



GAS COMMITTEE MONTHLY CALL

NAESB GAS-ELECTRIC HARMONIZATION FORUM

AUGUST 18, 2023

1:00 – 2:00 PM ET



Agenda:

1. Welcome

Chair Tammy Cordova, Nevada

2. Presentation on NAESB Gas-Electric Harmonization Forum Report

Bob Gee, Jonathan Booe

3. Discussion

Committee and staff subcommittee members

4. Committee letter on “junk and jewel” pipeline capacity

Chair Cordova

5. Closing reminders

DOE-NARUC Natural Gas Partnership Denver, CO site visit

September 11 Gas Committee call

Annual meeting and winter policy summit abstract submissions

NAESB Gas-Electric Harmonization (GEH) Forum Final Report

Robert W. Gee
Dr. Susan Tierney
Pat Wood III

Co-Chairs, NAESB Gas-Electric
Harmonization Forum

NARUC Committee on Gas
August 14, 2023

Disclaimer: These are our opinions only.

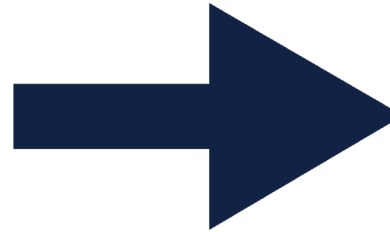
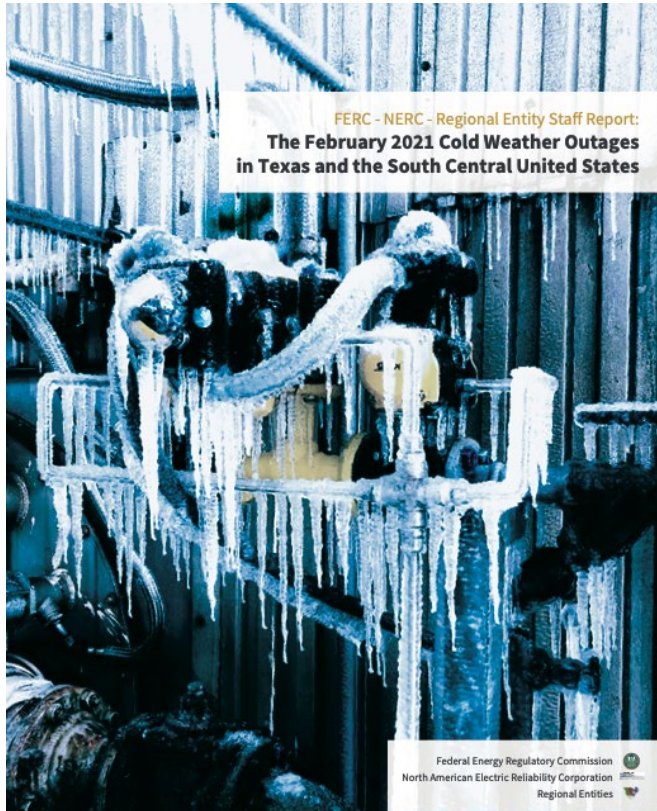


Who is NAESB?

- North American Energy Standards Board (NAESB)
- Only organization where the natural gas and electric utility industry intersect on a continuous basis in creating business/commercial standards for both sectors.



After NERC & FERC 11/21 Storm Uri Report: NAESB Told to Convene GEH Forum to Investigate Natural Gas' (NG's) Role on Bulk Electric System During Storm Uri & Propose **Actions, Plans & Deadlines**



Since August 2022, Forum Convened 14 Meetings to Address NERC/FERC Questions

17 topics broken into 3 categories:

- Measures to improve **gas-electric information-sharing** for improved system performance during extreme cold weather emergencies
- Measures to improve **reliability of natural gas facilities** during cold weather (freeze protection, electric supply)
- Measures to improve the **ability of generators to obtain fuel during extreme cold weather events** when natural gas heating load & natural gas-fired generators are both in high demand for natural gas, at the same time that natural gas production may have decreased

