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## ERCOT Trending Topics

### TOPIC: ERCOT 2026-2027 BIENNIAL BUDGET

2026-2027 Biennial Budget  
Strategic Objectives  
System Administration Fee Rate

In this ERCOT Trending Topic, we explain ERCOT's proposed 2026-2027 Biennial Budget, how it supports ERCOT's Strategic Plan, and how it will continue to fund ERCOT's mission to meet energy demand needs and ensure a reliable electric grid as Texas continues to experience significant economic and population growth.



#### FACTS:

##### Background

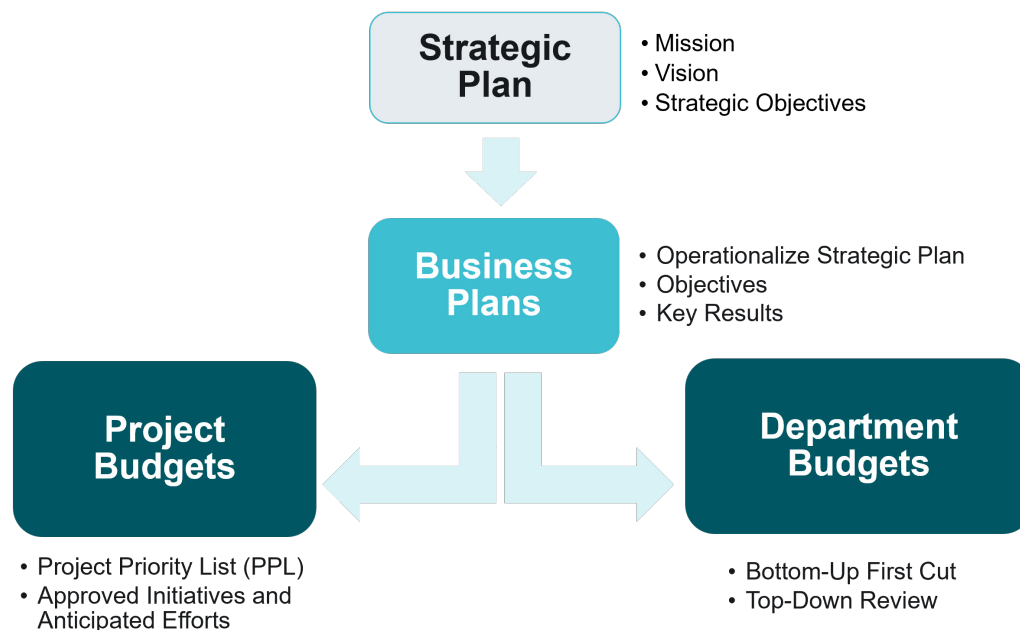
On August 28, 2025, ERCOT filed its [proposed 2026-2027 budget](#) with the Public Utility Commission of Texas (PUCT). Every two years, ERCOT submits its proposed budget to the ERCOT Board and, ultimately, to the PUCT for final approval. The proposed 2026-2027 budget shows an increase in overall ERCOT operating needs and costs; however, due to the significant economic growth in Texas and Texans using more electricity overall, ERCOT can spread that cost more widely across more energy users. Consequently, this results in a decrease in the System Administration Fee (SAF) rate. In this budget filing, ERCOT is proposing a budget of \$485.9 million for 2026 and \$585.0 million for 2027, along with an SAF rate of \$0.61 per MWh for 2026-2027.

##### How is ERCOT funded?

Approximately 90% of ERCOT's operations are funded through the SAF, which is a fee paid by Market Participants serving load, such as Municipal Utilities, Cooperatives, and Retail Electric Providers. The SAF supports ERCOT's mission of ensuring a reliable grid, efficient electricity markets, open access to transmission, and retail choice. Every two years the PUCT authorizes ERCOT to charge the SAF rate to fund its budget. As ERCOT is not included in the State of Texas General Appropriations Act and is not a part of the state's budget, this fee is ERCOT's primary source of revenue. A typical residential consumer will pay less than \$1 per month toward this fee.

