ERCOT Trending Topics

Grid Reliability, Data Centers, and Net-Metering Arrangements

How ERCOT is keeping the electric grid reliable as large electricity users seek to connect — and what to know about ERCOT Control Room Operations Messages

In this ERCOT Trending Topic, we explain what a net-metering or co-location arrangement is, how Texas Senate Bill 6 (89th Texas Legislative Session) gives the Public Utility Commission of Texas (PUCT) stronger oversight of these arrangements, and the sequence of Operations Messages that ERCOT's Control Room sends during periods of tight or potentially tight grid conditions.

KEY POINTS:

- **Texas Senate Bill 6 (SB 6) — signed June 20, 2025, and became effective immediately**
- **PUCT net-metering arrangement review authority**
- **ERCOT Control Room Operations Messages — stand-by, action, and all-clear sequence**
- **Two net-metering arrangements approved (April and May 2026); three pending PUCT review**

BACKGROUND

Texas is one of the fastest-growing economies in the country. Data centers, cryptocurrency miners, and large industrial customers are requesting to build in the state in growing numbers, and their power needs are significant.

Some of these companies are exploring new ways to get electricity from the ERCOT grid, including co-locating — building next to and drawing energy directly from a new or existing power plant behind the transmission point of interconnection.

This is also referred to as a “net-metering” arrangement because the large electric customer’s consumption and the generator’s output are netted against one another, reducing the customer’s metered electricity consumption from the grid.

These arrangements raised concerns among Texas lawmakers because when a co-located large electricity user draws power directly from a generator, rather than through the grid, that generation is effectively removed from the pool of resources available to serve all Texans.

Lawmakers acted to ensure Texans would not lose access to power already available on the grid and that any new arrangement shifting existing electricity away from the grid would go through a formal review process.

TEXAS SENATE BILL 6

What is Senate Bill 6 and how does it govern net-metering arrangements?
The Texas Legislature passed Senate Bill 6 (SB 6) in June 2025, giving the PUCT and ERCOT stronger tools to manage the rapid growth of large electricity users — such as data centers — that use 75 megawatts (MW) of electricity or more and seek to co-locate with a generation facility that was connected to the grid before September 1, 2025. For reference, 1 MW of electricity is enough to serve about 250 residential customers during ERCOT peak hours.

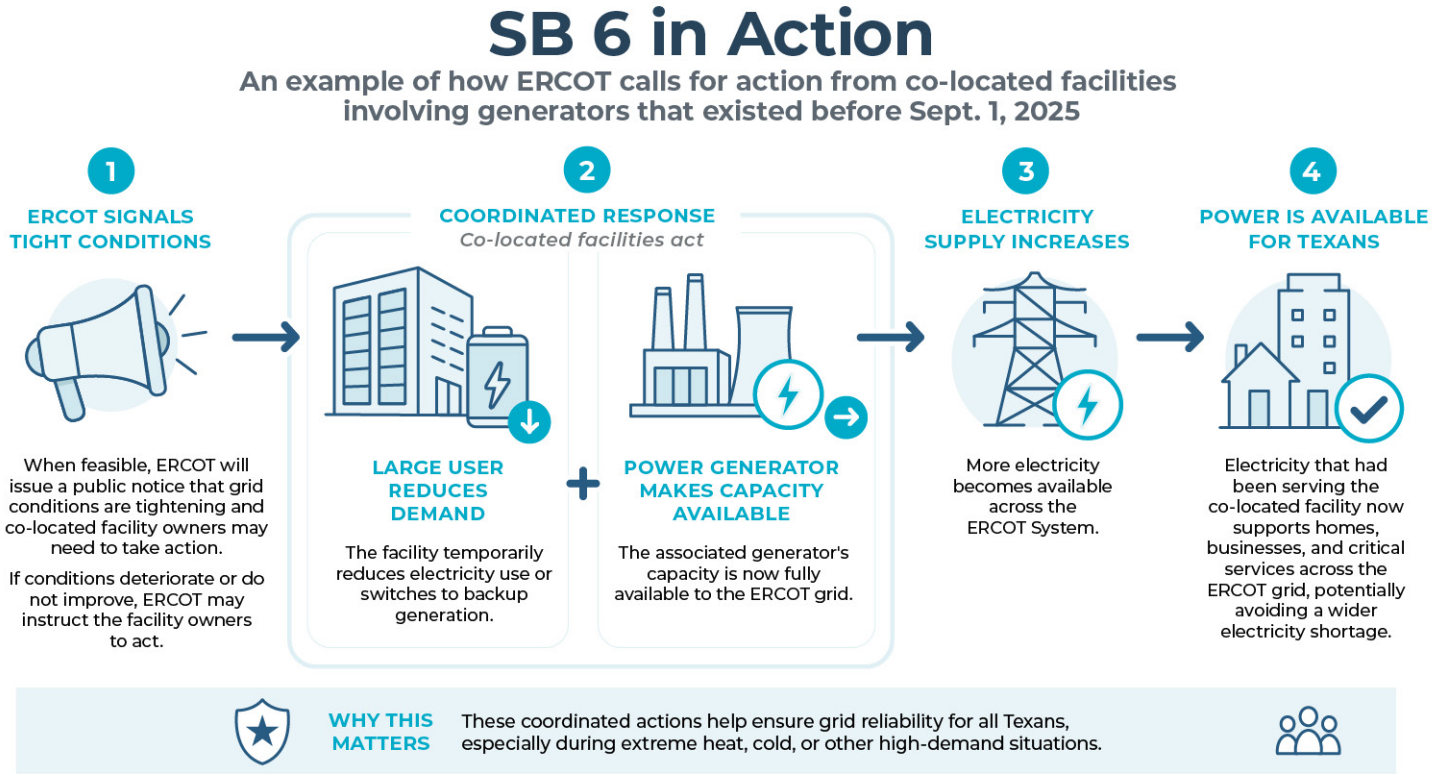
Before a large electricity user can enter into a net-metering arrangement with a power plant that existed before September 1, 2025:

- ERCOT must conduct a technical review of the proposed arrangement.
- The PUCT will make a final decision — it may deny the application, approve it, or approve it with conditions.

Under SB 6, the PUCT may require the following conditions of approval:

- The affected power plant must return its full energy output to the grid upon ERCOT instruction.
- The attached large load customer must temporarily scale back its electricity use or switch to backup power before an anticipated grid event.

These regulatory changes ensure that power already committed to the grid remains available to all Texans during periods when they need it most.



CURRENT STATUS OF NET-METERING ARRANGEMENTS INVOLVING EXISTING GENERATORS

How many net-metering arrangements have been reviewed?

As of May 2026:

- 2 co-location arrangements approved by PUCT (with conditions)
- 3 applications currently pending PUCT review

In April 2026, the **PUCT approved** a net-metering arrangement between a 265 MW data center and a 265.5 MW wind farm in Armstrong County, Texas. In May 2026, the **PUCT approved** a separate arrangement between a 1,099 MW natural gas plant and a 760 MW data center in Freestone County, Texas.

As a condition of approval on both arrangements, the data centers must reduce their electricity use or switch to backup generation, and the power plants must return their full power output to the grid within 30 minutes of an ERCOT instruction.

OPERATIONS MESSAGES FROM THE ERCOT CONTROL ROOM

What are Operations Messages?
When ERCOT's Control Room anticipates tight grid conditions — for example, during hot summer days or a winter storm — it sends proactive Operations Messages to Market Participants, those that generate, move, buy, sell, or use wholesale electricity. These messages are part of ERCOT's communications tools to give Market Participants advance notice so they can act quickly if conditions require it.

With SB 6 now in effect and net-metering arrangements being approved subject to PUCT-imposed conditions, ERCOT's Control Room will issue Operations Messages to provide the facilities advance notice of any possible curtailments specific to these arrangements. The public and media may see multiple messages go out in a short period. These messages are for operational awareness and NOT an indication of a grid emergency.

Why might several Operations Messages be issued in a short period of time?
When grid conditions tighten or are expected to tighten, ERCOT's Control Room could post several Operations Messages relating to these arrangements. Two or three messages in a short window reflect a single grid event moving through that sequence — not multiple or separate emergencies. In fact, these actions may allow ERCOT to avoid an emergency entirely.

Each message in the sequence serves a specific, defined purpose and is a routine grid management tool.

MESSAGE 1 — PREPAREDNESS NOTICE
Advance notification

ERCOT's Control Room issues an Operations Message providing advance notice to generators and loads in net-metering arrangements subject to PUCT-imposed curtailment obligations that grid conditions may require action. No load has been reduced and no instruction to act has been issued. This message asks the affected generators and loads to be ready in the event conditions tighten. This notice alone does not mean the grid is under stress.

MESSAGE 2 — ACTION NOTICE
Load reduction instruction

If grid conditions require it, ERCOT's Control Room issues an instruction for the large load to reduce its electricity consumption or switch to backup generation, and for the associated power plant to redirect its available output back to the ERCOT grid. The generator and the load are required to comply within 30 minutes of receiving this instruction. For broader awareness, ERCOT will post an Operations Message when it issues this curtailment instruction.

MESSAGE 3 — RESUME OPERATIONS
Return to normal operations

Once grid conditions have returned to an acceptable level, ERCOT's Control Room notifies the generator and load that they may resume their normal operations. For broader awareness, ERCOT will post an Operations Message when this instruction has been sent.

STAY CONNECTED

- Monitor real-time grid conditions through ERCOT's **Grid and Market Conditions dashboards** on the ERCOT website and on the ERCOT mobile app.
- Sign up to receive advance grid-conditions notifications through ERCOT's **Texas Advisory and Notification System (TXANS)**, which is also available in Spanish.
- Follow ERCOT on **Facebook**, **LinkedIn**, **X**, and **Instagram**.