



April 23, 2021

***Starwood Energy proposal to invest \$8 billion in power infrastructure in the state of Texas***

Dear Electric Reliability Council of Texas Board of Directors,  
Dear Public Utility Commission of Texas,

The purpose of this letter is to outline for the Electric Reliability Council of Texas (“ERCOT”) Board of Directors (“the Board”) and for the Public Utility Commission of Texas (“PUC”) a compelling proposal to solve ERCOT’s reliability issues as was demonstrated by the energy crisis that occurred in February 2021 and more recently, by the volatility in the market seen in the last few weeks.

Starwood Energy is an experienced developer and owner of power generation assets and has significant experience in ERCOT, having developed, constructed and operated over 1 GW of wind generation, and owned and operated an additional 550 MW of natural gas-fired generation, in ERCOT. We have invested several billion dollars in ERCOT markets already and have the capital and the expertise needed to solve ERCOT’s pressing energy issues.

Starwood Energy’s plan addresses two key issues facing ERCOT, limited dispatchable power generation and the need for additional reliable, non-intermittent generation to support long-term demand growth. Starwood Energy believes its plan will create a single point of accountability to manage emergency energy issues in ERCOT in a cost effective and transparent manner.

Starwood Energy is interested in developing, building and owning 11 new natural gas-fired power plants totaling 11 GW of new generating capacity, with ample natural gas storage at each site, located across ERCOT and subject to ERCOT’s control. These power plants will be highly efficient, state of the art and will have dual-fuel and black start capabilities.

To finance such a portfolio, Starwood Energy would create a regulated company that would hold the assets and recover a PUC approved regulated rate of return on the investment. Any revenues, net of any fuel cost and variable operating costs, generated when the facilities operate would be returned to ERCOT for distribution to ERCOT customers. ERCOT will have full rights to dispatch the facilities as and when necessary to maintain the system reliability and for other purposes. We are open to different structures such that this effort is consistent with the law and market design and does not harm existing generators.

Starwood Energy would invest over \$8 billion to develop and build these facilities, as well as provide credit support to ERCOT, and would request that the PUC approve a regulated rate of return not to exceed 9.0%. Starwood Energy believes the impact to ERCOT customer bills would be small, while providing customers with long-term reliability and cost effective insurance against future blackouts.

Starwood Energy is excited about the opportunity to partner with the Board and PUC to help it improve reliability on the ERCOT grid and prevent future energy crises. The Starwood Energy team brings extensive development, construction, operations, and financing expertise to its projects. Starwood Energy currently operates and controls more than 6 GW of natural gas-fired power generation in the U.S. including 550 MW of natural-gas fired generation in ERCOT’s West Zone. Starwood Energy is prepared to use its vast relationships and resources to support ERCOT and PUC as it seeks to address issues uncovered during February 2021.

We would like to set up meetings with you to discuss in-person, how Starwood Energy can help the Board improve reliability for ERCOT customers at limited additional cost. We believe that our proposal is the most cost effective solution for the issues facing Texas and remain eager to discuss our plan with you.

Kind regards,

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