

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

**Coordination Between Natural Gas  
And Electricity Markets**                    )

**Docket No. AD12-12-000**

**COMMENTS OF THE NATURAL GAS SUPPLY ASSOCIATION IN RESPONSE TO  
TECHNICAL CONFERENCE**

The Natural Gas Supply Association (“NGSA”) hereby submits its comments in response to the Technical Conference convened by the Federal Energy Regulatory Commission (“FERC” or “the Commission”) on April 25, 2013 (hereinafter “Conference”) to discuss whether the natural gas and electric industry schedules and practices could be harmonized in order to achieve the most efficient operations for both industries.<sup>1</sup>

NGSA is a trade association which represents integrated and independent companies that produce and market domestic natural gas. Established in 1965, NGSA encourages the use of natural gas within a balanced national energy policy, and promotes the benefits of competitive markets to ensure reliable and efficient transportation and delivery of natural gas and to increase the supply of natural gas to U.S. customers. Members of NGSA supply natural gas to power gas-fired generators. For these reasons, policy changes that may occur as a result of this proceeding will have a direct impact on NGSA and its members.

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<sup>1</sup>See Notice of Technical Conference, Docket No. AD12-12-000 (Mar. 5, 2013); Supplemental Notice of Technical Conference, Docket No. AD12-12-000 (Apr. 3, 2013).

## I. COMMUNICATIONS

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## II. EXECUTIVE SUMMARY

As efforts are made to explore specific proposals to harmonize gas and power industry operations, NGSA asks that the Commission to keep the following fundamental considerations in mind.

**1. *Robust gas infrastructure is the key to addressing many of the issues that arise concerning gas-electric coordination.*** At the Conference, electric utilities, natural gas local distribution companies (“LDC’s”), producers, and pipelines voiced a remarkable degree of agreement that the key to the gas-electric issue is the need for robust gas infrastructure. While the U.S. enjoys an abundant supply of natural gas, a lack of adequate regional gas infrastructure can create gas market challenges to accommodating the needs of gas-fired power generators. Many of the concerns expressed at the Conference are due to problems associated with a generator’s ability to secure capacity in a pipeline-capacity-constrained market. With robust infrastructure in place, most, if not all, of the operational scheduling concerns raised at the Conference would likely be of much less consequence. NGSA encourages FERC, in concert with the regional power market operators, to find ways to ensure adequate infrastructure to support electric reliability and remove structural barriers that inhibit the building of natural gas pipelines, storage and LNG facilities.

**2. *A singular focus on changing the natural gas industry ignores underlying flaws in power markets.*** NGSA is willing to explore changes in the gas industry that can improve service to power generators to the extent that such changes do no harm to other market participants and the benefits of such changes outweigh the costs. Solely focusing on natural gas industry changes will not solve the problems

regarding cost recovery issues in regional power markets and ultimately, stand to deflect from the central issues that must be addressed in those markets. Power market structures must make improvements to properly value the reliability of securing firm fuel sources required to serve generation commitments, and support the costs associated with any needed new gas infrastructure as well as costs associated with accommodating intra-day load variations.

**3. A “do no harm” policy will protect the Nation’s successful natural gas market structure.** Many of the suggestions for natural gas industry scheduling changes that were mentioned at the Conference are much more than inconsequential “tweaks” in terms of the costs and impacts on gas industry operations. While we are happy to work with all gas customers to make sure they are served well, we cannot single out one specific gas customer group for a special set of rules that may disadvantage other customer groups. Thus, efforts to improve gas-electric coordination should not result in unintended adverse consequences such as shifting risks/costs among shippers, degrading services to other pipeline shippers, or devaluing interruptible transportation (“IT”) service as a viable market option. Before taking any action, the Commission should consider whether the benefits of any proposed change in market rules outweigh the costs and should ensure that any new proposed course of action does no harm to other market participants.

In the following sections, NGSA offers comments on certain specific proposals presented at the Conference in order to provide the gas sellers’ perspective to supplement the high-level principles suggested above.

