North American Energy Standards Board
Joint Business Practices Subcommittees

Comments of the Electric Power Supply Association

Request for Informal Comments

June 11, 2024

I. Introduction & Summary

As outlined in the 2024 annual plans of NAESB's WEQ, WGQ, and RMQ and in order to support the development of standards intended to improve gas-electric market coordination communications during critical events, the Joint Business Practices Subcommittees ("BPS") Chairs have requested informal feedback from all interested parties on questions included in the May 9, 2024 memo to industry. Those six questions emerged from a gap analysis discussion focused on cold weather events and possible force majeure situations. All comments will be discussed during the June 14, 2024 meeting of the Joint Subcommittees.

The Electric Power Supply Association[1] (EPSA) responds below to those questions which pertain to or impact natural generators as end use customers of natural gas. For certain questions, the communications do not include generators as either recipients or conveyors of the identified information. In Question #1, for example, the focus is on whether upstream supply concerns or force majeure prospects should be conveyed to "critical parties" outside of the existing contractual relationships. Here, ISOs/RTOs and pipelines are identified as critical parties which may need that information but do not have access. As end users, generators do not have information on upstream supply issues or whether/how such issues may impact pipeline operations or ISO/RTO system operations. Importantly, in many cases a generator's supply contract is for "firm delivered gas" with a third-party fuel manager or marketer which is the pipeline shipper as well as the entity responsible for taking corrective action if there are supply problems. Further, it is unclear how an ISO/RTO would use extensive upstream information to change or impact its operational practices during a critical period. Upstream supply constraints are bound to impact fuel access for generators, but there is also an array of alternatives and options being considered and utilized by fuel managers, gas marketers, and generators themselves to resolve those issues during the critical period. It is unclear how an ISO/RTO would be able to assess the ability of certain generators to run based on supply constraints in a particular region or basin rather than through direct communication with the generator as to its status.

It seems clear in the wording of the questions posed that the bilateral and contractual nature of the natural gas system was underscored during the gap analysis discussions and may in part explain existing restrictions on certain communications occurring today. Further, those

[1] EPSA is the national trade association representing America's competitive power suppliers. We advocate for well-functioning competitive wholesale electricity markets as we believe that markets provide the best foundation to reliably power our nation at the lowest cost while fostering the innovation necessary to achieve critical environmental progress. EPSA members provide approximately 150,000 megawatts (MW) of reliable and competitively priced electricity from environmentally responsible generation facilities using a diverse mix of fuels and technologies, including natural gas, wind, solar, hydropower, battery storage, nuclear, and coal. EPSA members represent approximately 20% of the nation's installed capacity.

These informal comments represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

contractual relationships create barriers to communications with entities outside of the transactional chain.

In EPSA's view, a fundamental concern with requiring an identified set of "standard" communications to other "critical stakeholders" (that is not also publicly available or posted) is how those "critical" entities will use the information, whether that information will assist in extreme event operations or preparations, and if that information might lead to broad or unsupported assumptions about what the information indicates directly and/or indirectly. As an example, if there are pressure concerns creating delivery challenges along a particular segment of pipeline, this could lead a power system operator to assume that certain generators or end users will not have access to gas as supply for generation. However, as noted above, an array of alternative supply and delivery options is being pursued to address the pipeline or supply constraint. Particularly during critical periods, shippers are assessing whether they can reroute supply or find alternate shipping paths to deliver gas to generators. This takes time, resources, and attention to effectuate – thus, information conveyed to an ISO or RTO may indicate one particular concern but would not indicate corrective actions or alternatives.

Additionally, attention must be paid to how certain notifications, currently proprietary, would impact the natural gas supply markets and economics when information is shared more broadly and may only indicate certain situations or scenarios. It is possible – if not likely – that the information sharing itself may create a supply constraint due to economics or caused by a rush to buy based on speculation by market participants.

It is EPSA's view that the gas/electric coordination issues – which are real and need to be addressed – are not issues of communications but of operational and business practice barriers between two different but inextricably connected industries. We do support NAESB's effort to assess whether there are communications that could or should be improved but note that generators are well-informed even during critical periods. It may be that additional transparency rather than party-to-party communications improves coordination, but even with that, these minor improvements should not be conflated with or treated as substitutes for solutions to the operational differences which remain and should be addressed.

EPSA is committed to working with NAESB, the electric power industry, and the natural gas industry to find solutions to improve the reliability of both energy systems, noting that they are increasingly interdependent as our national energy transition continues at varying paces across regions.

