June 7, 2024

Re: NAESB Joint WEQ, WGQ, RMQ Business Practices Subcommittees Informal Comment Period

NAESB Joint WEQ, WGQ, RMQ Business Practices Subcommittees:

The Interstate Natural Gas Association of America ("INGAA") appreciates the opportunity to respond to the questions posed in the NAESB Joint Business Practices Subcommittees' request for informal comments.[1] In addition to comments on the six potential communications gaps identified in NAESB's request for informal comments, INGAA provides background information on some of the potential gaps. We hope that this background information informs the group's discussion on any potential communications gaps and on whether and how to best address any actual gaps.

Thank you again for the opportunity.

Sincerely,

/s/ Christopher Smith
Christopher Smith

[1] INGAA represents the majority of interstate natural gas transmission pipeline companies in the United States and prepared these responses on behalf of the interstate natural gas pipeline industry. INGAA's 27 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.

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.

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.

Background

Interstate natural gas pipelines are transporters, not sellers, of natural gas[2] that manage their operations according to tariffs approved by the Federal Energy Regulatory Commission ("FERC") and each individual pipeline's contracts with its shippers.

When a shipper seeks to exercise its contractual right to transport gas along an interstate pipeline, the pipeline must determine (1) whether the shipper's contract permits transportation in the quantity and along the path sought by the shipper; (2) whether the shipper has obtained the gas that it seeks to move; and (3) whether the pipeline's system can accommodate the shipper's request (*i.e.*, whether the pipeline has the capacity that day and cycle to transport that gas). The pipeline typically will answer these questions through a process that, at a high level, consists of three steps:

- Nomination. Pursuant to a contract, a shipper requests either (a) to transport gas from a specified receipt point to a specified delivery point on the pipeline or (b) to inject or withdrawal natural gas from storage.
- Confirmation. Two point operators at a location—one "upstream" party and one "downstream" party—must agree on the quantity of gas that will flow at the location. One operator controls flow at the location.
- Scheduling. The pipeline compares nominated or confirmed quantities with its operationally available capacity to determine what quantity can flow through its system and/or points of interconnect. The comparison includes any automated or manual procedures to allocate system capacity. Scheduling may occur before or after confirmation or multiple times during the evaluation window, as determined by the pipeline.

These steps occur five times for each Gas Day cycle at the following times under the current NAESB standards (all times Central Clock Time):

Cycle	Nom.	Conf.	Sched.	Gas Flow
Timely	1:00 PM	4:30 PM	5:00 PM	9:00 AM
Evening	6:00 PM	8:30 PM	9:00 PM	9:00 AM
Intraday 1	10:00 AM	12:30 PM	1:00 PM	2:00 PM
Intraday 2	2:30 PM	5:00 PM	5:30 PM	6:00 PM
Intraday 3	7:00 PM	9:30 PM	10:00 PM	10:00 PM

Comments

Items 1 and 2 seek to promote greater awareness of upstream production issues among downstream entities, but the information described in Items 1 and 2 (*e.g.*, producer force majeure declarations) do not help answer fundamental questions that pipelines must answer when managing their operations: What are the shipper's

[2] Interstate pipelines occasionally purchase natural gas for use in pipeline operations.

contractual rights? Does the pipeline have capacity at or along the route that the shipper seeks to deliver to? Does the shipper have possession of the gas it seeks to transport? For example, if a producer declares force majeure, a shipper might still obtain sufficient gas from other suppliers delivering to that point. More information on individual producer force majeures will not materially affect pipeline operations because individual force majeures do not indicate whether the shipper can fulfill its commitment to deliver sufficient supply to the pipeline at the beginning of the Gas Day. Ultimately, each interstate pipeline must base its operating decisions on nominations and confirmations.

