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What Governor Abbott's Data Center Audit Directive Means for ERCOT and the Batch Zero Study Process

The audit, which ERCOT anticipates will take several months to complete, must occur prior to any additional data center being approved to move forward in the interconnection process.

On August 3, 2026, Texas Governor Greg Abbott sent a [letter](#) to Public Utility Commission of Texas (PUCT) Chairman Thomas Gleeson and Electric Reliability Council of Texas (ERCOT) Chief Executive Officer Pablo Vegas directing the PUCT and ERCOT to conduct a "comprehensive verification and audit of all data centers advancing through ERCOT's interconnection process[.]" The audit must occur "before any additional data centers are approved to move forward" and will apparently review each project's compliance with applicable requirements set by PUCT, ERCOT, and state law. Any project found to be in violation of such requirements, according to the letter, "must be denied connection to the Texas grid."

The letter stated that ERCOT is considering approximately 474 gigawatts of requests, ninety percent of which are data centers. The letter further indicated its purpose is "[t]o keep the grid stable and reliable[,]" specifically noting an alleged failure of some data centers to comply with the PUCT's recent survey of water and power usage.

On August 10, 2026, ERCOT filed a request for good cause exceptions that would allow it to extend several deadlines associated with its implementation of the so-called “Batch Zero” load interconnection process (for loads 75 MW and above) to accommodate the Governor’s directive. The filing also provides a preview of how ERCOT intends to handle the audit process. Discussion at the August 14, 2026 Open Meeting provided further information on timing expectations.

Below, we outline the primary requirements of the directive, as well as ERCOT’s proposed plan to accommodate the audit requirements, and analyze the key impacts on data centers currently seeking to interconnect to the ERCOT grid.

Audit information requested

In addition to verifying and auditing compliance with existing requirements, the directive also specifically asks PUCT and ERCOT to obtain additional detailed information from each data center project on the following topics:

- Financial incentives. The extent to which data centers are paying their own way or relying on state and local tax incentives, grants, abatements, or other public financial assistance.
- Power sourcing. Whether data centers are providing their own power or depending on the ERCOT grid, including projected annual and peak electricity consumption and progress toward constructing or procuring on-site generation.
- Water usage. Projected annual and peak water consumption, anticipated water supply sources, and cooling technology to be used (air-cooled, closed-loop, or other water-efficient systems).
- Community impact mitigation. Measures to reduce impacts on neighboring property owners and communities, including noise mitigation, light controls, setbacks, traffic improvements, and emergency response coordination.
- Ownership and control. Details regarding the ownership and controlling interests in the project. Specifics on how detailed information on corporate structure needs to be was not provided with the letter.

Under the directive, any data center project that fails to comply with the verification and audit process “must be denied” interconnection to the grid. The letter does not provide any timeline on which the audit must be conducted.

While the directive seeks to verify and audit compliance with existing requirements and to obtain information on community impacts, it is not a moratorium on data center development.

ERCOT’s proposed plan and key impacts to data centers

ERCOT’s August 10, 2026 filing requested exceptions to certain of ERCOT’s own deadlines related to Batch Zero and also previewed ERCOT’s plan to implement the audit. ERCOT is expected to provide more specific timing details on implementation in a subsequent filing, with further discussion during the August 20, 2026 PUCT Open Meeting. At the August 14, 2026 Open Meeting, ERCOT stated it expects the verification process to take several months, but less than nine months.

Based on the directive and ERCOT's initial filing and Open Meeting comments, the key impacts to data centers seeking to interconnect to ERCOT are likely to be as follows:

Key Impact #1: Delays to certain Batch Zero deadlines; temporary pause in studies

The immediate practical impact of the Governor's directive, at least for those loads 75 MW and above seeking to be included as part of the Batch Zero process (Large Loads), is a delay in ERCOT's announcing Batch Zero classifications, and a "temporary paus[e]" of the study process while the audit is completed. However, there is no imminent impact to the issuance of study results by April 9, 2027 (yet).

