



**Statement of Lin Franks, Senior Strategist, Indianapolis Power & Light Company
on Behalf of the Edison Electric Institute
Coordination between Natural Gas and Electricity Markets
Docket No. AD12-12-000
April 25, 2013 Technical Conference**

Good Morning, I am Lin Franks, Senior Strategist at Indianapolis Power & Light Company (“IPL”). I would like to thank the Commission for the opportunity to participate today and for providing a forum to discuss issues related to electric – gas interdependencies. IPL is a vertically-integrated public utility that owns and operates generating facilities with a capacity of approximately 3,400 MW and transmission and distribution facilities required to provide retail electric service to approximately 470,000 customers in and around Indianapolis. IPL is a MISO transmission owner and a party to the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc. I have more than thirty years industry experience in the United States and Western European energy industries with a focus on hub-and-market design and risk management for both the natural gas and electricity sectors. I am the Chairman of the MISO Electric and Natural Gas Coordination Task Force.

I am happy to be here today on behalf of EEI to discuss the important issues related to the coordination of electric and gas scheduling timeframes. EEI is the trade organization for shareholder owned utilities and EEI’s members serve 70% of all electric customers. EEI members operate in all areas of the country and under different market structures. At the outset, it is important to note that EEI members are focused on maintaining the reliability of the electric system. As natural gas continues to comprise a larger percentage of the fuel mix for electric generation, the inter-related nature of the two industries will increase. Thus, the issues involve

both the electric and the natural gas industries and we look forward to working with the natural gas industry to resolve issues related to electric and natural gas coordination.

As has been noted in previous conferences, the two industries have developed very differently and have different market structures. On electric-gas scheduling issues, the challenge from the electric perspective is mitigating the fuel risk associated with the differences between the nomination periods on the gas side and the scheduling/clearing periods on the electric side. The different scheduling timeframes between the electric and gas industries as well as the differences between the electricity markets in different areas of the country adds to the complexity in trying to resolve this challenge.

The natural gas industry has a national day which runs from 10 AM EST to 10 AM EST with scheduling done on a 24-hour contractual basis. The electric day runs from 12 AM to 12 AM for each time zone and Regional Transmission Organizations (“RTO”) power is scheduled day-ahead on an hourly basis. During the day, electricity is scheduled sub-hourly. Clearing and notification times vary by region. In addition to market differences between regions, electric utilities have traditionally used a diverse portfolio of fuels for generating electricity and as a result, there are significant regional differences between electric utilities. For example, there are material regional differences in fuel diversity (including dual-fuel capability), the use of firm or interruptible gas pipeline capacity by electric generators, gas pipeline capacity availability and flexibility, natural gas storage availability, communication protocols as well as potential reliability impacts or system vulnerabilities that may occur as the generation fuel mix trends toward a higher reliance on natural gas-fired generation. Due to these regional differences on the electric side, the differences between the electric and gas days affect EEI members differently. As such, EEI members generally agree that regional solutions are favored if possible. At this

time, EEI members do not have a consensus on what changes if any would be needed at the national level. Keeping this in mind, we would like to make the following points on the topics for discussion today:

First, the issues faced today are regional in nature and not as simple as adopting a single “energy day”. Due to the contract-path processes of the gas industry that span from pipeline to pipeline across the nation and the regional and single-utility network dispatch process used in different portions of the electricity industry, the cost of moving to a single energy day would need to be closely evaluated against the benefits of such changes and alternative solutions that may provide the same benefits at lower costs. As such, rather than focus on moving to a single “energy day”, the Commission should encourage each region to continue to work with its stakeholders to identify their specific issues and to develop solutions appropriate for that region. The Commission should also encourage participants on the natural gas side to continue to work with the electric industry within each region to provide additional products and services or to consider what scheduling changes could be made on either the electric and/or natural gas sides to minimize the fuel risks associated with the difference in scheduling and dispatch processes.

Second, this discussion on scheduling changes is an important one but it is important to remember that there are a number of issues, such as the need for additional pipeline capacity in New England, which cannot be resolved simply by making changes to scheduling practices. The Commission should encourage the natural gas industry, especially pipelines, who will be building the infrastructure, and producers, who will be providing the natural gas, to work with the electric industry on a regional basis to develop innovative solutions to expand pipeline capacity and to create flexible services to address supply and transportation challenges. This will

help ensure that both industries are working together to make changes necessary to maintain the reliability of the energy system in the United States.

Moving forward, both sides need to discuss the issues and work together to come up with solutions that cause the least disruptions to the markets. EEI members have started this process and are engaged in a number of stakeholder efforts in RTO areas as well as non-RTO areas to work on scheduling and other issues.