UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Communication of Operational Information Between Natural Gas Pipelines and Electric Transmission Operators	)))	**Docket No. RM13-17-000**

COMMENTS OF THE NATURAL GAS SUPPLY ASSOCIATION

The Natural Gas Supply Association ("NGSA") hereby submits its comments in response to the Federal Energy Regulatory Commission's ("FERC" or "the Commission") Notice of Proposed Rulemaking ("NOPR") on communications between pipelines and transmission operators.[1]

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 gas-fired power generators and are shippers on interstate pipelines impacted by the communications rules proposed in the NOPR. For these reasons, policy changes that may occur as a result of this proceeding will have a direct impact on NGSA.

[1]*See Communication of Operational Information Between Natural Gas Pipelines and Electric Transmission Operators*, Notice of Proposed Rulemaking, Docket No. RM13-17-000 (July 18, 2013).

I. COMMUNICATIONS

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II. EXECUTIVE SUMMARY

NGSA supports the Commission's efforts to promote reliability by improving coordination between the gas and electric industries. Reliable energy supplies are essential for the nation and NGSA's member companies want to consistently provide reliable fuel to consumers, including electric generators. More open and effective communication between gas and electric transmission operators can improve the operation of both the electric grid and the integrated pipeline system. Yet, as FERC moves forward with this rulemaking, the Commission must balance the need to allow communications that improve reliability and the need to protect the integrity of the market. NGSA is concerned that the lack of restrictions on communications in the NOPR could allow operators to share commercially sensitive information that may be beyond what is required to promote reliability. To address this concern, NGSA suggests that the Commission should 1) set specific parameters for what types of information can be shared, 2) restrict communications of non-public operational information shared under the proposed rule to operational employees and 3) reassess the impacts of this NOPR after one year under the rule to determine whether any changes are needed.

III. COMMENTS

NGSA supports the Commission's efforts to improve coordination between the gas and electric industries. Effective communication between energy infrastructure operators, such as pipeline companies and transmission operators, is important for reliability and planning. Operational employees of grid operators and pipelines should be able to appropriately communicate with each other in order to avert threats to reliability**.** Below, NGSA highlights some incremental improvements that would help clarify the NOPR and prevent inadvertent harm to market participants.

A. FERC should ensure that pipelines and electric transmission operators do not use the non-public information released under the proposed rule in a discriminatory, preferential, or non-competitive manner.

In this NOPR, FERC proposes to reduce pipelines' and electric transmission operators' obstacles (real or perceived) of complying with the Standards of Conduct and non-discrimination rules in order to facilitate more effective communications between the operators. Essentially, FERC is attempting to remove the fear of enforcement action as a hurdle to communications that may improve grid reliability. Operators should be able to communicate information that promotes reliable service, such as the timing of planned outages. However, this shared information should not be used to make or influence economic decisions. The Standards of Conduct and non-discrimination rules were put in place to prevent industry participants from using sensitive information in a discriminatory, preferential, or non-competitive manner, in ways that disrupt the normal functioning of the market. NGSA simply seeks to ensure that there are sufficient controls in place to avoid the appearance that such behavior is possible. For example, an RTO should be able to use shared information only to promote reliability, not to make economic dispatch decisions which could impose financial impacts other market participants. FERC could achieve this aim of preventing entities from inadvertently influencing economic decisions by sharing commercially sensitive information by implementing three changes to the proposal:

- Expanding the No-Conduit Rule to pipeline transportation capacity marketing employees
- Providing more comprehensive parameters for what communications are allowed under the rule
- Assessing the impacts of allowing expanded communications between operators through a FERC staff report and industry technical conference after a one-year trial period under the proposed rule

1. The No-Conduit Rule should explicitly cover pipeline transportation capacity marketing employees.

The No-Conduit Rule as currently proposed in the NOPR is insufficient to protect pipeline shippers in all circumstances. While pipeline companies and grid operators strive to do the right thing, giving access to non-public operational information, such as the timing of an unplanned generator outage, to a pipeline transportation capacity marketing employees that negotiate shipper discounts could be problematic. In order to give shippers confidence that pipeline transportation capacity marketing employees cannot inappropriately use non-public information, NGSA asks that FERC clarify that the No-Conduit Rule covers non-operational pipeline employees that market transportation capacity. While FERC correctly notes that its non-discrimination rules already forbid any discriminatory behavior[2], it would seem prudent to limit putting non-public operational information into the hands of pipeline transportation capacity sellers who could leverage such information at the expense of interruptible shippers, or the secondary transportation market. NGSA disagrees with FERC's assessment[3] that the rule, as currently proposed, gives shippers sufficient protections from pipeline employees using otherwise non-public information to their advantage.

