

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Technical Conference on Winter 2013-2014
Operations and Market Performance in Regional
Transmission Organizations and Independent
System Operators**

Docket No. AD14-8-000

**INFORMATION AND TRADING PLATFORM FOR NATURAL GAS
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On Behalf of American Forest & Paper Association**

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Challenges to be Addressed

- Increasing penetration of distributed, variable, and non-dispatchable resources on the electric system, requiring efficient, real-time swing fuel for balancing.
- Increase penetration of natural gas as fuel of choice in electricity production sector.
- Environmental regulations/aspirations exacerbating the two trends above.
- Limited gas storage capabilities in many regions.
- Increasing proportion of total pipeline deliveries impacted by variability driven by electric generation dispatch.
- Potential for increases in severe weather events.
- Increasing impracticality of ratable flow, 24/7 nomination paradigm to meet unexpected contingencies due to unit outages, line trips and other electric system contingencies.
- Limited ability for shippers/suppliers and customers (due to illiquidity and lack of information) to efficiently reallocate resources based on economics during temporary shortages or dislocations.
- Resulting economic inefficiency in both electric and gas markets from uneconomic allocation of resources.

Goals and Objectives

- 1) Increase visibility into and liquidity of gas commodity and capacity markets in real time in order to;
 - a) Assist Electric system operators to more efficiently and reliably identify potential constraints and reposition and dispatch generation accordingly.
 - b) Permit generation operators to identify potential commodity and capacity trading or reallocation opportunities to respond in a more timely fashion to ISO dispatch requests or unanticipated outages.
 - c) Enable holders of firm or interruptible capacity and commodity to identify potential higher value allocation opportunities for previously scheduled deliveries.
 - d) Allow pipeline operators to more quickly determine the physical feasibility of short term transactions or reallocations of commodity or capacity to respond in real time to electric gas generation demands.
 - e) Eliminate potential price distortions caused by unequal access to, or imperfect information regarding gas commodity and capacity availability and the potential to reallocate through voluntary trade of the same to its highest value use.
 - f) Improve flexibility in the use of existing and new natural gas infrastructure to meet in a more real time fashion changing demands due to gas based electric generation.
 - g) Preserve existing benefits of high utilization of existing capacity under the no-bump rule by permitting more efficient real time voluntary reallocation of gas and capacity to highest value use.

The Platform

- Information and trading platform containing bids and offers for the purchase and sale of commodity and capacity for receipt and delivery points on and across multiple pipeline systems in a defined operability region.
- Bids and offers would consist of locations, amounts, times of flow, and prices for bundled or unbundled capacity and commodity. Supply offers may permit unbundling to allow optimization at seller's choice at distinct strike prices.
 - Offers and bids could be standing, including price contingent, supply or demand offers and bids and consist either of quantities already nominated and flowing (but available to be diverted at a particular price) or quantities to be nominated for flow at particular times.

Platform Administrator

- Platform administrator would match bids and offers and determine simultaneous feasibility, optimizing by matching lowest offers and highest bids where physically possible. Because the platform is voluntary, feasibility must be determined on a basis of respecting all scheduled flows and nomination which have not been voluntarily submitted to the platform for potential reallocation or dispatch based on price. Administrator would have information to coordinate confirmation processes across multiple pipelines including counterparty credit confirmation.

Caveats

1. Not intended to replace expansion of pipeline capacity to meet growing gas demands.
2. Can be implemented in steps through incremental market reform and consolidation of existing information platforms and development of standardized products and services based on initial adoption of current best practices from “best efforts” services of pipelines.
3. Must be grounded in the physical capability of the gas pipeline systems to accommodate transactions.

Suggested Next Steps

1. Investigation of physical capabilities of gas delivery system without respect to current regulatory restrictions on commercial activities to assess potential ability of pipelines to move gas on short notice in real time in response to economic signals.
2. Investigation of current pipeline “best effort” protocols at meeting customers’ request for changes to nominations as embodied in current tariffs.
 - a) Intention would be to determine if some of these protocols represent best practices and could be formalized into non-discriminatory algorithms for short notice alteration of transactions.
3. Create unified information platform for mandatory posting of Commission jurisdictional capacity and nominations sufficient to automate/accelerate cross-pipeline confirmation processes.
4. Investigate further changes in Commission regulations to expand joint scheduling protocols to larger segment of customers including joint agreements *between* designated agents and marketers as well as customers with single marketer.

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