

Power Supply Adjustment (PSA) in the ERCOT Nodal Market

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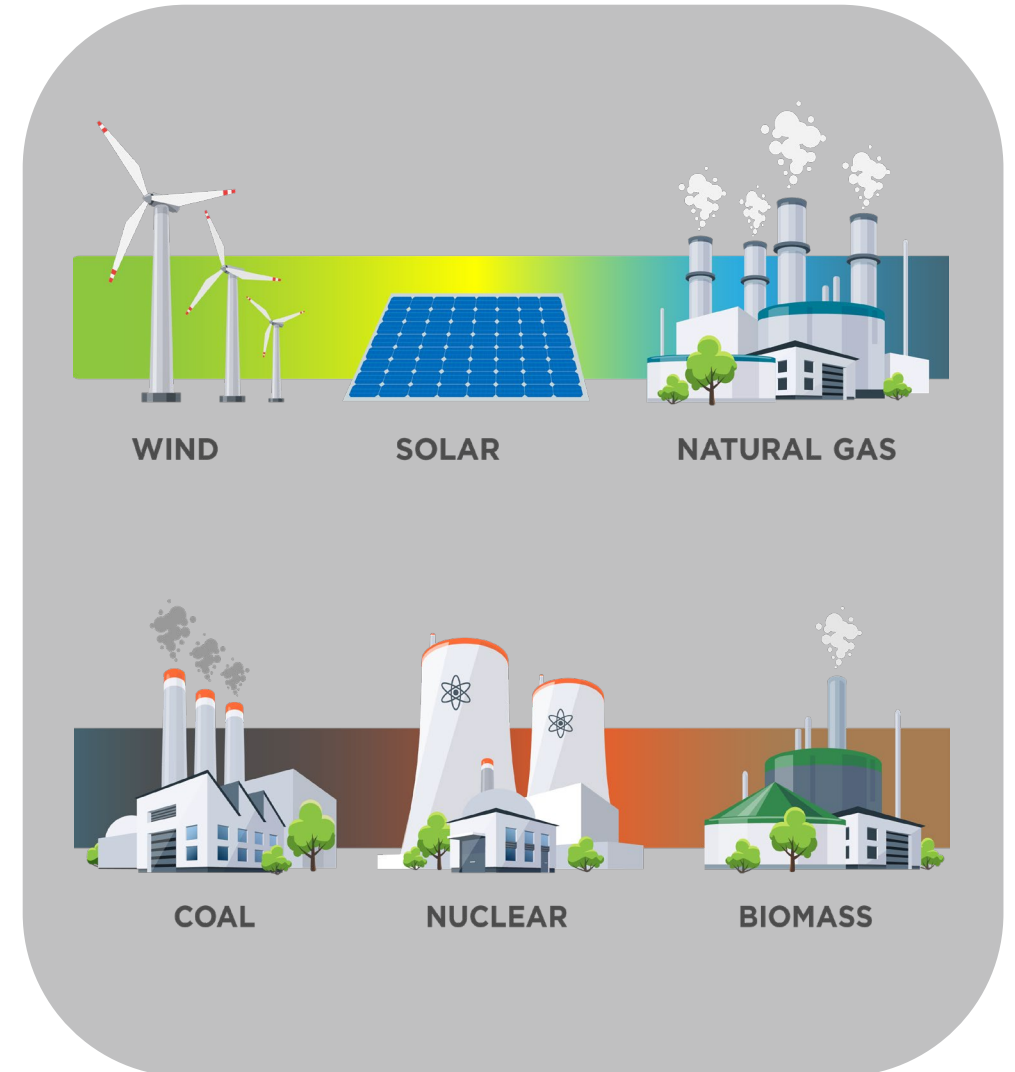
April 11, 2023

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Power Supply Adjustment

PSA costs include:

- Electric Reliability Council of Texas (**ERCOT**) **Settlements** – charges and credits from ERCOT and their Administrative Fees
- **Fuel Costs** – costs for fuel, fuel transportation, hedging gains and losses
- **Net Purchased Power Agreement Costs** – costs and offsetting revenues (such as bilateral sales / Green Choice) associated with short / long term purchased power agreements and costs for distributed generation production.
- Provides for recovery of prior year's expenditures
- Pass through-rate; dollar-for-dollar cost recovery



Power Supply Adjustment



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MEMORANDUM

TO: Mayor and Council Members
CC: Jesús Garza, Interim City Manager
FROM:
DATE:
SUBJECT:

months, with the remaining outstanding balance of \$69 million intended to be collected over the following 24 months, beginning November 1, 2023.

Administrative Adjustment of the PSA

As of January 31, 2023, the PSA over-recovered \$9 million. In January, mild temperatures resulted in moderated market costs and lower load, which reduced power costs. The over-recovery of the PSA in January is expected to be mitigated by typically higher power costs in the summer. Austin Energy expects to see continued moderation in natural gas prices which often, but not always, translates to lower power prices on the system. Given these factors, Austin Energy is not exercising its administrative authority to increase or decrease the PSA rate at this time.

The following table indicates the PSA rates per kWh by voltage level approved by City Council for bills beginning November 1, 2022. No administrative adjustments have been made since that time.

Voltage Level	Voltage Level Adjustment Factor	Power Supply Rate Approved by City Council (\$/kWh)	Administrative Adjustment (\$/kWh)
System Average	1.0000	\$0.04349	\$0.00000
Secondary	1.0049	\$0.04371	\$0.00000
Primary	0.9821	\$0.04271	\$0.00000
Transmission	0.9696	\$0.04271	\$0.00000

Under-recovered PSA Balance

Additionally, Austin Energy is updating Council on the current status of the under-recovered PSA balance. In October, Council approved recovery of a \$104 million under-recovered PSA balance to be spread over three years. The balance of the under-recovery as of January 31, 2023, is \$75 million. This balance reflects \$18.2 million received in late December from ERCOT related to the Brazos bankruptcy settlement, resulting in a net collection to date of \$27 million of the first year's projected recovery of \$35 million of the \$104 million under-recovered balance.

Please contact Mark Dombroski, Austin Energy's Deputy General Manager, Chief Financial and Administrative Officer, if you have any questions.

