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PUC DOCKET NO. 55718

RELIABILITY PLAN FOR THE	§	BEFORE THE
PERMIAN BASIN UNDER PURA §39.167	§	PUBLIC UTILITY COMMISSION
	§	OF TEXAS

**COMMENTS OF THE STEERING COMMITTEE OF CITIES SERVED BY ONCOR
AND TEXAS COALITION FOR AFFORDABLE POWER**

COMES NOW, the Steering Committee of Cities Served by Oncor (OCSC) and Texas Coalition for Affordable Power (TCAP) (collectively, Cities) and file these comments in response to the Staff (Staff) of Public Utility Commission of Texas (Commission) questions relating to the Electric Reliability Council of Texas' (ERCOT) Reliability Plan for the Permian Basin Region (Reliability Plan) filed in Docket No. 55718.¹ Staff requested comments in response to its questions by August 9, 2024.² Therefore, these comments are timely filed.

OCSC and TCAP are groups of over 160 municipalities and political subdivisions that serve a unique stakeholder role. In one capacity, Cities are power consumers that purchase electricity for various uses such as police, public buildings, water and wastewater, street lighting, and emergency coordination. Public funds finance these functions—Cities, as stewards of these funds, thus have an interest in competitive electricity costs. Cities also provide emergency services critical to the health and safety of their citizens. Because a reliable grid supports these emergency services, Cities support cost-effective policy that enhances reliability. OCSC and TCAP, therefore, have an interest in the major electricity market design concepts at issue in this project.

I. EXECUTIVE SUMMARY

As requested, Cities have provided a one-page Executive Summary at the end of this submission.

II. COMMENTS

Cities appreciate the opportunity to provide comments relating to ERCOT's Reliability Plan. The Permian Basin is one of the most prolific oil and gas basins in the United States. Transmission and Distribution Service Providers (TDSP) anticipate approximately 24 gigawatts (GW) of load in the region by 2030, including 12 GW of oil-and-gas-related load and 12 GW of additional load largely contributable to data centers, crypto-mining, and hydrogen-electrolysis

¹ Staff Questions on the ERCOT's Plan (Jul. 30, 2024).

² *Id.*

facilities.³ Forecasts also show another 3 GW of oil-and-gas-related load by 2038, for a total projected demand of 27 GW.⁴ ERCOT's Reliability Plan, if implemented, could satisfy that forecasted load in the Permian Basin. However, these forecasts from TDSPs are highly speculative, and it is uncertain whether that same load growth—especially relating to the oil-and-gas-related load—will be present for the time periods as distant as 2038. In addition, depending on the option chosen by the Commission, the total cost of the needed transmission facilities in ERCOT's Reliability Plan currently ranges from \$12.95 billion to \$15.32 billion.⁵ As such, Cities have two overarching concerns with the Reliability Plan: (1) the potential for stranded transmission costs and (2) a need to validate TDSPs' load forecast information. Cities address these concerns in their responses to Staff's questions.

III. RESPONSES TO STAFF'S QUESTIONS

1. Should the Commission approve a phased plan for the Permian Basin? In other words, should there be a first phase to be implemented by 2030 and a second phase to be implemented by 2038? Or should the Commission approve a single, complete plan?

The Commission should approve a phased plan and direct ERCOT to submit a phase-in proposal or alternative proposals. In particular, the phased plans should address the optimal combination of upgrades in the Permian Basin region matched with import path alternatives. A phased plan is necessary for risk mitigation purposes. Given that the total cost of the transmission facilities in ERCOT's Reliability Plan ranges from \$12.95 billion to \$15.32 billion, the Commission should be cautious and adopt a "wait and see" approach before building transmission that may not be necessary in 2038. It is unclear whether approximately 27 GW of load will be needed for the Permian Basin region by 2038.

Approving the Reliability Plan through a single complete plan is premature, and the Commission instead should fully explore the extra high voltage (EHV) options that are included in the Reliability Plan using a phased plan. ERCOT has presented several import path options for the Commission's consideration, which are based on a traditional 345 kilovolt (kV) option and two EHV options: 500 kV and 765 kV. EHV options are unfamiliar territory for the Commission, so the Commission should assess the need for more transmission and EHV solutions once the first phase has been implemented. The Commission, ERCOT, and any stakeholders should also have

³ ERCOT Permian Basin Reliability Plan Study Report (Study Report), Cover letter at 2 (Jul. 25, 2024).

