



Item 4.1.2.3: ERCOT Comments on NPRR1169

Chad V. Seely

Senior Vice President, General Counsel, and
Corporate Secretary

Kenan Ögelman

Vice President, Commercial Operations

Reliability and Markets Committee Meeting

ERCOT Public

June 19, 2023

Overview

- **Purpose**

- Provide background on Firm Fuel Supply Service (FFSS)
- Present ERCOT staff's recommendation on Nodal Protocol Revision Request (NPRR) 1169, Expansion of Generation Resources Qualified to Provide Firm Fuel Supply Service in Phase 2 of the Service

- **Voting Items / Requests**

- ERCOT staff recommends approval of NPRR1169, as reflected in ERCOT's 6/12/23 comments.

- **Key Takeaways**

- NPRR1169 fulfills PUC instruction, expanding FFSS while maintaining high reliability.
- There are policy tradeoffs in selecting the definition of an FFSS Qualifying Pipeline:
 - (1) Eliminate risk of curtailment due to the order of prioritization of human needs customers over Generation Resources in the Railroad Commission of Texas's curtailment rule and incent changes in industries; or
 - (2) Accept a (likely only slightly) higher curtailment risk while increasing qualifying capacity and competition.

FFSS Background

- **Mandate:** In 2022, the Public Utility Commission of Texas (PUCT) instructed ERCOT to investigate whether a high level of reliability for Firm Fuel Supply Service (FFSS) could be maintained while expanding the service to include firm fuel-supply arrangements with natural gas storage and pipelines owned and operated by third parties.
 - TAC and ERCOT agree NPPRR1169 meets this PUCT instruction.
 - **Issue:** Whether an intrastate pipeline used to serve customers with a higher priority against curtailment under the Railroad Commission of Texas’s curtailment rule should be included in the FFSS Qualifying Pipeline definition.
- **Recommendation:** ERCOT staff recommends approval of NPPRR1169, as reflected in ERCOT’s 6/12/23 comments. ERCOT’s 6/12/23 comments modify the definition of an FFSS Qualifying Pipeline to exclude those pipelines that serve higher priority customers from qualifying to provide FFSS. This eliminates the risk introduced by the lower prioritization of Generation Resources in the Railroad Commission’s curtailment rule. ERCOT’s comments also make a corresponding change to the Firm Transportation Agreement definition.

FFSS Summary

- Implemented in 2022 to fulfill post-Uri mandates from the Legislature and PUCT.
- Provides additional reliability and resilience in extreme cold weather.
- During November 15 - March 15, FFSS Resources must store and maintain adequate fuel and emissions allowances and, in a fuel-supply disruption during a Watch for winter weather, follow ERCOT dispatch instructions. Pre-approved alternate Resources may substitute in.
- Daily payments are based on the FFSS Resource's rolling, averaged hourly availability and are subject to varying withholdings or claw backs for unavailability or other performance failures. Certain refueling costs after an FFSS deployment are also paid if approved by ERCOT.
- Fuel-supply arrangements that currently qualify:
 - Dual-fuel capability and reserved on-site stored alternative fuel;
 - Reserved on-site stored natural gas; and
 - Reserved off-site natural gas where the Resource Entity or Qualified Scheduling Entity (QSE) owns and controls the natural gas storage and pipeline.

New Qualification Requirements in FFSS Phase 2

Expands to include:

- Reserved on-site stored fuel oil and
- Reserved off-site stored natural gas that meets requirements including
 - The Generation Entity (or its Affiliate) owns or has a Firm Gas Storage Agreement for sufficient stored fuel capacity and sufficient daily withdrawal rights;
 - The Generation Entity (or its Affiliate) owns, has good title to, and maintains sufficient reserved natural gas in the storage facility;
 - The Generation Entity (or its Affiliate) has Firm Transportation Agreement(s) on FFSS Qualifying Pipeline(s) for sufficient transport capacity with primary receipt and delivery points to create a complete path of firm transportation service from the storage to the Generation Resource.