While the information described in Items 1 and 2 have limited utility for interstate pipelines, INGAA encourages the NAESB forum to explore whether this information will help shippers to nominate, and point operators to confirm, volumes that more accurately reflect circumstances in extreme weather. Problems can occur when a shipper nominates and a point operator confirms volumes in excess of what supply the shipper possesses. (These problems and the steps that pipelines take to address them are discussed in response to Item 6.) The natural gas system will benefit to the extent that this disclosure will avoid "inaccurate" nominations or confirmations.

3. Certain interstate pipeline operator informational postings lack specific location information that could help parties better understand the area covered by the posting.

Comments

The interstate pipelines proposed revised standards to address this issue in the Interstate Natural Gas Pipeline Standards Work Paper. INGAA does not have any additional comments on the Interstate Natural Gas Pipeline Standards Work Paper.

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.

The FERC, NERC, and Regional Entity Staff Report on Winter Storm Elliott describes steps that interstate natural gas pipelines can take (and have taken) to meet the needs of firm customers despite loss of natural gas supply[3]:

> Pipelines actively monitored their line pack and pressures and responded promptly; issuing underperformance notices to shippers to inform them that they were not supplying all of the gas they were obligated to supply. To meet confirmed nominations of customers, pipelines used line pack and/or gas from storage to try to cover shortfalls as much as possible. These efforts were successful at the onset of the storm, allowing pipelines to deliver confirmed nominations of gas to meet customers' demand. However, as the storm progressed, supply shortfalls continued and customers' demand increased to a level where some customers began taking more gas than what they supplied and/or confirmed through nominations, which contributed to low pipeline pressures. On December 24, due to the mismatch of shippers' receipt and delivery volume, multiple shippers' confirmed nominations were reduced to match their supply of gas into the pipeline.

Interstate pipelines' ability to "cover shortfalls" in production is not infinite—persistent shortfalls require action to preserve pipeline pressures and the ability to deliver to customers who are able to obtain natural gas. (For more information on actions taken to protect pipeline pressures and customers from production

[3] FERC, NERC, and Regional Entities, *Inquiry into Bulk Power System Operations During December 2022 Winter Storm Elliott* at 77 (Oct. 2023), https://tinyurl.com/mutzsw34.

shortfalls, please see the background information and comments on Item 6.) Pipelines are best able to try and cover shortfalls and predict when their ability to cover will end when the pipelines have accurate information about the amount and timing of natural gas actually entering their system.

INGAA encourages NAESB to explore ways to improve existing lines of communication between suppliers and point operators and between suppliers, purchasers, and end users of natural gas. As discussed, challenges arise when a shipper nominates and a point operator confirms volumes in excess of what supply the shipper possesses. If shippers have an accurate understanding of the amount of gas they can nominate and point operators have an accurate understanding of the amount of gas that is flowing and will flow through their point, these challenges are less likely to arise.

INGAA thinks that this approach will be more effective than establishing new lines of communication between suppliers and pipelines and between suppliers and end users (*i.e.*, those who are party to natural gas supply agreements). An alternate approach—making interstate pipelines a central clearinghouse for collecting, interpreting, and disseminating information about natural gas supply—adds unnecessary complexity and confusion during periods of extreme weather when the natural gas and electric systems can ill-afford either.

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.

Background

An interstate natural gas pipeline's response to a shipper taking gas non-ratably depends on whether (1) the pipeline's tariff allows for non-ratable takes under certain conditions, (2) the shipper has contractual authorization to take gas non-ratably, and (3) pipeline conditions allow the shipper to take gas non-ratably.

Although interstate pipelines typically design their services to deliver gas ratably, pipelines can (and a number do) offer services tailored to specific customers' needs, including non-ratable deliveries, park-and-loan services, additional nomination opportunities, and no- or little-notice deliveries. These services typically require additional capacity (*e.g.*, larger pipelines, storage), and customers that need these services must be willing to pay for the new or modified facilities needed to provide to those services.

