Data Centers and Grid Reliability in Texas

Driving Long-Term Economic Growth

- Data centers are distinct from crypto mining operations in that they are building long-term facilities and looking for long term power purchase agreements ("PPAs").
- These PPAs will likely last decades, and these facilities will be contributing to their communities through job creation and tax contributions for many years to come.
- One example is the recent Constellation and Microsoft data center power agreement in Pennsylvania, which is reported to be for a twenty-year term.
- Texas can and should replicate these long-term agreements.

Maintaining Texas' Competitive Advantage

- Texas is competing with other states and countries for these customers, and "time-to-market" is an important consideration.
- As a result, we must ensure that Texas is able to provide the necessary infrastructure, regulatory environment, and support to make it an attractive choice for these projects.
- These projects have the potential to be a major catalyst for economic growth in Texas, firmly establishing the state as a leader in both the energy *and* technology sectors.

Ensuring Grid Reliability

- ERCOT already has a system in place with certain large-load facilities, including data centers, where these facilities will temporarily reduce their power consumption when conditions are tight.
  - This flexibility in large-load operations can help mitigate some of the effects that strong growth in electricity demand is having on the ERCOT system.
- In Texas, we are still several years from these new data center projects becoming a reality and commencing commercial operations. This timeline will give policymakers and the energy industry runway to ensure that the grid can handle these new electric loads.
- Moreover, once these data centers start to come online, their electric load won't come all at once, but rather in large and manageable chunks.
- The PUC already has tools in the toolbox, both existing and in the process of being implemented, to help meet the increased demand brought on by data centers.
- Given the need to maintain a reliable supply of electricity for all Texans, the power that goes to these facilities can be redirected back to the grid in times of emergency, ensuring any commitments to powering data centers will not reduce generators' contributions to overall system reliability.
- Texas' competitive energy market will signal for a need of increased energy demand when the demand for data centers increases. This has already happened in Pennsylvania, where Constellation brought back a retired nuclear reactor to provide grid power that Microsoft will use to offset its data center load in the region. We would expect the same free market dynamics to play out in Texas.

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