

1 PRESENTERS:

2 A-3: Coordination Between Natural Gas and
3 Electricity Markets (AD12-12)

4 VALERIA ANNIBALI, OE

5 ADAM BEDNARCZYK, OEMR

6 OLUBUKOLA ADETAYO, OEP

7 CAROLINE DALY, OEPI

8

9 E-1: PJM (ER13-198-000 et al.)

10 E-2: MISO (ER13-187-000 et al.)

11 E-3: WestConnect (ER13-75-000 et al.)

12 ZENY MAGOS, OEMR

13 KRISTEN FLEET, OEMR

14 MICHAEL HADDAD, OGC

15 CHRISTINA SWITZER, OGC

16 MELISSA NIMIT, OGC

17 JESSICA COCKRELL, OEPI

18

19

20

21

22 COURT REPORTER: Jane W. Beach, Ace-Federal Reporters, Inc.

23

24

25

26

1 PROCEEDINGS

2 (12:59 p.m.)

3 CHAIRMAN WELLINGHOFF: Everybody is ready to go,
4 I assume?

5 (Laughter.)

6 CHAIRMAN WELLINGHOFF: Good afternoon. This is
7 the place and a little bit after the time that this meeting
8 has been noticed by the Federal Energy Regulatory Commission
9 to consider matters that have been duly posted in accordance
10 with the Government in the Sunshine Act. Please join me for
11 the Pledge of Allegiance.

12 (Pledge of Allegiance recited.)

13 CHAIRMAN WELLINGHOFF: Well since our February
14 meeting we have actually issued 55 national orders, down a
15 little bit from the previous month of 64.16 I don't believe we have an opening statements.
17 Does anybody have any opening statements? Any
18 administrative discussion before we get to the Consent
19 Agenda?

20 (No response.)

21 CHAIRMAN WELLINGHOFF: Madam Secretary.

22 SECRETARY BOSE: Good morning, Mr. Chairman, and
23 good morning, Commissioners.24 Since the issuance of the Sunshine Act notice on
25 March 14th, 2013, no items have been struck from this

26

1 morning's agenda. Your Consent Agenda is as follows:

2 Electric Items: E-4, E-5, E-6, E-7, E-8, E-9,
3 E-10, E-11, E-12, and E-13.

4 Gas Items: G-1, G-2, G-3, G-4, G-5, G-6, and
5 G-7.

6 Hydro Items: H-1 and H-2.

7 Certificate Item: C-3.

8 As to E-1, Commissioner Moeller is dissenting
9 with a separate statement. And Commissioner Clark is
10 dissenting with a separate statement.

11 As to E-2, Commissioner Moeller is dissenting
12 with a separate statement. And Commissioner Clerk is
13 dissenting with a separate statement.

14 As to E-9, Commissioner LaFleur is dissenting
15 with a separate statement. And Commissioner Clark is
16 dissenting with a separate statement.

17 As to E-12, Commissioner Norris is concurring
18 with a separate statement. And Commissioner Clark is
19 dissenting with a separate statement--dissenting in part,
20 excuse me, with a separate statement.

21 As to G-4, Commissioner Clark is concurring with
22 a separate statement.

23 As to G-5, Commissioners Norris and Clark are
24 dissenting with a joint separate statement.

25 With the exceptions of E-1 and E-2 where the vote
26

1 will be taken after the presentation and discussion of these
2 items, we will now take a vote on this morning's Consent
3 Agenda items beginning with Commissioner Clark.

4 CHAIRMAN WELLINGHOFF: Madam Secretary, before we
5 do that, I believe that Commissioner Norris had some
6 discussion on E-5.

7 COMMISSIONER NORRIS: Thanks, Mr. Chairman.

8 I just want to note that with all the flurry of
9 activity at FERC and the work at FERC around Order No. 1000,
10 and ROEs, and capacity--you know, naming all the, I wouldn't
11 call it "sexy stuff," but I just wanted to draw attention
12 today and make a note of the continued progress and effort
13 being made on one of our fundamental responsibilities in the
14 work of FERC and NERC on vegetation management.

15 In our final rule today, the Commission is
16 approving Version 2 of FAC-003, the Reliability Standard on
17 Vegetation Management. And the first time the standard will
18 apply to transmission facilities below 200 kV that have been
19 identified as part of the Bulk Power System.

20 The revised standard makes explicit the
21 transmission owner's obligation to prevent any encroachment
22 by vegetation into the minimum clearance distance,
23 regardless of whether the encroachment results in a
24 sustained outage or fault; and also requires annual
25 inspections of 100 percent of the transmission facilities
26

1 covered by the standard.

2 So as we continue to grapple with reliability in
3 the context of cyber security and the dash-to-gas, and gas-
4 electric coordination, and retrofitting, and retiring coal
5 facilities, all of which are very important, just a
6 shout-out to the folks who are continuing to do the blocking
7 and tackling, if you will, of reliability. And the
8 likelihood of someone losing their power this afternoon is
9 much more likely to be attributable to a tree touching the
10 wires or falling into them than the rest of all the stuff
11 that we are talking a lot about in the reliability sense
12 combined.

13 So I just wanted to say I think it is important
14 that we note that that work continues to go on. Thanks.

15 CHAIRMAN WELLINGHOFF: Thank you, John. Does
16 anybody else have anything on E-5 or any other items on the
17 Consent Agenda? Any discussion?

18 (No response.)

19 CHAIRMAN WELLINGHOFF: Great. Madam Secretary, I
20 believe we are ready for the Consent Agenda.

21 SECRETARY BOSE: And the vote begins with
22 Commissioner Clark.

23 COMMISSIONER CLARK: Nothing my dissent in E-9,
24 my dissent in part in E-12, my concurrence in G-4, and my
25 dissent in G-5, I vote aye.

