

Texas Grid Operator Faces Questions Over Blackouts

By Kate Galbraith

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At the Texas grid operator's Austin headquarters on Monday afternoon, about 100 people crowded into a special board meeting to hear the grid's chief executive, Trip Doggett, [discuss the events](#) that led to the rolling blackouts across Texas on Feb. 2. Some 50 power generators went down concurrently, according to Doggett, who emphasized that his agency, the [Electric Reliability Council of Texas](#), planned to do a better job in the future of communicating outage problems to the public and state officials (sending e-mails in the middle of the night, for example, proved ineffective, he noted).



photo illustration by: Todd Wiseman

Many board members praised the grid operator for averting a worse crisis — a statewide, non-rolling blackout, for example — as coal and gas plants' valves and pipes froze in the frigid, windy weather. Nonetheless, the rolling blackouts have opened the door to a variety of questions about ERCOT, from nondisclosure of information about the power grid's day-to-day operations, to the composition of its board, to its inability to ensure adequate weatherization of the state's power plants.

Doggett and officials from other agencies and power companies are due for a grilling this morning as the Senate Business & Commerce and Natural Resources committees hold a [joint hearing](#) about the blackouts. The Public Utility Commission is also conducting an investigation. A highly critical, 110-page [report](#) on the agency, released Monday by a group representing two nonprofit coalitions of cities, which are heavy users of electric power, argued that ERCOT has a "history of mismanaging major projects." It also argued that Texas' electricity "market" is too open to market manipulation, and that the state's move to [deregulate electricity](#) resulted in power prices that are now above the national average.

Among the most immediate concerns in the wake of the blackouts is ERCOT's transparency. Under current rules, the grid operator cannot publicly release information on which power plants failed in the cold temperatures — and what companies operate them — until 60 days have passed. Those rules, on file with the Public Utility Commission, were created to preserve power generators' confidentiality, ERCOT says. In other words, power plant operators worry that competitors could benefit if they knew which plants were malfunctioning.

On Wednesday, however, the grid operator — recognizing that nondisclosure looks bad when lights and heat flickered on and off across the state — [asked affected power plants to waive their confidentiality prerogative](#) and provide information about which plants had outages, and what type of fuel they used. Dottie Roark, an ERCOT spokeswoman, said on Monday that the agency had received "quite a few responses" to

the request, although she did not know whether the information covered all the affected plants. Nor did she know how long compiling the list would take. ERCOT also did not ask for information about exactly what went wrong at each plant.

There have been efforts in the past to open ERCOT up more. Last session, at the behest of AARP and others, state Sen. Rodney Ellis, D-Houston, introduced [legislation](#) calling for the 60-day confidentiality rule to be reduced to two days, among other transparency-oriented changes. Ellis reintroduced the bill, Senate Bill 689, on Monday afternoon.

"If the sun doesn't shine in, some bad things can happen," said Tim Morstad, associate state director for AARP's Texas office, which backs the Ellis bill. "And any good market can benefit from good transparency."

A [report](#) prepared for AARP in 2009 notes that the Australian market requires disclosure of power plant failures and other related information after two days. Robert McCullough, who heads an Oregon-based research firm that prepared the report, said that, in addition, "Texas does not make very detailed trading data available on the web as all other U.S. states do."

Transparency with blackout-related information is a particularly significant issue for those Texans [wondering whether market manipulation could have occurred during the rolling blackouts](#). This concern has surfaced before: State investigators charged that in 2005 TXU (now Luminant) controlled such a large share of the power generation market that it was [able to drive up wholesale electricity prices](#). Despite a recommended fine of \$210 million, Luminant [ended up paying \\$15 million and denied wrongdoing](#).

An "[independent market monitor](#)," a position created by the Legislature in 2005 and funded by ERCOT, is looking into what went wrong and the possibility of market manipulation in the recent blackouts. On Feb. 2, wholesale prices spiked to a price cap that had been [raised two days earlier](#), which means that some power sellers made gobs of money. Public Citizen Texas estimates, based on preliminary data, that the price spikes cost purchasers of wholesale electricity \$49.6 million to \$148.9 million, and that will mean [higher bills for some ratepayers](#). (Interestingly, according to the 110-page report on ERCOT released Monday, in 2008 wholesale prices also spiked to a price cap two days after that cap had been raised.)

Preliminary findings on whether market manipulation occurred and what else went wrong during the blackouts may be ready in April, according to [Dan Jones](#), who is in charge of the ERCOT-watching duties at Potomac Economics, which serves as the independent market monitor. In a telephone interview on Monday, Jones said he is looking through lots of data and has reached out to power generators, transmission operators and others with questions. "Responses are just coming in" for the first round of questions, Jones said. He also said the recent launch of ERCOT's "nodal market" — a [complex and very costly reorganization of how the grid prices and channels electricity](#) — meant that price spikes were likelier than before.

Yet another investigation, into the grid operator's actions during the rolling blackouts, is being conducted by the [Texas Reliability Entity](#), which is the state arm of a national nonprofit group that develops standards on grid operations. The Federal Energy Regulatory Commission, despite having limited jurisdiction in Texas, is also looking into the blackouts in Texas and elsewhere in the Southwest and related natural gas shortages, according to a [report](#) on Monday from Dow Jones Newswires.

Another concern centers on the composition of ERCOT's board. The Sunset Commission staff [report](#) on ERCOT recommended that the agency have a fully independent board, saying: "Although the Board makes critical decisions affecting Texas' \$34 billion competitive electric market, industry stakeholders with financial interests in these decisions hold a majority of votes. ERCOT is unique as being the only transmission system operator in North America to not have a fully independent board."

The Sunset Commission did not adopt this recommendation, citing the need for industry expertise in governing a complex market. Board-level salaries, in recent years, have also increased dramatically, as the [Austin American-Statesman reported](#) last week (the grid operator told the paper that board members had been attending more meetings ahead of the December 2010 launch of the new "nodal" system).

Yet another issue likely to come up at today's hearing is that ERCOT is unable to compel companies to weatherize their plants properly, despite the agency's responsibilities in managing the grid reliably. The Public Utility Commission does [collect weatherization plans from power generators](#), but all are marked "confidential. Even ERCOT doesn't "have visibility into weatherization plans and procedures for the plants," said Doggett, the ERCOT chief, at the board meeting yesterday. He added that ERCOT might look at getting an "attestation" from power plant managers that their facility is ready.

The Public Utility Commission appears to do little with the weatherization plans. A spot-check of the commission's [responses](#) to several weatherization filings reveals an often pro-forma checklist saying that the filings have the required items — such as a summary of weatherization procedures, a description of alternative fuel supplies and a hurricane plan.

In 2008, for example, in a half-page note to Luminant, a PUC official [wrote](#), "PUC staff has reviewed your filed summary and has found that it sufficiently addresses items 1) through 5) listed above." Three years later, four of Luminant's large coal-plant units (some newer than 2008) [failed during the freeze](#).

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