

STAFF REPORTS

ELECTRICAL COALITION

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We continue to work with the Electric Reliability Council of Texas (ERCOT), the Public Utility Commission (PUC), and the Power Service Providers (PSPs like Oncor) to increase the volume of Permian Basin electricity. The Russian-Saudi Price War, the demand destruction due to the coronavirus, and the pending lack of storage are all impacting production, and that, in turn, is impacting the forecasting of electricity demand. Our position has been and continues to be that electricity supply for the Permian Basin has been and continues to be short of what is needed, even in light of decreased production. Therefore, ERCOT, the PUC, and the PSPs should all use this time to “catch-up.”

An example of the shortfall in electricity for the Permian Basin and why the work of the Electric Coalition has value is best demonstrated by “congestion charges” Permian Basin Producers paid in 2018 and 2019. Congestion charges occur when demand is higher than the volume of electricity the grid can deliver. In 2018, the cost of congestion to Permian Producers was \$310,151,988. The total additional congestion cost in 2019 for Permian Producers was \$136,500,000. We believe the Coalition’s continued efforts to increase electricity supply had a direct effect on that \$174,000,000 savings. We will continue to work to lower the 2019 congestion charges of \$136,500,000.

During Q2, we continued to work on getting plans approved for new transmission to the Permian Basin as a whole and, in particular, for the Delaware Basin. Though ERCOT believes they have sufficient transmission for the Permian Basin for 2020, they acknowledge they need additional electricity for the Delaware Basin and the reduction of congestion charges. As the CEO of ERCOT testified to the Texas House State Affairs Committee on January 30, “we either need additional generation or transmission to address the increase load demand in the Permian Basin.”

For perspective, the Permian Basin (called Far West Region by ERCOT) electricity demand in the Permian Basin grew by 11%. For the period 2010-2019, the Annual Peak Load Growth for the Permian Basin has increased by 10%. In contrast, the statewide Annual Peak Load Growth has grown for the period 2010-2019 by only 1.5%.

On March 5, IHS presented its draft forecast of electricity demand through 2030. IHS prepared this draft for Oncor. In light of the Price War and the coronavirus demand destruction, their forecast will have to be re-done. On March 5, IHS conservatively estimated a 300% increase in electricity demand by 2030. Members of the Electric Coalition, at that time, thought their number was ultra-conservative.

As stated, we are working with members of the Coalition to determine a forecast of electricity demand for the remainder of 2020. We continue to urge ERCOT, the PUC, and the PSPs to use this time to “catch-up.”