26

1 SECRETARY BOSE: Commissioner LaFleur.

2 COMMISSIONER LaFLEUR: Nothing my dissent in E-9,
3 I vote aye on the other items.

4 SECRETARY BOSE: Commissioner Norris.

5 COMMISSIONER NORRIS: Noting my concurrence on
6 E-12 and dissent in G-5, I vote aye.

7 SECRETARY BOSE: Commissioner Moeller.

8 COMMISSIONER MOELLER: Votes aye.

9 SECRETARY BOSE: And Chairman Wellinghoff.

10 CHAIRMAN WELLINGHOFF: Vote aye.

11 Let's move to the Discussion Items, please.

12 SECRETARY BOSE: The first Presentation and
13 Discussion Item for this morning is on Item A-3 concerning
14 the coordination between natural gas and electricity markets
15 in Docket No. AD12-12. There will be a presentation by
16 Valeria Annibali from the Office of Enforcement, Adam
17 Bednarczyk from the Office of Energy Market Regulation,
18 Olubukola Adetayo from the Office of Energy Projects, and
19 Caroline Daly from the Office of Energy Policy and
20 Innovation. And there will be a PowerPoint presentation on
21 this item.

22 CHAIRMAN WELLINGHOFF: Good morning--or
23 afternoon.

24 (Laughter.)

25 MS. ANNIBALI: Good afternoon.

26

1 CHAIRMAN WELLINGHOFF: I knew I was going to make
2 that mistake at least once today.

3 (A PowerPoint presentation follows:)

4 MS. ANNIBALI: Good afternoon, Mr. Chairman, and
5 Commissioners:

6 Today we are pleased to present the first
7 Quarterly Update on Gas-Electric Coordination Activities, as
8 directed by the Commission in its November 15th, 2012, Order
9 in Docket No. AD12-12.

10 Today's presentation will provide an overview of
11 discussions of the February 13th Gas-Electric Communications
12 Technical Conference, highlight national and regional
13 efforts on natural gas and electric coordination, and
14 briefly summarize relevant applications that have come
15 before the Commission and the Commission's disposition.
16 This presentation captures events during the period
17 September 2012 through February 2013.

18 Commission members, Commission staff, and a broad
19 cross-section of industry--of natural gas and electric
20 industry representatives, as well as Chairman Schnitzler
21 with the Ohio PUC, participated in the February 13th staff
22 conference.

23 During the panel discussion, representatives of
24 an interstate natural gas pipeline, electric transmission
25 operator, and a generation owner described the types of
26

1 communications that occur today among the electric and
2 natural gas industries during stressed, non-emergency
3 operating situations.

4 Commission staff from the Office of Enforcement
5 discussed application of the Commission's Standards of
6 Conduct and the statutory prohibitions on undue
7 discrimination and preference as they apply to the
8 communications between the natural gas and electric
9 industries.

10 These initial presentations were then followed by
11 a series of roundtable discussions that explored
12 communication needs and day-to-day operations, emergency
13 conditions, and long-term planning.

14 Much of the discussion centered on pressing
15 issues in New England. For example, a representative from
16 ISO-New England expressed concerns that the ISO is not
17 getting all of the information needed to identify risks for
18 reliable operations and to make more accurate decisions
19 during the operating day.

20 He suggested that pipelines should provide
21 additional pipeline operational data, and generators should
22 provide generator-specific data regarding fuel supply
23 options.

24 Some of the additional pipeline data that the
25 system operator would like to be provided included: More
26

1 frequent flow data to what is already shared on the pipeline
2 postings; as well as information regarding pipeline
3 pressures at all receipt and delivery point; additionally,
4 Day-Ahead nominations confirmation changes, and fuel supply
5 availability.

6 The pipeline operators expressed concern about
7 how this data would be interpreted, especially the pressure
8 changes on the pipelines. The pipelines also expressed that
9 they do not have the fuel supply information to provide the
10 generators, and are not in the position to opine on fuel
11 supply security in the market.

12 Similarly, generator representatives expressed
13 concern about releasing certain generator-specific
14 information to electric system operators, and were
15 especially concerned if that information were to be
16 provided by the pipeline operator.

17 Generators stated that pipelines do not
18 necessarily know the generator's complete fuel supply
19 picture or options available.

20 Representatives from both industries generally
21 agreed that increased information sharing and communications
22 should not be limited to emergency situations, and that
23 protocols for information-sharing should be the same in all
24 situations whether in day-to-day operations, emergency
25 conditions, or longer-term planning.

26

1 However, protocols do need to follow and reflect
2 nondisclosure agreements, and additional clarification is
3 needed with regard to regulations.

4 Specifically, pipeline operators sought
5 confirmation that sharing information with individual
6 generators will not be construed as engaging in undue
7 discrimination or providing an undue preference in violation
8 of the Natural Gas Act and the Federal Power Act.

9 As announced in the Notice of Technical
10 Conference issued March 5th, 2013, FERC will continue its
11 efforts to examine gas-electric coordination issues through
12 a Technical Conference on Scheduling and Capacity Release
13 issued to be held on Thursday, April 25th, at the Commission
14 here.

15 Staff has been conducting outreach with a number
16 of entities in both the natural gas and electric industries
17 to get a better understanding of their activities on
18 gas-electric coordination efforts.

19 We continue to follow industry initiatives on the
20 national level, and continue to engage with trade
21 organizations such as the North American Energy Standards
22 Board, the North American Electric Reliability Corporation,
23 the American Gas Association, Edison Electric Institute,
24 Interstate Natural Gas Association of America, and Electric
25 Power Supply Association, to monitor their activities on
26

1 gas-electric coordination efforts.

2 Most of the mentioned trade associations'
3 individual members are also involved in the regional working
4 group efforts.

5 NERC is developing a special reliability
6 assessment on natural gas and electric power interdependency
7 in the United States.

8 The first phase of this special assessment was
9 completed in December 2011 with the release of a primer on
10 the natural gas industry and its interface with the electric
11 power industry.

12 Phase II of the special assessment is nearly
13 finished and will examine vulnerabilities that can affect
14 bulk power supply reliability and identify ways to minimize
15 those vulnerabilities.

16 Although outside the stated reporting period,
17 staff would like to highlight two recent Congressional
18 hearings addressing gas-electric coordination issues.

