

Issues in Texas Liquids Pipeline Regulation: Shipper Complaints as a Tool to Regulate the Texas Market

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Presentation overview

- What does the Railroad Commission of Texas do?
- How does the Railroad Commission regulate liquids pipelines?
- What are the key regulatory obligations of a Texas common carrier liquids pipeline?
- How have recent cases before the Commission impacted those obligations?

What does the Railroad Commission of Texas do?

- Commission has jurisdiction over:
 - Production of oil and gas
 - Disposal of certain oil and gas waste
 - Gas and liquids pipeline economic regulation and safety
 - Gas local distribution rates and safety
 - Surface mining for coal and uranium
 - Propane distribution

Who are the Railroad Commissioners?

- Chair Christi Craddick (Lawyer – Capitol insider)
- Commissioner Ryan Sitton (Engineer, head of oil and gas engineering company)
- Commissioner Wayne Christian (former legislator, limited oil and gas experience)
- Staggered six-year terms
- Rotating chair

Limited common carrier pipeline regulatory framework

- Statutes:
 - TNRC Chapter 81: Jurisdiction over all common carrier pipelines defined in TNRC Chapter 111 (Enabling statute and scope of jurisdiction)
 - TNRC Chapter 111: The Texas Common Carrier Act
- Regulations:
 - Selected provisions of 16 Tex. Admin. Code, Chapter 3.
 - Regulations more well developed for gas than liquids
 - No rulemakings to address huge growth in liquids pipelines – desire to avoid regulatory burden
 - Regulatory certainty?

How does the Commission “regulate” liquids pipelines

- *Laissez-faire* regulation?
- NO institutional resources devoted to Commission oversight of commercial activity
 - Tariffs
 - Rates
 - Capacity
- ENTIRELY complaint-driven regulation
 - limited institutional policy or commercial perspective
 - ad hoc decisions shaping liquids pipeline regulation
 - no participation by Commission staff
- BUT don't bring any complaints!

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