

COMMITTEE REPORTS

ELECTRICAL COALITION

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The Electric Coalition conducted this quarter's virtual meeting on August 10, 2020, which included special guests Keith Rogas, Public Utility Commission of Texas and Warren Lasher, Electric Reliability Council of Texas.

The meeting was inline with our continuing efforts to work with the Electric Reliability Council of Texas (ERCOT) and the Public Utility Commission (PUC) to increase the capacity and the reliability of electricity in the Permian Basin. Both guests provided updates on their respective activities that impact electricity service to the basin. ERCOT was able to verify that basin electricity loading was recovering from the oil & gas demand downturn and is closely tracking the previously forecasted load values. This provided independent support for the Coalition's request that infrastructure plans remain on course. We reiterated our position, that ERCOT, the PUC, and the electric utility providers should take advantage of this opportunity to close the gap between available electric capacity and the basin's production loads. Both ERCOT and the PUC expressed their support in maintaining the construction schedules for electric infrastructure projects, despite a temporary reduction in O&G production growth rates. This was a welcomed stance, but it also highlighted the dependence of Texas' market structure on transmission solutions. This position does not adequately address producers' exposure to congestion revenue rents. At present, neither agency was able to present a near term solution to mitigate this market risk. We agreed to a meeting in Q4 to further the discussion.

The next major topic of discussion was the lack of local generation, which contributes directly to the aforementioned congestion risks. Merchant generation providers have seemingly abandoned efforts to provide solutions, due to the Texas market structure. The installation of baseload generation effectively eliminates the pricing levels that would make such a project feasible. The feasibility of baseload projects is further hampered by the preference given to any renewable generation (primarily, wind) that is available. Seeking alternative solutions, meeting participants provided feedback from discussions held with microgrid and other distributed generation vendors. Many of the vendors are hoping to capitalize off low-cost or free field gas for generation and to sell the power to producers, behind the meter. Producers are already participating as ratepayers into the ERCOT grid and would prefer the diversity, the economies of scale, and the reliability of generation sources in the public sector. ERCOT emphasized the point that the agency has no jurisdiction over generation. This proved to be another topic that we were unable to formulate a preliminary plan of action to feasibly address.

Although distribution infrastructure was part of the agenda, meeting participants did not express the issues that were presented during our last meeting. I plan to contact members, individually, to determine if this issue has truly been resolved or if the meeting venue, the meeting participants, or other outside factors hindered an open discussion.

In ongoing business, we did not complete our data gathering efforts to independently evaluate the magnitude of the decline in electrical consumption in the Permian Basin, resulting from demand destruction (pandemic & pricing war). We will make another request for members to submit data with a goal of providing an analysis in Q4. This will not be an exhaustive analysis, but a simple spot check of member producers. No identifying information will be present in any presentation of this information.