

COMMENTS OF ENTERPRISE PRODUCTS, L.P. ON THE PROPOSED ERCOT FRAMEWORK FOR FIRM GAS FIRM FUEL SUPPLY SERVICE, PHASE 2

I. Introduction

Enterprise Products Operating, LLC (“Enterprise”) submits these comments to the Electric Reliability Council of Texas (“ERCOT”) regarding the proposed revisions to the Firm Fuel Supply Service (“FFSS”) currently set forth in the ERCOT Nodal Protocols (the “Proposal”). The FFSS ancillary service is intended to provide additional grid reliability and stability during extreme cold weather by providing compensation to Generation Resources that meet the higher fuel supply resilience standard specified for the FFSS. To implement the legislative mandates in SB 3, ERCOT and the Public Utility Commission of Texas (“PUC”) must design and implement the FFSS provisions relating to off-site storage and transportation in a manner that ensures that Generation Resources have sufficient gas supply resources to implement the FFSS. Without needed changes, the FFSS proposal will not accomplish that purpose.

The problem with the Proposal is that the definition of Qualifying Pipeline excludes the majority of pipeline transportation capacity, reducing connectivity to natural gas storage facilities in Texas (as depicted in the three maps of inter- and intrastate natural gas pipelines and natural gas storage facilities in Texas at Attachment 1).¹ By eliminating from eligibility those intrastate gas utility pipelines that contract with local distribution companies (“LDCs”) and human needs customers, the proposal prevents ERCOT Generation Resources from accessing sufficient gas supply resources to provide the FFSS. Enterprise therefore recommends that ERCOT eliminate these limitations to the definition of Qualifying Pipeline.

¹ The maps in Attachment 1 were compiled from publicly available information provided by the Energy Information Administration, Railroad Commission of Texas, and from the pipeline mapping company MAPSearch.

Additionally, the Qualifying Pipeline limitations should be removed from the Proposal because Enterprise, and others, did not curtail Generation Resources with firm gas and storage contracts pursuant to the emergency curtailment order issued by the Railroad Commission of Texas (“RRC”) during Winter Storm Uri. As described in more detail below, while fulfilling firm storage and transportation contracts with LDCs and human needs customers, Enterprise met (and even exceeded) its firm contract obligations, including commitments to ERCOT Generation Resources, during Uri. Accordingly, Enterprise will fulfill its storage withdrawal and transportation commitments to Generation Resources in any future emergency curtailment order as well.

II. Enterprise’s Operations in Texas

Enterprise owns and operates significant natural gas transportation and storage assets in Texas, transporting more than 2.9 billion MMBtus of natural gas in Texas in 2020.² Enterprise’s Texas Intrastate System is comprised of the 6,206-mile Enterprise Texas pipeline system and the 606-mile Channel pipeline system. The Texas Intrastate System gathers, transports, and stores natural gas from supply basins in Texas including the Permian Basin and Eagle Ford and Barnett Shales for delivery to LDCs, Generation Resources in ERCOT, and industrial and commercial customers. The Texas Intrastate System serves a number of commercial markets in Texas, including Corpus Christi, San Antonio/Austin, Beaumont/Orange and Houston, including the Houston Ship Channel industrial market. As part of the Texas Intrastate System, Enterprise operates an underground salt cavern storage facility in Wharton County, Texas, with approximately 12.9 billion cubic feet of storage available.

² <https://www.rrc.texas.gov/media/trepwbc3/osd-gs-top-5-distribution-transmission-utilities.pdf>

III. The “Qualifying Pipeline” Definition in the FFSS Proposal is Inconsistent with the Reliability Goal of the FFSS

The definition of “Qualifying Pipeline” in ERCOT’s FFSS Proposal undercuts the reliability goal of FFSS by disqualifying the majority of gas pipelines in Texas and disconnecting generation from 65% of the state’s withdrawal capacity. ERCOT’s proposal defines Qualifying Pipeline as either a pipeline subject to FERC jurisdiction (*i.e.*, an interstate pipeline) or an intrastate natural gas pipeline that is either (i) not a “gas utility” under Title 3 of the Texas Utilities Code, or (ii) a gas utility that does not have any contracts with human needs customers or LDCs that serve human needs customers.³ The RRC’s rule governing curtailment classifies human needs customers as “residences, hospitals, water and wastewater facilities, police, fire, military and civil defense facilities, and locations where people may congregate in an emergency, such as schools and places of worship.”⁴ “A human needs customer also includes small commercial customers that cannot practicably be curtailed without curtailing human needs.”⁵ Every major natural gas utility pipeline system in Texas serves such customers in addition to its commercial customers like ERCOT Generation Resources. Consequently, the limiting conditions in the Qualifying Pipeline definition eliminate the majority of pipelines in Texas from eligibility to support the FFSS.

It is important to appreciate the magnitude of storage capability the Proposal’s definition renders ineligible for the FFSS. Approximately 247.2 billion cubic feet of natural gas storage capacity, representing 63% of the state’s available working gas storage capacity, is served by intrastate pipelines. By limiting the definition of Qualifying Pipeline, the proposal unnecessarily restricts Generation Resources’ ability to procure FFSS by rendering nearly two-thirds of Texas’s storage capacity, unreachable. Enterprise’s own gas storage capabilities (*i.e.*, 12.9 billion cubic

³ ERCOT, Proposed Firm Gas FFSS Product at III (Nov. 22, 2022).

⁴ 16 TEX. ADMIN. CODE § 7.455(a)(7).

⁵ *Id.*

feet of natural gas storage) would not be available to Generation Resources to serve FFSS needs, as the transmission pipelines connecting storage to generation would not be a Qualifying Pipeline.

