



Control Number: 38533



Item Number: 82

- Senate Bill 6 Implementation; (iii) Dispatchable Reliability Reserve Service (DRRS) Implementation; (iv) implementation of Ancillary Services Study Findings;²
6. Orders ERCOT to meet performance measures for the following additional key Commission priority: process and timeline improvement for the interconnection of large loads into the ERCOT power region; and
 7. Issues instructions for the ERCOT 2028 to 2029 budget submission, as authorized by PURA § 39.151 and 16 TAC § 25.363(d).

I. Background

ERCOT is the independent organization designated to serve as the independent system operator for the ERCOT power region.³ It is a Texas non-profit corporation operating as a tax-exempt organization under section 501(c)(4) of the Internal Revenue Code.⁴

The approval of ERCOT's budget is governed by PURA § 39.151 and 16 TAC § 25.363, which provides that ERCOT's annual budget and any change in the system administration fee are subject to review by the Commission. PURA authorizes the Commission to approve ERCOT's budget and system administration fee and to order ERCOT to operate under biennial budgets.⁵ Additionally, PURA provides that neither the Commission's process for the review and approval of ERCOT's budget nor a proceeding to authorize and set the range for the system administration fee constitutes a contested case proceeding.⁶ PURA § 39.151(d-3) also requires ERCOT to develop proposed performance measures to track its operations and submit those to the Commission for review and approval as part of the budget review process. As part of the order approving ERCOT's 2024 to 2025 budget, the Commission instructed ERCOT to file its proposed budget for fiscal years 2026 to 2027 and provide specific information to facilitate the Commission's consideration of ERCOT's proposed budget no later than September 1, 2025.⁷

² Project No. 55845, *Review of Ancillary Services*.

³ See PURA § 39.151.

⁴ 26 U.S. Code § 501(c)(4).

⁵ See PURA § 39.151(d-1) and (e).

⁶ See PURA § 39.151(e-1).

⁷ *PUC Review of ERCOT Budget*, Project No. 38533, Order Approving ERCOT's 2024 to 2025 Biennial Budget and Authorizing the System Administration Fee (Nov. 15, 2023).

As required by 16 TAC § 25.363(e), ERCOT staff consulted with members of Commission Staff designated by the executive director regarding the development of ERCOT's budget and provided information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses, capital items, and proposals to incur additional debt. Beginning in July 2024, ERCOT and Commission Staff began discussing ERCOT's 2026 to 2027 budget and system administration fee in preparation for approval of the budget and fee by the ERCOT Board of Directors in June 2025.

On August 28, 2025, ERCOT filed in this project its proposed 2026 to 2027 budget and system administration fee, along with supporting documentation.⁸ On September 12, 2025, the Commission filed a notice of public hearing on ERCOT's proposed 2026 to 2027 budget and system administration fee and an invitation for written comments.⁹ On October 3, 2025, the Commission held a public hearing regarding ERCOT's proposed 2026 to 2027 budget and system administration fee. No one appeared at the public hearing to provide oral comments, and no written comments were received.

The Commission considered ERCOT's proposed 2026 to 2027 budget and system administration fee at an open meeting held on November 6, 2025.

II. Summary of ERCOT's Proposed 2026 to 2027 Budget and System Administration Fee

The proposed 2026 to 2027 budget approved by the ERCOT Board includes \$485,866,258 for ERCOT's fiscal year 2026 and \$585,041,573 for ERCOT's fiscal year 2027 in total spending authorization for operating expenses, project spending, and debt service obligations.¹⁰ The 2026 to 2027 budget will be funded through a system administration fee of \$0.61 per MWh, which is reduced from the current system administration fee of \$0.63 per MWh that was approved by the Commission in 2023 as part of the 2024 to 2025 ERCOT budget review.¹¹

⁸ *PUC Review of ERCOT Budget*, Project No. 38533, ERCOT's 2026/2027 Biennial Budget and System Administration Fee Submission (Aug. 28, 2025).

⁹ 50 Tex. Reg. 6041-42 (Sept. 12, 2025); *see also*, Project No. 38533, Notice of Public Hearing on Proposed ERCOT Budget for 2026-2027 and Request for Public Comment (Sept. 2, 2025).

