



Power Supply and Energy Management Policy

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Power Supply and Energy Management Policy

- New Policy that details our current processes around planning, management and reporting of how PEC meets our Electric Energy Requirements
- Creates responsibilities to report to the Board an annual Power Supply Plan as well as monthly reporting on the implementation of the annual Plan
- Officially establishes the Power Supply & Energy Management Committee (PSEM), which has already been meeting for over a year, to make recommendations for Board consideration
- New Policy will supersede the Resource Planning Policy

Power Supply and Energy Management Policy PEDERNALES ELECTRIC COOPERATIVE, INC.

1. Purpose:
 - 1.1. Pedernales Electric Cooperative ("PEC" or "Cooperative"), in its mission, is committed to provide low-cost, reliable and safe energy solutions for the benefit of our members. The purchase of electricity is required to satisfy PEC's obligations to its members and to manage PEC's Electric Energy Requirements.
 - 1.2. The purpose of the Power Supply and Energy Management Policy ("Policy") is to establish a Power Supply and Energy Management Program ("Program") to manage PEC's Electric Energy Requirements with acknowledgment of the significant cost expenditures and cost fluctuations inherent with power suppliers or directly with fuel and power markets.
2. Scope:
 - 2.1. This Policy governs the activities used to manage PEC's Electric Energy Requirements.
 - 2.2. This Policy governs the planning, management, reporting, and oversight of PEC's Program.
 - 2.3. This Policy governs the management of PEC power supply resources and existing and future power supply contracts.
 - 2.4. This Policy governs the actions required by PEC as a Load Serving Entity ("LSE") in the Electric Reliability Council of Texas ("ERCOT") including but not limited to establishing and maintaining registered Qualified Scheduling Entity ("QSE") services and assuring compliance with ERCOT protocols and operating guides.
 - 2.5. This Policy governs the actions required by PEC as a Resource Entity ("RE") in ERCOT including but not limited to establishing and maintaining registered QSE services and assuring compliance with ERCOT protocols and operating guides.
3. Definitions:

The definitions below are commonly utilized by power industry professionals in describing the ERCOT energy market and energy transactions. The definitions are to clarify this Policy and may not align with other uses of the terms.

 - 3.1. Ancillary Service – is a service necessary to support the transmission of energy to LSEs while maintaining reliable operation of the transmission system.
 - 3.2. Congestion Revenue Rights – is a financial instrument that results in a charge of a payment to the owner, when the ERCOT transmission grid is congested.
 - 3.3. Cost of Power – is the cost to PEC to meet the Electric Energy Requirements. Electric Energy Requirements – means all electric energy consumed by the Cooperative and Ancillary Services that are required to meet PEC members' energy requirements.
 - 3.4. Electric Reliability Council of Texas ("ERCOT") - is a membership-based 501(c)(4) nonprofit corporation, governed by a board of directors and subject to oversight by the Public Utility Commission of Texas and the Texas Legislature. ERCOT performs the financial settlements for the competitive wholesale bulk-power market.

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Guiding objectives defined in the Policy

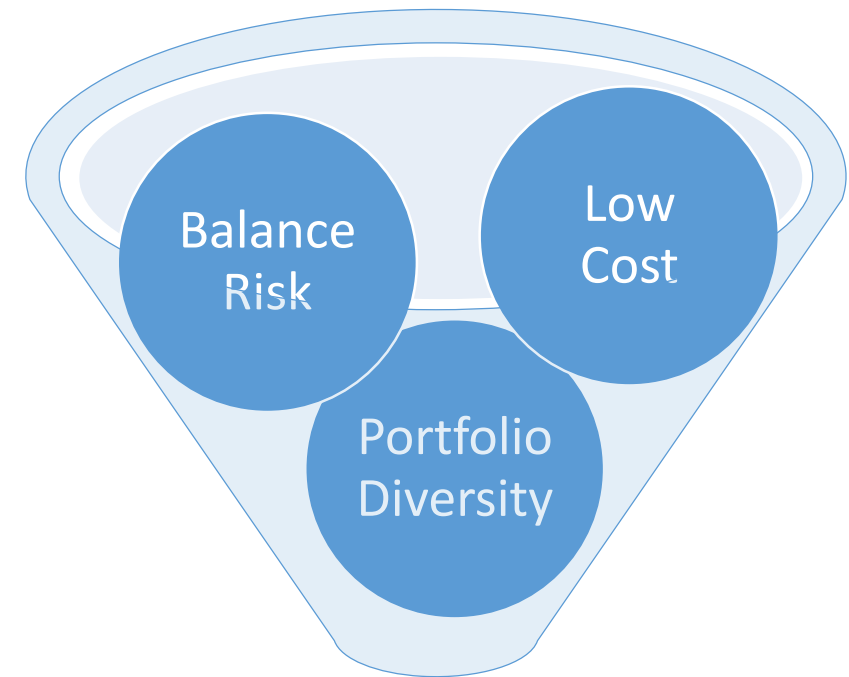
4. Defined Objectives:

The implementation and maintenance of the Program enables PEC to create, protect, and enhance value for PEC members by undertaking activities to meet the following three objectives:

4.1. Low Cost – The Program will implement a Power Supply Plan that will strive to meet the Electric Energy Requirements at a low cost.

4.2. Balance Risk – The Program will implement a Power Supply Plan that will strive to meet the Electric Energy Requirements while balancing inherent risks associated with managing a Power Supply Portfolio.

4.3. Portfolio Diversity – The Program will implement a Power Supply Plan that will strive to meet the Electric Energy Requirements while assigning value to a diversified portfolio consisting of electrical energy from multiple suppliers, multiple fuel types, multiple sources, and with various contract lengths.





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