

## How Texas power market overhaul could spur new battery-plus-wind projects

Lone Star State's upcoming real time clearing of grid services aims will offer opportunities for solar and wind with storage

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Telsa Megapack battery storage with wind turbine (Photo: Tesla)

The US' hottest battery storage market, Texas, is looking to spark even faster growth with new market rules aimed at rewarding flexible assets while lowering power rates.

The Electric Reliability Council of Texas (ERCOT), which covers more than 90% of the state's power market, on 5 December will implement its real time co-optimisation plus batteries (RTC+B) initiative to simultaneously clear both its energy and ancillary services markets in real time.

Currently, the grid operator contracts ancillary services such as frequency control and voltage support to maintain reliability and stability on the day-ahead market.

Energy prices meanwhile are set in real time every five minutes based on supply and demand at thousands of 'nodes' throughout ERCOT's transmission system.

"This will be the biggest market design change in ERCOT since the 2010 nodal market transition," said Mike Huisenga, Managing Director at research consultancy Ascend Analytics.

The grid operator "will be creating an entirely new market for real-time (RT) ancillary products," he told Recharge.

ERCOT's dynamic market continues to renewables development, and the state has long been the wind leader with 40GW in operation.

Last year it superseded California in utility scale solar with nearly 32.7GW as of September, according to ERCOT.

It has also become the leader in battery energy storage system (BESS) deployment with around 14GW installed, up from less than 1GW in 2020.

## BESS Ramp

Texas' battery ramp followed the disaster of winter storm Uri in 2021 that saw plummeting temperatures and a swathe of failing generators result in a statewide system collapse that resulted in nearly 300 deaths.

BESS installations skyrocketed over the past few years, with much of this capacity aimed at the high value ancillary services market that breached \$2,000/kW in 2021 but has since collapsed to \$17/kW this year as supply has overtaken demand.

Under RTC+B, the existing Operating Reserve Demand Curve will be replaced by real-time Ancillary Service Demand Curves (ASDC's), allowing ancillary services to be priced directly in real-time.

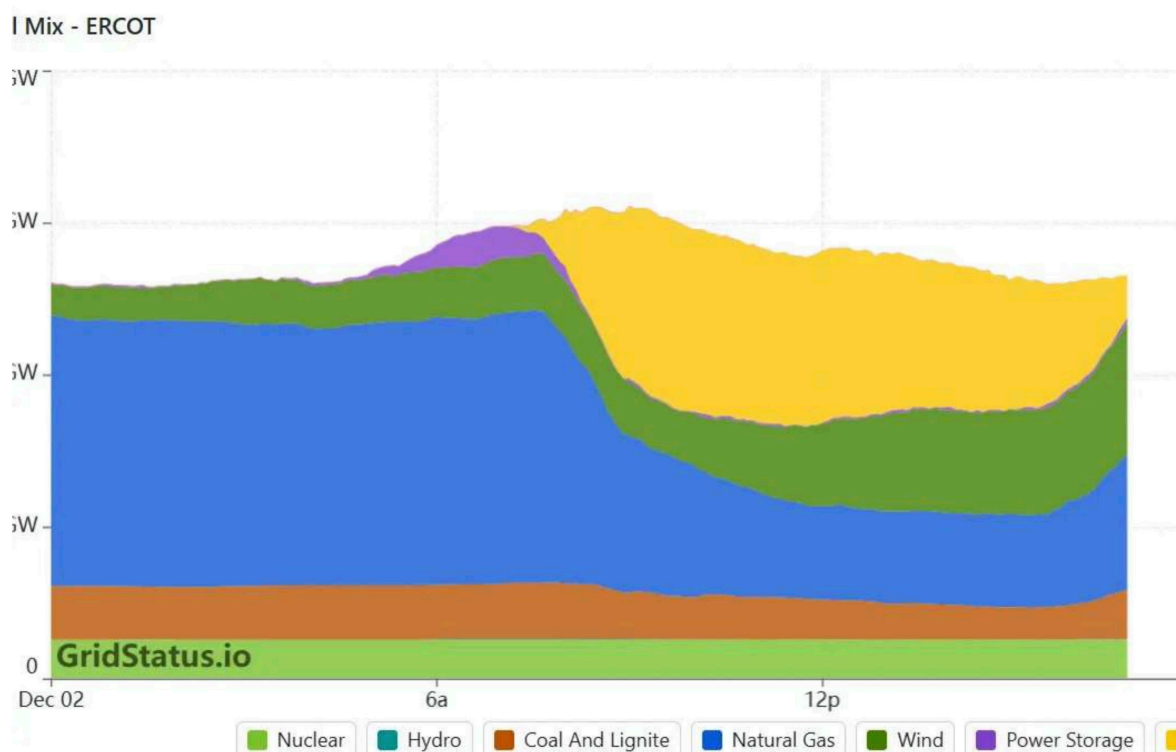
The change will give BESS operators "more flexibility to make that change and position themselves to operate in the market or prioritise the different service to provide that they think is best," said Brandt Vermillion, market lead for BESS intelligence firm Modo Analytics.

Vermillion said it should also make the overall market more efficient, because when operators shift from the energy to ancillary services and back, this "is likely because that change represents a better revenue opportunity."

And when the change represents a better revenue opportunity, that's the price signal saying this is actually what we need more right now, right in the market," he told *Recharge*.

It should also advance the already strong trend of hybrid projects of wind or solar generators with storage."

Adding a battery introduces significant flexibility by enabling dynamic bid adjustments every 5 minutes, capturing high-value ancillary service prices and mitigating penalties for non-performance," said Juan Arteaga, principal analyst at Enverus Intelligence Research.



Screenshot of ERCOT's energy production in real time [Photo: Gridstatus.io]

Hybrid projects “will help the asset owners access revenue streams which would otherwise be inaccessible to them given the retirement of ORDC scarcity adders for energy only resources,” said Ascend’s Huisenga.

## **Surging Growth**

Real time clearing of ancillary services is not new to the US, and ERCOT actually trails its independent system operator (ISO) peers.

ERCOT’s market with real-time BESS dispatch, however, “will be more sophisticated than some of the other similar markets, which is important since [it] does not have an explicit capacity market,” Huisenga added.

RTC+B is expected to lower electricity bills, which may impact BESS bottom lines. The “market design change results in more flexibility, improved efficiency, and supplemental revenue opportunities, but adds additional complexity for battery storage optimization,” Huisenga told *Recharge*.

“We expect the more sophisticated operators to be able to capitalise on some of these changes,” he added.

RTC+B’s impact on longer term trends in Texas’ surging power market is also likely to be muted.

“When it comes to energy infrastructure investments, it’s more of like a piece that you need to pay attention to, especially when it comes to operating your resource day to day,” said Modo’s Vermillion.

“But in terms of the longer term investment thesis, I don’t think it’s a major source of change to how somebody that’s thinking about building a resource would be thinking,” he added.