



Public Utility Commission of Texas

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PUC Approves Major Improvements to Electric Grid Reliability

Enacts Changes to Wholesale Electricity Market

Austin, TX – The Public Utility Commission of Texas (PUC) voted unanimously today to significantly improve short- and long-term electric grid reliability for Texas by enacting major reforms to the state’s wholesale electricity market. In the wholesale electricity market, power generators and other companies sell electricity that eventually ends up being sold to end-use customers.

“In prior years, any single one of these changes would have been considered significant. Taken together, they are a generational shift in the Texas electricity market,” stated PUC Chairman Peter Lake. “This a move away from the crisis-based business model we have operated under for the past two decades. This new model centers on reliability.”

Some changes will take effect very quickly to be in place this winter. Other changes will provide long-term incentives for investment in reliable power generation infrastructure to ensure Texas will have the power the state needs for decades. These changes maintain a competitive market for all types of generation, with market forces driving the best mix of technology to deliver reliable power.

Among the key changes approved today:

The Operating Reserve Demand Curve (ORDC) is a mathematical formula that affects how electricity is priced as reserve electricity generation becomes scarce. Today’s changes will provide earlier price signals to bring additional generation online and for large consumers to adjust their demand.

Decreasing electricity demand is another important tool for ensuring the grid has sufficient available power. Today’s action by the commission increases the market incentives for large consumers to decrease electricity usage in response to prices and grid conditions. This includes virtual power plants where groups of customers can come together into a single resource for the grid.

Emergency Response Service (ERS) is an existing program for large customers to register with ERCOT to decrease their electricity demand when the grid needs additional power. Previously, this tool was only available during an emergency. Now ERS can be used to avoid emergency conditions.

In addition to putting megawatts of electricity onto the grid, there are a host of other services that generators provide that keep the grid running smoothly. The commission approved new or revamped ancillary services that include paying generators for having onsite fuel storage, for the ability to respond quickly to changes in the frequency of the grid, and for the capacity to react to abrupt swings in electricity supply and demand.

These improvements are part of Phase 1 of the Commission’s work to improve grid reliability and the wholesale electricity market. Phase 2 will include a review of a backstop reliability service and a load-side reliability mechanism. These will provide further market signals for reliable generation. PUC staff and ERCOT staff will develop phase 2 policies over the coming weeks and report back to the commissioners.

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About the Public Utility Commission

Our mission is to serve Texans by regulating the state’s electric, telecommunication, and water and sewer utilities, implementing respective legislation, and offering customer assistance in resolving consumer complaints. Since its founding in 1975, the Commission has a long and proud history of service to Texas, protecting customers, fostering competition, and promoting high quality infrastructure. To learn more, please visit <http://www.puc.texas.gov>.