19 On March 5th, 2013, the House Energy and Commerce
20 Committee's Energy and Power Subcommittee held a hearing
21 entitled "American Energy Security and Innovation: The Role
22 of A Diverse Electricity Generation Portfolio."

23 The hearing focused on reliability and
24 affordability issues, among others. The March 5th hearing
25 was intended to start a conversation on issues regarding
26

1 gas-electric coordination.

2 On March 19th, the Subcommittee held a hearing
3 entitled "American Energy Security and Innovation: The Role
4 of Regulators and Grid operators In Meeting Natural Gas and
5 Electric Coordination Challenges."

6 The hearing focused--had two panels. The first
7 panel focused on problems the industries are facing on
8 gas-electric coordination, as well as possible solutions at
9 the federal level.

10 Commissioners LaFleur and Moeller testified
11 during the first panel. The second panel focused on
12 possible solutions on the regional, state, and local level
13 for gas-electric coordination challenges.

14 Gas and electric industry participants such as
15 MISO, and ISO New England, representatives from the Texas
16 and Colorado PUCs, and a representative from an economic
17 consulting firm testified during the second panel.

18 Following is an update on regional progress on
19 gas-electric efforts and is based on staff outreach and
20 participation in regional gas-electric coordination task
21 force meetings.

22 Work in New England has been led by the
23 New England States Committee on Electricity, NESCOE, Gas-
24 Electric Focus Group established in October 2012. The Focus
25 Group facilitates monthly communication meetings and calls
26

1 between the natural gas and electric industries and
2 continues to provide added paths for education and
3 coordination.

4 The Focus Group's purpose is to bridge
5 communication gaps between the electric industry, natural
6 gas industry, and states; and to identify and evaluate
7 challenges resulting from increased dependence on natural
8 gas for electric generation in New England.

9 At the conclusion of the Focus Group's efforts,
10 NESCOE intends to issue a final report evaluating the
11 challenges that were identified in regional discussions and
12 a spectrum of potential solutions identified by the ISO-
13 New England Strategic Planning Initiative and interested
14 stakeholders which can be implemented in the short term,
15 medium term, and long term.

16 In addition, the final report will also include a
17 multi-phase study of pipeline capacity by Black & Veatch
18 Consulting.

19 The Phase I report, presented in a January 2013
20 Focus Group meeting, reviewed existing studies analyzing
21 Northeast issues given existing pipeline bottlenecks.

22 The second phase of the report will evaluate how
23 much additional pipeline capacity is needed to alleviate
24 these existing bottlenecks. And the Phase II study is due
25 to be out mid-April.

26

1 In the upcoming meetings, the Focus Group plans
2 to review information related to members' experience related
3 to gas-electric coordination and system reliability during
4 the current winter heating--the past winter heating season,
5 supported by the ISO-New England Strategic Planning
6 Initiative's Winter Operations Summary released on February
7 27, 2013. These experiences will also be discussed in the
8 final NESCOE report.

9 Stakeholders in New England have expressed that
10 the Focus Group meetings have increased communications and
11 awareness as well as understanding between the respective
12 gas and electric industries.

13 ISO-New England, as discussed later, has been
14 engaging stakeholders on a variety of reforms to prepare for
15 next winter and expects to file with the Commission for
16 approval of reforms to its markets.

17 MS. DALY: In the Mid-Atlantic Region, ISO-
18 New England, New York ISO, PJM, MISO, Ontario IESO, and TVA
19 are partnering to conduct a multi-regional natural
20 gas/electric analysis of major interstate, intrastate, and
21 local natural gas infrastructure serving the Eastern
22 Interconnection.

23 The primary objectives are to develop a baseline
24 of the electric and natural gas systems, including their
25 operation, planning, and interactions.

26

1 The study will include analysis of the major
2 natural gas processing facilities, intrastate and interstate
3 natural gas pipelines, underground natural gas and above-
4 ground LNG storage systems, and local gas distribution
5 systems serving the footprints of the Eastern
6 Interconnection.

7 The study will evaluate the adequacy of the
8 regional gas systems to supply gas-fired generation needs
9 over a 10-year horizon; identify contingencies on the
10 natural gas system that could adversely affect the electric
11 system and vice versa; and review the benefits and costs of
12 dual-fuel capability compared with securing firm gas
13 transportation. A request for proposal is anticipated in
14 the first quarter of 2013, with the work being completed by
15 the end of 2014.

16 In addition to its participation in these
17 interregional activities, New York ISO staff has engaged
18 Levitan & Associates to conduct a quicker "static" study of
19 New York's circumstances and more immediate issues with an
20 anticipated release in the second quarter of this year.

21 The staff group is also working on the
22 Northeastern ISO/RTO Planning Coordination Protocol to set
23 the foundation for processes and procedures through which
24 coordination of system planning activities will be
25 implemented by the ISOs and RTOs of the Northeastern United
26

1 States and Canada.

2 New York ISO stakeholders have also formed a
3 separate Electric-Gas Coordination Working Group to conduct
4 an inter-regional gas-electric interaction study focused on
5 identifying information that would allow the New York ISO
6 operators to have an understanding of the natural gas
7 system.

8 MISO and its stakeholders formed the Electric-
9 Natural Gas Coordination Task Force in May 2012 that has
10 held monthly meetings and identified a number of
11 high-priority gas-electric issues.

12 During the monthly meetings, MISO has expressed
13 that it generally views its current communication processes
14 as adequate for gas-electric purposes, but with room for
15 improvement given the anticipated expanded role of natural
16 gas on the MISO system.

17 In efforts to improve cross-industry
18 understanding, MISO held an educational meeting that
19 provided a high-level introduction to MISO's market design
20 and operations in January 2013, while natural gas industry
21 representatives conducted a Natural Gas 101 Session at the
22 February 2013 MISO Task Force meeting.

23 The MISO Task Force plans to continue discussion
24 of improving coordinated emergency operations and expand
25 into day-to-day operations communications.

