

## **BILL ANALYSIS**

Senate Research Center

H.B. 3648  
By: Geren et al. (Hancock)  
Business & Commerce  
5/12/2021  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Certain electric generation facilities rely upon natural gas suppliers to power their facilities and produce electricity. Those gas facilities must also be supplied with electricity to function. It is therefore imperative that the gas suppliers maintain continuous service even when there are rotating outages during mandatory electricity load-shed conditions.

H.B. 3648 would require the Public Utility Commission of Texas and the Railroad Commission of Texas to adopt rules to designate gas production facilities that supply electric generators as critical facilities during an emergency. The bill would prioritize these facilities as critical to maintain and would offer discretion to transmission and distribution utilities to prioritize these facilities for continued service and restoration of service if their service is discontinued.

The bill would allow for the critical customer designation and critical gas supply designation, as defined by the commission, to transmission and distribution utilities, municipally owned utilities, electric cooperatives, and ERCOT.

H.B. 3648 amends current law relating to the eligibility and designation of certain gas entities and gas facilities as critical during an energy emergency.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 1 (Section 38.074, Utilities Code) of this bill.

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 2 (Section 81.073, Natural Resources Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter D, Chapter 38, Utilities Code, by adding Section 38.074, as follows:

Sec. 38.074. CRITICAL GAS ENTITIES AND FACILITIES DURING AN ENERGY EMERGENCY. (a) Requires the Public Utility Commission of Texas (PUC) to work with the Railroad Commission of Texas (RRC) and adopt rules to establish a process to designate certain natural gas facilities and entities associated with providing natural gas in this state as critical during an energy emergency.

(b) Requires the PUC by rule to require each electric utility, municipally owned utility, and electric cooperative to exclude any circuits that provide power to an entity or facility designated under Section 81.073, Natural Resources Code, from participation in the utility's or cooperative's attempt to shed load in response to a rolling blackout initiated by an independent organization certified under Section 39.151 (Essential Organizations) or another reliability council or power pool in which the utility or cooperative operates.

(c) Requires that, at a minimum, the PUC's rules:

(1) ensure that transmission and distribution utilities, municipally owned utilities, electric cooperatives, and the independent organization certified under Section 39.151 for the Electric Reliability Council of Texas power region are provided with the information required by Section 81.073, Natural Resources Code;

(2) provide for a prioritization for load-shed purposes of the entities and facilities designated under Subsection (a) during an energy emergency; and

(3) provide discretion to transmission and distribution utilities, municipally owned utilities, and electric cooperatives to prioritize power delivery and power restoration among the customers on their respective systems, as circumstances require.

SECTION 2. Amends Subchapter C, Chapter 81, Natural Resources Code, by adding Section 81.073, as follows:

Sec. 81.073. CRITICAL GAS ENTITIES AND FACILITIES DURING AN ENERGY EMERGENCY. (a) Requires RRC to work with the PUC to designate certain natural gas facilities and entities associated with providing natural gas in this state as critical during an energy emergency.

(b) Requires that, at a minimum, RRC's rules:

(1) establish eligibility and designation requirements for persons who own or operate a facility under the jurisdiction of RRC under Section 81.051(a) (relating to the persons and entities over which RRC has jurisdiction) or engage in an activity under the jurisdiction of RRC under Section 81.051(a) who are required to provide critical customer designation and critical gas supply information, as defined by RRC, to the entities described by Section 38.074(c)(1), Utilities Code; and

(2) consider essential operational elements when defining critical customer designations and critical gas supply information, including natural gas production, processing, and transportation and related produced water handling and disposal facilities and the delivery of natural gas to generators.

SECTION 3. (a) Requires the PUC and RRC to adopt the rules required by this Act not later than September 1, 2021.

(b) Requires the PUC to provide a report to the legislature regarding its implementation of the designation and prioritization requirements, as added by this Act, not later than January 1, 2022.

SECTION 4. EFFECTIVE DATE. Effective date: upon passage or December 1, 2021.