



## Making Sense of Texas Electricity Market News

### Xcel Energy is in an entirely different power grid than ERCOT

#### What's the fuss about?

Statewide media outlets often report about power issues on the “Texas power grid” without adequately explaining that not all Texans are affected by these issues. That’s because Texas is uniquely served by different power grids and markets (see graphic below).

The Electric Reliability Council of Texas (ERCOT) warned earlier this year about hot summer months bringing on shortages, potential outages or brownouts, and higher electricity prices. This isn’t necessarily unusual because ERCOT often issues these warnings before the summer months. And, often, demand and the weather fall within norms that don’t raise issues.

ERCOT’s “retail choice” market was formed after legislators passed laws permitting markets to set the wholesale electricity price and allowing customers to choose their providers. Generators in ERCOT sell electricity on a wholesale basis only. Retailers purchase that electricity, and customers choose which retailer they would like to purchase electricity from.

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 subject to market prices in the Southwest Power Pool, long-term planning and investments have managed to keep electricity reliable and energy prices affordable for customers.



#### Keys to Texas

- ERCOT is often referred to as the “Texas power grid” even though it does not cover the entire state.
- Media references to the “Texas power grid” do not apply to electricity customers in the Texas Panhandle and South Plains.
- Generators in ERCOT sell into the wholesale marketplace. Retailers purchase that electricity, and customers choose which retailer they would like to purchase electricity from.
- Texas is served by four separate power grids: ERCOT serves major population centers and the bulk of Texas; Midcontinent Independent System Operator reaches into southeast Texas; the Western Electricity Coordinating Council serves the southwest tip of Texas (El Paso area); and the Southwest Power Pool serves Xcel Energy in the Texas South Plains and Panhandle (and Xcel Energy’s New Mexico region is also served by SPP).



Xcel Energy’s Texas territory is not served by the Electric Reliability Council of Texas (ERCOT). Rather, Xcel Energy is part of a different regional transmission organization, the Southwest Power Pool, which spans about 546,000 square miles and 14 states.

## Electric lingo

### ERCOT

The Electric Reliability Council of Texas (ERCOT) manages the flow of electric power to about 24 million Texas customers – representing about 90 percent of the state’s electric load. ERCOT is an independent system operator, membership-based nonprofit corporation, governed by a board of directors and subject to oversight by the Public Utility Commission of Texas and the Texas Legislature. Its members include consumers, cooperatives, generators, power marketers, retail electric providers, investor-owned electric utilities, transmission and distribution providers, and municipally owned electric utilities.

### Brownout

A brownout can be a controlled or unintentional drop in voltage in an electrical power supply system, getting its name because the voltage drop can cause lights to dim. Intentional brownouts are used for load reduction in an emergency. But brownouts are not always caused by the electric company. Other causes include: Too many electrical appliances on a single circuit, inadequate wiring for a large appliance (like an air conditioner, freezer or refrigerator), and inadequate wiring in the home.

### Controlled outages

When electricity demand is expected to exceed the supply of power, an electric company may opt to protect its system and maintain reliability by interrupting power to pre-selected circuits (blocks of customers) for up to one hour during peak demand for electricity, which typically runs from the afternoon into early evening.

### Southwest Power Pool

The Southwest Power Pool (SPP) oversees the bulk electric grid and wholesale power market in the central United States on behalf of a diverse group of utilities and transmission companies in 14 states. SPP ensures the reliable supply of power, adequate transmission infrastructure, and competitive wholesale electricity prices for a 546,000-square-mile region that includes more than 60,000 miles of high-voltage transmission lines.

### Xcel Energy

Xcel Energy (NYSE: XEL) provides the energy that powers millions of homes and businesses across eight Western and Midwestern states. Headquartered in Minneapolis, the company is an industry leader in responsibly reducing carbon emissions and producing and delivering clean energy solutions from a variety of renewable sources at competitive prices. For more information, visit [xcelenergy.com](http://xcelenergy.com) or follow us on Twitter and Facebook.

Brownouts can be damaging to electrical appliances and electronic equipment, which are designed to operate at a specific voltage. While brownouts are caused by low voltage, surges are a result of high voltage. Damage from both types of fluctuations can be avoided by plugging valuable electronics into a dual battery backup and surge protection device.

### Find more online

Association of Electric Companies of Texas [www.aect.net/](http://www.aect.net/)

Federal Energy Regulatory Commission [www.ferc.gov/](http://www.ferc.gov/)

Public Utility Commission of Texas [www.puc.texas.gov](http://www.puc.texas.gov)

Electric Reliability Council of Texas [www.ercot.com](http://www.ercot.com)

North American Electric Reliability Corporation [www.nerc.com](http://www.nerc.com)

Southwest Power Pool [www.spp.org](http://www.spp.org)



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