### III. COMMENTS

#### A. The IT No-Bump Rule is a Valuable Part of the Natural Gas Market

NGSA, along with a number of participants at the Conference including industrial end users, utilities, merchant generators, producers, and marketers, showed strong support for maintaining the IT no-bump rule as part of the options available to access the market. Currently, the IT no-bump rule precludes a firm shipper from bumping scheduled interruptible transportation volumes during the last intraday nomination opportunity in the gas day (“Intraday 2 Nomination Cycle”). When the Commission approved the IT no-bump rule 15 years ago, it “created a **fair balance** between firm shippers, who will have had two opportunities to reschedule their gas, and interruptible shippers and will provide some **necessary stability** in the nomination system, so that shippers can be confident by mid-afternoon that they will receive their scheduled flows.”<sup>2</sup> Under this policy, the Commission has fostered an environment in which parties could choose IT service as a viable market option.

With the IT no-bump rule firmly intact, the IT market provides critical market efficiencies and productivity, by ensuring that existing gas pipeline capacity is utilized to the maximum extent possible, thus increasing capacity utilization and lowering costs for all shippers. IT service also provides beneficial market competition by providing market alternatives to pipeline firm transportation (“FT”) and the secondary capacity release market. Also, IT is relied upon as an option for attaining transportation capacity by many natural gas users, including power generators and LDCs, as it provides alternative transportation for firm shippers that may need alternate arrangements during maintenance periods or unforeseen outages. Indeed, gas-fired generators are a prime beneficiary of IT service, because such service assists in providing generators natural gas service when unexpected variations in demand occur.

The elimination of the IT no-bump rule would not be a “tweak” to the natural gas transportation regulations. Rather, such action would have the effect of devaluing IT service, which plays an essential

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<sup>2</sup>*Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-G, FERC Stats. & Regs. ¶ 31,062, at p. 30,672 (1998) (subsequent history omitted) (emphasis added).

role in providing access to the gas transportation market. Without the IT no-bump rule, parties holding IT contracts would be subject to bumping by firm shippers during any nomination cycle with no certainty of flow even during the latest stages of the gas day. Without such assurance, most shippers would be much less likely to use IT, thereby diminishing the value of IT and eliminating the many benefits it brings to the market in terms of liquidity, competition, efficiency and flexibility. This would hurt rather than help customers that have a need to readily access gas in the market.

Given that handling a bumped transaction will have significantly negative consequences, it becomes increasingly difficult for any benefits of eliminating the IT no-bump rule to justify the costs. Possible impacts or costs on other industry segments resulting from an increased risk that IT may not flow include: (1) the potential to disrupt multiple-party sales after the close of the business day exposing a firm shipper and its supplier to financial risk from stranded production, re-selling gas in an illiquid market or imbalance penalties; (2) a cascading effect on contracted services along the supply chain including gatherers and processors, (3) increased risk to end-use customers that seek alternate higher-cost supply sources or suffer delivery disruptions if unable to secure alternative transportation from a supply source; and (4) costs associated with market participants instituting after-hours operations to deal with complications associated with potential IT bumping at any time.

Even if IT bumping were to occur only on rare occasions in some regions, in order to rearrange commodity and transportation arrangements associated with bumped IT, both industry operators and shippers would likely need to institute some form of 24-hour operations requiring around-the-clock schedulers to quickly handle any contractual and operational changes associated with bumped IT transactions during non-business hours. Justifying costs associated with accommodating the rare instances in which deals unwind after regular business hours would be extraordinarily difficult.

Substantial costs would be borne by pipeline shippers, LDCs, producers, marketers, pipelines and gatherers to support around-the-clock services, including the need to hire multiple shifts of trading and scheduling staff as well as hiring an additional shift of employees to cover compliance and technical support for after-hours operations. In fact, many market participants currently operating within the North

American Energy Standards Board (“NAESB”) scheduling cycles would likely find it uneconomic to operate on a 24-hour basis.

Furthermore, eliminating the IT no-bump rule may simply shift costs and risks between market participants while providing only limited benefits to the handful of firm transportation shippers that would like the opportunity to bump IT during all nomination cycles. These costs/risks would be shifted to other customers in order to benefit those that entered into firm pipeline contracts with the full knowledge that the long-standing no-bump policy was in place.

