|  |  |  |  |
| --- | --- | --- | --- |
| NPRR Number | [1251](https://www.ercot.com/mktrules/issues/NPRR1251) | NPRR Title | Updated FFSS Fuel Replacement Costs Recovery Process |
| Date of Decision | | September 12, 2024 | |
| Action | | Tabled | |
| Timeline | | Normal | |
| Proposed Effective Date | | To be determined | |
| Priority and Rank Assigned | | To be determined | |
| Nodal Protocol Sections Requiring Revision | | 3.14.5, Firm Fuel Supply Service  6.6.14.1, Firm Fuel Supply Service Fuel Replacement Costs Recovery | |
| Related Documents Requiring Revision/Related Revision Requests | | None | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) implements several improvements to Firm Fuel Supply Service (FFSS) fuel cost recovery process. Specific changes include:   * Clarifying that Qualified Scheduling Entities (QSEs) representing FFSS Resources (FFSSRs) are able to restock reserved fuel using existing fuel inventories in storage to accelerate the restocking of fuel or based on new purchases. * For fuel restocking using existing fuel inventories, the Firm Fuel Supply Service Fuel Replacement Cost may be based on: * New fuel purchases made within 30 days after ERCOT approves the restock of the burned fuel as described in paragraph (5) of Section 3.14.5, Firm Fuel Supply Service; or * The Fuel Oil Index Price (FOP) for the Operating Day the QSE received approval to restock fuel, which includes $0.05/gallon to cover the cost of transportation. | |
| Reason for Revision | | [Strategic Plan](https://www.ercot.com/files/docs/2023/08/25/ERCOT-Strategic-Plan-2024-2028.pdf) Objective 1 – Be an industry leader for grid reliability and resilience  [Strategic Plan](https://www.ercot.com/files/docs/2023/08/25/ERCOT-Strategic-Plan-2024-2028.pdf) Objective 2 - Enhance the ERCOT region’s economic competitiveness with respect to trends in wholesale power rates and retail electricity prices to consumers  [Strategic Plan](https://www.ercot.com/files/docs/2023/08/25/ERCOT-Strategic-Plan-2024-2028.pdf) Objective 3 - Advance ERCOT, Inc. as an independent leading industry expert and an employer of choice by fostering innovation, investing in our people, and emphasizing the importance of our mission  General system and/or process improvement(s)  Regulatory requirements  ERCOT Board/PUCT Directive  *(please select ONLY ONE – if more than one apply, please select the ONE that is most relevant)* | |
| Justification of Reason for Revision and Market Impacts | | This NPRR provides more detail and improves the fuel-restocking process related to FFSS, by clarifying that a QSE may accelerate restocking through use of existing fuel inventory and providing flexibility for QSEs to recover fuel costs based on new purchases or the Fuel Oil Index Price (FOP), but only after receiving approval from ERCOT to restock.  With these changes, FFSSR should be able to restore the service more expeditiously and provide ERCOT with the restored capacity if needed. | |
| PRS Decision | | On 9/12/24, PRS voted unanimously to table NPRR1251 and refer the issue to WMS. All Market Segments participated in the vote. | |
| Summary of PRS Discussion | | On 9/12/24, ERCOT Staff provided an overview of NPRR1251. | |

|  |  |
| --- | --- |
| **Opinions** | |
| Credit Review | To be determined |
| Independent Market Monitor Opinion | To be determined |
| ERCOT Opinion | To be determined |
| ERCOT Market Impact Statement | To be determined |

|  |  |
| --- | --- |
| Sponsor | |
| Name | Ino Gonzalez |
| E-mail Address | [ino.gonzalez@ercot.com](mailto:ino.gonzalez@ercot.com) |
| Company | ERCOT |
| Phone Number | 512-248-3954 |
| Cell Number |  |
| Market Segment | Not applicable |

|  |  |
| --- | --- |
| **Market Rules Staff Contact** | |
| **Name** | Cory Phillips |
| **E-Mail Address** | [cory.phillips@ercot.com](mailto:cory.phillips@ercot.com) |
| **Phone Number** | 512-248-6464 |

|  |  |
| --- | --- |
| **Comments Received** | |
| Comment Author | **Comment Summary** |
| None |  |

|  |
| --- |
| **Market Rules Notes** |

Please note that the following NPRR(s) also propose revisions to the following section(s):

* NPRR1231, FFSS Program Communication Improvements and Additional Clarifications
  + Section 3.14.5

|  |
| --- |
| Proposed Protocol Language Revision |

***3.14.5 Firm Fuel Supply Service***

(1) Each Generation Resource providing or offering to provide Firm Fuel Supply Service (FFSS), including the primary and any alternate Generation Resources identified in the FFSS Offer Submission Form, must meet technical requirements specified in Section 8.1.1, QSE Ancillary Service Performance Standards, and Section 8.1.1.1, Ancillary Service Qualification and Testing.