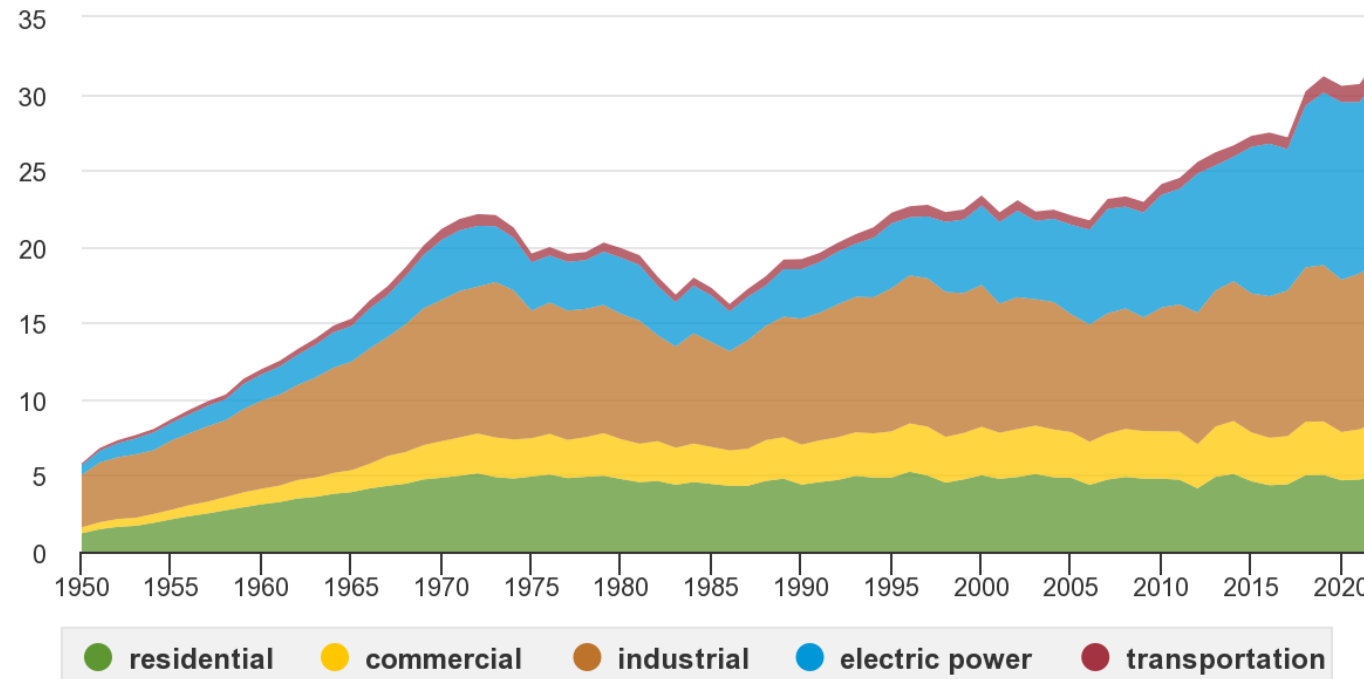


Why do we need to resolve these questions?

Gas' role in power generation today has escalated to almost 40% (EIA data)

U.S. natural gas consumption by sector, 1950-2022

trillion cubic feet

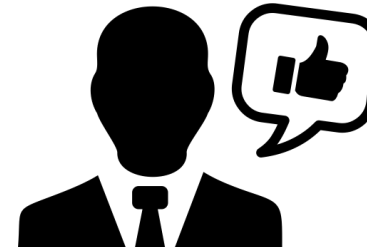


Data source: U.S. Energy Information Administration, *Monthly Energy Review*, Table 4.3, April 2023; preliminary data for 2022

Note: Transportation includes pipeline and distribution use and vehicle fuel.

Report Process

- NAESB held 14 meetings open to the public from August 2022 to July 2023
- 741 individuals from 375 companies participated in the meetings
- 145 sets of comments were submitted from 68 different organizations
- The 20 recommendations were subjected to vote by the GEH Forum participants and 111 votes were submitted on per company basis, consistent with NAESB procedures.
- The votes were tabulated using the NAESB balanced voting process to show support or opposition on a market and market segment basis.
- Final Report delivered to FERC & NERC on July 28. A full record, including the voting results, were described in the report.



What Did the Report Conclude?

