UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Coordination between Natural Gas and Electricity Markets	))	Docket No. AD12-12-000

COMMENTS OF THE INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA

The Interstate Natural Gas Association of America (INGAA)[1] submits these comments in response to the Federal Energy Regulatory Commission's (FERC or Commission) February 13 technical conference on information sharing and communications between the natural gas and electric power industries and the April 25 technical conference on natural gas and electric scheduling in this docket. INGAA member companies actively participated at both conferences and appreciate the Commission's continued interest in discussing gas-electric coordination issues with all stakeholders. INGAA is committed to working with FERC, our customers, the Independent System Operators (ISOs), Regional Transmission Organizations (RTOs) and other stakeholders to develop solutions to the challenges identified through this process.

In response to discussions at these conferences, and as the pipeline industry's thinking about these issues has developed, INGAA wishes to signal the pipeline industry's willingness to consider the following positions to support the reliability of the bulk power system: (1) modifying the Timely nomination cycle; (2) adding an additional standardized intraday nomination cycle; and (3) changing the start of the Gas Day. The benefits, however, of any proposal will be realized fully *only* if the ISOs/RTOs that administer organized wholesale

[1] INGAA is comprised of 26 members, representing the vast majority of the interstate natural gas transmission pipeline companies in the United States and comparable companies in Canada. INGAA's members, which operate approximately 200,000 miles of pipelines, provide an indispensable link between natural gas producers and natural gas consumers in the residential, commercial, industrial and electric power sectors. INGAA members are committed to providing reliable transportation services to their diverse customers, without undue discrimination, and to maintaining a high level of customer service.

electric power markets review their timelines and similarly adjust their relevant schedules to make dispatch decisions prior to the pipelines' standardized nomination cycles.

In addition, with respect to communication between electric grid operators and pipelines, INGAA reiterates its and others' requests[2] that FERC clarify what non-public information pipelines should and can share with electric grid operators (both ISOs/RTOs and electric utilities in bilateral electric markets) without violating the undue discrimination provisions of section 4(b) of the Natural Gas Act.

While INGAA member companies are open to considering changes to gas scheduling and communication protocols, INGAA cautions that such short-term changes will not solve fundamental electric reliability issues. The ISOs/RTOs, in conjunction with FERC, must begin addressing necessary long-term changes to the restructured wholesale electric power market rules to ensure that generators can secure, and be compensated for, adequate supply and transportation, regardless of fuel choice, needed to ensure the reliability of the bulk power system.

I. Pipelines are open to considering changes to the gas day and gas nomination cycles that may facilitate electric reliability.

The unified Gas Day and pipeline nomination, confirmation and scheduling processes, as developed through the North American Energy Standards Board (NAESB), have worked well to deliver gas reliably to customers for over fifteen years.[3] Currently, the Gas Day (when gas flows) is from 9:00 a.m. to 9:00 a.m. Central Clock Time (CCT). NAESB also requires that

[2] *See* "Joint Comments and Request for Approval, Subject to Clarification, of the New England Pipelines and the Interstate Natural Gas Association of America," Docket No. ER13-356-000 (Nov. 28, 2012). *See also* "Request for Expedited Rehearing and Clarification of ISO New England," Docket No. ER13-356-000 (Dec. 19, 2012). "The ISO requests that the Commission clarify that the pipelines may engage in information-sharing without violating the Natural Gas Act and other applicable laws and regulations." ISO New England Request at 1.

[3] NAESB is the successor to, and is modeled after, the Gas Industry Standards Board, which was established in 1994.

pipelines offer at least four nomination cycles – two day-ahead nomination cycles and two intra-day nomination cycles.[4] By contrast, the electric industry's energy day runs from midnight to midnight for each time zone. As such, there is not a uniform Electric Day. Electric grid operators also have different times for opening and closing their respective day-ahead energy markets. INGAA recognizes that these timing differences create a mismatch between the gas and electric markets. Accordingly, INGAA offers the following suggested changes to help narrow these gaps, which might assist electric reliability, subject to needed additional changes to be considered by the electric industry.

A. Pipelines propose changes to the timing of the Timely nomination cycle, but such changes only are meaningful for electric reliability with coincident changes to the electric scheduling timeframes.

