|  |  |
| --- | --- |
|  |  |
|  | http://ep.ercot.com/CorpComm/Logos/No%20Tagline/6x3%20Full%20Color_NoTagline.png |
| Firm Fuel Supply ServiceRequest for Proposals | |
|  |  |
| Abstract | Request for Proposals for Firm Fuel Supply Service for the Contract Term of November 15, 2023, through March 15, 2024 |
| Date of RFP Issue | On or before August 1, 2023 |
|  |  |
| Offer Submission Due Date (email to [FFSS@ercot.com](mailto:FFSS@ercot.com)) | September 1, 2023 |
| Reason for Issue | Procurement of Firm Fuel Supply Service |
| Scheduled Award Date | September 30, 2023 |
| RFP Contact | Mark Patterson, ERCOT [mpatterson@ercot.com](mailto:mpatterson@ercot.com) |

1. BACKGROUND

1.1. Applicable Documents

* PURA §§ 39.159(b) and (c)(2);
* Public Utility Commission of Texas (PUC) Project No. 52373, *Review of Wholesale Market Design,* [Approval of Blueprint for Wholesale Electric Market Design and Directives to ERCOT (Jan. 13, 2022, Interchange Item No. 336)](https://interchange.puc.texas.gov/Documents/52373_336_1180125.PDF);
* PUC Project No. 53298, *Wholesale Electric Market Design Implementation,* [Staff Recommendations for Firm Fuel Supply Service (FFSS) Phase 2 (Jun. 22, 2023, Interchange Item No. 38)](https://interchange.puc.texas.gov/Documents/53298_38_1305402.PDF);
* [July 20, 2023, PUC Open Meeting discussion regarding approval and clarification of PUC Staff recommendations](https://adminmonitor.com/tx/puct/open_meeting/20230720/); and
* [ERCOT Protocols](http://www.ercot.com/mktrules/nprotocols/current) Sections 1, 2, 3, 4, 6, 8, 9, 25 (See [NPRR1120, Create Firm Fuel Supply Service](https://www.ercot.com/files/docs/2022/03/31/1120NPRR-22%20PUCT%20Report%20033122.docx); [NPRR1167, Improvements to Firm Fuel Supply Service Based on Lessons Learned](https://www.ercot.com/mktrules/issues/NPRR1167); and [NPRR1169, Expansion of Generation Resources Qualified to Provide Firm Fuel Supply Service in Phase 2 of the Service](https://www.ercot.com/mktrules/issues/NPRR1169); for relevant provisions).

1.2. Background and Introduction

Electric Reliability Council of Texas, Inc. (ERCOT) will procure Firm Fuel Supply Service Resources (FFSSRs) to provide FFSS for the purpose of maintaining Resource availability in the event of a natural gas curtailment or other fuel supply disruption. Providers of this service must meet all applicable requirements specified in ERCOT Protocols Section 8.1.1.2.1.6, Firm Fuel Supply Service Resource Qualification, Testing, Decertification, and Recertification and this Request for Proposals (RFP).

This service is developed consistent with directives from the Legislature (*see* Section 18 of [Senate Bill 3, 87(R)](https://capitol.texas.gov/tlodocs/87R/billtext/pdf/SB00003F.pdf#navpanes=0), now codified in PURA §§ 39.159(b) and (c)(2), requiring ancillary or reliability services to ensure reliability during winter weather conditions) and the PUC (*see, e*.*g*., PUC [Project No. 52373, *Review of Wholesale Market Design,* Approval of Blueprint for Wholesale Electric Market Design and Directives to ERCOT](http://interchange.puc.texas.gov/Documents/52373_336_1180125.PDF), ordering ERCOT to develop a firm-fuel product that provides additional grid reliability and resiliency during winter weather conditions and compensates generation resources that meet a higher resiliency standard).

All capitalized terms used herein that are defined in the ERCOT Protocols or ERCOT Operating Guide shall be understood to have the meaning identified in the ERCOT Protocols or ERCOT Operating Guide.

2. PROPOSAL REQUIREMENTS

2.1. Purpose

The purpose of this RFP is to obtain qualification information and to solicit offers from Qualified Scheduling Entities (QSEs) for Generation Resources to provide FFSS. ERCOT seeks to procure FFSS from any Generation Resource that meets the eligibility requirements as stated in section 2.3 below at a maximum total cost of procurement not to exceed $54 Million for the obligation period covered by this RFP (hereinafter, referred to as the procurement budget). This procurement budget only applies to the cost of the FFSS Hourly Standby Fees.

