



Submitted via Electronic Mail

July 10, 2023

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

RE: Initial Comments of the American Exploration & Production Council on the NAESB GEH Forum Chairs' Strawman Recommendations

Dear NAESB GEH Forum Chairs:

The American Exploration & Production Council ("AXPC") is a national trade association representing the largest independent oil and natural gas exploration and production companies in the United States. AXPC works with regulators and policymakers to better educate them on our members' operations so that they will be able to create sound fact-based public policies that result in the safe, responsible exploration and production of America's vast oil and natural gas resources. AXPC has a significant interest in the work currently underway within the North American Energy Standards Board's ("NAESB") Gas-Electric Harmonization Forum ("GEH Forum"), and in the strawman recommendations advanced by the GEH Forum Chairs. AXPC has reviewed the strawman recommendations and provides the following initial comments.

NAESB Recommendation 3: *Owners and operators of natural gas production facilities should work with the producing community through the Natural Gas Supply Association and the Independent Petroleum Association of America to adopt best practices for sharing near or real-time operational information concerning production facilities that will improve communications and situational awareness for Bulk Electric System operators [and market participants], including, potentially, through the Argonne National Laboratory's NGinsight tool.*

AXPC Comments on Recommendation 3: Recommendation 3 should be eliminated because it is unnecessary. Natural gas end-users are supplied by natural gas transportation pipelines. When issues occur on those pipelines, notice of such issues is posted on the pipelines' electronic bulletin boards. When wellhead and midstream issues occur upstream of such pipelines, such wellhead and midstream operators post notices of the issues on their websites and/or promptly communicate with customers and other stakeholders.

NAESB Recommendation 6: *State public utility commissions and applicable state authorities in states with competitive energy markets should engage with producers, marketers and intrastate pipelines to ensure that the natural gas markets are fully functioning on a 24/7 basis in preparation for and during events in which demand is expected to rise sharply for both electricity and natural gas, including weekends and holidays. Per current FERC regulations, interstate pipelines*

schedule and operate on a 24/7 basis to support the wholesale natural gas market. In instances where state authorities lack enabling authority to take such actions, the FERC should adopt regulations to achieve identical outcomes.

AXPC Comments on Recommendation 6: Recommendation 6 should be eliminated because it is unnecessary. Natural gas producers and transportation pipelines currently operate on a 24/7 basis. Natural gas producers and transportation pipelines coordinate in real time during “events in which demand is expected to rise sharply, including weekends and holidays” to address issues that may arise due to such events. This being the case, it is unclear what Recommendation 6 is proposing to change or what the purpose of the changes to the regulations that may be contemplated by this recommendation would be with regard to natural gas producers. A better solution would be for electric market participants to use long term planning with respect to the siting of electric generation and transmission facilities in relation to natural gas pipelines in order to manage natural gas needs as specified in Recommendation 10. Electric market participants can also make use of the current tools provided by natural gas pipelines to manage natural gas supply, such as no notice service, storage service, park and loan services, hourly services, and capacity release programs as specified, and with the recommendations, in Recommendation 8.

NAESB Recommendation 7: *The Independent System Operators (ISOs) and Regional Transmission Organizations (RTOs), through stakeholder processes, or the FERC, through initiating and conducting proceedings, should adopt changes to align day-ahead electric scheduling practices with the natural gas day, including earlier notification of successful bids, to ensure that schedules are known and made available to allow natural gas-fired generators to procure natural gas and pipeline capacity in periods when the market is most liquid.*

AXPC Comments on Recommendation 7: Recommendation 7 appears to be of limited value. Alignment of day-ahead electric scheduling with the natural gas day will do little to address the issues the GEH forum is charged with addressing. Electric market participants should use long term planning with respect to the siting of electric generation and transmission facilities in relation to natural gas pipelines in order to manage natural gas needs as specified in Recommendation 10. Electric market participants can also make use of the current tools provided by natural gas pipelines to manage natural gas supply, such as no notice service, storage service, park and loan services, hourly services, and capacity release programs, as specified, and with the recommendations, in Recommendation 8.

NAESB Recommendation 14: *Applicable state authorities should consider the development of weatherization guidelines appropriate for their region to support the protection and continued operation of well-heads and processing and gathering system facilities during extreme weather events, and require transparency concerning weatherization efforts of jurisdictional entities.*

AXPC Comments on Recommendation 14: Recommendation 14 should be eliminated. AXPC opposes as unnecessary the development of weatherization and winterization requirements or guidelines for natural gas production facilities. As the Natural Gas Supply

Association, the Gas & Oil Association of West Virginia, Inc., and the Ohio Oil and Gas Association explain in their survey responses, producers already have a strong economic incentive to take steps to weatherize their facilities to ensure production continues to flow during cold weather events.¹ Most producers accordingly take reasonable steps to weatherize their equipment, including the use of insulation, heat trace, and heaters on field equipment and methanol to prevent freezing. However, some outages due to cold weather are unavoidable. For example, if the roads are impassable, trucks cannot enter the production site to remove liquids, and once liquids storage space is fully utilized, production must be curtailed until trucks can safely resume liquid removal. Mandatory weatherization standards are both unnecessary and unwarranted. Similarly, another example is when there are electricity outages to natural gas sites powered with A/C power. Producers will often inventory and stage backup electric generation to prepare for widespread electricity outages in cold weather events, but inevitably production is impacted on these A/C powered sites during electricity outages in cold weather events.


NAESB Recommendation 18: *On May 3, 2023, a request for standards development was submitted to NAESB to consider modifications to the NAESB Base Contract for Sale and Purchase of Natural Gas to, among other things, encourage weatherization actions. As this specific topic area was identified and discussed by the NAESB Gas-Electric Harmonization (GEH) Forum as a potential recommendation, we endorse this evaluation by the NAESB Wholesale Gas Quadrant.*

AXPC Comments on Recommendation 18: Recommendation 18 should be eliminated. The pending request for standards development related to this topic has been made, and NAESB will process such requests pursuant to its applicable rules and procedures. Moreover, an update to the Base Contract is not warranted at this time. Because the Base Contract is a form document, the parties to any actual gas purchase and sale agreement can, and do, negotiate modifications to the form on an arm's-length basis. Such negotiations routinely include what does and does not constitute force majeure. Amending the Base Contract to suit one segment of the industry at the expense of another will not address any perceived deficiency in the form document.

¹ See NGS, GO-WV, and OOGA, GEH Forum Survey Responses at 18, 20, 23 (Apr. 24, 2023).

AXPC appreciates the opportunity to participate in the GEH Forum. Please do not hesitate to contact the undersigned if you have any questions regarding these comments.

Sincerely,

A handwritten signature in blue ink that reads "Anne Bradbury". The signature is fluid and cursive, with the first name "Anne" and last name "Bradbury" clearly legible.

Anne Bradbury
President and CEO
American Exploration & Production Council