UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities	)))	Docket No. RM14-2-000

COMMENTS OF
THE NATURAL GAS COUNCIL

Pursuant to the Notice of Proposed Rulemaking ("NOPR") issued March 20, 2014,[1] by the Federal Energy Regulatory Commission ("Commission") in the above-referenced proceeding, the Natural Gas Council ("Council"), respectfully submits these comments. The Council members and other entities supporting these comments represent segments along the entire natural gas value chain from production to transmission, distribution and end-use of natural gas.[2]

I. Summary

The Council strongly supports the proposed modifications to the gas nomination schedule developed by the North American Energy Standards Board ("NAESB") as contained in the filing submitted by NAESB on September 29, 2014, in this proceeding. The Council believes that the changes to the gas nomination schedule agreed upon by the NAESB participants will provide

[1] *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 79 Fed. Reg. 18223 (Apr. 1, 2014), FERC Stats. & Reg., Proposed Regs. ¶ 32,700 (2012).

[2] Entities supporting these comments include the American Gas Association ("AGA"), America's Natural Gas Alliance ("ANGA"), the American Public Gas Association ("APGA"), the Gas Processors Association ("GPA"), the Independent Petroleum Association of America ("IPAA"), the Interstate Natural Gas Association of America ("INGAA"), the Natural Gas Supply Association ("NGSA"), the Process Gas Consumers Group ("PGC"), and the Texas Pipeline Association ("TPA").

significant flexibility to allow natural gas-fired electric generators to better participate in the gas nomination cycles to manage their loads and provide reliable electric service to their regions.

The Council also believes that the Commission should *not* change the start of the gas day from its current 9:00 am Central Clock Time ("CCT") start time. Changing the start of the gas day is unnecessary to achieve the Commission's objectives in this proceeding and could create unintended adverse consequences to the natural gas industry. Moreover, there was no consensus at NAESB to support any of the proposed alternative start times, including the 4:00 am CCT start time proposed by the Commission in the NOPR.

II. Background

In the NOPR, the Commission proposed to make significant changes to the nation-wide standard natural gas nomination schedule used by all gas industry participants to schedule interstate natural gas transportation and storage services. According to the NOPR, the Commission identified three specific issues involving differences between the gas and electric scheduling processes that could affect reliability, as follows: (1) the discontinuity between the operating days of electric utilities (often midnight local time) and the standardized gas day (starting at 9:00 am CCT)); (2) the lack of coordination between the day-ahead process for nominating natural gas service and the day-ahead process for scheduling electric generators for dispatch, particularly in RTOs and ISOs; and (3) the lack of intraday nomination opportunities on interstate pipelines that would allow generators to revise their nominations during their operating day.[3]

Among other things, the Commission proposed to: (1) move the start of the gas day from its current 9:00 am CCT to 4:00 am CCT; (2) move the Timely Nomination Cycle deadline from

[3] NOPR at P 25.

11:30 am CCT to 1:00 pm CCT; (3) provide four standard intraday nomination cycles at 8:00 am CCT, 10:30 am CCT, 4:00 pm CCT, and 7:00 pm CCT with the last intraday cycle remaining a no-bump cycle; and (4) clarify its policy regarding the ability of an interruptible shipper to bump a higher priority shipper during enhanced nomination cycles provided by pipelines.[4] The Commission reasoned that improvements in the coordination of natural gas and electricity scheduling practices could provide greater opportunities for generators to obtain needed supplies and for pipelines to plan for expected loads.[5]

Although the NOPR proposed a comprehensive plan for modifying the gas nomination schedule, the Commission appropriately recognized that industry participants were best positioned to work out the details of how changes in the scheduling practices can most efficiently be made and implemented.[6] The Commission, therefore, afforded industry participants an opportunity to work through NAESB to reach consensus on modifications to the proposed gas nomination schedule.

NAESB conducted a thorough and time-consuming process of identifying, considering and voting on the Commission's proposed revisions as well as potential alternatives to the gas nomination schedule.[7] Through a process of elimination, the NAESB participants narrowed the alternatives to four. Significantly, each of these four alternatives proposed a 1:00 pm CCT Timely Nomination Cycle deadline, a 6:00 pm CCT Evening Nomination Cycle deadline, and three Intraday cycles at 10:00 am CCT, 2:30 pm CCT, and 7:00 pm CCT with the last cycle

[4] *Id.* at PP 8-9.
[5] *Id.* at P 28.
[6] *Id.* at P 10.
[7] *See Report of the North American Energy Standards Board*, filed in Docket No. RM14-2-000, June 18, 2014 ("NAESB June 2014 Report").

being non-bumpable.[8] The only variation among the alternatives was the start of the gas day. The gas day start times for the four alternatives included 4:00 am CCT, 6:00 am CCT, 7:00 am CCT, and 9:00 am CCT.[9] While none of the options garnered a supermajority of support, on a cumulative percentage basis, the alternative based on the current 9:00 am CCT gas day start time received the most support.[10]

The Council appreciates the opportunity the Commission afforded industry participants to work on these important matters and its members are pleased that the process resulted in broad industry support for the changes recommended by NAESB. It is against this backdrop of the Commission's stated goals, the industry participants' diligent efforts and the outcome of the NAESB process that we offer these comments.