A common issue discussed at the April 25 technical conference was whether to modify the gas nomination and scheduling timeline. Currently, the Timely nomination deadline is at 11:30 a.m. CCT for gas flow at 9:00 a.m. CCT the next day. Pipelines propose moving the timing of the Timely nomination deadline to 1:00 p.m. CCT to facilitate generators' opportunity to bid into the day-ahead electric markets, learn from their ISO/RTO whether they will be dispatched, and secure gas supply before nominating for pipeline transportation.

INGAA proposes changing the Timely nomination cycle as follows (all times CCT):

	Current Time	**Proposed Time**
Nomination deadline:	11:30 a.m.	**1:00 p.m.**
Confirmation deadline:	3:30 p.m.	**4:30 p.m.**
Posting of scheduled quantities:	4:30 p.m.	**5:00 p.m.**
Gas flows:	9:00 a.m. (next day)	**9:00 a.m. (next day)**

[4] NAESB WGQ Standard 1.3.2.

Pipelines maintain that the Timely nomination, confirmation and scheduling process must occur during normal business hours. Although interstate pipelines have been able to reduce the total time of the process through automation, there necessarily remains a good amount of person-to-person communication during the confirmation and scheduling process. Further, even if nominations are submitted through an automated confirmation process, there are instances where the nominated quantities do not match the receipt and delivery point operators' information. In these cases, the pipeline still will need to manually confirm the nomination. Pipelines' telephone calls and emails must be made during normal business hours when the counterparties that can confirm supply – the producers, the receipt point operators, and the marketers – are reachable. Likewise, a pipeline must confirm with the delivery point operators that nominated volumes will be taken off the pipeline. Adequate time for the confirmation process is important to pipeline operations since both insufficient volumes injected into the pipeline and a surplus of anticipated volumes left on the pipeline can affect the pipeline's operational integrity and may impact the ability of other shippers to withdraw gas from the pipeline.

Pipelines are willing and able to compress the Timely nomination, confirmation and scheduling process from the current five hour standardized process to four hours and still complete the process within normal business hours. Still, moving the Timely nomination deadline past 1:00 p.m. CCT is not realistic.

Moreover, moving the Timely nomination cycle without concurrently moving the posting of ISOs'/RTOs' day-ahead energy markets bids prior to the Timely nomination deadline will not eliminate the mismatch between the gas and electric schedules for all organized markets.[5]

[5] INGAA is not suggesting that all ISOs/RTOs must have the same day-ahead market schedule. Still, based on ISOs'/RTOs' current day-ahead energy markets, only New York ISO would benefit fully from INGAA's proposed change to the Timely nomination cycle without further changes to its day-ahead energy market timeline. New York ISO's day-ahead energy market bids are posted at 10:00 a.m. CCT, prior to both the current and the proposed

Moving the Timely nomination cycle alone will not help if a generator still will not know whether it has been dispatched prior to the Timely nomination deadline.

In addition, it is important that pipelines still have sufficient time after the posting of scheduled volumes before gas flows to set up the pipeline system, particularly for Timely nominations on the first of the month. Completing the Timely nomination cycle by 5:00 p.m. CCT would allow a pipeline to make necessary operational decisions and set up its system prior to gas flow the next morning.

At this time, INGAA is not proposing changes to the other NAESB nomination cycles. As discussed below, if FERC ultimately decides to modify the gas flow day, INGAA believes the Intraday 1 (ID1) and Intraday 2 (ID2) nomination cycles should be adjusted consistent with the start of the gas flow day so that they remain eight (8) and twelve (12) hours after the start of the revised gas flow day.

B. Pipelines are open to discussing an additional standardized intraday nomination cycle.

Several participants at the April 25 technical conference discussed the value of additional intraday nomination opportunities. INGAA member companies are open to discussing opportunities for an additional standardized intraday nomination cycle. As discussed above, interstate pipelines currently offer two intraday nomination cycles. Nominations for the Intraday 1 cycle are due at 10:00 a.m. CCT on the current Gas Day for gas flow at 5:00 p.m. CCT that same Gas Day, and nominations for the Intraday 2 cycle are due at 5:00 p.m. CCT on the current Gas Day for gas flow at 9:00 p.m. CCT that same Gas Day.

