| **Chat Transcript from the November 8, 2022 NAESB Gas-Electric Harmonization Forum** |
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| **Time**  | **To**  | **From**  | **Chat**  |
| 8:19am | Everyone  | Nancy Bagot  | Though I did not express concern we were rushing this process, I do want to clarify that the schedule that went through December 1 was interpreted as the "full schedule" of meetings. There was some question how we would complete such a complicated process, but Michael responded to that at the last meeting and I understand we are working through \*all\* the questions posed into next Spring (likely). Thanks to the Forum Chairs and NAESB staff! |
| 8:21am | Everyone  | Bob Gee  | I dont know what you heard, but I have always been under the impression that our work would not be completed until sometime next year. Thank you for your thoughts. |
| 8:28am | Hosts and Panelists | Sue Tierney  | Yes, that's absolutely true, Bob. |
| 8:31am | Everyone  | Russell Murrell | Chris's comments should apply to gas storage projects as well. |
| 8:46am | Everyone  | Craig Glazer  | At least in PJM (but I believe in other RTOs), the costs of firm transportation can be put into generator’s capacity bid. Of course, the market is competitive so they have to be selected and clear the market. But its not correct to say these costs are not recoverable unless the request is for guaranteed clearing of units in the capacity market which would really hurt the concept of a competitive solicitation of capacity to benefit ratepayers. |
| 8:48am | Hosts and Panelists  | Sue Tierney  | Craig's point applies to other RTOs with capacity markets |
| 8:49am | Everyone  | Jennifer Richardson | Shouldn't market mechanisms include a fresh look at gas-electric realignment? Besides being economically unfeasible in most cases, dual fuel capability doesn't solve the problem with market misalignment. |
| 8:50am | Everyone | Gurcan Gulen  | Another option is to require generators that need the backup to contract for backup services from dispatchable generators, storage, or even possibly demand response when they are developing their projects. So they will have "pseudo-firm" power dispatch capability. |
| 8:51am | Everyone  | Michael Oberleitner  | …good point… |
| 8:54am | Everyone  | Nancy Bagot  | What does it mean to "realign" the gas and electric markets? I'm not sure they've ever been "aligned" - rather it is the current tightness on both sides creating a greater tension between two industries which function differently enough that there are not clear or obvious fixes to the current concerns. |
| 8:59am | Everyone  | Gurcan Gulen  | There is a rapidly growing certification of gas supply chain in terms of reducing methane emissions: EO100, MiQ, etc. This trend, if it continues, will reduce emissions relatively quickly. |
| 8:59am | Everyone  | Becky Mac  | Please disregard my raised hand, that was by mistake |
| 9:01am | Everyone  | Mark Spencer  |  To Craig's point, the cost of FT can be included in a PJM capacity offer. However, it is offset by imputed energy margin that often results in $0 offers. Moreover, the capacity markets, which clear at a single clearing price (ignoring local import constraints) do not differentiate between "fuel secure" and "not fuel secure", so in practice FT is not compensated in PJM's capacity market. |
| 9:04am | Everyone  | Michael Oberleitner  | To Nancy's comment, the 'tightness' on the electric side is in some part due to the ongoing replacement of 'dispatchable' generation (e.g, Coal, natural gas) with 'non-dispatchable' generation (renewables) - all under the assumption that both types of MW are equal, when they are not.  |
| 9:05am | Hosts and Panelists  | Craig Glazer  | Happy to discuss this. But my main point is that we need to use our terminology more precisely, just saying that generators are barred from recovering these costs is imprecise language and gives an incorrect impression of the facts and market rules. In terms of fuel security as a capacity attribute, this is a valid issue in capacity market design. As a matter of history, a proposal to require this specifically as opposed to a penalty based system was originally rejected by stakeholders including the generation community when our capacity market was being modified to include Capacity Performance but it is a subject potentially worth revisiting. |
| 9:05am | Everyone  | Gurcan Gulen  | Well put |
| 9:05am | Everyone  | Michele Richmond  | Michael is spot on  |
| 9:06am | Everyone  | Renee Lani  | Regarding the obligation to serve, it's important to note that state regulators do not have jurisdiction over the vast majority of publicly-owned/municipally-owned gas utilities (about 1000 in the country). Their obligations arise directly from the communities that own and operate them. |
| 9:08am  | Hosts and Panelists  | Sue Tierney  | Renee’s point also applies to electric distribution utilities.  |
| 9:08am | Everyone  | Gurcan Gulen | The point about socializing HILL costs is very important point of discussion for this group |