26

1 Planned efforts include a discussion this May of
2 the misalignment of gas-electric days. MISO also is
3 considering moving up its Day-Ahead Market awards deadline
4 and an accelerated dispatch schedule for emergency and
5 cold-weather events.

6 The MISO Task Force is currently evaluating
7 possible modifications to its resource adequacy construct to
8 account for the possibility of fuel supply disruptions as
9 well as the seasonable variance exhibited in some gas unit
10 operations.

11 The Task Force has identified that the Loss of
12 Load Expectation calculations do not consider the risk of
13 fuel supply disruption. Also, forced-outage rate
14 calculations use historical performance data which is not
15 indicative of future circumstances.

16 SPP's gas-electric coordination initiatives are
17 in the initial stage of development. SPP established a Gas-
18 Electric Coordination Task Force that convened on January
19 25th, 2013, with the next meeting scheduled for May 8th.

20 The stated goal of the Task Force is to establish
21 monthly meetings providing grounds for discussion and
22 education of the natural gas and electric industries. The
23 latest efforts include finalizing a charter for the Task
24 Force.

25 Additionally, SPP expressed the need to train its
26

1 staff in gas industry operations. And to further these
2 efforts is establishing "desktop displays" to monitor
3 natural gas pipeline Electronic Bulletin Boards for
4 information relevant to gas-fired generators connected to
5 the SPP system.

6 On December 5th, 2012, ERCOT hosted a meeting of
7 RTO/ISO Council operations executives with representatives
8 from the Interstate Natural Gas Association of America. The
9 topics discussed included: standards of conduct regarding
10 communications between ISOs and pipelines, best practices of
11 gas/electric planning by ISOs, costs of firm and
12 interruptible pipeline service, and impact of gas versus
13 electric scheduling day differences.

14 This group met semi-annually in 2011 and 2012.
15 In November 2012 and January 2013, ERCOT participated in
16 Texas Energy Reliability Council meetings facilitated by the
17 Texas Railroad Commission, or RRC, with participants
18 spanning both gas and electric industries.

19 Discussion included winter gas storage status,
20 expected electric generation outages that may affect gas
21 demand, and any planned pipeline maintenance that might
22 affect delivery.

23 ERCOT began working with the Texas Pipeline
24 Association and RRC to incorporate location of significant
25 gas facilities into the ERCOT electric network model, which
26

1 will facilitate ERCOT's study of the potential impact of
2 electric outages on pipelines and pipeline outages on
3 generators.

4 MR. BEDNARCZYK: The West has a number of
5 subregional natural gas-electric coordination initiatives.
6 The State-Provincial Steering Committee launched an
7 initiative to perform a natural gas and electric sector
8 critical needs assessment across the West under the Western
9 Gas-Electric Regional Assessment Task Force. The regional
10 infrastructure assessment will evaluate the risks and the
11 reliability of the integrated natural gas and electric
12 systems in the West.

13 The Task Force has held four meetings since
14 November 2012 and has approved a draft "Request for
15 Information" seeking input on two issues: (1) the adequacy
16 of the natural gas infrastructure to meet the long-term
17 needs of the electric industry in the Western
18 Interconnection; and (2) short-term adequacy of natural gas
19 operational flexibility to meet the Western Interconnect's
20 operational flexibility needs with increasing integration of
21 renewables.

22 The Western Electricity Coordinating Council held
23 a Natural Gas-Electric Coordination Conference on November
24 12th and 13th, 2012. In addition to providing educational
25 information on existing communication protocols in each
26

1 industry, attendees in a roundtable work session developed a
2 draft Communication Protocol to outline Best Practices for
3 Gas-Electric Coordination.

4 WECC has stated that it is also considering
5 posting contact information for relevant gas personnel on
6 its website. WECC may hold a follow-up meeting in May of
7 2013.

8 In the Pacific Northwest, natural gas pipelines
9 and electric utilities continue to discuss enhanced
10 communications and coordination through the Power and
11 Natural Gas Planning Task Force bimonthly meetings, during
12 which the Task Force explores and addresses policy,
13 planning, and reliability challenges.

14 Entities participating in the Northwest Mutual
15 Assistance Agreement have formed a collaborative Emergency
16 Planning Committee and plan to meet twice a year to discuss
17 winter preparedness with the next meeting planned in May.

18 A joint effort between the Northwest Gas
19 Association and Pacific Northwest Utilities Conference
20 Committee is evaluating long-term planning and reliability
21 challenges given the high level of interdependence of the
22 electric and gas industries.

23 The Task Force has also supported the development
24 of the Natural Gas and Electricity Primer and the Role of
25 Natural Gas White Paper, and offered guidance on the I-5
26

1 Coordinator Analysis.

2 ColumbiaGrid's Gas-Electric Interdependencies
3 Study Team is investigating electric transmission system
4 reliability issues associated with a hypothetical limitation
5 of gas supply to electric generators.

6 A large number of natural gas-powered generators
7 are located in the I-5 corridor and are needed to provide
8 reliable electric service to the major load areas west of
9 the Cascade Mountains--for example, Portland and Seattle.

10 The traditional planning studies have assumed
11 that an unlimited natural gas supply to these generators is
12 available when needed. ColumbiaGrid's Gas-Electric
13 Interdependencies Study Team was formed to investigate
14 whether this assumption on gas availability is
15 appropriate.

16 The Team studied a scenario involving the total
17 curtailment of natural gas to the I-5 corridor, resulting in
18 only dual-fuel natural gas-fired generators being left in
19 service. The conclusion from the preliminary study is that
20 the electric transmission system performed acceptably under
21 this "what if" curtailment scenario. The final study is
22 tentatively scheduled to be released in April.

23 Lastly, at the February 7th, 2013, Board of
24 Governors meeting, CAISO'S CEO noted in his report to the
25 Governing Board that the ISO was launching gas-electric
26

1 coordination discussions with the state's gas companies
2 about the ISO's power plant needs and focus on assessing gas
3 infrastructure necessary to meet renewables' integration
4 needs.