Little discussion has been had about the impacts of giving pipeline transportation capacity marketing employees non-public operational information about the electric grid. However, there could be adverse secondary and interruptible market downsides to allowing such information sharing with transportation capacity marketing employees. For example, the pipeline capacity marketing employee could decide not to discount interruptible capacity because they have foreknowledge of a transmission operator's intent to ramp up gas-fired generators, increasing demand on the pipeline. Or, the pipeline capacity marketing employee could use knowledge of upcoming generator outages to lower interruptible prices for a period to compete with capacity releases. In this example, if a pipeline capacity marketing employee knew of a

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[2] see paragraphs 18 and 19 of the NOPR.

[3]see paragraph 27 of the NOPR where FERC rejects EPSA's and We Energies' calls for greater protections for individual shippers' information.

significant drop in demand on its system due to a generator outage before the rest of the market, the pipeline could sell interruptible capacity at a small discount to capacity releases before capacity prices decreased further in response to a drop in demand for capacity during the actual generator outage. To the extent these behaviors are discriminatory, they are already prohibited, and yet, shippers would gain greater confidence that such behaviors were restricted if FERC expanded the No-Conduit Rule in the NOPR to include pipeline transportation capacity marketing employees.

2. FERC should clarify what information is generally acceptable for electric transmission operators and pipelines to share rather than leaving industry to interpret the rules.

The lack of specific parameters on what information sharing is acceptable creates further uncertainty and concern for market participants because there is no way to know whether shared information is limited to that which promotes reliability or whether operators are sharing commercially sensitive information. The NOPR fails to provide a real-time means for companies to ensure that their own commercially sensitive information is sufficiently protected. Furthermore, given the lack of transparency in the NOPR, pipeline shippers cannot assess what information is being shared and whether operators are sharing information that could inadvertently lead to discriminatory behavior.

In particular, NGSA has concerns regarding the NOPR's suggestion that "real-time" actual flow and point operational capacity data at <u>all</u> receipt and delivery points;

real-time pipeline pressure at <u>all</u> receipt and delivery points;"[4] be shared between utility operators. It is unclear why electric transmission operators need system-wide natural gas receipt and delivery point information and why it is needed on a real time basis. Perhaps this information sharing can be more targeted to include only delivery point information that is related to specific generators, for instances in which such information is deemed critical to reliability. This would avoid the burden and potential confusion of upstream point operators reporting upstream conditions to electric transmission operators.

NGSA is also particularly concerned that the NOPR's current carte-blanche language, which allows the sharing of any information "for the purpose of promoting reliable service or operational planning," is overly broad and, could allow operators to share commercially sensitive information. In general, market participants' commercially sensitive information, should not be communicated to outside parties because releasing this information could harm producers and marketers by revealing their positions in a market. One example of confidential information that, if shared, could harm a gas marketer is scheduling priorities for downstream clients. A marketer's commercial strategy could be revealed if the confidential details of the scheduling priorities it has contracted with its clients were shared.

While it may be useful for utility operators to share information on overall pipeline capacity, sharing commercially sensitive information such as individual shipper nominations offers little insight into the reliability of deliveries, and could cause

[4] NOPR at paragraph 23 emphasis added.

significant harm to some market participants. In order to give industry greater confidence in FERC's protections of commercially sensitive information under this rule, the Commission should consider limiting pipeline and electric grid operators' ability to share non-public information. The Commission could lay out parameters for what information is acceptable for operators to share. For example, parameters could limit operators to sharing:

- location-specific capacity availability *i.e.* how much capacity is available to be scheduled at a given delivery point
- information on outages that facilitates coordination or outage scheduling on each system
- operational information that is not commercially sensitive

Providing industry with parameters for what information can be shared would reduce confusion and give industry greater confidence that commercially sensitive information was not being disclosed without companies' knowledge. Setting parameters on what information can be shared would also give industry greater comfort that such information would not be used in a way that might disadvantage one market participant over another.