¹⁰ *PUC Review of ERCOT Budget*, Project No. 38533, ERCOT's 2026/2027 Biennial Budget and System Administration Fee Submission, at 6 (Aug. 28, 2025).

¹¹ *PUC Review of ERCOT Budget*, Project No. 38533, Order Approving ERCOT's 2024 to 2025 Biennial Budget and Authorizing the System Administration Fee (Nov. 15, 2023).

In its proposed 2026 to 2027 biennial budget and system administration fee filing, ERCOT stated that its overall rationale supporting the budget and system administration fee is to implement a sustainable financial plan that meets ERCOT's technology and business requirements.¹² ERCOT presented the following three factors influencing its budget request:

1. Significant growth in forecast energy use in the ERCOT power region;
2. Incorporation of key initiatives and new demands; and
3. Compliance with the ERCOT Board's debt strategy guidance.¹³

A. Reduction of System Administration Fee Rate

ERCOT stated that its strategy relative to its approved 2024 to 2025 budget includes reducing the current system administration fee of \$0.63 per MWh to \$0.61 per MWh through the 2027 budget year, with projections for \$66.3 million in interest income in 2026 and \$42.7 million in interest income in 2027.¹⁴

B. Incorporating Key Initiatives and New Demands

ERCOT stated that it has incorporated key initiatives and new grid and regulatory demands into its budget, including its strategic plan objectives, by enhancing operating capabilities to maintain reliability of an increasingly complex system; improving information exchange to facilitate collaborative interaction; advancing competitive solutions for a changing industry; and optimizing use of ERCOT's resources to provide consistent high-value services.¹⁵ ERCOT's budget also addresses new demands, including regulatory requirements, protocol and planning revisions, enhancing Market-facing operations, and increased information technology (IT) support costs.¹⁶ Regarding regulatory requirements, ERCOT's proposed budget includes increased costs associated with improvements and investments in demand response forecasting and price responsive demand, and increasing support for reliable growth within the ERCOT grid.¹⁷ The budget also addresses ERCOT's anticipated protocol and planning revisions, including managing

¹² *PUC Review of ERCOT Budget*, Project No. 38533, ERCOT's 2026/2027 Biennial Budget and System Administration Fee Submission, at 6 (Aug. 28, 2025).

¹³ *Id.* at 7.

¹⁴ *Id.*

¹⁵ *Id.* at 8.

¹⁶ *Id.*

¹⁷ *Id.*

reliable addition and operation of Large Loads and providing thorough, in-depth, and timely analysis that will yield insights and enhance decision-making for ERCOT stakeholders.¹⁸ Market-facing operations include enhanced Market Participant communication and support across the organization, from registration to interconnection to implementing revision requests and reliability standards; expanded Reliability Monitoring functions; compliance and monitoring; integrating and supporting a high volume of new small generation data; and enhanced communications.¹⁹ ERCOT's increased IT costs include incremental investments in Grid Transformation, reliability, interconnection, and Market systems to bring improvements sooner; accelerating patching cadence and expanding threat operations to improve security capabilities; and ongoing and expanded hardware and software base costs, cloud, data analytics, and AI technology enabling ERCOT's operations.²⁰ Additionally, legislative requirements arising from the 89th Texas Legislative regular session created new requirements for ERCOT.²¹

C. Improved Operational Efficiency

ERCOT highlighted its improved operational efficiency through a variety of initiatives to help offset the costs of new demands, including upgrading the system for Energy Management on budget and ahead of schedule; completion of the Data Center 5 Refresh (DC5) program below budget, within the projected time frame, and ahead of the technology end-of-life date; automating the conversion of disconnected entitlements for Energy management, the Oracle database, the Siebel application, and Cognos entitlements; and leveraging automated workflows instead of email, thereby eliminating the need for one to two full time employees that would otherwise be required to manage these processes.²² ERCOT stated that it will continue to actively seek these types of opportunities for improved operational efficiency through the 2026 to 2027 biennial budget years.²³

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.* at 9.

