

MUD Newsletter

Your Source for Texas Energy Industry Insights

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Texas Market Changes - PUCT and ERCOT Taking Action

Anyone living in Texas last year remembers winter storm URI that took place mid-February of 2021. That catastrophic storm caused hundreds of deaths, power outages for 4 million ERCOT customers and between \$80 to \$340 billion in economic costs and damage, forever changing the electricity landscape in Texas.

Following this, the Texas Legislature, the Public Utility Commission of Texas (PUCT), and the Electric Reliability Council of Texas (ERCOT) spent countless hours assessing the market and its strengths and vulnerabilities. On December 16, the PUCT approved the first phase of sweeping market changes within ERCOT that regulators hope will enhance electricity reliability and the resiliency of the grid.



Highlights of the changes:

- Effective January 1, 2022 the PUCT lowered the systemwide offer cap which typically is in effect throughout the year from \$9,000 a megawatt hour to \$5,000
- Raised the minimum contingency level from 2,300 to 3,000 MW. In other words, the minimum amount of generation that will trigger the high price offer cap to go into effect
- Changed the market rules to improve price signals for load managed resources
- The establishment of higher energy efficiency standards/minimums
- Allow the deployment of Emergency Response Services (ERS), which enables power consumers to be paid if they shut down in a power emergency
- Implement a fast frequency response ancillary service

Some changes more directly impact load serving entities like retail electric providers (REPs), municipal utilities, and electric co-ops around the state. The programs are as follows:

- “A load-side reliability mechanism, through which load serving entities REP, municipal providers, co-ops and municipal utilities) would be obligated to procure commitments for sufficient capacity to serve forecast peak load”
- A “Dispatchable energy credits program” through which load serving entities would be required to obtain sufficient dispatchable capacity to meet net peak load during the future period. The idea is that it is not just the generating companies, but also the load must now be a more active participant in a reliability solution
- They also directed ERCOT to implement “Backstop Reliability Service”, which is anticipated to be an ancillary service to meet specific reliability needs not met by ERCOT’s real time and ancillary service markets

It's anticipated that these new rules will increase prices in the market. This will require you to stay up to date and adjust to meet these. If you need more information on the subject, what technologies you may want to consider going forward and how you can mitigate compliance issues, don't hesitate to reach out to us.

How Aggregation Pools Reduce Costs and Increase Savings



In 2004, Acclaim began offering MUDs a new procurement opportunity by combining multiple loads into one for more buying power and lower rates, thus began Acclaim aggregation pools. Fast forward 18 years, we've been able to establish supply portfolio structuring, higher standards for retailers, better contract language, reduce transaction costs and limit a MUD's exposure to associated risks. This has also created a more competitive procurement process by weeding out retailers who cannot meet the aggregation pool's requirements.

When looking at your electricity bill, be advised CenterPoint charges are additional line items. With Acclaim, we are presenting the electricity rates only, so that you can then see the budget certainty that you can secure at that time. We show the suppliers' rates with pricing to the Load Zone vs. pricing to the HUB. The Load Zone has a slight premium for what we refer to as "insurance" whereas the HUB may appear to be a lower rate, but includes a pass-through component to the customer, which represents risk. At Acclaim, we offer all-included fixed rates, and our fee is embedded into that rate. When working with other vendors, it would be wise to ask what is not included.

With our aggregation, all participants can have staggered start dates but will co-terminate at the same time. In addition, you will be able to see better product advantages regarding bandwidth provisions and add/delete language. Remember, with aggregations, everything is based on all members' contract volumes, not just yours.

Electricity aggregations can be complex and require numerous steps to protect your MUD. If your District is considering an electricity contract renewal, consider participating in an aggregation using the following criteria: continuous monitoring of the market for the best opportunities, pulling updated load files, reviewing contract dates and rates, and ensuring the master aggregation contract language is vetted by your law firm. This helps reduce legal fees and speeds up the signatory process.

If you are new to this concept and looking for ways to reduce costs and secure the lowest rates, Acclaim serves nearing 300 MUDs with 175 of them participating in our aggregation pools. Aggregation pools are a proven concept for driving value and budget certainty.



JPMS Event Raises \$400,000+ to Fight Cancer



On behalf of The Jimmy Pappas Memorial Shoot Foundation and John D. Elder III, CEO of Acclaim Energy and this year's event chairman, we would like to thank the MUD community for all their support. The 8th annual charity clay shoot held this past November had more than 300 participants and raised \$499,000, including matching funds that benefit The Sunshine Kids Foundation, His Grace Foundation, and Hope Biosciences Stem Cell Research Center Foundation.

"In 2021, we raised more than ever before for families and children fighting cancer. We are eternally grateful that during a challenging economic period due to Covid, the MUD community and others would come together to make a difference in the lives of those in need" said John D. Elder III.

AWBD Annual Conference

The annual conference will be held in Fort Worth, Texas on June 23-25th. We look forward to seeing you there. Stop by and see us at booth 600.



Bear Oakley Joins Acclaim MUD Team



John D. Elder III, CEO, announced the appointment of Bear Oakley to the position of Sales Manager. Bear has worked for more than 20 years in the Water/Wastewater industry. In addition, he has served as a MUD director since 2015 and has been a member of the Water Smart Committee at AWBD since 2003, becoming Chairman in 2017. He brings a wealth of experience in sales, customer service, and operations that will bode well in his passionate efforts to deliver superior levels of service to operators, engineers, and the legal community. He can be reached at bear.oakley@acclaimenergy.com

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