

To: NAESB Board of Directors

From: The Natural Gas Supply Association

Date: April 5, 2016

Re: Comments on the Gas-Electric Harmonization Forum Meetings to Address the Directive from FERC Order 809

I. Introduction And Summary

The Natural Gas Supply Association (NGSA)¹ appreciates the opportunity to share our perspectives regarding the reconvened Gas-Electric Harmonization (GEH) Forum through NAESB and the presentations and discussions that took place. NGSA was pleased to participate in the three separate two-day GEH Forum meetings and in the discussions addressing FERC's request to explore faster computerized pipeline scheduling. The purpose of the Forum meetings was educational and exploratory, and provided an opportunity to identify issues and potential solutions related to faster computerized pipeline scheduling.

During the course of the Forum meetings, NGSA observed that there was a number of issues and proposed solutions raised that were neither within the scope of the Federal Energy Regulatory Commission's (FERC or Commission) request in Order 809 and the Order on Rehearing, nor the purview of NAESB. While NGSA believes some proposals had merit, efficiency demands that the scope of issues and solutions should address only FERC's limited request directed to NAESB.

¹ NGSA is a trade association that 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 in order to ensure the reliable and efficient supply of natural gas to customers, including gas-fired generators.

For that reason, when determining any actions to pursue, the NAESB Board should continue to be guided by industry consensus, while respecting the scope of FERC's request and NAESB's purview. NGSAs submit that there is no reason to rush to action, particularly when further study may be appropriate, or further experience with the new nomination timeline implemented on April 1, 2016 may inform the decision.

Finally, NGSAs note NAESB has fully complied with FERC's Order on Rehearing request that NAESB address the issue before the April 1, 2016 date for implementation of the revised nomination timeline in Order 809 by conducting the GEH Forum meetings.

II. Background: The Limited Scope of the Request by FERC Directed to NAESB and Activities of the GEH Forum in Response

Order 809 directed NAESB to address opportunities for developing faster computerized pipeline scheduling.² Specifically, FERC stated:

We request that gas and electric industries, through NAESB, explore the potential for faster, computerized scheduling when shippers and confirming parties all submit electronic nominations and confirmations, including a streamlined confirmation process if necessary. Providing such an option would enable those entities that need greater scheduling flexibility to have their requests processed expeditiously.³

FERC's Order on Rehearing of Order 809, issued September 17, 2015, provided further guidance to NAESB.⁴ FERC noted that in Order 809, it had "urged the gas and electric industries, through NAESB, to explore the potential "for faster, computerized scheduling".⁵ In response to an August NAESB Report suggesting that the industry may not be able to initiate consideration of this issue prior to implementation of the revised nomination deadline of April 1, 2016 adopted in Order 809, in

² Order 809, *Coordination of the Scheduling Processes of Interstate Gas Pipelines and Public Utilities*, 151 FERC ¶ 61,049 (2015).

³ *Id.*

⁴ Order on Rehearing, *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 152 FERC ¶ 61,212 (2015).

⁵ *Id.* at P 24.

view of computer resources necessary to meet that deadline, FERC instead stated that “we find it reasonable for the industry to begin considering [sooner than April 1] such standards and to submit standards or a report on the development of such standards by October 17, 2016.”⁶

The NAESB Board of Directors at its December 10, 2015 meeting provided guidance as to the specific steps the GEH Forum should employ to address FERC’s request.⁷ The Board at that meeting also determined that the GEH Forum “should not vote on a specific recommendation for the organization but develop a report that could be considered by the board during its April 7, 2016 meeting”.⁸

Accordingly, the issue now before NAESB is limited-- to “explore the potential” for faster computerized electronic scheduling, as stated in Order No. 809, and to “submit standards or a report on the development of such standards” by October 17, 2016, as stated in the Order on Rehearing.