## How does ERCOT approach budget development?

Prior to submission of the 2026-2027 budget for ERCOT Board approval, ERCOT consulted with the PUCT in connection with the development of the budget and provided the PUCT with information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt. The graphic below shows an overview of the budget process.

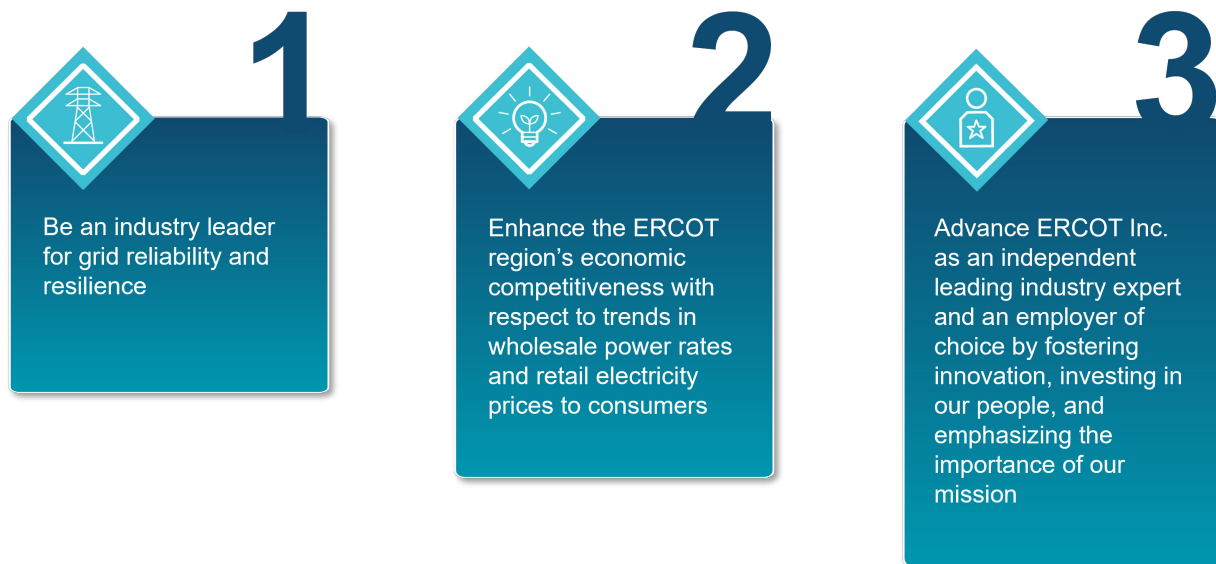


*ERCOT budget process*

## What fundamental drivers shaped ERCOT's 2026-2027 Biennial Budget?

ERCOT's proposed 2026-2027 budget funding enables ERCOT to fulfill its statutory functions as an independent organization, as required in [Section 39.151](#) of the Public Utility Regulatory Act (PURA). ERCOT must have adequate funds and staff in 2026 and 2027 to:

- Maintain compliance with the Financial Corporate Standard and associated financial performance measures as approved by the ERCOT Board
- Fund independent market monitoring and state regulatory compliance functions, as well as North American Electric Reliability Corporation (NERC) compliance functions
- Address ERCOT's Strategic Objectives (2024-2028), which are designed to ensure the reliability and efficiency of the electric grid. These objectives are aligned with [ERCOT's 2024-2028 Strategic Plan](#) and are aimed at enhancing grid reliability, promoting economic competitiveness, and improving enterprise risk management, as shown on next page.



*ERCOT Strategic Objectives (2024-2028)*

### How will ERCOT utilize its budget?

ERCOT will use the 2026-2027 budget to continue to keep the ERCOT System running safely, reliably, and efficiently, with heavier emphasis in the following areas:

**Grid Operations:** Purchase and implement tools and processes to operate a reliable and resilient grid to meet the energy needs of Texans.

**Commercial Operations:** Ensure ERCOT's wholesale energy-only market operates fairly and efficiently.

**Planning and Modeling:** Planning and managing Large Loads, providing timely analysis for ERCOT stakeholders, and enhance system modeling and forecasting tools.

