

PROJECT NO. 52345

**CRITICAL NATURAL GAS
FACILITIES AND ENTITIES**

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**PUBLIC UTILITY COMMISSION

OF TEXAS**

TCPA RESPONSE TO STAFF QUESTIONS

Texas Competitive Power Advocates (TCPA) is a trade association representing power generation companies and wholesale power marketers with investments in Texas and the Electric Reliability Council of Texas (ERCOT) wholesale electric market. TCPA members¹ and their affiliates provide a wide range of important market functions and services in ERCOT, including development, operation, and management of power generation assets, power scheduling and marketing, energy management services and sales of competitive electric service to consumers. TCPA members provide approximately seventy percent (70%) of the total net operable electric generating capacity in ERCOT, most of which is dispatchable thermal resources. TCPA members have invested billions of dollars in the state and employ thousands of Texans.

As owners and operators of gas-fired generators, our facilities depend on safe and reliable delivery of natural gas to operate and produce electricity. Consequently, TCPA members have a large stake in ensuring that the appropriate and correct electric-consuming facilities in the natural gas supply chain are deemed Critical Load. Based on member company experience, TCPA believes facilities related to the production, gathering, transmission, and delivery of natural gas are all equally important components of the supply chain warranting Critical Load designation. The following responses are provided with that perspective.

COMMENTS ON STAFF QUESTIONS

- 1. What criteria should be considered when evaluating whether a facility associated with providing natural gas in the state is critical during an energy emergency?**

¹ TCPA member companies participating in these comments include: Calpine, EDF Trading North America, Exelon, Luminant, NRG, Shell Energy North America, Talen Energy, Tenaska, and TexGen Power.

- a. **Please elaborate on any specific criteria proposed to identify the critical natural gas facilities that supply generators of electric energy in the ERCOT power region.**

TCPA recommends that every wellhead in Texas connected to the intrastate natural gas pipeline grid is essential during severe weather events, whether to provide natural gas to heat homes and business or to supply natural gas to gas electric generation facilities. In addition, every electric-powered gas compressor station is critical to ensuring pressure and stable flow of natural gas for serving human needs and electric generation. All facilities in the supply paths between the wellhead and the electric generation resource contain Critical Load facilities.

- b. **How should utilities incorporate critical natural gas facilities and entities into load shed plans?**

It is not reasonable to expect either a utility or ERCOT to discern which component facilities behind a meter are critical versus non-critical. If any critical component exists behind a meter, then that meter should be deemed to contain Critical Load facilities and be prioritized in utility load shed plans. Purely export-oriented production should be excluded from critical designation, however, as it does not directly support human needs such as home heating and power generation within Texas.

- c. **How should these critical facilities be prioritized for power delivery and restoration purposes during an energy emergency?**

Facilities should be prioritized based on a “BCF-at-risk” basis, balanced against utilities’ need to rotate load shed during an outage event. Production areas should be considered at an aggregated level so no individual production wells slip through the cracks.

2. The [Application for Critical Load Serving Electric Generation and Cogeneration](#)² was revised in March 2021.

- a. **What, if any, additional information should be required on the form in order to implement HB 3648?**

TCPA defers to the electric utilities in determining what information is needed to best assist in ensuring that Critical Load facilities are prioritized during a load shed event.

² Also available on the Commission’s online interchange in Project No. 51839, *Electric-Gas Coordination*.

b. Should the Commission consider any changes to the designation process?

TCPA is aware of reports following Winter Storm Uri³ that some natural gas facilities were enrolled in ERCOT's emergency response program ("ERS"), of which a subset later claimed to be Critical Load facilities.

"Instead of intending to serve as reliable suppliers of critical fuel for the power sector, many gas providers signed up for interruptible power (which provides cheaper electricity in exchange for a consumer's willingness to have their power turned off during a grid emergency). Some signed up for the Electric Reliability Council of Texas' emergency response services program, which pays industrial customers handsomely to turn off their equipment when power supply is tight.

*This means some gas companies were financially rewarded for their lack of reliability, exacerbating problems in the power sector. Worse yet, hundreds of gas producers failed to register their equipment as critical infrastructure, which meant their power could be cut off by utilities during forced outages, just like regular consumers. Even worse, some gas companies signed up both as critical infrastructure and as interruptible infrastructure, which is like trying to have your cake and eat it, too."*⁴

There is insufficient transparency into which facilities behind a meter are critical versus non-critical to the natural gas supply chain serving both electric generation resources and utilities providing home and business heating to Texans. In general, TCPA recommends that the Commission adopt a default position of excluding natural gas facilities from participation in ERS, load management programs, and other similar programs to curtail load during an emergency or scarcity situation unless a robust justification process proves the facility warrants an exception.

3. What other information, if any, should the Commission consider in developing rules to implement HB 3648 by December 1, 2021, in collaboration with the Railroad Commission of Texas?