ERCOT made the following requests related to specific Batch Zero deadlines in its August 10 filing:

- Request for waiver of August 7, 2026 classification deadline. Under ERCOT Planning Guide requirements, ERCOT was required to classify each Large Load into one of three categories by the August 7 deadline: (1) load that has already been sufficiently studied for interconnection ("Base Load"); (2) load that requires additional study in Batch Zero ("Studied Load"); and (3) load that will require study in a future interconnection process. ERCOT explained it originally intended to complete the verification process, which was already a required component of Batch Zero, *after* communicating classifications, and before the April 2027 study results deadline, but that it could not complete the verification process before the August 7 deadline, as the letter would require. As a result, ERCOT requires waiver of the classification deadline.

- Request to include Large Loads in Quarterly Stability Assessments (QSAs) before they are classified as Base Load. ERCOT requested to include Large Loads that Interconnecting Distribution Service Providers (DSPs) and Transmission Service Providers (TSPs) requested be classified as Base Load and that ERCOT determined are eligible to qualify as Base Load but has not yet formally classified in the August 1, 2026, and November 1, 2026 QSAs. This inclusion was originally contemplated to only occur after classification, which will now be delayed. Six Large Loads are expected to be in the August 1 QSA, and seventeen Large Loads are potentially eligible for the November 1 QSA. ERCOT clarified that QSA inclusion would not constitute energization authorization for that particular project.

- Request for waiver to provide Batch Zero dynamic model review and deficiency notifications. ERCOT was required to notify interconnecting Large Loads by August 7, 2026 of any deficiencies in submitted dynamic data, which such loads were required to cure by August 31, 2026, or be removed from Batch Zero. ERCOT noted it was unable to complete its review on this timeline given the volume of data received, but will do so as quickly as possible. To accommodate this delay, ERCOT requests allowing Large Loads to cure any deficiency noticed by ERCOT after the August 7, 2026 deadline within 24 days of notification.

Importantly, and as noted above, ERCOT did not request an extension of the April 9, 2027 deadline to provide Batch Zero Interconnection Study results. In its filing ERCOT noted that it is "working on the scope and timing of the verification process" and that it does not yet know how the delay will impact the study timeline. ERCOT indicated it may request another good cause exception or make changes through the stakeholder process to the study deadline "[i]f necessary[.]"

<u>Key Impact #2: Responses to ERCOT-issued RFIs regarding compliance and community impact information will be mandatory, although exact timing of the process and scope of the process is not yet known</u>

As to how it will ultimately implement the verification and audit process, ERCOT stated that it will:

- Issue requests for information (RFIs) to all Large Loads in Batch Zero regarding verification of compliance, with these responses used to verify each Large Load's attestations submitted earlier this year.
    - If ERCOT determines a Large Load submitted information that is false in any material respect, or if the Large Load fails to respond, it will be classified as ineligible for Batch Zero.
- Issue RFIs to obtain the community impact information required by the directive.
- Issue similar RFIs to loads with a peak demand greater than 25 MW but less than 75 MW that are seeking to interconnect but that are not part of Batch Zero.
    - ERCOT estimates there are approximately 8,766 MW of such loads that will be impacted.
- Issue periodic updates to the PUCT, and once complete, compile the results into a report filed with the PUCT.

ERCOT plans to submit another filing to the PUCT providing additional details on implementation, will discuss such implementation during the August 20, 2026 Open Meeting, and expects to commence its verification and audit process "shortly after" the August 20, 2026 Open Meeting.

<u>Key Impact #3: The delays described above will also delay issuance of the Long-Term Load Forecast (LTLF)</u>

ERCOT also explained that due to the delays to the classification notifications noted above, the LTLF, which ERCOT had earlier requested to adjust to include Batch Zero Base Load information, will also be delayed. The LTLF is important to data centers because the inclusion of their projects in the forecasts ultimately influences what physical infrastructure is built to serve their projects. ERCOT had originally anticipated finalizing the LTLF by mid-August 2026. Although the LTLF will be delayed, ERCOT explained that incorporating verified Base Loads into the forecast "will produce a more accurate and realistic forecast than alternative methodologies[.]"

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The following Gibson Dunn lawyers prepared this update: Tory Lauterbach, Adam Whitehouse, Allison Hellreich, Carrie Mobley, and Jess Rollinson.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding these issues. For additional information about how we may assist you, please contact the Gibson Dunn lawyer with whom you usually work, the authors, any leader or member of the firm's Data Centers & Digital Infrastructure, Energy Regulation & Litigation, Real Estate, or Projects practice groups, or the following data centers teams:

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