

NPRR Number	<a href="#">1191</a>	NPRR Title	Registration, Interconnection, and Operation of Customers with Large Loads; Information Required of Customers with Loads 25 MW or Greater
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Market Segment	Consumer

Comments
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The Texas Oil & Gas Association (TXOGA) is a statewide trade association representing every facet of the Texas oil and natural 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 oil and natural gas 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.

Thank you for allowing time for stakeholders to comment on these changes as there is a real need to understand what ERCOT is asking for and what could work for customers, most of which are not currently included in the ERCOT regulatory construct. While TXOGA appreciates ERCOT's role and objectives, we are concerned that the proposed reporting and regulation of large load customers overreaches and is not fit for purpose. ERCOT's proposal to enforce specific reliability requirements on customers would fundamentally change the role of the consumer in the ERCOT region and must be viewed in light of the fact that consumers already pay for all reliability services on the grid.

Concerns were raised at the workshop about the information that ERCOT is requesting from customers, and TXOGA shares these concerns due to:

- 1) the administrative burden, potential costs, and sensitivity of the requisite information;

2) the fact that many large firm customers, oil and natural gas facilities in particular, have a consistent and predictable load profile; and,

3) to the extent some of our members already employ advanced energy management systems, demand response, and other ancillary services to manage load variability by adjusting their facility operations to match available power, utilities in most cases already have the information ERCOT seeks through these proposed changes.

During the workshop, ERCOT commented that other Independent System Operators (ISOs), and the North American Electric Reliability Corporation (NERC) are observing ERCOT's actions in this process to gain insights for other regions. This raises a point of caution since ERCOT faces distinct challenges with its rapid demand growth and capacity additions, relatively heavier reliance on renewables and natural gas compared with most other ISOs, and the largest industrial electricity load in the nation. Oil and natural gas customers, in particular, are the backbone of the Texas economy – and our success critically relies on workable and cost-effective solutions to maintain grid reliability. Consequently, we emphasize that ERCOT should not be taking an experimental approach with novel concepts to large loads, especially historical, well-understood large loads as opposed to new market entrants like crypto-mining facilities.

Some of ERCOT's proposals will likely be unworkable for our members, and we are concerned with how these proposals will be implemented. In particular, the ERCOT proposals would require customer equipment to meet standards that have not been considered for many of the wide variety of technologies employed by large customers. It will likely take a significant amount of time to understand the extent to which current equipment meets or fails to meet these requirements, and to identify cost-effective ways to achieve compliance, if these options exist. In addition, the compliance penalty process, which ERCOT has indicated it will employ to ensure compliance, has yet to be defined but early indications are that it could be very problematic for Texas businesses. Notably, ERCOT has confirmed its intention to directly subject loads to referral to the PUC for civil penalties. This unprecedented move would put ERCOT on untested and legally doubtful ground, making ERCOT the only ISO in the country to subject retail load to PUC jurisdiction and the potential for penalties, including for events over which load has little to no control. These monumental considerations should be included in a larger, in-depth conversation regarding these proposals.

In some cases, ERCOT would be asking for consumers to install new equipment on existing facilities, which is neither a reasonable expectation nor responsibility to impose on large loads given that customers are already responsible for funding grid reliability services. While cost causation should always be a consideration for developing new requirements, ERCOT protocols have typically relied on the simplicity of charging grid reliability fees directly to consumers on a pro rata basis. As a result, customers already pay for services required to maintain grid reliability, including ancillary services. New costs imposed on large customers will need to be assessed from both a cost causation and an equity perspective. As a part of this analysis, ERCOT should also consider whether the proposed blanket approach based on load size, regardless of its tenure, load profile or variability, is appropriate.

We offer additional comments on the specific proposals:

### **Faster Load Interconnection Process**

Creating a process to identify efficiencies in the interconnection process holds merit from a conceptual standpoint. However, in some cases the oil and natural gas industry has little flexibility regarding connection points given the nature of upstream production.

Any new process should seek to connect new loads flexibly. With crypto-mining, for example, many utilities have adopted expedited interconnection protocols. The load profile of crypto-mining is one that can be turned up or down rapidly and opportunistically in response to prices. In contrast, upstream oil and natural gas developments maintain a consistent demand during operations. Additionally, downstream petroleum refining and petrochemical operations tend to have 24/7 operations with relatively steady loads.

Consequently, more information outlining how ERCOT plans to achieve the faster load interconnection process, potentially differentiated by industry, would provide valuable insights into the potential impacts on large load customers.

