



Federal Energy Regulatory Commission
April 16, 2015
Open Commission Meeting
Staff Presentation
Item M-1

"Good morning Mr. Chairman and Commissioners.

"M-1 is a draft Final Rule that revises the Commission's regulations relating to the scheduling of transportation service on interstate natural gas pipelines to better coordinate the scheduling practices of the wholesale natural gas and electric industries, as well as to provide additional scheduling flexibility to all shippers on interstate natural gas pipelines. On March 20, 2014, the Commission issued a Notice of Proposed Rulemaking, or NOPR, to address concerns raised by the divergent scheduling practices of interstate natural gas pipelines and electric utilities, as well as concerns regarding the flexible and efficient use of pipeline capacity by natural gas-fired generators and other shippers. Among other things, the Commission proposed revisions to the start time of the nationwide natural gas operating day, or Gas Day, and to the interstate natural gas nomination timeline. Recognizing that the natural gas and electricity industries were best positioned to work out the details of how changes in these scheduling practices could most efficiently be made and implemented, the Commission provided the natural gas and electric industries, through the North American Energy Standards Board, or NAESB, time to reach consensus on any revisions to the Commission's proposals.

"On September 29, 2014, NAESB informed the Commission of modifications to the NAESB Wholesale Gas Quadrant Business Practice Standards, proposing revisions to the interstate natural gas nomination timeline as an alternative to the Commission's proposals in the NOPR. NAESB did not propose any alternative to the Commission's proposal concerning the start of the Gas Day.

"The draft Final Rule incorporates by reference into the Commission's regulations these modified NAESB standards. Specifically, the draft Final Rule changes the nationwide Timely Nomination Cycle nomination deadline for scheduling natural gas transportation from 11:30 a.m. Central Clock Time (CCT) to 1:00 p.m. CCT and revises the intraday nomination timeline, to include adding an additional intraday scheduling opportunity during the Gas Day.

"The revised regulations in this draft Final Rule also provide additional contracting flexibility to firm natural gas transportation customers through the use of multi-party transportation contracts, if requested by a shipper.

"The gas and electric industries, through NAESB, were unable to reach consensus on the Commission's proposal in the NOPR to move the 9:00 a.m. CCT start of the Gas Day to 4:00 a.m. CCT, or any alternative Gas Day start time proposal, leaving this issue for the Commission to consider. The draft Final Rule declines to adopt the NOPR proposal to change the start of the Gas Day. On balance, the draft Final Rule concludes that the current record does not support changing the start time of the nationwide natural Gas Day. The draft Final Rule finds that there has not been a showing that the benefits of changing the nationwide Gas Day from 9:00 a.m. CCT to 4:00 a.m. CCT sufficiently outweigh the potential adverse operational and safety impacts and costs of making such a change.

"The Final Rule will become effective 75 days after publication in the Federal Register. Interstate natural gas pipelines will begin operating under the new business practice

standards on April 1, 2016.

“In addition, we note that on March 20, 2014, the Commission instituted proceedings under section 206 of the Federal Power Act to ensure that each Independent System Operator’s and Regional Transmission Operator’s scheduling practices, particularly its day-ahead scheduling practices, correlate with any revisions to the natural gas scheduling practices ultimately adopted by the Commission in this draft Final Rule. Ninety days after publication of this draft Final Rule in the Federal Register, each ISO and RTO is required to propose tariff revisions to coordinate its day-ahead market with the natural gas pipeline scheduling changes adopted in the Final Rule, or to show cause why its existing scheduling practices need not be changed.

“This draft Final Rule—together with the section 206 proceeding on ISO and RTO scheduling practices—is designed to better ensure the reliable and efficient operation of both the interstate natural gas pipeline and electric utility systems.

“This concludes our presentation. We are happy to answer any questions you may have.”