Shippers on interstate pipelines should not expect service beyond what their contract or the pipeline's tariff specifies, but interstate pipelines can try to accommodate requests for flexibility beyond the generator's contract terms most days of the year. Accommodations could include non-ratable takes or flow of gas outside of the NAESB standard timeline. Multiple factors dictate whether interstate pipelines can accommodate requests for extra-contractual flexibility, including the location where the shipper requests flexibility, the amount of available pipeline capacity, the amount and location of line pack on the system, pipeline pressure, and current and expected demand on the system.

Shippers on interstate pipelines should not expect pipelines to accommodate requests for extra-contractual flexibility, particularly during periods of extreme weather and high demand. On those days, extra-contractual takes typically will threaten an interstate pipeline's system integrity given other conditions on the system, such as pipeline pressure and overall demand. (The pipeline most likely will be transporting at full capacity during extreme weather.) Extra-contractual takes also hinder other shippers' access to their pipeline capacity, threatening the other shippers' ability to transport the gas that they need.

In any period of high demand, if a shipper takes gas non-ratably absent a contractual entitlement or pipeline authorization to do so or takes more gas than the shipper delivers into the pipeline, the shipper in effect takes natural gas from either (a) other shippers on the pipeline or (b) the pipeline's line pack. Either take is problematic, but, because interstate pipelines require a certain amount of line pack to maintain the minimum

pressure needed to flow, takes from line pack potentially can threaten pipeline system integrity. The severity of the threat depends on a variety of system conditions, such as the size and location of the overtake, the amount of line pack on the system, the ability to withdraw gas from storage,[4] and overall demand.

If the effects of the shipper's unauthorized overtake are severe enough to require corrective action, interstate pipelines typically will try to bring the shipper's take back within the shipper's contractual entitlement through direct communication or through a shipper-specific operational flow order ("OFO"). (Operational flow orders are discussed further in response to Item 6.)

If those efforts are ineffective, the pipeline might have to physically reduce the flow of gas to the shipper, if the pipeline has the physical controls to do so. This rarely occurs; pipelines instead will exercise other options to make deliveries.

Interstate pipelines will communicate directly with shippers whose overtake threatens pipeline system integrity. These conversations could include discussion of what volume of gas the shipper is trying to have delivered and potential steps moving forward, including alternate paths moving alternate supply sources. The interstate pipeline typically will direct the shipper to bring its take back in line with its contractual entitlement or with the amount of gas that the shipper delivered into the pipeline.

If necessary, interstate pipelines might rely on penalties imposed by an OFO or an unauthorized overtake penalty to incentivize the shipper to return within its contractual entitlement. As discussed, OFOs direct each shipper to keep its offtake within a certain amount of the volume specified in the shipper's contract. The interstate pipeline's tariff ultimately dictates the amount of deviation from the shipper's contract amount that may occur and establishes the financial penalty for greater deviations. The financial penalty, in theory, incentivizes the shipper to stay within its contractual entitlement[5] but does not "cure" the harm to either the pipeline or the non-offending shippers of the unauthorized overtake.

Interstate pipelines typically post OFOs in advance of periods of anticipated extreme weather or high demand, so the shipper likely would be operating under an OFO already.

Pipelines must post OFOs on their informational postings websites and notify affected parties either via email and/or EDI. *See* 18 C.F.R. § 284.12(b)(3)(vi), NAESB WGQ Standard No. 5.3.34. Pipelines also must notify Balancing Authorities/Reliability Coordinators and Power Plant Gas Coordinator Facilities of OFOs either via email or EDI. (The entity must provide at least one valid email address to receive notices via email.) *See* NAESB WGQ Standard No. 0.3.14; NAESB WGQ Standard No. 5.3.35.

FERC also "require[s] gas-fired power plant operators and pipelines to establish procedures to communicate material changes in circumstances that may affect hourly flow rates."[6] This requirement stems from FERC's efforts to "improve coordination between the gas and electric industries" and "to improve

[4] Unless the pipeline can immediately withdraw gas from storage and inject the gas in the location where the pipeline lost line pack, it will take time to replace the lost line pack and restore pressure.