³ The Timeline and Events of the February 2021 Texas Electric Grid Blackouts, University of Texas at Austin Energy Institute, July 2021 [UTAustin \(2021\) EventsFebruary2021TexasBlackout 20210714.pdf \(utexas.edu\)](https://www.utexas.edu/energy-institute/research/2021/07/2021-texas-blackout-timeline/)

⁴ Dallas Morning News, "Let's Face It, Texas: Natural Gas Let Us Down. Again," Michael E. Webber, August 15, 2021. [Let's face it, Texas: natural gas let us down. Again \(dallasnews.com\)](https://www.dallasnews.com/business/energy/2021/08/15/lets-face-it-texas-natural-gas-let-us-down-again/)

SB 3 contained nearly identical language to HB 3648, but included the provision that “only facilities and entities that are prepared to operate during a weather emergency may be designated as a critical customer.” In contrast, Enrolled HB 3648 states that the rules must “consider essential operational elements when defining critical customer designations and critical gas supply information for the purposes of Subdivision (1), including natural gas production, processing, and transportation, related produced water handling and disposal facilities, and the delivery of natural gas to generators of electric energy.”⁵ Because the differences are limited and HB 3648 was signed into law after SB 3, it is important to consider that HB 3648’s provisions are intended to control regarding how to define “critical customer designations” and “critical gas supply information,” and this is the criteria the Commission should use in all of its rulemaking proceedings regarding critical gas infrastructure.

The Commission, in collaboration with the Railroad Commission and other authorities, should adopt requirements for an increased level of gas pipeline transparency for at least the major intrastate systems, which provide critical fuel supplies to large customers such as electric generators and gas distribution companies. Such transparency already exists for interstate systems to provide much-needed information to both pipelines and those entities purchasing the commodity regarding how much natural gas is flowing through any given point on a pipeline and the available capacity that remains. Such transparency does not currently exist on the intrastate pipelines, and many of the larger intrastate systems serve electric generation resources. This significantly frustrates the ability for a generation resource to timely procure replacement natural gas when their supply is curtailed by the pipeline operator or transport company. This substantially increases costs for generation resources, and ultimately, Texas electric consumers and can be addressed in rules regarding the interaction of the two markets in Texas during an emergency event. The provisions of HB 3648 directing the Commission, in coordination with the Texas Railroad Commission, to consider essential operational elements in determining critical gas supply information required make it clear that both the Public Utility Commission and the Texas Railroad Commission have the authority to require gas flow and pricing metrics for intrastate pipelines that serve electric generation resources and supply natural gas for heating Texas homes and businesses. In fact, Public Utility Regulatory Act (PURA) Section 39.9048 has explicit legislative intent that “the state

⁵ HB 3648, 87th Regular Session, Enrolled at p.1-2.

establish and publicize a program to keep the costs of fuel, such as natural gas, used for generating electricity low.”⁶

In addition, the Commission should work with the Texas Railroad Commission to establish rules that require natural gas pipelines to provide information regarding gas pipeline maintenance and outages that could impact the availability of electric generation. The natural gas pipeline companies know what electric generators they serve on each pipeline and are much better suited to provide this information to ERCOT than electric generators. The current reporting requirement established by ERCOT last year puts electric generators in the middle of a process that they have no control over and overly burdens them with additional compliance risk and costs.

CONCLUSION

Given the interdependency between the natural gas industry and the electric industry, it is crucial to address the impacts the natural gas supply chain and facilities have on electric generation production. Without addressing both critical infrastructure and the market impacts on electric facilities, only one part of the problem identified during Winter Storm Uri is being addressed.

As provided both in the University of Texas at Austin Energy Institute study requested by the Commission and in the piece referenced earlier by Michael Webber, “The evidence is now clear: The gas system started to fail on Feb. 10, five days before the power outages on Feb. 15. It wasn’t the power outages that caused the gas system to fail, rather it was gas outages that helped cause the power system to fail.”⁷

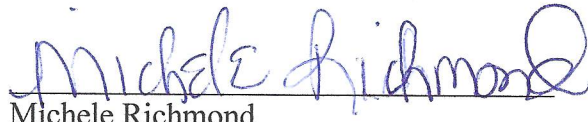
TCPA and its member companies have been actively engaged in the many rulemakings at the Commission to address the electric system aspects from Winter Storm Uri. We stand ready to provide our expertise to address the natural gas system aspects. TCPA remains hopeful that the Public Utility Commission and the Texas Railroad Commission will use the full authority provided by the Legislature in HB 3648 and SB 3 to address the interdependencies between the electric grid and the natural gas sector.

Dated: August 16, 2021

⁶ Texas Utilities Code, §39.9048

⁷ Dallas Morning News, “Let’s Face It, Texas: Natural Gas Let Us Down. Again,” Michael E. Webber, August 15, 2021. [Let’s face it, Texas: natural gas let us down. Again \(dallasnews.com\)](https://www.dallasnews.com/business/energy/2021/08/15/lets-face-it-texas-natural-gas-let-us-down-again/)

Respectfully submitted,

A handwritten signature in blue ink that reads "Michele Richmond". The signature is fluid and cursive, with the first name "Michele" and last name "Richmond" clearly distinguishable.

Michele Richmond

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