2.2. Obligation Period, Single Clearing Price, and Service Duration

This RFP seeks offers from QSEs for qualified Generation Resources to provide FFSS for an obligation period starting with Hour Ending 01:00 on November 15, 2023 and ending with the conclusion of Hour Ending 24:00 on March 15, 2024.

During the procurement process covering this RFP, ERCOT will clear offers from QSEs of qualified Generation Resources offered for the obligation period defined above. There is a $9,000/MW offer cap established for this procurement. Any offer received that exceeds the established offer cap will be rejected. The result will be a single standby price ($/MW) for all FFSS procured for the obligation period.

Only bids that include a specified amount of reserve fuel that is sufficient to sustain the operation of the Generation Resource at its offered MW level for 48 hours will be considered. Partial awards will only be made if the partially awarded capacity is above the Generation Resource’s Low Sustainable Limit (LSL) as specified in the offer submission and the QSE elected to accept a partial award in the QSE’s FFSS Offer Submission Form. If the procurement of all offers at the same price would exceed the procurement budget as noted in section 2.1 above, ERCOT shall consider each such offer in an order established at random.

If awarding an offer at its FFSS capacity offered (MW) would not exceed the procurement budget, that offer will be awarded. If awarding an offer for the FFSS capacity offered would exceed the procurement budget, the following steps will be taken:

(1) If the QSE has not agreed to allow for a partial award, the offer will be rejected.

(2) If the QSE has agreed to allow for a partial award, but to remain under the procurement budget would result in an award less than the Generation Resource’s LSL, the offer will be rejected.

(3) If the QSE has agreed to allow for a partial award and the partial award can be made within the procurement budget, the partial offer may be awarded.

In instances where a primary Generation Resource was awarded through the FFSS procurement process but is also listed as an alternate Generation Resource on other FFSS Offer Submission Forms, ERCOT will not accept that primary Generation Resource as an alternate FFSS resource for another FFSSR.

2.3. Eligibility

An offer to provide FFSS may be submitted only by the QSE designated by the Resource Entity that owns or controls the Generation Resource offered. Only offers of Generation Resources that meet the requirements for provision of FFSS specified in the ERCOT Protocols, including, but not limited to, the requirements specified in paragraphs (1), regarding qualifying technologies, and (5), regarding annual demonstration of fuel-use capability, of ERCOT Protocols Section 8.1.1.2.1.6 will be awarded by ERCOT. Additionally, under ERCOT Protocols Section 8.1.1.2.1.6(1)(e), and consistent with PUC guidance provided at its July 20, 2023 open meeting, Generation Resources that use fuel other than natural gas, such as oil or renewable diesel, but not coal or nuclear fuel, that is stored onsite and that meet all the other requirements for provision of FFSS are eligible and may be awarded by ERCOT. Any Generation Resource offered as an alternate Generation Resource must also meet the requirements for qualification as an alternate Generation Resource in the ERCOT Protocols, including those specified in paragraphs (1) and (5) of ERCOT Protocols Section 8.1.1.2.1.6.

In the case of Generation Resources with split ownership, offers must be submitted by the QSE for each separate Split Generation Resource (SGR). Additionally, Generation Resources with split ownership will be eligible for awards only if each QSE representing an SGR at the site offers to provide the service at or below the clearing price and each QSE’s offer otherwise qualifies to be awarded. Each QSE is responsible for ensuring compliance with the FFSS requirements.

2.4 QSE Agreement

By submission of a proposal, the QSE agrees that its offer complies with the requirements for providing FFSS stated in the Protocols and in this RFP and that, if selected in this RFP process, the QSE will provide FFSS during the obligation period identified in this RFP and shall comply with, and be bound by, all ERCOT Protocols, ERCOT Operating Guides, ERCOT Other Binding Documents, and the provisions of this RFP as they pertain to the provision of FFSS.

2.5 Operation

A. FFSS Qualification and Self-Test Requirements

Prior to submitting an offer to provide FFSS, both the primary Generation Resource and any alternate Generation Resource(s) must meet the all the qualification requirements noted in ERCOT Protocols Section 8.1.1.2.1.6 Firm Fuel Supply Service Resource Qualification, Testing, Decertification, and Recertification. The requirement in paragraph (5) of ERCOT Protocols Section 8.1.1.2.1.6 to annually demonstrate fuel-use capability can be met by either a self-test conducted between the QSE and the Generation Resource or the successful deployment of the Resource that the QSE is requesting ERCOT consider for qualification. To provide ERCOT adequate time to verify the results of the self-test or deployment, the QSE representing the Generation Resource must submit a [Resource FFSS Qualification Form](https://www.ercot.com/files/docs/2023/07/26/ffss-capability-demonstration-form.docx) to [FFSS@ercot.com](mailto:FFSS@ercot.com) no later than August 15, 2023.