[5] Interstate natural gas pipelines do not keep the financial penalties paid by shippers who violate an OFO. Rather, the penalties are redistributed among the non-offending shippers on the pipeline.

In some circumstances, ISOs/RTOs will impose penalties on generators for failing to run that far exceed the pipeline's OFO penalties. The disparity can incentivize the generator to take gas despite the take's negative effect on the pipeline system.

[6] Order 698 at P 12, *Standards for Business Practices for Interstate Natural Gas Pipelines*, FERC Docket No. RM96-1-027 (Jun. 25, 2007).

communications about scheduling of gas-fired generators."[7] Under the same standards, RTOs, ISOs, independent transmission operators, independent balancing authorities, and/or regional reliability coordinators must also "establish operational communication procedures with the appropriate transportation service provider and/or power plant operator."[8]

These requirements have led to significant gas-electric coordination among interstate natural gas pipelines and the electric industry, including routine communications and more frequent communications during periods of extreme weather.[9] Interstate natural gas pipelines have found these communications and the strong working relationships arising from them to be valuable. Communications regarding expected demand for natural gas from the electric sector, in particular, are helpful in avoiding unexpected overtakes.

Comments

As indicated during the May 6 meeting, INGAA is unsure whether the information described in Item 5 represents a material change from the status quo during periods of extreme weather.

FERC Order 698 incorporated into regulation multiple standards developed by NAESB to "improve the reliability of both the gas and electric industries by ensuring that all parties have information necessary for the scheduling and dispatch of natural gas-fired generation, and for the scheduling of the natural gas transportation necessary to supply fuel to these generators."[10] Two standards—WEQ Standard 011-1.2 and WGC Standard 0.3.12—required each interstate natural gas pipeline and the natural gas-fired generators directly connected to the pipeline to establish procedures through which (a) the pipeline communicates to the generators "material changes in circumstances that may impact hourly flow rates" and (b) the generators provide the pipeline "projected hourly flow rates."[11] The information exchange described in Item 4 therefore already takes place.

Moreover, as discussed above, interstate natural gas pipelines typically issue public advisories or notices in advance of anticipated periods of high demand to inform shippers that there will be little-to-no flexibility for takes that deviate from contractual rights. Electric transmission operators and power plant operators *must* sign up to receive OFOs and critical notices via email or EDI.[12] They may also view these notices on pipelines' public websites without registering in advance. Therefore, during the extreme weather periods that are the focus of this proceeding, natural gas-fired generators already know, or should know, that they cannot go beyond their contractual rights and that they should plan accordingly.

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[7] *Id.* at P 1.

[8] *Id.* at P 42.

[9] *See, e.g.,* 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 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").

[10] Order 698 at P 12

[11] *Id.* at PP 24, 26-27.

[12] *Id.* at P 13.

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.

Background

There are numerous variables that affect how a pipeline manages the operation of its assets, including the type and size of assets it operates (*i.e.*, whether the pipeline has storage and the amount of line pack it holds), regulatory requirements, industry standards, tariff language, contractual provisions, pipeline system conditions, and location, to name a few. These variables make it impossible to describe an action that *every* interstate pipeline would take in response to underperformance at a receipt point.

Because of this challenge, INGAA's response describes how interstate natural gas pipelines potentially could or would respond to a specific set of circumstances. In all circumstances, a pipeline's priority is maintaining a reliable and safe interstate pipeline system with as little disruption to its firm transportation and storage customers as possible. INGAA encourages interested stakeholders to discuss how a pipeline might react to a specific scenario directly with the pipeline.

Underperformance Notices

As discussed, interstate pipelines are not sellers of natural gas, and so typically are not party to purchase agreements with upstream natural gas producers. Accordingly, interstate pipelines typically do not receive any notice when a natural gas producer invokes the force majeure provision of its natural gas sales contract.