| 9:09am | Hosts and Panelists | Andreas Thanos  | Re Bob's question: Gas LDCs have an obligation to serve. Their customers pay "a premium" to secure the availability of resource when needed. I cannot think of instances where firm gas customers would be curtailed to accommodate an industry that, due to its structure, does not enter into firm transportation agreements (Unless, of course there is an agreement between parties -- ie large industrial customers with power gens) or as New York has it Demand Response for gas. |
| 9:10am | Everyone  | Gurcan Gulen  | It is near impossible to find market solutions for HILL events because of changing probability distributions (limited historical data on apparently increasing extreme events). |
| 9:12am | Hosts and Panelists  | Thomas Coleman  | WECC has a graphic I like showing a probability distribution of demand and distribution of supply the idea captures the idea that very high demand days can overlap very low supply days. And we need to pay attention to the extremes of the distributions, especially as Sue is just saying, when those distribution tails are caused by the same event. |
|  |  | Catherine Elder | WECC has a graphic I like showing a probability distribution of demand and distribution of supply … the idea captures the idea that very high demand days can overlap very low supply days. And we need to pay attention to the extremes of the distributions, especially as Sue is just saying, when those distribution tails are caused by the same event. |
| 9:13am | Everyone  | Gurcan Gulen  | And, "engineering/design" analyses can identify vulnerable points across gas & power supply chains, which can be cheaper and quicker to fix. |
| 9:15am | Everyone  | Jodi Culp  | Regarding forecasting weather events, in addition to number of occurrences, duration and geographic impacts, the timing of extreme (cold) weather events is important. Storage withdrawal capabilities tend to decline as the season progresses and inventory levels are lower. Storage not only provides reliable supply, but key operational flexibility. |
| 9:15am | Everyone  | Nancy Bagot  | Mike O, you are correct of course! And this is something that revisions to ISO/RTO capacity accreditation is attempting to get at. There may be more needed, however, as rather than "demand destruction," electrification of various parts of the economy will have the opposite effect on the power side. |
| 9:16am | Everyone  | Joshua Phillips  | What entity is responsible for coordinating/validating the needs when identified, and subsequently directing the construction of the infrastructure? |
| 9:16am | Everyone  | Joshua Phillips  | Asked in response to the question of the WECC map |
| 9:18am | Everyone  | Michael Oberleitner | Thank you, Nancy... but remember, capacity accreditation doesn't address whether or not sufficient fuel was purchased in advance of the 'event.' |
| 9:18am | Everyone  | Mark Spencer  | This is a liquidity issue. They secondary markets are so thinly traded that there's very little transparency and opportunity for price discovery |
| 9:21am  | Everyone  | Catherine Elder  | yes, more transparency would be helpful in detail, timing and clarity in the information posted  |
| 9:22am | Everyone  | Naim Peress  | FERC does and requires transactional reporting during timely cycles. Can be extended to intraday transactions. |
| 9:23am | Everyone  | Nancy Bagot  | There are discussions to include fuel access and supply as part of thermal generators' capacity accreditation. Which, alas, gets us into the very, very complex discussion about what is "firm fuel" for a generator. |
| 9:28am | Hosts and Panelists  | Roy Harvey  | It's hard to catch all the chat that goes by. Can you enable Save Chat? |
| 9:24am | Everyone  | Michael Oberleitner  |  Agree Nancy, it is complex |
| 9:25am | Everyone  | Sandra Montes de Oca | Ron, the chat transcript will be posted after the webinar |
| 9:25am | Everyone  | Nancy Bagot  | But I think an underlying point is that accreditation doesn't (and shouldn't?) necessarily address a long-duration extreme event. To Craig's point, more interaction in the ISO/RTO planning process may be useful. |
| 9:26am | Everyone  | Bill Wolf  | To be clear, transactions in the interstate secondary market are bi-lateral between shippers on the pipeline. The pipelines are not generally involved in those transactions, other than qualifying customers to transact on the pipeline system, posting the transactions made between shippers, or if bidding is required, post a shipper’s capacity and manage the bidding process. Asking for more information would require more from shippers, as pipelines are not involved in how those transactions develop. It is worth noting that intrastate pipeline markets have developed entirely different than the interstate markets. |
| 9:27am | Everyone  | Ronnie Hensley  | Josh Phillips FERC oversees construction of new infrastructure. There has to be a need before they will approve a new build. |
| 9:27am | Everyone  | Ronnie Hensley  | I would be happy to discuss the process with you. |
| 9:27am | Everyone  | Catherine Elder  | agree with Craig on gas-electric coordination falling off the radar screen |
| 9:27am | Everyone  | Michele Richmond  | Firm fuel isn't very firm without transparency to know what's happening on the pipe and without addressing fore majeure and establishing better parameters and oversight related to that. If you have firm fuel and it can be curtailed or canceled through force majeure, how firm is firm? When I say "transparency," I am focused on the intrastate system, not interstate or bilateral markets. |
