



TEXAS OIL & GAS ASSOCIATION | SINCE 1919

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November 1, 2021

Chairman Wayne Christian
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Commissioner Jim Wright
1701 N. Congress
Austin, Texas 78701

RE: Proposed New 16 TAC §3.65 and Proposed Amendments to §3.107 to Implement HB 3648 and SB 3

Mr. Chairman and Commissioners:

Thank you for the hard work and attention the Railroad Commission of Texas has been dedicating to the implementation of various pieces of legislation resulting from the Winter Storm Uri (Uri) event. As the oldest statewide organization representing all aspects of the oil and gas industry in Texas, the Texas Oil and Gas Association has a membership which provides a broad perspective regarding the natural gas supply chain, and we appreciate the opportunity to comment.

As with any weather season and anticipated weather event, our members worked overtime in preparation of Uri by prioritizing assets, deploying resources and personnel, and reinforcing seasonal preparations already in place before the storm. Ultimately, Uri was a catastrophic event which impacted every facet of the state. Like so many other businesses that did not have the necessary power to maintain a safe working environment, many in our industry were forced to temporarily cease operations.

Our members' first priority is to ensure the safety of our personnel and operations. Inability to travel safely to sites, loss of telecommunication systems, loss of necessary third-party resources, among other things, are factors in assessing the ability to safely continue production during a weather event. However, without uninterrupted power, there is no ability for operations to continue. There is no weatherization that can sustain a four-day weather event if power is not available.

However, we recognize the important role our products play in the natural gas distribution and electric generation supply chain and are fully committed to improving the system. Accurate information and robust communications are essential to ensure product is available for Local Distribution Companies and natural gas electric generators to procure and receive during an extreme weather event.

We want to point out that the mapping process, also in Senate Bill 3, will provide a greater level of clarity as to the most integral facilities in the state. While it would have been preferred to undertake that process first, we appreciate the RRC's responsibility to adhere to statutory deadlines. It is our belief that as we learn more through the mapping process, the agency should continue to evaluate and update the critical designation requirements with any information which could improve the new rules in 3.65 and corresponding forms or guidance to ensure only the most integral assets in the state are identified. We stress this point because the very nature of a load shed event necessitates some entities losing power, and

it is imperative the most essential assets necessary for the entire supply chain to function to its maximum potential receive top priority.

The following comments represent a cross-section of diverse viewpoints related to the critical designation process and these rules specifically:

3.65 Critical Designation of Natural Gas Infrastructure.

3.65(a) Definitions:

Definitions of energy emergency (3.65(a)(1) and weather emergency (3.65(a)(2) are broad. It has been suggested that the definition and applicability of an “event” be more closely tied to an ERCOT action rather than a potential, non-specific event.

Table CCI should be updated as appropriate after mapping is completed.

3.65(c) Acknowledgement of critical status.

Guidance should be provided to assist operators who have previously filed an ERCOT Application for Critical Load Serving Electric Generation and Cogeneration¹ prior to the implementation of the RRC designation. While we understand the CI-D and CI-X should be filed, it is unclear if a new ERCOT application would be required if already submitted to the electric utility. This is not directly a RRC issue, but guidance would be helpful.

Form CI-D should be updated as appropriate after mapping is completed.

3.65(d) Critical designation exception.

The natural gas supply chain is a complicated series of physical and non-physical transactions of natural resources, infrastructure, and market demand participation. All components are necessary, and some can change overtime while other aspects can occur in real-time. Ultimately, identifying these truly critical assets will require information beyond just the physical structure, but until all the physical and commercial considerations can be fully mapped, we must begin to identify the physical assets necessary to ensure the greatest opportunity for natural gas to be produced, procured, and transported and/or stored for the purpose of electric generation.

With over 250,000 oil and gas wells identified by 131,000 leases, the electric utilities cannot reasonably manage the volume of these facilities in their systems, nor can they maintain power to all the critical assets in the system. We also know that with the capacity to store almost 544 bcf of natural gas, product is available and can be procured but we must identify those critical assets needed to ensure the entire chain can move and secure that product when its needed.