⁴ *Id.*

⁵ *Id.*

frequent check-ins before and after the first phase's approval and implementation to ensure that the next steps in the Reliability Plan are prudently managed. Moreover, the Commission should have ERCOT submit its own proposal that recommends which option it considers to be most reasonable and why. In short, Cities recommend a more cautious approach that includes a phased plan for the Permian Basin and more specific guidance from ERCOT.

2. To expedite the buildout of import paths into the Permian Basin while research and discussion of the optimal use of an Extra High Voltage (EHV) network in ERCOT system is underway in Project No. 55249, should this reliability plan consider a mixture of 345 kV and EHV options?

Yes. ERCOT has indicated that it will be providing more information about EHV solutions in the coming months. TDSPs should also be required to conduct their own evaluations of EHV options for 2030 demand in the Permian Basin. Although these evaluations by ERCOT and TDSPs may implicate different sets of upgrades for 2038, Cities again caution against the approval of a single, complete plan—especially one with an EHV network. The Commission should take a judicious approach with respect to EHV import path options.

4. With the understanding that the cost of these projects will be passed along to all the ratepayers in ERCOT, what considerations should the Commission address to minimize rate impacts? Are there any guardrails the Commission should implement?

To mitigate the risk of construction of excess transmission in the Permian Basin region, the Commission should direct ERCOT to validate the data underlying the extended load forecasts relied on in the study. Pursuant to Texas Senate Bill 1281, which was passed in 2021, Public Utility Regulatory Act (PURA) § 37.056(c-1) requires the Commission, when assessing the need for a reliability project in the ERCOT power region, to “consider the historical load, forecasted load growth, and additional load currently seeking interconnection.”⁶ That section also states that additional load currently seeking interconnection should include the “load for which the electric utility has yet to sign an interconnection agreement, as determined by the electric utility with the responsibility for serving the load.”⁷ Likewise, PURA § 39.166(a)(1) provides that the “existing and forecasted electrical load” used in identifying transmission needs as part of a reliability plan study must be the load that is “reasonably determined by the certificated transmission service provider.”⁸

⁶ Public Utility Regulatory Act (PURA) § 37.056(c-1).

⁷ *Id.*

⁸ PURA § 39.166(a)(1).

In accordance with these provisions, TDSPs have supplied ERCOT information relating to load forecasts, as well as transmission infrastructure and facility costs. However, neither the Commission nor ERCOT has validated this information. While PURA requires the Commission to “consider the historical load, forecasted load growth, and additional load currently seeking interconnection” when assessing the need of a reliability project, the Commission is not precluded from validating load forecasts.⁹ In fact, it would be imprudent if the Commission does not take steps to validate them. Texas House Bill 5066 requires the Commission to develop not only a Reliability Plan for the Permian Basin by September 1, 2025, but also separate reliability plans for any other regions it believes have insufficient transmission capacity, as reasonably determined by the Transmission Service Provider (TSP).¹⁰ Although TDSPs anticipate 27 GW of oil-and-gas-related load by 2038 in the Permian Basin, it is unclear if that region will produce at those types of levels in time periods as distant as 2038. Potentially investing over \$15 billion for transmission facilities without verifying the accuracy of the load forecasts is unwise, considering other regions besides the Permian Basin may need more transmission infrastructure by 2030 and 2038. The Commission should thus consider ERCOT’s Reliability Plan in conjunction with other transmission needs across Texas, and this requires verifying projected load forecasts.