5 CAISO intends to make their renewable integration
6 studies available to pipeline operators for purposes of
7 their assessment of gas infrastructure needs and anticipates
8 providing ongoing support to pipeline operators to answer
9 questions they may have concerning projected electric needs
10 as reflected by this study.

11 In 2012, Southern Company, the largest generator
12 of electricity in the Southeast, held discussions with
13 representatives of the natural gas pipelines in their
14 region.

15 One of the discussions resulted in a decision to
16 coordinate planned gas and electric system outages on a
17 monthly basis beginning in November 2012. These outage
18 coordination meetings were previously held on a bi-annual
19 basis.

20 A second discussion covered the timing and type
21 of information that would be available after a catastrophic
22 event on the gas system, and after an electric system event
23 that would impact power delivery to electric-powered
24 compressor stations.

25 MS. ADETAYO: On this slide, staff has
26

1 highlighted filings made by interstate natural gas pipeline
2 companies to provide increased flexibility. Gas
3 Transmission Northwest and Northwest Pipeline both proposed
4 to construct facilities to provide new or expanded firm
5 transportation service to an electric-power generator in the
6 West, while Transco proposed to expand its transportation
7 capacity to serve generators in Virginia and North Carolina.
8 Approximately five thousand ten--I'm sorry, 510,000
9 decatherms per day in overall design capacity is being added
10 to the West and Southeast Regions. These cases are still
11 pending.

12 In addition, several interstate natural gas
13 pipelines made filings to provide increased service
14 flexibility. The changes proposed by Trailblazer, Gulf
15 South, and Florida Gas are designed to allow shippers
16 additional nomination opportunities beyond the four standard
17 NAESB nomination cycles.

18 Lastly, Transwestern proposed changes to provide
19 enhanced daily scheduling and gas balancing flexibility.
20 These changes are especially useful to gas-fired generators
21 that experience large swings in load late in the gas day.
22 With the exception of Gulf South's proposed changes, these
23 pipeline cases are still pending.

24 Staff has identified three filings submitted by
25 ISO-New England proposing tariff changes to address
26

1 increasing reliance on natural gas-fueled generators.

2 In Docket No. ER13-895, ISO-New England and
3 NEPOOL proposed two alternative versions of the tariff
4 changes to modify New England's market rules to provide for
5 earlier clearing of the Day-Ahead Energy Market and earlier
6 completion of the initial Reserve Adequacy Analysis
7 process.

8 They state that the changes are being sought
9 because of the concerns with the current Day-Ahead Market
10 scheduling and increasing reliance of the natural gas-fueled
11 generators at times when there is an increasingly tight
12 availability of pipeline capacity. This case is still
13 pending.

14 Previously , ISO-New England proposed to increase
15 the amount of Ten-Minute Non-Spinning Forward Reserves it
16 procures. ISO-New England stated that by procuring
17 additional Forward Reserves as necessary, it aims to
18 maintain reliability by ensuring the availability of
19 sufficient reserves in real time to deal with concerns about
20 resource performance during periods of stressed system
21 conditions.

22 On February 8th, 2013, the Commission accepted
23 for filing--via delegated letter--ISO-New England and NEPOOL
24 Participations Committee's filed revisions to Forward
25 Reserve Market rules, effective March 1, 2013, as
26

1 requested.

2 ISO-New England also had proposed revisions to
3 its Information Policy to b allow ISO-New England to share
4 and discuss certain information regarding generation
5 resources with pipelines in order to ensure reliability in
6 New England during emergency conditions this winter.

7 The Commission set this matter for hearing and
8 settlement judge procedures. Subsequently, on January 23rd,
9 2013, the Commission accepted the proposal, with conditions,
10 on an interim basis.

11 Staff's next quarterly report will be presented
12 to the Commission at the open meeting in June. Staff will
13 continue regular outreach with national and regional
14 entities and with regulated entities regarding their efforts
15 on gas-electric coordination.

16 This concludes today's presentation of the First
17 Quarterly Update on Gas-Electric Coordination Activities.
18 We are available to answer any questions you may have.

19 CHAIRMAN WELLINGHOFF: Thank you all very much
20 for that presentation, and for staff engaging with
21 stakeholders in various processes that are ongoing around
22 the country. We really appreciate the update. To know that
23 in detail is very helpful to know that things are going on
24 and progressing.

25 It is still a work in progress, though, as
26

1 indicated by the technical conference on scheduling to be
2 held at the end of the month. So I appreciate the continued
3 efforts of staff and my colleagues as well, and look forward
4 to having more information as the process unfolds.

5 Colleagues, any questions or comments? Phil.

6 COMMISSIONER MOELLER: Well thank you, Jon.

7 First I want to thank you for putting the staff
8 resources into this effort.

9 Secondly, I want to thank the staff for what
10 they're doing and how hard they are working. A couple of
11 observations, and then a question.

12 I guess the first is that in hearing your
13 report--and thank you all for presenting those regional
14 snapshots, particularly. It is gratifying to see the
15 progress we have made in a year.

16 When you consider that even last summer we had a
17 fair number of entities in the regional conferences who
18 downplayed the importance of this issue, and I think there
19 may not be universal recognition but there is near-universal
20 recognition that the effort we put in is a good effort.

21 This is good government, when you're anticipating
22 a crisis before it happens--and hopefully it never
23 happens--but we can work hard to get the policies in place
24 that ultimately protect the health and safety of the
25 consumers that we are charged with protecting.

26

1 So that is gratifying, as well as, without going
2 into the substance, the number of filings that have been put
3 before us to try and address this variety of issues.

4 I guess the question, probably for Caroline
5 because I consider you the team lead, but I realize it's a
6 multi-office effort: To what extent are the groups that the
7 four of you described regionally, are they communicating
8 with you? Or has the burden been put on you to communicate
9 with them? And I particularly think of NESCO.

10 Do you attend those meetings at all? Again, I
11 think of Commissioner LaFleur's home region as the one
12 that's particularly urgent, but others are not far behind.
13 And it seems like opening those communication channels as
14 wide as they can be would provide certainly benefits to all
15 the parties.