In addition to setting parameters around what communications are permitted between pipelines and transmission operators, FERC should set parameters for any communications that involve third parties. In Paragraph 25 of the NOPR, the Commission requests comments "on whether the proposed rule should require that, to the extent the non-public, operational information exchanged between transmission operators involves customer-specific information (such as information about individual generators), the transmission operators must seek to include the customer as part of a three-way communication." If transmission operators need to include individual customers in communications about reliability, FERC should provide some guidance as to what those communications might involve. NGSA is concerned that any such three-way communications could allow the customer involved to learn non-public information that would give it a competitive advantage over potential gas suppliers or other market participants. To the extent any such three-way conversations are condoned, FERC should clarify what information may or may not be discussed during communications that involve customers and should also clarify that, in general, such three-way communications should be restricted to information flow from the specific customer to the transmission operators and that no non-public information should flow from the transmission operators to the specific customer. Setting these parameters around communication of non-public information to transmission operators would give other market participants greater comfort that communications were aiding reliability and not impacting any economic decisions.

3. **FERC should institute a retroactive review at the end of one year to assess the information-sharing rule's impacts.**

FERC should implement this rule on an interim basis and reassess the impacts of allowing the proposed communication between utilities after some experience under the new communications regime. This would be similar to past rulemaking proceedings such as the natural gas capacity release rulemaking.[5] NGSA proposes that after an interim period of one year, utility operators should report to FERC what information was shared and how this information sharing promoted reliable service or operational planning.[6] After the interim period, operators would also report what actions were taken based on information exchanges to allow the Commission more accurately assess the benefits of increased communications. NGSA additionally suggests that FERC release a report summarizing the impacts of this information sharing rule and hold a technical conference for industry to assess the impacts of the rule. At the technical conference, FERC and industry should assess whether: 1) the scope of allowed communications should be narrowed, 2) additional protections are needed to ensure commercially sensitive information is not released and 3) utility operators should be required to publicly post shared information that is not commercially sensitive.

This assessment and technical conference would allow the Commission to determine whether further improvements to the communications rules were needed. After receiving reports from transmission operators and pipelines, FERC should consider whether some publicly available and not commercially sensitive communications should be publicly posted, *e.g.* on a pipeline EBB. FERC should also determine whether market participants' information is sufficiently protected under the

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[5] Order No. 637 (p. 73, 90FERC61,109 February 9, 2009) lifted the cap for capacity release transactions of less than one year for a two year period ending September 2002. FERC staff then reviewed the results on 34 pipelines from March 2000 through December 2001 and assessed the impacts via a staff report. The reform was ultimately implemented but, FERC's assessment increased industry confidence in the rule change.

[6] This information would need to be provided in a manner which protects confidential or proprietary data.

proposed rule. Requiring pipelines and transmission operators to report what information they communicated during an interim test period will allow the Commission and industry to determine what additional protections might be needed. Market participants would have greater confidence in expanded communications knowing that there would be an opportunity to learn what information was shared and that FERC would make changes to the rule if needed.

B. **FERC should clarify what constitutes a tabletop exercise where non-public operational information can be communicated.**

NGSA would also appreciate greater clarity around what a tabletop exercise is, who will be invited to such events and what is allowed to be discussed. NGSA agrees that operators should be able to continue to use these exercises to prepare for emergencies and conduct staff training. It should be made clear, however, that commercially sensitive information should not be disclosed at these events without consent of the relevant companies.

II. **CONCLUSION**

As discussed above, NGSA supports FERC's efforts to increase communications between operators. Pipelines and grid operators should be able to communicate information that will help promote reliability. It is also important for FERC to ensure that allowing operators to communicate more freely does not disrupt the market. In order to give industry confidence that information sharing will not harm market participants, FERC should clarify the NOPR to 1) include pipeline transportation marketing employees in the No-Conduit Rule, 2) provide more specific parameters for what types of information can be shared and 3) implement the proposed rule on an interim, one-year basis followed by an assessment of the rule's impacts through a report and technical conference. In general, the Commission should also carefully restrict sharing commercially sensitive information. These incremental changes to the NOPR, industry will give greater confidence to move forward with increased communications between operators.

Respectfully submitted,

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