| 9:27am | Everyone  | Rachel Hogge | regarding transactional reporting postings on Pipeline EBBs, there is a FERC requirement that changes are reported before the next nomination opportunity, which is anytime, not just the timely cycle |
| 9:28am | Everyone  | Michele Richmond  | force majeure - typing too fast |
| 9:34am | Everyone  | Gurcan Gulen  | FM is a major issue because the suppliers of gas do not control physical systems along the gas supply chain. How do you incentivize "all" players along the supply chain to prevent outages during extreme events? |
| 9:37am  | Everyone  | Craig Glazer  | My chat function has disappeared. Can others still see the chat? |
| 9:37am | Everyone  | Catherine Elder  | Yes  |
| 9:37am | Everyone  | Michael Oberleitner  | Yes  |
| 9:38am | Everyone  | Joanna Yeo | Mine has disappeared as well |
| 9:39am | Everyone  | Gurcan Gulen | Try hovering your mouse towards the bottom of your screen |
|  |  | Michael Desselle | Can still mine |
| 9:40am | Everyone  | Joan Jackson  | The pipelines have in the past and will continue to offer services tailored to generators but they generally have not been subscribed since the key issue remains - how do you get generators to sign up and pay for these more expensive services when they cannot get price recovery through their ISOs. |
| 9:40am | Hosts and Panelists  | Andreas Thanos  | Great comments thx |
| 9:41am | Everyone  | Russell Laursen  | Great comments Eric – couldn’t agree more! |
| 9:42am | Everyone  | Michele Richmond | Generators don't know if they will be dispatched or not, and in ERCOT, there is no compensation for fuel if you don't get dispatched to produce power. There are fuel costs related to contractual obligations that are also not recoverable. That's one issue, but the lack of competition in some areas coupled with lack of transparency on intrastate is a separate issue impacting both electric reliablity and electric consumer costs. |
| 9:42am | Everyone  | Sue Tierney | I was trying to say that we appreciate these oral comments – and your point that the energy world is REALLY complicated |
| 9:42am | Hosts and Panelists  | Eric Soderman  | Thanks Sue  |
| 9:46am | Everyone  | Sarah Tomalty | During extreme weather events, interstate pipelines are often operating under critical notices and will only schedule capacity to primary points. As a result, the secondary (capacity release) market may not be as reliable since you would be taking a releasing shipper's capacity to an alternate point. So during critical periods the capacity release market is not necessary a substitute for generators acquiring capacity themselves and expanding pipelines to meet the needs of generators. |
| 9:49am | Everyone  | Rachel Hogge  | @Sarah Tomalty...great point! Additionally, the releasing shipper may have the right to recall their offer. |
| 9:53am | Everyone  | Sue Tierney  | Comments have been really helpful and meaty. Thank you  |
| 9:54am | Everyone  | Catherine Elder  | I agree this lack of compensation/price recovery through the ISOs is a huge problem to getting generators to subscribe to firm capacity. Then pile on the transparency issue, which is one thing for most of us and another in Texas. Sort of to Sarah's point, how do we facilitate the transactions, both capacity and supply, that can help various buyers or sellers, LDCs and generators during a bad bad weather event and keep the system from going off the rails? But if we just don't have enough supply, period, it won't do any good. We should think about how better connecting or helping them better identify each other -- that transparency again --could help us avoid more Uri's. |
| 9:55am | Everyone  | Cory Samm | Agree with Michele. It his very hard to subscribe to a firm transportation contract when generators do not know from day to day if they will receive a dispatch. As more intermittent generation resources are built throughout an RTO, NG generator dispatches will continue to vary which adds to the challenge. |
| 9:59am | Everyone  | Valerie Crockett  | Same holds true for non-RTO gas generation, including those holding specialty FT contracts. Problem is we pay for the special contracts and can still be frozen out of access due to existing "no-bump" policy. This has to change. Without a change how can anyone justify paying for 100% or socializing cost without 100% benefit? |
| 10:04am | Everyone  | Joan Jackson  | The pipelines engage in non-public communications with ISOs to enhance system reliability. Yet the pipelines cannot speculate, for example, how a shipper shall use its capacity or whether it will be able to secure gas. |
| 10:05am | Everyone  | Nancy Bagot  | Craig's point about "when" information is needed and the ability to speculate has me now thinking about the proposed FERC Duty of Candor which applies to any/all discussions with pipelines and ISOs/RTOs - and thus may even further chill the ability or option for those sorts of speculative discussions or forecasts. |
