FEBRUARY 2025
GEAR NATURAL GAS INFRASTRUCTURE RECOMMENDATION

PROBLEM STATEMENT

There is widespread recognition that the United States needs additional natural gas pipeline infrastructure to reliably meet the United States' growing and changing demand for energy:

- Over 189 million Americans and 5.6 million businesses rely on natural gas for residential heating and electricity. Last year, natural gas utilities added over 609,000 new residential and over 20,000 new business natural gas customers. Today, natural gas meets more than one-third of the United States' energy needs.

- The North American Electric Reliability Corporation explained that "natural gas is the reliability fuel that keeps the lights on, and natural gas policy must reflect this reality"[1] and that "additional pipeline infrastructure is needed to reliably serve electric load."[2] Recognition of expected new natural gas generation usage patterns prompted widespread industry support for the Fall 2024 U.S. Department of Energy (DOE) pilot to assess whether there is sufficient pipeline capacity in place to support expected increased generator ramping needs.

- Regional Transmission Operators ("RTOs") and Independent System Operators ("ISOs") that collectively serve 144 million people in all or parts of 36 states and the District of Columbia found it "essential to emphasize that, in certain RTO/ISO regions, it remains critically important to expand the existing natural gas infrastructure because, for those regions, infrastructure expansion is integral to an overarching, comprehensive plan at improving gas-electric coordination and bolstering the natural gas pipeline infrastructure so critical to this nation's energy security needs."[3]

- PJM Interconnection and the Midcontinent Independent System Operators—RTOs/ISOs that oversee all or part of 24 states—likewise concluded that "a robust gas pipeline infrastructure will be critical to helping support that industry transition in an efficient and reliable manner."[4]

- Natural gas storage is a widely used and critical tool for managing demand fluctuations, particularly the difference between seasonal consumption patterns, and to a lesser extent fuel gas supply fluctuations. Underground storage (where geographically available) and LNG storage are well-suited to facilitate Gas Electric Harmonization ("GEH") when coupled with the appropriate associated infrastructure. Natural gas storage allows

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1 NERC, *2021 Long-Term Reliability Assessment* at 5 (Dec. 2021).

2 NERC, *2022 Long-Term Reliability Assessment* at 18 (Dec. 2022).

3 MISO, ISO-NE, PJM, SPP, *Strategies for Enhanced Gas-Electric Coordination: A Blueprint for National Progress* at 5 n.1, https://tinyurl.com/mhuvu3w8.

4 Limited Reply Comments of PJM Interconnection, LLC and the Midcontinent Independent System Operator, Inc. at 2, *Certification of New Interstate Natural Gas Facilities*, FERC Docket No. PL18-1 (May 25, 2022).

operators to rapidly respond to demand and fuel gas supply changes during an extreme weather event, particularly when located closer to end-use.

- There are substantial obstacles to expanding the interstate natural gas pipeline system to meet the recognized need for more infrastructure and will become more challenging due to growing electricity demand largely needing to be met with natural gas.

First, the Federal Energy Regulatory Commission ("FERC")—the federal regulator responsible for authorizing the siting and construction of interstate natural gas pipelines—has long recognized that contracts or precedent agreements for pipeline (or storage) capacity constitute significant evidence of demand for a proposed pipeline (or storage) project. FERC-jurisdictional RTO and ISO wholesale electric markets need to continue to develop market-based solutions that value and support increased generator acquisition of firm gas products (firm transportation, firm supply, storage, non-uniform rate of flow rate schedules, etc.) which can support the development of additional pipeline and storage capacity.

Second, the federal permitting process has become unnecessarily long, unduly burdensome, and subject to extraordinary litigation risk. Development of natural gas infrastructure is time and capital intensive, and these factors frustrate industry's ability to plan, finance, and construct critical infrastructure to meet very certain supply and demand signals. Constrained infrastructure also leads to higher natural gas and electricity prices in addition to reduced reliability.

RECOMMENDATIONS

NARUC should support federal permitting reform that would address infrastructure hurdles in a meaningful way such that new infrastructure can be in place in a timely manner to meet growing and changing natural gas and electricity demand.
RTOs and ISOs establish the wholesale electric markets, which must be approved by FERC. Although States do not directly regulate wholesale electric markets, state regulatory utility commissions do regulate both electric and gas utilities within those states and possess substantial expertise in both electric and natural gas markets, which lends significant weight to the States' position on the functioning of those markets. States, through NARUC, could consider using their expertise and influence to support expeditious development of solutions to improve natural gas generation unit scheduling and dispatch, much of which will rely on natural gas infrastructure expansion, such as:

- Periodically conduct a comprehensive review of its natural gas generation fleet's contracting practices to determine what level of pipeline and storage service and natural gas commodity service each generator holds and whether there is a correlation between the level of pipeline/storage services and natural gas commodity service and generator performance;

- Support the build out and hardening of natural gas infrastructure to support the growing demand for both large generation, CHP units and smaller individual residential and commercial generation;

- Identify the factors that prevent its natural gas generation fleet from holding firm transportation or storage rights on natural gas pipelines or firm supply arrangements with gas producers or gas marketers;

- Continue to improve scheduling procedures that provide natural gas-fired generators sufficient notice to procure natural gas and schedule pipeline capacity in advance of NAESB's Timely Cycle; and

- Encourage RTO/ISOs to adopt and/or propose to FERC to require electric market reforms needed to further value reliability through support for firm pipeline transportation and/or storage services and/or firm supply arrangements that align with generator performance obligations, thereby supporting pipeline expansions, as needed.

- Recognizing the long-term investment barriers for many generators, examine ways that RTO/ISOs can take steps to help support new gas infrastructure needed for gas generators in their region – whether from allowing cost recovery for those that sign long-term contracts that support new builds or market mechanisms that incent that investment. Alternatively, RTO/ISOs could consider ways to invest and/or financially underpin infrastructure with a framework to deploy its use and recover costs.

- Encourage states to support expeditious consideration of these market-based solutions to improve natural gas generation unit scheduling and dispatch.

- Support continued funding of DOE, NERC, etc. efforts to study other regions beyond the PJM region pilot study of whether there is sufficient natural gas infrastructure for new generator usage patterns that include increased swings required to balance intermittent resources.

Much of the natural gas pipeline system lacks sufficient available capacity to meet significant new demand from natural gas utilities and generators, especially on a firm basis, and the federal permitting process is an obstacle to expanding the system. NARUC should also support legislation to reduce the length, uncertainty, burden, and litigation risk of the federal infrastructure permitting process to facilitate the timely completion of critical infrastructure projects.

GEAR's charter, the suite of reports and papers containing recommendations for GEAR's consideration, and the nature of the Gas-Electric-Harmonization (GEH) discussions over the last many years clearly highlight natural gas infrastructure as a critical component of improving the delivery of natural gas to the electricity system to improve electric reliability, which is why this GEAR recommendation is squarely focused on natural gas infrastructure. GEAR certainly recognizes the need for electric infrastructure for electric reliability broadly, beyond the specific scope of GEH, and generally supports efforts addressing that need in other venues.

STATEMENT:

As a regulator from a state in the New England region that has policy objectives that aim to reduce dependency upon natural gas for our energy needs, I cannot support several of the foundational conclusions in the Problem Statement that assert a need for expansion of gas infrastructure without recognizing regional policy differences. For that reason, I respectively decline to endorse the statement as written.

Ron Gerwatowski
Chairman of the Rhode Island Public Utilities Commission