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Subject: TIPRO Comments Re: Proposed Rule 16 TAC §3.65 and §3.107 to Implement HB 3648 and SB 3
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November 1, 2021

Chairman Wayne Christian
Commissioner Christi Craddick
Commissioner Jim Wright

Submitted Via E-mail to: rulescoordinator@rrc.texas.gov

Re: Proposed Rule 16 TAC §3.65 and §3.107 to Implement HB 3648 and SB 3.

On behalf of the Texas Independent Producers and Royalty Owners Association (TIPRO) and our members, I would like to express our appreciation for the opportunity to comment on 16 TAC §3.65 and §3.107 to implement House Bill 3648 and Senate Bill 3 as developed by Railroad Commission of Texas (RRC) staff and approved by Commissioners for public comment and published in the Texas Register on October 1, 2021.

TIPRO is one of the largest statewide trade associations in Texas representing the oil and natural gas industry. Our members include the largest producers of oil and gas in the state, as well as hundreds of small to mid-sized independent operators and royalty owners. Collectively, TIPRO members produce approximately 90 percent of the oil and natural gas in Texas and own mineral interests in millions of acres across the state. Our organization's mission, since its inception, is to preserve the ability of independent operators to responsibly explore for and produce oil and natural gas.

This past February, Winter Storm Uri made a lasting impact on the state of Texas. Snow blanketed much of the state, low temperatures approached single digits for several days, energy demand increased dramatically for an extended period of time, and natural gas-powered electric generation spiked to nearly 44,000 megawatt hours – a more than 500 percent increase from the previous week.

During this time and despite unprecedented challenges, natural gas met 136 percent of the increase in demand, far more than any other energy source, until the extreme cold overcame our state infrastructure's ability to continue operating. Electric generation facilities severed power to the very gas producers and distributors that supplied them the natural gas to generate electricity. Not only did the lack of power impede natural gas producers' ability to produce, but it also hindered the deployment of their best practices for weatherizing facilities during extreme winter weather.

TIPRO applauds the efforts of the RRC, the state legislature and other agencies to increase the resiliency and reliability of electric generation in Texas. Ensuring that critical facilities maintain power during extreme weather events so that natural gas operators can continue to provide the resources needed to fuel the electric grid is paramount to avoiding another energy catastrophe and severe impact on the lives of Texans.

During the 87th Regular Legislative Session, TIPRO supported the concept of prioritizing and weatherizing facilities directly tied to electric generation. Further, we support a system like the tiered approach for designating critical load status that has received broad support from our members and stakeholders in other trade associations. A tiered approach would prioritize the most critical components of the natural gas supply chain based on their direct supply of natural gas to an electric generator, i.e., transmission, storage, gas processing facilities, ensuring natural gas supply is available to electric generators and distribution companies during a load shed event. Ranking additional critical facilities would provide for further prioritization of load shed plans for transmission and distribution companies and a diminished impact to a limited power supply.

TIPRO supports identifying and clarifying non-critical facilities in rule. Specifically, the proposed rule should consider a threshold of reprieve for smaller operators producing minimal amounts of gas from critical designation requirements, allowing them the lowest tier in a critical designation status. A substantial portion of natural gas production has no association with electric generation; this includes wells that produce casinghead gas at the wellhead with non-reportable volumes. After the mapping process set out by Senate Bill 3, we believe that gas production facilities of this nature will not be subject to the criteria for critical designation which is the intent of Senate Bill 3 and House Bill 3648. Creating a regulatory burden for facilities that do not support the electrical grid is contrary to the legislation.

Most importantly, in an effort to avoid unintended consequences and impacts to the state's electric and natural gas supply chains and related operators, the RRC should continue to maintain regular, thorough communication and coordination with the

Public Utility Commission of Texas and the Electric Reliability Council of Texas, as well as other agencies and stakeholders as new procedures and rules are developed with the implementation of House Bill 3648 and Senate Bill 3.

TIPRO greatly appreciates the work of the Railroad Commission to assist in improving the resiliency and reliability the Texas electric grid. Thank you again for this opportunity to submit comments. We look forward to continuing to work with the Commission and stakeholders on this important issue.

Respectfully submitted,

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