²³ *Id.*

D. FERC Reporting Requirements

The Commission's Order approving ERCOT's 2024 to 2025 biennial budget and system administration fee²⁴ required ERCOT to report to the Commission performance measures or metrics used by FERC to track the performance of RTOs / ISOs. In 2024, ERCOT reported 16 of the 29 FERC Common Metrics.²⁵ ERCOT found that 10 of the 16 reported metrics duplicate other ERCOT reports; three metrics could be reported (EEA Level 1 or Higher; Reliability Must-Run Contract Usage; and Fuel-Adjusted Wholesale Energy Price); and the remaining three metrics were not explicitly covered in other reports (Administrative and Descriptive: Capacity Factor by Technology Type; Administrative and Descriptive: Performance by Technology Type during EEA Level 1 or Higher; and Energy Market: Fuel Adjusted Wholesale Energy Price).²⁶ ERCOT requests that all FERC performance measure or metrics reporting be discontinued because the reports were of low-value or available in existing ERCOT information products, resulting in added work without added performance-management benefits.²⁷

E. Compliance with the ERCOT Board's Debt Strategy

ERCOT reported that in order to comply with its Board of Director's debt strategy guidance, it must maintain or improve its long-term financial integrity by managing outstanding debt and liquidity.²⁸ ERCOT stated that it will maintain stable, fair, and predictable fees by using debt matching appropriately.²⁹ In addition, ERCOT will provide the lowest cost to system administration fee-payers by using the lowest cost debt that is available and appropriate.³⁰ ERCOT executed a revolving \$100 million line of credit in June 2012, which was subsequently amended every two years through 2019, at which time it was amended for an additional five year period.³¹ In December 2024, prior to its maturity date, ERCOT's Board of Directors authorized an extension of the \$100 million revolving line of credit until December 31, 2029, along with a \$25 million

²⁴ *PUC Review of ERCOT Budget*, Project No. 38533, Order Approving ERCOT's 2024 to 2025 Biennial Budget and Authorizing the System Administration Fee (Nov. 15, 2023).

²⁵ *PUC Review of ERCOT Budget*, Project No. 38533, ERCOT's 2026/2027 Biennial Budget and System Administration Fee Submission, at 10. (Aug. 28, 2025).

²⁶ *Id.* at 10.

²⁷ *Id.*

²⁸ *Id.* at 8.

²⁹ *Id.* at 8-9.

³⁰ *Id.* at 9.

³¹ *Id.* at 10.

accordion with the option to increase another \$25 million.³² ERCOT stated that the benefit of an accordion is the cost saving on additional unused fees for a higher commitment balance, when borrowings are not present.³³ The additional \$25 million authorization enables ERCOT access to the full \$150 million capacity while only paying fees equal to the lower balance of the fully committed \$100 million.³⁴

F. Performance Measures

PURA requires ERCOT to develop proposed performance measures to track its operations and submit those to the Commission for review and approval.³⁵ PURA also requires the Commission to review ERCOT's performance as part of the budget review process.³⁶ The Commission is also authorized to require ERCOT to provide reports and information relating to its performance.³⁷

Key Commission Priorities

The Commission's Order approving ERCOT's 2024 to 2025 budget and system administration fee directed ERCOT to meet performance measures for the following key Commission priorities: (i) Reliability Standard; (ii) Dispatchable Reliability Reserve Service (DRRS); (iii) Real-Time Co-Optimization + Batteries (RTC+B); and (iv) Performance Credit Mechanism (PCM).³⁸

The performance measures included the following: (i) Delivery of Value of Lost Load (VOLL) study associated with the development of a Reliability Standard in the second quarter of 2024; (ii) Implementation of DRRS as expeditiously as possible and prior to or aligned with RTC+B; (iii) Full implementation and delivery of RTC+B in 2026; and (iv) Implementation of the PCM must be aligned with the implementation of RTC+B in 2026.³⁹

³² *Id.*

³³ *Id.*

³⁴ *Id.*

³⁵ PURA § 39.151(d-3).

³⁶ *Id.*

³⁷ PURA § 39.151(d-4).

³⁸ *PUC Review of ERCOT Budget*, Project No. 38533, Order Approving ERCOT's 2024 to 2025 Biennial Budget and Authorizing the System Administration Fee at 7 (Nov. 15, 2023).

