

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

**Pipeline Posting Requirements Under )  
Section 23 of the Natural Gas Act )**

**Docket No. RM08-2-000**

**POST TECHNICAL CONFERENCE COMMENTS OF THE  
NATURAL GAS SUPPLY ASSOCIATION**

The Natural Gas Supply Association (“NGSA”) respectfully submits the following comments to address concerns raised by participants in the March 18, 2009 Order No. 720<sup>1</sup> Technical Conference (“Technical Conference”) surrounding the requirement to post scheduled flow information on production area “stub” lines.

NGSA supports the Commission’s decision to cost-effectively require the posting of scheduled flow information for major interstate and non-interstate pipelines.<sup>2</sup> Importantly, the Commission struck an appropriate balance in establishing a flow posting threshold that will provide the market with data indicative of underlying supply and demand fundamentals at a reasonable cost to the industry. As such, the Commission’s requirements under Order No. 720 will facilitate price transparency in markets for the sale and transportation of physical natural gas in interstate commerce. Further, the established flow posting requirement thresholds protect consumers promoting fair competition consistent with the natural gas transparency language added to the Commission’s regulations by the Energy Policy Policy Act of 2005.

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<sup>1</sup> *Pipeline Posting Requirements under Section 23 of the Natural Gas Act*, Order No. 720, FERC Stats. & Regs. ¶ 31,281 (2008).

<sup>2</sup> NGSA does not take a position on the Commission’s jurisdictional authority to impose a flow posting requirement on major non-interstate pipelines.

In initial comments, NGSAs suggested a *sole-feed exclusion* as a way to reduce the compliance burden without materially changing the information that is made available to the market.<sup>3</sup> Simply, NGSAs offered “[t]o the extent a “major non-interstate pipeline” is upstream of another “major non-interstate pipeline,” and delivers solely into a single non-interstate pipeline, it can be exempted because its volume will be reported by the downstream pipeline. Without the added cost, the market will have the same information it would have had without the exemption.”

In light of the Technical Conference discussion, NGSAs suggests that the Commission staff consider recommending the creation of a *sole feed exclusion* as part of the Order No. 720 requirements. A sole feed exclusion would be a non-discriminatory way to eliminate, or at least reduce, the compliance burden attributable to production area “stub lines” without degradation of the market data. In fact, NGSAs initially proposed the sole feed exclusion concept as a way to mitigate the anticipated applicability of the flow posting requirement to production area stub lines which are typically very short and serve the purpose of delivering natural gas into a “major” pipeline.

After individual member companies began compliance efforts, concerns regarding the impact on production area “stub lines” emerged consistent with those views expressed at the Technical Conference. In hindsight, now that companies have had an opportunity to consider implementation hurdles necessary to comply with Order No. 720, implementation of a sole feed exclusion is a way the Commission can

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<sup>3</sup> Initial Comments of the Natural Gas Supply Association, FERC Docket No. RM08-10, March 13, 2008 at page 6.

reduce the compliance burden without degradation of the market data. Although actual equipment expenses may be relatively small to bring an individual stub line into compliance, the real and intangible costs of adding new business processes and verification procedures can significantly outweigh the benefits stub line flow data because that same data will be made available just a few miles downstream. Thus, a *sole feed exclusion* is consistent with the Commission's desire to establish rules that cost-effectively improve market transparency.

In light of the technical conference discussion, NGSa offers the following suggestions for workable characteristics of a sole feed exclusion. Simply, a sole feed exclusion would exempt major non-interstate pipelines from the scheduled flow posting requirement *if* the major non-interstate pipeline 1) has no or *de minimis* volume end-users and 2) feeds solely into a single or multiple interstate or non-interstate pipeline. For purposes of the sole feed exclusion exemption, *de minimis* end-user volume would be total receipts of less than 15,000 MMBtu per day.

Generally, production area "stub lines" are a natural extension of a natural gas gathering system and are used to move natural gas from a common point, at which processing, dehydration, compression occur, to another downstream pipeline. Sub lines are the result of the location of processing, dehydration and compression facilities relative to points at which connections with downstream pipelines can be made. It is clear that the Commission intended to exempt gathering. However, because of the location of facilities relative to interconnection points, sometimes the "stub line" is downstream of processing, making the applicability of the gathering exemption to

certain “stub lines” unclear. Whether stub lines serve the function of “gathering” or “transmission,” the adoption of a sole feed exclusion simplifies the applicability of the flow posting requirement by adding a dimension that will enable the requirement to capture *unique* major flows, immediately downstream of these points, instead of requiring duplicative posting of the same information. By capturing unique flows, the flow posting requirement will improve market transparency without unnecessary cost and will address the concerns associated with “stub lines.”

## **Conclusion**

NGSA respectfully requests that the Commission staff consider recommending the sole feed exclusion described above as a cost-effective way to clarify and reduce the compliance burden in the supply area without degradation of the market transparency data. NGSA supports the Commission’s decision to require the posting of flow data for major interstate and non-interstate pipelines and sees this decision as the final Commission step toward improving transparency in the physical natural gas. In addition to providing the market with important information regarding underlying supply and demand fundamentals, the availability of pipeline flow information to the market will have the added benefit of spurring new innovative services resulting in more efficient pipeline grid utilization and infrastructure development decisions

completing the Commission's vision for Order 636<sup>4</sup> and supporting U.S. climate objectives.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J Fordham", with a long horizontal flourish extending to the right.

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<sup>4</sup> Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation Under Part 284 of the Commission's Regulations; and Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol, Order No. 636, 57 FR 13267 (April 16, 1992), III FERC Stats & Regs. 30,939 (1992).