The proposed transmission projects in the Permian Basin region—as well as the load forecasts they are based on—should be validated by ERCOT. Under 16 Texas Administrative Code (TAC) § 25.101(b)(3)(A)(ii)(II), when determining the need of a transmission line in the ERCOT region, any review conducted by ERCOT “must incorporate the historical load, forecasted load growth, and additional load currently seeking interconnection.”¹¹ This additional load must be substantiated by “quantifiable evidence of projected load growth.”¹² Moreover, the Commission will take into account written documentation, which may be given to ERCOT by a TSP, that a proposed transmission line is necessary to interconnect transmission service or retain customers.¹³ ERCOT, rather than the Commission, is ultimately in the best position to validate load forecasts given its resources and knowledge about the Permian Basin. Additionally, ERCOT

⁹ PURA § 37.056(c-1).

¹⁰ Tex. H.B. 5066, 88th Leg., C.S. (2023).

¹¹ 16 Tex. Admin. Code (TAC) § 25.101(b)(3)(A)(ii)(II).

¹² *Id.*

¹³ 16 TAC § 25.101(b)(3)(A)(ii)(II)(-b-).

is conducting its own cost savings test as well as reviewing written documentation provided by the TSP.¹⁴ Consequently, Cities recommend that the Commission direct ERCOT to verify the written documentation supporting a transmission project's need, given the steps ERCOT is already taking to review transmission lines.

6. In approving this plan, how can the Commission ensure cost effectiveness for the listed projects? Please explain in detail and specifically address risks and offer potential mitigation solutions relating to:

- a. **Load forecast**, because this will be the first time the Commission will rely on load forecast methodology based on PURA§ 37.056(c-1).
- b. **Cost estimates**, because projects will not be vetted through ERCOT's Regional Planning Group, the stakeholder committee that regularly reviews proposed transmission projects.

ERCOT and stakeholders should weigh in on each project's cost-effectiveness through the Regional Planning Group (RPG) to ensure that each individual component of the plan meets the ERCOT Planning Guide criteria and to prevent stranded transmission costs stemming from excess transmission. The RPG has already given valuable insight into developing the Reliability Plan, but the full RPG Project Review Process should be followed during the Reliability Plan's implementation. Generally, the RPG must consider and review all proposed projects which are intended to address transmission constraints and other ERCOT system needs.¹⁵ During the RPG's project review, ERCOT conducts a comment process which is open to stakeholders for all proposed projects.¹⁶ The RPG serves as a forum where stakeholders can review and provide input on proposed transmission projects, and its involvement throughout the preparation of ERCOT's Reliability Plan is necessary to know that the proposed transmission projects are the best options from a cost perspective. Leaving out the RPG's input will surely expedite the CCN process, but the Commission should proceed with thoughtful caution rather than run the risk of excess transmission by skipping necessary steps in the Reliability Plan's execution. Much of the projected load forecasts by TDSPs are uncertain, which is more of a reason that the Commission should not depart from the RPG Project Review Process when assessing the Reliability Plan. Ultimately, the

¹⁴ See 16 TAC § 25.101(b)(3)(A)(ii)(I).

¹⁵ ERCOT Nodal Protocols, Section 3, Regional Planning Group, https://www.ercot.com/files/docs/2024/06/28/03-080124_Nodal.docx (last visited Aug. 9, 2024).

¹⁶ See Project Comment Process.

RPG will help ensure both the cost-effectiveness and reliability of the proposed transmission projects in the Permian Basin.

8. Should the Commission consider any procedural changes to its traditional CCN process to account for the complexity and magnitude of the CCN cases?

No, the Commission should continue its well-established CCN process during the implementation of the Reliability Plan. Thus, when approving the Reliability Plan, the Commission must fully satisfy the determination of need for the transmission projects under PURA § 37.056(a).¹⁷ Additionally, electric utilities must still notify all parties pursuant to 16 TAC § 22.52.¹⁸ Given the complexity and magnitude of these projects, the Commission should not take shortcuts to expedite the Reliability Plan's execution.

9. What, if any, specific items should the Commission's final order include to provide clear and consistent directions for the implementation of the plan to the TSPs, ERCOT, and Staff?

As highlighted above, the Commission's final order should require (1) a phased plan, (2) ERCOT's validation of projected load forecasts, and (3) the RPG's review to ensure the projects' cost-effectiveness. Each of these items is necessary to prevent stranded costs and to ensure that the options chosen are both the most preferred and cost-effective. Otherwise, ratepayers in ERCOT will bear excess costs resulting from the Reliability Plan.

