UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Coordination of the Scheduling Practices of Interstate Natural Gas Pipelines and Public Utilities	)))	Docket No. RM14-2-000

COMMENTS OF THE AMERICAN PUBLIC GAS ASSOCIATION REGARDING RTO/ISO DATA RESPONSES

Pursuant to the Notice Granting Extension of Time issued January 7, 2015, by the Federal Energy Regulatory Commission ("Commission") in the above-referenced proceeding,[1] the American Public Gas Association ("APGA") submits these comments regarding the recent data responses in this proceeding of the Regional Transmission Organizations ("RTOs") and Independent System Operators ("ISOs").[2]

APGA is the national, non-profit association of publicly-owned natural gas distribution systems, with over 700 members in 36 states. Overall, there are some 950 publicly-owned systems in the United States. Publicly-owned gas systems are not-for-profit retail distribution entities that are owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities. APGA members purchase interstate natural gas transportation services, usually as captive customers of a single interstate pipeline, at rates and under terms and conditions that are regulated by the Commission.

[1] 80 Fed. Reg. 1478 (Jan. 12, 2015).

[2] APGA is also joining the Comments of the Natural Gas Council ("NGC") being filed contemporaneously herewith.

I. COMMUNICATIONS

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II. COMMENTS

A. Overview:

APGA has been an active participant in all FERC-initiated proceedings related to the harmonization of the gas and electric industries, which effort has been fostered by the growing dependence of the electric industry on gas-fired generation and by the growing concern regarding the reliability of such gas-fired generators in RTO/ISO markets, especially during peak periods (such as occurred during the 2013-14 winter period as a result primarily of the polar vortex). Most recently, on November 26, 2014, APGA submitted comments in response to the Commission's Notice of Proposed Rulemaking ("NOPR") issued in this docket on March 20, 2014, in which the Commission proposed, *inter alia*, to change the start of the Gas Day from 9 a.m. Central Clock Time ("CCT") to 4 a.m. CCT. Among other things, APGA pointed out in its comments (i) the great harm that such a change in the Gas Day would cause to municipally-owned local distribution companies ("LDCs"), and all similarly situated LDCs, as described in the seven affidavits appended to its comments from LDCs of varying sizes and customer constituencies; (ii) the dearth of evidence that such a change in the Gas Day would ameliorate the fuel-related reliability issues confronting the electric utility industry; and (iii) that the record in this proceeding did not support a Natural Gas Act ("NGA") Section 5 determination that the

current Gas Day was unjust and unreasonable. APGA also noted that the natural gas industry[3] and a significant segment of the electric utility industry[4] opposed any change to the Gas Day; and further that it, like most segments of the natural gas industry, was not opposed to changes in gas industry practices that seemed reasonable and supportable as means to address the fuel-related problems of gas-fired generators, and in that vein was supporting the NAESB-sponsored changes to the long-established gas industry nomination cycles, despite their adverse financial and operational effects on many APGA members.

On December 1, 2014, the FERC Office of Energy Policy and Innovation ("OEPI") issued data requests in this docket to the various RTOs/ISOs under its jurisdiction "regarding the impact on reliable and efficient operations of natural gas-fired generators running out of their daily nomination of natural gas transportation service during the morning electric ramp, to the extent this occurs."[5] The data requests made very clear what OEPI was looking for, stating as follows:

> In the NOPR, the Commission stated that it is concerned that the current 9:00 a.m. CCT start of the Gas Day occurs in the middle of the morning electric load ramp in some regions, creating a situation where electric load is increasing at the same time natural gas-fired generators may be running out of their daily nominations of natural gas transportation service. The Commission proposed to move the start of the Gas Day earlier, in part, to address instances in which natural gas-fired generators reduce their output during the morning electric ramp period to balance their remaining scheduled natural gas transportation capacity for that Gas Day.

In short, OEPI was seeking data not present in the record to support the NOPR Gas Day proposal. However, as discussed below, the data submitted by the various RTOs/ISOs does not

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[3] *See, e.g.*, Comments of Natural Gas Council dated Nov. 28, 2014 (Submittal No. 20141128-5042).

[4] S*ee Report of the North American Energy Standards Board*, filed in Docket No. RM14-2-000, June 18, 2014 ("NAESB June 2014 Report") at p. 9.

