

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Coordination between Natural Gas and Electricity
Markets

Docket No. AD12-12-000

SUPPLEMENTAL NOTICE OF TECHNICAL CONFERENCE

(August 10, 2012)

As announced in the Notices issued on July 5, 2012¹ and July 17, 2012,² the Federal Energy Regulatory Commission (Commission) staff will hold a technical conference on Monday, August 20, 2012, from 9:00 a.m. to approximately 5:30 p.m. to discuss gas-electric coordination issues in the Northeast region. The agenda and list of roundtable participants for this conference is attached. This conference is free of charge and open to the public. Commission members may participate in the conference.

The Northeast region technical conference will be held at the following venue:

Hyatt Harborside at Boston's Logan International Airport
101 Harborside Drive
Boston, MA, 02128, USA
Tel: 1-617-568-1234
1-888-421-1442 (toll free)

If you have not already done so, those who plan to attend the Northeast region technical conference are strongly encouraged to complete the registration form located at: www.ferc.gov/whats-new/registration/nat-gas-elec-mkts-form.asp. There is no deadline to register to attend the conference. The dress code for the conference will be business

¹ Coordination between Natural Gas and Electricity Markets, Docket No. AD12-12-000 (July 5, 2012) (Notice Of Technical Conferences) (<http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13023450>); 77 Fed. Reg. 41184 (July 12, 2012) (<http://www.gpo.gov/fdsys/pkg/FR-2012-07-12/pdf/2012-16997.pdf>).

² Coordination between Natural Gas and Electricity Markets, Docket No. AD12-12-000 (July 17, 2012) (Supplemental Notice Of Technical Conferences) (<http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13029403>).

casual. The agenda and roundtable participants for the remaining technical conferences will be issued in supplemental notices at later dates.

The Northeast region technical conference will not be transcribed. However, there will be a free audiocast of the conference. The audiocast will allow persons to listen to the Northeast region technical conference, but not participate. Anyone with Internet access who desires to listen to the Northeast region conference can do so by navigating to www.ferc.gov's Calendar of Events and locating the Northeast region technical conference in the Calendar. The Northeast region technical conference will contain a link to its audiocast. The Capitol Connection provides technical support for audiocasts and offers the option of listening to the meeting via phone-bridge for a fee. If you have any questions, visit www.CapitolConnection.org or call 703-993-3100.³

Information on this and the other regional technical conferences will also be posted on the website www.ferc.gov/industries/electric/indus-act/electric-coord.asp, as well as the Calendar of Events on the Commission's website www.ferc.gov. Changes to the agenda or list of roundtable participants for the Northeast region technical conference, if any, will be posted on the website www.ferc.gov/industries/electric/indus-act/electric-coord.asp prior to the conference.

Commission conferences are accessible under section 508 of the Rehabilitation Act of 1973. For accessibility accommodations, please send an email to accessibility@ferc.gov or call toll free 1-866-208-3372 (voice) or 202-502-8659 (TTY), or send a FAX to 202-208-2106 with the required accommodations.

For more information about this and the other regional technical conferences, please contact:

Pamela Silberstein
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426
(202) 502-8938
Pamela.Silberstein@ferc.gov

³ The audiocast will continue to be available on the Calendar of Events on the Commission's website www.ferc.gov for three months after the conference.

Sarah McKinley
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426
(202) 502-8004
Sarah.McKinley@ferc.gov

Nathaniel J. Davis, Sr.,
Deputy Secretary.



