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

**TEXAS OIL & GAS ASSOCIATION COMMENTS ON COSTS AND BENEFITS OF
THE PROPOSED RULE IMPLEMENTATION**

The Texas Oil & Gas Association (TXOGA) appreciates the opportunity to provide comments to the draft Permian Basin Reliability Plan filed by the Electric Reliability Council of Texas (ERCOT). TXOGA is a statewide trade association representing every facet of the Texas oil and gas industry including small independents and major producers. Collectively, the membership of TXOGA produces approximately 90 percent of Texas' crude oil and natural gas and operates the vast majority of the state's refineries and pipelines. In fiscal year 2023, the Texas oil and natural gas industry supported over 480,000 direct jobs and paid \$26.3 billion in state and local taxes and state royalties, funding our state's schools, roads and first responders.

TXOGA would like to thank ERCOT staff for their efforts to develop an actionable transmission plan to meet the infrastructure needs of the Permian region within the schedule stipulated in the Public Utility Commission of Texas (Commission) Order in Project 55718 dated December 14, 2023¹. TXOGA advocates that the plan recommended by ERCOT meet the entire forecasted need for the region in one single plan (in other words, what ERCOT is stating is the 2038 need) so as to meet the intent of HB 5066.

To emphasize the importance of this plan, Texas' marketed production of natural gas was 32.7 billion cubic feet per day (bcf/d) in May 2024, per the EIA, confirming TXOGA's projections of a record high. Additionally, Texas produced 3.80 mb/d of natural gas liquids in May also marking a record high.² Texas' thriving production is driving the state's success, and a reliable electricity supply is crucial to sustaining this industry.

¹ Public Utility Commission of Texas. (2023). Order Directing ERCOT to Develop a Reliability Plan for the Permian Basin Region (Project No. 55718) https://interchange.puc.texas.gov/Documents/55718_7_1353081.PDF

² Texas Oil & Gas Association. (2024). *Texas oil and natural gas industry chartbook: August 2024*. Retrieved from <https://docs.txoga.org/files/4397-txoga-chartbook-aug-5-2024.pdf>

Response to Staff's Questions:

PLAN

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?

TXOGA does not support a phased-in approach and believes that the Commission should adopt one single plan to incorporate all of the load up to 2038. A phased-in approach would result in a delay in construction of necessary transmission capacity which would be a disservice to this region which has been historically undeserved for more than a decade.

HB 5066 states that the commission shall “develop a plan to ensure timely development and approval of necessary transmission service improvements.”³ Parsing the plan into a phased approach would not meet the legislative intent and only allow for further delay of transmission services that operators have been waiting on for several years. Importantly, since ERCOT appears to have only evaluated system needs in the years 2030 and 2038, it is not known if any of their 2030 projects will actually be needed prior to 2030, and which of their 2038 projects will be needed prior to 2038. Simply put, time is of the essence.

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?

TXOGA believes that the Commission should adopt ERCOT’s proposed 345 kV ONLY plan for the Permian Basin for several reasons. The discussion of EHV’s being incorporated into the ERCOT system is in its infancy. While our system is forecasted to have significant demand growth, assessing the benefits of higher voltage transmission circuits will take considerable time. As such, waiting to finalize the Permian Basin plan until the regional benefits of higher voltage circuits have been fully considered would unnecessarily delay much-needed transmission for the region.

As ERCOT states in its report on the Permian Basin Reliability Plan submitted to the Commission “it is possible that this evaluation could reveal a set of EHV solutions for 2030 needs in the Permian Basin that would in turn require a somewhat different set of upgrades for 2038.”⁴ Clearly, if the Commission pursues this option the Permian Basin Reliability Plan will be unnecessarily delayed. As the oil and natural gas industry in the Permian Region is the backbone of the Texas economy, such an outcome is simply unacceptable.

³H.B. 5066, 88th Legislative Session, 2023 Reg. Sess. (Texas 2023).
<https://www.capitol.state.tx.us/tlodocs/88R/billtext/pdf/HB05066F.pdf#navpanes=0>

⁴ ERCOT Permian Basin Reliability Plan Study Report, page 2 (Jul. 25, 2024).

The Permian Region contributes nearly 45% of domestic U.S. oil production and is a major driver of the Texas economy. Recent production records in the Permian have been achieved in the face of over a decade of insufficient development of new transmission capacity to meet the needs of the oil and natural gas industry. Producers in the Permian region now face the additional challenges of electrification of existing and future oil and natural gas operations and the development of large operations (including datacenters and hydrogen production facilities); the combined impacts of these factors are expected to nearly triple electricity demand in the region in the next ten years. The time for the plan is now.

