

**PROPOSED ERCOT FRAMEWORK
FOR FIRM GAS FIRM FUEL SUPPLY
SERVICE PHASE 2**

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**BEFORE THE
ELECTRIC RELIABILITY COUNCIL
OF TEXAS**

**COMMENTS OF ENERGY TRANSFER LP TO PROPOSED
ERCOT FRAMEWORK FOR FIRM GAS FIRM FUEL SUPPLY SERVICE PHASE 2**

Energy Transfer LP (“Energy Transfer”) submits these timely filed comments in response to the proposed Electric Reliability Council of Texas (“ERCOT”) Framework for Firm Gas Firm Fuel Supply Service Phase 2 (“Phase 2 Proposal”).

I. OVERVIEW

Energy Transfer is one of the largest energy infrastructure companies in the United States with nearly 120,000 miles of pipelines and related facilities in 41 states. Its Texas intrastate natural gas pipeline and storage facilities include nearly 9,000 miles of transmission pipeline and almost 64 Bcf/day of working storage capacity.

The proposed ERCOT Phase 2 Proposal is in response to directives from the Texas Legislature requiring development of ancillary or reliability services products to address reliability during cold weather conditions and the Public Utility Commission of Texas instructing ERCOT to develop a firm-fuel product that provides additional grid reliability and resiliency during extreme cold weather and compensates Generation Resources that meet a higher resiliency standard. It follows a Phase 1 initiative that created two categories of eligible participants for Firm Fuel Supply Service (“FFSS”): Generation Resources with on-site fuel and Generation Resources with off-site natural gas storage where the Resource Entity and/or Qualified Scheduling Entity owns and controls both the natural gas storage and pipeline to deliver the required amount of natural gas.

ERCOT’s Phase 2 Proposal includes an additional category of FFSS that would allow a Generation Resource to participate as a Firm Fuel Supply Service Resource (“FFSSR”) if the Generation Entity that represents the Generation Resource demonstrates that it, or an affiliate, has:

- owned or contracted firm natural gas storage capacity at a storage facility;
- owned natural gas stored at the storage facility; and
- a firm transportation agreement allowing the Generation Entity (or an Affiliate) to transport the required amount of natural gas from the storage facility to the Generation Resource.

In addition, these FFSSRs would be subject to ongoing obligations that would differ from existing FFSSRs.

II. COMMENTS ON PROPOSED ERCOT FRAMEWORK

As a preliminary matter, Energy Transfer supports the proposition that Generation Resources should be able to recover the fees paid for firm natural gas transportation and storage services and that such recovery could provide additional grid reliability and resiliency during extreme cold weather. However, the provisions of the Phase 2 Proposal extend well beyond simply providing recovery of natural gas transportation and storage fees and seeks to essentially dictate key terms and conditions of privately negotiated contracts. In addition, the Phase 2 Proposal fails to appreciate and understand how Texas intrastate natural gas pipelines and storage facilities physically operate in the most competitive natural gas market in the country.

Perhaps the most troubling aspect of the Phase 2 Proposal is its requirement that a “Qualified Contract” for transportation and storage services contain the following provisions:

- (i) a Qualifying Force Majeure Provision;
- (ii) the right to monitor daily balances of storage capacity and flowing natural gas; and
- (iii) a requirement that the pipeline and storage facility operator make available a detailed accounting indicating a reasonable estimate of daily and month-to-month receipts and deliveries of natural gas.

First, the suggestion that a quasi-governmental entity such as ERCOT, which oversees the electrical grid (and not the natural gas industry), should have the authority to dictate or rewrite

terms and conditions of natural gas transportation and storage contracts is troubling, to say the least. It is especially concerning with respect to those provisions as significant as force majeure. Within the competitive Texas intrastate natural gas transportation and storage market, these detailed contractual provisions should continue to be negotiated at arms-length between sophisticated market participants.

As a general proposition, force majeure is a provision in a contract that frees or releases a party from its obligation under the contract(s) to the extent that an extraordinary event directly prevents one or both parties from performing. However, the force majeure provision required by the Phase 2 Proposal only applies to the pipeline or storage provider and fails to even describe what occurrences qualify as a force majeure event. This oversight only reinforces that concern that the Phase 2 Proposal fails to understand how natural gas pipelines and storage facilities operate in a competitive market.

Additionally, the requirement that a “Qualified Contract” provides the Generation Resource with the right to monitor daily balances of storage capacity and flowing natural gas and requires the pipeline and storage facility operator to make available a detailed accounting indicating a reasonable estimate of daily and month-to-month receipts is vague, overbroad and could result in the release of proprietary pipeline and storage data.

While a Generation Resource is certainly entitled to receive data relative to its own storage capacity balance and daily and month-to-month transportation receipts, this portion of the Phase 2 Proposal could be interpreted to require pipeline and storage facility operators to provide system-wide data that is competitively sensitive and may even put the operator and its customer(s) at a competitive disadvantage.

III. CONCLUSION

Energy Transfer believes that the recovery of fees paid by Generation Resources for firm natural gas transportation and storage services could provide additional grid reliability and resiliency during extreme cold weather. However, the recovery of those fees should not be contingent on governmental or quasi-governmental entities having the ability to dictate the terms and conditions of natural gas transportation and storage agreements. Energy Transfer appreciates the opportunity to submit these comments and looks forward to working with ERCOT and other interested parties in developing the final version of this proposal.

Respectfully submitted,

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