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| **Title** | Comments on ERCOT’s Proposed Firm Gas FFSS Product |
| **Date** | December 9, 2022 |
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| **Market Segment** | Cooperative |

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| **Comments** |

**Introduction**

STEC appreciates the opportunity to comment on ERCOT’s Proposed Firm Gas Firm Fuel Supply Service (FFSS) Product as part of the Phase II FFSS initiative. All capitalized terms used but not defined herein have the meaning assigned to them in ERCOT’s Proposed Firm Gas FFSS document.

As stated in ERCOT’s November 22, 2022 Market Notice regarding the Proposed Firm Gas FFSS, ERCOT intends to propose to the Public Utility Commission of Texas an updated FFSS framework that “would allow participation by a broader range of Generation Resources that utilize off-site natural gas storage and pipeline transportation owned by third parties.” In its proposed product framework, ERCOT seeks to capture Generation Entities that own or contract for firm natural gas storage capacity at a storage facility, own the natural gas stored at such facility, and have entered into firm transportation agreements allowing the Generation Entity to transport the required amount of natural gas from the storage facility to the Generation Resource.

Though STEC supports the development and refinement of an FFSS to support ERCOT system reliability during extreme cold weather conditions, the ERCOT Proposed Firm Gas FFSS framework, while well-intentioned, would actually serve to exclude a significant number of Generation Entities from participating and providing the Proposed Firm Gas FFSS product.

In addition to requiring that a Generation Resource own a physical gas storage facility or requiring a Generation Resource to exercise a contractual right to access stored gas under a Firm Gas Storage Agreement, the Proposed Firm Gas FFSS Product would also require Generation Entities to enter into a Firm Transportation Agreement with a Qualifying Pipeline in order to ensure that a sufficient quantity of gas is transported to the Generation Resource. Among other things, the Firm Transportation Agreement requires “a primary receipt point that matches the point of withdrawal for the storage facility”, and also requires that “a primary delivery point permits delivery of the gas directly to the Generation Resource.” As currently, proposed, the Proposed Firm Gas FFSS Product would not permit Generation Entities to “link” or “chain” separate and distinct gas transportation agreements together to move gas from a gas storage facility to the power plant’s delivery point. Instead, the proposed Firm Gas FFSS Product framework appears to require Generation Entities to have a single transportation agreement in place to secure natural gas for plant operations.

Many Generation Entities that rely on transportation agreements to secure natural gas for plant operations do so by entering into and “chaining” multiple transportation agreements to ensure that gas can be transported to the generating plant by first passing through several different locations and points of delivery before reaching the generating facility. By not allowing the “linking” or “chaining” of transportation agreements, ERCOT will be severely limiting the number of Generation Resources eligible to provide the Firm Gas FFSS Product given the number of Generation Entities that rely on various agreements to obtain the delivery of gas supply for Generation Resources. ERCOT should revise its proposed Firm Gas FFSS framework to clarify that a Generation Entity need not have a single firm transportation agreement in place for its Generation Resource in order to be eligible to provide Firm Gas FFSS. Instead, ERCOT should enable Generation Entities to “chain” together transportation agreements and demonstrate to ERCOT that firm gas will be delivered to the generating plant, which will expand the pool of Generation Resources eligible to provide Firm Gas FFSS.

In addition, STEC recommends that ERCOT modify the definition of a “Qualifying Pipeline” for purposes of the Firm Gas FFSS Product to remove the requirement that the Qualifying Pipeline cannot have any contracts with human needs customers or local distribution systems that serve human needs. Natural gas facilities that provide material quantities of natural gas to electric generation are critical to meeting the human needs of residential customers because all individuals rely on the provision of reliable electricity to their homes and business. ERCOT should not adopt a framework that imposes constraints on the types of natural gas facilities that are deemed to be eligible counterparties as part of firm storage and firm transportation agreements.

**Conclusion**

STEC respectfully requests that ERCOT modify its proposed Firm Gas FFSS framework consistent with STEC’s discussion above. Amending the Firm Gas FFSS framework is critical to ensure that a sufficient number of Generation Resources are eligible to provide Firm Gas FFSS to the benefit of the ERCOT market.