10. What unintended impacts or risks might arise out of approving or implementing ERCOT's proposed plan? How could they be avoided or mitigated? Are there any lessons from the Competitive Renewable Energy Zones implementation that the Commission should consider?

Any unintended impacts or risks which might arise out of approving or implementing ERCOT's Reliability Plan will be avoided if the Commission proceeds with as much caution as possible. Among other things, meeting the unverified load demand projections may lead to stranded transmission costs in the Permian Basin if the Commission does not proceed judiciously. Along with a phased plan, the Commission should require frequent check-ins amongst ERCOT, Commission Staff, and stakeholders to assess the plan's progress. This will help prevent excess transmission in the Permian Basin region. Appropriate risk management procedures will also help ensure that the load is properly forecasted.

¹⁷ PURA § 37.056(a).

¹⁸ 16 TAC § 22.52.

IV. CONCLUSION

OCSC and TCAP appreciate the opportunity to comment on ERCOT's Reliability Plan and look forward to future work sessions, discussions, and opportunities for stakeholder engagement.

Date: August 9, 2024

Respectfully submitted,

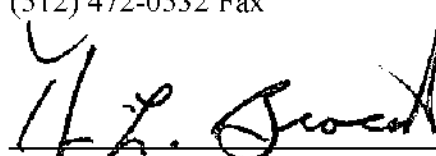
**LLOYD GOSSELINK ROCHELLE
& TOWNSEND, P.C.**

816 Congress Avenue, Suite 1900

Austin, Texas 78701

(512) 322-5800 Tel.

(512) 472-0532 Fax

A handwritten signature in black ink, appearing to read "T. L. Brocato", is written over a horizontal line.

THOMAS L. BROCATO

State Bar No. 03039030

tbrocato@lglawfirm.com

JACK M. KLUG

State Bar No. 24139778

jklug@lglawfirm.com

**ATTORNEYS FOR STEERING COMMITTEE
OF CITIES SERVED BY ONCOR AND TEXAS
COALITION FOR AFFORDABLE POWER**

**The Steering Committee of Cities Served by Oncor
and Texas Coalition for Affordable Power**

EXECUTIVE SUMMARY

- 1. Should the Commission approve a phased plan for the Permian Basin? In other words, should there be a first phase to be implemented by 2030 and a second phase to be implemented by 2038? Or should the Commission approve a single, complete plan?**
 - The Reliability Plan is a step in the right direction to ensure that load demand in the Permian Basin is met in 2030 and 2038.
 - TDSPs' load forecasts are highly speculative and may lead to stranded costs in the Permian Basin.
 - The Commission should proceed with caution when implementing the Reliability Plan to avoid excess costs and transmission.
 - The Commission should approve a phased plan instead of a single, complete plan since it is unclear whether the projected load will be needed in the Permian Basin by 2038. The Commission, as well as TDSPs and stakeholders, should fully explore EHV options before including an array of different EHV import paths in a single plan. It should also direct ERCOT to submit a phase-in proposal or alternative proposals
- 4. With the understanding that the cost of these projects will be passed along to all the ratepayers in ERCOT, what considerations should the Commission address to minimize rate impacts? Are there any guardrails the Commission should implement?**
 - The Commission should instruct ERCOT to develop a process to validate load forecasts. ERCOT will minimize rate impacts by substantiating the load forecasts and verifying written documentation provided under the Commission's rules by TSPs.
- 6. In approving this plan, how can the Commission ensure cost effectiveness for the listed projects? Please explain in detail and specifically address risks and offer potential mitigation solutions relating to:**
 - a. Load forecast, because this will be the first time the Commission will rely on load forecast methodology based on PURA§ 37.056(c-1).**
 - b. Cost estimates, because projects will not be vetted through ERCOT's Regional Planning Group, the stakeholder committee that regularly reviews proposed transmission projects.**
 - The RPG should continue reviewing all proposed transmission projects to ensure their cost-effectiveness.

8. Should the Commission consider any procedural changes to its traditional CCN process to account for the complexity and magnitude of the CCN cases?

- The Commission should continue its well-established CCN process during the implementation of the Reliability Plan