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PROJECT NO. 55718

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

**TEXAS OIL & GAS ASSOCIATION RESPONSES TO COMMISSION STAFF
QUESTIONS FOR STAKEHOLDER COMMENT RELATED TO PUCT'S
DETERMINATION OF EXTRA HIGH VOLTAGE (EHV) IN THE ERCOT REGION**

The Texas Oil & Gas Association (TXOGA) appreciates the opportunity to provide comments in response to questions raised by Public Utility Commission (Commission) staff regarding the determination of the potential use of extra-high voltage (EHV) transmission circuits in the Electric Reliability Council of Texas (ERCOT) region of Texas. The Commission staff memorandum posted on January 31, 2025, specified that stakeholder responses were due on or before February 14, 2025. As such, these comments are timely filed.

TXOGA is a state-wide 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, pipelines and LNG export facilities. In fiscal year 2024, the Texas oil and natural gas industry supported over 490,000 direct jobs and paid \$27.3 billion in state and local taxes and state royalties, funding our state's schools, roads and first responders.

While TXOGA does not have any direct responses to questions raised by Commission staff as these appear more directed at the utilities and ERCOT, we would like to provide the following general comments.

TXOGA appreciates the extensive work done by Commission staff, ERCOT staff, and transmission companies to develop and implement a robust and timely transmission plan for the

Permian Basin. Producers have struggled with insufficient transmission capacity for the past decade and look forward to the implementation of the plan approved by the PUC in October 2024.¹

TXOGA's primary concern remains the timely approval and execution of a transmission plan that meets the current and future electricity needs of oil and gas producers throughout the Permian Basin. TXOGA acknowledges the Commission's commitment to finalizing the October 7, 2024, order in this project by May 1, 2025. However, we urge that unresolved questions regarding 765-kV transmission not delay critical infrastructure projects.

While we hope to see more critical data as is discussed below, TXOGA members do not yet have a strong preference regarding the voltage of the import transmission circuits (345-kV vs. 765-kV). ERCOT has presented two plans—one incorporating 765-kV and 345-kV circuits and another using only 345-kV circuits—and has indicated that both plans adequately meet near-term demand. However, given that cost estimates for these projects remain uncertain, it is essential that ERCOT and transmission providers ensure transparency and accountability in financial projections, and that cost containment options are explored.

- Itemized cost analysis: TXOGA requests that ERCOT provide an itemized price breakdown for both plans, including specific component costs, labor, and materials.
- Contractual protections against cost overruns: Given the potential for budget overruns, transmission service providers (TSPs) should outline contractual obligations or cost containment measures to prevent excessive ratepayer burden.
- Supply chain risk assessment: Supply chain constraints have been cited as a concern, particularly for 765-kV equipment, which has limited production capacity in the U.S. TXOGA urges ERCOT to provide a clear timeline of equipment procurement and identify potential sourcing risks, including validation of equipment availability needs in the approval process.

¹ See Order Approving the Reliability Plan for the Permian Basin Region (<https://interchange.puc.texas.gov/search/documents/?controlNumber=55718&itemNumber=52>)

Given uncertainties in long-term load forecasts and changing energy market dynamics, transmission flexibility is a key consideration. The Commission should ensure that whichever plan is adopted allows for:

- Adaptability to shifting demand: 345-kV transmission infrastructure may offer greater flexibility in accommodating changes in load and generation siting.
- Evaluation of future 765-kV expansion: While a 765-kV buildout may offer long-term efficiencies, its cost and implementation timeline require further scrutiny before committing to a broader statewide initiative.
- Segmentation of Permian Basin plan from statewide 765-kV expansion: The decision on a statewide 765-kV grid should not be made solely based on the Permian Basin transmission plan's timeline. TXOGA encourages the Commission to pursue a separate process for evaluating 765-kV transmission for Texas urban centers if necessary.

To facilitate an informed decision, TXOGA requests that ERCOT and transmission providers disclose the following:

1. Comprehensive cost breakdown: A transparent, itemized cost estimate for each component of both 345-kV and 765-kV plans.²
2. Cost estimate verification: A statement from transmission companies affirming whether they stand by ERCOT's cost projections as reasonable and whether further validation is needed.
3. Economic benefits analysis: Production cost modeling results for the six economic scenarios, distinguishing variable from fixed costs to better assess generator revenue and consumer cost impacts.
4. Congestion analysis: The top 20 congested elements from ERCOT's modeling runs, with annual congestion cost data by circuit.
5. Engineering & construction considerations: Representative one-line diagrams for 765-kV substations, detailing transformer configurations and integration with existing infrastructure, as modeled in your analysis.

² See: https://interchange.puc.texas.gov/Documents/55718_54_1462477.ZIP

6. Right-of-way evaluations: An update on environmental assessments, option agreements, and permitting progress.
7. Vendor & supply chain status: Details on equipment procurement negotiations, estimated delivery dates, and vendor queue positioning.
8. Contractor readiness: information on engineering, design, and construction contract negotiations, including any necessary new agreements for 765-kV projects.
9. Evaluation of additional costs associated with routing decisions regarding transmission line locations.

Given the significant cost implications and uncertainties surrounding the adoption of 765-kV transmission, TXOGA urges the Commission to:

- Proceed with the Permian Basin transmission plan based on ERCOT's identified need and feasibility assessments, whether at 345-kV or 765-kV.
- Decouple the decision to implement 765-kV transmission statewide from the Permian Basin timeline, allowing for a separate, thorough evaluation process.
- Ensure transparency in cost estimates, supply chain constraints, and economic benefit modeling before making a final determination.

TXOGA members support continued discussions on improving transmission cost allocation methods based on cost-causation criteria. However, given that TXOGA members are not advocating for a specific EHV solution for the Permian Basin, TXOGA does not support imposing an EHV-specific transmission cost allocation policy.

Again, TXOGA members are thankful for all stakeholders participating in this effort and look forward to continuing to work with other interested parties to support the upcoming Commission decision.

TXOGA appreciates the opportunity to provide these comments.

Respectfully submitted,

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Texas Oil and Gas Association