Timely nomination deadline. Although ISO New England recently revised its day-ahead energy market timeline to post bids at 12:30 p.m. CCT, this would give ISO New England's generators only 30 minutes to secure supply and nominate gas before the proposed 1:00 p.m. CCT Timely nomination deadline, which likely is not enough time. All other ISOs/RTOs currently post their bids after the proposed Timely nomination deadline.

If FERC decides to propose an additional intraday nomination, INGAA suggests gas flow for this nomination cycle (Intraday 3 or ID3) should begin eight (8) hours before the start of the next Gas Day.[6] This is a natural extension of the current NAESB nomination standards and will ensure that Elapsed Prorated Scheduled Quantity calculations are consistent.[7] As with all nomination cycles, a shipper must have the physical supply necessary to support its nomination. An additional nomination opportunity would not change this fundamental obligation.[8]

INGAA notes that an additional standardized intraday nomination cycle would not preclude individual pipelines from proposing nomination opportunities that surpass the required standardized NAESB cycles. Where possible, individual interstate pipelines already are working with their customers to provide additional nomination opportunities and service offerings that meet their customers' needs. Further, an additional intraday nomination cycle should not limit other late-day nomination flexibilities or services that may be possible for a particular pipeline and for which standardized times should not be required, such as flow day diversions[9] or automatic balancing services.[10]

[6] Since the gas flow for ID1 is one third of the way through the Gas Day and gas flow for ID2 is half way through the Gas Day (5:00 p.m. and 9:00 p.m. respectively, based on the current gas day), it seems logical to start gas flow for an ID3 two thirds of the way through the Gas Day. If the start of the gas flow day changes, so would the timing of gas flow for an ID3.

[7] NAESB WGQ Standard No. 1.2.12.

[8] Pipeline tariffs require that shippers' receipt volumes conform to their delivery volumes to ensure the operational integrity of the pipeline.

[9] NAESB WGQ Standard No. 1.3.80. Generally, pipelines should support the ability of a customer to redirect scheduled natural gas to a receipt point upstream of a constraint point or to a delivery point downstream of a constraint point, without the need to reschedule those quantities of natural gas.

[10] Pipelines offer operational balancing agreements (OBAs) between the pipeline and a customer to facilitate more efficient operations of the pipeline system in instances where there is inadvertent over or under-receipts or deliveries of the customer's scheduled quantity of natural gas.

C. Pipelines are willing to consider changes to the timing of the Gas Day.

At the April 25 technical conference, the ISOs/RTOs discussed changes to the Gas Day as a potential option for easing reliability concerns. INGAA is willing to consider moving the start of the common Gas Day earlier if it would help decrease the mismatch between the gas and electric days. At this time, however, INGAA is not proposing a specific time change to the Gas Day. Still, any changes ultimately recommended should reflect the following considerations.

First, there must be consensus among all market participants, and in particular firm pipeline transportation customers, on when the Gas Day should begin and end. As mentioned above, the current Gas Day has worked well to deliver gas reliably to customers for years, and traditional firm customers have made contracting decisions and established internal nomination protocols with the current common Gas Day in mind. Any changes to the Gas Day will impact all customers involved, both the pipeline industry's historic customers and the generators that are depending increasingly on natural gas. Accordingly, any changes to the Gas Day must be supported by those who currently subscribe to firm pipeline transportation services. INGAA will continue to work with pipeline customers and others in the gas and electric industries to discuss specific changes to the Gas Day.

Second, the Gas Day should remain a common Gas Day across the U.S. The natural gas industry and consumers have benefited from a national commodity market where transportation customers can purchase gas from dozens of liquid trading points across the U.S. and Canada and transport that gas across one or more pipelines to a national market. The uniform Gas Day contributes to achieving the Commission's longstanding goal of ensuring that "all shippers have

meaningful access to the pipeline transportation grid so that willing buyers and sellers can meet in a competitive, national market to transact the most efficient deals possible."[11]

Third, producers must affirm that they operationally can support the timing of a revised gas flow day. If FERC proposes to move the Gas Day, for example, to earlier in the morning, FERC must ensure that producers are able to deliver gas physically into a pipeline at that earlier time. If not, an earlier start of the Gas Day will not be workable. Pipelines are not in the merchant business, and pipeline storage and/or line pack cannot support gas flow in the interim period before supply is available.