For interstate natural gas pipelines, an initial sign that upstream production issues occurred might be an underperforming receipt point.[13] This sign occurs when, at a point where producers first physically deliver gas into the interstate pipeline system, the actual gas flows are less than the flow expected based on nominations and scheduled volumes. Some deviation between flows and scheduled volumes can be accommodated by the interstate pipeline—indeed, interstate pipelines do *not* always receive a perfect match—interstate pipelines must act to prevent operational problems when the deviation becomes too large. Interstate pipelines continuously monitor differences in flows and scheduled nominations, especially during periods of extreme weather or high demand. Differences are not always a sign of upstream supply issues but might prompt the pipeline to ask the point operator or upstream pipeline about conditions upstream.

An interstate pipeline's ability to accommodate deviations depends on a variety of factors, such as the pipeline's tariff, contracts with shippers, amount of available line pack, and overall demand on the system. The factors that permit interstate pipelines to accommodate deviations are unlikely to be present during extreme weather events.

The response to an underperforming receipt point varies by pipeline, system conditions, and by the size of the underperformance. Depending on the circumstances, interstate pipelines may take one or more of the following steps:

Communicate directly with the operator of the underperforming receipt point. As part of interstate natural gas pipelines' scheduling process, point operators (if there are point operators) or individual producers delivering to a receipt point confirm that flows of natural gas into the pipeline at that point are sufficient to meet the nominations for delivery from that point. Underperformance occurs when the point operator or individual shipper "confirms" there is sufficient gas at the point, the pipeline schedules the volume confirmed by the point operator, but the gas entering the system nonetheless falls short of the scheduled volume. Interstate pipelines generally do not have a line of communication with the producers, processors,

[13] This assumes that the receipt point location directly connects with producers, processors, and/or gatherers. Many interstate natural gas pipelines interconnect with other interstate natural gas pipelines, not producers, processors, and/or gatherers.

and/or gatherers delivering to the receipt point or insight into how communications among point operators and the producers, processors, or gatherers delivering into the point led to a discrepancy between scheduled volumes and actual gas flow.

Accordingly, the interstate pipelines' first step in response to an underperforming receipt point is to discuss the underperformance with the point operator. The content of the discussion can vary. Interstate pipelines typically will ask the point operator to bring its flow in line with the scheduled volumes and for an estimate of how long it will take for the point operator to bring its flow in line. Interstate pipelines might ask why the underperformance occurred.

Issue an operational flow order, if not already in place. Interstate pipelines typically post weather advisories and/or public notices in advance of winter storms. These advance public notices inform point operators, shippers, and other interested stakeholders of expected conditions on the pipeline and the pipeline's expectations that shippers abide by the tariff and their contracts. The notices are intended to protect the pipeline's system by deterring shippers from taking gas to which they are not entitled, which, if pressures drop significantly, can lead to detrimental operational impacts.

Some circumstances, such as worsening storm conditions, might prompt an interstate pipeline to follow its advisories or notices with an OFO. **An OFO is not a curtailment**. An OFO may direct each shipper to abide by the pipeline's tariff requirement to keep its offtake within a certain amount of the volume specified in the shipper's contract. The pipeline's tariff dictates the amount of deviation from the shipper's contract quantity that may occur, and it establishes the penalty for unauthorized deviations in violation of the OFO.

If a pipeline has issued an OFO in advance of a storm, the pipeline might subsequently tighten the parameters of the OFO or remove the OFO if the conditions warrant tightening and if the pipeline's tariff permits this step. (Conversely, the pipeline could ease the parameters of the OFO or remove the OFO if the storm is less severe than expected.) In addition, some pipelines may issue a very geographically tailored OFO in response to substantial drop in pressure at an underperforming receipt point.