TXOGA has also heard concerns that there may be supply chain delays associated with procurement of higher voltage equipment. The potential for such delays would also need to be addressed before a decision can be made by the Commission regarding the use of higher voltage circuits in the ERCOT region. Additionally, there could be possible delays if any rules or protocols need to be updated or changed to accommodate EHV into the ERCOT region—adding length to the execution of this plan.

There are too many outstanding questions for EHV to be incorporated in this plan. These outstanding questions should be addressed at a later time within a holistic approach for the ERCOT region.

The only option that ERCOT has presented that the Commission can act upon at this time is the entire 2038 plan using 345-kV only circuits. This option then is the obvious choice to immediately start to work on the complicated tasks of routing and construction to ensure that at least one import path is available by 2030.

3. What would be the impact to implementation of the plan if the Commission approves the plan for all the common local transmission projects to permit the utilities to expeditiously file CCN applications but delayed the approval of the import paths until after ERCOT completed its EHV Study in 2024? Please address in detail both the benefits and risks of this potential process.

As stated above, any partial implementation will inevitably lead to delays in providing necessary transmission service to customers in the Permian region. Such delays would be counter to the requirements placed on the Commission by HB 5066 (88[R]).⁵ The ERCOT plan indicates that some additional import capacity will be required to reliably serve the Permian region as early as 2030. This fact emphasizes the need for a timely final order that includes both local projects and import pathways. As

⁵ “Section 3(b): The commission shall develop a plan to implement each reliability plan adopted under Subsection (a) to ensure timely development and approval of necessary transmission service improvements.” H.B. 5066, 88th Legislative Session, 2023 Reg. Sess. (Texas 2023). <https://www.capitol.state.tx.us/tlodocs/88R/billtext/pdf/HB05066F.pdf#navpanes=0>

such, the plan should not include EHV circuits and should include both local distribution and 345 kV import paths as stipulated in ERCOT's 2038 345-kV option.

AFFORDABILITY AND COST

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?

As an association of consumers that consistently advocates for affordability and reliability, cost is extremely important to TXOGA. Commensurate with the development of the new transmission included in the ERCOT 345-kV plan for 2038, TXOGA members will be developing and connecting new facilities and moving existing equipment served by off-grid resources to the ERCOT grid. This new demand will help offset the costs of the new transmission that will be borne by existing customers. This new demand will also help, in turn, pay for their share of the costs of future transmission improvements in other parts of the ERCOT grid.

5. Are there specific costs not captured in ERCOT's study, such as reactive compensation devices, auto transformers for EHV if the Commission chooses EHV, and series compensation equipment? If so, what are those costs?

TXOGA does not have information regarding the likely costs of improvements specified by ERCOT in their Reliability Plan. However, TXOGA would note that while the 345-kV (and lower voltage) improvements included in the plan have been assigned cost estimates provided by one or more transmission companies with direct knowledge of the location and proposed equipment, costs for the higher voltage options (500 kV and 765 kV) have been developed by ERCOT staff using generic costs developed by a neighboring market region (the Mid-continent ISO or MISO). As noted above, TXOGA believes that adequately assessing a change from 345 kV circuits to a higher voltage in the ERCOT region will take considerable time and developing project-specific cost estimates for potential higher voltage circuits will be one of the required tasks. Delaying the implementation of this plan is counter to legislative intent.

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.

TXOGA does not have a specific response to these questions but would thank the Commission and transmission service providers (TSPs) for their diligence in properly notifying pipelines when undertaking new line routing analysis and notes that the Commission is required by statute to provide timely development and approval of much needed transmission improvements.

The forecasted oil and natural gas demand included in the Permian Basin Reliability Plan was developed by a third-party consulting firm (S&P Global) with significant knowledge of the market potential for development of mineral resources in the Permian Region. ERCOT has relied on oil and natural gas demand forecasts developed by S&P Global (and its predecessor IHS Markit) for its transmission planning of the Permian Region for the past five years.

TXOGA will also note that HB 5066 requires the Commission to provide for timely development and approval of needed transmission improvements, and TXOGA believes further assessment through the ERCOT Regional Planning Group process of components of the Permian Basin Reliability Plan that have been approved by the Commission will unnecessarily delay much needed transmission capacity in the region. TXOGA members commit to supporting Commission review of projects through the CCN process. We also encourage the Commission to add a requirement of quarterly report from the transmission service providers (TSPs) regarding how projects are progressing to increase transparency and allow for appropriate regulatory oversight.

