

December 5, 2019

Public Utility Commission of Texas
Chairman DeAnn T. Walker
Commissioner Arthur C. D’Andrea
Commissioner Shelly Botkin
1701 N. Congress Ave.
Austin, Texas 78711

Re: *PUC Project No. 27706 – Reports of the Electric Reliability Council of Texas*
Permian Basin Improvement Ideas for the Transmission Planning Process

Dear Chairman and Commissioners:

As the Commission is aware, there has been and continues to be high oil and natural gas load growth in Far West Texas – specifically the overall Permian Basin and its sub-basins. In the past year, electricity demand in Far West Texas has increased by approximately 700 megawatts (MW) due to this activity. In June 2019, load exceeded 4,000 MW for the first time in this area, and ERCOT anticipates this upward trend will continue. Over the last couple of years, the ERCOT Board of Directors has endorsed several transmission projects (*e.g.*, Far West Texas Project, Far West Dynamic Reactive Devices, and Far West Texas Project 2) recommended by ERCOT staff to support the load growth in this area. These projects are sufficient to meet the current load forecast through 2024, but if the load grows faster than currently forecasted, there may be challenges to serve the load at that time.

The unique nature of the oil and gas industry creates a transmission planning dilemma – a fundamental timing issue between constructing new major transmission infrastructure (*e.g.*, new 345-kV transmission lines) and the load growth forecast which is driven by the financial commitment of oil and gas customers. Specifically, major transmission projects in the ERCOT region typically take four to six years to complete – from identification of the need to the in-service date. However, given the nature of the oil and gas industry, it is difficult to accurately project electric demand more than one to two years in advance. As a result, using the current processes, transmission planning studies are only able to accurately identify system needs one to two years in advance which is not enough time to plan new major transmission improvements for the anticipated load growth.

Since late Spring of this year, ERCOT has been meeting with certain West Texas utilities¹ and oil and gas customers to identify ways to improve the timeline for needed transmission infrastructure to address the growing load in the Permian Basin and help with the aforementioned timing issue.

At a high level, the improvement ideas can be structured into the following areas:

- Reflect West Texas generator characteristics in all future transmission studies, *i.e.*, the uncertainty of solar and wind generation and the emissions limits on fossil fuel generation.
- Change ERCOT processes with West Texas utilities to perform parallel studies of Tier 1 and 2 projects.²
- Review West Texas utility third-party consultant study on planning load forecast for Far West Weather Zone.³
- Use the Transmission Service Provider (TSP) forecast scenario when performing Far West transmission studies, in addition to the scenarios used by ERCOT for all planning studies.
- Consider the Delaware Basin Load Integration Study in whole or in part as a major transmission infrastructure improvement project.⁴
- Consider a temporary ERCOT study process to accelerate and/or perform additional analysis of the Delaware Basin Load Integration Study for lower voltage infrastructure development projects (*e.g.*, 138-kV transmission lines).

Some of the improvement ideas have the potential to speed up existing ERCOT planning processes and therefore don't require any ERCOT rule revision changes. Other improvement ideas require the Commission's guidance and possible ERCOT rule revision changes to address the potential for long-term high load growth in the Permian Basin. Each proposal can be considered individually or as a group, and they were all developed to bridge the timing gap between transmission build and oil and gas production and processing.

ERCOT is in the process of finalizing the analysis for the Delaware Basin Load Integration Study and expects to complete the report this month. Additionally, Oncor Electric Delivery Company LLC (Oncor) has notified us that the third-party consultant will complete the planning forecast for the Far West Weather Zone by end of year as well. As such, ERCOT proposes that it present the improvement ideas at an Open Meeting in early 2020 as determined by the Commission. ERCOT will prepare a presentation that will explain each improvement idea and expected benefits along

¹ West Texas utilities are Oncor Electric Delivery Company LLC, Texas-New Mexico Power Company, AEP Texas, Inc., and LCRA Transmission Service Corp.

² In accordance with ERCOT Protocol Section 3.11.4.3, *Categorization of Proposed Transmission Projects*, Tier 1 projects are those with an estimated capital cost greater than or equal to \$100 million, and Tier 2 projects are those with an estimated capital cost less than \$100 million and require a Certificate of Convenience and Necessity.

³ Oncor Electric Delivery Company LLC has engaged a third-party consultant to perform this study.

⁴ On November 12, 2019, ERCOT provided an update to the Regional Planning Group (RPG) on the Delaware Basin Load Integration Study. For the latest presentation, *see* the following link: http://www.ercot.com/content/wcm/key_documents_lists/165311/Delaware_Basin_Load_Integration_Study_Update_-_Nov12-2019_RPG.PDF

with impacts to ERCOT's current planning processes.⁵ ERCOT also anticipates that Oncor will provide an overview of the third-party Far West Weather Zone load forecast at that time. ERCOT respectfully requests feedback from the Commission on the proposed timing to discuss these improvement ideas.

Please do not hesitate to call me if you have any questions.

Regards,



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⁵ ERCOT may also discuss other initiatives that could provide an understanding of development locations for oil and gas in Far West Texas – such as engaging the University of Texas, Bureau of Economic Geology through its Tight Oil Reserve Assessment (TORA) program.