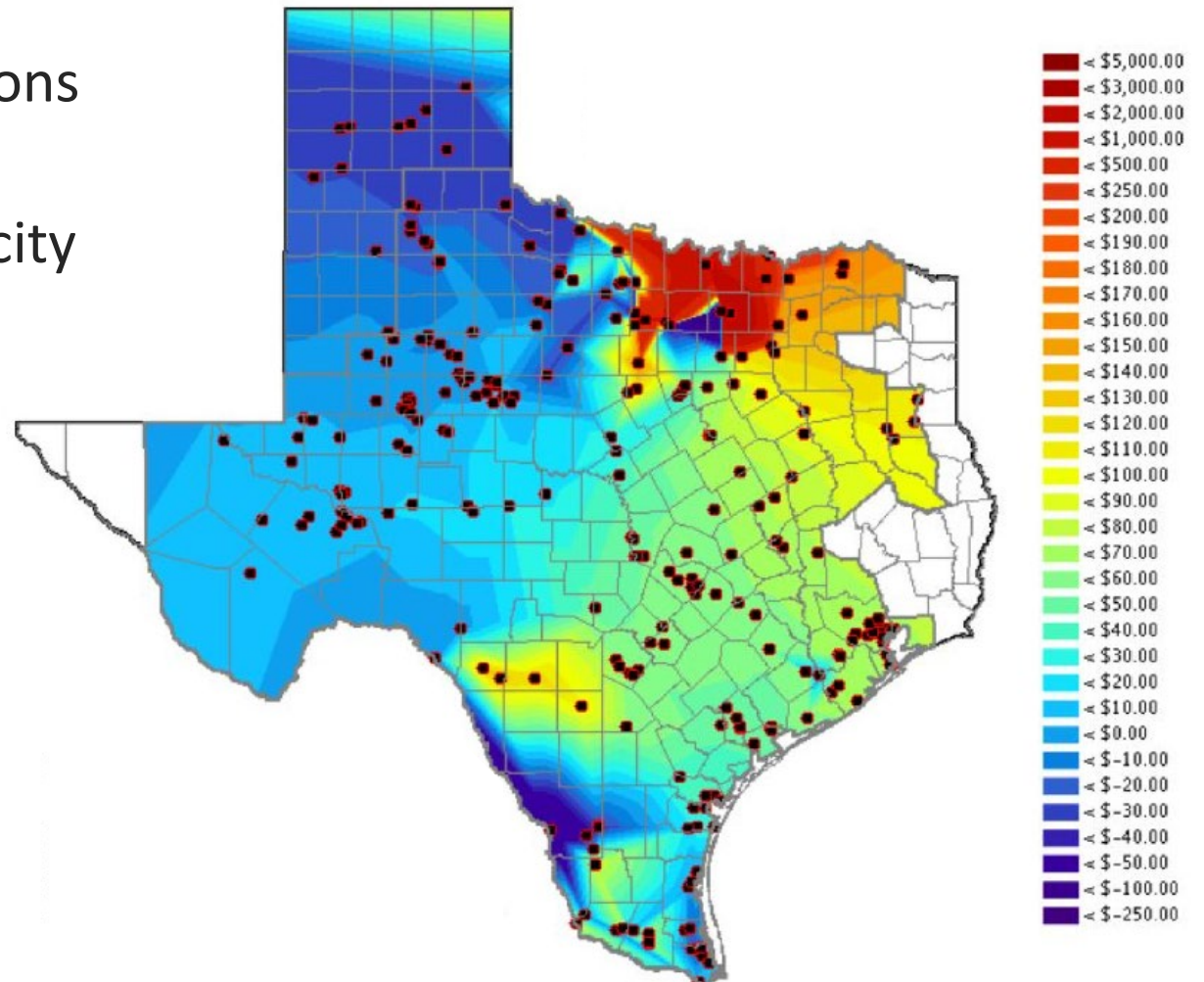
xc: Ed Van Eenoo, Chief Financial Officer, City of Austin

- City Council approves Power Supply Adjustment rate annually
- Administrative authority to adjust PSA rate +/- 5%
- Monthly Memo to Mayor and Council
 - provides status of PSA balance
 - details any administrative changes to PSA



ERCOT Responsibilities

- System reliability – planning and operations
- Wholesale market settlement for electricity production and delivery (consumption)
- Open access to transmission