In sum, NGSA submits that it would be imprudent to eliminate the IT no-bump rule, which plays such a significant and valuable role in the natural gas market, in order to provide limited opportunities for firm capacity holders to expand their firm rights. If any such actions are contemplated, such critical policy decisions should be made only by the Commission, and only after an appropriate notice and comment rulemaking process.

#### **B. Adding Intraday Nomination Cycles Should Do No Harm to Market Participants**

Some conference participants suggested that increasing the number of nomination cycles would be helpful for power market customers to better match their fluctuating daily requirements for pipeline capacity. NGSA is willing to consider additional nomination cycles within the gas day to better serve generation. However, while willing to consider added nomination cycles, we strongly emphasize that such changes will not cure problems associated with a lack of pipeline capacity in constrained markets and, as such, additional nomination cycles are in no way a substitute for ensuring power demand is met in areas where there is a lack of adequate gas infrastructure. Robust gas infrastructure is the key to addressing many of the issues, including the need for additional nomination cycles, which arise concerning gas-electric coordination. Also, additional nomination cycles in the gas day, if not properly implemented, could have unintended consequences on gas market operations and impacts on shippers. Therefore, any additional standardized nomination cycles established in the gas day should meet the following conditions:

First, the IT no-bump rule as well as the current rules that prohibit bumping of secondary firm shippers must remain intact for any additional nomination cycles that occur after the Intraday 2 Nomination Cycle. As described in more detail in Section A above, bumping IT or short-term firm services after regular business hours would add unacceptable risk to market participants by forcing bumped parties to rearrange transactions after business hours in an illiquid market. Such adverse impacts would shift risk from some gas market participants to others, including gas sellers, creating adverse unintended consequences from attempts to better coordinate the gas and power industries.

Second, with existing policies protecting the current rights of IT and secondary shippers, additional nomination cycles could be established that allow shippers to increase or decrease their nominations as long as changes in capacity nominations after regular business hours are voluntary and mutually agreeable to all parties to the transaction. Such a voluntary policy would ensure that participation in the after-hours market is only by those buyers and sellers that wish to participate in later cycles. This approach allows customers an opportunity to secure additional gas after hours when they need it without creating negative effects on other shippers if nominations are reduced after regular business hours, such as creating a need to re-sell supply in an illiquid market.

Third, in situations in which a party can be bumped prior to the Intraday 2 Nomination Cycle, parties will need to have sufficient time between the time a pipeline's confirmation deadline and the time in which renominations are required for the next cycle. It is particularly important after the confirmation deadline for the timely cycle that gas operational and scheduling staff have sufficient time to secure alternative arrangements for shippers that may have been bumped and for the deadline for timely cycle confirmations to occur during business hours.<sup>3</sup> This process is made even more complex when there are multiple interconnecting pipelines involved with different nomination cycles or when a bumped shipper is

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<sup>3</sup>For instance, the current confirmation deadline for the timely cycle is 4:30 pm CST, allowing time to handle any issues that may have occurred in timely cycle nominations before the end of the business day. Moving the timely cycle confirmation deadline to a later time would not allow for the primary staff in charge of scheduling gas to conclude their job during regular daytime work hours.

unable to secure gas supply at alternative receipt points offered by the pipeline. Given the number of steps required for parties to address a bumped transaction, the one hour notice established in *Texas Gas Transmission LLC*,<sup>4</sup> is insufficient time for a bumped IT shipper to rearrange alternative supplies and transportation.<sup>5</sup>

After nominations are submitted, the confirmation process itself often requires a series of communications between customers and gas operators. NGSAs members believe that the minimum amount of time needed by gas operators to communicate among all the relevant parties between the close of the timely nomination cycle and the time in which nominations are confirmed is two hours in those instances in which interconnecting pipelines have similar nomination cycles and three hours when there are interconnecting pipelines with non-conforming nomination cycles.<sup>6</sup>

Fourth, NGSAs urges the Commission to give appropriate consideration to upstream natural gas supply operations and physical limitations that may impact a producer's ability to respond to pipeline nomination changes. Most importantly, wellhead production cannot be used to support variations because such variations can permanently reduce flow rates and reduce ultimate recovery of reserves from the reservoir by compromising the operational integrity of reservoirs and upstream facilities. Producing wells cannot be instantaneously adjusted to meet demand fluctuations and many fluctuations require manual actions which may not be feasible at all times of the day, particularly at night when it can be dangerous to send out crews for manual adjustments. Additionally, if the receiving pipeline has flow control capability at the specific receipt point, the producer's flow could be restricted or curtailed with little or no ability to

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<sup>4</sup>*Texas Gas Transmission LLC*, 137 FERC ¶ 61,093 (2011).