| 10:09am | Everyone  | Andreas Thanos  | Apologies for the cynicism, but I have yet to hear what the Generation side is willing to do. We heard a lot about what they want to get. But this continues to sound like a one sided "discussion" (for lack of a better word). |
| 10:11am | Everyone  | Ben Schoene  | Valerie - Was your use of related to IT protection in the last cycle or FT protection after it is scheduled in any cycle? Thx! |
| 10:12am | Everyone  | Rick Smead  | Pipeline operators are in continuous informal communication with all the major interconnecting parties on their systems. They're also continuous planning operations for the most likely upcoming conditions on their systems. Why couldn't this be shared with RTOs on an equally informal basis, with all the necessary caveats to contain liability? What are you seeing, and what are you planning for? I know this conversation is always going on. |
| 10:13am | Everyone  | Andrea Chambers | We also submitted comments on this issue and would like to speak at the appropriate time. |
| 10:14am | Everyone  | Valerie Crockett  | Ben - I'm speaking to IT after the last cycle. Specifically the need to make late day changes for early morning flow based on either loss of intermittent generation or a weather shift. |
| 10:14am | Everyone  | Russell Murrell | Lots of focus on secondary market and transparency. During critical periods firm shippers are using their capacity, not likely to release it. Seems like the fundamental disconnect is that LDC's can recover cost of covering peak day load and electric gen cannot |
| 10:16am | Everyone  | Russell Murrell | Market design should allow for elec gen to hold the necessary assets to support reliable service  |
| 10:18am | Everyone  | Nancy Bagot  | It would be helpful if you had suggestions as to what generators can or should be doing (that is in their control). I think the ISOs are addressing ways in which the power system needs to work with the gas side. This is becoming more difficult as gas generation will be used differently - as more balancing and ramping resources making firm pipeline or supply options even more challenging. Note that even Valerie -- who has cost recovery -- notes that firm is not 100% firm for generators outside ISOs/RTOs. |
| 10:19am | Everyone  | Michael Russ  | I agree with Russel, it seems like this is about the pipelines getting the information to the elec gen so they can try to "speculate" on what "no-notice" services are not being utilized. |
| 10:21am | Hosts and Panelists | Russell Laursen  | Good comments Andreas |
| 10:21am | Everyone  | Michele Richmond  | I am happy to speak to what generators do and new requirements of them in the past 18 months. Also submitted comments on this question and can address those, although they are fairly self-explanatory so probably more time efficient to take questions about our responses. |
| 10:24am | Everyone  | Nancy Bagot  | Changes like the shifting the electric day does not address the amount of pipeline capacity that is available during a highly constrained day. The discussions on these sorts of surface changes (nomination timelines, etc.) do not get to the economic and market challenges we face, in my view, because the two industries are structured so differently as to how resources are paid, whether there is excess built into the system to address emergencies or peaks, etc. LDCs and generators are situated fairly similarly here as shippers - but shippers that need to use their supply system in vastly different ways, and have/had different roles in supporting the system that is now in place. |
| 10:24am | Everyone  | Thomas Schroeder  | All the communication between the natural gas industry and the electrical generation industry doesn't change the fact that it is the type of natural gas transportation you have (primary Firm, secondary Firm or IT) and when you nominate your supply (Timely) will dictate if you can secure a supply of natural gas. I am confused as to why more information sharing will help when that won't secure the natural gas supply. Even if you have primary Firm transportation it won't guarantee you will get natural gas unless you Timely nominate it. |
| 10:25am | Everyone  | Michael Oberleitner  | …correct Thomas  |
| 10:29am | Everyone  | Russell Murrell | Most pipelines offer a form on no-notice service, no timely nomination required (granted it is expensive) |
| 10:30am | Everyone  | Catherine Elder  | I thought it was about getting information to folks who are looking to get either gas or capacity so they can engage in transactions needed to keep the lights on. What strikes me is that while the pipeline information is helpful, well Thomas is making this point and there are the transactions Craig mentioned that are bundled supply and capacity, but a lot of the supply transacted is separate from the capacity. So more information or "speculation" from the pipe may not by itself be sufficient. Even so, Craig's point about secondary market transactions is important. |
| 10:31am | Everyone  | Michael Russ  | The only difference between scheduled numbers which are publicly available and operational numbers are No notice services. Giving out operational numbers is therefore basically just giving out information about no notice activity, which by its nature is speculative. |
