

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Standards for Business Practices of)
Interstate Natural Gas Pipelines) Docket Nos. RM96-1-019, *et al.*

**INITIAL COMMENTS OF
THE NATURAL GAS SUPPLY ASSOCIATION ON
NOTICE OF PROPOSED RULEMAKING**

Pursuant to the Notice of Proposed Rulemaking issued in the above-captioned docket on October 12, 2001,¹ the Natural Gas Supply Association (“NGSA”) files its initial comments. NGSA states as follows:

I. Communications and Correspondence.

Communications and correspondence regarding this filing should be directed to:

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II. Overview of the NOPR.

In the NOPR, the Federal Energy Regulatory Commission (“Commission”) proposes to require that interstate natural gas pipelines permit shippers to recall released capacity and re-nominate that recalled released capacity at any of the scheduling opportunities currently provided by interstate pipelines.

¹ *Standards for Business Practices of Interstate Natural Gas Pipelines*, 66 Fed. Reg. 53134-01 (October 19, 2001).

III. NGSA's Interest in this Proceeding.

NGSA represents integrated and independent companies that produce and market domestic natural gas. Established in 1965, NGSA encourages the expanded use of natural gas and a regulatory climate that fosters competitive markets.

IV. NGSA's Initial Comments on the NOPR.

In response to the March 16, 2001 American Gas Association ("AGA") "Reply to February 1, 2001 Gas Industry Standards Board Report and Petition for Clarification and Directive from FERC Regarding Requirement for Capacity Scheduling Equality," NGSA expressed its concern that the adoption by the Commission of new rules permitting flowing or partial day recalls of released capacity might lead to increased operational risks for the producers and other shippers who may rely on released capacity, or otherwise disrupt normal operations of natural gas pipelines. NGSA continues to be concerned about the potential reliability impacts of the proposed rule regarding flowing or partial day recalls of released capacity. If, notwithstanding those concerns, the Commission elects to proceed with the proposed rule, NGSA offers the following proposed revisions and clarifications.

Shippers subject to flowing or partial day capacity recall may have minimal notice of recall and an inadequate opportunity to respond to that notice. Therefore, if the proposed rule is adopted, the Commission should require the waiver of imbalance penalties, scheduling penalties, OFO charges and any similar charges on parties that have been deprived of their firm capacity through the exercise of flowing or partial day recall rights. Shippers subject to flowing or partial day recalls of released capacity may be provided minimal notice of the recall, and virtually no opportunity to avoid the potential

imposition of penalties. Penalties are designed to deter willful conduct that results in actual system harm, not to create windfall revenues for releasing shippers (who will receive penalty revenue credits) at the expense of a shipper who is deprived of firm capacity through flowing or partial day recall.

Clear guidelines should be put into place regarding whose responsibility it will be to notify shippers who will lose capacity as a result of the exercise of flowing or partial day recall rights. Pipelines should be required to provide prompt actual notice to all affected parties in the chain of title in both release and re-release transactions. Pipelines should be required to notify producers of the exercise of partial day recall rights that might result in supply disruptions.

Given the fact that multiple parties may be involved in a capacity release transaction, pipelines may need more time as a matter of practical necessity to provide required actual notice. NGSAA understands that INGAA is proposing that pipelines be given adequate time to provide the required notice and to make related operational adjustments. At the same time, shippers subject to losing firm capacity rights under the proposed rule similarly must be given a meaningful opportunity to respond to the pipeline's notice.

Both pipelines and shippers are affected by flowing or partial day recall rights. Pipelines undoubtedly need adequate time to provide notice and make scheduling adjustments necessary to ensure operational integrity. Shippers also must have the chance to restructure their operational and commercial arrangements to respond to what may be an abrupt change in circumstances. NGSAA believes that it would be appropriate to convene a technical conference to address, *inter alia*, scheduling, notification timelines

and other operational changes that may be required to implement the proposed rule, if this proposal is adopted by the Commission.

Finally, the Commission should grandfather existing capacity release transactions from the operation of the proposed rule. Releasing shippers should not be permitted to devalue retroactively capacity that already has been released. The sanctity of existing contractual arrangements should be preserved.

Respectfully submitted,

NATURAL GAS SUPPLY ASSOCIATION

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DATED: November 19, 2001

CERTIFICATE OF SERVICE

Pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2000), I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 19th day of November 2001.

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