

**FEDERAL ENERGY REGULATORY COMMISSION**  
WASHINGTON, DC 20426

October 18, 2016

**OFFICE OF THE CHAIRMAN**

Ms. Rae McQuade  
President & COO  
North American Energy Standards Board  
801 Travis Street, Suite 1675  
Houston, TX 77002

Dear Ms. McQuade:

Since February 2012, the Commission has focused on issues related to natural gas-electric interdependencies in order to identify areas for improved coordination. The Commission has engaged with both industries as part of its effort to address these challenges. In March of 2014 the Commission issued a Proposed Rule to improve the divergent interstate natural gas pipeline and wholesale electric utility scheduling practices and to address concerns regarding the flexible and efficient use of pipeline capacity by natural gas-fired generators and other shippers. The Commission, in Order No. 809, revised its regulations to incorporate by reference modified North American Energy Standards Board (NAESB) Wholesale Gas Quadrant Business Practice Standards, which revised the standard nomination timeline for interstate natural gas pipelines. However, the Commission requested that the “gas and electric industries, through NAESB, explore the potential for faster, computerized scheduling when shippers and confirming parties all submit electronic nominations and confirmations, including a streamlined confirmation process if necessary.”<sup>1</sup>

I appreciate the time and effort that NAESB and stakeholders from a broad range of interest groups have invested to date in the endeavor to address the Commission’s request. Also, I am pleased to see that NAESB is beginning to work on developing an approach that would, to some degree, streamline the confirmation process. However, I am disappointed that the gas and electric industries were not able to develop consensus standards that would allow for faster and more frequent scheduling opportunities.

I believe the development of standards to support electronic nominations and confirmations across interstate natural gas pipelines could achieve greater efficiency, provide additional scheduling flexibility for all natural gas pipeline shippers and ultimately allow for additional intraday nomination opportunities. The existing operational limitations, including the manual processes utilized by many pipelines for processing nominations, may affect the ability of the gas industry to add additional standard nomination cycles applicable to all shippers. I am concerned that given the time required to

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<sup>1</sup> *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, Order No. 809, 80 Fed. Reg. 23,198 (Apr. 24, 2015), FERC Stats. & Regs. ¶ 31,368 (2015). In its September 17, 2015 Order on Rehearing in Docket No. RM14-2-001, the Commission found “it reasonable for the industry to begin considering [computerized scheduling] standards and to submit standards or a report on the development of such standards by October 17, 2016.” 152 FERC ¶ 61,212 (2015).

implement new standards, the industry may not be positioned to avoid potential operational constraints in the future. I believe that it is reasonable for interstate natural gas pipelines to set minimum requirements to support computerized nomination, scheduling, and confirmation processes.

In the past, when the need for such standardization was apparent, NAESB and its stakeholders were able to develop a core set of business practice standards in a short amount of time. I believe the same effort is needed now. I believe it may be more efficient for the industry to develop these standards through the consensus procedures of NAESB than for the Commission to set up its own procedures to try to accomplish this goal. I want to reiterate my thanks to NAESB and to the gas and electric industry segments for the time and effort required to engage in standards development. I encourage NAESB to complete by March 31, 2017 the development of standards or modification to existing standards as needed to support the request of the Commission and to provide opportunities for faster and more frequent scheduling.

Very truly yours,

A handwritten signature in black ink that reads "Norman C. Bay" followed by a checkmark.

Norman C. Bay  
Chairman