



To: NAESB@naesb.org; NAESB Wholesale Gas Quadrant (WGQ) Members and Interested Industry Participants
From: American Gas Association
Date: February 17, 2017
cc: vthomason@naesb.org; rncquade@naesb.org; jbooe@naesb.org
Re: AGA Comments on Various 2016/17 WGQ Annual Plan Items

I. Introduction

The American Gas Association (“AGA”)¹ respectfully submits these written comments on certain 2016/17 WGQ Annual Plan items included in the January 20, 2017 NAESB notice establishing an industry comment period until February 20, 2017.

II. Background

The NAESB Gas Electric Harmonization (“GEH”) Forum has been reactivated by the NAESB Board based largely on FERC statements in Order No. 809, the rehearing of that Order,² and a letter from former FERC Chairman Bay (“Bay Letter”).³ As a result of the GEH Forum activities that took place in 2016, NAESB added eight items to the 2016 Wholesale Gas

¹ The AGA, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 72 million residential, commercial and industrial natural gas customers in the U.S., of which 95 percent – just under 69 million customers – receive their gas from AGA members. AGA is an advocate for local natural gas utility companies and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international gas companies and industry associates. Today, natural gas meets more than one-fourth of the United States’ energy needs. For more information, please visit www.aga.org. AGA members participate in the NAESB Wholesale Gas Quadrant (WGQ). Some AGA members are transportation service providers as well as distributors and are subject to the same scheduling challenges as the interstate pipelines.

² *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, Order No. 809, 80 Fed. Reg. 23197, 23217 (Apr. 24, 2015), FERC Stats. & Regs. ¶ 31,368 (cross-referenced at 151 FERC ¶ 61,049 (2015) (Order No. 809) and *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, Order on Rehearing, 152 FERC ¶ 61,212 (2015), respectively.

³ On October 18, 2016, Chairman Bay sent a letter to NAESB encouraging NAESB to complete by March 31, 2017 the development of standards or modifications to existing standards as needed to support the request of FERC and to provide opportunities for faster and more frequent scheduling.

Quadrant (“WGQ”) Annual Plan and filed a status report at FERC on October 17, 2016. The WGQ Business Practice Subcommittee (“BPS”) subsequently worked under an ambitious time schedule in response to the Bay Letter to address the eight potential items/topics for development in an attempt to complete the standards development by March 31, 2017.

AGA actively participated in the GEH Forum meetings and the NAESB BPS’s efforts to develop and finalize standards for consideration by the NAESB Executive Committee and potential submission of those standards to FERC. During these proceedings, AGA’s goal in participating – which we believe to be a reasonable one – was to explore and develop consensus standards for “faster, computerized scheduling” if standards could be developed that would enhance reliability for all customers, both gas and electric.

Proposed standards and definitions were developed for only two of the eight potential items/topics. Issues and concerns were raised, including, but not limited to: a myriad of unresolved policy matters, operational implications, market accessibility concerns, and the potential for cost shifting through the shifting of parties’ responsibilities. Additionally, there are differences in viewpoints relative to natural gas as an increasingly important fuel for electric generation and how changes to the natural gas scheduling process may or may not improve generators’ ability to access capacity during periods of peak demand – an extremely important part of the broader conversation that must be addressed.⁴

⁴ AGA does not blame NAESB; it is not equipped to address many of the above referenced issues/matters. Substantive discussion on many of these issues is either out of NAESB’s scope or could lead to discussion that would raise competitive or anti-trust concerns and thereby prohibited by NAESB rules.

III. AGA Comments on Specific WGQ Annual Plan Items

Of the two items/topics presented as “Recommendations” to the NAESB Executive Committee for approval - namely, “Level of Confirmation” and “Shaped Nominations” - AGA submits that it is only “Shaped Nominations” that appears to have a direct conceptual tie to faster, computerized scheduling in a gas-electric context, but it is premature to gauge whether any resulting improvements would result. AGA believes that active participation by its members was constructive because the quality of the proposed “Level of Confirmations” and “Shaped Nominations” standards did improve through the give and take of subcommittee discussions. In AGA’s view, however, the “Shaped Nominations” Recommendation contains flaws and at this time it is premature to move ahead with such a standard. AGA provides more detailed comments on each of these proposals below.

