



NEWS

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Technical Consensus on Natural Gas Quality Ready for Pipeline Tariffs, NGSA Says

(Washington).... The Natural Gas Supply Association (NGSA) is advocating the use of pipeline tariffs to address technical issues related to natural gas quality and interchangeability that have been identified by members of a diverse group of industry stakeholders, the association told federal regulators today.

In a filing with the Federal Energy Regulatory Commission (FERC), NGSA said the consensus process would quickly help achieve an optimum balance between much-needed supply and operational reliability.

“The time is right for FERC to take action. Contrary to the impression some might have gotten at the March 2 commission hearing, there are enough solid technical findings in the two technical papers to put specifications in pipeline tariffs. The establishment of gas quality and interchangeability policies and the incorporation of specifications in pipeline tariffs will reduce business risks to commercially acceptable levels and lessen regulatory uncertainties in the natural gas marketplace,” said Jennifer Deegan, NGSA’s director of energy markets.

Earlier this month, NGSA – along with members of a diverse group of industry stakeholders – submitted to FERC a year-in-the-making technical consensus to address evolving issues regarding natural gas quality and interchangeability. Gas quality refers to variations in the hydrocarbon content of natural gas that can, in some instances, lead to liquids forming in the gas stream. Interchangeability, on the other hand, refers to the related ability of the pipeline and distribution system to accept natural gas with other varying characteristics, such as heat content.

“Through the consensus process, the industry shows that it now speaks the same technical language, agrees on the use of consistent technical methodologies and understands there is a safe solution that also maximizes supply. NGSA sees this

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understanding as the foundation of sound regulatory policy decisions that will decrease both business and regulatory risks,” the producer group said.

In its comments, NGSAs acknowledged that natural gas quality and interchangeability requirements might be affected by future research and development activities but claimed that adopting policies based on the existing technical work is essential to continued supply development.

The association also urged FERC employ two broad, pragmatic principles when making ongoing decisions about natural gas quality and interchangeability. First, natural gas quality and interchangeability policy must reduce uncertainty in the marketplace. Second, “the policy for implementing natural gas quality and interchangeability specifications must be simple so that it does not have the effect of adding an unintended and unnecessary layer of regulatory risk.”

“A reduction in uncertainty is achievable in part through pipeline incorporation of natural gas quality and interchangeability specifications into individual pipeline tariffs based on the technical findings,” NGSAs said. According to the association, this certainty is vital to the continued economic development of domestic and imported natural gas resources. Above all, NGSAs said, the policy for addressing natural gas quality and interchangeability should be pragmatic and work for the country as a whole.

“The key to successful policy decisions will be an approach that allows for, and encourages, a continuation of the current natural gas quality flexibility that exists today, while simultaneously ensuring greater regulatory certainty, and thereby encouraging a continuation of the most efficient and economical supply response,” Deegan said.

(Editor’s Note: For a copy of the association’s complete filing, please contact Melissa Marion at mmarion@ngsa.org or (202) 326-9300).

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NGSA represents integrated and independent companies that produce and market natural gas in the United States. NGSAs is actively involved in pursuing regulatory and legislative issues that affect the association’s members. Established in 1965, NGSAs encourages expanded use of natural gas and supports regulatory and legislative actions that foster competitive markets.