(2) ERCOT shall issue an RFP by August 1 of each year soliciting offers from QSEs for Generation Resources to provide FFSS. The RFP shall require offers to be submitted on or before September 1of each year.

(3) QSEs may submit offers individually for one or more Generation Resources to provide FFSS using the FFSS Offer Submission Form posted on the ERCOT website. A QSE may not submit an offer for a given Generation Resource unless it is the QSE designated by the Resource Entity associated with that Generation Resource. ERCOT must evaluate offers using criteria identified in an appendix to the RFP. ERCOT will issue FFSS awards by September 30 and will post the awards to the MIS Certified Area for each QSE that is awarded an FFSS obligation. The posting will include information such as, but not limited to, the identity of the primary Generation Resource and any alternate Generation Resource(s), the FFSS clearing price, the amount of reserved fuel associated with the FFSS award, the MW amount awarded, and the Generation Resource’s initial minimum LSL when providing FFSS. The RFP awards shall cover a period beginning November 15 of the year in which the RFP is issued and ending on March 15 of the year after the year in which the RFP is issued. A QSE may submit an offer for one or more Generation Resources to provide FFSS beginning in the same year the RFP is issued or as otherwise specified in the RFP. An FFSS Resource (FFSSR) shall be considered an FFSSR and is required to provide FFSS from November 15 through March 15 for each year of the awarded FFSS obligation period. ERCOT shall ensure FFSSRs are procured and deployed as necessary to maintain ERCOT System reliability during, or in preparation for, a natural gas curtailment or other fuel supply disruption.

(a) On the FFSS Offer Submission Form, the QSE shall disclose information including, but not limited to, the Generation Resource and any alternate Generation Resource(s), the amount of reserved fuel offered, the MW available from the capacity offered, an estimate of the time to restock fuel reserves, and each limitation of the offered Generation Resource that could affect the Generation Resource’s ability to provide FFSS.

(b) If the QSE offers a Generation Resource as meeting the qualification requirements in paragraph (1)(c) of Section 8.1.1.2.1.6, Firm Fuel Supply Service Resource Qualification, Testing, Decertification, and Recertification, the QSE must submit as part of its offer a certification for the offered Generation Resource. The certification must include:

(i) Certification that the Generation Entity for the Generation Resource (or an Affiliate) has a Firm Transportation Agreement, firm natural gas supply, and contracted or owned storage capacity meeting the qualification requirements in paragraph (1)(c) of Section 8.1.1.2.1.6;

(ii) The following information regarding the Firm Transportation Agreement:

(A) FFSS Qualifying Pipeline name;

(B) Term;

(C) Primary points of receipt and delivery;

(D) Maximum daily contract quantity (in MMBtu);

(E) Shipper of record; and

(F) Whether the Firm Transportation Agreement provides for ratable receipts and deliveries; and

(iii) The following information regarding the storage arrangements:

(A) Storage facility name;

(B) Term of the Firm Gas Storage Agreement (if applicable);

(C) Maximum storage quantity owned or contracted under the Firm Gas Storage Agreement (in MMBtu); and

(D) Maximum daily withdrawal quantity (in MMBtu).

(c) For a Generation Resource to be eligible to receive an FFSS award, the primary Generation Resource and any alternate Generation Resource(s) identified in the FFSS Offer Submission Form shall complete all applicable testing requirements as specified in Section 8.1.1.2.1.6. A QSE representing an FFSSR is allowed to provide the FFSS with an alternate Resource previously approved by ERCOT to replace the FFSSR.

(d) An offer to provide FFSS is an offer to supply an awarded amount of capacity, maintain a sufficient amount of reserved fuel to meet that award for the duration requirement specified in the RFP, and to designate a specific number of emissions hours that will be reserved for the awarded FFSSR in meeting its obligation to perform in the event that FFSS is deployed. Reserved fuel, emissions hours, and other attributes, in excess of what is needed to meet the FFSS obligation can be used at the discretion of the QSE as long as sufficient fuel reserves and emissions hours are maintained for the purposes of ERCOT deployment of FFSS.

(e) Within ten Business Days of issuing FFSS awards, ERCOT will post on the ERCOT website the identity of all Generation Resources that were offered as primary Generation Resources or alternate Generation Resources to provide FFSS for the most recent procurement period, including prices and quantities offered.

(4) The QSE for an FFSSR shall ensure that the Resource is prepared and able to come On-Line or remain On-Line in order to maintain Resource availability in the event of a natural gas curtailment or other fuel supply disruption.