16 MS. DALY: Thank you, Commissioner, for the
17 question. The regions have been very receptive and helpful
18 to staff. We have reached out to each of the groups. And
19 there's a staff team larger than the four of us represented
20 at the table today who have been participating through all
21 of these task force meetings that we've discussed today,
22 including the New England Task Force.

23 Larry has actually been listening and following
24 all of their activities, and they have been very responsive
25 to us when we have reached out to them and asked follow-up
26

1 questions and asked to be added to their listserves, e-mail
2 addresses, et cetera.

3 And the situation in the West, we have actually
4 received summaries and reports from those regions
5 voluntarily, just to provide staff more information about
6 what's going on out there.

7 So we have seen a lot of participation from the
8 regions in helping to educate the staff team on what is
9 going on throughout the country.

10 COMMISSIONER MOELLER: Well I certainly encourage
11 you to keep going, as I know you will. And I will encourage
12 those entities that you described over the four
13 presentations to also keep up their good work of keeping you
14 informed, and us informed, as issues are identified,
15 developed, and perhaps solutions brought forward.

16 So thank you, again.

17 CHAIRMAN WELLINGHOFF: Thank you, Phil. John.

18 COMMISSIONER NORRIS: Thanks, Mr. Chairman. I
19 would just note that I am pleased not only that we're doing
20 what we're doing with the technical conferences, and being
21 ready and willing to engage with needs wherever they arise,
22 but just the ownership that the different regions, the RTOs
23 and planning regions have taken themselves to work through
24 these issues.

25 I think there has been a lot of leadership out in
26

1 industry on the gas and electric side to get together and
2 work through these problems. So I would just encourage them
3 to continue to do what they're going.

4 Thanks.

5 CHAIRMAN WELLINGHOFF: Thank you, John. Cheryl.

6 COMMISSIONER LaFLEUR: Well I also would like to
7 thank the team for the excellent report and all your work
8 following this issue, and recognize all the effort that is
9 going on at the regional level, which is very important.

10 I guess my only message is, even though it is
11 Spring--or it's supposed to be; still snow on the ground in
12 Boston--not to take our foot off the gas pedal, because we
13 really need to keep the momentum up as we move through this
14 part of the year to be in a much better place as we go into
15 next winter. I very much look forward to April 25th.

16 Thank you.

17 CHAIRMAN WELLINGHOFF: Thank you, Cheryl. Tony.

18 COMMISSIONER CLARK: I just would join with my
19 fellow Commissioners and, to avoid being repetitious, just
20 indicate that I concur in their sentiments and thanks to the
21 team for all your work.

22 CHAIRMAN WELLINGHOFF: And I again want to thank
23 the team, but I also want to thank my fellow Commissioners,
24 Commissioner LaFleur and Commissioner Moeller who testified
25 over at Congress, the House side, yesterday I guess it was,
26

1 or the day-before-yesterday? The day-before-yesterday. And
2 so I appreciate the time you've all spent, and everybody has
3 really dug in on this issue.

4 And I think, as you've said, Phil, we're making
5 some real progress. So thank you all, again.

6 Madam Secretary, the next Discussion Presentation
7 Item, please.

8 SECRETARY BOSE: The next item for Presentation
9 and Discussion will be a joint presentation on Items E-1,
10 E-2, and E-3, concerning matters in Docket No. ER13-198-000,
11 et al., as it relates to E-1; Docket No. ER13-187, et al.,
12 as it relates to E-1; and Docket No. ER13-75, et al., as it
13 relates to E-3.

14 There will be a presentation by Zeny Magos from
15 the Office of Energy Market Regulation. He is accompanied
16 by Kristen Fleet and Annette Marsden from the Office of
17 Energy Market Regulation; Michael Haddad, Christina Switzer,
18 and Melissa Nimit from the Office of the General Counsel;
19 and Jessica Cockrell from the Office of Energy Policy
20 Innovation.

21 MR. MAGOS: Good afternoon, Mr. Chairman,
22 Commissioners. I apologize for reading. I'm the understudy
23 for this. Valeria Teeter from the Office of Energy Policy
24 Innovation had another appointment, and she thought it would
25 be done by now, but the meeting is still going.

26

1 (Laughter.)

2 CHAIRMAN WELLINGHOFF: Thank you for standing in.

3 (Laughter.)

4 MR. MAGOS: Order No. 1000 was issued on July
5 21st, 2011, and adopted reforms to the Commission's electric
6 transmission planning and cost allocation requirements for
7 public utility transmission providers.

8 Order No. 1000's regional transmission planning
9 requirements include development of regional transmission
10 plans and consideration of transmission needs driven by
11 public policy requirements established by federal, state,
12 and local levels.

13 In addition, Order No. 1000 promotes competition
14 in regional transmission planning processes by removing from
15 FERC-approved tariffs and agreements a federal right of
16 first refusal for transmission facilities selected in a
17 regional transmission plan for purposes of cost allocation
18 with some limitations.

19 Order No. 1000's regional cost allocation
20 requirements include development of regional cost allocation
21 methods that meet six principles, including that [allocated]
22 costs be "roughly commensurate" with estimated benefits, and
23 that those who do not benefit from transmission do not have
24 to pay for it.

25 The draft orders before you today address the
26

1 compliance filings of the public utility transmission
2 providers in three transmission planning regions: MISO,
3 PJM, and WestConnect.

4 These draft orders thus address issues related to
5 compliance with Order No. 1000 in RTO and non-RTO regions.
6 The draft orders find that MISO, PJM, and WestConnect public
7 utility transmission providers partially comply with the
8 regional transmission planning and cost allocation
9 requirements of Order No. 1000, but require further
10 compliance filings to clarify and refine aspects of each
11 transmission planning region's regional transmission
12 planning process and regional cost allocation methods.