Interstate pipelines must post OFOs on their electronic bulletin boards and notify affected parties either via email or EDI. *See* 18 C.F.R. § 284.12(b)(3)(vi), NAESB WGQ Standard No. 5.3.34. Interstate pipelines also must notify Balancing Authorities/Reliability Coordinators and Power Plant Gas Coordinator Facilities of OFOs either via email or EDI. *See* NAESB WGQ Standard Nos. 0.3.14, 5.3.35.

Issue a notice of underperformance. "Over-Under Performance"—defined as "information related to actual third party operational flow rates above/below scheduled quantities"—is included among the Notice Types in the NAESB standards. Interstate pipelines might issue an Under Performance Notice in response to underperformance at a specific receipt point. The notice will identify the location of the underperforming point. Pipelines typically take this step only after communicating with the point operator to determine whether the point operator can address the underperformance without issuance of a notice.

Pipelines post over/under performance notices as soon as practical and based on their analysis of the circumstances at the point and on the pipeline's system.

If the underperformance affects scheduling or adversely affects scheduled gas flow, the pipeline will designate the notice as "critical." *See* NAESB WGQ Definition No. 5.2.1. Pipelines must post critical notices on their informational postings websites and notify affected parties either via email and/or EDI. *See* 18 C.F.R. § 284.12(b)(3)(vi), NAESB WGQ Standard No. 5.3.34. Pipelines also must notify Balancing Authorities/Reliability Coordinators and Power Plant Gas Coordinator Facilities of critical notices either via email or EDI. (The entity must provide at least one valid email address to receive notices via email.) *See* NAESB WGQ Standard Nos. 0.3.14, 5.3.35.

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The foregoing background information assumes that the interstate natural gas pipeline has a receipt point that directly connects with a producer. Many interstate pipelines, however, interconnect only with other interstate natural gas pipelines, intrastate pipelines, and/or gathering lines. Interstate natural gas pipelines regularly communicate with their points of contact on the other interstate pipelines with whom they interconnect. These communications occur more frequently during periods of extreme weather or high demand and can inform the "downstream" interstate pipelines' response to a drop in pressure upstream, assuming the upstream pipeline has sufficient information on the source, cause, and duration of the supply disruption. Interstate pipelines may issue an underperformance notice or OFO, as needed, even if the pipeline does not directly connect with a producer.

Confirmation Reductions

If production issues and pressure drops threaten a pipeline's system integrity, the interstate natural gas pipeline might take additional action to preserve its operations and its ability to serve those shippers who do have sufficient supply.

Pipelines maintain pressure in their pipelines using line pack. Line pack is a finite supply and is location specific. It cannot be depleted without impacting the ability of the pipeline to maintain operational pressures and serve shippers for both the current Gas Day and the following Gas Day. Deliveries of natural gas into a pipeline must approximately equal withdrawals of gas from the pipeline to maintain the appropriate pressure within the pipeline. Therefore, if producers, processors, or gatherers, are unable to deliver sufficient gas into the underperforming receipt point, the pipeline maintains pressure by using line pack, to the extent available, and by limiting withdrawals. Confirmation reductions can be used to impose the appropriate limits if the shipper cannot obtain the gas it wants to transport.

Point operators (if there are point operators) or individual producers delivering to a receipt point must confirm that flows of natural gas into the pipeline at that point are sufficient to meet the nominations for delivery from that point. If the point operator's confirmation is incorrect—that is, the volume of gas flowing into the point is less than the volume that the operator confirms and the interstate pipeline schedules—the pipeline can reduce each shipper's scheduled quantity to match the amount of gas it has flowing into the receipt point. Each pipeline's tariff establishes how the pipeline will reduce the scheduled quantity for each shipper. In aggregate, this process ensures that the total scheduled quantities for delivery from the underperforming receipt point equal the natural gas flowing into the underperforming receipt point.

NAESB WGQ Standard 1.4.4 ("Confirmation Response") establishes how communications occur between the party requesting confirmation and the confirming party. If a confirmation reduction occurs, the standard requires specification of a "reduction reason," and the accompanying code values dictionary provides reasons to choose from, including reasons that cover the underperformance issues discussed here.