³⁹ *Id.*

ERCOT was required to provide quarterly reports in Project No. 38533 updating the Commission on its progress in implementing the key Commission priorities consistent with the performance measures stated above.⁴⁰ The quarterly reports were required to include quantifiable measures of success in achieving milestones that would ensure timely implementation of the key Commission priorities within budget.⁴¹ ERCOT was required to file the reports on March 1, June 1, September 1, and December 1 of each year until the key Commission priorities were fully implemented and delivered by ERCOT.⁴²

ERCOT timely filed its quarterly performance measures reports in Project Number 38533. In its Third Quarter Performance Measures Report⁴³, ERCOT reports that it has completed the following initiatives: (i) Delivery of VOLL Study in support of Reliability Standard; (ii) Implementation of all key milestones for the RTC+B Program except for its go-live date of December 5, 2025, which is still on track; and (iii) Implementation of all key milestones for DRRS Requirements, except for Nodal Protocol Revision Requests (NPPR) 1235, which will be withdrawn and a new NPPR and impact analysis will be submitted.⁴⁴

Key Performance Indicators

On September 2, 2025, ERCOT filed its annual report for 2025 of its key performance indicators.⁴⁵ ERCOT's annual filing indicated that it is meeting 75% of the 20 measured key performance indicators and 25% of the measured key performance indicators are below target.⁴⁶

III. Approval of ERCOT's 2026 to 2027 Biennial Budget and Authorization of System Administration Fee

Commission Staff consulted with ERCOT regarding the development of ERCOT's proposed 2026 to 2027 budget and system administration fee. ERCOT provided Commission Staff with information regarding ERCOT's 2026 to 2027 budget strategies, staffing requirements,

⁴⁰ *Id.*

⁴¹ *Id.* at 7-8

⁴² *Id.* at 8.

⁴³ *PUC Review of ERCOT Budget*, Project No. 38533, ERCOT 2025 Third Quarter and Annual Performance Measures Reports, Attachment A (Sept. 2, 2025).

⁴⁴ *Id.* at 6-8

⁴⁵ *PUC Review of ERCOT Budget*, Project No. 38533, ERCOT 2025 Third Quarter and Annual Performance Measures Reports, Attachment B (Sept. 2, 2025).

⁴⁶ *Id.* at 11.

categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt. Commission Staff reviewed ERCOT's proposed 2026 to 2027 budget and recommended that the Commission approve ERCOT's proposed 2026 to 2027 budget.

The Commission has reviewed ERCOT's proposed 2026 to 2027 budget, and based on the foregoing facts, approves ERCOT's proposed 2026 to 2027 budget and authorizes the system administration fee rate of \$0.61 per MWh, as requested by ERCOT in its August 28, 2025, filing, to become effective at the beginning of ERCOT's new fiscal year on January 1, 2026.

IV. Approval of ERCOT's Request for Approval of Accordion Line of Credit

ERCOT requested that the Commission approve a \$25 million accordion line of credit on its existing \$100 million revolving line of credit and \$25 million accordion option. ERCOT has explained the benefit of the cost savings on additional unused fees for a higher commitment balance when borrowings are not present. Further, the additional \$25 million accordion will enable ERCOT access to the full \$150 million capacity while only paying fees equal to the lower balance of the fully committed \$100 million. Commission Staff recommended that the Commission approve this request.

The Commission has reviewed ERCOT's request to approve a \$25 million accordion line of credit on its existing \$100 million revolving line of credit and \$25 million accordion option, and based on the foregoing facts, approves ERCOT's request to obtain a \$25 million accordion line of credit as specified in its August 28, 2025, biennial budget and system administration fee submission.

V. Approval of ERCOT's Request to Discontinue Reporting on FERC Performance Metrics

ERCOT requested that the Commission discontinue the requirement that ERCOT report on FERC's performance measures or metrics that track the operations and markets performance of other RTOs/ISOs. ERCOT explained that the largely duplicative information already existing in ERCOT reports results in added work without performance management benefits. Commission Staff recommended that the Commission approve this request.

The Commission has reviewed ERCOT's request to discontinue reporting on FERC's performance measures or metrics as previously required in the Commission's Order approving

ERCOT's 2024 to 2025 biennial budget and system administration fee,⁴⁷ and based on the foregoing facts, approves ERCOT's request.