13 These further compliance filings are due within
14 120 days of the date of the orders.

15 I would like to conclude by recognizing all of
16 the Commission staff that contributed to the development of
17 these draft orders and thank them for their dedication and
18 hard work. The staff includes team members from the Office
19 of Energy Market Regulation, Office of the General Counsel,
20 Office of Energy Policy Innovation, and Office of Electric
21 Reliability. And I would like to ask the teams stand to be
22 recognized, and I would like to thank them again for all
23 their hard work. Thank you, very much.

24 (Many people stand.)

25 (Applause.)

26

1 MR. MAGOS: And with that, staff would be happy
2 to answer any questions you may have.

3 CHAIRMAN WELLINGHOFF: Thank you, Zeny. I want
4 to thank all the teams, personally, as well, all the teams
5 behind you, and all the other compliance orders that I know
6 are working on very hard, the long hours and diligence in
7 drafting these orders. We appreciate it.

8 I also want to recognize the outstanding
9 management of the process by the Project Coordinators and
10 the senior staff. I know that some of you were drafting
11 language for our consideration until midnight last night,
12 and others came in at 5:00 a.m. this morning and were
13 drafting up to virtually the time that we had our meeting.

14 I thank you for your professionalism and the
15 dedication to the service of America's electric consumers.

16 In issuing Order No. 1000, the Commission sought
17 to build upon the transmission planning and cost allocation
18 requirements established in Order No. 890. The reforms were
19 intended to improve transmission planning processes and
20 allocate costs for new transmission facilities to
21 beneficiaries of those facilities, and to remove barriers to
22 development of competitive transmission facilities.

23 Requirements adopted in Order No. 1000 will
24 benefit consumers by enhancing the Grid's ability to support
25 wholesale power markets and ensure transmission services are
26

1 provided at just and reasonable rates.

2 Order No. 1000 did not require a one-size-fits-
3 all approach. Instead, the requirements were designed to
4 allow each region to fashion its procedures and processes to
5 fit its needs, while ensuring that its regional transmission
6 planning could be conducted in a transparent and efficient
7 manner.

8 The orders we issue today reflect the plans of
9 public utility transmission providers in PJM, Midwest ISO,
10 WestConnect and their stakeholders to conduct regional
11 transmission planning to ensure that their Commission
12 jurisdictional transmission services are provided on a just
13 and reasonable and not unduly discriminatory or preferential
14 manner.

15 I am pleased to vote for them, and thank my
16 colleagues for their thoughtful consideration of these
17 orders and dedicated services to the American public.

18 Thank you, all. Phil?

19 COMMISSIONER MOELLER: Well thank you, Jon.

20 Despite--no questions, but I have four points to
21 make.

22 Despite the votes that I take in this, in these
23 various orders, I too want to send gratification to the
24 team. When you said you wanted them to stand up, I was
25 afraid some of them might fall over--

26

1 (Laughter.)

2 COMMISSIONER MOELLER: --given the lack of sleep
3 last night for probably most of the team. So I know you
4 worked very hard and you deserve our heart-felt
5 appreciation, and hopefully a long weekend.

6 I think there's a lot of good in E-1 and E-2, but
7 ultimately I am not going to support them because I think it
8 will set back, in my view, the building of needed
9 transmission in the country.

10 Nevertheless, I want to make very clear that,
11 despite the fact I'm not supporting E-1, that does not at
12 all detract from my support of E-9, which is a related
13 order.

14 And finally, obviously you see a Commission that
15 has had various viewpoints on some of these orders, but I
16 want to emphasize that we are all supporting E-3, the
17 WestConnect Order, and that is something that should not be
18 lost on any observers of the Commission.

19 Thank you, Jon.

20 CHAIRMAN WELLINGHOFF: Thank you so much, Phil.
21 John?

22 COMMISSIONER NORRIS: Let me also thank the team.
23 I know these have been a lot of work, and there is a lot of
24 work ahead of us over the next several months as we tackle
25 compliance in Order No. 1000. I just want to encourage you

26

1 by saying I think it is worth the effort. We have invested
2 a lot of our personal time, your personal time, a lot of
3 vendors' personal time in the last couple of years to
4 change the dynamics, if you will, of how we build out the
5 infrastructure and electricity in this country to meet the
6 changes in demands that our Nation is going to face.

7 So let's forge forward with these compliance
8 filings and try and enact through the compliance what we
9 have tried to push with the rulemaking, which is to create
10 a transmission system that can meet the needs of the
11 future.

12 I have been very pleased with how we have moved
13 forward on cost allocation. I think it has been a big
14 inhibitor to getting transmission built, and this provides
15 some certainty, some security in what the cost allocation is
16 going to be.

17 I have been pleased with Order No. 1000 that we
18 are taking a progressive step forward to enable public
19 policy challenges and goals and requirements to get met in
20 this country. Through the efforts of Order No. 1000, I have
21 been pleased generally with the direction we have taken on
22 compliance and what we have seen to accomplish that goal.

23 I think the one issue that we took on in
24 Order No. 1000 that I am most concerned about right now is
25 the notion that we should have more competition in the
26

1 transmission space. And some of the differences of opinion
2 we have on the right-of-first-refusal.

3 I am hopeful that we can see people open their
4 minds out there, particularly at the state level, where in
5 fact I read the headline this morning in Transmission Hub,
6 "Xcel Disappointed That ROFR Didn't Pass In New Mexico."

7 And I know we grant a deference to the states,
8 rightfully so, if they want to choose not to have
9 competition for transmission in their states, that, okay,
10 that's their prerogative, but I am cautious about extending
11 that restriction from creativity and competition, and what
12 that can offer consumers and our electric system and our
13 economy, by extending that restriction of competition.

14 So that is going to be I think the struggle going
15 forward on this. You know, I think back to--I was just
16 sitting here thinking about this--back in the 1980s I worked
17 hard in Iowa to pass some legislation in our State for
18 right-of-first-refusal for farmers who had lost their farms
19 to bankruptcy in the farm crisis. And the economic
20 conservatives were, like, you can't do that; the banks were
21 just really in our face. You can't restrict competition for
22 the value of that land and giving those farmers a chance to
23 get their farm back.

