



Federal Energy Regulatory Commission

December 17, 2015

Open Commission Meeting

Staff Presentation

Items E-6, E-7, & E-8

"Good morning Mr. Chairman and Commissioners.

"These three orders represent the next milestone in the Commission's ongoing efforts to improve coordination between the natural gas and electric industries in light of the increasing reliance on the use of natural gas for electric generation. The people at the table before you today represent only a small portion of the staff that have worked diligently on these efforts over the past few years. We would like to take this opportunity specially to recognize Anna Fernandez, and Josh Kirstein who have worked on this project from its inception.

"The Commission's efforts on natural gas-electric harmonization began after the Southwest Cold weather event in 2011, which highlighted the interrelationship between the natural gas and electric systems. Starting in February of 2012, the Commission requested comments on gas-electric coordination issues and convened five regional conferences with over 1,200 registrants. The Commission then requested additional comments and directed staff to hold conferences concerning two issues: (1) the respective ability of each industry to share information in furtherance of enhancing gas-electric coordination; and, (2) scheduling harmonization between the gas and electric industries, including the impact of the Commission's "no bump" and pipeline capacity release rules. The Commission held these technical conferences in February and April of 2013.

"Based on the comments and discussion regarding the need for better communication between the gas and electric industries, the Commission issued Order No. 787 in November 2013 to ensure that its regulations would not inhibit crucial communication. This order provided explicit authority to interstate natural gas pipelines and public utilities to share non-public, operational information with each other for the purpose of promoting reliable service or operational planning.

"Following the technical conference on scheduling coordination, in March 2014, the Commission issued a Notice of Proposed Rulemaking proposing a number of revisions to the interstate natural gas scheduling process to help better align with the electric scheduling process. At the same time, the Commission issued an order under section 206 of the Federal Power Act requiring each of the six Independent System Operators and Regional Transmission Organizations, or ISOs and RTOs, to make a filing that proposes tariff changes to their scheduling timelines to coordinate with the eventual changes to the natural gas scheduling process adopted by the Commission or to show cause why such changes were not needed.

"Recognizing that the natural gas and electricity industries were best positioned to work out the details of how changes in these natural gas scheduling practices could most efficiently be made, the Commission provided the natural gas and electric industries, through the North American Energy Standards Board, or NAESB, the opportunity to reach consensus on any revisions to the Commission's proposals. In six months, NAESB developed a comprehensive set of natural gas scheduling standards, which the Commission adopted on April 16, 2015 in Order No. 809. The principal scheduling changes in these standards were twofold. First, the standards moved the natural gas Timely Nomination Cycle from 11:30 am to 1:00 PM central time to provide ISOs and RTOs with the ability to complete electric scheduling in time for generators to submit nominations at the natural gas Timely Nomination Cycle. This change would help assure that natural gas fired generation has the opportunity to secure sufficient transportation capacity to fulfill their electric commitments. Second, the standards expanded the number of intraday nomination opportunities from 2 to 3, providing more opportunity to reschedule natural gas nominations due to changing conditions.

"Each ISO and RTO filed in response to the Commission's section 206 order regarding coordination with

the changes to the natural gas scheduling process. As a result of the three orders on ISO and RTO filings on last month's agenda and the three draft orders on this agenda, the Commission will have issued orders on all ISO and RTO filings. Four of the ISOs and RTOs, with serious concerns regarding coincident peak conditions for electricity and gas, will have scheduling timelines that provide generators with commitments prior to the Timely Nomination Cycle. All of the ISOs and RTOs will now provide reliability unit commitments prior to the natural gas Evening Nomination cycle, which is the second most liquid period for acquiring natural gas and pipeline transportation.

"The next phase of the gas-electric coordination effort is still ongoing as the Commission has urged NAESB, in Order No. 809, to explore the potential for faster, computerized scheduling to provide shippers with more opportunities to reschedule gas. We are pleased to report that NAESB has reconvened its Gas-Electric Harmonization committee to begin very soon to examine these issues.

"This concludes our presentation; we are happy to answer any questions you may have."