During a load shed event power will not be available to all those that could be critical. As a result, there must be a method to ensure, at minimum, non-critical facilities are not prioritized and should have a Form CI-X on file. As the RRC rules are written, the exception is that method. The PUC recently proposed rules for the electric generator requirements which also provide for exceptions. It is not reasonable to have an exception for one end of the supply chain and not the other.

¹ [Final - pdf - App for gas pipeline load v020320.pdf \(ercot.com\)](#)

We recommend that the exception references be further clarified as to expectations for those filing a form CI-X, examples for potential exception or clarity include:

- A facility that the operator has reasonable certainty does NOT serve an LDC or electric generator would not be considered eligible and should be indicated on the approved form CI-X.
- Clarify that a facility identified in the final mapping product would not be eligible for an exception unless there is a change operationally or commercially that justifies a change in the future.
- Minimal production exception. A minimum production amount for oil and gas wells should be considered the default threshold to be deemed critical. These facilities would not be required to file a form CI-D or CI-X. However, in certain unique production areas, it is possible these wells could serve an LDC or natural gas fueled generator and those should be allowed to file a form CI-D.

Recommendation: Gas from oil wells or gas wells of less than 50 mcf/day. This recommendation accounts for only 0.41 BCF of production/day across the State but could remove over 55,000 facilities from the designation list and assist in reducing the volume of information to the electric utilities.

- Any other requests for an exception should be reviewed to ensure the basis for the exclusion has good cause.

Additionally, we recommend the following as either an exception or a front-end requirement for criticality but recognize all stakeholders may not be positioned to make this determination timely without additional information.

- **Net Negative Assessment:** The large number of oil wells that produce casinghead gas necessitates a cost-benefit analysis of the electricity needed to continue operations versus the amount of natural gas production which can be used to produce a megawatt of electricity. As the State continues to further assess and identify the most critical assets in the system, it is recommended that a net negative criteria or assessment be developed to ensure that during a load shed event the benefits of the gas produced outweighs the electricity used and is a net overall benefit to the system.

Furthering the notion of input vs. output, the Texas electric grid in the ERCOT system relies not only on traditional electric generators, but also relies heavily on co-generation facilities as well as voluntary load shedding through load resource programs under the PUC and ERCOT. It is imperative that the state has a balance and diverse system that allows for and takes into consideration natural gas facilities that can provide these other opportunities to create power for or take less power from our electric grid in a time of scarcity.

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Lastly, it has been discussed extensively amongst regulators, legislators and stakeholders that developing a tiered approach for prioritization within the critical load designation is important to assist the electric utilities during a load shed as well as provide further guidance to those critical assets as what to expect during a load shed event. To that end, TXOGA discussed a variety of issues related to such a tiering system within our various industry stakeholders as well as with electric utilities. While prioritization is not under the jurisdiction of the RRC, it is important that the RRC coordinate with the PUC on any recommendations related to oil and natural gas facilities. TXOGA recommends that the RRC and PUC clarify in rule that guidance documents will be produced for the purpose of assisting electric utilities to better prioritize assets during a load shed event. However, it is not recommended that whatever guidance is established be placed into rule because the mapping exercise and other requirements of Uri related legislation are still in process, and those efforts will further focus what is critical and what is not during a weather event.

TXOGA's recommendations for consideration of ways to "tier" assets within the natural gas critical designations are attached. These suggestions were developed to provide immediate and reasonably identifiable information to be a resource for electric utilities during a load shed event for the upcoming winter season. The long-term mapping must be completed in order to further develop the most focused approach to prioritization of critical assets. The mapping exercise must start with the natural gas generation facilities and contemplate the legal and contractual arrangements as well as the infrastructure's physical assets and limitations to determine natural gas flow and therefore criticality.

Thank you for the opportunity to discuss the proposed rules and we appreciate your dedication to the state of Texas.

Sincerely,



Todd Staples

Attachment

Tiers for Consideration During a Load Shed Event

Below reflects perspectives on what are the most critical components of the natural gas supply chain necessary to ensure natural gas supply is available for

purchase by and delivery to local distribution companies and natural gas-fired electric generators, while taking into consideration the operational challenges for investor-owned electric utilities, electric cooperatives, and municipally owned utilities (electric utilities) in responding as needed and directed during electricity short-supply events. With hundreds of thousands of assets in the entire natural gas supply chain, it is impossible to provide electricity to all of these assets during a load-shed event.

