

To: NAESB@naesb.org

From: The American Gas Association and the American Public Gas Association

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Re: Comments on the February/March 2016 Gas-Electric Harmonization Forum Meetings re: Faster, Computerized Scheduling

I. Introduction

The American Gas Association (“AGA”)¹ and the American Public Gas Association (“APGA”)² (collectively, “the Joint Associations”) respectfully submit these written comments to provide further thoughts and perspectives on the discussions that took place in February and March during the reactivated North American Energy Standards Board (“NAESB”) Gas-Electric Harmonization Forum (“GEH Forum”) meetings set up to discuss the possibility of faster, computerized scheduling.³

As discussed further in these comments, the Joint Associations urge the NAESB Board of Directors (“NAESB Board”) to consider which issues raised during the GEH Forum are

¹ The AGA, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 72 million residential, commercial and industrial natural gas customers in the U.S., of which 95 percent – just under 69 million customers – receive their gas from AGA members. AGA is an advocate for local natural gas utility companies and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international gas companies and industry associates. Today, natural gas meets more than one-fourth of the United States’ energy needs. For more information, please visit www.aga.org. AGA members participate in the NAESB Wholesale Gas Quadrant (“WGQ”). Some AGA members are transportation service providers as well as distributors and are subject to the same scheduling challenges as the interstate pipelines.

² APGA is the national, non-profit association of publicly-owned natural gas distribution systems, with over 700 members in 37 states. Overall, there are some 950 publicly-owned systems in the United States. Publicly-owned gas systems are not-for-profit retail distribution entities that are owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities. APGA members purchase interstate natural gas transportation services, usually as captive customers of a single interstate pipeline, at rates and under terms and conditions that are regulated by the Federal Energy Regulatory Commission (“FERC”).

³ AGA submitted comments to NAESB on March 4, 2016 regarding the first GEH Forum meeting held on February 18-19. APGA also submitted comments to NAESB regarding the GEH Forum meetings.

responsive to the NAESB Board's directive, including an assessment of which areas of interest will have strong support for further investigation. The Joint Associations believe that while the presentations provided thoughtful educational background information and identified possible new approaches, very few of the presentations set forth concrete, detailed proposals or ideas related to scheduling that are relevant to the NAESB Board's current directive to the GEH Forum. Further, the Joint Associations submit that compressing the time required to confirm nominations may negatively affect quality of service to all customers. The Joint Associations suggest that that no recommendations for the development of any further substantive changes to the timeline be pursued until market participants have had the opportunity to gain experience from operating under the new scheduling timeline, only now having been made effective April 1, 2016.

II. Comments

The GEH Forum has been reactivated by the NAESB Board based on FERC statements in Order No. 809 and rehearing of that Order.⁴

In paragraph 107 of Order No. 809, FERC stated:

While NAESB's modified standards represent an improvement over the currently effective standards, we continue to recognize that additional intraday nomination opportunities could promote more efficient use of existing pipeline infrastructure and provide additional operational flexibility to all pipeline shippers, including gas-fired generators. The modified NAESB standards reflect reduced intraday processing times from the current NAESB standards (i.e., three hours instead of the current four hours), and existing operational limitations, including the manual processes utilized by pipelines for processing nominations, may affect the ability of the gas industry to add additional standard nomination cycles applicable to all shippers. However, the use of computerized scheduling would appear to provide an opportunity for faster and more frequent scheduling of intraday nominations for those shippers and their confirming parties willing to commit to scheduling electronically. ***We request that gas and electric industries,***

⁴ *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, Order No. 809, 80 Fed. Reg. 23197 (Apr. 24, 2015), FERC Stats. & Regs. ¶ 31,368 (cross-referenced at 151 FERC ¶ 61,049 (2015) ("Order No. 809") and *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, Order on Rehearing, 152 FERC ¶ 61,212 (2015), respectively.

through NAESB, explore the potential for faster, computerized scheduling when shippers and confirming parties all submit electronic nominations and confirmations, including a streamlined confirmation process if necessary. Providing such an option would enable those entities that need greater scheduling flexibility to have their requests processed expeditiously.⁵

In its September 17, 2015 order on rehearing, FERC further stated:

In addition, while we recognize the time commitments in implementing the revised nomination timeline, *the Commission requests that the natural gas and electric industries, through NAESB, begin considering the development of standards related to faster, computerized scheduling* and file such standards or a report on the development of such standards with the Commission by October 17, 2016.⁶

In response to this directive, the NAESB Board reactivated the GEH Forum and provided additional guidance by directing the GEH Forum to address the request through the following steps: (1) provide a forum for industry education from both the natural gas and electric industries regarding gas-electric coordination specific to computerized scheduling, and confirmations, including a streamlined confirmation process, if necessary; (2) identify potential issues specific to computerized scheduling, and confirmations including a streamlined confirmation process, if necessary which could be based on the education provided in step 1; (3) identify potential solutions to the issues identified in step 2; and (4) identify potential schedules for standards development. Therefore, the NAESB Board reactivated the GEH Forum process with specific directives in response to a much broader request from FERC. The NAESB GEH Forum scheduled several meetings that were educational in nature. No votes were to be taken on specific recommendations; rather, the purpose of the meetings was to develop a report that could be considered by the NAESB Board during its April 7, 2016 meeting, in an effort for the NAESB

⁵ Order No. 809 at P 107 (emphasis added).

