Filing Receipt

Filed Date - 2026-07-20 11:38:56 AM

Control Number - 58317

Item Number - 18

Thomas J. Gleeson
Chairman

Greg Abbott
Governor

Public Utility Commission of Texas

July 17, 2026

The Honorable Greg Abbott
Governor of Texas
Office of the Texas Governor
P.O. Box 12428
Austin, Texas 78711

Dear Governor Abbott,

Thank you for your letter of June 10, 2026 regarding the rapid growth of new data center projects in the state and their potential impact on Texans. I share your view that these projects must be managed in a way that protects residents by prioritizing affordability, reliability, and the interests of Texas communities. Equally important, the reliability of the electric grid must be preserved so that Texans can be assured that power remains available to them even as the system expands to serve new large loads. Texas should welcome responsible economic development, but it must do so in a manner that prioritizes affordability, reliability, and the interests of the residents who depend on the grid.

The Public Utility Commission of Texas (PUCT) and Electric Reliability Council of Texas, Inc. (ERCOT) are working together closely to ensure that Texans will not be negatively impacted by the interconnection of these large electric consumers. The attachment to this letter summarizes the actions taken and those currently underway to support this objective, including:

- Implementing standards for large loads seeking to interconnect to the ERCOT grid to ensure only committed, financially secure projects that support grid reliability can move forward.
- Revising transmission cost allocation methodologies to ensure the costs associated with serving new data center development are appropriately aligned with investment and do not burden residential and small business ratepayers. Establishing new criteria that ERCOT will apply to accurately plan for large load growth and transmission infrastructure needs.
- Transitioning to a coordinated, system-wide “batch study” process to better evaluate the unprecedented volume of large load interconnection requests and support more effective transmission planning. Following your letter, the PUCT proposed additional revisions to pending rules intended to meaningfully reduce residential electric bills.

- Requiring large consumers of electricity to pay upfront the direct costs to interconnect their facilities and begin paying transmission charges as soon as capacity becomes available, even if they have not energized.
- Further revising how wholesale transmission costs are charged to large loads and how utilities in the competitive choice areas of the state assess those charges to customers. The PUCT expects to make a final decision on the rulemaking in December 2026.

I appreciate your leadership on these issues and stand ready to address any additional questions or concerns you may have.

Sincerely,

Thomas J. Gleeson
Chairman
Public Utility Commission of Texas

cc: Pablo Vegas, President and Chief Executive Officer, Electric Reliability Council of Texas, Inc.

Attachment

ACTIONS TAKEN

The contents of this document were developed in consultation with ERCOT. The PUCT and ERCOT have taken steps under existing authority to protect ratepayers, promote high quality infrastructure, and foster economic efficiency.

Improved ERCOT's load forecasting process

In February 2026, the PUCT adopted a new rule, 16 Tex. Admin. Code §25.370, that sets minimum requirements for a utility to include a proposed new large load in ERCOT's load forecast. The rule standardizes utility practices to ensure that ERCOT receives consistent and reasonable data. This standardization is expected to improve ERCOT's load forecast in the coming years. More accurate forecasts reduce the risk of overbuilding transmission infrastructure, which can result in unnecessary costs that are ultimately recovered from customers through electric rates.

Ensured new data centers don't take existing megawatts off the grid

In March 2026, the PUCT adopted a new rule, 16 TAC §25.205, governing arrangements between new large loads and existing generation resources. Electric generation that was available to Texans prior to September 1, 2025 must remain available going forward, even when that generation will primarily serve new large loads in the future. The load and generation facility must submit information to ERCOT detailing how the arrangement could potentially impact grid reliability. Upon reviewing ERCOT's analysis of the submitted information, the PUCT may impose conditions on the arrangement to mitigate negative impacts.

Evaluated the fairness of how transmission costs are charged

In May 2026, the PUCT completed a comprehensive evaluation of wholesale and retail transmission cost recovery practices, which included a detailed analysis of how changes to those practices might impact various groups of consumers. The report noted that rapidly increasing demand in the ERCOT region—primarily attributable to new large computational loads—is driving a significant need for additional infrastructure to serve that demand. Left unchecked, these investments will result in higher costs for consumers. The report recommended several changes to require large loads to pay for infrastructure required to serve them. The PUCT has already begun to codify the changes in a rulemaking.