A. Level of Confirmation

In AGA’s opinion, the “Level of Confirmation” Recommendation is not directly related to the gas-electric harmonization issue. However, if implemented properly, shippers serving gas-fired generators could possibly benefit, as might other shippers. If the proposed standards lead to more certainty in the confirmation process, then quicker confirmations might result eventually. But, with respect to the “Level of Confirmation” Recommendation, AGA does not believe that parties should expect any significant time savings gains.

NAESB’s Transportation Service Provider (“TSP”) construct includes Local Distribution Companies (“LDCs”). That is, TSPs are not exclusively interstate pipelines.⁵ Given this, it is imperative that LDC business requirements be recognized in the development of proposed

⁵ If NAESB Confirmation Standards solely applied to interconnections between interstate pipelines, LDCs might be less concerned or indifferent to the proposed changes. However, since the proposed changes would also apply to confirmation at city gate interconnections between LDCs and interstate pipelines, the business requirements of LDCs must be accommodated in order to build consensus support.

standards language. If the recommendation leads to a loss of information (e.g., Downstream Package ID) critical to scheduling gas to LDC transportation customers, including electric generators, there is the potential that the overall process would become less efficient.

Additionally, if LDCs no longer have this critical business information, they would be forced to have to build/modify nomination systems to collect data currently available from interstate pipelines as a part of the existing confirmation process, thereby creating the potential for significant costs to LDCs and their shippers.

The “Level of Confirmation” Recommendation, 2016 WGQ AP Item 3(b)(v) / 2017 WGQ AP Item 3(a)(v) (GEH Forum Issue 36), is comprised of three parts:

- Part 1 (referred to as “Proposed TSP Confirmation Standard”) includes: Proposed NAESB WGQ Definition No. 1.2.[z1], regarding a definition for the term ranking across transactions; Proposed NAESB WGQ Standard No. 1.3.[z1], regarding confirmations between two interconnected TSPs and the consideration of the nomination model type of each of those parties and involving a Confirmation Level Matrix; and Proposed NAESB WGQ Standard No. 1.3.[z2], regarding Service Requester ranks;
- Part 2 (referred to as “Proposed Producer Point Operator Standard”) includes Proposed NAESB WGQ Standard No. 1.3[z3], regarding the ability for a TSP to support the ability for the Point Operator’s upstream party(ies) to nominate on the TSP; and
- Part 3 (referred to as “Proposed Package ID Standard”) includes Proposed Modified NAESB WGQ Standard No. 1.3.27, regarding the elements required for the nomination key, specifically Downstream Package ID.

In regard to Part 1, the Proposed TSP Confirmation Standard, AGA does not object to 1.2.[z1] or 1.3.[z2], but believes that it is essential that 1.3.[z1] take into account the needs of LDCs, who are usually downstream TSPs.

It is critically important to distinguish LDCs from interstate pipelines; LDCs deliver gas to customers who consume the product, notably residential customers but also non-residential customers (including gas-fired generators). To base the data exchanged solely upon the model type and ignore business requirements of downstream TSPs is a flawed approach.

Moreover, the Technical Implementation for Part 1 that would implement Proposed NAESB WGQ Standard No. 1.3.[z1], as written, is extremely difficult to follow and the information is controlled by an extremely complex Confirmation Level Matrix.⁶ In terms of the implementation scheme recommended by the Information Requirements (“IR”) and Technical Subcommittees, the Confirmation Level Matrix resulted in many changes to the NAESB usage codes required in the proposed confirmation standard. The NAESB usage codes determine certain responsibilities of the parties, so as a result, the responsibilities changed, but the recommendation does not provide an explanation as to why those changes are necessary. Given this, AGA is unable to support Part 1, the Proposed TSP Confirmation Standard, on a stand-alone basis.

At the very least, approval of the Proposed TSP Confirmation Standard must be contingent upon approval of the Part 3, the Proposed Package ID Standard. The Proposed Package ID Standard modifies the usage of the data element, “Downstream Package ID” from a “Mutually Agreeable” level to a “Senders Option” level applicable to pathed and non-pathed model types in NAESB WGQ Standard No. 1.4.1, and as “Conditional” in the Scheduled Quantity in NAESB WGQ Standard No. 1.4.4, if Downstream Package ID information is submitted in the nomination. In many cases, LDCs need Downstream Package ID information to distinguish different packages of gas, (i.e., it is an LDC business requirement). LDC expert schedulers actively participated in the BPS discussion on this item, described the importance of this information, answered questions, and provided detailed examples of the relevance of having the Downstream Package ID information, including examples of how the Package ID

⁶ See Page 6 of Part 1 – Technical Implementation. Despite hours of discussion and explanation, AGA member scheduling experts are still not able to fully comprehend the recommended proposed standard or how to comply with it.

information is needed to ensure gas is delivered to electric generators and other market participants.

