



July 20, 2023

Submitted Electronically

North American Energy Standards Board
1415 Louisiana Street, Suite 3460
Houston, TX 77002

Re: INGAA's Comments on the NAESB Gas-Electric Harmonization Forum Recommendations

North American Energy Standards Board:

The Interstate Natural Gas Association of America ("INGAA") appreciates the opportunity to provide comments on the North American Energy Standards Board ("NAESB") Gas-Electric Harmonization Forum Recommendations.¹ INGAA also reiterates its gratitude to the Forum Chairs and NAESB Staff for their work over the past eleven months guiding and facilitating the conversation about the reliability of the bulk electric system and the recurring challenges stemming from natural gas-electric infrastructure interdependency.

INGAA repeatedly and consistently has argued that any recommendations arising from this Forum should adhere to three principles.

1. Recommended actions should improve electric reliability to a degree sufficient to justify the actions' costs.

FERC and NERC tasked the Forum with addressing the potential for the *bulk electric system* to fail during extreme cold weather events. While recommendations might apply to the natural gas industry, they should only do so to the extent "necessary to support the bulk electric system and to address recurring challenges stemming from natural gas-electric infrastructure interdependency."²

The focus on *electric* reliability is appropriate. Winter Storm Uri, which gave rise to this Forum, "was not an event that tested the capacity of the natural gas transportation system."³ In fact, during Winter Storm

¹ INGAA represents the majority of interstate natural gas transmission pipeline companies in the United States. Its 26 members operate approximately 200,000 miles of interstate natural gas pipelines, serving as an indispensable link between natural gas producers and consumers. INGAA advocates on behalf of its members before federal agencies and courts.

² Letter from Mr. Richard Glick, Chairman, FERC, and Mr. Jim Robb, President and CEO, NERC, to Mr. Michael Desselle, Chairman, NAESB, and Mr. Jonathan Booe, Executive Vice President & Chief Operating Officer, NAESB (July 25, 2022).

³ FERC, NERC, *February 2021 Cold Weather Grid Operations: Preliminary Findings and Recommendations* at 15 (Sept. 23, 2021).

Uri, “natural gas pipelines were only minimally affected by power outages (because most have backup power) and were largely able to meet their firm transportation commitments.”⁴

Winter Storm Elliott similarly demonstrated the reliability of the interstate natural gas pipeline system. Although “pipeline operators were faced with challenges” “[i]n certain regions,” pipeline operators took several steps—including “us[ing] storage and line pack, issu[ing] critical notices consistent with their Tariff (e.g., weather advisories and Operational Flow Orders) and reduc[ing] interruptible natural gas transportation service”—“to maintain pressures and meet firm obligations.”⁵

Data further demonstrates that interstate natural gas pipelines reliably meet their firm transportation commitments.⁶

Because FERC and NERC charged the Forum Panel with identifying actions that “support” the reliability of the electric grid and there are no “recurring challenges” preventing interstate natural gas pipelines from reliably delivering on their firm transportation commitments, recommendations should not waste time and resources advancing proposals that target interstate natural gas pipelines but do not meaningfully improve the reliability of the bulk electric system.⁷

Finally, although INGAA recognizes the value in incremental improvements to electric reliability, the Forum should not advance recommendations that yield incremental improvements without regard to cost. The Forum should instead weigh the value of any improvements against the costs associated with achieving those improvements.

2. Electric customers should bear the costs of recommended actions because they are the beneficiaries of improved electric reliability.

FERC has long “recognized . . . the cost causation principle,” which “provides that costs should be allocated to those who cause them to be incurred and those that otherwise benefit from them.”⁸ This principle “involves comparing the costs assessed against a party to the burdens imposed or benefits drawn by that

⁴ *Id.*

⁵ See FERC, NERC and Regional Entity Joint Team, *December 2022 Winter Storm Elliott Inquiry into Bulk-Power System Operations: Status Update* at 7 (June 15, 2023), <https://tinyurl.com/3bnkbde7>. Multiple “challenges” faced by pipelines reflected problems with other industries rather than with the interstate natural gas pipeline system. See *id.* at 7 (identifying “reduced production volumes” and “increased demand for gas” as challenges).

⁶ See, e.g., Comments of the Interstate Natural Gas Association of America at 8-9, *New England Winter Gas-Electric Forum*, Docket No. AD22-9-000 (Nov. 7, 2022).

⁷ Although INGAA supports Recommendation 5, we are concerned that this is an example of a recommendation that will not meaningfully improve electric reliability. Recommendation 5 suggests “standardiz[ation of] the necessary transactional informational posting, timeliness and transparency requirements for . . . capacity releases,” but it is unclear how the recommended action differs from the regulations already in place that govern the posting of this information. See 18 C.F.R. §§ 284.8, 284.13(c)(2). See generally INGAA’s Response to Questions 1.b.1-8 of the Gas-Electric Harmonization Forum Survey Issued for the April 4, 2023 Meeting.

