

# Bond Case Briefs

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## Amid Blackouts, Texas Scrapped Its Power Market and Raised Prices. It Didn't Work.

**The Texas Public Utility Commission hoped its move would spur generation. Retail providers say all it did was generate billions in added bills.**

The heads of two of Texas' largest power generation companies, Vistra Corp. and NRG Energy Inc., told members of the Texas House of Representatives on Thursday that the promise of high prices couldn't help resurrect power plants that had difficulty operating in extreme cold or securing gas supplies.

Vistra Chief Executive Curt Morgan said gas supply constraints were one of the company's biggest challenges, forcing it to take plants offline or run them at lower capacity levels.

"We had power plants ready to produce power that could not produce any," he said. "The gas system, in my opinion, did not work in tandem with the electric system."

As a result of the PUC's decision, power prices remained at elevated levels until Friday morning, when the PUC rescinded its order, after Ercot said the grid was again stable. Typically, the Ercot grid hits peak prices for a few hours, at most.

Many residential, commercial and industrial customers as well as retail providers and municipal power companies had to pay extraordinary prices for several days, and some have complained to the PUC that its action had raised prices without improving the supply situation, with devastating financial consequences.

Griddy Energy LLC, a small retailer that gives customers access to wholesale power prices in exchange for a flat monthly charge, has faced the most criticism of any retailer as its customers face enormous bills.

Griddy CEO Michael Fallquist said in an interview that the company lost roughly two-thirds of 30,000 customers last week, giving it a fraction of 1% of the Ercot market. Those who remain collectively owe millions of dollars. Mr. Fallquist said believes the total would have been substantially less if the PUC hadn't moved to elevate prices. "The material impact on our customers would have been so different," he said.

Others said the high prices did little to encourage generators to quickly come back online.

"Generation could not magically appear, and the price signals did not stabilize the situation," wrote Patrick Woodson, chief executive of Green Energy Exchange, a retail electricity provider in Texas. "Quite the opposite, the imposition of price caps during these extraordinary times is creating instability in the markets."

In an interview, Mr. Woodson added that retail providers were hurt by the PUC's decision to keep prices high all week, which essentially transferred money from consumers to power generators and

gas providers.

“You want to penalize people? Great. But don’t penalize the people who didn’t cause the crisis,” he said.

NRG Chief Executive Mauricio Gutierrez told lawmakers that his company, which offers fixed-price retail contracts, would have to eat the higher wholesale costs. He advocated for eliminating contracts tied to wholesale prices because it may be difficult for customers to understand the risk of extreme market swings.

“We don’t offer any of those products,” he said. “We believe they shouldn’t be available to customers in our market.”

The Texas governor promised in a statewide address on Wednesday to find answers to what went wrong and ensure state lawmakers enact fixes. “You deserve answers. You will get those answers,” said Mr. Abbott, a Republican.

Rob Cantrell, the chief executive of retail electricity provider Pulse Power LLC, said that while generators unable to deliver were the cause of the crisis, it is retailers and customers who are set to pay the price. He estimates Pulse will lose up to \$2,000 for each of its 100,000 customers, even though many of them were without power.

In a filing to the PUC, Mr. Cantrell suggested replacing the \$9,000 pricing with fines “for generators that a postmortem reveals...were not following the minimum reliability protocols.” Those fines could be used to help cover exorbitant power bills, he added.

Power generators “should not benefit as an industry from their failure, to the detriment of Texas retail choice and consumers alike,” he wrote.

## **The Wall Street Journal**

By Russell Gold and Katherine Blunt

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