<sup>5</sup>Generally, for any bumped IT transaction, the impacted shippers is likely to go through a rescheduling process that includes many of the following steps: (1) the pipeline notifies (typically via email) parties of the unconfirmed nomination; (2) the affected shipper contacts and notifies its counterparty (*e.g.*, seller) about the gas cut associated with the bumped transportation; (3) the counterparty (*e.g.*, seller) considers its options and then calls the affected shipper with instructions on an alternative path for the gas (if possible); (4) the affected shipper renominates gas to the location as directed by the counterparty; and (5) if a counterparty cannot resolve the issue, the affected shipper may need to secure a new counterparty and renominate pipeline capacity to a new market.

<sup>6</sup>On weekends or at night, most sellers would require three to four hours' notice to fully go through the process of rearranging a transaction.

respond. Thus, to prevent harmful impacts on production, variations in flow due to nomination changes must be limited to a pipeline's system capabilities and should not be allowed to affect upstream facilities.

Finally, while willing to consider additional standardized nomination cycles in the gas day, NGSA also supports individual pipeline proposals that go beyond the NAESB nomination cycles when such cycles can be accommodated by individual pipelines on a non-discriminatory basis. In fact, many pipelines already provide enhanced nomination cycles as well as other new services to support generation such as balancing and park-and-loan services ("PAL").

**C. More Industry Dialogue and Assessments Are Needed Before Considering Changes To The Start Time of The 24-Hour Gas Day**

Several speakers at the Conference suggested that changing the start of the 24- hour period of time that gas flows could assist generators by allowing power generators to: (1) capture their full power demand peak in one gas day and (2) make up pipeline imbalances before the power peak thereby avoiding de-rates from plants and pipeline imbalance penalties if the generators burned most or all their nominated quantities earlier in the gas day.

NGSA believes that, with appropriate FERC guidance, the gas and power industry segments can find a mutually acceptable time to start the gas flow day. While NGSA is still in the process of assessing the physical and economic implications associated with changes to the start time of the gas flow day, NGSA is willing to consider accommodating modifications in the timing from the current 9 a.m. Central time start to an earlier time in the morning. However, any modifications must ensure that the new start time does not introduce safety risks or adversely impact any physical or contractual aspects of natural gas market operations.

It should not be assumed that changing the start time of gas flow is a small change in gas industry operations that can be easily accommodated with little impact on other segments. In fact, moving the gas flow day may have a domino effect that would require many other gas industry scheduling changes. As the gas and power industries continue to explore this issue, there are important considerations which will need to be addressed. For instance, will other gas customers lose their ability to effectively balance gas

flows by the beginning of the next gas day due to the compressed time period between nominations and gas flows? Will changes to the gas flow day cascade into a need to change all daily nomination timelines? At a minimum, parties will need to better understand the level of costs associated with implementing a gas day in which the flow time is split from the timing of the nomination cycles. Also, FERC will need to closely evaluate the effects of an earlier start to the gas flow day on gas operations in the Rocky Mountain area and on the West Coast. Are there safety considerations associated with manual field operations that need to occur at the beginning of the gas day during daylight hours that would need to be overcome given that, while some upstream facilities are automated, an extensive number of places in the field are not.<sup>7</sup>

On a related matter, many parties at the Conference articulated that there is little to be gained simply by fully aligning the two industries' start times and the various confirmation schedules. NGSA agrees with this sentiment, particularly since such alignment would be made only to satisfy one particular customer segment of the many natural gas customers that rely on the current schedule each day and regional variations in power markets should be respected.