⁸ Order No. 1000, *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, 136 FERC ¶ 61,051, P 535 (2011); see also *Ameren Servs. Co. v. FERC*, 893 F.3d 786, 789 (D.C. Cir. 2018) (“Order 1000 calls for neighboring ISOs and RTOs to reach agreements on cost allocation for interregional projects that avoid free rider problems . . . The guiding principle behind Order 1000’s cost-allocation provisions is that the costs of interregional projects should be allocated in a way that is roughly commensurate with benefits.”); *Connecticut Dep’t of Pub. Util. Control v. FERC*, 569 F.3d 477, 479 (D.C. Cir. 2009) (“Indeed, cooperation may be necessary to avoid a free rider problem, where some utilities count on the capacity they expect others to buy in order to support their own reliability.”).

party.”⁹ Recommendations must not deviate from this fundamental principle by imposing substantial costs on natural gas pipeline customers to obtain a benefit for electric customers.

3. Recommended actions should promote predictability and regulatory certainty; they should not establish rules for interstate pipeline operations that vary based on weather or market conditions.

INGAA previously explained that the Forum should not pursue changes that only apply in certain circumstances, such as periods of unanticipated demand, extreme weather, or the like. The rules governing interstate natural gas pipeline operations must be clear, consistent, and predictable. Because interstate natural gas pipelines function as an integrated system spanning the entire country, the same rules (e.g., nomination deadlines, flow times) must apply everywhere. Uncertainty regarding what rules apply during what times and in what regions and who makes that determination is extremely disruptive and will further impair the operation of natural gas markets. Rule changes triggered by phrases open to widely divergent interpretations will inject significant uncertainty into markets.

These principles inform INGAA’s opposition to Recommendation 1.

INGAA asked the Chairs to clarify that “strawman” version of Recommendation 1 dealt solely with the timing and not the content of the extensive amount of data that pipelines currently disclose so that the Forum understood the recommendation as well as its benefits and costs. The final recommendation is *more* vague, however, and now suggests that pipelines make “any . . . data necessary to assist regional operators in maintaining system reliability” “routinely accessible to Bulk Electric System operators as soon as such data are reported and available.” The revisions raise more questions than they answer:

- What data—beyond pipeline’s substantial disclosures under existing regulations—is “necessary to . . . maintain[] reliability”? Who makes this determination?
- How is “routine[] access[]” different from the public postings that pipelines already make? From the non-public disclosures that pipelines already make to RTOs/ISOs under Order No. 787?
- At what point is data “reported”? “Available”? “Reported and available” to whom?

As written, Recommendation 1 is too vague to determine whether the recommendation will materially improve the reliability of the Bulk Electric System *at all*, much less whether these benefits will exceed the cost of implementation.

There is reason for substantial doubt about the effectiveness of more disclosures from interstate natural gas pipelines to Bulk Electric System operators in bolstering electric reliability. FERC regulations already require substantial public transparency of interstate natural gas pipelines¹⁰; Order No. 787 further “provide[s] explicit authority to transmission operators to share non-public, operational information with each other for the purpose of promoting reliable service or operational planning on either the public utility or interstate natural gas pipeline’s system.”¹¹ These measures have led to significant gas-electric coordination among interstate natural gas pipelines and RTOs/ISOs.¹² NERC succinctly explained the

⁹ Order No. 1000 at P 536.

¹⁰ See, e.g., 18 C.F.R. §§ 284.12, 13. See generally INGAA’s Response to Questions 1.a.1-4 of the Gas-Electric Harmonization Forum Survey Issued for the April 4, 2023 Meeting.

¹¹ Order No. 787, 145 FERC ¶ 61,134, P 41 (2013).

¹² See PJM, *Winter Storm Elliott: Event Analysis and Recommendation Report* at 19 (July 17, 2023) (describing coordination with the natural gas industry, including an annual “meet[ing] with the pipeline industry to review the upcoming winter and discuss mutual preparedness activities,” “weekly operational calls during the winter months (November through March) with all of the major interstate natural gas pipelines within the PJM service territory,” and the memoranda of understanding and individual agreements in place with pipelines pursuant to Order 787), Mike Knowland, Manager, Operations Forecast and Scheduling, ISO-NE, New England Winter Gas-Electric Forum

limits of more communication among pipelines and ISOs/RTOs: “Every ounce of efficiency has been squeezed out of [gas-electric coordination]. And coordination really doesn’t let more gas flow.”¹³ Rather, “additional pipeline infrastructure is needed to reliably serve electric load.”¹⁴

Despite these limitations, INGAA supports further discussion of whether and how to change the content and timing of interstate natural gas pipelines’ disclosures to ISOs/RTOs. These discussions must specify potential changes to the current regulations and processes so that stakeholders can meaningfully discuss the potential benefits of the changes and avoid wasting resources and, more critically, time pursuing changes that do not address the risks to electric reliability. Recommendation 1 is too vague, too open-ended to permit an informed discussion, and INGAA opposes the revised recommendation as written.