Firm Gas Storage Agreements and Firm Transportation Agreements must include rights to specified information and force majeure terms that limit the circumstances for declaring a force majeure event and rights to additional information in such events.

Railroad Commission of Texas's Curtailment Rule

- In 2022, the Railroad Commission of Texas amended its curtailment rule, [16 TEX. ADMIN. CODE § 7.455](#).
- Triggered when a gas utility, as defined in the rule, determines it is unable, during an emergency, to deliver all the gas it is obligated to deliver under firm contracts and has to curtail firm deliveries.
- Sets the order of priorities for firm deliveries during a curtailment event.
 - 1st priority: Human needs customers and local distribution systems (LDCs) which serve human needs customers.
 - **2nd priority: Electric generation facilities, as defined in the rule.**
 - Lower orders of priority include industrial and commercial users based on use profiles.
 - If a gas utility is unable to serve all its 1st- and 2nd-priority customers during a curtailment event, it must follow the curtailment rule and curtail firm service to electric generation facilities.

Differing Definitions of an FFSS Qualifying Pipeline

- To qualify as a Phase 2 FFSS Resource, a Generation Resource must, *inter alia*, have one or more Firm Transportation Agreements with one or more FFSS Qualifying Pipelines.
- Recognizing that determining what should qualify includes policy tradeoffs, ERCOT sought PUCT guidance on the definition of an FFSS Qualifying Pipeline.
- The PUCT discussed and opted for a definition that excludes an intrastate gas utility who serves human-needs customers or LDCs serving human needs customers on the relevant pipeline.
- PUCT considerations included
 - Incenting changes in industries;
 - Maintaining high reliability; and
 - Ability to iterate in future.

Differing Definitions of an FFSS Qualifying Pipeline

- In the stakeholder process, a different definition was developed that includes such intrastate gas utilities but adds other requirements that substantially mitigate curtailment risk. The TAC-recommended definition includes
 - Limiting to transmission-only gas utilities;
 - Barring gas utilities who curtailed firm service to Generation Resource customers since January 1, 2021; and
 - Requiring gas utility certification to the Generation Entity that there is sufficient capacity, including sufficient pipeline pressure, to provide continuous service in a curtailment event. A corresponding representation and warranty is also added to the definition of a Firm Transportation Agreement.

