

ERCOT 2014-15 Budget Request



The Electric Reliability Council of Texas (ERCOT), which operates the electric grid and manages the competitive electric market that serves most of Texas, submitted a proposed 2014-15 budget to the Public Utility Commission of Texas (PUC) on Tuesday, Sept. 3, 2013. The request includes the first proposed increase in ERCOT's system administration fee since 2004.

Focus on priorities

The proposed budget, approved by the ERCOT Board of Directors in July 2013, focuses on three priorities:

- Attracting, developing and retaining high-quality staff
- Maintaining and building upon technical infrastructure needed to manage the grid and market effectively
- Implementing market and regulatory initiatives

The \$190.9 million budget proposed for 2014 includes \$136.2 million in operating expenses and \$17.7 million in debt service, while the \$195 million proposed for 2015 includes \$138.8 million in operating expenses and \$19.1 million in debt service. The proposed budget increases overall spending by 11.8 percent in 2014 and another 2.1 percent in 2015.

ERCOT continues to compete with other industries for employees who have the unique, high-level skills and experience needed to support and oversee electric grid and market operations. Labor costs to attract and develop that work force account for about \$86.4 million in 2014 and \$89.8 million in 2015.

Technology improvements are also a primary driver of costs for ERCOT. The implementation of the nodal market in December 2010 increased operational complexity while improving pricing transparency and encouraging efficiency. The budget includes about \$20 million per year for technology investments to support market operations and regulatory initiatives.

Funding the biennial budget

Most of ERCOT's revenues come from a system administration fee, which is included in wholesale power bills. In recent years, steps taken by ERCOT management to reduce facilities and services expenses, along with strategic debt financing, have enabled ERCOT to postpone a fee increase in spite of additional costs associated with the increasingly complex electric market.

The proposed budget includes a 4.8-cent-per-megawatt hour (MWh) increase in the system administration fee, currently set at 41.7 cents per MWh. ERCOT has not increased this fee for more than nine years. The proposed increase brings the fee to 46.5 cents per MWh, or about \$6.70 a year for the average residential household using 1,200 kilowatt-hours a month.

Budget review and oversight

This is ERCOT's first biennial budget submitted for approval under new rules established in recent [PUC Sunset legislation](#). The bill established statutory oversight of ERCOT's budget and operations by the PUC.