### **Load Forecasting Enhancement**

ERCOT has indicated that one of the goals of its proposed changes is to enhance its ability to forecast customer demand in the operational and planning time horizons. This goal may be more easily achieved by differentiating different types of large customers based on their expected operations and demand flexibility. Many oil and natural gas customer demands are not flexible and have a consistent and predictable operating pattern. In many cases, information sufficient to classify prospective loads (oil and natural gas loads in particular) is currently available using historical data that utilities already possess, calling into question the need for additional registration requirements with ERCOT.

### **Voltage Ride-Through Standards**

As pointed out on slide 12 in the [slide deck provided by ERCOT](#), there have been voltage trips in West Texas and on the Texas Coast. Before implementing dramatic changes to how customers interact with ERCOT, there is a need for comprehensive data-gathering efforts aimed at uncovering the fundamental causes of voltage trips to better understand the issue and determine if ERCOT's suggested approaches are the best path forward.

As there are many oil and natural gas production and processing customers in these regions, TXOGA members are aware of these unique events and some of our members have taken it upon themselves to work with utilities to address the issues and try to meet the needs of the system without regulatory intervention or ERCOT protocol changes.

Within the voltage ride-through standards discussion, however, the potential for severe penalties to new customers and possibly event to existing processing and manufacturing loads have been raised. Not only would the prospective changes have costly impacts for customers to accommodate the requests from ERCOT both operationally and through equipment purchases, but again ERCOT should evaluate whether any such ride-through requirements can be limited to a subset of new customers that are the actual cause of the reliability issue.

Beyond the issue of cost, some operators have equipment that trips by design in grid events when voltage and/or frequency is not adequate or suitable to continue to operate large motors. These trips typically occur when the grid event exceeds the ride-through design basis required by the grid operator of the particular load. The ability to disconnect from the system during these events is integral to our members' safe and reliable operations. Notably, ERCOT is proposing ride-through capabilities *in excess* of those capabilities required by the transmission operator – thereby putting the onus of power quality not on the transmission operator, but on the large consumers. ERCOT's required ride-through capabilities should not exceed those of the transmission operator as that is how large consumers are designed.

Indeed, taking away the ability to disconnect equipment through a voltage ride-through requirement would directly put equipment at risk due to re-acceleration concerns. It is worth pausing to underline what ERCOT is proposing here: subjecting industrial retail loads, who have no control over the grid, to the impossible dilemma of either installing ride-through equipment that would affirmatively jeopardize reliability and safety, or instead being subjected to civil penalties when they lose power. This concept simply cannot be squared with ERCOT's limited authority under Texas law and its responsibility to operate a grid that is safe, reliable, and cost effective for all Texans.

Lastly, the grandfathering provisions proposed do not meaningfully mitigate the operational issues raised above. Large consumers are only exempt as long as there are no "material changes" to their facilities. This causes significant compliance risk and regulatory uncertainty as such changes may occur normally in order to maintain safe and reliable operations, along with expansions of an industrial facility. As such, the "material changes" trigger should be removed or clearly defined. If the concept remains, we suggest it be set as an appropriately high bar so that the requirement does not trigger a re-design of an entire facility simply as the result of the normal course of industrial expansions, upgrades, debottlenecking, or similar changes.

Instead of penalizing customers, ERCOT should uncover the detailed causes of voltage trips and provide grid reliability proposals that encourage generation closer to load, require utilities to evaluate options to increase customer reliability and power quality, such as battery storage, and prioritize procuring adequate ancillary services. As part of its refinement of these proposals, ERCOT must also consider the likely costs to customers and means to mitigate those costs.

### **Frequency Control Improvements**

It is clear that ERCOT has not conducted sufficient analysis on the impact of these proposed requirements to customer facilities, both to equipment and to the health and safety of plant personnel, in normal and emergency situations, and in good and inclement weather conditions. Additionally, ramp rate limits could pose an additional burden on customers with multiple points of interconnection across existing infrastructure. It would take time to review historical data, current operations, and how these requirements would fit within existing frameworks.

### **Reducing Emergency Operations**

More clarity is needed on the intent of the proposed registered curtailable load category of large loads. There are several different types of customers that participate in voluntary programs, and it is unclear how these customers would fit into the registered curtailable load construct. Additionally, it will be

important to discuss how the registered curtailable load option would interact with the critical load designation.

### **Conclusion**

TXOGA remains concerned about these proposals from ERCOT, and we look forward to participating in robust conversations to determine why ERCOT is requesting these changes. We will strive to understand why ERCOT is seeking to put the onus on customers—including subjecting them to civil penalties that are inappropriate for retail load—rather than on regulated entities, given that these changes would result in large costs for many customers and in some cases jeopardize safe and reliable operations. We will work with ERCOT to identify any alternatives that utilize existing processes and information to help achieve ERCOT’s goals. TXOGA will also work with ERCOT to consider a differentiated approach to large loads so as to minimize impacts to customers.