

A Retail Perspective on Wholesale Power

University Of Texas Center for Energy Economics

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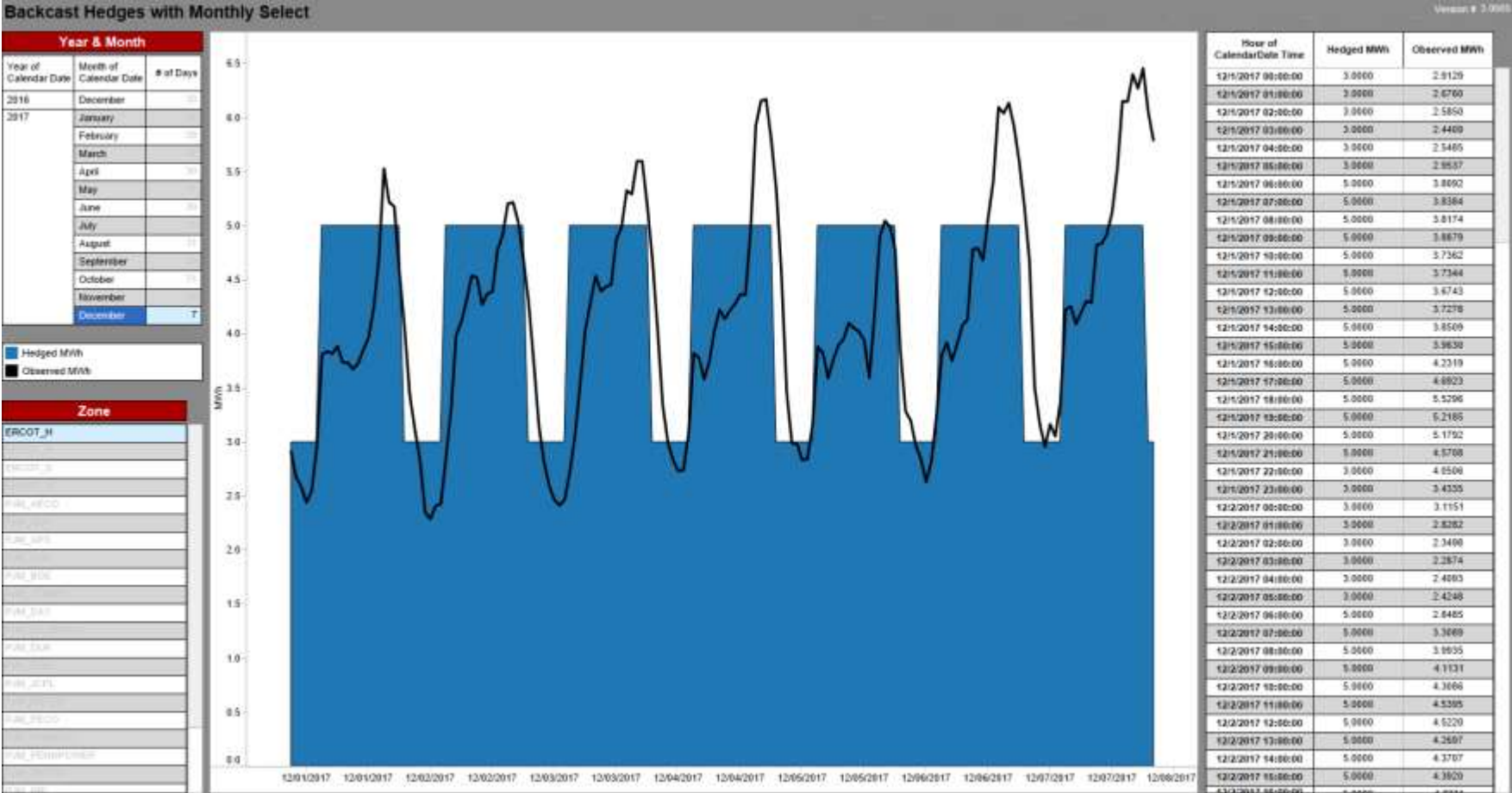


LS Power Overview

- Founded in 1990, LS Power has grown from a start-up to a team of over 200 professionals, beyond which it [employs thousands of contracted construction and operations personnel](#) across the US
- Founded as a fossil fuel power generation development company, LS Power has expanded its capabilities and resources to include the development, construction and acquisition of a diverse mix of generation assets (including gas, solar, wind, hydro and battery storage) and high-voltage transmission projects
 - Maintaining its sterling reputation of integrity and fair dealing with utilities, ISOs, trading counterparties, and service providers is a core value
- Through its efforts LS Power has owned and managed over 38,000 MW of power generation capacity and 565 miles of transmission lines, investing more than \$36 billion of capital into the energy infrastructure system of the US
 - Approximately 9,000 MW currently under management in LS Power Equity Partners III, L.P. (“Fund III”)
 - Formation of LifeEnergy, LLC within Fund III was in December 2015 with first sales in July 2016 (a major milestone)



Scarcity Pricing – What’s the big deal?



Texas (ERCOT) is the best currently operating model for retail competition

- Represents the only deregulated power market in which the utility (a natural monopoly) has been completely exorcised from retail sales
 - The Public Utility Commission of Texas (“PUC”) has, consequently, been highly supportive of competition vs. the northeast US where regulatory capture reigns (and where we apparently don’t quite believe that competition works)
 - Power to Choose (www.powertochoose.org) was developed by the PUC to foster competition in Texas whereas in the Northeast US similar efforts have been moribund (because why in the world would utilities want it?)
 - While there are problems with and critiques of the Texas retail market, some legitimate (e.g. retail offerings too complicated or too confusing), customers embracing choice have typically paid only about half of what legacy utility customers that remained with the utility affiliate have paid
- From the retail perspective, the ERCOT wholesale market has the look and feel of a market with integrated resource planning (“IRP”), but without the command and control approach that has failed elsewhere
 - Load can be forecasted and effectively hedged well ahead of delivery
 - Short-term weather and associated load forecasts are extremely accurate day-ahead and day-ahead markets work just fine to protect customers from price spikes (and it is the job of retailers to make sure their customers are protected)
 - Had IRP been in place in Texas over the past decade, how much uneconomic and now unneeded coal or gas-fired generation would we have built?
- From the retail perspective, political and regulatory risk dominate