



Texas Municipal Utility District Newsletter

NEW ANCILLARY CHARGES IMPACTING MUDS

As a result of The February Freeze of 2021, a new line item began appearing on Districts’ energy bills as Supplemental Ancillary Charges.

What are Ancillary Services (AS)? They are generation services necessary to support the transmission of energy to loads while maintaining reliable, stable, efficient, and safe operation of our power system. There are four AS that are traded in the forward market, which make up about 5% of the total retail market contract price. Such market AS carry a risk that can be hedged through bilateral transactions. If the price risk of AS is not managed properly, consumers could be exposed to significantly higher prices during extreme weather events when the grid is stressed. Non-market AS charges are subject to changes in the regulated tariff rates. The four market services are the following:

- **Regulation Up Service:** Pays generators who can provide frequency regulation service to increase generation output
- **Regulation Down Service:** Pays generators who can provide frequency regulation service to reduce generation output. Reg Up and Reg Down are used to increase or decrease energy production within 3-5 seconds
- **Responsive Reserve Service (RRS):** Pays generators to support grid reliability by ensuring generation servers are available in the event two of the largest unit’s trip offline. RRS are used to respond within 15 seconds and reach full deployment within 10 seconds
- **Non-Spinning Reserve Service:** Pays generators who are standing by, ready to run, within a 30-minute notice. Respond within 30 minutes and run full deployment in at least 60 minutes. We see this during certain periods to account for increased reliability concerns resulting from wind and solar forecast variability



Even in a fixed rate contract, suppliers have begun passing-through this “non-energy” cost which is determined and billed by the Energy Reliability Council of Texas (ERCOT) and the local utility that distributes the power. The Texas Public Utility Commission (PUC) is currently reviewing close to 40 filings regarding the proposed market redesign.

They must make some hard and fast decisions in October and November to formalize a “blueprint”

for ERCOT as directed by Texas Legislature and Governor Abbott.

There are still a lot of unanswered questions at this time, but we’ve seen the first of probably many changes to come. Nearly all deregulated regional power forward prices have increased as natural gas prices have surged. The increase in natural gas prices has been driven by the following fundamental factors: Increase in global demand, limited production increase in the U.S., storage deficit vs. 5-year average, an increase in NG exports, and winter price premiums due to possible supply shortages in the winter.

WHY MICROGRIDS ARE THE BEST SOLUTION FOR MUD RELIABILITY

The state of Texas' grid reliability is still a concern for many and one of the primary solutions being discussed is the need for MUDs and government entities to install microgrids that will help the grid and the MUD's customers when needed. To help clarify why microgrids are a viable alternative and preferred solution, read below.



What exactly is a microgrid?

Essentially, it is a self-contained electrical network that allows you to generate your own electricity on-site and use it when you need it most, thus a type of distributed energy resource. It can be operated while connected to the utility grid or in disconnected "island" mode. Its purpose is to generate power to serve your load in the event of an emergency or it can be used to export electricity back to the electric grid during peak demand periods.

What's the point of a microgrid and why do that vs. a standalone emergency-only generator?

It dramatically increases reliability. When you're operating in parallel with the utility, you can have what's called a "blinkless" transfer, switching your facility from being powered by the utility grid to being powered by your generator without losing power. By eliminating the need to shut down your facility with a standalone emergency-only generator to perform load bank test, you're able to test under load more frequently, and by testing more frequently, you're able to catch any issues with the generator before an emergency arises.

Additionally, with this option you can export power to the grid, allowing MUDs to monetize equipment through participation in demand response programs. Selling electricity back to the grid offers a great way to offset the cost of the equipment. This approach allows the opportunity to operate in parallel and to export, giving the advantage of both options.

How is a "blinkless" transfer even possible?

The simple answer is your generator is connected to the utility grid with a parallel switch gear. This enables your generator to be in synchronization with the frequency of the grid and then shift your load from the utility grid to the generator when desired. In this case, the generator stays synchronized with the grid, exporting a small amount or as much as you'd like, making it possible to participate in peak management, demand response or to sell power back to the grid without ever having to shut your facility off. If there's ever a power outage on the grid, your emergency generator will do what it is supposed to do and begin powering your facility.

What is Demand Response and how can my MUD benefit from the incentives?



Demand Response is the remote activation of your generator(s) to reduce electricity usage when wholesale prices are high or the grid is threatened, supporting supply and demand. Acclaim Energy manages the process while you generate revenue for your MUD.

For more information about microgrids, please don't hesitate to call Mary DuBois at (832) 304-3504

REGISTER NOW FOR THE JIMMY PAPPAS SPORTING CLAY MEMORIAL SHOOT SPACE IS LIMITED



[Click Here to
Donate or Participate](#)

The 8th annual event takes place on Tuesday November 16th at the Greater Houston Gun Club. The event is widely attended by 300 business leaders from the MUDs and energy industry. Jimmy Pappas was a graduate of Texas A&M and was instrumental in the creation of a number of well-known Houston master planned developments. The annual charity clay shoot is a day of shooting contests, entertainment, and high-end raffles and auctions, including delicious food and great drinks.

All funds from the event benefit three Houston-area charities: The Sunshine Kids Foundation, His Grace Foundation and Hope BioSciences Stem Cell Research Foundation. Become a sponsor, sign up as a team of four or as an individual, or simply make a donation by clicking the button to the left or contact Chairman, John D. Elder III at (713) 775-4556.

FREE TCEQ EMERGENCY PREPAREDNESS ONLINE WORKSHOPS FOR MUDS



TCEQ is hosting FREE online workshops on Nov. 8th and 18th on the requirements of Senate Bill 3 (87th Legislature 2021) and emergency preparedness plans (EPPs) for water system owners, operators, and managers.

[Click Here to Learn More and Register](#)

Utilities in Harris and Fort Bend Counties are not affected.

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