



## **Filing Receipt**

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**PROJECT NO. 55826**

<b>TEXAS ENERGY FUND IN-ERCOT</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>GENERATION LOAN PROGRAM</b>	<b>§</b>	
	<b>§</b>	<b>OF TEXAS</b>

**TEXAS OIL & GAS ASSOCIATION COMMENTS ON THE TEXAS ENERGY FUND  
IN-ERCOT GENERATION LOAN PROGRAM**

The Texas Oil & Gas Association (TXOGA) appreciates the opportunity to file comments in Project No. 55826 regarding the Texas Energy Fund In-ERCOT Generation Loan Program. 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, operates nearly 90 percent of the state's refining capacity, and is responsible for the vast majority of the state's pipelines. In fiscal year 2022, the Texas oil and natural gas industry supported 443,000 direct jobs and paid \$24.7 billion in state and local taxes and state royalties, funding our state's schools, roads and first responders.

**Response to Questions**

**1. Should the rule require registration as a power generation company with the commission as a condition for eligibility to receive a loan? Why or why not?**

No, the rule should not require registration as a power generation company with the commission as a condition for eligibility to receive a loan because, regardless of a business' registration or classification, loan eligibility under the statute should be based on new construction or upgrades of 100 MW or more of dispatchable generation, not a company's scope of business.

Beyond the statutory requirements for ERCOT interconnection and supply, registration as a power generation company could also impose reporting requirements, financial obligations, and other compliance obligations that extend beyond the minimum requirements to build or upgrade 100 MW of dispatchable generation.

There is potential for some industrial facilities to expand their existing cogeneration facilities by 100MW and could do so more efficiently than an ordinary generator, especially because there is

an existing interconnection agreement and infrastructure in place. If they can provide the same services as a traditional generator, there should be consideration for their participation in this program.

**2. Should the rule require registration as a Generation Resource with ERCOT as a condition for eligibility to receive a loan? Why or why not?**

It would be reasonable for the rule to require registration as a Generation Resource with ERCOT at such time as the new or upgraded ERCOT-interconnected dispatchable generation supported by the loan is completed. This would ensure the facility meets all of ERCOT's specific technical standards and resource qualifications for interconnection, as well as ensure compliance with ERCOT's protocols, grid code, market rules, operational guidelines, reporting requirements, and response to grid emergencies. However, it could be an unreasonable limitation for the rule to require registration as a Generation Resource a priori, as a precondition to receiving the loan needed to add the capacity.

**3. How should the commission evaluate PURA § 34.0106(b)'s prohibition against providing a loan to an electric generating facility that will be used primarily to serve an industrial load or private use network?**

TXOGA members share a concern with the loan restrictions exclude using a grant for "a facility that will be used *primarily* to serve an industrial load or private use network (PUN)." Proposing Critical Gas Suppliers and Critical Customers co-located with dispatchable generation in a PUN is not "primarily" to serve an industrial load or PUN, as it is necessary for the reliability of the grid and for supplying gas for dispatchable generation.

A possible option for the PUC to consider is allowing any co-located load that can be backed down and provide ancillary services should be considered when taking into account excess capacity as ancillary services such as Responsive Reserve Service (RRS) can be provided from both generation and load resources.

There continues to be a need for flexibility amongst resources available to help support the grid and comply with statutory and rule language.

- a. Should the commission prescribe a percentage of total energy output that an electric generating facility must achieve to be eligible for a loan? If so, what percentage should the commission prescribe?**

No, mandating that a specific percentage of total energy output serve the grid, rather than industrial or private use networks, would be overly prescriptive.

- b. Should the commission employ another method to ensure that an electric generating facility primarily serves the ERCOT grid? If so, what method is appropriate and why?**

Yes, the Commission should consider alternative methods to ensure the loan supports generation capacity that primarily serves the ERCOT grid. Specifically, the grid's needs are during times when net peak load (that is, peak load less non-dispatchable sources) is at its highest, which is not necessarily concurrent with the hours of peak load. When the PUC deems hours to be of critical need, the loan-supported capacity should be available to serve the grid if needed. This could be achieved by introducing a Support Services Requirement into the rule, so instead of focusing on the energy output, the loan conditions could require the facility to provide certain grid support services during critical periods. This may include frequency regulation, voltage support, or backup capacity, as needed for grid stability and efficiency.

### **General Comments**

TXOGA also wanted to raise a point about transparency and reporting at the PUC. The Texas Energy Fund is new to the PUC and a great administrative undertaking. Has the PUC considered how the agency will report to stakeholders and the public on the program. Would there be monthly or quarterly updates via PUC Open Meetings and/or filings in the appropriate docket? Are there other considerations for transparency that the PUC is considering? TXOGA would appreciate any insight that PUC has or is considering.

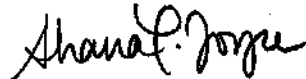
There continues to be a need for flexibility amongst resources available to help support the grid by having units throughout the state instead of in major generation pockets like our state currently has installed. The PUC may also consider if there are ways to allow for smaller generation units or aggregated units (for example, the loan could support two 50 MW dispatchable generation facilities) to be eligible for funds from the Texas Energy Fund as a way to disperse needed dispatchable resources throughout the state. Flexibility to add more options

and resources to the growing demand on the grid is a paramount concept we encourage the Commission to consider as this rulemaking moves along in the process.

**Conclusion**

TXOGA appreciates the opportunity to submit these comments and looks forward to continuing the conversation on this important matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shana Joyce". The signature is fluid and cursive, with the first name "Shana" and last name "Joyce" clearly distinguishable.

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