While the LDCs have concerns about NAESB WGQ Standard No. 1.3.[z1] of the Proposed TSP Confirmation Standard, in the spirit of compromise, AGA members are willing to support it if combined with the Proposed Package ID Standard.⁷

The Proposed Package ID Standard helps to address LDCs concerns with being able to obtain Downstream Package ID information; therefore, in AGA's view, it is an integral component of the changes under consideration. If the Proposed Package ID Standard is voted on separately from the Proposed TSP Confirmation Standard and the Proposed Producer Point Operator Standard, then AGA cannot support the other proposed standards.

B. Shaped Nominations

The "Shaped Nominations" Recommendation, 2016 WGQ AP Item 3(c)(iii) / 2017 WGQ AP Item 3(b)(ii) (Request R16007) & Part 2 - 2016 WGQ AP Item 3(c)(i) / 2017 WGQAP Item 3(b)(i) (Request R16003 b), marries an existing communications standard, NAESB WGQ Standard No. 0.3.12 into the NAESB WGQ Nomination Standards:

The Power Plant Gas Coordinator (PPGC) and the Transportation Service Provider(s) (TSP) that is directly connected to the PPGC's Facility(ies) should establish procedures to communicate material changes in circumstances that may impact hourly flow rates. The PPGC should provide projected hourly flow rates as established in the TSP's and PPGC's communication procedures.

Conceptually, AGA does not object to Proposed NAESB WGQ Definition No. 1.2.[z1] or Proposed NAESB WGQ Standard No. 1.3.[z1] in the "Shaped Nominations" Recommendation, nor does it object to modifications to the nominations data sets to support hourly flow quantities. Arguably, if one nomination for the beginning of the Gas Day can be used in place of multiple

⁷ LDCs will not support the proposed changes to NAESB WGQ Standard No. 1.3.27 contained in the Recommendation for Standards Request R15008. Not only do the proposed changes conflict with those in the Proposed Package ID Standard, they actually reduce the provision of business information critical to LDCs.

hourly nominations (where supported) during the day, then the resulting process is more efficient.

However, AGA believes that those who allege this standard is a communications standard miss the broader implications of shaped nominations. Were this merely a communication standard, it would be superfluous because NAESB Standard 0.3.2 already provides for a standard means to communicate a nomination shape. Changing the nomination standards will likely have a direct impact upon priority of service. Other concerns regarding accessibility to the secondary market include service design and consequentially, cost allocations and service provider compensability. Many of the aforementioned implications are out of scope for NAESB discourse but the ultimate utility of shaped nominations depends upon resolution of these matters. Absent resolutions, moving forward on it at this time is premature.

For example, since Proposed NAESB WGQ Standard No. 1.3.[z1] includes the qualifying language, “Where a Transportation Service Provider offers a service under its tariff,” to the extent that the class of service is firm, it is reasonable to presume that shippers holding such capacity would from time to time wish to release such capacity or utilize an asset manager. However, despite requests by AGA members to submit the proposed standards to the NAESB WGQ IR and Technical subcommittees to determine if modifications to the capacity release datasets were necessary to support the release of such firm services with shaped hourly flows offered under a tariff service, the BPS has not done so.

AGA’s concerns are reflected in the following example: Suppose a shipper with 100,000 dekatherms of firm shaped nomination rights wished to release half of its capacity without the shaped nomination rights or, in another instance, wanted to release that capacity with the corresponding shaped nomination rights. Some parties suggested that the special terms and

conditions provisions for capacity release could be used to effect such release provisions; however, while pipelines may keep internal records of such special terms and conditions provisions, they are not under any obligation to implement the provisions. While AGA supports collaborative efforts among the various shipper communities, including the gas-fired power generators, the implications of the “Shaped Nominations” Recommendation are not within bounds for discussion in NAESB. Rather, this is an area ripe for policy direction from FERC. Accordingly, AGA cannot support the “Shaped Nominations” Recommendation at this time. Assuming these issues are more fully vetted, including policy direction, AGA’s current objection to the “Shaped Nominations” Recommendation would not preclude AGA’s review and consideration of a modified version of the proposal in the future.

Respectfully submitted,

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