In response, NAESB reconvened its GEH Forum. Three two-day meetings were held on February 18-19, March 7-8 and March 21-22, 2016. The first meeting focused on organizations that volunteered to present either (1) an educational presentation; or (2) a presentation that highlighted specific issues and/or potential solutions. This forum led to a broad range of ideas going on the record, many of them outside the scope of the Commission’s request or the Board’s guidance. As NAESB noted in its March 15, 2016 Announcement & Agenda (March 15 Announcement), the March 7-8 meeting was held to “discuss the issues raised during the presentations, and to consider” six questions.⁹ The six questions helped to categorize not only whether the issues and/or ideas

⁶ *Id.* at P 25.

⁷ These steps were recited in the March 24, 2016 email NAESB sent out that attached the survey, at p. 3.

⁸ *Id.* at p.2.

⁹ The six questions are in the March 15 Announcement at pp. 1-2.

identified were in scope, but also if they were issues that should instead be addressed by services or tools.

At the March 21-22, 2016 meeting, the Forum further developed the issues on the “Work Paper for the GEH Forum Meeting-March 21-22, 2016” (Work Paper) prepared by NAESB Staff, which addressed whether NAESB could take action on particular issues. Additionally, NAESB Staff agreed to prepare a survey that would collect input from all interested parties and be analyzed for the Board. The survey was sent out on March 24, requesting that responses be provided by March 31, 2016. The survey asks responders to weigh in on nine questions, which were expanded from the initial six, specific to 43 issues/items. The Board will have the results of the survey in time for its meeting on April 7, 2016.

I. Comments of NGS

A. The NAESB Board of Directors Should Focus Its Review on Issues Within the Scope of FERC’s Request and NAESB’s Purview

NGS is encouraged by the informative and educational dialogue presented at the GEH Forum meetings, and is interested in the issues that were identified throughout the process. Particularly useful was the explanation of operational issues from the pipeline perspective. Thus, the 2016 meetings have been productive.

Although there have been productive discussions, the discussion has also included issues and potential solutions outside the scope of Order 809, the Order on Rehearing and NAESB’s purview¹⁰. The NAESB Board should focus its review of Forum activities on those within the scope of FERC’s request and NAESB’s purview. The scope of FERC’s request is limited to exploring the potential for faster computerized pipeline scheduling, and to then either submit standards or a report on the development of standards by October 17, 2016. NGS believes that the result of a focused review

¹⁰ The scope of “NAESB’S purview” is set forth in Article II, Section 1 of NAESB’s Certificate of Incorporation.

should be: (1) a finding by NAESB that only a handful of the multitude of ideas expressed at the Forum should be further explored; and (2) an acknowledgement that the remaining issues may be better addressed, if at all, in a different forum. In fact, there are many solutions that should be driven by the marketplace. NGSAs further believes that the GEH Forum developed sufficient perspective that the Board should be able to assign tasks to NAESB committees for further exploration. There is no need to reconvene the GEH Forum at this time, as standard NAESB processes should allow for proper engagement by any interested party.

Further, NGSAs recognizes that there are issues that could be explored further – those that are within the scope of FERC’s directive in Order 809 and within NAESB’s purview. When determining which issues should be further explored, the Board should utilize two valuable tools from the GEH Forum meetings – the survey and the Work Paper (as well as written comments from interested parties). However, it is important to note that a great deal of subjectivity and interpretation are involved with both the survey questions and items, and any analysis of the survey must take into account that survey responses can be provided by essentially anyone, including non-members. Keeping that in mind, NGSAs does support use of the survey as a tool, because it should demonstrate areas of industry consensus and illustrate the level of support or opposition to each issue.

The first three questions of the survey should act as a filter to narrow the issues that may require Board attention, by asking whether a particular issue is within the scope of both FERC’s request and NAESB’s purview and if pursuing the issue with streamlining or uniformity would meet both the Commission’s request and NAESB Board’s directive. The answers to those three questions will yield the best-measured analysis of industry consensus on each of the issues. NGSAs also encourages the Board to closely review the NAESB Staff Work Paper. The labeling of each issue in the Work Paper, such as “actionable by NAESB after sufficient experience is gained post April 2016” and “not

actionable by NAESB, and if actions are taken, should be through FERC and/or pipeline service offerings,” was a group effort to simply identify issues the participants believed NAESB could or could not pursue further. NGSA views this as a valuable record from the engaged industry participants that attended the meetings, and one that may be helpful to the Board in narrowing the lengthy list of issues raised.

