**NGSA Response to NAESB Joint Business Practices**

**Subcommittees Request for Informal Comments**

Please provide responses to the following questions formulated by the Joint BPS Chairs regarding the six industry-identified communication gaps included in the Joint BPS Chairs Scenario Based Communication Gap Analysis Work Paper, with redlined changes provided by the Joint BPS Chairs.

The revised work paper created by the Joint BPS Chairs that serves as a basis for the questions included in this request for informal comments can be accessed through the following hyperlink: <https://www.naesb.org/pdf4/weq_wgq_rmq_bps050924reqcom_a1.docx>

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.
   1. Is this a communication gap that should be addressed?

NGSA Response: Probably. NGSA understands that stakeholders, particularly RTO/ISOs, would like to have more advance and real-time information regarding upstream natural gas supply issues, with producers being just one piece of the upstream space. There are several options that have been considered both in this effort as well as the NAESB Forum to fill this information gap for RTOs including: (1) Stakeholders subscribing to third-party market analytic services such as those used by industry themselves to increase their complete understanding of market conditions; (2) an “Argonne-type” approach in which Argonne through DOE or another third-party vendor compiles and monitors real-time interstate pipeline data between cycles to assess drops in production and provide alerts to stakeholders; (3) improved communication between gas generators and RTOs/ISOs after those generators are notified of supply situations impacting them; and (4) some form of direct producer reporting. NGSA fully supports the first three approaches, which we believe each of these options significantly help to fill existing communication gaps.

The fourth approach involving upstream stakeholder reporting is fraught with potential liability risks, antitrust concerns and market impacts associated with sharing highly sensitive proprietary information. To date, no party has suggested a means to effectively address these very real risks that are inherent in a competitive market.

* 1. Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?

NGSA Response: Not at this time. Stakeholders need to more fully evaluate the array of options, such as those noted in 1(a) above. These options are unlikely to require standards.

* 1. Are there any barriers to sharing such information?

NGSA Response: Upstream natural gas industry companies operate in a highly competitive marketplace in which much of their data is confidential, proprietary, and business sensitive. The handling and dissemination of highly proprietary supply data is of the utmost importance even when the data is generalized. Dissemination of general pronouncements or speculation can easily impact prices in both gas and power market markets. This creates enormous risks for producers, increasing the potential for price manipulation investigations and antitrust claims. Moreover, there are potential liability and other legal risks if projections are wrong, and actions are taken by stakeholders in response to such projections that result in some type of harm.

Additionally, there are other barriers:

* **Reliance on limited market variables is misleading.** Incomplete data based on only a singular, or a few components of a complex market can easily be misleading. Thus, instead of relying on an incomplete picture, it is essential for regional operators to use tools that can provide a full perspective of potential market impacts during a winter weather event. Sophisticated models have been developed by various consultants that look at all the key natural gas market variables based on historical and current data and these models provide the means to make these types of assessments.
* **Limited ability to predict with sufficient accuracy**. During an event, much is uncertain relating to causes of disruptions, duration of outages or the likely impact, which all limit natural gas producers’ ability to accurately predict the impact of an impending storm. Producers do have knowledge of the impacts on their production in past storms but given that each storm is different, producers routinely supplement their perspective with outside experts that are adept at examining the many factors that influence the potential impacts of a winter weather event. Additionally, as the FERC-NERC report on Winter Storm Elliott points out, production losses are often associated with a confluence of factors that are not within a producer’s control such as downstream processing, pipeline pressures, unpassable roads, and power losses, which only increases the ability of a single producer to predict market impacts.
  1. Please provide any specific proposals, including draft standards language.

NGSA is not offering draft standards.

1. 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.
   1. Is this a communication gap that should be addressed?

NGSA Response: Maybe, but there is no quick fix given that individual notifications can only occur between two counterparties. Industry participants understand how critical timely information sharing is and counterparties should work together to examine ways to make process improvements. In a competitive market environment, parties can modify transactional terms that reinforce accountability.

During an extreme event, the most important communication is whether a customer will receive their supply, not the cause of a supply issue. Thus, the initial verbal communication to convey a potential force majeure or supply cuts is made by a supplier to its customer as soon as possible. During that initial communication as well as subsequent contact during the crisis event, the supplier’s knowledge is likely limited in terms of the level of supply, duration of shortfall or whether a supply loss is attributable to a force majeure event. For this reason, making a determination of whether a cut in a generator’s supply was due to force majeure is subsequently communicated more formally once there has been time to critically review the circumstances surrounding the event.

* 1. Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?

NGSA Response: No. Parties work diligently to communicate as quickly as possible during emergency events and there is no standard that could provide this information more quickly than industry participants committing to examining ways to improve their existing processes to meet customer needs.

* 1. Are there any barriers to sharing such information?

NGSA Response: There is no barrier to sharing this information directly with a customer to the extent that a supplier has that information.

* 1. Please provide any specific proposals, including draft standards language.

1. Certain interstate pipeline operator informational postings lack specific location information that could help parties better understand the area covered by the posting.
   1. 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>
      1. Are there any further revisions or modifications that are needed to the proposed draft language?
   2. Please provide any additional specific proposals, including draft standards language.
2. 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.
   1. Is this a communication gap that should be addressed?

NGSA Response: Maybe. Gas producers and suppliers work diligently to keep operational partners and customers properly informed about supply disruptions. Prompt customer notification is important from a customer relations perspective as well as required by the NAESB Base Contract, especially when it comes to whether a customer may be impacted. It is incumbent on sellers and direct operational partners to continue to review processes that may expedite internal notification processes, including more detail from the field personnel that are working diligently to address operational issues in advance of and during a winter storm. To the extent that field personnel can accurately assess the situation (and perhaps multiple simultaneous situations) and quickly relay that information along with an expected outage timeframe from the field, there are no barriers to providing this detail. However, it must be understood and acknowledged that the priority during an event is damage repair and safety.

* 1. Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?

NGSA Response: No. Producers would be happy to explain the general process that a company goes through internally during a winter event from sending out field personnel, assessing the situation and communicating that to the commercial team for customer notification.

* 1. Are there any barriers to sharing such information?

NGSA Response: This type of broad industry communication carries similar risks and concerns as highlighted under question #1 if communicated to any other parties than a direct customer.

* 1. Please provide any specific proposals, including draft standards language.

1. 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.
   1. Is this a communication gap that should be addressed?
   2. Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?
   3. Are there any barriers to sharing such information?
   4. Please provide any specific proposals, including draft standards language.
2. 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.
   1. Is this a communication gap that should be addressed?
   2. Is this a communication gap that can be addressed through standards? If not, is there a more appropriate venue or process?
   3. Are there any barriers to sharing such information?
   4. Please provide any specific proposals, including draft standards language.