III. The Commission should approve the NAESB-recommended changes to the gas nomination schedule.

As set forth above and as demonstrated in the NAESB June 2014 Report, the NAESB standards proposed in this proceeding and the changes to the gas nomination schedule contained therein enjoy broad support from both natural gas and electric industry participants. More importantly, these changes address the electric reliability issues identified by the Commission in the NOPR, and will significantly improve the effectiveness of generator participation in the gas nomination and scheduling process. The Council, therefore, strongly supports NAESB's proposed standards and urges the Commission to adopt them.

The Commission identified three specific issues involving differences between the natural gas and electric scheduling processes that could affect generators' ability to schedule gas

[8] *Id.* at p. 8.
[9] *Id.*
[10] *Id.* at p. 9.

service, including: (1) the lack of coordination between the day-ahead process for nominating natural gas service and the day-ahead process for scheduling generators for dispatch; (2) the lack of intraday nomination opportunities on interstate pipelines that allow generators to revise their nominations during their operating day; and (3) the discontinuity between the multiple operating days of electric utilities and the standardized gas day. The Council believes that NAESB's recommended standards effectively address each of these issues.

First, with regard to coordinating the day-ahead scheduling processes of the two industries, NAESB's proposed standards are consistent with the Commission's proposal in the NOPR to move the Timely Nomination Cycle deadline to 1:00 pm CCT. As the Commission observed in the NOPR, moving the Timely Nomination Cycle deadline to 1:00 pm CCT would allow generators to make a timely day-ahead nomination, assuming that RTOs/ISOs amend their dispatch schedules so that generators can receive dispatch orders sufficiently ahead of the Timely Nomination Cycle deadline.[11] The Council encourages the Commission to require RTOs/ISOs to make such changes to allow generators to participate in the pipeline nomination process during the most liquid time in the natural gas supply and transportation markets. Such changes would permit generators to take advantage of the proposed scheduling changes agreed to by the gas industry.

Second, as to the concern of the lack of intraday nomination opportunities that allow generators to revise their nominations during the operating day, NAESB's proposed standards contain three intraday nomination opportunities, at 10:00 am CCT, 2:30 pm CCT, and 7:00 pm CCT, resulting in two intraday cycles during normal business hours in which firm transportation service nominations would bump flowing interruptible service, and an additional intraday cycle

[11] NOPR at P 48.

that would provide a non-bumpable, evening nomination opportunity. Together with the ability to make a timely nomination, and adjust the nomination during the Evening Cycle, having three additional intraday nomination cycles would enable generators to make changes to their nominations to adjust to system conditions and changes in load throughout the day.[12]

Third, the Commission identified the concern that the discontinuity between the various electric operating days and the standardized gas day may result in generators that find themselves running out of scheduled natural gas capacity near the end of the gas day, leaving them unable to nominate gas service for the electric morning ramp-up period.[13] NAESB's proposed standards address this concern by providing generators with sufficient opportunities to schedule gas to cover that period on a planning basis. The inclusion of three intraday cycles, including a new Intraday Cycle 3 providing for nominations at 7:00 pm CCT for gas flow at 10:00 pm CCT, would enable generators to efficiently schedule gas for the early morning hours, including the morning electric ramp period. Consequently, a generator would have sufficient opportunities to schedule gas service to meet all of its dispatch obligations, including the critical electric morning ramp period.

Further, the Council opposes the scheduling timeline alternatives proposed by the Desert Southwest Pipeline Stakeholders ("DSPS"). The DSPS proposed moving the Evening Nomination Cycle deadline from NAESB's proposed 6:00 pm CCT to 7:00 pm CCT, and modifying the Commission's bumping policy to allow firm transportation service from a primary receipt point to a primary delivery point to bump secondary firm nominations in the Evening Nomination Cycle. The DSPS proposal would result in an overlap between the day-ahead

[12] *See id.* at P 63.
[13] *Id.* at P 39.

Evening Cycle and the Intraday 3 Cycle, requiring gas schedulers to make both nominations by 7:00 pm CCT, which may result in mistakes, mismatches and other inefficiencies that may require additional time to correct, frustrating the efficient scheduling of natural gas.