(a) When ERCOT issues a Watch for winter weather, ERCOT will notify all Market Participants, including all QSEs representing FFSSRs, to begin preparation for potential FFSS deployment. Such preparation may include, but is not limited to, circulation of alternate fuel to its facilities, if applicable; heat fuel oil to appropriate temperatures, if applicable; call out additional personnel as necessary, and be ready to receive a Dispatch Instruction to provide FFSS. An FFSSR may begin consuming a minimum amount of alternate fuel to validate it is ready for an FFSS deployment.

(b) In anticipation of or in the event of a natural gas curtailment or other fuel supply disruption to an FFSSR, the QSE shall notify ERCOT as soon as practicable and may request approval to deploy FFSS to generate electricity. ERCOT shall evaluate system conditions and may approve the QSE’s request. The QSE shall not deploy the FFSS unless approved by ERCOT. Upon approval to deploy FFSS, ERCOT shall issue an FFSS VDI to the QSE. ERCOT may issue separate VDIs for each Operating Day for each FFSSR that is deployed for FFSS.

(c) In conjunction with a QSE notification under paragraph (b) above, the QSE shall also report to ERCOT any environmental limitations that would impair the ability of the FFSSR to provide FFSS for the required duration of the FFSS award.

(d) ERCOT may issue an FFSS VDI without a request from the QSE, however ERCOT shall not issue an FFSS VDI without evidence of an impending or actual fuel supply disruption affecting the FFSSR.

(e) If the FFSSR is generating at a level above the FFSS MW awarded amount and that level of output cannot be sustained for the required duration of the FFSS award, ERCOT may use a manual High Dispatch Limit (HDL) override to ensure the FFSSR can continue to generate at the FFSS MW award level for the entire FFSS duration requirement specified in the RFP.

(f) The FFSSR shall continuously deploy FFSS to generate electricity until the earlier of (i) the exhaustion of the fuel reserved to generate at the FFSS MW award level for the duration requirement specified in the RFP, including any fuel that was restocked following approval or instruction from ERCOT, (ii) the fuel supply disruption no longer exists, or (iii) ERCOT determines the FFSS deployment is no longer needed. Upon satisfying one of these qualifications, ERCOT shall terminate the VDI and the FFSSR shall not be obligated to continue its FFSS deployment for the remainder of the Watch.

(g) The QSE for the FFSSR is responsible for communicating with the ERCOT control room the anticipated exhaustion of the reserved fuel at least six hours before that anticipated exhaustion and upon the exhaustion of that fuel.

(h) A QSE shall notify the ERCOT control room of the anticipated exhaustion of emissions credits or permit allowances at least six hours before the exhaustion of those credits or allowances. Upon receiving such notification, ERCOT shall modify the VDI so the FFSS deployment is terminated upon exhaustion of those credits or allowances.

(i) Upon deployment or recall of FFSS, ERCOT shall notify all Market Participants that such deployment or recall has been made, including the MW capacity of service deployed or recalled.

(5) Following the deployment of FFSS, the QSE for an FFSSR may request an approval from ERCOT to restock their fuel reserve to restore their ability to generate at the FFSS MW award level for the duration requirement specified in the RFP. Following approval from ERCOT, a QSE must restock their fuel reserve, using existing fuel inventories or new fuel purchases, to restore their ability to generate at the FFSS MW award level for the specified duration requirement. In the event ERCOT does not receive the request to restock from a QSE representing an FFSSR, but the QSE no longer has sufficient reserved fuel to generate at the FFSS MW award level for the specified duration requirement, the QSE shall communicate to the ERCOT control room this reduced capability and ERCOT may instruct the QSE to restock the fuel reserve.

(6) For a Resource to be considered as an alternate for providing FFSS, the following requirements must be met. The alternate Resource must:

(a) Be able to provide net real power sufficient to generate at the same FFSS MW award level as the primary Resource for the duration requirement specified in the RFP;

(b) Be a single Generation Resource, as registered with ERCOT; and

(c) Use the same source of fuel reserve for providing FFSS as the primary Resource.

(7) An FFSS Offer Submission Form may have up to three alternate Generation Resources per primary Resource offering to provide FFSS.

(8) For FFSSRs with approved alternate Generation Resources if the FFSSR becomes unavailable, the QSE must:

(a) As soon as practicable, call the ERCOT control room and inform an Operator that the FFSSR will be replaced by one of the alternate Generation Resource, specify which alternate Generation Resource (if multiple alternate Generation Resources have been designated), and provide an estimate of how long the replacement will be in effect;

(b) Update the Availability Plans for these Generation Resources to reflect current operating conditions within 60 minutes after identifying the change in availability of the FFSSR; and

(c) Update the COPs for these Generation Resources within 60 minutes after identifying the change in availability of the FFSSR.