24 And then I think of the transfer of that same
25 argument of competition and the value it has in our society
26

1 for efficiency. But yet when it comes to protecting an
2 incumbent's assumed right to have all the business, I think
3 we are taking a step backwards if we don't continue to push
4 forward on competition and creativity, and at least let
5 states and consumers see the value of new ideas and
6 creativity about how we resolve a problem, or make our
7 system more efficient.

8 And I hope we will stand firm on what we have
9 tried to do in Order No. 1000 so that we get the benefit, if
10 you will, of the creativity and competition that is offered
11 in this space.

12 So thanks for all your work. I look forward to
13 us moving forward.

14 CHAIRMAN WELLINGHOFF: Thank you very much, John.
15 Cheryl?

16 COMMISSIONER LaFLEUR: Well I don't know whether
17 it's white smoke, or our version of March Madness--

18 (Laughter.)

19 COMMISSIONER LaFLEUR: --but I'm very happy we
20 are voting out these three orders and starting on this
21 process.

22 I would also like to thank all the people across
23 the Commission who worked really diligently on these orders.
24 I want to give a shout-out to one of them Ruta Skucas. It's
25 her last day at the Commission today, so she's ending with
26

1 her MISO Order. And I also want to thank my own team, and
2 my colleagues and their teams for all the work that we've
3 put in.

4 I think it is natural that emotions run high
5 sometimes, and that we disagree, because it is just a sign
6 how much we all care about getting this right, and how
7 important it is to us.

8 I think the stakeholders in the three regions
9 whose planning processes we are taking up today brought us
10 good proposals, and today's orders on those proposals are an
11 important step forward, and they really will benefit
12 customers.

13 I think the orders, viewed collectively, that we
14 are voting out show the value we place on robust
15 transmission planning and flexible cost allocation to meet
16 regional needs in very different regions of the country,
17 establish RTOs, as well as bilateral market regions with the
18 substantial presence of public power.

19 On the matter of cost allocation in particular,
20 we have really approved three different approaches but they
21 all respect the central principle that cost must be
22 allocated in a manner at least roughly commensurate with
23 benefits.

24 I am particularly pleased that we are approving a
25 hybrid methodology for PJM that balances both local specific
26

1 benefits as measured by an improved flow-based methodology
2 and broad regional benefits that accrue from high-voltage
3 transmission projects.

4 As with the initial order itself, the most
5 difficult orders for me related to the proposals with
6 respect to the requirement to eliminate the rights of first
7 refusal from transmission tariffs.

8 In ruling on the detailed compliance proposals,
9 we have tried to ensure that the benefits of competition in
10 transmission planning for customers--excuse me. We have
11 tried to ensure the benefits of competition in transmission
12 planning for customers, while also recognizing the need for
13 workable processes and the importance of allowing
14 transmission planners to meet transmission--reliability
15 needs. Let's see if I got that out.

16 So, anyway, I also look forward to the next steps
17 in this process and our further cases in the months to come.
18 Thank you.

19 CHAIRMAN WELLINGHOFF: Thank you, Cheryl. Tony?

20 COMMISSIONER CLARK: Thanks. And thanks to the
21 team for all your work. I know it has been a lot of work
22 the last few months for staff, and certainly the last few
23 weeks on the 11th floor.

24 I find myself in much the same boat as
25 Commissioner Moeller with regard to E-1 and E-2, and in the
26

1 same boat as the whole Commission with regard to E-3.

2 The concerns that I have, which will be more
3 fully fleshed out in the separate statements that will be
4 released here later today, and I've been a busy author, it
5 appears, at this meeting for those who are keeping track of
6 the Secretary's vote list, will further explain it. But it
7 does much boil down to the issue that Commissioner Moeller
8 raised, which is my concern that some of the logistics that
9 may be being laid out may actually impede rather than
10 accelerate the development of needed transmission projects,
11 which is after all a good part of the rationale behind
12 Order No. 1000 itself.

13 So again, thanks for the work of the team and I
14 look forward to ongoing conversation.

15 CHAIRMAN WELLINGHOFF: Thank you, Tony.

16 Madam Secretary, I think we are ready for the
17 vote on these two items.

18 SECRETARY BOSE: Mr. Chairman, I want to call for
19 the vote for Items E-1 and E-2 first, and then we will call
20 for a separate vote on Item E-3.

21 CHAIRMAN WELLINGHOFF: Okay.

22 SECRETARY BOSE: The vote on Item E-1 and E-2
23 begins with Commissioner Clark.

24 COMMISSIONER CLARK: I vote no.

25 SECRETARY BOSE: Commissioner LaFleur.

26

1 COMMISSIONER LaFLEUR: I vote aye.

2 SECRETARY BOSE: Commissioner Norris.

3 COMMISSIONER NORRIS: Aye.

4 SECRETARY BOSE: Commissioner Moeller.

5 COMMISSIONER MOELLER: I vote no.

6 SECRETARY BOSE: And Chairman Wellinghoff.

7 CHAIRMAN WELLINGHOFF: Aye.

8 SECRETARY BOSE: We will now take a vote on Item
9 E-3 and the vote begins with Commissioner Clark.

10 COMMISSIONER CLARK: Yes.

11 SECRETARY BOSE: Commissioner LaFleur.

12 COMMISSIONER LaFLEUR: Aye.

13 SECRETARY BOSE: Commissioner Norris.

14 COMMISSIONER NORRIS: Aye.

15 SECRETARY BOSE: Commissioner Moeller.

16 COMMISSIONER MOELLER: Aye.

17 SECRETARY BOSE: And Chairman Wellinghoff.

18 CHAIRMAN WELLINGHOFF: Aye.

19 Thank you again, team, for all your work.

20 There's more to do, we know, but thank you.

21 With that, I think our meeting is adjourned.

22 (Whereupon, at 1:50 p.m., Thursday, March 21,
23 2013, the 992nd meeting of the Federal Energy Regulatory
24 Commissioners was adjourned.)

25