Moreover, the DSPS proposal would dramatically revise the Commission's capacity allocation policies. A firm transportation nomination to a secondary point would no longer be non-bumpable in the Evening Cycle, substantially weakening the Commission's flexible receipt and delivery point policies. In addition, the concerns raised by the DSPS and its proposed solutions clearly exemplify the regional nature of gas-electric interdependence issues. The Council contends that the Commission should not adopt policies impacting the entire country and the nation-wide standard gas nomination schedule simply to address a regional issue.

In sum, NAESB's proposed standards address each of the specific issues identified by the Commission in the NOPR, and the Council urges the Commission to adopt the proposed NAESB standards and to reject the DSPS alternative proposal.

IV. The Commission should not change the start of the gas day.

The Council does not support moving the start time of the gas day and strongly recommends that the Commission maintain the current 9:00 am CCT gas day start time.

Changing the start of the gas day is unnecessary to achieve the Commission's objectives stated in the NOPR. The Commission proposed to move the start of the gas day to address the concern that generators may find themselves running out of scheduled natural gas capacity toward the end of the gas day during the electric morning ramp-up period.[14] As described above, implementing the proposed NAESB standards would address this concern by providing generators with sufficient opportunities to schedule gas for the morning ramp period. To the

[14] *Id.* at PP 8, 39.

extent the Commission remains concerned about the ability of highly variable loads, such as electric generators, to arrange on short notice for gas supplies throughout the day, including during overnight or early morning hours, the Council believes that there are more effective ways to address that problem that do not involve a drastic change to the start of the gas day.

Highly variable loads can manage the variation, including on short notice, through a portfolio of assets and services such as storage, pipeline transportation service and pipeline no-notice and imbalance management services. Many marketers are available around the clock to provide gas supplies and transportation service on short notice. Some gas-fired generators maintain availability through dual-fuel capability. To be sure, all of these investments in ensuring reliable service come at a price. Requiring organized electric markets to provide appropriate compensation mechanisms for gas-fired generators to obtain firm pipeline capacity arrangements, load management services, or dual-fuel capability would improve the reliability of gas-fired generation and would maintain the service reliability of the natural gas transportation system. Moving the start of the gas day has not been shown to do either.

Furthermore, the record in this proceeding does not demonstrate the scope of the problem the Commission is attempting to address – neither in the number of generators nor the number of hours in which electric reliability could be affected. The record in this proceeding also does not show that the potential problem is national in scope. Indeed, during the proceedings at NAESB, entities on the West Coast, including gas utilities, industrial end-users and electric generators, expressed their preference for maintaining the current 9:00 am CCT start of the gas day, noting that the Commission's proposed 4:00 am CCT start time would be 2:00 am Pacific Time.[15] Disrupting the entire natural gas market by moving the start of the gas day would be an

[15] NAESB June 2014 Report at pp. 6-7.

overwhelming undertaking. Moreover, it would be the least efficient way to address a problem whose scope is much more limited, particularly when such a change could have unintended adverse consequences on natural gas operations. The Council contends, therefore, that the Commission should not require a change to the national gas day to address a problem that is more limited and regional in nature.

Moving the start of the gas day to the Commission's proposed 4:00 am CCT will make it more difficult for gas industry participants to coordinate necessary activities. In response to the Commission's regulatory initiatives to unbundle and restructure the natural gas industry over two decades ago, the natural gas industry is no longer dominated by vertically integrated natural gas companies. While natural gas customers have benefitted greatly from the introduction of increased competition in the gas markets, unbundling has necessitated high levels of cooperation among the various segments of the natural gas industry in order to ensure that natural gas service remains safe and reliable.

Even with advanced technologies and automation, coordination among gas industry participants is needed to address issues that may arise around the beginning of the gas day. For example, there may be mismatches between nominations and actual gas receipts or deliveries; gas may not come on-line as planned or expected; equipment can fail, especially in cold weather; not all equipment is automated, especially in production fields in the Rocky Mountains; gas flows may need to be redirected manually from one pipeline to another; and maintenance projects may affect gas flows. Given the number of transactions and operational assets involved, daily coordination is required to ensure the uninterrupted delivery of gas to those who need it. And, given the unbundled nature of the industry, resolution of these coordination issues requires

extensive communications among industry participants involving a variety of lines of work – *e.g.*, gas controllers, operators, schedulers, marketers, and field crews.

Council members are concerned that the level of coordination that currently supports gas service today will be more difficult to achieve if the gas day were to begin at 4:00 am CCT. While some gas industry participants staff some positions on a 24/7 basis, gas industry coordination requires greater staffing than is economically justified in the industry. For example, many market participants do not need and thus do not currently have schedulers during evening or overnight hours. Field crews may be on call in the overnight hours for emergency situations, but for safety reasons (such as impassable roads to remote locations, icy conditions, and difficult terrain, especially during severe weather) gas industry participants may not be able to dispatch field crews until closer to daylight hours. Issues that are not effectively addressed prior to the start of the gas day could develop into larger system integrity issues and/or adversely impact downstream participants.