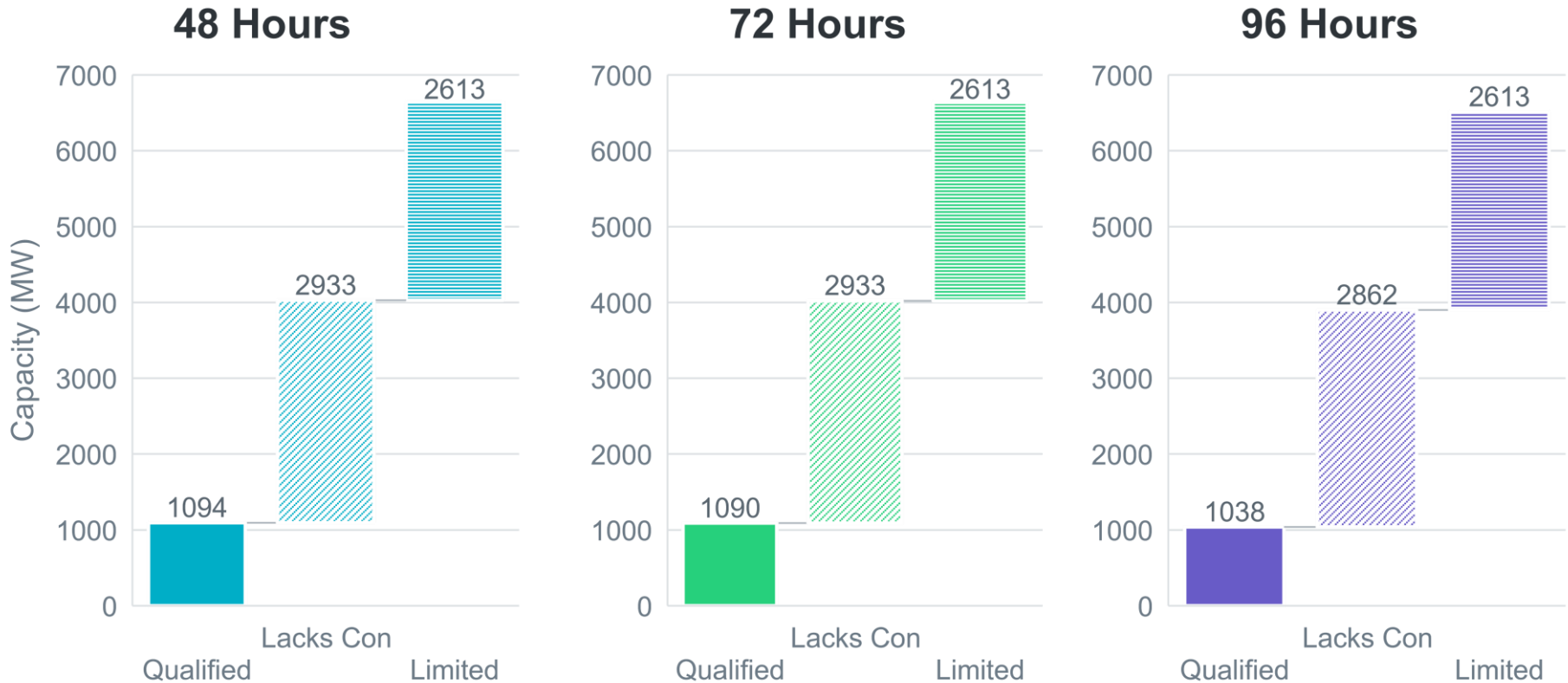
Key Takeaway: There are policy tradeoffs in selecting the definition of an FFSS Qualifying Pipeline: eliminating risk of curtailment due to the order of prioritization in the Railroad Commission of Texas's curtailment rule and incenting changes in industries vs. accepting a (likely only slightly) higher curtailment risk while increasing qualifying capacity and competition.

FFSS Phase 2 Survey

- **2/14/23:** ERCOT issued a fuel-use survey, gauging willingness and potential capacity for FFSS Phase 2. This survey used the FFSS Qualifying Pipeline definition originally submitted by ERCOT and another Qualifying Pipeline definition that included intrastate pipelines that serve higher-priority customers under the Railroad Commission's curtailment rule.
- **5/25/23:** After TAC recommended an FFSS Qualifying Pipeline definition that differs from either previously surveyed, ERCOT issued another fuel use survey.
 - Used TAC definition and ERCOT definition.
 - Also rephrased to remove references to willingness and instead focus on what Resources could currently qualify.
 - Results are not commitments to offer, but instead show reported capacity that could qualify.

5/25/23 FFSS Phase 2 Survey Results

TAC FFSS Qualifying Pipeline Definition



Qualified = Respondents indicated belief their Resources could qualify.

Lacks Con = Respondents indicated belief their Resources could qualify if contracts are secured.

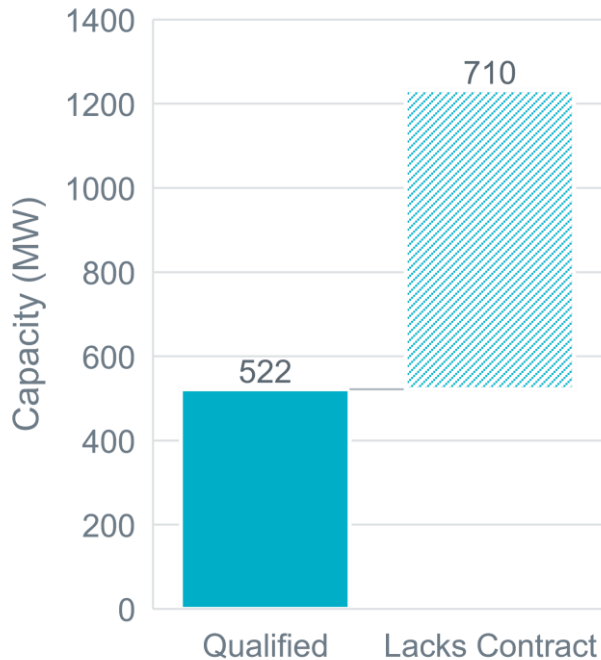
Limited = Respondents provided a portfolio of Resources' High Sustained Limits (HSLs), but indicated not all Resources can get fuel to run at HSL simultaneously.



