



February 16, 2012

Commissioner John R. Norris

FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT

Docket No. RM96-1-037

Item No. G-1

Statement of Commissioner John R. Norris on Standards for Business Practices for Interstate Natural Gas Pipelines

"Thank you for calling special attention to this item on today's agenda, and my thanks to the team for the presentation and your work on this Notice of Proposed Rulemaking (NOPR).

The interdependency of the electricity and natural gas industries is increasing as we rely more and more on natural gas to fuel our power generation fleet. In fact, the electric generation market is rapidly becoming the largest customer segment served by the natural gas industry. As a result of this increasing interdependence, it is imperative that both industries, along with policymakers and regulators, determine what steps need to be taken to increase coordination and harmonization in their operations and practices.

Two weeks ago, at the NARUC-FERC Collaborative on Emerging Issues, which I co-chair with my colleague Commissioner Phyllis Reha of Minnesota, we explored how these industries interact through a stress test that simulated a cold weather event, coupled with a series of key outages. In this stress test, we ran through a scenario depicting how an electric grid operator, electric generator, natural gas pipeline, local gas distribution company, and state regulator would communicate and work together under existing institutional structures and policies to respond to a natural gas shortage. The exercise was an invaluable, real-world perspective in exploring issues that need to be addressed as the two industries become more intertwined.

The revised gas-electric coordination standards developed by NAESB and proposed to be incorporated by reference in our regulations in today's Notice of Proposed Rulemaking further define the roles and responsibilities of participants under the Gas/Electric Operational Communication Standards, which were initially approved by the Commission in 2007 in Order No. 698. The communication standards approved in Order No. 698 were referenced several times by participants in the scenario exercise we conducted at the NARUC-FERC Collaborative, and I am pleased that they are being further enhanced in the NAESB standards that the NOPR proposes to approve.

While a good work product, these standards are just a small part of a broader set of issues that need to be addressed to ensure adequate coordination and harmonization between the natural gas and electricity industries. In recent months, as I have discussed this topic with the public, it has been made clear to me that both industries recognize the need to consider enhanced coordination and harmonization.

NAESB, for example, has recently created a board level committee to identify and assess potential gas-harmonization issues, and reach recommendations on issues that may be appropriate for further work in its own standards committees, issues that may require further policy direction, and issues that are more appropriately addressed elsewhere.

The natural gas pipeline industry, through the Interstate Natural Gas Pipeline Association of America (INGAA), and the electric reliability experts at the North American Electric Reliability Corporation (NERC), have also been active in this area and have recently issued reports that take a closer look at the challenges of the increasing gas-electric interdependencies and offer recommendations for future work. Additionally, I recently attended a meeting with representatives of the electric generation sector, and representatives from several Regional Transmission Organization/Independent System Operators (RTO/ISOs). Harmonization and coordination of the natural gas and



electric industries was at the top of their list of pressing issues, and it was clear that they have already put a lot of thought into possible next steps.

We are on what will likely be a multi-year journey to ensure that the natural gas and electric industries are coordinated and harmonized in a manner that ensures that consumers continue to receive reliable and efficient energy services. I look forward to working with my colleagues here at FERC, at the state commissions, and in industry as we explore and tackle these important issues.”