Moving the start of the gas day to 4:00 am CCT would also compromise balancing activities that often take place in the early morning hours around the start of the gas day at 9:00 am CCT as market participants fine-tune receipts and deliveries from the previous gas day. Managing balancing activities is most effective when all of the segments of the natural gas value chain have full staffs available to address the issues that may have developed overnight. Moving the start of the gas day to 4:00 am CCT would mean that key personnel may not be on hand to make the necessary decisions. The Commission should not needlessly compromise these activities by changing the start of the gas day.

Finally, there is no consensus among market participants in the natural gas and electric industries to change the start of the gas day. As the Commission observed in the NOPR, the

industry participants themselves are best positioned to determine the details of how changes in the scheduling practices can most efficiently be made and implemented.[16] As NAESB reported in its September 29, 2014 filing in this proceeding, and despite a thorough review of the issues and alternatives presented, no single proposal gained the supermajority support from both the electric industry and the natural gas industry to reach consensus. Notably, alternatives based on gas day start times of 6:00 am CCT and 7:00 am CCT were eliminated in earlier rounds of voting, and on a cumulative percentage basis, the package based on the 9:00 am CCT gas day start time received the most support.[17] The only conclusion that can be drawn from the results of the NAESB process, therefore, is that there is no consensus among the industries to change the start of the gas day from its current 9:00 am CCT start time. As such, the Commission should not force a new gas day start on industry participants to address a regional wholesale electric market issue, which would be better addressed through changes to wholesale electric market rules.

V. CONCLUSION

Wherefore, for all of the reasons stated above, the members of the Natural Gas Council and the other entities listed above respectfully request that the Commission consider these comments in this proceeding, adopt the proposed modifications to the gas nomination schedule recommended by the North American Energy Standards Board in its report submitted on September 29, 2014, and retain the current 9:00 am CCT gas day start time.

[16] NOPR at P 10.
[17] NAESB June 2014 Report at p. 9.

Respectfully submitted,

AMERICAN GAS ASSOCIATION

/s/ Andrew K. Soto

_____

Andrew K. Soto
Vice President, Regulatory Affairs
American Gas Association
400 N. Capitol Street, NW
Washington, DC 20001
(202) 824-7215
asoto@aga.org

GAS PROCESSORS ASSOCIATION

/s/ Mark Sutton

_____

Mark Sutton
President and CEO
Gas Processors Association
6526 E. 60th Street
Tulsa, OK 74145
(918) 493-3872
msutton@gpaglobal.org

AMERICA'S NATUARL GAS ALLIANCE

/s/ Erica Bowman

_____

Erica Bowman
Vice President, Research and Policy Analysis
America's Natural Gas Alliance
701 8th Street, NW, Suite 800
Washington, DC 20001
(202) 789-2642
ebowman@anga.us

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

/s/ Susan W. Ginsberg

_____

Susan W. Ginsberg
Vice President, Crude Oil and Natural Gas Regulatory Affairs
Independent Petroleum Association of America
1201 15th Street, N.W., Suite 300
Washington, D.C. 20005
(202) 857-4728
sginsberg@ipaa.org

AMERICAN PUBLIC GAS ASSOCIATION

/s/ David Schryver

_____

David Schryver
Executive Vice President
American Public Gas Association
201 Massachusetts Ave., NE, Suite C-4
Washington, DC 20002
(202) 464-0835
dschryver@apga.org

INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA

/s/ Joan Dreskin

_____

Joan Dreskin
General Counsel
INGAA
20 F Street, N.W., Suite 450
Washington, D.C. 20001
(202) 216-5928
jdreskin@ingaa.org

NATURAL GAS SUPPLY ASSOCIATION

/s/ Patricia W. Jagtiani

_____

Patricia W. Jagtiani
Senior Vice President
Natural Gas Supply Association
1620 Eye Street, N.W., Suite 700
Washington, D.C. 20006
(202) 326-9317
pjagtiani@ngsa.org

TEXAS PIPELINE ASSOCIATION

/s/ Thure Cannon

_____

Thure Cannon
President
Texas Pipeline Association
604 West 14th Street
Austin, TX 78701
(512) 478-2871
thure.cannon@texaspipelines.com

PROCESS GAS CONSUMERS GROUP

/s/ David Ciarlone

_____

David Ciarlone
Chairman
Process Gas Consumers Group
1909 K Street, NW
Washington, DC 20006
(412) 553-4163
david.ciarlone@alcoa.com

November 28, 2014