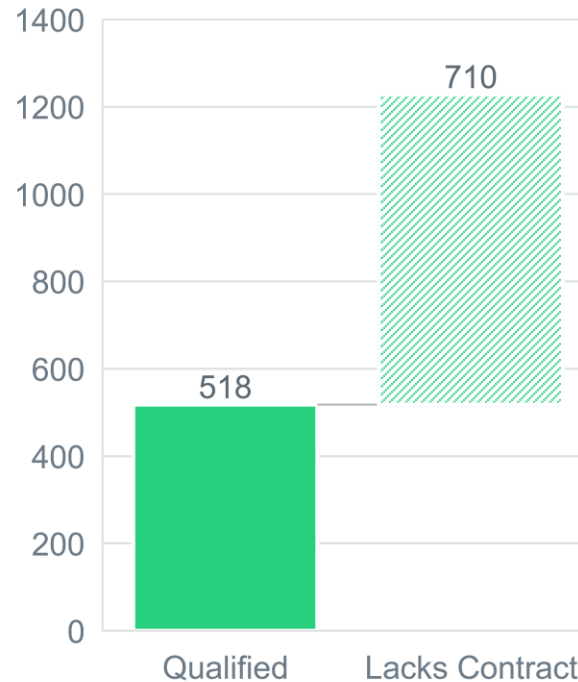
5/25/23 FFSS Phase 2 Survey Results

ERCOT FFSS Qualifying Pipeline Definition

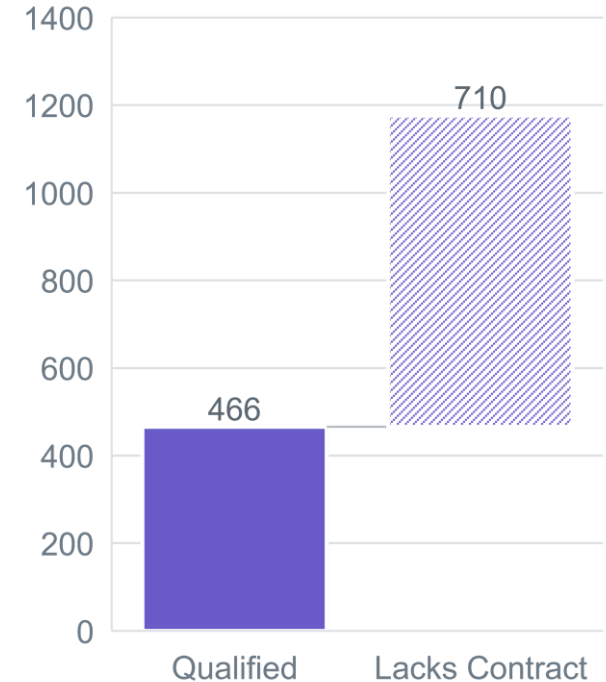
48 Hours



72 Hours



96 Hours



Qualified = Respondents indicated belief their Resources could qualify.

Lacks Contract = Respondents indicated belief their Resources could qualify if contracts are secured.



5/25/23 FFSS Phase 2 Survey Results

Key Takeaways:

- Results are self-reported and include conditional amounts.
- More capacity was reported under the TAC definition of an FFSS Qualifying Pipeline than the ERCOT definition.
- Under both definitions, how much capacity will qualify is highly dependent on securing contracts. This is consistent with expectations because FFSS Phase 2 requires terms not previously included in many firm contracts.

