

**SUBJECT:** Requiring annual independent audit of ERCOT organization

**COMMITTEE:** State Affairs — favorable, without amendment

**VOTE:** 12 ayes — Paddie, Hernandez, Deshotel, Harless, Howard, Hunter, P. King, Lucio, Metcalf, Raymond, Shaheen, Slawson

0 nays

1 absent — Smithee

**WITNESSES:** For — (*Registered, but did not testify:* Cyrus Reed, Lone Star Chapter Sierra Club)

Against — None

On — (*Registered, but did not testify:* Thomas Gleeson, Public Utility Commission of Texas; Verma Elliott, State Auditor's Office)

**BACKGROUND:** Utilities Code sec. 39.151 requires the Public Utility Commission to certify one or more independent organizations to perform certain functions related to the state's electric grid and competitive electricity market, including ensuring the reliability and adequacy of the regional electric network.

In 1996, the Electric Reliability Council of Texas, also known as ERCOT and referred to here as the ERCOT organization, became the independent operator for the ERCOT power region.

**DIGEST:** HB 2586 would require the Public Utility Commission (PUC) to have an independent audit made annually of each independent organization certified for the ERCOT power region (ERCOT organization).

An audit would have to examine the ERCOT organization's financial condition, including its budget and expenses and the salaries of employees and board members, and compliance of its assets with all applicable PUC

standards.

The PUC would have to publish the results of an audit on its website and submit the results to the Legislature within 60 days after the audit was completed.

The bill would take effect September 1, 2021.

**SUPPORTERS  
SAY:**

HB 2586 would answer calls to address ERCOT governance, oversight, and transparency after extended, widespread power outages during Winter Storm Uri left millions of Texans without power and led to loss of life and property. Several issues have been identified as playing significant roles in the failure of the electric grid, including areas of mismanagement in the ERCOT organization and insufficient accountability of the organization to the PUC.

The bill would help ensure the reliability of the electric grid and protect consumers by requiring an annual independent audit of the ERCOT organization. Current law and agency rules only allow the PUC to conduct audits of the ERCOT organization's performance of functions and its financial matters and provide that the PUC may require an independent organization to conduct such an audit. Additionally, the organization's internal policies allow for an internal auditing program via an executive who serves at the pleasure of the ERCOT organization's CEO. HB 2586 would enhance PUC oversight of the ERCOT organization by no longer leaving a performance and financial audit to the discretion of the PUC, making certain the organization was reviewed annually and results were made available to both the public and the Legislature.

**CRITICS  
SAY:**

No concerns identified.