Lastly, and critically, in order to optimize the benefits of a revised Gas Day, the electric industry must consider moving its Electric Day, at a minimum, closer to – if not in alignment with – a revised Gas Day.[12] If not, even after moving the start of the Gas Day, for example, to earlier in the morning, there will remain a large gap between the Electric Day and the Gas Day, and generators still will be compelled to nominate on pipelines over two Gas Days to cover one Electric Day. Changes to ensure electric reliability should be a joint effort that includes accommodations by all parties involved.

Additionally, changes to the Gas Day will not address the underlying supply and transportation contracting issues raised at the April 25 technical conference. Participants discussed whether changing the timing of the Gas Day (when gas flows) could increase the ability of generators to operate during peak electric demand periods. The New York ISO expressed concern that some generators dispatched in its region, relied upon to meet peak

[11] *Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation under Part 284 of the Commission's Regulations; Regulation of Natural Gas Pipelines after Partial Wellhead Decontrol*, Final Rule; Order No. 636, 59 FERC ¶ 61,030 (1992) at 7.

[12] At the technical conference, some ISOs suggested that it would not be beneficial to change to the start of the Electric Day, since energy load follows time zones. Simply because the morning demand for electricity starts roughly at the same time for each time zone, does not justify why the Electric Day must begin at midnight for each time zone.

electric demand, derate during the last hours of the Gas Day because they have reached their contractual limits on the pipeline for the Gas Day. The generators derate since burning additional gas can place the generator out of balance with the pipeline and subject the generators to pipeline penalties. The ISO expressed concern that these generators are derating just as the ISO needs them to come on to support the morning demand for electricity. The ISO suggested that it would be beneficial to start the Gas Day earlier, such as 5:00 or 6:00 a.m. CCT, so that generators needing to derate would do so in off-peak electric demand hours.

While the ISO rightly should be concerned about a generator's ability to perform during the morning demand for electricity, the core issue is not a Gas Day timing issue. Rather, at the center of New York ISO's concern is that the generator has not secured enough supply and transportation to meet the ISO's dispatch requirements. The ISO's concern about generators derating at the end of the Gas Day or reaching their contractual limits on the pipeline during the electric morning peak will not necessarily be solved by moving the Gas Day a few hours.

II. The Commission should clarify what non-public information pipelines should and can communicate to electric grid operators without allegations of undue discrimination.

At the February 13 technical conference, some ISOs/RTOs stated that they need additional operational information from the pipeline(s) in their market to determine how best to dispatch generators and to maintain electric reliability. The pipelines asked the ISOs/RTOs to specify what non-public information they wish to receive from pipelines that is not already publicly posted. The ISOs/RTOs have yet to identify a comprehensive list of information.

In both its comments in the ISO New England communications proceeding[13] and in its January 7, 2013 comments in this docket, INGAA requested that:

> Should the electric industry stakeholders identify information that they believe would enhance electric reliability, the Commission must provide pipelines with the assurance that such communications legally are permissible and, specifically, that such information sharing will not constitute undue discrimination given the Commission's overriding public policy interest in ensuring reliable electric generation.[14]

As pipelines still are not clear on what non-public information ISOs/RTOs wish pipelines to provide, INGAA reiterates that ISOs/RTOs should identify clearly what non-public information they wish pipelines to share. Once the ISOs/RTOs provide this information, or if the Commission wishes to suggest what non-public information it thinks pipelines should provide to ISOs/RTOs, the Commission must determine whether pipelines permissibly can share this information with an ISO/RTO without violating section 4(b) of the Natural Gas Act. Without such clarification, pipelines are reticent to share information with the ISO/RTO beyond that which already is posted on pipelines' websites.

