prices as well as Ancillary Services. It is anticipated to pass the House, become law, and result in 20 – 30% relief to consumers that were not on fully fixed products. ERCOT will have 30 days from the event to correct errors in pricing.
- There are now numerous bills before the Texas legislature, addressing items including:
  - Market re-design.
  - Possibly increase reserve margins, decrease price caps.
  - Harden gas infrastructure. (NERC 2011 report related to Feb outage, but nothing happened.)
  - Build in safety nets.
  - Restrict residential customers from buying index products.
  - Increase attention on load conservation and residential demand response programs.