II. Question Responses

1. *There is a lack of communication during extreme weather events concerning upstream supply issues, including invocations of force majeure, by parties with direct knowledge to critical stakeholders who are not part of the transactional and operational chain (e.g., pipeline operators, RTOs/ISOs). Consistent and ongoing communication primarily only occurs between parties with operational and/or contractual connections; therefore, only directly affected parties understand their real-time positions and situation, except in instances where such information is part of a critical notice issued by a pipeline operator.*
    a. *Is this a communication gap that should be addressed?*
    b. *Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?*

c. *Are there any barriers to sharing such information?*
d. *Please provide any specific proposals, including draft standards language.*

EPSA Response: On a real time basis, this upstream information is very often not available to generators as end users who utilize a third party for the delivery of firm fuel. As noted, this information may be helpful to pipeline and power system operators. Additionally, explanatory data and information underpinning a call of Force Majeure may be necessary for generators after the fact rather than in real time to enable them to support or explain interactions with the ISO/RTO during such an event.

2. *Because many end users purchase natural gas from various parties rather than directly from producers, and such natural gas can be transacted multiple times (i.e. "daisy-chain"), certain transactional communications, even ones as critical as force majeure, may take significant time (e.g., days) for information to flow through to all stakeholders.*
    a. *Is this a communication gap that should be addressed?*
    b. *Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?*
    c. *Are there any barriers to sharing such information?*
    d. *Please provide any specific proposals, including draft standards language.*

EPSA Response: Similar to our response to Question #1, real time communication on supply issues and constraints must be conveyed to the contracting party as soon as possible but may not be available to non-contract parties on that timeline. There is a need for information after the fact to support actions taken during a critical period, but EPSA is not aware that there are great gaps creating problems for generators as end users in real time.

3. *Certain interstate pipeline operator informational postings lack specific location information that could help parties better understand the area covered by the posting.*
    a. *Draft standards language related to this area has been proposed in the Interstate Natural Gas Pipeline Draft Standards Work Paper: https://naesb.org/member_login_check.asp?doc=weq_wgq_rmq_bps050624w3.docx*
        i. *Are there any further revisions or modifications that are needed to the proposed draft language?*
    b. *Please provide any additional specific proposals, including draft standards language.*

EPSA Response: As noted, the pipeline industry has advanced proposed standards to improve or clarify locational information included in postings. EPSA defers to the feedback from power system operators as to the efficacy of the proposed standards improvements.

4. *There may be limited stakeholder distribution and/or unclear and/or no communication of recovery timelines and expectations when supply is lost due to weather and/or operational disruptions. For example, interstate natural gas pipeline operators may observe a difference between shipper nominations and actual gas flows or system pressure changes. While the difference might indicate supply disruptions upstream, the difference does not indicate what is occurring or the anticipated length of the event.*
    a. *Is this a communication gap that should be addressed?*
    b. *Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?*
    c. *Are there any barriers to sharing such information?*

d. Please provide any specific proposals, including draft standards language.

EPSA Response: EPSA agrees that pipeline reporting on shipper nominations and actual gas receipt, flows, and deliveries is important as it offers the most verifiable and therefore useful data-based indication of supply disruptions or concerns. That noted, it is unclear how this information can be extrapolated to indicate the extent or anticipated length of the event. Rather, such a requirement is likely to contribute to the development of assumptions or forecasts that are not based on data and may lead to speculative reactions or operations – which must be avoided, particularly during a critical or emergency period.

5. *There may be limited and/or delayed communication from end-users to pipeline operators of non-ratable or other consumption patterns that deviate from contractual commitments.*
    a. *Is this a communication gap that should be addressed?*
    b. *Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?*
    c. *Are there any barriers to sharing such information?*
    d. *Please provide any specific proposals, including draft standards language.*

EPSA Response: There are very clear restrictions on an end user's use of its pipeline capacity in its contracts with the pipeline or a fuel manager as the pipeline shipper, which clearly outline consequences of violating pipeline flow orders as a shipper. This includes extensive economic penalties. In most cases, flow order violations take place while a shipper is in the act of arranging for alternative supply or transportation options to address the limitations on the primary pipeline arrangement. Based on the situational variations of these instances, it is unclear whether a standard communication requirement could be developed or would be useful as an operational awareness datapoint. Rather, these are issues addressed in the contractual arrangements among the generator, shipper, and pipeline operator.

6. *There may be limited understanding of pipeline operator-initiated confirmation and/or nomination reductions that are not captured in operational flow orders and/or underperformance notices.*
    a. *Is this a communication gap that should be addressed?*
    b. *Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?*
    c. *Are there any barriers to sharing such information?*
    d. *Please provide any specific proposals, including draft standards language.*

EPSA Response: EPSA is confident that pipeline operators are communicating with their shippers, and generators (whether the designated shipper or not) have visibility of their volumetric receipts at their own meters. It is important that the pipeline is in direct communication with its shippers – either the generator or its fuel manager/marketer – and those communications do take place today. It's not clear why and how that information should be shared outside of that chain, and whether or how appropriate "other parties" outside of the contractual path would be identified on a standard basis. Notably, the practice of generators to contract for delivered gas is important to understand why a generator which is not the pipeline shipper does not need that information, for example. Further, during a critical event, the sheer amount of operational flow data and notices could be overwhelming at best, debilitating at worst, and could lead to assumptions or guesses used to undertake speculative or hasty operational actions by the power system operator.