Coordination Between Natural Gas and Electricity Markets

Docket No. AD12-12-000

Northeast Region- August 20, 2012, Boston, MA

Agenda

9:00 - 9:15 Welcome and Opening Remarks

9:15 - 9:45 Regional Energy Infrastructure Presentation (FERC staff)

**9:45 – 12:00 First Roundtable Discussion:
Gas-Electric Scheduling and Market Structures/Rules**

Commenters from the Northeast expressed a wide range of opinions regarding the fuel certainty for natural gas-fired generation in the New England organized wholesale, short-term electricity markets. Some argue for more stringent fuel firmness requirements, while others favor market-oriented solutions that may serve as incentives for appropriate fuel arrangements. According to the initial findings of ISO-New England, Inc.'s (ISO-NE) 2011 Natural Gas Study,⁴ the region's gas delivery system may be inadequate to fully serve regional power plant demands on a peak winter day throughout the next decade, and improved incentives to assure fuel and resource availability should be examined. More recently, on July 30, 2012, ISO-NE released a paper (available on ISO-NE's website) on *Addressing Gas Dependence* which reviews these issues and proposes solutions.

A number of Northeast region commenters also mention the challenges associated with the mismatch between gas and electric scheduling days and deadlines, and some offer potential reforms that may help address such mismatches.⁵ Several

⁴ See ISO-NE March 30, 2012 Comments, Docket No. AD12-12-000 at 2 (responding to Commissioner Moeller's February 3, 2012 Request for Comments).

⁵ See, e.g., New England Power Generators Association, Inc. March 30, 2012 Comments, Docket No. AD12-12-000 at 4-5; National Grid USA, Inc. March 30, 2012 Comments, Docket No. AD12-12-000 at 8.

pipelines in the Northeast region offer flexible services to meet gas-fired generators' needs for additional nomination cycles, greater hourly flow variability, and short- or no-notice service, and some commenters suggest that these services could be more widely deployed to enable gas-fired generators to access gas supplies in a timely manner in response to electric dispatch orders.

Roundtable participants are encouraged to be prepared to respond to the following:

1. Describe the market rules, policies or practices in the Northeast wholesale electric and natural gas markets that you believe negatively or positively impact the procurement of gas transportation and storage capacity purchases by gas-fired generators. What market, regulatory, or other factors deter merchant gas-fired generators from procuring reliable fuel supplies, whether through natural gas transportation service, storage service, delivered bundled purchases, or other means? How might these issues be addressed?
2. What reforms to the organized wholesale electric markets' rules could ISO-NE consider as a possible means to allow a gas-fired generator to recover the costs of contracting for gas infrastructure expansion needed to serve electric markets in the region? As an alternative, are there ways that regional electric markets might fund gas infrastructure expansion outside of the wholesale market mechanisms?
3. Recognizing that some pipelines offer additional nomination opportunities beyond the current standards, to what extent do existing enhanced/tailored services of natural gas pipelines and storage providers accommodate the needs of the region's power generators to access gas supplies as needed? What additional operating flexibility would generators like to see in pipeline services to better match the day-ahead and real-time wholesale electric market needs for gas-fired generation? What financial assurances do gas pipelines and storage providers need to provide such services?
4. How does a gas-fired generator balance real-time electric market dispatch and compensation with pipeline scheduling, dispatch and balancing requirements? Is there a need for modifications to either electric market or pipeline requirements in these areas? ISO-NE has a proposal under development that would realign the bidding and commitment times in its Day-Ahead and Real-Time electricity markets to give gas-fired generators better opportunities to secure gas supplies and deliveries during the current gas market processes.⁶ How will this affect the ability of generation resources to better

⁶ http://www.iso-ne.com/committees/comm_wkgrps/mrks_comm/mrks/mtrls/2012/jul1112132012/a12a_iso_presentation_07_12_12.pdf

reflect fuel purchase costs in electric market bids? How should electric markets best take into account conditions on the natural gas system? From the electric industry's perspective, is it expected that these market scheduling changes will decrease the need for out-of-market commitments, reliability commitments, or reduce market clearing prices due to increased price certainty among competing generators? What effect, if any, would such changes have on the need for generation resources to meet ancillary services requirements?

5. How can natural gas pipelines accommodate dynamic electric scheduling? Are there discrete or systemic improvements that might be made to natural gas pipeline scheduling practices which could increase price certainty for gas-fired generators? How might the industries evaluate the relative costs, benefits and time horizons associated with incremental discrete changes in scheduling practices so that impacts across both industries can be evaluated and prioritized?