The interstate pipeline notifies affected shippers of the reductions via email. This notice typically prompts a conversation between the affected shipper and the shipper's account manager at the pipeline about the cause of reductions and potential options moving forward. The confirmation reduction and associated notice protects the integrity of the pipeline system during an extreme event, and communicates to a shipper that, to fulfill its delivery needs, it may need to source gas supply from a location other than the underperforming receipt point.

Interstate pipelines continuously monitor points where confirmation reductions have occurred to ensure that shippers comply with the adjusted nominations and to determine if operational conditions require changes to existing restrictions.

Confirmation reductions are not pipeline curtailments. The interstate pipeline could fulfill its contractual transportation obligations if the shipper had natural gas supply to transport. The pressure drops in these scenarios occur not because of mechanical issues on the pipeline, but rather because shippers cannot deliver into the pipeline the volume of gas that they seek to withdraw from the pipeline. Because interstate pipelines are ready, willing, and able to perform in this scenario, interstate pipelines do not characterize this action as a "pipeline curtailment."

A shipper might still obtain the gas that it needs despite a confirmation reduction. FERC has long facilitated the development of an integrated natural gas pipeline system that includes natural gas market centers and pools.[14] There are myriad benefits to FERC's approach. For example, pooling "is an administratively efficient process that allows suppliers to aggregate supply together at one location on the pipeline system, rather than having to tie each individual well or receipt point to a buyer, and deliver from the pool to multiple delivery points."[15] Moreover, "market centers or pools . . . benefit[] consumers by providing them access to a variety of suppliers."[16]

Market centers and pools reduce costs and promote reliability, but they also preclude interstate pipelines from identifying how a loss of production leading to a confirmation reduction ultimately affects a specific shipper. A shipper subject to a confirmation reduction might be able to obtain additional natural gas from another supplier or from another point. In the case of dual fuel generators, the generator might be able to perform even without obtaining other natural gas. Interstate pipelines are not party to conversations or contractual arrangements between shippers and their suppliers and do not have insight into the alternatives available to shippers. To determine the effects of a confirmation reduction, interstate pipelines encourage communication between shippers and their suppliers and ISOs/RTOs and the generators within their footprint.

Comments

As discussed, there is a robust process—governed by FERC regulations and NAESB standards—through which an interstate natural gas pipeline communicates to its shippers and the public OFOs and underperformance notices. INGAA maintains that this area is ill-suited for further standardization because of the sheer number of operational considerations that inform a pipeline's decision to issue an OFO or underperformance notice. Additional standardization risks imposition of a "one-size-fits-all" approach that *hinders* shippers' ability to obtain gas during periods of high demand by restricting pipeline flexibility.

As Item 6 suggests, issues concerning OFOs and underperformance notices might not lie with the process for issuing those notices but rather with a lack of understanding how the process works. INGAA thinks that additional education—through NAESB or through pipeline meetings with customers—are better suited to addressing limited understanding than standards. INGAA is ready and willing to help facilitate additional education sessions on this topic.

[14] *See e.g.,* Order No. 636 at 107-109, 59 FERC ¶ 61,030 (Apr. 8, 1992).

[15] FERC, Office of Energy Policy and Innovation, *Energy Primer: A Handbook for Energy Market Basics* at 21 (Dec. 2023), https://www.ferc.gov/sites/default/files/2024-01/24_Energy-Markets-Primer_0117_DIGITAL_0.pdf. *See also* Stewart Holmes, FERC, Office of Economic Policy, *The Development of Market Centers and Electronic Trading in Natural Gas Markets* at 1 (June 1999), https://www.ferc.gov/sites/default/files/2020-05/mkt-ctrs.pdf ("Market centers also reduce transaction costs by making it easier for buyers and sellers to do business with one another.").

[16] *Mountain Valley Pipeline, LLC*, 163 FERC ¶ 61,197, P 43 (2018).