



AMERICAN PUBLIC GAS ASSOCIATION

September 14, 2022

North American Energy Standards Board:

The American Public Gas Association (APGA) respectfully submits these comments in response to the North American Energy Standards Board's (NAESB) request for comments ahead of the NASEB Gas-Electric Harmonization (GEH) Forum's September 23, 2022, meeting focused on items 3.a, 3.a.i, 3.b, and 3.b of the GEH Forum Work Plan.

Introduction

APGA is the trade association representing more than 730 communities across the U.S. that own and operate their retail natural gas distribution entities. These include not-for-profit gas distribution systems owned by municipalities and other local government entities, all accountable to the citizens they serve. Public gas systems provide safe, reliable, and affordable energy to their customers and support their communities by delivering fuel to be used for cooking, clothes drying, and space and water heating, as well as for various commercial and industrial applications, including electricity generation.

NAESB serves as an industry forum for the development and promotion of standards which intend to lead to a seamless marketplace for wholesale and retail natural gas and electricity. Specifically, NAESB proposes and adopts voluntary standards and model business practices designed to promote more competitive and efficient natural gas and electric service. APGA has been exceedingly engaged in NAESB GEH efforts and offers the below comments for the committee's consideration.

Comments

During President's Day weekend in February 2021, Winter Storm Uri brought extreme cold temperatures to much of the country, including areas not typically accustomed to such weather in the south, disrupting many aspects of natural gas and electricity markets. Electricity generation sources, including fuel-burning plants and wind turbines, were shuttered by both the freezing temperatures and scarce access to fuel, forcing electric curtailments and blackouts in parts of the southern United States. Some of these curtailments also resulted in loss of power to critical natural gas production facilities and compressor stations, which further strained natural gas deliveries that were already impacted by freeze offs and other equipment failure perpetuated by the severe weather.

Collectively, these circumstances created scarcity conditions that caused at least one interstate pipeline to use its human needs curtailment plan for the first time. However, actual customer curtailments for natural gas were quite limited. Few, if any, human needs customers lost service for any length of time. Still, record-setting natural gas prices spiked, impacting APGA's members by imposing a severe economic burden on gas utilities that had no choice but to purchase natural gas fuel to keep the heat on in their communities. The price of natural gas reaching unimaginable levels and fatalities occurring due to

complications from the severe weather conditions over that weekend have necessitated appropriate action to prevent another such event.

In response to Winter Storm Uri, the Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC) initiated an investigation into the events of the weekend, culminating in the FERC/NERC Report on the February 2021 Cold Weather Outages in Texas and the South Central United States that was issued on November 16, 2021.¹ The report outlined several recommendations, including one that suggests “establishing a forum in which representatives of state legislatures and/or regulators with jurisdiction over natural gas infrastructure, in cooperation with FERC, NERC and the Regional Entities (which collectively oversee the reliability of the Bulk Electric System), and with input from the Balancing Authorities (which are responsible for balancing load and available generation) and natural gas infrastructure entities, identify concrete actions (consistent with the forum participants’ jurisdiction) to improve the reliability of the natural gas infrastructure system necessary to support the Bulk Electric System.”²

On July 25, 2022, FERC and NERC leadership sent a letter asking NAESB to convene such a forum,³ in response to which NAESB agreed to host the GEH Forum. NAESB held an initial meeting on August 30, 2022, and has subsequently scheduled several additional meetings. On September 7, 2022, NAESB provided notice of and requested comments on the agenda for the second forum meeting on September 23, 2022, which will focus discussion on items from the GEH Forum Work Plan. While each agenda item raises important issues for the GEH Forum to consider, APGA is most concerned with Work Plan Item 3.c:

Which entity has authority, and under what circumstances, to take emergency actions to give critical electric generating units pipeline transportation priority second only to residential heating load, during cold weather events in which natural gas supply and transportation is limited but demand is high.

Reliability and affordability are critical to public gas utilities, as well as the natural gas and power sectors more broadly. Accordingly, APGA members have invested significant resources into infrastructure, as well as fuel procurement, and are committed to working with stakeholders to further these efforts. As policies make the electric grid more reliant on intermittent resources, natural gas will have an important role to play as a generation balancing fuel at times when the sun is not shining and the wind is not blowing. At the same time, natural gas will continue to play an effective and critical role through direct use, as the production and delivery of natural gas into homes and buildings is three times more efficient than grid-delivered electricity.⁴ Due to the developing role of natural gas as a quickly dispatchable fuel to meet electric generation needs while still meeting traditional direct use needs, a central disconnect currently exists between the gas and power markets - something the GEH Forum has been created to address.

APGA, however, is concerned that Question 3.c runs counter to both public gas utilities’ obligation to serve their customers and the underlying contracts that facilitate such services. As local distribution companies (LDCs), APGA members are responsible for maintaining safe and reliable service to the customers in their communities, which include residential, commercial, and industrial end-users. To ensure availability of

¹ Available at <https://www.ferc.gov/media/february-2021-cold-weather-outages-texas-and-south-central-united-states-ferc-nerc-and>.

² *Id.* at 196.

³ <https://www.ferc.gov/media/joint-ferc-nerc-letter-naesb>.

⁴ <https://playbook.aga.org/reliable>.

fuel for delivery, public gas utilities and other LDCs have developed robust fuel procurement procedures to ensure long-term supply can be met for their customers. Such planning takes into account anticipated peak loads based on weather and a number of other conditions. Significant deviation is likely to result in costs that will ultimately be borne by the end consumers.

Any type of pipeline prioritization should remain squarely in FERC's jurisdiction, through its approved tariffs and non-discrimination policy. Furthermore, APGA is not aware of any overarching entity that has authority to abrogate contractual agreements. In fact, granting such authority could undermine goals of ensuring electric generation plants are sufficiently incentivized to proactively procure adequate quantities of fuel in preparation for emergency situations. To ensure necessary supply for their customers, APGA members purchase gas under firm contracts, which are intended to guarantee delivery in all but the most extreme instances and are priced accordingly. Redirecting contractually obtained natural gas supply and capacity away from public gas utilities will place a significant burden on their communities that rely on the fuel for a number of end uses and should be avoided.

Instead of redirecting natural gas away from public gas utilities and other LDCs that have expended significant resources to meet their customers' needs, the GEH Forum should explore other ways to incentivize ensuring that necessary amounts of fuel can be procured ahead of emergency situations. Potential solutions could include the development of additional infrastructure or new market structures. APGA looks forward to exploring such options through discussions with other participants in the GEH Forum.

Finally, since Winter Storm Uri, many legislators, regulators, and private entities have taken action to improve the resilience and reliability of both the natural gas and power sectors. Accordingly, it is important for NAESB and participants of the GEH Forum to understand this new landscape of requirements and voluntary actions before taking actions that may be duplicative or counterproductive.

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Thank you for your review and consideration of these comments in response to NAESB's September 7, 2022 notice. APGA and its members look forward to further engaging with NAESB and the GEH Forum moving forward. If you have any questions regarding this submission, please do not hesitate to contact me.

Respectfully submitted,



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