Moving the gas flow day earlier will not solve underlying problems due to insufficient contracting. In some instances, it is possible that the generator's desire to move the gas flow day earlier to non-peak times to improve their ability to get in balance is a consequence of not appropriately contracting for sufficient pipeline capacity. As mentioned above, robust gas infrastructure and securing sufficient levels of pipeline services are fundamental to addressing many of the issues that arise concerning gas-electric coordination, including making wholesale changes to the timing of the gas day.

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<sup>7</sup>There could be situations due to price changes, market demand, pipeline maintenance, etc., in which a producer may need to divert gas from one pipeline to another that is connected to a field. In this scenario, production staff may need to make manual changes to divert gas flows to a new pipeline. If the gas operating day starts when it is still dark outside, there could be safety concerns associated with going out to the field and making these manual adjustments, resulting in either: (1) increased costs to light all production areas to avoid potential safety issues with staff conducting operations in the dark, or (2) a reduced ability to use more than one interconnected pipeline.

**D. Organized Power Markets Must Balance The Desire for Low-Cost Power With the Need for Electric Reliability**

Most generators operating in organized power markets are not aware of their day-ahead commitments until well after the deadline for nominations in the gas timely cycle. While extending the deadline for the gas timely cycle may help bridge the gap between the gas and power days with respect to the scheduling of pipeline capacity, such changes will not lead to improvements for generators unless regional power markets also work to move up the time in which they make their dispatch confirmations. Also, power market participants should be aware that extending the time for the timely cycle will not likely impact the level of liquidity in terms of purchasing the gas commodity. The vast majority of sellers in the natural gas market would continue to sell their gas during the early morning hours of the day because failure to do so poses a financial risk that the producer or marketer may not be able to sell all of their gas supplies later in the day. Thus, we encourage regional organized power markets to continue to work on processes that provide earlier commitment times that balance competitive market objectives of dispatching lowest cost power with ensuring reliable fuel procurement.<sup>8</sup>

Additionally, generators can work with natural gas marketers for arrangements that may lessen the impact associated with an inability to fully participate in the gas timely cycle. As discussed in more detail in Section F below, with arrangements made in advance of the time that the service is needed, marketers are in a much better position to provide service options that allow generators to call on gas in real-time to reliably address unexpected dispatch obligations. These services and products are often individually tailored to allow a marketer to use its pipeline, storage or LNG capacity in the most efficient manner. Thus, depending on how the contracts are arranged, such services may not require that the generator have full knowledge of its day-ahead power commitments during the timely cycle. For

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<sup>8</sup>Some regional power markets allow firm electric load serving entities to delay material amounts of generation purchases until the real-time energy market. Power market rules should encourage accurate day-ahead purchases in order to limit the amount of additional unit commitments a regional operator has to dispatch to meet demand in the real-time market.

instance, a marketer may serve other customers with a recall option in order to redirect gas to a generator when required.

**E. Non-Ratable Pipeline Deliveries That Do No Harm to Other Pipeline Shippers**

NGSA believes that pipelines should continue to allow firm transportation shippers to receive non-ratable deliveries to manage their operations on a best efforts, non-discriminatory basis. To safeguard against any adverse impacts on gas production, however, non-ratable services must be strictly limited to the services a pipeline can provide through its own system flexibility and/or which can be provided by interconnecting storage or no-notice services or through other gas infrastructure such as LNG. As noted above, wellhead production cannot be a source of variability.

When providing specific non-ratable delivery services, pipelines should not be permitted to hold any capacity off the market to provide such services, and should be required to make such capacity available for interruptible transportation consistent with the IT no-bump policy. The Commission recently confirmed this principle in *Trailblazer Pipeline Co. LLC*, 143 FERC ¶61,084 at P 25 (2013) and NGSA supports the continuation of this policy.