B. Delivery

The QSE representing an FFSSR must meet the deployment requirements set forth in the ERCOT Protocols.

C. Environmental Regulations

* The QSE representing an FFSSR must be familiar with any applicable federal, state, or local environmental regulations that apply to any Generation Resource offered in response to this RFP and must assure that the use of that Generation Resource in providing FFSS would not violate those regulations. As part of the offer to provide FFSS, the QSE must identify the emissions credits or permit allowances that will be reserved and maintained for FFSS deployment that will not result in violation of any applicable emissions restrictions under applicable environmental regulations. Such reservations must equal or exceed the requirement stated in section 2.6 below.
* If the QSE representing an FFSSR provides ERCOT a notice, required under ERCOT Protocols Section 3.14.5(4)(h), that the QSE anticipates the exhaustion of emissions credits or permit allowances and the QSE reflects the Resource’s status as OUT in the COP, the QSE must update its Availability Plan to reflect that the FSSR will no longer be available after exhaustion of the emissions credits or permit allowances. As a result, ERCOT will claw back the Firm Fuel Supply Service Standby Fee, as provided under ERCOT Protocols Section 8.1.1.2.1.6(9).

2.6 Offer Profile

Information submitted by the QSE must provide sufficient detail to allow ERCOT to assess the suitability of the QSE and the eligibility of the offered Generation Resource to provide FFSS. A QSE must submit a separate, Resource-specific offer for each Generation Resource offered as a primary Generation Resource to provide FFSS using the FFSS Offer Submission Form posted on the ERCOT website. An offer must comply with the following requirements:

* The FFSS Standby price must be stated in U.S. dollars per MW for the capacity offered to provide FFSS.
* Only bids that include a specified amount of reserve fuel that is sufficient to sustain the operation of the Generation Resource at its offered MW level for 48 hours will be considered.
* The QSE, by offering FFSS MW for a duration of 48 hours, is offering reserve fuel for the offered Generation Resource to deploy as required by the ERCOT Protocols.
* Any FFSS offers above $9,000 per MW will not be considered in the auction.
* The QSE may offer up to 3 price/quantity pairs for each primary Generation Resource, but only 1 price/quantity pair may be procured by ERCOT.
* In addition to identifying the primary Generation Resource on the FFSS Offer Submission Form, the QSE may also list and provide information for up to 3 Generation Resources to be used as an alternate Generation Resource to provide FFSS. If offering any alternate Generation Resources, the price/quantity pair for the primary Generation Resource will apply to all alternate Generation Resources. It is the responsibility of the QSE to notify ERCOT when an alternate Generation Resource will be designated as the primary FFSSR.
* Any alternate Generation Resources must be located at the same electrical station or must be connected and supplied by the same pipeline system and gas storage facility as the primary Generation Resource. The same alternate Generation Resource may be listed as an alternate for multiple offers.
* All offered Generation Resources must have and maintain sufficient:
  + emission credits or allowances for:
    - at least one 48-hour deployment at any level of output up to the offered MW for the period starting with Hour Ending 01:00 on November 15, 2023 through the conclusion of Hour Ending 24:00 on December 31, 2023, and
    - at least two 48-hour deployments at any level of output up to the offered MW for the period starting with Hour Ending 1:00 on January 1, 2024 through the remainder of the obligation period, *i*.*e*., through the conclusion of Hour Ending 24:00 on March 15, 2024.
  + reserve fuel to deliver the offered MW for at least 48 hours.
* In the case of the reserve fuel being stored in an off-site natural gas storage facility, the off-site storage and the associated infrastructure to transport natural gas to the FFSSR must be a critical natural gas facility, as defined in PUC Substantive Rule 25.52(c)(2).[[1]](#footnote-1)
* In the case of the reserve fuel being fuel oil, the QSE is responsible to ensure that the reserve fuel oil is treated, filtered, or otherwise preserved to maintain its quality and usefulness over the duration of the obligation period.
* The QSE must acknowledge that, to meet its obligation to provide FFSS, the Generation Resource has, or will obtain, both the authority and emission credits or allowances to operate at any level of output up to the offered capacity for a duration of at least 48 hours for the period starting with Hour Ending 01:00 on November 15, 2023 through the conclusion of Hour Ending 24:00 on December 31, 2023 and at least 96 hours for the period starting with Hour Ending 1:00 on January 1, 2024 through the remainder of the obligation period, *i*.*e*., through the conclusion of Hour Ending 24:00 on March 15, 2024.
* Any Generation Resource offered to provide FFSS must be capable of being available to SCED with an EOC (Energy Offer Curve) for full awarded capacity within its declared cold or hot start-up times as submitted in the FFSS Offer Submission Form following a VDI from ERCOT.
* If the QSE offers a Generation Resource as meeting the qualification requirements in paragraph (1)(c) of ERCOT Protocols Section 8.1.1.2.1.6, Firm Fuel Supply Service Resource Qualification, Testing, and Decertification, the QSE must submit as part of its offer a certification for the offered Generation Resource. The information required to be included in the certification is set forth in ERCOT Protocols Section 3.14.5(3)(b).