6. Should the natural gas and electric market scheduling timeline be harmonized, and if so, how?

7. Are there any short-term planning or operational reliability concerns that are the result of commitment timelines? If so, what are those concerns, and how do current commitment timelines provide timely information regarding fuel availability for gas-fired generation that allows for ISO operations to commit longer lead time resources? If not, should there be any modifications to the Day Ahead Market and Reserve Adequacy Assessment clearing timelines?

12:00 – 1:30 Break

**1:30 – 3:00 Second Roundtable Discussion:
Communications/Coordination/Information-Sharing**

The New England cold snap in 2004 highlighted gaps in communication and coordination between electric and gas entities in the Northeast region. According to comments filed in this proceeding from the region, as a result of that experience, and also in response to the regulations adopted by the Commission in Order No. 698,⁷ both

⁷ *Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities*, Order No. 698, 72 *Fed. Reg.* 38757 (July 16, 2007) *FERC Stats. & Regs.* ¶ 31,251 (June 25, 2007). Order No. 698 incorporated certain NAESB gas-electric coordination business practices into the Commission's

industries worked together to improve coordination and information-sharing protocols.⁸ Commenters suggested that, given the expected increase in the use of gas to fuel electric generation in the Northeast,⁹ additional improvement is needed to address communication and coordination issues that affect both real time and near-real time operations and outage planning, as well as long term gas and electric planning and coordination.

While stating the need for greater coordination, commenters also expressed concern regarding whether certain types of communications between pipelines, RTOs/ISOs, and generators that involve sharing of non-public transmission information would be inconsistent with federal regulations, such as the FERC Standards of Conduct,¹⁰ or the prohibitions against undue preference in the Federal Power Act¹¹ and the Natural Gas Act.¹²

Roundtable participants are encouraged to be prepared to respond to the following:

1. Several entities in the Northeast identified the need for improvements in outage notification and coordination as a priority issue, referring to both emergency and planned outages. What kind of coordination would be necessary, and what kind of information would be shared and with whom, on a routine basis and in preparation for extreme events that simultaneously and significantly affect both the gas and electric sectors? Should entities coordinate weather forecasts?
2. What is the impact of electric system outages upon the gas system, and vice versa? How could interstate gas pipelines and ISO-NE improve their coordination of planned outages? Will the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 impose new requirements upon inter-industry communication and coordination? If so, how are the industries planning for those new requirements?

regulations; these standards, in general, address communication processes between pipelines, power plant operators, and transmission operators.

⁸ See, e.g., ISO-NE March 30, 2012 Comments, Docket No. AD12-12-000 at 3.

⁹ *Id.* at 1; see also Connecticut Public Utilities Regulatory Authority March 30, 2012 Comments, Docket No. AD12-12-000, at 7.

¹⁰ 18 C.F.R. § 358

¹¹ 16 U.S.C. 791 *et seq.*

¹² 15 U.S.C. 717 *et seq.*

3. Several commenters identified the type of information that currently is available and shared between gas and electric entities. Is there additional information that needs to be shared, that currently is not being shared, and are all the relevant and necessary parties included? Are the information-sharing mechanisms appropriate to the circumstances? Are improvements needed and who should be responsible for implementing improvements?

3:00 – 3:30 Break

**3:30 – 5:00 Third Roundtable Discussion:
Reliability**

The bulk electric system is typically planned, as required by the mandatory reliability standards, to meet projected customer demands and system performance criteria, even under single element contingency conditions. Interstate natural gas pipelines are planned and expanded to meet firm gas delivery contracts between the pipelines and one or more shippers. Many commenters in the Northeast indicated they expect an increased reliance on natural gas generation in the coming years, due to economic and national policy factors. These commenters expressed concerns about the future reliability and interdependencies of the bulk electric system and the interstate natural gas pipeline system as the amount of natural gas-fired generation increases.