- Advanced 20 Recommendations, all premised on the finding that systemic weaknesses persist, and that remedial actions needed to avoid another Storm Uri or Elliott blackout.
- No consensus on some recommendations.
- Votes on many recommendations were sharply divided between wholesale electric & wholesale gas.
- Report recommended three studies, including 2 directed at FERC & NARUC.
- **In a separate statement, Chairs recommended creating a Gas Reliability Organization akin to NERC.**



Three Outcomes from Recommendations

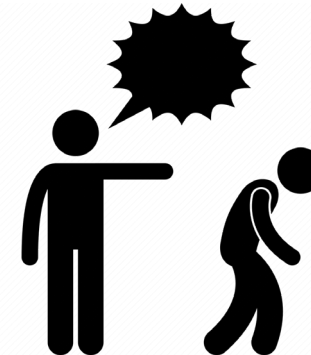
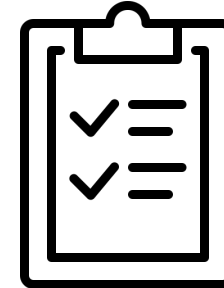
1. Creation of NAESB commercial standard (consensual)

AND/OR

2. Requested actions by others - RTOs/ISOs, Trade Groups & Argonne National Lab.

AND/OR

3. Requested FERC or State Policy Action (mandated)



Current Situation: Systemic Weaknesses Persist, Requiring Immediate Action

- Electric Generators are unable to access sufficient gas during peak emergency periods owing to:
 - **Inadequate information** regarding available pipeline capacity (little to no transparency on certain systems)
 - **Lack of synchronization of gas and electric markets:** generators required to nominate day-ahead bids before being allowed to finalize contracted gas
 - **Limited access to gas markets** after Fridays prior to 3-day high peak weekends
 - **Risks from overestimating/underestimating gas purchase quantities** for multiple days – if too much gas purchased, must absorb the economic loss; if too few, fuel shortages.

1. FERC & NARUC: Conduct Two Studies on Adequacy of Market Incentives

Determine whether market-incentivized investments in **strategic natural gas storage facilities** are sufficient to address natural gas supply shortfalls during extreme cold weather events, and if the level of investment is sufficient to preserve such facilities for use during extreme cold weather events. The study should also explore **whether public sources of funding are needed for investment to secure sufficient storage.**

Vote: 74 percent support by electric wholesale; 91percent support by gas wholesale.



Determine whether **additional financial incentives** for the natural gas infrastructure system, including **infrastructure to provide additional firm transportation capacity**, would help to **address natural gas supply shortfalls during such events**, and further support the Bulk Electric System's performance during extreme cold weather events.

Vote: 89 percent support by electric wholesale; 96 percent support by gas wholesale.

2. Sync Gas & Electric Markets

Recommendation :

- FERC should direct Independent System Operators (ISOs) and Regional Transmission Organizations (RTOs) or electric transmission owners/operators, where no ISO or RTO exists, to conduct and report analyses of actions that **better align the timelines of the Power Day and/or the day-ahead scheduling timelines with the gas day**, including earlier notification of successful bids, to ensure that schedules are known and made available to allow natural gas-fired generators to procure natural gas and pipeline capacity in periods when the market is most liquid.
- **Vote:** high 80 percent support by both electric wholesale and gas wholesale.



3. Require More Timely Communication of Pipeline Operational Status

Recommendation:

- FERC should direct NAESB to revise its business practice standards related to the **timely reporting of natural gas pipeline informational website posting data** (such as operationally available capacity, total scheduled quantity, and any other data necessary **to assist regional operators in maintaining system reliability**) to enable the data and any subsequent amendments to become **routinely accessible to Bulk Electric System operators** as soon as such data are reported and available.
- **Vote : 85 percent support by electric wholesale, versus only 46 percent support by gas wholesale.**



4. Require Greater Pipeline Transparency

Recommendation:

- The FERC should facilitate the expansion of the **Argonne National Laboratory NGInsight** tool to **improve situational awareness and communication** between the natural gas pipeline system, natural gas production and processing facilities, on the one hand, and Bulk Electric System operators, on the other.
- **Vote: 80 percent support by electric wholesale, versus only 57 percent support by gas wholesale.**



5. PUCs Should Work with Market Participants in Anticipation of Extreme Weather Events

Recommendation:

- State public utility commissions, and applicable state authorities in states with competitive energy markets should engage with producers, marketers and intrastate pipelines to ensure that such parties' operations are fully functioning on a 24/7 basis in preparation for and during events in which extreme weather is forecasted. If states lack authority, FERC should adopt regulations to achieve identical outcomes within its authority.
- **Vote: 87 percent support by electric wholesale, versus only 41 percent support by gas wholesale.**