Notwithstanding pipelines' general willingness to discuss additional communication and information sharing with the ISOs/RTOs, subject to the above clarification from the Commission, INGAA continues to emphasize that much of the information ISOs/RTOs seem to desire already is posted publically on pipeline websites. For example, pipelines post information about pipeline outages and maintenance and update these postings when they have new information. An ISO/RTO can sign up to receive pipeline notices if, for example, there is a compressor station outage on a pipeline system that reduces pipeline capacity in its region. The pipeline notice will indicate the receipt and delivery points affected and when the pipeline

[13] "Joint Comments and Request for Approval, Subject to Clarification, of the New England Pipelines and the Interstate Natural Gas Association of America," Docket No. ER13-356-000 (Nov. 28, 2012).

[14] "INGAA Comments," Docket No. AD12-12 (Jan. 7, 2013) at 9.

estimates placing the compressor station back into service. A pipeline also posts on its website whether it has available pipeline capacity for sale, the identity of its customers and the rates, volumes and other details about each of its contracts, and the maximum cost of service rate for each of its tariffed services.[15] An ISO/RTO can determine whether a generator is a firm customer and for how much capacity a generator has contracted. Other information, such as whether the generator has secured adequate fuel supply to meet its burn profile, is not information that the pipeline would know and is best left for a direct discussion between the ISO/RTO and the generator.[16]

INGAA pipelines have met, and are willing to continue meeting, with their ISOs/RTOs to explain where and what information is posted on pipeline websites, what information pipelines can "push" directly to ISOs/RTOs, and what information is not publicly posted.

III. While it is worthwhile to explore short-term changes that may improve communications and energy scheduling, the ISOs/RTOs, in conjunction with FERC, must address the need for fundamental, long-term changes in the restructured wholesale electric power markets.

Recognizing that any rulemaking or stakeholder process will take time, the ISOs/RTOs, in conjunction with the Commission, must address the long-term changes to the restructured wholesale electric power market that may be needed to maintain bulk power system reliability.[17] As INGAA has advocated consistently, the pertinent question is whether the market rules and regulatory structures within a wholesale electric power market place an appropriate value (or

[15] 18 C.F.R. § 284.13.

[16] Generators at the technical conference stated they were unsure why the ISO could not receive this information directly from the generator. In addition, the generators stated that pipelines are not in the position to determine how a generator has secured appropriate fuel commitments to support its nomination, since a generator may use a marketer or asset manager to secure its fuel supply needs. Pipelines agreed.

[17] INGAA recognizes that the Commission issued a notice proposing to hold a technical conference on centralized capacity markets in ISOs and RTOs on September 25, 2013. *Centralized Capacity Markets in Regional Transmission Organizations and Independent System Operators*, Notice of Technical Conference, Docket No. AD13-7 (June 17, 2013).

price) on electric reliability such that there is an incentive to ensure the ability of a generator to operate reliably. This is a critical question no matter what fuel option a region chooses to rely upon.

INGAA recognizes that all ISOs/RTOs either have conducted or are in the process of conducting studies on the issues surrounding the increased use of gas-fired generation in their respective regions. A number of the ISOs/RTOs also are involved in regional stakeholder processes to examine whether their market rules impede full integration of gas-fired resources. INGAA appreciates these regional stakeholder processes and all ISOs'/RTOs' commitment to electric reliability. INGAA encourages the ISOs/RTOs, in conjunction with FERC, to continue examining long-term changes to amend the restructured wholesale electric power market rules, which fail to compensate generators for the cost of subscribing to services necessary to ensure electric reliability, regardless of the fuel needed to generate electric power.

IV. CONCLUSION

INGAA looks forward to working with all stakeholders to explore changes to the Gas Day and nomination schedule that meet the needs of the growing electric power market and historic firm customers, and consider the operational requirements of the producers. At the same time, the organized electric markets must work to review their Electric Day and dispatch schedules to ensure that generators are able to nominate timely on pipelines. Otherwise, the changes the gas industry is willing to consider here will not serve the ultimate electric reliability goals we all are seeking. Finally, these shorter-term changes may help with gas-electric integration, but they do not negate or mitigate the need to address the longer-term, and core issue, of modifying wholesale electric market rules to compensate generators for holding long-term pipeline transportation contracts and supporting infrastructure expansions.

Respectfully submitted,

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