



Federal Energy Regulatory Commission
March 20, 2014
Open Commission Meeting
Staff Presentation
Items M-1, M-2 & M-3

"Good Morning Madame Chairman, Good Morning Commissioners.

"M-1, M-2, and M-3 are a set of draft orders which propose interrelated actions to address certain natural gas and electric industry coordination challenges that arise, in part, from increased reliance on natural gas for electricity generation. Several events over the last few years, such as the Southwest Cold Weather Event in February 2011, and the recent extreme and sustained cold weather events in the eastern U.S. this past winter, show the crucial interdependence between the natural gas and electric industries. The draft orders presented for consideration are intended to improve coordination of the natural gas and electric nomination and scheduling systems, while maintaining the substantial efficiencies gained through standardization of the nationwide natural gas scheduling system. The Commission's proposals focus primarily on the scheduling practices of interstate natural gas pipelines and electric transmission operators. The reforms proposed in these orders build upon information gathered at Commission staff technical conferences and from the written comments filed in Docket No. AD12-12-000. As I will discuss in a moment, while this package of orders proposes specific changes to the natural gas day and nomination system, they also provide time for industry stakeholders to pursue consensus on alternative changes.

"M-1 is a draft Notice of Proposed Rulemaking proposing to amend Commission regulations relating to the scheduling of transportation service on interstate natural gas pipelines to better coordinate the scheduling practices of the natural gas and electricity industries, as well as to provide additional scheduling flexibility to all shippers on interstate natural gas pipelines.

"Specifically, the draft NOPR proposes to:

- Start the natural gas operating day, or Gas Day, earlier—at 4:00 a.m. CCT—in order to better accommodate the load increase during the morning for both the electric and natural gas systems and to ensure that gas-fired generators are not running short on gas supplies during the critical morning electric ramp periods.
- Start the first day-ahead gas nomination opportunity for pipeline scheduling, the Timely Nomination Cycle, later—at 1:00 p.m. CCT—to allow electric utilities to finalize their scheduling before gas-fired generators must make gas purchase arrangements and submit nomination requests for natural gas transportation service to the pipelines.
- Modify the current intraday nomination timeline to increase the number of intraday nomination cycles, to provide greater flexibility to all pipeline shippers, not just those shipping on interstate pipelines that voluntarily allow more flexible nomination opportunities. The NOPR proposes to move from two to four standard intraday nomination cycles, which would occur at 8:00 a.m., 10:30 a.m., 4:00 p.m. and 7:00 p.m., all Central Clock Time.

Gas flows reflecting successful intraday nominations would change at noon, 4:00 p.m., 7:00 p.m. and 9:00 p.m. respectively. The draft NOPR proposes to maintain

the No-Bump Rule during the proposed Intra-Day 4 cycle to provide assurances for interruptible shippers that they will not be bumped without an opportunity to renominate their volumes. At the same time, the proposed timeline would allow bumping during the proposed new Intra-Day 3 cycle to permit firm shippers to utilize the higher priority service for which they are paying.

- In addition, the draft NOPR clarifies Commission policy concerning the ability of a pipeline to permit firm shippers to bump an interruptible shipper's nomination during any enhanced nomination opportunity proposed by a pipeline beyond the standard nomination opportunities.
- Finally, in order to permit more efficient and effective use of transportation capacity, the draft NOPR proposes to require all interstate pipelines to offer multi-party service agreements, under which multiple shippers can share interstate natural gas pipeline capacity under a single service agreement.

"Although the draft NOPR presents specific proposed reforms to existing natural gas industry scheduling practices, the draft NOPR recognizes that the natural gas and electricity industries are best positioned to work out the details of how changes in scheduling practices can most efficiently be made and implemented, consistent with the policies discussed in the draft NOPR. Therefore, the draft NOPR provides the natural gas and electric industries, through NAESB, with a period of 180 days after publication in the Federal Register to reach consensus on any revisions to the proposals in the draft NOPR. Comments on any consensus standards, as well as comments on the Commission's proposals, are due 240 days after publication of the Proposed Rule in the Federal Register.

"Now my colleagues will present M-2 and M-3.

"M-2 is a draft order establishing proceedings pursuant to section 206 of the Federal Power Act (FPA). The draft order establishes these proceedings to ensure that each ISO's and RTO's scheduling practices, particularly its day-ahead scheduling practices, correlate with any revisions to natural gas scheduling practices ultimately adopted by the Commission in Docket No. RM14-2-000. As discussed earlier and as relevant to M-2, the draft NOPR in Docket No. RM14-2-000 proposes a revision to the Timely Nomination Cycle in the natural gas industry so that the ISOs and RTOs will have additional time to publicize their day-ahead schedules prior to the most liquid times for gas-fired generation to obtain natural gas supply and transportation capacity. The draft order in M-2 initiates proceedings pursuant to section 206 of the FPA to ensure that the ISOs and RTOs implement reciprocal changes, if needed, to their posted day-ahead market and reliability unit commitment results to ensure that day-ahead and reliability unit commitment schedules are known prior to the applicable natural gas nomination deadlines. Ninety days after publication of a Final Rule in Docket No. RM14-2-000, the ISOs and RTOs are required to either propose tariff revisions to coordinate their day-ahead markets with any changes adopted in the rulemaking in Docket No. RM14-2-000, or to show cause why their existing scheduling practices need not be changed.

"M-3 is a draft order initiating a show cause proceeding pursuant to section 5 of the Natural Gas Act. Section 284.8(d) of the Commission's existing regulations requires interstate pipelines to provide a place on their internet websites for customers to post offers to purchase, as well as sell, released capacity. A Commission review of a sampling of pipelines' web sites and tariffs indicates that pipelines are not complying with the requirement to provide for the posting of offers to purchase capacity. Accordingly, the draft

order requires all interstate pipelines to submit filings to the Commission, within 60 days, either revising their respective tariffs to provide for the posting of offers to purchase released capacity, or otherwise demonstrating that they are in full compliance with the Commission regulation requiring interstate natural gas pipelines to post offers to purchase released capacity. The draft order also requests that NAESB develop business practice and communications standards specifying: (1) the information required for requests to acquire capacity; (2) the methods by which such information is to be exchanged; and (3) the location of the information on a pipeline's website.

"This concludes our presentation of Items M-1, M-2 and M-3. We are happy to answer any questions you may have regarding these orders."