The document is an effort to identify “tiers” of relative criticality that should be considered during a load shed event regarding natural gas supply chain critical designation. These tiers will provide more granular guidance to industry and the electric utilities and complement the Public Utility Commission of Texas’ and the Railroad Commission of Texas’ rules regarding critical natural gas facilities for load-shed purposes.

These suggestions are not intended to be the final prevailing criteria for criticality as the mapping process must further identify only those truly integrated facilities that can support the end generation user.

Critical natural gas facilities:

Tier 1:

Tier 1 facilities are intended to be those most “directly” serving the local distribution companies (LDCs) and the natural gas generators. These facilities also provide the greatest volumes of available natural gas.

- ERCOT-identified black start facilities, such as natural gas electric generators and associated pipelines, should also be included in Tier 1.
- Associated control centers for the facilities in this tier should also be included as a tier priority.

Natural gas pipelines and pipeline facilities, including compressor stations – 3.65(b)(3)

LDC critical pipelines and pipeline facilities, including compressor stations - 3.65(b)(4)

Natural gas storage facilities – 3.65(b)(5)

Natural gas liquids transportation and storage facilities – 3.65(b)(6)

Gas Processing Plants (Capacity of 200 mmcf/day and greater) – 3.65(b)(2)

Natural Gas wells [3.65(b)(1)] and associated facilities, including saltwater disposal wells [3.65(b)(7)] scaled by most accessible (no treating required) and/or largest to smallest production volume, subject to the minimum production threshold described below.

→ *Gas wells producing > 5000 mcf/day*

Oil wells producing casinghead gas [3.65(b)(1)] and associated facilities, including saltwater disposal wells [3.65(b)(7)], scaled by largest to smallest production volume rates, subject to the minimum production threshold described below. Because oil wells producing casinghead gas requires more processing these should be prioritized after gas wells.

→ *Oil wells producing > 5000 mcf/day*

Tier 2:

Tier 2 facilities are crucial elements of the supply chain. However, it is recognized that distance, accessibility, and volume of these facilities are small in comparison to the transportation and storage systems in the state. We recommend further delineation of those highest to least yielding gas assets within this tier.

Associated control centers for the facilities in this tier should also be included as a tier priority.

Gas Processing Plants (Capacity of 100 to 199 mmcf/day) – 3.65(b)(2)

Natural Gas wells 3.65(b)(1) and associated facilities, including saltwater disposal wells [3.65(b)(7)] scaled by most accessible (no treating required) and largest to smallest production volume, subject to the minimum production threshold described below.

→ *Gas wells producing <5000 > 1,000 mcf/day*

→ *Gas wells producing <1000 > 250 mcf/day*

Oil wells producing casinghead gas [3.65(b)(1)] and associated facilities, including saltwater disposal wells [3.65(b)(7)], scaled by largest to smallest production volume rates, subject to the minimum production threshold described below.

→ *Oil wells producing <5000 > 1,000 mcf/day*

→ *Oil wells producing <1000 > 250 mcf/day*

Tier 3:

Tier 3 facilities are to be given the lowest level priority among the facilities in the natural gas supply chain, including those that fall below the minimum production threshold described below. These facilities include metering facilities, similar support facilities/equipment, and other critical facilities not falling into Tiers 1 or 2.

Associated control centers for the facilities in this tier should also be included as a Tier priority.

Gas Processing Plants (Capacity of 100 or less mmcf/day) – 3.65(b)(2)

Gas producing oil or gas wells of 50 mcf/day or greater.

Tier 4: *(Needed only if a minimum threshold of production is established under the RRC rules related to who is expected to file a form CI-D and request critical designation. If no minimum threshold is established, then these wells could be prioritized in Tier 3.) Tier 4 facilities would be the lowest producing oil and gas wells in the state and would generally not be considered critical based on production volume. However, these facilities could in certain circumstances be an asset that would be producing gas for an LDC or natural gas electric generator. This is more common in certain rural production areas such as those in the Panhandle.*

Gas from oil or gas wells of less than 50mcf/day.