QSEs must reserve sufficient fuel to ensure they can provide the FFSS-awarded MWs for the entire 48 hours and any additional fuel necessary for preparation, transitioning and start-up of the FFSSR, and to meet testing requirements.

2.7 Offer and Pricing Information

A QSE must use the FFSS Offer Submission Form found at <https://www.ercot.com/services/programs/firmfuelsupply> to provide all offer information to ERCOT. The QSE must complete the identification, offer tab and, if applicable, one or more “Alternate” tabs on the form as a condition for ERCOT’s consideration of the offer. An offer may not be withdrawn after the September 1, 2023 submission deadline. An offer is binding upon the QSE if ERCOT notifies the QSE that it has been awarded an FFSS obligation.

2.8 Notification of Awards

ERCOT will post the awards to the MIS Certified Area for each QSE that is awarded an FFSS obligation. In addition, ERCOT will post a notification to the MIS Certified Area for those offers not awarded.

2.9 Confidentiality

The identity of offered Resources and the price and quantity offered for each Resource will be considered confidential until ERCOT has notified all awarded QSEs of FFSS awards. After that notification, the identity of offered Resources and the prices and quantities offered will be considered public information and will be subject to disclosure. Other offer submission information shall be considered Resource-specific cost, design, and engineering data that is subject to protection from disclosure under ERCOT Protocols Section 1.3.1.1(1)(m). In that case, the information will not be released without prior authorization of the QSE, except where the Protocols or other laws may require disclosure of some or all such information.

2.10 Submission Instructions

The FFSS Offer Submission Form must be submitted via email to ERCOT at [FFSS@ercot.com](mailto:FFSS@ercot.com). The deadline for responses or any updates under this RFP is September 1, 2023, by 4:00 p.m. Central Daylight Time (CDT). Any responses received after this date and time will not be considered.

2.11 Acknowledgement of Receipt

ERCOT will send an acknowledgement of receipt of an offer to the QSE. Please contact the ERCOT Firm Fuel Supply Team at [FFSS@ercot.com](mailto:FFSS@ercot.com) if you submitted an offer but have not received an acknowledgement within 2 business days of submission. Any QSE that did not receive an acknowledgment of its offer and does not request confirmation of receipt of its offer within 3 business days of the deadline for offer submission waives any such offer.

2.12 Inquiries and Inquiry Responses

Any questions concerning this RFP can be made via email to FFSS@ercot.com. Questions should reference the document, page, section, and paragraph to which the question refers. If any questions require clarification to the RFP, ERCOT’s responses will be provided to all market participants via the WMS (Wholesale Market Subcommittee) exploder list.

2.13 Disclaimer

No oral or written statement made by any ERCOT employee or agent shall be considered binding with respect to this RFP unless the statement is confirmed in writing and identified as a written addendum to this RFP.

**Appendix A: Bid Evaluation Criteria**

1. Any proposals for FFSS in which the offered Generation Resource does not meet the minimum requirements of an FFSSR outlined in the ERCOT Protocols, Operating Guides, and this document will be excluded and not evaluated. Additionally, any proposals with an offer price that exceeds $9,000 per MW will be excluded and not evaluated.
2. The proposals for FFSS in which the offered Resource meets the minimum requirements of an FFSSR will be evaluated based on, at a minimum, the following criteria:

* Standby Price for FFSS for the obligation period.
* Amount of capacity offered.
* Reserve fuel type.
* Fuel Storage capability sufficient for FFSSR to operate at its awarded MW value for at least 48 hours.

1. 16 Tex. Admin. Code § 25.52(c)(2). [↑](#footnote-ref-1)