**Data Reporting:** Use enhanced analytics to improve grid forecasting and market transparency.

**People and Staffing:** Hire and train personnel to operate and manage the ERCOT System 24/7.

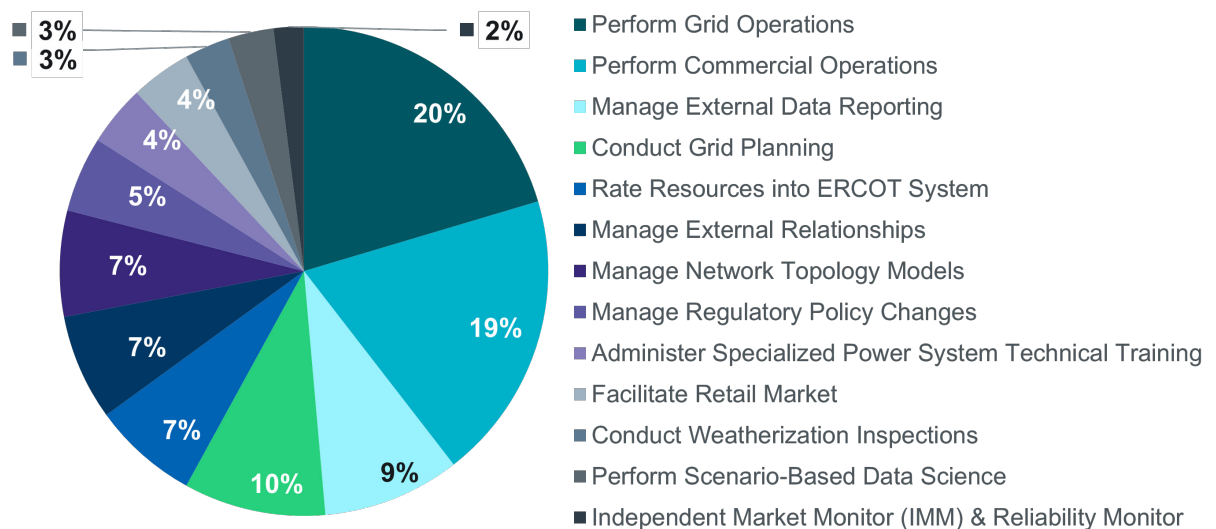
### What budget recommendations did ERCOT make?

The Finance and Audit (F&A) Committee of the ERCOT Board of Directors oversees ERCOT's budget process and ensures its adherence to the budget. It also provides recommendations to the full Board for establishing levels of financing and setting ERCOT's fees, including its

SAF. For the 2026-2027 Biennial Budget, F&A Committee recommendations included:

- Increases to operating and capital expenditures to address known and estimated requirements to operate a reliable electric grid
- Total uses of funds of \$485.9 million in 2026 and \$585.0 million in 2027
- Conservative energy forecast of 519.0 terawatt-hours (TWhs) in 2026 and 584.5 TWhs in 2027 [One TWh equals 1,000,000 MW hours (MWhs).]
- Interest income of \$66.3 million in 2026 and \$42.7 million in 2027
- No use of Congestion Revenue Right (CRR) Auction Receipts for funding. ERCOT earns money from CRR auctions, which are financial tools used to manage congestion costs on the electric grid. These auctions generate revenue when Market Participants pay for the right to hedge against transmission congestion. ERCOT does not anticipate use of CRR auction revenue to fund its operations or projects.
- Reduced SAF rate from current \$0.63 per MWh to \$0.61 per MWh for 2026-2027

ERCOT's recommendations regarding the 2026-2027 budget are shown in the graphic below:

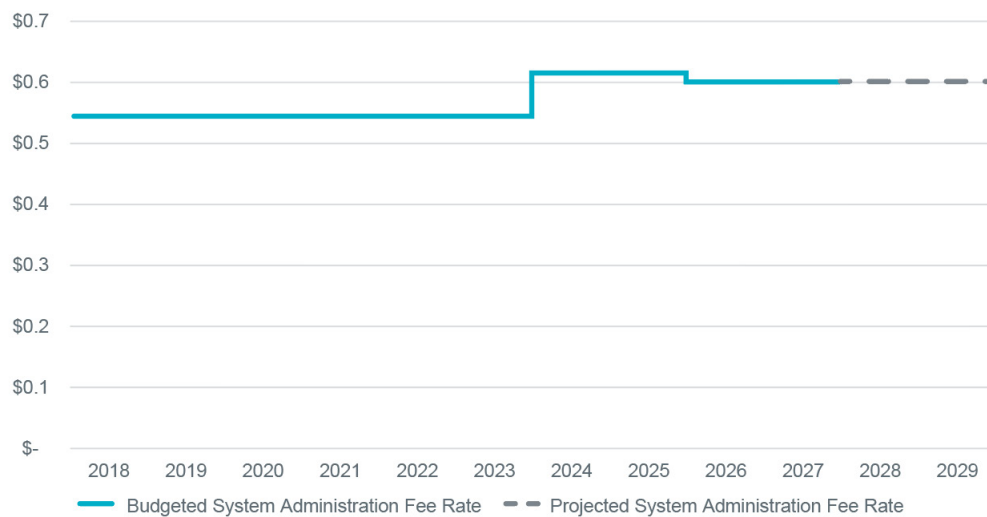


*ERCOT's recommendations regarding the 2026-2027 budget*

## How is the SAF rate established?

Effective January 1, 2026, if approved by the PUCT, the SAF rate will be reduced from \$0.63 to \$0.61 per MWh. To establish the SAF rate, ERCOT first plans and develops an expenditure budget based on operational needs, staffing requirements, capital projects, and projected market activity.

The SAF, which is paid for by Market Participants, is how ERCOT recovers the vast majority of costs and is charged based on MWh of energy. ERCOT has lowered the SAF rate in this budget because the higher energy growth forecast for the upcoming budget cycle is producing higher relative SAF revenue which is funding the increased costs while decreasing the SAF rate. The below chart shows the budgeted and projected SAF rate from 2018 to 2029.



*Budgeted & projected System Administration Fee rate*

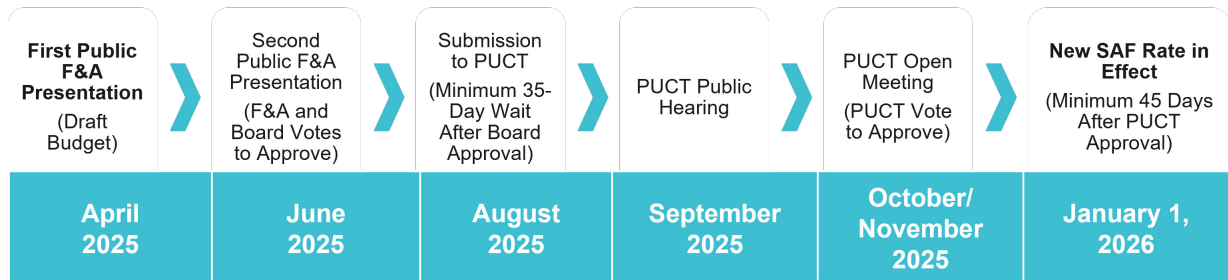
### What is over-collection or under-collection of the SAF?

ERCOT balances operating costs so as to not materially over- or under-collect SAF revenue. Over-collection means that ERCOT collects more money than it needs to fund costs. Under-collection means that ERCOT does not collect enough money to fund costs. If ERCOT collects too much or too little, any over- or under-collected amount is factored into the next budget cycle proposal to make up the difference.

### What's next?

ERCOT's F&A Committee presented the Committee's [recommendation](#) regarding the 2026-2027 Budget and System Administration Fee rate to the ERCOT Board at the June 2025 Board of Directors meeting. After consideration, the Board voted to approve the proposed Budget. ERCOT filed the Board- approved 2026-2027 Budget with the PUCT on August 28, 2025. ERCOT expects the PUCT to vote on the proposed Budget in October/November 2025.

Final approval by the PUCT authorizes ERCOT to complete its work plans and make the associated expenditures as provided for in accordance with the Budget. Learn more about the approval process in the timeline below.



*ERCOT's budget approval process*