



The Electric Reliability Council of Texas (ERCOT), which operates the electric grid and manages the competitive electric market that serves most of Texas, has received final approval from the Public Utility Commission of Texas (PUC) for its [2016-17 budget](#). This biennial budget includes investments needed to enable the independent system operator to continue providing electric power reliably and efficiently through an increasingly complex electric grid and electric market.

## Budget summary

The approved budget includes \$219.9 million for 2016 and \$223.1 million for 2017.

The budget focuses on providing the necessary, up-to-date technology, knowledgeable staff and other tools needed to keep up with, and prepare for, evolving operational needs and regulatory requirements to operate the electric grid and competitive electric market.

### Fulfilling new responsibilities

The growing complexity of ERCOT grid operations will require additional, highly specialized staff to build on its operational capabilities. ERCOT will need to adapt its operations in some areas to meet increasing reliability and security requirements, including integration of a growing renewable generation portfolio and meeting new reliability standards set forth by the North American Electric Reliability Corporation (NERC).

Additional staff in areas such as Information Technology and Project Management also will help improve the processes ERCOT uses to put new applications into production and will continue to build on ongoing initiatives to provide critical information to operators, market participants and the public.

### Updating aging technology

ERCOT grid and market operations require extensive, well-functioning, and redundant computer systems to operate in a reliable and efficient manner. Some of these aging systems are becoming obsolete and require updates and expansions.

The system upgrades needed to refresh ERCOT hardware will increase project costs by about \$20 million annually during 2016 and 2017, in addition to the \$25 million in annual project costs already required to maintain systems and incorporate ongoing changes to market and grid operations.

### Funding grid and market operations

Most of ERCOT's revenues come from a system administration fee, which is included in wholesale power bills and ultimately passed through to consumers. The approved budget includes a 9-cent-per-megawatt hour (MWh) increase in the system administration fee, from 46.5 cents per MWh to 55.5 cents per MWh. This cost to operate the electric grid and market for most of Texas averages about 50-60 cents per month, or about \$7 per year, for the average residential household.

ERCOT will continue cost-management initiatives that have enabled the independent system operator to postpone or minimize previous fee increases in spite of additional costs associated with the increasingly complex electric market. Assuming its role and system requirements do not change in the near future, ERCOT plans to maintain the proposed system administration fee of 55.5 cents per MWh until at least 2020.