

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Griddy Energy LLC

Docket No. ER21-1036

Protest of Public Citizen, Inc.

The February 2 Application of Griddy Energy LLC for market-based rate authority is deficient because it conceals Griddy's affiliation with the financial firm Macquarie Group. Macquarie Group has two MBR affiliates— Macquarie Energy LLC and Macquarie Energy Trading LLC—with which the application also fails to disclose affiliation.

The Commission established an intervention and comment deadline for this docket of February 24. We have good cause to intervene and protest out-of-time. We only learned of Macquarie's affiliation with Griddy after reading news articles about it over the last several days. And one of our undergraduate volunteer interns discovered this Griddy MBR application only last night. We submitted our out-of-time intervention this morning, and file this protest the same day.

Exhibit A is a December 7, 2020 press release issued by Griddy and Macquarie announcing the bank's investment in Griddy. Exhibit A also includes a *Wall Street Journal* article noting Macquarie's affiliation with Griddy. While the *Journal* article describes Macquarie's lucrative trading operations during the Texas energy crisis, it doesn't include the very important fact that last year Macquarie acquired Multifuels Midstream Group, a network of 150 miles of natural gas pipelines connecting wellhead gas production with much of ERCOT's gas-powered generation.¹ It is likely that Macquarie's control of these pipelines helped inform their very profitable trading operation.²

¹ <https://twitter.com/TysonSlocum/status/1364949313344974854>

² Unlike FERC's code of conduct rules prohibiting communication between pipeline and trading affiliates (18 CFR § 358), Texas has no such code of conduct rules.

The December 7 press release details significant new management and board of directors changes to Griddy that coincide with Macquarie's investment—suggesting that Macquarie's investment conveys control over Griddy's management.

Respectfully submitted,

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EXHIBIT A

Griddy Announces New Leadership And Financing Agreement With Macquarie Energy



NEWS PROVIDED BY

Griddy →

Dec 07, 2020, 09:00 ET

HOUSTON, Dec. 7, 2020 /PRNewswire/ -- Griddy Energy, the pioneer of direct-to-consumer wholesale electricity in Texas, appoints Michael Fallquist as Chief Executive Officer, Christian McArthur as Chief Operating Officer and Roop Bhullar as Chief Financial Officer and enters into an agreement with Macquarie Energy, a subsidiary of the Macquarie Group, to provide a wholesale supply facility and investment capital to support Griddy's growth and market expansion.

"I'm excited to welcome the new leadership team and strategic partner to Griddy as we embark on the next phase of our growth," said Gregory L. Craig, Griddy co-founder and the outgoing CEO of Griddy. "Michael, Christian and Roop bring a proven track record and share our vision to disrupt the retail energy market by delivering an unmatched value proposition and experience to our members."

Fallquist, McArthur and Bhullar served in similar roles at Crius Energy, an independent energy marketer of retail electricity, natural gas and solar products to residential and commercial customers, until July 2019, when it was acquired by Vistra Energy. Under their leadership, Crius Energy went public on the Toronto Stock Exchange and achieved total returns to public unit

holders of approximately 10% CAGR (compound annual growth rate), including distributions paid to unit holders of more than C\$200 million while serving 1.4 million residential customer equivalents across 19 States and the District of Columbia at its peak.

With this new leadership team, their main focus for the upcoming months will be:

- Solutions to combat price volatility, including a "price lock" feature for peak periods
- A network marketing program to rapidly grow the business in Texas and facilitate expansion into new markets

"We are thrilled to join Griddy and to help the business reach its tremendous potential. It's the best product in the Texas market, and with a few strategic enhancements, including the launch of our word-of-mouth sales channel, we expect rapid growth," said Michael Fallquist, the newly appointed CEO of Griddy. "Macquarie was a tremendous partner for us at Crius Energy, and we believe they will be instrumental in helping us achieve our goals and objectives at Griddy."

The new relationship and capital from Macquarie Energy means a bright future for Griddy.

"Our previous strategic investments with Crius Energy management showed us that combining a strong leadership team with the right financial partner delivers outstanding results," says Roberta Konicki of Macquarie's Commodities and Global Markets group. "Our new investment in Griddy reflects our continued confidence in that management team, as well as our belief in both the Griddy technology platform and the important role energy technologies play in transforming the industry."

Craig and Nick Bain, Griddy co-founder and executive chairman, will join the Griddy Energy Board of Directors, with Bain serving as Chairman of the Board.

About Griddy

Griddy is the pioneer of direct-to-consumer wholesale electricity in Texas. Griddy eliminates the middleman and connects members directly to wholesale electricity rates via a smartphone app, which allows members to optimize their energy consumption and increase their savings



and use of renewable energy. Griddy delivers real-time energy usage and price alerts directly through our app because better data means bigger savings for our members. For further information, visit www.griddy.com.

About Macquarie

Macquarie Group Limited (Macquarie) is a diversified financial group that provides clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities. Founded in 1969, Macquarie employs over 15,800 people globally. Macquarie's assets under management (AUM) at 31 March 2020 were \$367.7 billion. For further information, visit www.macquarie.com.

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Texas Blackout Boosts Australian Bank by Up to \$215 Million

Macquarie earned a windfall when the deep freeze in Texas sent energy markets into a tailspin

FINANCE

By *Joe Wallace* [+ Follow](#) and

Ryan Dezember [+ Follow](#)

Updated February 22, 2021 05:52 p.m. EST

The deep freeze that [plunged millions of Texans into darkness](#) is rippling through energy markets in unexpected ways, producing a financial windfall for an Australian bank and severe pain for other companies caught up in the disruption.