⁶ *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities, Order on Rehearing*, 152 FERC ¶ 61,212 (2015) (emphasis added).

Board to determine how and in what form NAESB could be responsive to FERC's request by October 17, 2016.⁷

The GEH Forum meetings began February 18-19, with a series of presentations provided by parties, including: the NAESB WGQ Pipeline Segment, PJM, ACES Power, Fidelity National Information Services, Skipping Stone, Environmental Defense Fund, Coalition of Energy Technology Firms, and OATI, Inc. The presentations were strictly voluntary, and focused on providing information regarding: education on the current practices and process in both the natural gas and electric industries regarding gas-electric coordination and computerized scheduling; identification of issues related to computerized scheduling; and potential solutions to the issues identified.⁸

The discussion during the March 7-8 meeting attempted to identify/classify concepts and proposals from the presentations made during the February 18-19 meeting, some of which were related to potentially faster, computerized scheduling. Each of the topics and ideas discussed during the meeting were given equal weight without being filtered for relevance based on the guidance given to the GEH Forum by the NAESB Board. In an effort to frame the issues, NAESB Staff developed a matrix, which categorized the issues identified by the presentations by topic, and included questions to serve as a lens through which the identified issues could be examined.

During the March 21-22 meeting, NAESB Staff modified the matrix into a survey that involved six questions for each of the 43 issues/items discussed in the three NAESB GEH Forum meetings to date. The survey was sent to NAESB participants, including those on the NAESB

⁷ See *2016 NAESB GEH Survey (March 24, 2016)*.

⁸ See *NAESB Open Request for Presentations to Support the GEH Forum Efforts*, P. 1 (January 12, 2016).

GEH distribution list, the NAESB Advisory Council and all NAESB members.⁹ The results of the survey will be presented to the NAESB Board as it determines the best approach for NAESB to take in response to the requests of FERC in Order No. 809 and the subsequent Order on Rehearing.¹⁰

The Joint Associations actively participated in all of the GEH Forum meetings and appreciate NAESB Staff distributing the survey in order to provide additional input to the NAESB Board. In consideration of the overall record of the robust discussions that took place during the meetings as well as a review of the survey, the Joint Associations encourage the NAESB Board to focus only on the concepts/issues from the GEH Forum that are responsive to both FERC's and the NAESB Board's direction and have strong, multi-segment support for further investigation. Consequently, if an item is not specific to those directives and/or is unlikely to have broad support, the Joint Associations suggest that the NAESB Board find that the concept/issue does not belong in this GEH Forum discussion.¹¹

a. The GEH Forum Discussions Have Been Educational with Few Concrete or Actionable Proposals Made

The GEH Forum process has thus far been educational in nature, and in order to provide a full record to the NAESB Board, no restrictions were placed on the content of each of the proposals presented during the meetings, and they have all been equally considered. However, in reviewing the presentations and concepts/issues listed during the GEH Forum meetings, the Joint Associations submit that few of the 43 items were concrete, detailed proposals that could be considered for standardization, as noted by the "needs more education" designation. For example, some of the proposed solutions involve gaining a better industry understanding to

⁹ See 2016 NAESB GEH Survey, P. 1 (March 24, 2016).

¹⁰ See 2016 NAESB GEH Survey, P. 1 (March 24, 2016).

¹¹ As an alternative, separate standards requests can be made and vetted through the usual NAESB process.

determine if there are issues that could be identified for later policy review. The Joint Associations believe that an idea that concludes with “needs more education” signals that it may need additional refinement to warrant any further consideration, and therefore does not belong in this current GEH Forum discussion. In this regard, the NAESB Board should give greater consideration to proposals that are in line with the NAESB Board’s directive and proposals that are developed with enough detail and are likely to gain broad support at this time to be worthy of consideration for further action.