CCN PROCESS

7. How should the Commission address any project in the plan in which more than one Transmission Service Provider can claim the legal right to build it?

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

To the above questions, TXOGA would ask that any uncertainty regarding which transmission company is assigned specific projects or a lack of coordination between transmission companies regarding proposed circuit interconnections not be allowed to impact completion of much needed transmission capacity.

This industry stands ready to assist the Commission and TSPs to conduct timely modeling and analysis of potential hazards of alternating-current interference on existing metallic pipelines and to work with those transmission utilities to assess the need to install measures to mitigate the effects.

Additionally, TXOGA again thanks the Commission and TSPs for their diligence in properly notifying pipelines when undertaking new line routing analysis and notes that the Commission is required by statute to provide timely development and approval of much needed transmission improvements.

FINAL ORDER

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?

The Commission, in its final order, should approve the 345 kV only plan option that meets the needs of the region and can be fully implemented at this time, specifically the 2038 345 kV only plan proposed by ERCOT. Upon final approval, the transmission companies should be authorized to begin routing analysis for future CCN applications. The Commission should develop a process to expeditiously address any projects for which the assignment of a transmission company is not clear. The Commission may also want to combine specific projects included in the ERCOT order that should be submitted in a joint CCN filing, and to develop a timeline for submittal of CCNs derived from their final order. Finally, the Commission should undertake a survey of affected pipeline operators to ensure that all final CCN orders address the need for mitigation efforts of alternating-current interference on existing pipelines and that these mitigation procedures are confirmed prior to a line being commercially energized.

OPEN QUESTIONS

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?

11. Are there any other aspects of ERCOT's proposed plan the Commission should consider?

TXOGA would encourage the Commission to start the clock immediately within their final order to have transmission service providers to start filing CCNs as soon as possible. The ERCOT study clearly shows that at least one import path is needed by 2030—that additional capacity will not be available if the Commission doesn't issue a final order this year.

Additionally, if the Commission feels that EHV's must be addressed, the final order can specify one or more import circuits that should be built with the option to upgrade.

As stated throughout the questions above, time is of the essence—the Permian Basin needs an actionable plan to serve this vital area of the state.



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**EXECUTIVE SUMMARY: TEXAS OIL AND GAS ASSOCIATION'S RESPONSES TO
QUESTIONS FOR COMMENT ERCOT'S RELIABILITY PLAN FOR THE PERMIAN BASIN**

The Texas Oil & Gas Association (TXOGA) strongly urges the Public Utility Commission of Texas to adopt a single, comprehensive transmission plan for the Permian Basin that meets the region's full forecasted needs through 2038. This approach is crucial to avoiding unnecessary delays in critical infrastructure that would otherwise hinder the growth of Texas' most vital economic engine.

- A phased approach would only serve to delay the construction of essential transmission capacity, jeopardizing the reliable electricity supply that the Permian Basin—and by extension, the entire Texas economy—depends upon. TXOGA firmly believes that a single, all-encompassing plan is the only way to meet the legislative intent of House Bill 5066 and ensure the timely development of the infrastructure needed to support Texas' booming oil and gas industry.
- The Permian Basin is the backbone of Texas' energy production, contributing nearly 45% of domestic U.S. oil production. Without a reliable and expanded electricity supply, this region cannot continue to power Texas' economy.
- The inclusion of Extra High Voltage (EHV) options is not a viable strategy. EHV incorporation in ERCOT is in its infancy and delaying the implementation of the 345 kV plan to explore these options would be both unnecessary and harmful. There are too many unknowns including costs, supply chain timelines, and potential rule updates and not adequate time to incorporate them into this plan.
- TXOGA remains committed to advocating for cost-effective solutions that minimize the impact on ratepayers. The development of new facilities by TXOGA members will generate additional demand, helping to offset the costs of new transmission projects and contributing to the overall affordability of the plan.
- The ERCOT study clearly shows that at least one import path is needed by 2030—that additional capacity will not be available if the Commission doesn't issue a final order this year.

TXOGA appreciates the Commission's diligent efforts in addressing the infrastructure needs of the Permian Basin. We urge the Commission to approve the 345 kV plan in its entirety to ensure the timely and reliable development of the transmission infrastructure that is vital to the continued success of the Permian Basin and the Texas economy.