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Entering ERCOT: 4 Essential Steps

A Guide for Energy Companies Entering and
Succeeding in the Texas Retail Energy Market.

Overview

The Texas energy market, operated by the Electric Reliability Council of Texas (ERCOT), is a uniquely dynamic and competitive environment due to the state's large and rapidly growing population, abundant traditional and renewable energy resources, and the opportunity to own the entire customer lifecycle as a retailer. It's also one of the most challenging markets for new retail energy providers (REPs) to enter. New entrants must navigate complex regulatory requirements, complete a comprehensive registration application, manage rigorous certification testing, implement a billing solution that will handle myriad customer scenarios, manage daily transactions, and more.

This guide offers insights and steps to enter ERCOT, helping REPS gain early wins and stay competitive in the evolving market.

1. Registration and Compliance

Getting registered to serve load in ERCOT can be a complex and detailed endeavor. Anticipating and preparing for requirements will help the process go smoothly. Equally important is a plan to stay abreast of compliance changes once in the market.

Due Diligence

Ask the right questions to define your business model, including residential vs. commercial and industrial (C&I) markets, the products and energy mix you'll offer, and your readiness to comply with regulatory requirements. If you participate in other markets, performing a gap analysis against ERCOT requirements may help to identify unique mandates.

Registration Applications

Prepare and file registration applications with the Public Utility Commission of Texas (PUCT) and ERCOT. Handle complexities such as application fees, bond/letter of credit, in-state employee requirements, selecting a QSE (qualified scheduling entity), emergency operations plans, confidentiality, and more.

Compliance

Once registered, ensure ongoing compliance to PUCT and ERCOT reporting and other regulatory obligations. Mitigate risk by leveraging expert, tailored audit checklists, compliance guides, and training modules. Increase confidence in your corporate compliance while protecting your image and avoiding unnecessary investigations.



2. Testing and Implementation

During the registration process, market testing and technology implementations begin. Market testing benefits from a highly experienced “EDI vendor” who understands the process and will expertly implement billing and technology integrations to ultimately reach Production Go-Live.

EDI and Market Testing

Understand ERCOT requirements and prepare to send and receive thousands of daily compliant market and billing transactions. Apply, register, and select a proven EDI vendor experienced with Texas Standard Electronic Transaction (TX SET) requirements.

Billing Implementation

Implement a billing solution to manage your customer portfolio, including onboarding, supply, billing, revenue management and collections, and connects/disconnects at scale for either or both residential and commercial consumers. Configure both simple and complex energy products like Indexed, Time-of-Use (TOU), EV, solar, net metering, pre-pay, and wholesale cost allocations.

Integrations

Integrate with third-party vendors, applications, portals, and data platforms to support production activity such as payment processing, forecasting, customer engagement, and more.

3. Production

It's time to serve customers and earn revenue. As your business grows, you'll soon need to handle thousands of daily transactions as customers turn on power, change locations, expand operations, and much more. You'll need a proficient billing solution along with customer communications to retain the business you earn.



Transactions

Execute secure transaction processing, applying business and market rules and ensuring the clean, validated, and normalized data necessary for daily portfolio operations. Monitor and adjust to market rule changes for continued ERCOT compliance. Work with ERCOT and utility trading partners to resolve exceptions.

Billing & CIS

Automate thousands of daily onboarding, billing, payment, and collection transactions. Manage operational exceptions and anomalies to accelerate customer enrollment, bill accurately and on time, and optimize AR and cashflow. Use a trusted vendor to handle simple to advanced daily customer billing transactions and help manage AR.

Customer Engagement

Increase customer retention through active engagement. Offer self-service options through a customizable portal for easy shopping and renewals. Digitize events throughout the customer lifecycle for efficient communications and maximum customer awareness.

4. Strategic Management

To optimize profitability, you need insights, including energy and ancillary costs to make smart choices for customer pricing, and buyer behavior so you can offer customers the products they're most likely to buy. You'll also need to stay ahead of regulatory changes so you can remain vital in the evolving market.

Forecasting & Pricing

Ensure profitability by aligning demand forecasting with pricing. Extract insights from meter-level data and incorporate impacts from forces such as weather and market trends to generate the bottom-up load forecasts needed to drive smart procurement. Manage scheduling and navigate the QSE domain. Pull and analyze settlement data, set prices, and manage contracts, credit checks, and commissions for a holistic ecosystem.

Data insights

Leverage the volume of data uniquely available in ERCOT to monitor metrics and quantify customer analytics, enabling strategic decisions that drive revenue. Segment customers by electricity choices, on-time or delayed payment history, time of use, and other factors to extend the right product offers to the right customer at the right time.

Market Upgrades

Stay on top of regulatory changes that impact operations. Work with your trusted EDI, transactions management, and billing solutions provider, to translate necessary changes into your tech stack. Subscribe to a weekly retail energy newsletter, attend monthly market monitoring meetings, and receive timely alerts to stay informed of utility changes.

ERCOT is one of the most active and exciting markets in the world. With preparation and attention to its unique requirements, REPS have much to gain in the Texas market.

This guide was created by ESG and Earth Etch, experts at helping companies enter and succeed in the ERCOT market.

About Energy Services Group (ESG)

esglobal.com

Retail energy providers rely on ESG to grow revenue, increase efficiency, and facilitate business innovation. ESG provides a transactions and billing solutions platform that optimizes the customer-to-cash process, reduces the cost to serve, and increases efficiency through data and insights to get results that matter. ESG is SOC 2 certified in North America.

About Earth Etch

earthetch.com | simplifyi.com

Earth Etch is a provider of innovative compliance solutions designed to help retail energy companies meet their regulatory and operational obligations. Whether it's the SIMPLIFYI Compliance Platform, or the MAGNIFYI Energy Headlines newsletter, Earth Etch empowers both new market entrants and established energy companies to remain compliant and competitive.

Legal disclaimer

This document provides guidance only and does not constitute legal advice.