VI. Performance Monitoring of ERCOT's Timely Implementation of Key Commission Priorities and Reporting of Key Performance Indicators

To ensure the continuation of ERCOT's timely implementation of key Commission priorities, the Commission orders ERCOT to work with Commission Staff to develop and reach target performance measures for the following key Commission priorities. These performance measures are intended to support ERCOT's upcoming continuing implementation of the 2026 reliability standard assessment per 16 TAC § 25.508:

- (i) Implementation and stabilization of RTC+B (including any improvements necessary for ASDCs);
- (ii) Senate Bill 6 Implementation;
- (iii) Dispatchable Reliability Reserve Service (DRRS) implementation; and
- (iv) Implementation of Ancillary Services Study Findings.⁴⁸

In addition, the Commission orders ERCOT to work with Commission Staff to develop and meet target performance measures for a fifth key Commission priority:

- (v) Improving processes and timelines for the interconnection of large loads into the ERCOT power region.

On a quarterly basis, ERCOT must provide a report in Project No. 38533, updating the Commission on its progress in implementing the key Commission priorities consistent with the developed performance measures. The quarterly reports must include quantifiable measures of success in achieving milestones that will ensure the key Commission priorities are implemented on a timely basis and within budget. ERCOT must file the quarterly reports on March 1, June 1, September 1, and December 1 of each year until these key Commission priorities are fully implemented and delivered by ERCOT.

⁴⁷ *PUC Review of ERCOT Budget*, Project No. 38533, Order Approving ERCOT's 2024 to 2025 Biennial Budget and Authorizing the System Administration Fee (Nov. 15, 2023).

⁴⁸ Project No. 55845, *Review of Ancillary Services*.

Additionally, beginning with the 2026 review of its key performance indicators, ERCOT must file its first annual report with the Commission by September 1, 2027. Each subsequent annual report is due the following year on September 1.

VII. Instructions for Submission of ERCOT's Proposed 2028 to 2029 Budget

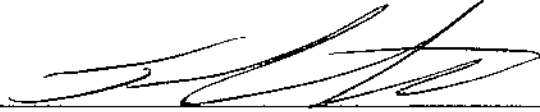
To ensure sufficient time for review, public comment, and consideration by the Commission, ERCOT must file its proposed budget for fiscal years 2028 to 2029 no later than September 1, 2027.⁴⁹ However, this deadline can be altered, for good cause, by the Commission Staff designated by the executive director. If the deadline is altered, Commission Staff must file a document in this project with the new deadline by which ERCOT must file its proposed 2028 to 2029 budget.

ERCOT's proposed 2028 to 2029 biennial budget submission should resemble the legislative-appropriation-request methodology utilized by the Legislative Budget Board and the Governor's Budget and Planning Division; therefore, ERCOT must provide a proposed 2028 to 2029 budget that contains total baseline expenditures equal to ERCOT's Commission-approved 2026 and 2027 total revenue requirements, excluding favorable financial variances realized in 2025 for budget year 2026, and in 2026 for budget year 2027. ERCOT may request increases to the total baseline expenditure amounts for 2026 and 2027 by providing a detailed explanation for each specific exceptional expenditure item. The detailed explanation for an exceptional expenditure item must include the proposed increased revenue requirement and proposed fee increase that would be necessary to fund these items. The requirements set forth above do not in any way limit the ability of Commission Staff to request additional information, including schedules, from ERCOT pursuant to PURA § 39.151(e).

⁴⁹ 16 TAC § 25.363(d).

Signed at Austin, Texas the 6th day of November 2025.

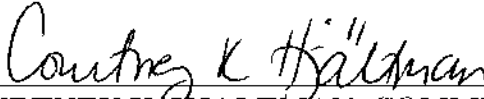
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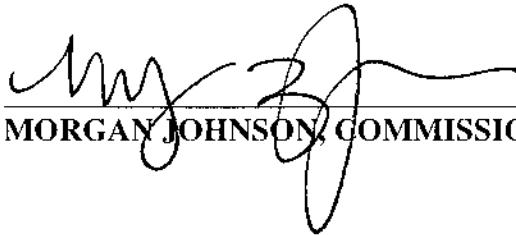
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