

Case Study: Assuring Reliability in the Face of a Blackout

OPPORTUNITY

A long-term refinery client that cogenerates power had one of its generators shut down for maintenance the entire month of February 2011. While reviewing internal market research and performing an analysis of weather trends, Fellon-McCord's 24/7 energy desk anticipated there would be an increase in February's energy prices. The client's existing energy contract would supplement any shortfalls in their generation volumes with power purchased at a floating spot market price.

SOLUTION

With our knowledge of a potential price increase, we recommended that the client buy a forward commitment of energy. This would protect them against potential spikes in pricing resulting from significant weather changes or other events. With the client's approval, Fellon-McCord purchased a forward commitment that covered 90 percent of the client's February power needs.

RESULTS

On February 2, 2011, record low temperatures hit most of Texas causing 7,000 megawatts of power generation to be shut off due to weather-related mechanical



failures. The lack of nearly 10 percent of ERCOT's (Electric Reliability Council of Texas) installed capacity caused rolling blackouts from early in that morning until mid-afternoon. During this time period, spot power prices spiked to \$3,001/MWh from an early-morning low of \$41.20/MWh.

Fellon-McCord recommended the client lock in 18MW of fixed-price power resulting in savings that totaled \$321,886.44, with 95 percent of the savings occurring during one nine-hour period. Additional savings were realized during the remainder of February 2011 due to continued low temperatures and the extended re-start times for the large generation units that went offline.

CONCLUSION

Fellon-McCord's expertise in analyzing complex energy markets – and our understanding of the wholesale market and its sensitivity to weather dynamics – allowed us to create and implement a purchasing strategy that dramatically reduced the client's monthly energy spend without impacting production.