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# SIERRA CLUB

## LONE STAR CHAPTER

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Comments regarding Workshop on PUCT Docket 55718 (Permian Basin Electric Reliability Plan)

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The Sierra Club was pleased to participate in the recent workshop regarding the Permian Basin Electric Reliability Plan that was recently submitted by ERCOT staff as required by a PUCT directive.

Sierra Club recognizes and agrees that electricity demand in the Permian Basin is growing rapidly as the oil and gas industry continues to electrify operations and the region's electricity needs evolve with the development of new large commercial facilities. ERCOT forecasts show electricity demand in the Permian Basin could grow to nearly 26 GW by 2038, equivalent to almost one third of the current summer demand of the entire ERCOT system. As we expressed in the workshop, Sierra Club agrees that much of this electric demand is here now and will continue particularly as oil and gas seek to electrify which can have the benefit of reducing emissions of methane and other gasses that cause air quality problems, including climate change. At the same time, roughly half of the projected demand is from cryptomining, data centers and hydrogen facilities. While about half of these already have interconnection agreements, many are less certain to arrive, and the PUCT and ERCOT should proceed carefully given the price tag to consumers who will ultimately pay for these transmission and distribution improvements.

House Bill 5066 instructed the PUCT and ERCOT to develop an electric reliability plan for the Permian Basin that addresses transmission needs in the region, additional power generation necessary to meet the demand of the energy industry, and how to streamline interconnection processes. We believe the ERCOT plan is responsive to that requirement.

The Sierra Club favors a phased-in approach to meeting these transmission requirements, in part because ERCOT will be releasing their Regional Transmission Plan later this year, including a look at the potential to incorporate higher voltage transmission lines (such as 500 or

765 k rated lines) into our electric grid. Adopting a plan solely based on 345 lines without looking at the needs of the whole state could be moving the cart before the horse. It is also important that as we address the legitimate needs of the Permian Basin, that we also look at ways to reduce Generic Transmission Constraints that have limited availability of many resources, principally wind and solar to the larger market. Many loads have invested in renewable resources, but because of these GTCs have not received the full amount of power or financial benefits they expected. We also would like to see that as part of the plan the potential for Grid Enhancing Technologies (GET) is fully explored.

We believe that the PUCT has several choices in September, including adopting the full 2038 plan - as favored by all industrial consumers present at the workshop, adopting only the local transmission improvements, or as was also suggested adopting the first two import lines and the local transmission improvements (the 2030 plan). The Sierra Club favors either of the latter options (local congestion or 2030 plan) over full adoption of the 2038 plan. In fact one of the two proposed import-export lines in the 2030 plan could easily be converted to a high voltage line if found prudent and cost-effective.

At the same time, given that residential and small business consumers will be responsible for paying for a large part of these improvements principally designed to serve industrial loads, the PUCT and ERCOT should explore additional transparency in the interconnection process for industrial loads, and consider requiring that certain flexible loads such as cryptocurrency register as controllable load resources, and be subject to limitations to reduce peak load burdens, which might lessen the need for all of the transmission identified in the study. We know that there could also be a conversation about changes on how these costs are allocated, although that would be a much bigger conversation and would likely require legislative input or statutory change. While ultimately these loads may well get built, it is prudent to take additional precautions to protect ratepayer expenses.

The Sierra Club understands and appreciates the position of many large industrial consumers that adopting a plan in September will provide certainty, but we think the PUCT can adopt part of the plan now and make a commitment that by a date certain - such as March of 2025 - they will adopt the rest of the plan, which would provide more opportunity to look at the full range of options available including high voltage lines, and consider ways to assure that the projected load is more certain to arrive. Whatever the decision we look forward to working with all stakeholders to make sure that ERCOT has the transmission system it deserves at an affordable price.

Finally, while we agree the plan does not have to go through the normal RGP ERCOT process once adopted, we would hope that the PUCT and ERCOT will continue to have quarterly or perhaps biannual meetings to inform the market of progress made to improve transmission in the Permian Basin.