For those issues that the consensus determined to be in the scope of FERC’s directive and within NAESB’s purview, or labeled as “actionable by NAESB,” NGSA asks the Board to prioritize those issues. Throughout the process, the Board should also consider whether these are regional issues or issues that can be solved by tailored pipeline services. Furthermore, there also may be value in having continued dialogue on some of the issues, but outside of NAESB, where discussions between the parties and customers can happen organically.

B. The NAESB Board Should Not Rush to Action, and Should Keep in Consideration Any Final Action Until After Sufficient Experience With Implementation of the New Nomination Timeline On April 1, 2016

Once the Board has narrowed the ideas and solutions identified in the Forum process to those in scope and prioritized them, NGSA cautions the Board to take its time. To effectively understand the benefits gained from any changes and to avoid unintended consequences, NAESB should proceed cautiously. For example, some participants in the Forum meetings noted that time savings opportunities may be limited, and may place current flexibility at risk, and that the quality of existing service should not suffer as a cost of increasing the nomination services. In this regard, it should be kept in mind that the Commission did not demand that standards be provided by October 17, 2016.

Instead, FERC requested that NAESB “submit standards *or a report on the development of such standards*” by that date.¹¹

It is of utmost importance for the Board to consider the implementation of the new nomination timeline on April 1, 2016. Indeed, the Forum discussions highlighted a crucial fact—that the issue of faster and more frequent scheduling of intraday nominations by use of computer processes is very likely to be impacted by the success, problems and solutions developed with respect to the new, reduced processing times for the scheduling of intraday nominations compelled by the Commission in Order 809, effective April 1, 2016. Before recommending additional changes or standards to the scheduling process, the industry should have sufficient experience under the new timeline, which could take more than one summer and winter cycle to complete an effective transition. This timing would also permit review of empirical data from pipelines that have implemented solutions to specific requests from customers to develop faster computerized scheduling.

NGSA recognizes that this first round of activities by the GEH Forum and NAESB may not have exhausted the possible enhancements or efficiencies that could be gained in pipeline scheduling. While it is prudent for our industry to always seek efficiencies, we see the benefit of having industry dialogue to discuss potential issues. At the same time, NGSA would like to acknowledge that the NAESB process works; and the ability to submit requests at any time to explore standards or best practices is an option available to all parties.

NGSA also recognizes that, through the process of addressing the Commission’s request, there may be ideas and requests to process that will be delegated to other committees in NAESB to manage. Should this happen, we urge the Board to provide direction to the NAESB committees, such as the Wholesale Gas Quadrant Business Practices Subcommittee, on how to prioritize the requests.

¹¹ Order on Rehearing at P 25 (emphasis supplied).

Without leadership from the Board on committee focus and prioritization, the committees may become inundated with requests.

Finally, prior to submitting recommendations to FERC, NGSA supports a continuing dialogue among industry stakeholders related to the costs-benefits of potential Board recommendations to FERC. This will allow consideration of the bigger picture in the course of developing solutions.

III. Conclusion

Before pursuing further change, NGSA requests that NAESB limit its inquiry in this matter to the scope of FERC's request in Order 809, the Order of Rehearing and the Board's guidelines; address issues only where there is industry consensus; avoid a rush to action and instead provide a reasoned consideration of issues and solutions; and recognize the need for sufficient experience under the revised nomination guidelines that became effective on April 1, 2016. NGSA also requests that NAESB recognize that consideration of best practices, efficiencies, and standards that may lead to more streamlined pipeline scheduling are technical in nature, best handled through NAESB's well-established processes and protocols, and should not be further addressed through the GEH Forum.

Respectfully submitted,

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