The extreme weather froze wind turbines and oil-and-gas wells, closed oil refiners and prompted power stations to trip offline, sending a jolt through energy markets. Wholesale power prices rocketed, as did spot prices for natural gas in Texas, Oklahoma, Kansas and Arkansas.

[The turbulence led to a bonanza for commodity traders at Australia's Macquarie Group Ltd., whose ability to funnel gas and electricity around the country enabled them to capitalize on soaring demand and prices in states such as Texas.](#)

[The bank bumped up its guidance Monday for earnings in the year through March to reflect the windfall. It said that net profit after tax would be 5% to 10% higher than in the 2020 fiscal year. That equates to an increase of up to 273.1](#)



The extreme weather froze wind turbines and oil-and-gas wells and closed oil refiners.

[million Australian dollars, equivalent to around \\$215 million.](#) In its previous guidance, issued Feb. 9, Macquarie said it expected profits to be slightly down on 2020.

“Extreme winter weather conditions in North America have significantly increased short-term client demand for Macquarie’s capabilities in maintaining critical physical supply across the commodity complex, and particularly in relation to gas and power,” the bank said.

Macquarie’s windfall shows how big profits can be made wagering on relative scarcity of natural gas in a country [awash in the fuel.](#)

The U.S. shale-drilling boom

unleashed so much gas over the past decade that prices have been depressed to the point that producers with gushers [have gone bankrupt.](#) Yet gas buyers, such as power plants and manufacturers, are routinely left paying surging prices when demand peaks during winter storms.

Behind such instances of energy feast and famine is a gas infrastructure system that has failed to keep up with all the drilling. Pipelines laid decades before the shale boom are often in the wrong places, or too small to meet today’s demand. Having space reserved on certain pipelines can become incredibly lucrative when uncharacteristic weather causes

Natural-gas futures prices this year

\$3.3 per million British thermal units



Source: FactSet

swells in demand.

Scarcity in Texas and the Great Plains was amplified last week when temperatures dropped low enough to freeze shut many of the region's gas wells and other energy infrastructure. Capacity on pipelines into the region became precious. Traders and energy firms that had paid in advance for the right to use these supply routes were suddenly in position to rake in huge profits as utilities vied for fuel deliveries.

Macquarie describes itself as the second-largest marketer of physical gas in North America behind BP PLC, with a team in Houston and access to 80% of pipelines spanning the U.S., according to a person familiar with the matter. The business, which Macquarie has built out for over a decade, received a boost from the acquisition of Cargill Inc.'s North America power and gas division in 2017.

The Australian bank rents access to natural-gas pipelines and electricity networks across the U.S.,

enabling it to profit when prices in some regions are significantly higher than in others and when consumers are in urgent need of fuel or power. That was the case last week, when frozen energy infrastructure and the closure of oil-and-gas wells set off a race for natural gas among Texas power plants and other consumers.

Macquarie sent large volumes of gas from the north of the U.S. to the south, where the cold weather sent prices soaring last week, the person familiar with the matter said. It supplied electricity in Texas as well as gas to generate electrical power.

At one point, natural gas changed hands for more than \$900 per million British thermal units at the ONEOK Gas Transportation hub in Oklahoma, according to commodities data provider S&P Global Platts. By Friday, prices at the hub had fallen back to about \$14 per million British thermal units. That was still comparatively high: Benchmark futures for U.S. natural gas, which are tied to delivery at Henry Hub in Louisiana, have generally cost between \$2.50 and \$3.50 per million British thermal units in recent months.

Shares of Macquarie rose 3.4% in Sydney on Monday after the company raised its profit outlook. They are now down 2.8% over the past 12 months.

Millions were left without power and heat in Texas last week as the lowest temperatures in decades [wreaked havoc on the state's utilities](#). Frozen water lines burst and left big residents in cities without safe drinking water. Stores

closed because they had no power, which made food and water even more scarce.

Roughly 70 deaths, mostly in Texas, have been attributed to the cold weather, according to the Associated Press. Some are believed to have frozen to death in their homes.

Macquarie last year provided an undisclosed amount of investment capital to upstart Houston-based utility Griddy Energy LLC, whose business model is to pass variable wholesale electricity prices through to customers. Griddy customers complained of paying lofty sums when power prices shot up to thousands of dollars per megawatt hour last week, according to local Texas media reports.

One customer told the Dallas Morning News that his electric bill for five days stood at \$5,000, the amount he would normally pay for several years of power. Another told the Dallas-Fort Worth NBC affiliate that he had been charged more than \$16,000 for February.

A Griddy spokeswoman said an order by the state utility agency to the operator of the electricity grid to make market prices reflect the scarcity of power pushed up prices for its customers. On Feb. 12, the company started emailing and texting customers to say they might be better off switching providers for a short time to avoid exposure to wholesale prices, she said.

Corporate casualties from the freeze are also starting to emerge. Just Energy Group Inc., a Canada-based energy supplier, on Monday said it faced a financial hit of about



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\$250 million, in part from buying electricity at sky-high prices in Texas during the cold blast. The company, which said the blow could stop it from continuing as a going concern, saw its shares slump 31%.

In another instance, shares of Atmos Energy Corp. **ATO -0.12% ▼** fell 4.4% Monday after the Dallas-based gas supplier said it would have to pay between \$2.5 billion and \$3.5 billion for gas it bought at elevated prices in Texas, Colorado and Kansas. Atmos may issue stock or raise debt to help to pay for the purchases, it said Friday.

German energy company RWE AG said its 2021 earnings would be hit by outages at the company's wind turbines, as well as from [high prices for electricity](#).

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