b. Compressing the Confirmation Cycles May Impact Quality of Service

The absence of concrete proposals indicates that there are few opportunities for further enhancing the nomination schedule, and that there may not be much interest, even from the electric generators, for additional standardized changes related to faster, computerized scheduling. As discussed during the meetings, and in AGA’s March 4, 2016 written comments, any further compression of the nomination schedule could likely have the unintended and detrimental consequence of tightening the current flexibility to have nominations confirmed on pipeline systems, reducing the number of confirmed transactions, and could increase costs for interstate pipeline transportation service providers and, primarily, their firm shippers.

c. Experience Is Needed Under the Revised Schedule Prior to Moving Forward with Additional Standardized Changes

It is difficult to discuss further modifications to the schedule without any experience with the new schedule just implemented on April 1, 2016 and related changes in the RTO/ISO electric markets. Additional time is needed for market participants to acclimate themselves to the Commission’s new schedule guidance and to analyze the impacts. Following a review of these data, any further modification to the schedule should first be determined to be something that

would have strong, multi-segment support, including from the electric generators¹² – the primary group of pipeline shippers that the scheduling changes would be designed to assist. Additionally, it should be determined that the entities supporting the development of further modifications to the schedule seek the changes and would use them in light of a recognition of the potential costs and potential unintended consequences that may result from further compressing the schedule.

The Joint Associations therefore urge the NAESB Board not to consider changes to the natural gas schedule at this time and to allow at least a year or two of actual experience under the new schedule so that the industries can analyze how such schedule changes impact all natural gas customers, including how and whether the new ID3 nomination cycle is being used. Given the Commission’s objectives in initiating this dialogue within NAESB, no nomination schedule change should be considered by NAESB until proponents of a change can show that the change will improve service flexibility generally and not decrease the operational flexibility that shippers now enjoy.¹³

d. Reliability of Natural Gas Service Is Paramount

Reliability of service for customers is an overarching priority for both the gas and electric industries. With the increased use of natural gas for power generation, concerns regarding the ability of electric generators, which often have highly-variable loads, to be able to arrange for gas supplies on short notice, are better addressed by means other than the pursuit of additional nomination cycles or through faster, computerized scheduling. The Joint Associations believe

¹² In light of the absence of active participation and any specific proposal(s) or request(s) by the electric generators in this GEH Forum process, as stated above, the Joint Associations believe that the NAESB Board should not pursue further discussions regarding changes to the schedule without a showing of strong, multi-segment support. In fact, during the third meeting when asked, one generator specifically indicated it was not asking to further compress the schedule.

¹³ For example, where currently provided, true-up (also known as clean-up) nomination cycles are invaluable for pipelines, LDCs, and other entities as they seek to close each day of gas business in good order. Nothing must be permitted to disturb these valuable nomination opportunities, or other best-efforts nomination cycles, where already provided.

that new services by the pipelines may be a way to accommodate the niche needs of electric generators. Certain additional nomination cycles and other services are already provided by several pipelines and, depending on the specific pipeline configuration and capabilities, such services can be designed to reliably serve the needs of gas-fired generators. Pipelines routinely work with their customers to develop new and expanded services or schedules to meet specific needs and the generators can and should already be talking with their interconnecting pipelines about their needs and the possibility of new or existing services that can address them.

However, ultimately, the principal determinants of the reliability of electric generators will continue to be adequate natural gas infrastructure (and/or dual-fuel capability and fuel diversity) and appropriate incentives to develop such infrastructure or capability. The investment in additional infrastructure, such as market area storage, is critical to facilitate the ability to match physical flows with the requested nomination changes. The Joint Associations reiterate that increasing the intraday nomination opportunities will not turn interruptible transportation into firm, particularly on fully subscribed pipelines during constrained circumstances, nor will additional intraday nomination opportunities physically move the gas quicker from the receipt point to the point of delivery.

III. Conclusion

In summary, the Joint Associations reiterate their appreciation for all of the time and effort put into the GEH Forum discussions by the active parties. While each of the presentations provided insightful information and presented unique perspectives on a number of issues, most of the presentations were educational in nature. The Joint Associations caution the NAESB Board in moving too rapidly along a path to pursue standardization that is not broadly supported by both gas and electric industries, may do little or nothing to increase the reliability of gas

supplies, and that may have the unintended result of decreased operational flexibility, particularly in advance of the industry gaining experience and insight into the nomination and scheduling process subsequent to the April 1, 2016, commencement of the Order No. 809 revised nomination schedule. Any substantive recommendations for further standardized changes to the nomination and scheduling process should be deferred until participants have had the opportunity to gain experience from operating under the new scheduling timelines that took effect on April 1, 2016. In terms of next steps, the Joint Associations believe that the NAESB Board needs to consider which concepts/ideas raised during the GEH Forum are responsive to the NAESB Board's directives, and should assess, based on the overall record of the meetings, whether any of them have strong multi-segment support to merit further consideration.

Respectfully submitted,

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