Enhanced ERCOT's transmission planning processes

In June 2026, the PUCT approved ERCOT Planning Guide Revision Request (PGRR) 145, which establishes the "Batch Zero" interconnection process for large loads—i.e., loads that are 75 MW or more in size. Under this new study process, ERCOT will transition from its legacy project-by-project study approach to a "batch" study process that evaluates the impacts of all large loads that meet certain qualification criteria. Batch Zero is a one-time, transitional iteration of this batch study process that will evaluate the reliability impacts of all large loads that meet specified study-maturity and commitment criteria. This special study process will determine how much load can be reliably served by location and year, allocate available transmission capacity to these projects, and identify transmission upgrades needed for committed projects through 2032. Projects that do not meet the Batch Zero criteria will be eligible for study and transmission capacity awards in later batch studies. ERCOT plans to develop a more comprehensive transmission planning process, which will include future batch studies, through its stakeholder process with anticipated ERCOT Board of Directors approval in February 2027.

ONGOING WORK

The PUCT and ERCOT continue to work on several large load-related initiatives. These efforts relate primarily to ongoing implementation of Senate Bill 6 (89R) but also employ other grid reliability and ratemaking authorities to enhance consumer protections.

Creating standards that large loads must meet to connect to the grid

In February 2026, the PUCT initiated a rulemaking under Project No. 58481 to establish standards for interconnecting large load customers in the ERCOT power region in a manner designed to enhance system reliability and protect consumers from paying for the costs of stranded infrastructure. In the proposed rule, the large load customer would provide certain disclosures and post financial security against the costs to interconnect the large load before it can be included in ERCOT's planning studies. The disclosures will provide ERCOT with details about the status of the large load development and vital information related to the load's ability to curtail consumption and rely on backup generation. The PUCT will consider the final rule later this summer.

Protecting consumers from the costs to interconnect large loads

Following the completion of the PUCT's evaluation of transmission cost recovery practices in May, the PUCT initiated a new rulemaking under Project No. 58000 earlier this month. The goal of these revisions is to ensure consumers are not unfairly burdened with the costs of infrastructure required to connect new large load facilities to the ERCOT transmission system. The amended rule will address ratemaking methodologies, require a large load's forfeited financial security to be used as an offset to transmission rates, and require a large load to start paying its utility bills based on the amount of transmission capacity that is available to serve the load once that capacity is available, even if the large load customer is not ready to start operations. The PUCT will complete this rulemaking by the December 2026 statutory deadline.

Creating new reliability tools using large loads and their back-up generation

The PUCT and ERCOT have started developing a new program that would incentivize large loads to curtail their consumption in advance of an anticipated electric energy emergency, as required by Senate Bill 6. This new reliability service would operate as an additional tool available to ERCOT's grid operators when conditions on the transmission system indicate an emergency may occur. The PUCT will initiate a new rule under Project No. 58482 later this month.

RECOMMENDED STATUTORY ENHANCEMENTS

In consultation with ERCOT, the PUCT has identified several areas where legislative action could further enhance the PUCT's and ERCOT's abilities to safeguard consumers.

Clarify the PUCT's authority to adopt reliability requirements for all market participants

With a few limited exceptions, the PUCT has not historically regulated the activities of end use customers. Until recently, individual consumers have not represented a risk to the reliable operation of the ERCOT transmission system. The rapid influx of large loads—in particular, large computational loads—has changed that risk profile. Legislative clarification that the PUCT can develop, or delegate authority to ERCOT to develop, reliability requirements applicable to large load customers would improve our organizations' abilities to protect Texans and their businesses from the risks presented by large loads. Specifically, ERCOT should be able to communicate curtailment instructions directly to large computational load customers instead of having to go through the load's interconnecting utility. This change would improve ERCOT's ability to manage real-time grid conditions.

Clarify PUCT's and ERCOT's authority to require registration of large computational loads

Electric industry regulation to date has focused on owners of grid infrastructure, wholesale buyers and sellers of electricity and related services, and providers of certain retail services. The PUCT and, by extension, ERCOT have not generally had a direct regulatory relationship with end-use customers. However, because large computational load facilities can have a significant impact on the reliability of the power grid and other infrastructure, these customers should be required to register with both the PUCT and ERCOT to ensure complete and accurate information about these facilities is available for operational and planning needs. Requiring large computational load customers to register with ERCOT as market participants and provide required technical information about their facilities will help ensure the accuracy of the information ERCOT needs to assess the reliability impacts of new large load facilities and to reliably operate and plan the ERCOT power grid.

Require large computational loads to comply with LSIPA

The Lone Star Infrastructure Protection Act (LSIPA) prohibits agreements that would give certain foreign-linked companies direct or remote access to, or control over, Texas critical infrastructure, including power grid infrastructure. For power grid infrastructure, that prohibition applies only to owners of generation and transmission facilities that are registered with ERCOT as market participants. However, foreign state actors could also maliciously use large computational load facilities to negatively impact the ERCOT grid. To help protect against this risk, LSIPA should be amended to apply to owners of large computational load facilities.