(9) An FFSSR providing BSS must have sufficient fuel reserved to generate at the FFSS MW award level for the duration requirement specified in the RFP in addition to any fuel required for the Generation Resource to meet the contracted BSS obligation. Any remaining fuel reserve in addition to that required for meeting FFSS and BSS obligations can be used at the QSE’s discretion.

(10) If ERCOT issues an FFSS VDI to an FFSSR for the same Operating Hour where a RUC instruction was issued, then for Settlement purposes ERCOT will consider the RUC instruction as cancelled.

(11) If FFSS is deployed, then ERCOT will provide a report to the TAC or its designated subcommittee within 30 days of the end of the FFSS obligation period. The report must include the Resources deployed and the reason for any deployments.

(12) Any QSE that submits an offer or receives an award for a SWGR to provide FFSS, and the Resource Entity that owns or controls that SWGR, shall:

(a) Not nominate the SWGR to satisfy supply adequacy or capacity planning requirements in any Control Area other than the ERCOT Region during the period of the FFSS obligation; and

(b) Take any further action requested by ERCOT to ensure that ERCOT will be classified as the “Primary Party” for the SWGR under any agreement between ERCOT and another CAO during the period of the FFSS obligation.

(13) On an annual basis after the FFSS season, ERCOT will provide a report separately for the total amounts from Section 6.6.14.1, Firm Fuel Supply Service Fuel Replacement Costs Recovery, and Section 6.6.14.2, Firm Fuel Supply Service Hourly Standby Fee Payment and Fuel Replacement Cost Recovery, to the TAC or its designated subcommittee.

**6.6.14.1 Firm Fuel Supply Service Fuel Replacement Costs Recovery**

(1) If ERCOT approves a Firm Fuel Supply Service Resource (FFSSR) to switch to consume the reserved fuel and directs or approves a restocking pursuant to paragraph (5) of Section 3.14.5, Firm Fuel Supply Service, ERCOT shall pay the QSE representing the FFSSR for the replacement of burned fuel, if the QSE has:

(a) Complied with the Firm Fuel Supply Service (FFSS) instruction to switch to the reserved fuel;

(b) Submitted a Settlement and billing dispute consistent with the dispute process described in Section 9.14, Settlement and Billing Dispute Process;

(c) Submitted the following within 90 days of the issuance of a RTM Initial Statement for the Operating Day on which the FFSS instruction was issued:

(i) An attestation signed by an officer or executive with authority to bind the QSE stating that the information contained in the dispute is accurate;

(ii) For each deployment of FFSS, the quantity of total fuel consumed for the hours in each instance when FFSS was deployed;

(iii) For thermal units, the input-output equation or other documentation that allows for verification of fuel consumption for the hours when FFSS was deployed;

(iv) The heat content of the fuel, in terms of MMBtu/gal or similar units of measurement;

(v) The dollar amount and quantity of fuel purchased to replace the consumed fuel;

(vi) Sufficient documentation to support the QSE’s determination of the amount and cost of replaced fuel; and

(vii) Any other technical documentation within the possession of the QSE or Resource Entity which ERCOT finds reasonably necessary to verify paragraphs (i) through (vi) above. Any additional request from ERCOT for documentation or clarification of previously submitted documentation must be honored within 15 Business Days.

(2) In addition to the requirements under paragraph (1)(c) above, for a Generation Resource that was awarded FFSS using reserved fuel based on a Firm Gas Storage Agreement and is requesting compensation for the cost of the replaced fuel, the QSE or Resource Entity representing the FFSSR must show proof that it purchased and nominated fuel in sufficient quantities (in MMBtu) that was consumed during the FFSS deployment and that its actual receipts and deliveries of such replacement fuel conformed with its nominated quantities.

(3) The Firm Fuel Supply Service Fuel Replacement Cost shall only represent the replacement fuel costs not recovered during the FFSS deployment period through Day-Ahead energy sales and Real-Time energy imbalance settlement revenues related to the Resource with the FFSS award. In addition, the Firm Fuel Supply Service Fuel Replacement Cost shall only include commodity and variable transportation costs directly attributable to the replenishment of fuel for the FFSSR.

(4) If, after ERCOT approval, the fuel that was burned during FFSS deployment is replaced using existing fuel inventories, the Firm Fuel Supply Service Fuel Replacement Cost may be based on:

(a) New fuel purchases made within 30 days after ERCOT approves the restock of the burned fuel as described in paragraph (5) of Section 3.14.5; or

(b) The Fuel Oil Index Price (FOP) for the Operating Day the QSE received approval to restock fuel, which includes $0.05/gallon to cover the cost of transportation.

(5) ERCOT shall allocate any approved fuel replacement costs to the hours of the corresponding FFSS deployment period when the fuel was consumed following ERCOT’s approval to switch to utilize the awarded FFSS.