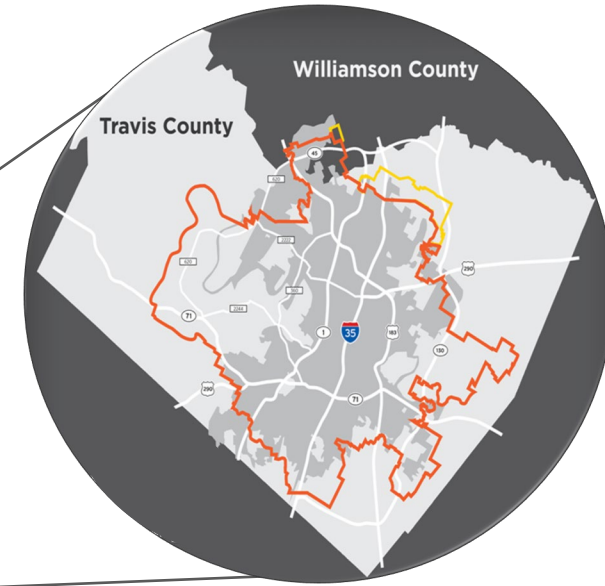
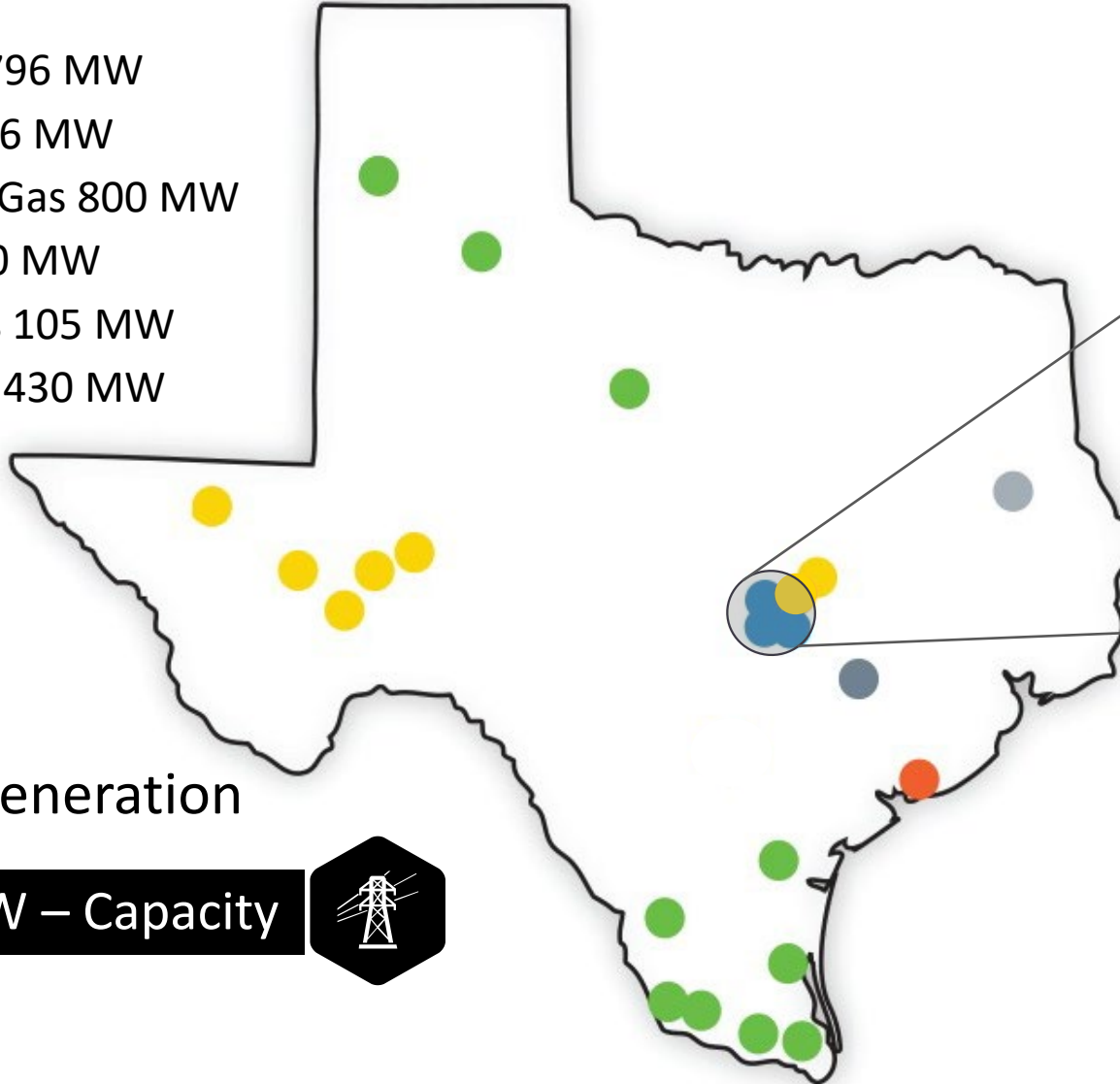