Contracts with human needs customers and/or local distribution systems that serve human needs customers do not preclude Enterprise from providing firm fuel supply to ERCOT Generation Resources, even during emergencies. During Winter Storm Uri, Enterprise did not curtail deliveries to its firm Generation Resource customers, as its gas storage and transmission resources were more than adequate to meet its firm supply commitments. Over the course of the weather event, Enterprise was able to supply approximately 227 million cubic feet over and above its existing contractual commitments to customers. Additionally, since Winter Storm Uri, Enterprise has worked to increase its storage withdrawal capacity by doubling its dehydration capabilities (to remove water from saturated stored gas), which will increase its ability to dispatch gas in storage expeditiously. Enterprise's performance during Winter Storm Uri demonstrates our ability to participate in the FFSS.

IV. The Railroad Commission's Curtailment Rule Would Not Limit Firm Deliveries to Generation Resources.

The RRC amended its rule governing curtailment during supply shortages (the "Curtailment Rule") in response to the gas supply limitations that occurred during Winter Storm Uri. The Curtailment Rule sets gas delivery priorities during a curtailment event, placing "firm deliveries to human needs customers and firm deliveries of natural gas to [LDCs] which serve human needs customers" above "firm deliveries to electric generation facilities." ERCOT has expressed concern that the Curtailment Rule will prevent natural gas utility pipelines from fulfilling their commitments to Generation Resources during a curtailment event, and has consequently eliminated gas utilities that have LDC and human needs customer commitments from eligibility for the FFSS. Enterprise disagrees that this risk exists.

- A. Curtailment events are determined by the intrastate pipeline, and only for supply shortages that prevent it from fulfilling firm supply contracts.

The Curtailment Rule defines a “curtailment event” to be “*when a gas utility determines that its ability to deliver gas may become inadequate to support continuous service to firm customers on its system and it reduces deliveries to one or more firm customers.*”⁶ If the gas utility pipeline has sufficient supply to satisfy the needs of its firm customers, there is no curtailment event, and the curtailment priorities in the Curtailment Rule would not apply to sales or deliveries by the pipeline. In other words, curtailment events are not imposed on the pipeline; rather, the decision is made by the pipeline itself.

In addition, the circumstances under which the Curtailment Rule priorities apply do not include all delivery restrictions; rather, the priorities apply only when gas is determined to be insufficient to serve *firm supply* customers. The Curtailment Rule states that “for the purposes of this section, an interruption of delivery or service to interruptible gas customers does not constitute a curtailment event.” Thus, a curtailment event would not be declared, and the prioritization in the Curtailment Rule would not apply, unless an intrastate gas utility pipeline’s supply was insufficient to serve not only its interruptible service customers, but also its firm service customers. The Curtailment Rule is not triggered if the company has sufficient natural gas supply for its firm supply customers, which was in fact the case for Enterprise during Winter Storm Uri.

- B. Curtailment is unlikely to affect gas storage and delivery infrastructure.

Gas pipeline and storage facilities are particularly weather-resistant because they are located primarily underground. Gas storage facilities utilize underground caverns and depleted oil and gas wells, and for safety reasons, pipelines are located underground per industry standard. This configuration provides insulation from extreme cold conditions. Additionally, storage and

⁶ 16 TEX. ADMIN. CODE § 7.455(a)(3) (emphasis added).

transmission facilities designated as critical gas facilities under Commission Rule 3.66⁷ are subject to the Commission's weatherization inspection and must notify their local transmission and distribution utilities of their status as critical infrastructure.⁸ Together, these conditions reduce vulnerability to both weather and curtailment conditions.

The interruptions that occurred during Winter Storm Uri were the result of limitations on gas supply, not on gas delivery.⁹ As described above, Enterprise did not curtail to Generation Resources with firm transportation agreements delivery during Winter Storm Uri, and its assets were able to deliver *more* gas than contracted to satisfy its firm fuel supply customers' needs. Enterprise's status as an intrastate gas pipeline utility with LDC and human needs customers should not, therefore, eliminate it from eligibility to provide the firm storage and transportation requirements of the FFSS.

And finally, it bears noting that a Generation Resource might have even more likelihood of receiving gas supply under the RRC's Curtailment Rule than it would if it were serviced by one of the interstate pipelines that remains eligible to participate as a Qualifying Pipeline. FERC-regulated pipelines generally curtail on a pro rata basis across an entire class of service, *i.e.*, customers in the firm class of service are allocated capacity on that basis, irrespective of what type of business they may be or service they may provide. By contrast, the Curtailment Rule elevates electric generation to the second highest priority among all customers with firm transportation service. This is yet another reason to eliminate the limitations imposed on intrastate gas utility pipelines in the Proposal.

⁷ 16 TEX. ADMIN. CODE § 3.66.

⁸ *Id.* §§ 3.65, 25.52(h).

⁹ https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC_WRA_2022.pdf

V. Conclusion

Enterprise supports ERCOT's efforts to ensure the reliability and security of off-site fuel storage and delivery for FFSS, as it is crucial for improving energy reliability in ERCOT. The exclusion of gas utility pipelines with LDC and human needs customers from the definition of Qualifying Pipeline, however, presents a significant "bottleneck" between secure fuel storage and demand from Generation Resources for a firm fuel supply from gas storage. Further, the proposal undercuts the market mechanism created by the Texas Legislature to incentivize secure fuel delivery to Generation Resources from Texas's gas storage assets. For these reasons, and those stated above, ERCOT should remove the limitations imposed on intrastate natural gas utility pipelines and allow the largest and most secure providers of natural gas fuel supply to participate in the FFSS.

Respectfully submitted,
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ATTACHMENT 1