

## **BILL ANALYSIS**

Senate Research Center  
87R19518 JXC-F

C.S.H.B. 3648  
By: Geren et al. (Hancock)  
Business & Commerce  
5/13/2021  
Committee Report (Substituted)

### **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.

(Original Author's / Sponsor's Statement of Purpose)

C.S.H.B. 3648 amends current law relating to the provision of natural gas and electric services in this state.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 1 (Section 81.073, Natural Resources Code) of this bill.

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 3 (Section 38.074, Utilities Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter C, Chapter 81, Natural Resources Code, by adding Section 81.073, as follows:

Sec. 81.073. CRITICAL NATURAL GAS FACILITIES AND ENTITIES. (a) Requires the Railroad Commission of Texas (RRC) to collaborate with the Public Utility Commission of Texas (PUC) to adopt rules to establish a process to designate certain natural gas facilities and entities associated with providing natural gas in this state as critical customers or critical gas suppliers during energy emergencies.

(b) Requires that the rules:

(1) establish criteria for designating 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 and critical gas supply information,

as defined by RRC, to the entities described by Section 38.074(b)(1), Utilities Code; and

(2) consider essential operational elements when defining critical customer designations and critical gas supply information for the purposes of Subdivision (1), including natural gas production, processing, transportation, and the delivery of natural gas to generators of electric energy.

SECTION 2. Amends Subchapter A, Chapter 31, Utilities Code, by adding Section 31.006, as follows:

Sec. 31.006. LIMITED LIABILITY OF CERTAIN ELECTRIC UTILITIES. Provides that an electric utility that complies with an instruction, directive, order, regulation, or restriction regarding the operation of the electric utility's transmission or distribution system issued by an independent organization certified under Section 39.151 (Essential Organizations) or a regulatory authority is not liable for any direct or consequential damages, including without limitation bodily or other personal injury, emotional injury, death, property damage, loss of profits, loss of revenue, or loss of production capacity, caused by the electric utility's compliance with the instruction, directive, order, regulation, or restriction.

SECTION 3. Amends Subchapter D, Chapter 38, Utilities Code, by adding Section 38.074, as follows:

Sec. 38.074. CRITICAL NATURAL GAS FACILITIES AND ENTITIES. (a) Requires the PUC to collaborate with RRC to 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 energy emergencies.

(b) Requires that the rules:

(1) ensure that the independent organization certified under Section 39.151 for the Electric Reliability Council of Texas (ERCOT) power region and each electric utility, municipally owned utility, and electric cooperative providing service in the ERCOT power region is provided with the information required by Section 81.073, Natural Resources Code;

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

(3) provide discretion to an electric utility, municipally owned utility, or electric cooperative providing service in the ERCOT power region to prioritize power delivery and power restoration among the facilities and entities designated under Subsection (a) on the utility's or cooperative's systems, as circumstances require.

SECTION 4. Provides that Section 31.006, Utilities Code, as added by this Act, applies only to a cause of action that accrues on or after the effective date of this Act.

SECTION 5. (a) Requires the PUC and RRC to adopt rules required by Section 81.073, Natural Resources Code, and Section 38.074, Utilities Code, as added by this Act, not later than December 1, 2021.

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

SECTION 6. Effective date: upon passage or September 1, 2021.