|  |  | Michael Oberleitner | However, any incremental no-notice services would have to be certificated and built, on the East Coast, as we are fully subscribed...  |
| 10:31am | Everyone  | Brian Fitzpatrick  | Raising hand  |
| 10:36am | Everyone  | Gene Nowak  | Besides no-notice, differences between scheduled and physical numbers could happen due to gas movement for management of line pack (for potential off rate flows/ preparation for high demand) and to manage storage fields across the pipeline. |
| 10:42am | Hosts and Panelists | Russell Laursen  | Good comments Michele. Aa a non-texas observer it sounds like there are some unique issues there. I think the more extensive intrastate pipeline system couple with a de-regulated electric industry has created some challenges. |
| 10:45am | Everyone  | Jennifer Coffee  | James Mann I believe has his hand raised to speak for Texas Pipeline Association  |
| 10:45am | Everyone  | James Mann | James Mann for the Texas Pipeline Association. I would like to say a few words |
| 10:48am | Everyone  | Michael Russ  | Ageed Gene, I was oversimplifying, but the factors you discuss just make it even more "speculative" as to what the operational numbers mean relative to capacity that might be realistically available for secondary markets. |
| 10:48am | Everyone  | Thure Cannon | The Texas Pipeline Association will be submitting written comments by the next meeting. |
| 10:50am | Everyone  | Brian Fitzpatrick  | Providing general comments on discussions related to informational sharing between ISO/RTOs and interstate pipelines from an operational perspective....I want to strongly reiterate Craig Glazer's comments earlier that over the past 7 years, PJM has developed a very robust communication and coordination protocol and strong relationships with all of the major pipelines (and LDCs) serving generation in our footprint and so we are not implying that there is a failure in this space but rather the point raised was to determine if there was an opportunity to further enhance those communication efforts by holding harmless those pipelines/LDCs that may be hesitant to provide non public information that those entities might consider market sensitive or perhaps a legal risk. Additionally, there are unique differences between each of the ISO/RTO's resource mix and fuel supply and thus the communication/coordination arrangements can also vary accordingly. |
| 10:57am | Everyone  | Sue Tierney  | James - is the Texas Pipeline Assn the association for intrastate pipelines alone? |
|  |  | Natalie Dubiel | This is Natalie Dubiel from the Texas Railroad Commission. Similar to James' comments, the agency was unaware of this forum until late last week, despite since learning that the forum has stated publicly that we were invited. We had received no such invitation, but will be happy to join the meetings on a moving forward basis. RRC staff is more than willing to help clarify or discuss the agency's actions post-Uri, although I will state generally to respond to Michele that this is probably not the appropriate forum to debate purely intrastate issues that are being actively discussed at TERC and on the state level. Thank you and look forward to joining in the future! |
| 10:57am | Everyone  | Catherine Elder  | I am a diehard gas geek and yet I cannot agree with Michele more about my industry's typical reaction. The real difference now is that gas is now a baseload fuel for electricity generation. We've never "updated" expectations and rules and structures to recognize this new reality. And the electric side doesn't have market structures that allow firm transportation costs to be recovered. Both Michele and James agree on this point. That's all true under normal conditions but at extreme conditions these seams fall apart unless there is great coordination. And the coordination or maybe facilitation needed is out of character with or even violates some of our normal market and tariff rules. |
| 10:57am | Everyone  | Thure Cannon | Sue, yes  |
| 10:57am | Everyone  | Sue Tierney  | Thanks for the comments, James  |
| 10:58am | Everyone  | Bill Wolf  | We operate one of the major intrastate pipeline systems in Texas, and have been, and continue to be willing to discuss these issues through TPA or directly. We would be interested in hearing specifics around examples where customers who want firm contracts have been unable to obtain them, as that has not been our experience. As James pointed out, the intrastate market is fundamentally different than the interstate market both how it has been developed over time and how it is used now by customers within Texas, which includes not only power generators, but LDCs, industrials, and other human needs customers that may be directly connected to intrastate pipelines in Texas. |
| 10:58am | Everyone  | Catherine Elder  | thank you for setting the next mtg to be later in the day for us westcoasters! |
| 11:00am | Everyone  | Andrea Chambers  | We represent industrial customers on Texas Intrastate pipelines that would appreciate more information about operational constraints on such pipelines during storms. |
| 11:00am | Everyone  | Elizabeth Mallett  | Thank You! |
| 11:00am | Everyone  | Christopher Smith  | Thank you all! |