Roundtable participants are encouraged to be prepared to respond to the following:

1. Is there a need for a minimum level of dependability in the fuel supply for gas-fired generators? How would it be defined, who would define it, and what would be the mechanism for accomplishing this? Should this be addressed through ISO rules, NERC standards, or other mechanisms?
2. As noted above, several commenters referred to recent assessments of New England's natural gas pipeline capacity for electric generation needs.¹³ Are additional, coordinated studies of the natural gas and electric systems needed to analyze forecasted resource mix and/or interdependency risks from curtailments or contingencies? Can this be addressed through existing transmission planning processes or is a different process needed?

¹³ See, e.g., ISO-NE March 30, 2012 Comments, Docket No. AD12-12-000 at 1; Spectra Energy Transmission, LLC March 30, 2012 Comments, Docket No. AD12-12-000, Appendix D.

3. A number of commenters in other regions referred to recent functional exercises that allowed participants from the natural gas and electric industries, as well as state regulators, to assess emergency response plans and provided a forum to discuss and implement improvements.¹⁴ Are sufficient emergency coordination procedures in place in New England? Are these procedures routinely tested through functional exercises or simulations? Should all regions routinely conduct similar functional exercises?

4. Since being re-instated by the Commission in 2006, how effective has ISO-NE Market Rule 1 Appendix H (Operations During Cold Weather Conditions) been at enhancing reliability?¹⁵

5:00 – 5:30 Closing

¹⁴ *See, e.g.*, Texas Pipeline Association March 30, 2012 Comments, Docket No. AD12-12-000 at 2 (responding to Commissioner Moeller’s February 3, 2012 Request for Comments).

¹⁵ *ISO New England Inc. and New England Power Pool Participants Committee*, 117 FERC ¶ 61,082 (2006).

Roundtable Participants:

Jeff Bentz, Director, New England States Committee on Electricity

Ann Berwick, Chair, Massachusetts Department of Public Utilities

Vamsi Chadalavada, Executive Vice President and Chief Operating Officer, ISO-New England

Robert Cooper, Director, Energy, USG Corporation (on behalf of Process Gas Consumers Group)

James Daly, Vice President, Energy Supply, Northeast Utilities

Dan Dolan, President, New England Power Generators Association

James Ginnetti, Senior Vice President, External Affairs and Markets, EquiPower Resources Corp.

Tom Gwilliam, Senior Business Analyst, Iroquois Gas Transmission System, L. P.

Robert Hayes, VP of Physical Trading and Operations, Calpine Corporation

Norman Holmes, Vice President, Marketing, Kinder Morgan

Edward Kaczinski, Director of Engineering and Generation Assets, Massachusetts Municipal Wholesale Electric

Barbara Kates-Garnick, Undersecretary for Energy, Executive Office of Energy and Environmental Affairs, Commonwealth of Massachusetts

Frank Katulak, President and Chief Operating Officer, Distrigas of Massachusetts, LLC

Elizabeth Miller, Commissioner, Vermont Department of Public Service

John Moura, Associate Director, Reliability Assessment, NERC

Jonathan Peress, Vice President, Conservation Law Foundation

Richard Peters, Associate VP, Transmission, The United Illuminating Company

John Rudiak, Director Energy Services, Connecticut Natural Gas Corporation and Southern Connecticut Gas Company

Scot Rupff, VP, Marketing, Development & Commercial Operations, Iroquois Pipeline Operating Company

Christine Schwab, VP Regulatory Compliance and CRO, Dominion Resources

James A. Stanzione, Director, Federal Gas Regulatory Policy, National Grid

Kevin Telford, Lead Trader, Exelon Corporation

Greg Vesey, President, Chevron Natural Gas (on behalf of Natural Gas Supply Association)

Thomas Welch, Chair, Maine Public Utilities Commission

William T. Yardley, Group Vice President, Northeast Transmission, Spectra Energy

Richard Kruse, Vice President, Regulatory Affairs, Spectra Energy Transmission

Bill Whaley, Vice President, Gas Control and Customer Service, Spectra Energy Corporation