ISO/RTO COMMENTS
NAESB ENERGY DAY PROPOSED STANDARDS

April 15, 2005

The ISOs and RTOs appreciate the Joint WEQ/WGQ Energy Day Subcommittee's consideration of our comments on the proposed standards posted in advance of the April 6-7, 2005 meeting. We note that many of the technical issues we've previously raised have been addressed in the Proposed Standards Master Work Paper posted on April 13, 2005. We offer our comments and concerns on the Proposed Standards posted on April 13, with particular focus on standards S12 through S18.

The ISOs/RTOs at the September 2004 Joint Interface Committee ("JIC") supported NAESB creating standards to "*Develop standards for the daily operational communications between pipelines and power plants.*" The ISOs and RTOs endorse standards and practices that promote open communication, transparency of information, and processes to meet regional requirements. The proposed standards establish a broadly stated framework for communication of information among several specific entities in the Wholesale Gas and Wholesale Electric industries. However, several of the standards currently proposed by NAESB have stretched beyond their original scope and will interfere with existing emergency procedures and practices established regionally by ISOs, RTOs, Balancing Authorities, and Reliability Coordinators.

The ISO/RTO Council (IRC) is concerned that the proposed standards, as they are currently intended, will unnecessarily burden electric operators with information regarding systems over which they have no control and divert attention from operating the electric grid, particularly during times of system stress or emergency conditions.

The proposed standards misplaces responsibility from the power plant operators, who can best manage these risks and are financially responsible for securing their fuel supplies, onto electric system operators. For example, many natural gas fired generators in the New York Control Area are dual fueled. During natural gas curtailments, these generators are able switch to their alternative fuel, typically fuel oil. Under the proposed standards, electric operators would needlessly react to communications with up to a dozen transportation service providers (i.e. numerous interstate pipelines and several LDCs in the New York Control Area) while the power plant has effectively managed the risk without disruption to the electrical grid. The IRC urges NAESB to redirect much of the focus of these standards back towards the power plant operator, the primary agent between the gas and electric systems.

Furthermore, the focus of Standards S12 - S18 is primarily on ISOs, RTOs, and "independent transmission operators" without regard to the numerous other Reliability Coordinators serving electric load in North America. The issue of fuel supply adequacy is related to continuity and adequacy of electric power production. Natural gas supply is one of many fuel sources used for electric power production. Other Reliability Coordinators and Balancing Authorities outside of the ISO / RTO framework with similar reliability responsibilities should also be required to maintain open communication with appropriate gas supply entities. The IRC is also unclear as to the definition and applicability of the term "independent transmission operators."

In addition to specific comments to the standards provided below, the IRC has the following general comments regarding the proposed standards.

The proposed standards:

- ✓ prescribe a single solution to a potentially regional problem, further burdening electric operators needlessly and potentially diverting attention from the reliable operation of the electric grid;
- ✓ are silent regarding reliability coordinators or balancing authorities outside of the RTO / ISO framework, leaving much of the nation without any governing standards;
- ✓ do not allow the flexibility required to meet the significant regional differences throughout North America in electric operations; and
- ✓ are too broad in definition, potentially burdening electric operators needlessly with little benefit.

The IRC remains concerned that the proposed standards replicate reliability concerns that would more appropriately and effectively be addressed by NERC. However, if NAESB develops a standard, the IRC recommends the following changes to better complement and minimize conflict with electric reliability practices:

Proposed Standards D1, S1B, S2 S3A, and S6 – S8: The IRC has no specific comments regarding these standards.

Proposed Standard S13, S18 and P1-P3: IRC proposes to delete these standards in their entirety as these standards duplicate public information already available to reliability coordinators and necessitate additional resources to review and analyze information on natural gas systems which have little or no risk to the electric grid. Furthermore, these standards are overly broad, requiring ISOs / RTOs to communicate information which is already in the public domain, distracting electric system operators from their primary responsibility of operating the electrical grid in a safe and reliable manner.

Proposed Standard S12: As Power Plant Operators (PPOs) are responsible for their fuel arrangements, this standard should require PPOs to inform Independent System Operators (ISOs), Regional Transmission Organizations (RTOs), independent transmission operators (ITOs), other Balancing Authorities (BA) or Reliability Coordinators (RC) information regarding power plant fuel supply which could affect the reasonable operation of the electric grid.

Proposed Standard S14: Transportation Service Providers should provide PPOs with notification of any constraints, delays or reductions in fuel supply. It is the obligation of the PPO to notify the relevant electric operators.

Proposed Standard S15: Power Plant Operators will provide appropriate ISOs, RTOs, ITOs, BA, and RCs with pertinent information related to the firmness of their gas transportation and gas supply. This will be supported by relevant contracts when requested.

Proposed Standard S16: PPOs will establish operational communication procedures with the appropriate gas Transportation Service Provider(s). Training on and testing of such communication processes should occur periodically.

Proposed Standard S17: When a RC or BA deems it necessary, in accordance with its operating guidelines, it should implement the established operational communication procedures pursuant to NAESB WEQ Standard No. [S16] and WGQ Standard No [S16] with the appropriate gas Transportation Service Providers.