**Calpine Comments Regarding The Proposed**

**ERCOT Framework For Firm Fuel Supply Service Phase 2**

Calpine appreciates the opportunity to provide comments regarding the proposed expansion of the Firm Fuel Supply Service (FFSS) product to include firm transportation plus off-site storage. Inclusion of natural gas generation facilities with firm transportation and storage agreements in the FFSS product will enhance the reliability and resiliency of the ERCOT system.

The proposed criteria improve the FFSS product by allowing available and transportable natural gas to serve multiple power plants and mitigates the risk of stranding scarce fuel at individual generation facilities. However, as proposed, the definition of “Qualifying Pipeline” appears to exclude most if not all major intrastate gas transmission pipelines from qualifying for this product. We suggest possible solutions below to increase the effectiveness of the FFSS product as well an opportunity for the market to provide additional data regarding qualifying capacity for future procurement.

**An Intrastate/Human Needs Exclusion is Inconsistent With Experience And Should Be Removed**

Calpine supports expanding the product to include both the intrastate and interstate transportation system firm service offerings. There is ample evidence, including Calpine’s own experience during Winter Storm Uri, that having dedicated transportation paths tying natural gas-generation to firm gas storage is highly dependable.[[1]](#footnote-1)

Additionally, it appears that the existing proposal would exclude firm gas delivery products that performed successfully during Winter Storm Uri, when other gas delivery offerings failed. Under the Texas Utility Code, many of the intrastate pipeline facilities in Texas could be considered gas utilities. As gas utilities, it would be a reasonable assumption that most of these major intrastate pipelines in Texas also serve human needs customers such as those that were served by gas utility pipelines during Winter Storm Uri. Because the current proposal also excludes storage facilities associated with intrastate pipelines, the proposal seems in tension with the goal of enhancing grid reliability by unnecessarily excluding the storage facilities that enhanced reliability during Winter Storm Uri.

The Texas Gas Storage Operations Report[[2]](#footnote-2) suggests the state has approximately 41 gas storage facilities with an estimated maximum withdrawal of 17 Bcf/day. Given that the overwhelming majority of the gas storage facilities in Texas are intrastate in nature, it seems unnecessarily limiting for Texas to rely solely on interstate facilities to support this FFSS product. During February of 2021, over 87 Bcf[[3]](#footnote-3) was withdrawn from storage in part to help generate electricity during Winter Storm Uri. While Calpine does not have access to the data to know which volumes were delivered from which storage facilities, it would be reasonable to assume that most of the 87 Bcf was transported from intrastate facilities.

While an intrastate storage facility in Texas may not have storage agreements directly with human needs customers, it may be directly connected to intrastate pipeline systems which does serve such customers. Assuming this is the case, the result of the existing FFSS proposal would be to disqualify dozens of intrastate storage facilities from providing storage support for FFSS Phase 2 because of the standard human needs obligations of their interconnected pipelines. Given that Texas is home to 488,564 miles[[4]](#footnote-4) of gas pipeline, excluding intrastate systems would seemingly eliminate approximately 88%[[5]](#footnote-5) of the pipeline network from eligibility to further protect the electric reliability of Texas. As currently drafted, Calpine is concerned that the approach of excluding so many intrastate facilities may limit the product’s ability to materially improve reliability. To avoid this broad disqualification of available storage facilities connected to the intrastate pipeline system and give Texas the best chance at attracting a significant level of applicants to provide FFSS, Calpine urges ERCOT to remove the human needs restriction under the definition of a “Qualifying Pipeline” at (a) (iii) of the proposal. Contracting for storage services brings a higher level of reliability but it costs money, and by excluding intrastate resources from FFSS eligibility the product would create a disincentive for generators to commit to these expenditures, thus potentially degrading reliability.

If ERCOT’s primary concern with allowing intrastate facilities to qualify under FFSS stems from electric generation competing with human needs gas customers, then that concern should be addressed separately from, and prior to finalizing, the FFSS proposal to allow greater participation for the 2023/2024 procurement cycle. Moreover, the RRC’s revised gas curtailment rule requires that firm deliveries of natural gas to electric generation facilities are *second in priority* only to firm deliveries to human needs customers. Therefore, if ERCOT is concerned that this priority is not adequate to secure reliability to the electric grid, then Calpine would encourage ERCOT to work collaboratively with the PUCT, RRC, and legislative leaders to address this concern. Hopefully, the critical discussion of the human needs of both natural gas and electricity will lead to greater harmonization between both industries. Failing to address this issue through memorandum of understanding, rulemaking, legislation or some other agreement could be detrimental to the State’s electric reliability.

**ERCOT Should Seek Additional Information to Inform Sizing of the Product**

Finally, as proposed, the framework gives no indication as to the potential size of this 2nd Phase of FFSS or the procurement assumptions that result in significant reliability gains. Without more data and context, it is difficult for Calpine to properly evaluate the weight of our concerns with this proposal. As currently drafted, the proposal’s exclusion of intrastate facilities may render this product too undersubscribed and insignificant to truly improve reliability.

Prior ERCOT surveys regarding capacity with access to storage and transport were limited to facilities that were "owned" by the Generation Resource. Calpine recommends that ERCOT seek additional information regarding the capacity of FFSS that could be provided using gas sourced from off-site storage and delivered using firm transport using both interstate and intrastate systems. We believe this data will be useful for determining future program budgets and procurement targets.

Calpine appreciates the opportunity to comment and will have subject matter experts available during the December 14th workshop to address any questions or comments.

Respectfully submitted,

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**Executive Summary of Calpine Comments**

1. The Commission should include natural gas sourced from off-site storage with firm transportation using either the interstate or intrastate system for winter 2023/2024 because it can provide immediate reliability benefits for Texas.
   1. Excluding the intrastate system from eligibility significantly limits otherwise eligible natural gas generation that could procure more resilient fuel supply.
   2. The 2023/2024 procurement should occur after issues regarding human needs are addressed either through interagency coordination, rulemaking activity or legislation.
2. Calpine recommends that ERCOT seek additional information regarding the capacity of FFSS that could be provided using gas sourced from off-site storage and delivered using firm transport. Prior ERCOT Surveys regarding capacity with access to storage and transport were limited to facilities that were "owned" by the Generation Resource. We believe there is a material amount of capacity that could access firm intrastate transport and off-site storage.
3. The appropriate procurement quantity of FFSS is a policy determination for the Commission; however, that determination should be guided by conservatively defining "appropriate reliability" as required by SB3.

1. See, <https://interchange.puc.texas.gov/Documents/53298_13_1194990.PDF>, at 4 [↑](#footnote-ref-1)
2. See Gas Storage Report, <https://www.rrc.texas.gov/media/v5qp1ohk/gsd-gas-storage-report-022021.pdf> [↑](#footnote-ref-2)
3. See EIA Report, <https://www.eia.gov/dnav/ng/hist/n5070tx2m.htm> [↑](#footnote-ref-3)
4. See line 15 at www.rrc.texas.gov/pipeline-safety/reports/texas-pipeline-system-mileage/ [↑](#footnote-ref-4)
5. See line 13 at www.rrc.texas.gov/pipeline-safety/reports/texas-pipeline-system-mileage/ [↑](#footnote-ref-5)