ERCOT Market Update Webinar
Q&A

Compiled: April 30, 2025

The following are answers to the questions our presenters received from participants during the ERCOT Market Update webinar on April 24, 2025.

Will index rates overall be better than a fixed rate contract if the market stabilizes after production increases and data centers coming on flow?

It's hard to say how index rates will settle going forward. We can take a look at past index settles and see how they have performed as the fuel mix has changed. However, the reliability risk still remains and real-time volatility will continue to exist.

The forward market indicates tighter market conditions ahead. A lot of that will depend on the timing of the load growth and supply buildout. ERCOT's June 2025 MORA Report indicates that the majority of the supply build is coming from solar and batteries. From a reliability standpoint, additional solar only adds capacity during solar hours. Batteries have helped during solar rampdowns, but large variances in wind output still pose a volatility risk to the grid.

Another thing to consider is that when solar ramps down, prices tend to jump exponentially and not incrementally during those particular hours. An example presented in the webinar was that while solar is generating, prices may be $30/MWh, then when solar ramps down prices jump to $500 or $1,000 rather quickly—instead of going to $50, $75, or $100. This is because the generation that is available to step in and replace solar is typically expensive to run or offers into the market at a higher cost.

Without being able to foresee index settles, assessing what is important to your business—like risk tolerance and budget certainty—can help you decide which course of action to take and what buying approach ultimately is the best fit.

Calibrating risk & reward
In the webinar we discussed that from January 2022 to March 2025, index prices settled above $50 only about 21% of the time however the costs associated with those $50+ intervals accounts for nearly 62% of total market costs when you consider the hourly load associated with the intervals over $50/MWh.

What is the single largest driver of price change?

Load continues to be a dominant factor in forward prices, especially in the summer and winter seasons. Based on the expected load growth numbers, there is still an appetite for load interconnection in ERCOT.

Will this summer be like last?

Current summer weather outlooks indicate warmer-than-average temperatures for Texas on average. For a full report on summer weather forecasts, please access our U.S. Summer Market Outlook materials. In terms of what a warmer-than-average summer would mean for prices, as noted previously, it's hard to say with absolute certainty how the index market will perform. There has been consistent, year-over-year load growth across all hours, which will continue to put pressure on supply, especially if the forecasted heat actualizes. There have been significant additions to supply via solar and batteries which helped keep real-time prices at bay last summer, but weather was also mild.

What does the solar landscape look like in Texas?

Installed solar capacity is over 30 GW—up from under 10 GW five years ago. This amount is expected to double by the end of 2030.

Why have we seen our energy bills increase from utility distribution costs?

Transmission and distribution utility (TDU) charges have been increasing due to the growth of renewables and load in ERCOT. These factors have required expansion of the transmission and distribtion system.

How are crypto mining and AI data centers going to affect the Texas electricity market?

Growth of large customers is forecasted to more than double ERCOT's peak demand in less than five years. This will pose significant challenges for maintaining reliability and affordability. Rules will need to be developed to improve load forecast certainty, encourage more generation, and change how transmission costs are allocated, which is being worked on by ERCOT, the Public Utilities Commission of Texas (PUCT), and the Texas legislature.

Is the BESS market saturated? Is there a need for more BESS installations over the next five years?

The Battery Energy Storage System (BESS) market has grown substantially and there is now over 10 G of installed battery capacity. BESS resources can help balance variations in wind and solar resources.

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