**F. Needs for Natural Gas After Business Hours Can Be Better Accommodated If Shippers Plan for Such Contingencies**

“After hours” natural gas delivery can be more easily accommodated if steps are taken to plan for such contingencies in advance. Generators, as well as other shippers, have available to them today a variety of fuel procurement strategies that can be devised with marketers, producers, and/or pipelines. However, the ability to “stand ready” to meet unexpected requirements for natural gas comes at a cost, which should be supported by competitive power market structures when such services are required for electric reliability. Market rules should provide an opportunity for generators to recover those costs. One of the primary reasons associated with generators’ inability to “access gas during off hours” is that generators are often either unable or unwilling to pay the price associated with securing gas during off-hours. FERC should determine whether the inability of power customers to access gas during non-

business hours is a function of gas markets not being “open,” a lack of advance contingency planning or an unwillingness of customers to pay the market price of gas during off-hours.<sup>9</sup>

When a gas customer requires a high degree of scheduling flexibility, such flexibility is more secure when steps have been taken in advance to contract for unexpected changes in demand. Even with advance planning, immediate flows on a pipeline outside of the regular nomination cycle and especially after business hours are subject to ability of the pipeline to accommodate such an out-of-cycle request. When advance arrangements to accommodate fluctuations in fuel use are not in place, particularly in pipeline-constrained markets, producers/marketers are likely to have limited options to serve customer requests after business hours. In such circumstances, a generator will often need to rely on available LNG options, gas marketers with flexible local capabilities to meet unexpected requests for service (*e.g.*, storage, no-notice service, or recallable contracts that can be redirected) or pipelines that have storage or linepack available. In pipeline-constrained areas, especially during peak periods, even these options may not be readily available and such deliveries from pipelines are typically priced in a manner that reflects the higher level of service provided.

In most instances, gas producers or marketers have employees available at night and on weekends to address unexpected market demand that may occur due to emergency-related events or late-night operator dispatch orders.<sup>10</sup> These events do not occur regularly and in fact, are generally considered rare events. To date, the level of non-business hour gas activity experienced by NGSA members does not financially justify the costs associated with hiring around-the-clock operational and trading staff. This is particularly true when most gas has already been sold in the market during the morning hours.

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<sup>9</sup>At a minimum, requests for additional gas service during non-business hours should be reviewed to determine whether such requests are primarily associated with actual needs for more gas-fired generation or meeting pipeline balancing requirements. In addition, steps should be taken to more specifically define the circumstances behind generator GADS (Generating Availability Data System) reports of lack of fuel to determine the cause. Specifically, there should be a clear delineation between not getting gas due to price and the inability to purchase because capacity or supply is no longer available or due to force majeure events.

<sup>10</sup>These employees are typically operational in nature and lack authority to enter into gas purchase and sales transactions.

As a general matter, producers sell the bulk of their gas supply in the timely cycle with minor corrections/adjustments made in later cycles as needed later in the day. Any producer or marketer that refrains from selling in order to keep gas available to sell later in the day puts itself at risk of holding unsold gas if a market does not materialize in later cycles. Thus, the bulk of the gas available and the liquidity of the market will not change materially simply due to implementation of 24-hour operations or an electronic platform.

***a. Power Market Participants Will Need to Invest In Pipeline Infrastructure When Required to Ensure Electric Reliability.***

As pointed out in recent comments submitted by BG Energy Merchants LLC in a Tennessee Gas Pipeline proceeding, for the largest projects in the Northeast approved by the Commission in 2012, almost all of the capacity was subscribed by marketers and producers to serve a broad spectrum of gas customers.<sup>11</sup> See chart below.

<b>Company</b>	<b>Project</b>	<b>Capacity (MMcf/d)</b>	<b>Subscribed to Marketer/Producer</b>
Tennessee Gas Pipeline	MMP Project	240	100%
Millennium Pipeline Company	Minisink Compressor Project	225	100%
Tennessee Gas Pipeline	Northeast Upgrade Project	636	100%
Texas Eastern/Algonquin	NJ-NY Expansion Project	800	79%
Transco	NE Supply Link	250	100%

As this chart demonstrates, producers and marketers are generally willing and able to commit to pipeline infrastructure to get gas to the first liquid trading point (i.e.; “the market”). However, such a commitment by the producer does not eliminate the cost-commitment responsibility of the generator and the need for power markets to be able to invest in downstream gas infrastructure. There are costs associated with having sufficient gas infrastructure built to accommodate a customer’s needs which must ultimately be borne by the end use customer/generator. Therefore, working through a producer or

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<sup>11</sup>Technical Conference Comments of BG Energy Merchants, LLC, Docket No. RP12-514-000 (filed May 10, 2013).

marketer does not mean that power markets will no longer have to invest in gas infrastructure for electric reliability purposes, only that choices have to be made who assumes what portion of the associated risk.

