

CEO of ERCOT fired, profiteering by Texas energy generators comes into focus

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Electric Reliability Council of Texas (ERCOT) CEO Bill Magness was fired by the company's board last Wednesday. His termination occurred as the state's electric grid operator faces investigation over its role in the widespread blackouts that left millions of Texans without power in subfreezing temperatures last month.

Potomac Economics Limited, a firm hired to monitor Texas' power market, reported a \$16 billion pricing error by ERCOT the week of the storm, when the organization set wholesale power prices at \$9,000 a megawatt hour. The high demand for power drove a sharp increase in prices, but Potomac found that ERCOT left the price in place for days longer than necessary. At one point, a computer glitch caused the price to drop to \$1,200, but ERCOT's board ordered a manual override to the previous level.

Seven other members of the 16-member ERCOT board have already resigned under pressure from the members of the Republican state government in the wake of winter storm Uri.

At its peak, the blackout left four million households without heat or electricity in freezing weather and 14 million without water for days, leading to hundreds of deaths across Texas. The blackout following the storm was completely preventable and was the immediate result of the failure to winterize power plants and energy infrastructure. Furthermore, the power companies themselves may have intentionally cut power production in order to profit off of the resulting increase in the energy price.

A local NBC affiliate reported ERCOT never performed any on-site inspections of power plants. It has also been revealed that the organization significantly underestimated the maximum power demand required in a winter storm.

The problem, however, extends far beyond ERCOT.

The focus on the grid operator by both Republicans and Democrats is being used to obscure the reality that the problem lies fundamentally in the private ownership of the electrical grid and the operation of essential utilities for profit.

The *Washington Post* reported that nearly \$50 billion in electricity sales was registered in Texas during the week of the storm, as much as the three previous years of electricity sales combined. As wholesale prices for electricity and natural gas spiked 300-fold, firms such as Comstock Resources Inc., whose majority owner is billionaire and Dallas Cowboys football team owner Jerry Jones, reaped massive profits. At the time, Comstock's CFO cynically stated, "this week is like hitting the jackpot with some of these incredible prices" and that "frankly, we were able to sell at super premium prices for a material amount of production."

The Australia-based Macquarie Group, which is the second largest natural gas line operator across the United States, announced a five to 10 percent increase in profits over 2020 because of the freeze in Texas, translating into \$213 million in extra profit, with analysts saying that the profit could be twice or even more. The company owns Griddy, a residential energy utility that issued bills as high as \$17,000. Griddy has since been banned from the Texas market by ERCOT due to non-payment alongside Entrust Energy Inc.

On February 22, the Federal Energy Regulatory Commission announced that its office of enforcement would be "examining wholesale natural gas and electricity market activity during last week's extreme cold weather to determine if any market participants engaged in market manipulation or other violations." In addition, on Wednesday the US House Oversight Committee announced the opening up of an investigation, with the subcommittee asking ERCOT to

hand over documents by March 17.

The implication of the launching of these investigations, beyond the obvious attempt to placate the public's seething anger, is that there is a real possibility that—just as in the 2001 California outage, when Enron purposefully cut power to customers—Texas power generators may have intentionally cut production in order to profit massively off of artificially increased electric costs.

The Texas Competitive Power Advocates, representing generator companies that comprise 70 percent of the state's generating capacity, stated that retroactively adjusting the extremely high prices “doesn't instill confidence in the markets” and that “the signal that we want to send is not that we changed the rules after the game's been played.” These statements indicate that a significant section of the large energy producers in Texas made money hand over fist and are pleased with the way things turned out for them during the storm.

Some power companies have had substantial losses, with Exelon Corp. losing between \$750 million and \$950 million after its three power plants went offline, representing three percent of the state's total capacity. Innergex Renewable energy said it lost between \$36 to \$49 million because of hedging, while Calpine, another energy company, most likely had significant losses owing to hedging. Many of these companies may be compelled by their financial situation to sell off their assets to those that came out on top.

Robert McCollough, an energy analyst talking to the *Washington Post*, stated that “we've got a real risk of a cascade of bankruptcies coming out of this.”

Brazos Electric Power Cooperative Inc., which supplies 660,000 customers, has announced plans to file for bankruptcy citing a \$1.8 billion debt to ERCOT. Dozens of other providers collectively face billions in charges which may force them to restructure and sell off their assets or fold. ERCOT stated that \$2.46 billion in bills went unpaid, following spot-market rates shooting up from \$30 to \$9,000 per megawatt hour and remaining at that level for more than four days.

The ultimate cause of the disaster in Texas, which saw the power grid come mere minutes from a catastrophic failure which would have taken months to repair, is the insatiable drive for profit by the power companies, as well as the criminal role played by Texas

politicians from the Democratic and Republican parties in deregulating the power grid on the behalf of the corporate financial oligarchy they represent.



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