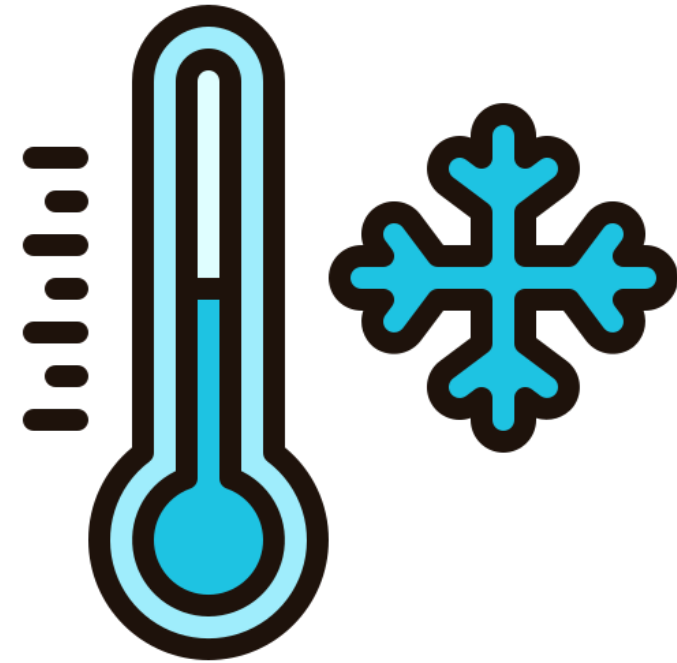


6. States Should Consider the Development of Weatherization Guidelines

- **Recommendation:**

Applicable state authorities should consider the development of weatherization guidelines appropriate for their region/jurisdiction to support the protection and continued operation of natural gas production and processing and gathering system facilities during extreme weather events, and require public disclosure concerning weatherization efforts of jurisdictional entities.

- **Vote Results: 92 percent support by electric wholesale, versus only 55 percent support by gas wholesale.**



Co-Chairs' Foreword (Separate Statement) Calling for Creation of a Gas Reliability Organization

- ***“Houston, we have a problem.” – Astronaut Jack Swigert on Apollo 13 (April 19, 1970).***
- Although encouraged by strong support of both gas and electric sectors for some recommendations, divergence of support on many others is profoundly disturbing, reflecting a fundamental lack of agreement regarding the lessons learned from these past two winters.
- Recent attempt by producers to terminate discussion of modifications to the *force majeure* language of the NAESB Base Contract to encourage weatherization actions was “disappointing and counterproductive”.
- Excuses can no longer substitute for sound planning and judgment. If voluntary measures fall short owing to staunch opposition by some, it is time for the national regulator to consider more direct measures to ensure that both industries under its purview perform in tandem to ensure energy reliability and assurance for our country.
- ***We indeed have a problem, and it’s time to get it fixed.***



For More Information

- Please visit the NAESB GEH Forum website:
https://www.naesb.org/naesb_geh_forum.asp

Questions?





“Junk and jewel” pipeline capacity letter

- June 2, 2022 petition filed with FERC
- Petitioners: American Gas Association, American Public Gas Association, Process Gas Consumers Group, and Natural Gas Supply Association
- Petition requesting inquiry into practice of pipelines to sell highly desirable capacity tied to non-contiguous, less desirable capacity

Natural Gas Partnership Site Visit to Denver, Colorado, Oct. 16-18, 2023

This site visit will provide NARUC members with opportunities to learn about continuous methane monitoring equipment & independent certification, observe current methane emissions quantification technologies, and connect with fellow commissioners & experts.

Site Visit Schedule

Day 1: Travel day

Day 2: Site visits to natural gas sites engaged in continuous methane monitoring & the Methane Emissions Technology Evaluation Laboratory

Day 3: Roundtable on Colorado Gas Regulation & State of the Industry, afternoon travel home

RSVP here: rb.gy/dsqbi



Travel reimbursement funding is available to commissioners via NARUC's partnership with the U.S. Department of Energy, Office of Fossil Energy and Carbon Management.



September Gas Committee Call

Monday, Sept. 11 1:00 – 2:00 pm ET

Speaker: Sonya Proctor, TSA

Topic: recently updated TSA cybersecurity requirements for oil and natural gas pipeline owners and operators

Abstract submissions open through August 18 for NARUC Annual Meeting (Nov. 12 – 15, La Quinta CA) and Winter Policy Summit (Feb. 25 – 28, Washington DC)

<https://www.surveymonkey.com/r/V72G5G2>