Austin Energy's Supply and Demand

Sell Generation to ERCOT Market

Buy Electricity from ERCOT Market
to serve Customers

- Wind 1796 MW
- Solar 966 MW
- Natural Gas 800 MW
- Coal 600 MW
- Biomass 105 MW
- Nuclear 430 MW



Austin Energy Load Zone

Total Generation

4,696 MW – Capacity



All-Time Peak Demand



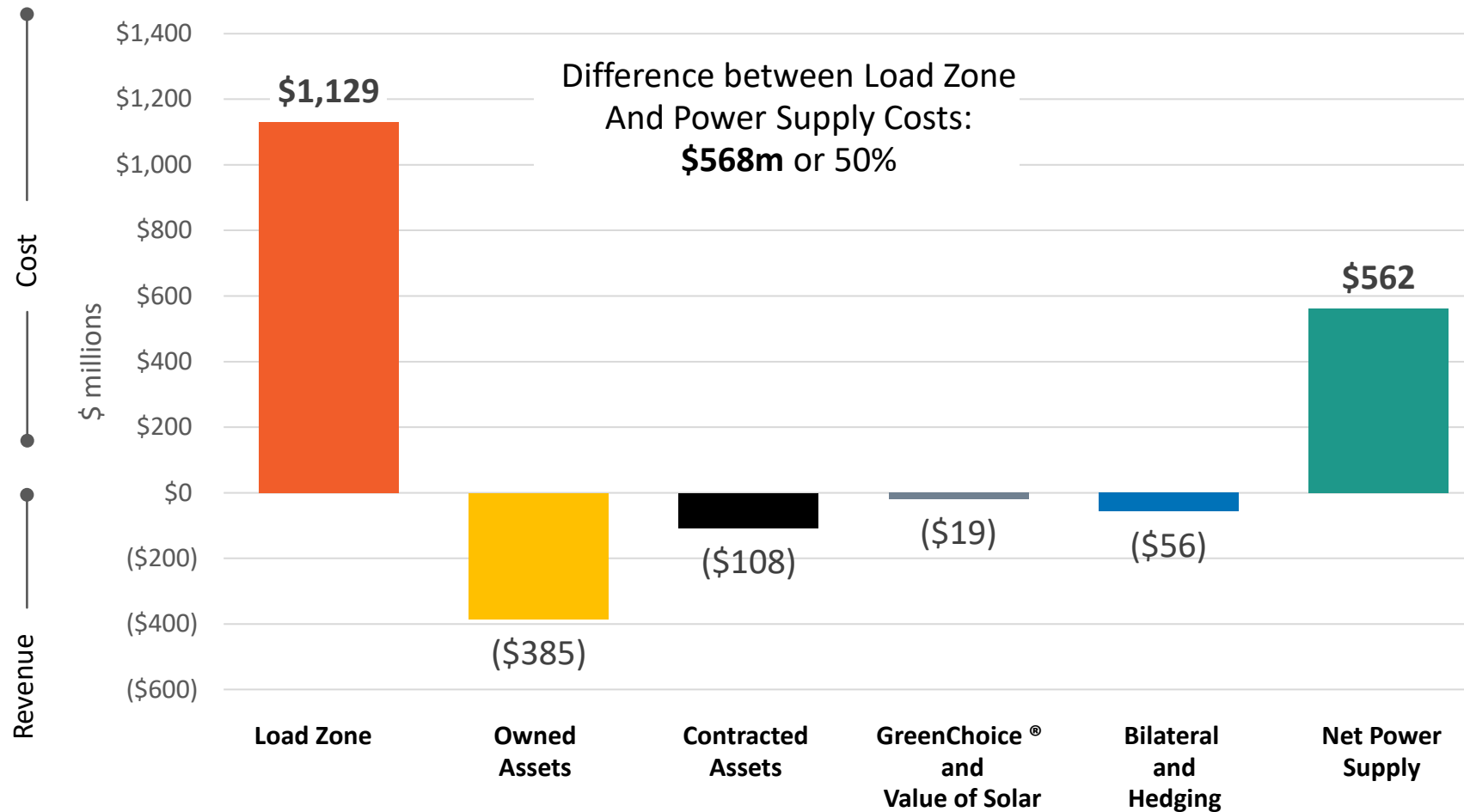
2,969 MW – July 2022

2,613 MW – Dec. 2022



Power Supply Adjustment Cost Components

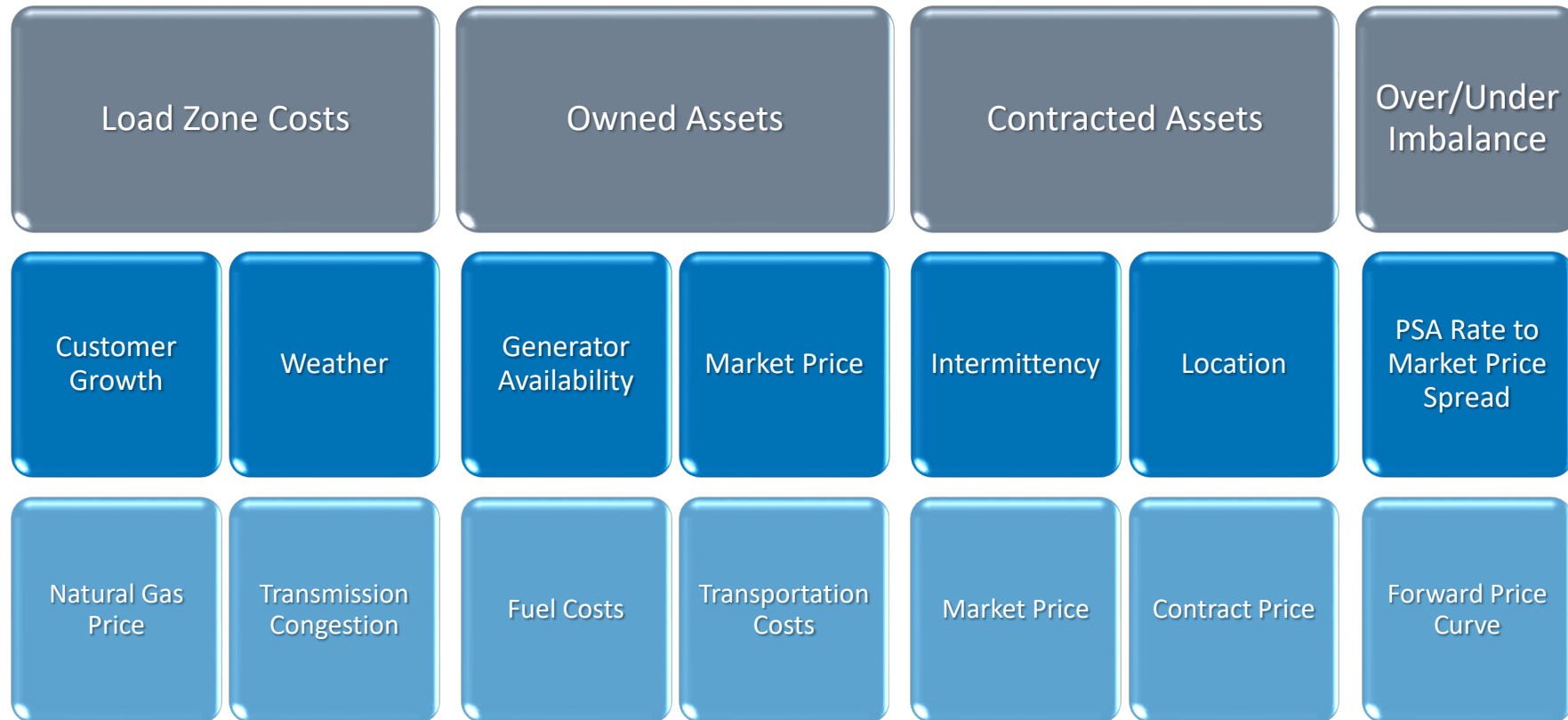
Twelve Months Ending February 2023



