

MAKING SENSE OF TEXAS ELECTRICITY MARKET NEWS

INFORMATION SHEET
TEXAS



Texas electrical grids: A closer look

Texas has a unique power grid system compared to the rest of the United States. The state is served by different transmission operators and load serving entities comprising separate power grids and markets, making it distinctive among states:

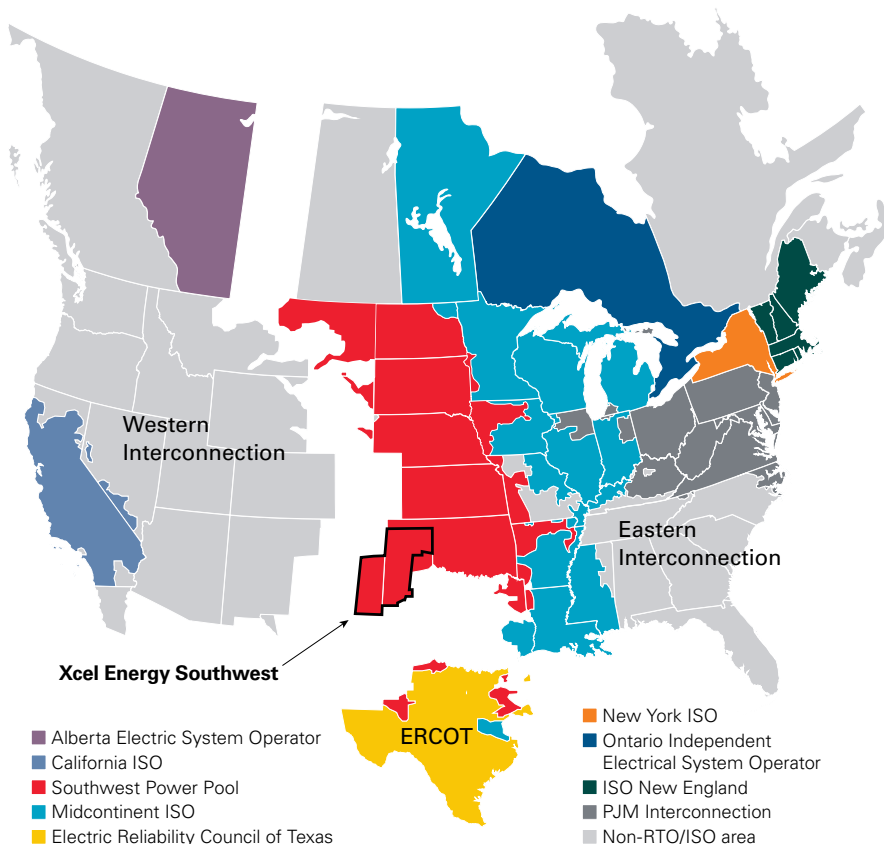
- **Electric Reliability Council of Texas (ERCOT)** serves major population centers, covering about 75% of Texas' land area and 90% of the state's electricity needs. Because its footprint is entirely within Texas, its generation resources are all located in Texas which provides independence from the FERC and other regulatory entities, but also means the grid can be more vulnerable to extreme weather events as witnessed during Winter Storm Uri in 2021.
- **Southeastern Electric Reliability Council (SERC)** covers part of southeast Texas including Beaumont and Port Arthur, plus a small slice of northeast Texas, and is served by **Midcontinent Independent System Operator (or MISO)**, which manages the flow of high-voltage electricity, facilitating a large energy market.¹
- **Southwest Power Pool (SPP)** serves Xcel Energy in the Texas South Plains and Panhandle (Xcel Energy's New Mexico region is also served by SPP).
- **Western Electricity Coordinating Council (WECC)** serves the western tip of Texas, primarily the El Paso area.



Keys to Texas

- ERCOT is often referred to as the "Texas power grid" even though it does not cover the entire state.
- Large state and national media outlets typically do not include energy providers in the Texas Panhandle and South Plains when referring to the "Texas power grid."
- While Xcel Energy is a fully regulated and vertically-integrated utility generating and delivering electricity for its customers, generators in ERCOT sell into a wholesale marketplace where retailers purchase electricity for their customers. Customers can choose which retailer they would like to purchase electricity from.

¹ The Southeastern Reliability Council, also known as the SERC Reliability Corporation, is responsible for ensuring the reliability and security of the electric grid across 16 southeastern and central U.S. states, including Texas. SERC's responsibilities include real-time operating, next-day planning, and capacity emergency coordination for the Southeastern Subregion. It ensures compliance with NERC reliability standards, coordinates with other reliability coordinators, and manages system reliability. MISO, on the other hand, is an Independent System Operator (ISO) and Regional Transmission Organization (RTO) that manages the transmission system and energy markets across parts of 15 U.S. states and the Canadian province of Manitoba. It operates one of the world's largest real-time energy markets and is responsible for grid management, reliability, and infrastructure planning within its footprint. While both organizations are involved in grid reliability, they operate independently and typically cover different geographical areas, with MISO having a broader scope that includes parts of the Midwest and South, overlapping with some areas covered by SERC.



Functions of a grid operator

Each grid operator, whether it's ERCOT, MISO, WECC or SPP, plays a crucial role in ensuring reliable and secure operations of the electric power grid. Occasionally, a grid operator may issue warnings in advance of a hot summer period or frigid winter temperatures about possible electricity shortages, and potential outages should demand outpace supply.

These cautions are designed to heighten awareness and customer preparedness should severe weather conditions strike; however, grid operators plan well in advance to withstand the majority of weather and accommodate periods of increased demand for electricity.

While shortages and other issues could impact any of Texas' power grids, it's important to understand they are separate systems with unique resources.

A little history

In 1999, ERCOT's "retail choice" market was formed after legislators passed a law permitting retail electricity prices to be set by competitive markets. Generators in ERCOT offer electricity into a wholesale market and retailers bid for that electricity. Customers choose from a variety of retail electric providers offering various plans.

Xcel Energy is a fully regulated and vertically integrated utility, meaning it both generates and delivers electricity to homes and businesses it serves. While Xcel Energy in Texas and New Mexico is not subject to retail choice, our customers benefit from a diversified mix of generation resources at competitive market prices in the Southwest Power Pool, which operates a 14-state congruous wholesale marketplace in the Eastern Interconnection.

SPP is a regional transmission organization mandated by the Federal Energy Regulatory Commission (FERC) to ensure a reliable power supply, adequate transmission infrastructure and competitive wholesale pricing of electricity. Combined with Xcel Energy's long-term planning and investments, the company's customers continue to benefit from a resilient grid, cleaner energy and low rates.²



² EIA residential price per kilowatt-hour data 2018 through April 2024 Xcel Energy-Texas rates were 16.96% lower than the national average.

Find more online

Electric Reliability Council of Texas www.ercot.com

Federal Energy Regulatory Commission www.ferc.gov

North American Electric Reliability Corporation www.nerc.com

Public Utility Commission of Texas www.puc.texas.gov

Southwest Power Pool www.spp.org