INGAA also opposes Recommendations 7, 14, and 15 based on those recommendations’ implicit encouragement to FERC to exceed the agency’s jurisdictional limits. States have exclusive jurisdiction to regulate the operation of intrastate natural gas pipelines.¹⁵ Although Recommendations 7, 14, and 15 acknowledge this jurisdictional boundary, they nonetheless direct FERC “to achieve identical outcomes within its authority” in instances when states cannot act. This directive appears to endorse a strategy in which FERC adopts regulations over jurisdictional entities (i.e., interstate pipelines) to affect the operation of non-jurisdictional entities (i.e., intrastate pipelines). But FERC cannot use its existing authority to regulate indirectly entities within the exclusive jurisdiction of the states.¹⁶ INGAA reiterates its support for alternative language that appropriately recognizes the limits of FERC’s authority: “In instances where state authorities lack enabling authority to take such actions, the FERC should consider whether it has authority to adopt regulations in this space.”

INGAA abstains from voting on Recommendations 4 and 16.

As the Recommendation 4 notes, NAESB is considering revisions to the Base Contract for Sale and Purchase of Natural Gas as part of a separate, ongoing proceeding. INGAA maintains that the Forum should refrain from intervening in or weighing in on that proceeding. Although Recommendation 4 does not explicitly advocate for a specific outcome of that proceeding, the “endorse[ment]” of the proceeding and the “encourage[ment]” of a swift resolution could suggest a preference for revisions and influence the proceeding. The Forum should avoid this risk and abstain from voting on Recommendation 4. To the extent that individual Forum participants wish to participate in that separate proceeding, they are free to choose whether and how to do so.

Recommendation 16 suggests changes to the operation of intrastate production, processing, and gathering facilities. INGAA submits this response on behalf of the interstate natural gas companies that comprise its membership. Although some of those companies might also operate intrastate facilities, INGAA does not

Panel 2: Concerns for Winter 2022/23 and Future Winters at 14, *New England Winter Gas-Electric Forum*, Docket No. AD22-9 (Sept. 2, 2022) (describing “long history of coordination between gas pipeline and electric system operators” that includes “routine coordination efforts with interstate natural gas pipelines and annual assessment of critical natural gas infrastructure facilities”).

¹³ Robert Walton, *‘Batteries aren’t going to do it’: NERC’s Moura calls for gas investment to maintain reliability*, Utility Dive (July 21, 2022), <https://tinyurl.com/3dj5e33d>.

¹⁴ NERC, *2022 Long-Term Reliability Assessment* at 18 (Dec. 2022) (emphasis added).

¹⁵ INGAA takes no position on these recommendations’ directives to “applicable state authorities.” INGAA’s opposition arises solely from the recommendations’ charge that FERC “should” take action to achieve specific outcomes in intrastate markets.

¹⁶ See *Am. Gas Ass’n v. FERC*, 912 F.2d 1496, 1510 (D.C. Cir. 1990) (“[T]he Commission may not use its § 7 conditioning power to do indirectly . . . things that it cannot do at all.”).

represent the interests of intrastate pipelines or other intrastate facilities and takes no position on Recommendation 16.

* * *

INGAA emphasizes that it based its position solely on the text of each recommendation. NAESB and the Forum Chairs have not made the rationale for each recommendation or any other accompanying information available for review by Forum participants. INGAA reserves the right to modify its position on these recommendations in future proceedings based on any material that NAESB or the Chairs submit to FERC and NERC with the recommendations.

Sincerely,

/s/ Christopher Smith

Christopher Smith

Regulatory Counsel

Interstate Natural Gas Association of America

**COMMENTS ON THE
NAESB GAS ELECTRIC HARMONIZATION FORUM RECOMMENDATIONS
DUE JULY 20, 2023**

Submitter Information

1. Please provide your contact information:

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2. For the purposes of participating in the Gas Electric Forum, are you responding as *(please check one box only)*:

- ☐ Wholesale Gas Market – Producer
- ☒ Wholesale Gas Market -- Pipeline
- ☐ Wholesale Gas Market -- Distributor
- ☐ Wholesale Gas Market – Services or Technology Company
- ☐ Wholesale Gas Market – End User
- ☐ Wholesale Electric Market – Transmission Company
- ☐ Wholesale Electric Market – Generator
- ☐ Wholesale Electric Market – Distributor/Load Serving Entity
- ☐ Wholesale Electric Market – End User
- ☐ Wholesale Electric Market – Independent Grid Operator & Planner
- ☐ Wholesale Electric Market – Marketer/Broker
- ☐ Wholesale Electric Market – Technology or Service Company
- ☐ Retail Energy Market – Retail Electric Service Provider/Supplier
- ☐ Retail Energy Market – End User/Public Agency
- ☐ Retail Energy Market – Retail Gas Market Company
- ☐ Retail Energy Market – Retail Electric Utility
- ☐ Other Market Participant / Observer