

ALARMIST HEADLINES HIGHLIGHT CONFUSION AROUND COST OF ECRS



Fictional Costs:

“New Texas Power Rules Raise Cost \$12 Billion, Watchdog Says”
-Bloomberg, December 2023

Source: <https://www.bloomberg.com/news/articles/2023-12-04/new-texas-power-reserves-raised-grid-costs-by-12-billion-monitor-says>



THE TRUTH ABOUT ECRS

- ▶ ECRS, or the ERCOT Contingency Reserve Service, is a daily ancillary service that [enables ERCOT to procure](#) “capacity that can respond within 10 minutes to address forecasting errors or to replace deployed reserves.”
- ▶ ECRS enables ERCOT to [respond quickly](#) to any energy shortfalls, and it was a major reason there were no major power outages amid record heat last summer.
- ▶ Recent headlines have claimed that the ECRS program has increased costs between \$8 billion to \$12 billion. However, the data underpinning the studies is deeply flawed.
- ▶ ECRS critics assume all energy is being procured in the real-time or wholesale “spot” market.
- ▶ In reality, electricity companies hedge 90% of their power purchases, locking in future prices to reduce the risk of prices rising.
- ▶ ERCOT rules also protect residential customers by requiring electricity companies to offer a monthly, fixed price – so the direct impact on rate payers is zero.
- ▶ The truth is that ECRS is a low-cost tool to protect Texans from energy shortages – especially when the sun is not shining or the wind is not blowing.