Appendices

Appendix - FFSS Phase 2 Development

- Fall 2022, ERCOT engaged outside counsel with significant experience in the Texas intrastate and interstate natural gas sectors.
- 11/22, 12/2, and 12/13/22, ERCOT Market Notices provided a draft framework, invited comments, and announced 12/14 workshop.
- Interested parties in the power or gas sectors submitted 15 written comments, all posted on the ERCOT website.
- 12/14/22 workshop was held virtually and in person. More than 100 participants attended.
- ERCOT received additional informal comments and data and held meetings and calls after the workshop.
- 1/23/23 ERCOT filed a revised draft framework with PUCT and sought guidance on issues including the appropriate definition of an FFSS Qualifying Pipeline.
- PUCT discussed and gave guidance at its 1/26, 2/16, 3/9, and 5/25/23 open meetings.



Appendix - FFSS Phase 2 Development

- ERCOT submitted NPRR1169 on 3/29/23.
- The Protocol Revision Subcommittee (PRS) granted Urgent status on 4/13/23 and recommended approval on 5/10/23.
- TAC recommended approval on 5/23/23.
- Various stakeholder- and ERCOT-proposed revisions have been incorporated by PRS and TAC.

Under preexisting Protocols,

- ERCOT must issue the Request for Proposals for the upcoming 2023-24 FFSS obligation period by 8/1/23.
- Offers are due 9/1/23.
- Awards are due by 9/30/23.

Appendix - TAC FFSS Qualifying Pipeline Definition

A pipeline that is a critical natural gas facility, as defined in subsection (c)(2) of P.U.C. SUBST. R. 25.52, Reliability and Continuity of Service, and:

- (a) A natural gas pipeline subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act (15 U.S.C. Section 717 *et seq.*);
- (b) An intrastate natural gas pipeline that is not a “gas utility” under Title 3 of the Texas Utilities Code; or
- (c) An intrastate pipeline that is owned or operated by a “gas utility” under Title 3 of the Texas Utilities Code that:
 - (i) Provides only transmission service, in accordance with its gas utility tariff;
 - (ii) Certifies to the Generation Entity that if it reduces firm deliveries to customers pursuant to 16 Tex. Admin. Code 7.455(a)(3), Curtailment Standards, it will have sufficient operational capacity, including sufficient pipeline pressure, to provide Firm Service for the volume of gas required by the Generation Resource’s Firm Transportation Agreement on the transportation path between the storage facility and a Generation Resource to provide continuous service in the event of a curtailment; and
 - (iii) Has not curtailed deliveries of gas, pursuant to 16 Tex. Admin. Code 7.455 or any applicable predecessor rule or order, to a Generation Resource that was subject to a firm transportation agreement during a curtailment event that occurred at any time since January 1, 2021.

Appendix - ERCOT FFSS Qualifying Pipeline Definition

A pipeline that is:

- (a) A natural gas pipeline subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act (15 U.S.C. Section 717 *et seq.*), an intrastate natural gas pipeline that is not operated by operated by a “gas utility” under Title 3 of the Texas Utilities Code, **or an intrastate pipeline that is owned or operated by a “gas utility” under Title 3 of the Texas Utilities Code that has certified to the Generation Entity that it does not have any contracts for firm service on such pipeline with human needs customers or local distribution systems that serve human needs customers; and**
- (b) A critical natural gas facility, as defined in subsection (c)(2) of P.U.C. SUBST. R. 25.52, Reliability and Continuity of Service.

Appendix: 5/25/23 FFSS Phase 2 Survey Notes

Assumptions:

- For all Generation Resources listed in response to Questions 1 or 3, ERCOT assumes the Generation Resource fulfills (or could fulfill) all 4 requirements listed in the question.
- If a Resource Entity provided a response, but did not include one of its Generation Resources, ERCOT assumes the Generation Resource is not qualified.
- Any response submitted as “n/a” was understood by ERCOT as not qualified.

Responses:

- ERCOT emailed the survey to the Authorized Representatives and Backup Authorized Representatives of all Resource Entities with natural gas-fired Generation Resources.
- 96 Resource Entities were emailed. 65 Resource Entities responded.