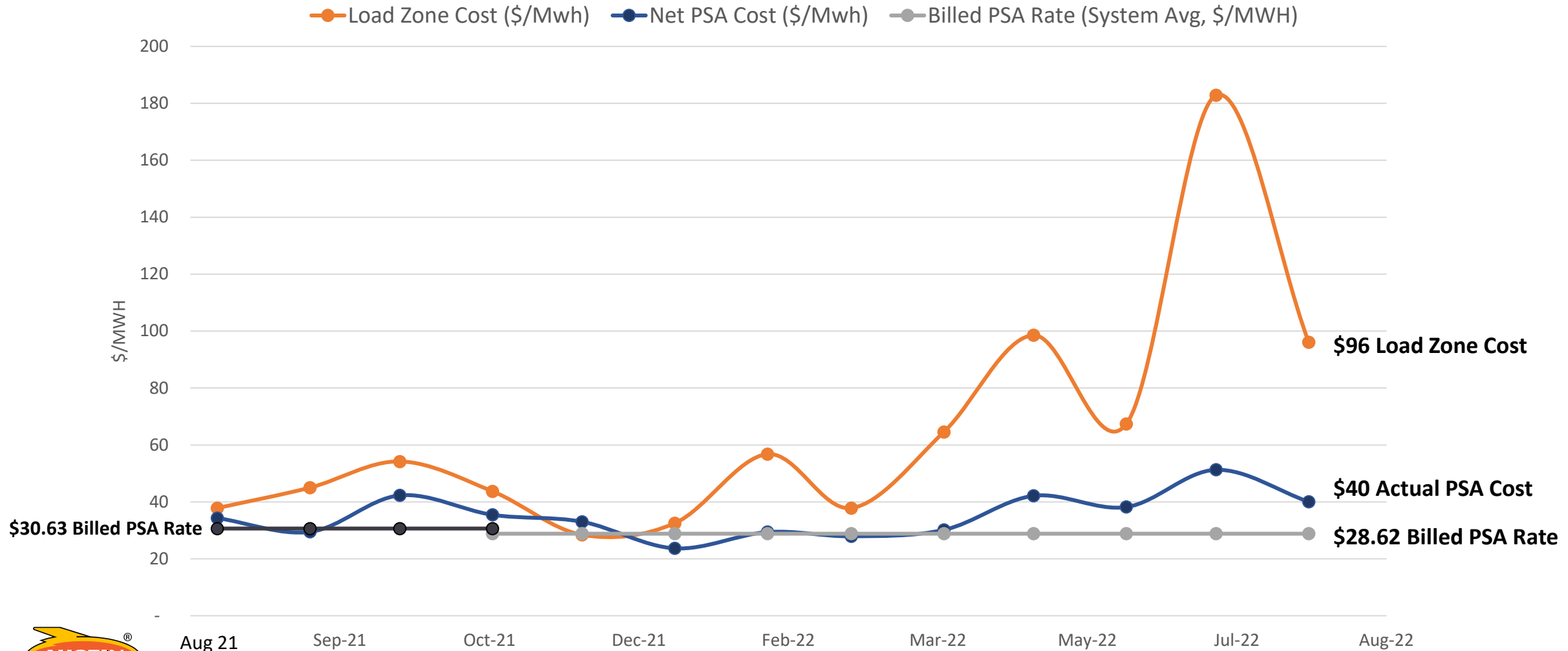
This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2021.pdf

PSA Cost Drivers

Cost Drivers



Austin Energy Reduced Load Zone Costs with Power Sales to ERCOT and Hedging



QUESTIONS?



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