***b. Parties Should Have Realistic Expectations of What an Electronic Information Platform Can Provide in Terms of Market Benefits***

Creation of an electronic platform for gas availability and possibly for gas trading was proposed at the Conference by a merchant generator as well as a consultant and a representative from American Forest & Paper Association. They assert that a platform would enable parties to more easily secure gas at all times, thus: (1) benefitting generators looking for gas during off-hours, (2) benefitting system operators that could gain confidence to dispatch gas-fired units, and (3) resulting in increased efficiency of gas markets if participants have additional trading opportunities.

NGSA does not oppose the formation of an electronic information platform if the market ultimately decides that there is a need for such a platform and if posting on a platform is on a voluntary basis.<sup>12</sup> Assuming there are parties that willingly choose to participate, a platform could act as an additional tool for willing parties that feel they would benefit from additional products in addition to those already provided by the gas market today. However, because gas producers limit financial risk by selling early in the day and many market participants know their requirements early in the day, it is unlikely that a platform would make a material difference in the degree of liquidity, the amount of capacity available in pipeline-constrained areas or the delivered price of gas.

Improvements to power market rules, not an information platform, are the most effective ways for regional power markets to ensure gas availability and electric reliability. Improvements must be made to power market rules by: (1) ensuring appropriate market signals that incent development of sufficient

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<sup>12</sup>Given that we are only aware of one merchant generator that is asking for such a platform, we are not satisfied that there is a market need at this time for such a mechanism sufficient to justify the costs associated with implementation of such a mechanism. The current low level of after-hours market activity does not appear to support the costs associated with an electronic platform or 24-hour operations because if such a platform/operation was needed, it would already be in place. Instead, the existing ICE platform and pipeline Electronic Bulletin Boards (“EBBs”) may be areas where parties can post gas availability to buy or sell gas if parties choose to do so.

pipeline infrastructure, (2) creating opportunities for generators to recover the market price of gas,<sup>13</sup> (3) ensuring that regional scheduling processes provide more accurate levels of the purchase commitments that will be required in real-time, and (4) bolstering system operators' confidence that generators will uphold their obligations to perform when dispatched.

Some parties have suggested that an electronic platform would also be a helpful tool for the system operator to access to ensure there is gas available in the market prior to dispatching gas-fired generators. Yet, appropriately-structured power markets should incent performance and not require a system operator to look behind a generator's commitment to perform to instill confidence.<sup>14</sup> Also, we have concerns that an electronic platform would provide the system operator with only a partial and inaccurate snapshot of what gas is available to generators. In those instances in which a generator has taken the prudent step of structuring arrangements in advance with gas providers to have gas available, prearranged services would likely not be reflected on the platform as "available;" resulting in an inaccurate assessment of the market and possibly less gas-fired generation dispatched. Such incomplete and partial information of gas availability should not be utilized in lieu of economic dispatch in a competitive power market.

#### **IV. CONCLUSION**

NGSA appreciates and supports the regulatory goals of encouraging the coordination of the electric and natural gas industries. In further considering the issues addressed at the Conference, NGSA submits that the Commission should keep in mind the key factors discussed above. In particular, any action that results from this proceeding should acknowledge that: (1) a robust gas infrastructure is the solution to the vast majority of gas-electric integration issues; (2) a mutual willingness to consider

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<sup>13</sup>Generators may not be able to "find gas" without taking a financial hit if the price of gas is higher than the price they bid in the power market. Many regional power markets are attempting to address this issue through their stakeholder processes.

<sup>14</sup>See Answer of ISO New England Inc., Docket No. EL13-66-000 at 13, 22 (filed June 6, 2013)(Stating that it "defies logic" to "seek[] to shift fuel management decisions and risk to the ISO" as "fuel procurement strategy . . . is properly a generator responsibility.")

changes is required by both the gas and power industries; and (3) a “do no harm” policy with regard to any prospective operational changes in the natural gas industry is vital to protect the Nation’s successful natural gas market structure.

Respectfully Submitted,

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