[5] FERC Issuance Nos. 20141212-4013 – 4018.

support the thesis that there is a link between the start of the Gas Day and the reliability of gas-fired generators.

B. Comments Regarding RTO/ISO Data Responses

Question # 2 of the OEPI data requests reads in pertinent part as follows:

> During 2013 and 2014, on which dates did natural gas-fired generators notify [INSERT NAME OF RTO/ISO] system operations that they had to de-rate during the hours of 3:00 a.m. Central Time and 9:00 a.m. Central Time *due to the generators having exhausted their daily nomination of natural gas transportation service prior to the end of the Gas Day*? …. [Emphasis added.]

The responses by the various RTOs/ISOs were as follows:

> ***Cal ISO***: Based a reasonable search and diligent inquiry, the CAISO has not located any record of a natural gas-fired generator notifying the CAISO that the generator had to de-rate a unit during the hours of 3:00 a.m. and 9:00 a.m. Central Time because the generator exhausted its daily nomination of natural gas transportation service prior to the end of the gas day. [Response at 4.]

> ***SPP***: SPP does not require generators to submit information related to their nominated gas transportation, therefore, SPP does not have information that would be responsive to this request. [Response at 2.]

> ***MISO***: As explained in the response to the previous request, GADS data does not reflect if the outages were specifically due to the generators having exhausted their daily nomination of natural gas transportation service prior to the end of the gas day. Therefore, MISO is unable to provide information responsive to this request, including the requests below. [Response at 3.]

> ***New York ISO***: Appendix A to the NYISO's responses provides a list of dates on which natural gas-fired generators submitted notifications relating to *fuel availability and related issues*, during 2013 and 2014 between the hours of 3:00 a.m. Central time and 9:00 a.m. Central time. The list includes total MW/hour de-rated, number of generators de-rated, total system load, and the level of effective operating reserves for each hour. [Response at 2; emphasis added.]

> ***ISO New England***: Of the 74 times that a generator de-rated between 4 a.m. and 10 a.m. EST (3 a.m. to 9 a.m. CCT), 27 of those reductions had an identified ending time that coincided with the start of the next Gas Day (10 a.m. EST). I*SO-NE does not have specific information regarding whether the de-rates occurred solely due to the exhaustion of gas nominations,* but given the timing of the de-rates, ISO-NE believes this is likely the cause of the de-rates. [Response at 3; emphasis added.]

> ***PJM***: The attached data labelled " Question 2 Data", tab "Question 2 Part a,b" provides the dates in 2013 and 2014 when natural gas-fired generators notified PJM system operations that they had to de-rate during the hours of 3:00 a.m. Central Time and 9:00 a.m. Central Time due to the generators experiencing *lack of fuel event*. [Response at 2; emphasis added.]

While some RTO/ISOs were more forthcoming than others in their responses to Question # 2,[6] the bottom line is that *none* of the RTO/ISOs has any data reflecting the number or duration of de-rates during the during the hours of 3 a.m. CCT to 9 a.m. CCT "due to the generators having exhausted their daily nomination of natural gas transportation service prior to the end of the Gas Day." Some, like ISO New England, which strongly advocate a change in the Gas Day to 4 a.m., speculated that if a de-rate occurred between 3 a.m. and 9 a.m. CCT, the "likely cause" was exhaustion of the gas nomination. The truth of the matter, as the data shows, is that de-rates due to "fuel availability" or "fuel related event" occur all day long in each of the RTO/ISOs, are generally proportional to the period of time examined, and can be attributable to a host of factors, including but not limited to insufficient firm pipeline and/or LDC capacity to transport the gas; operational issues on the pipeline and/or the LDC; economic issues related to the price of natural gas or the price of secondary market capacity at the particular time; and *force majeure* events at the wellhead, on the pipeline, at a storage facility, on the LDC, and/or at the generator.

The North American Electric Reliability Council ("NERC"), which has no axe to grind as it relates to the start of the Gas Day, issued its Polar Vortex Review in September 2014,[7] which

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[6] For example, ISO New England biased its non-response to Question # 2 (which was limited by its terms to 2013 and 2014) by incorporating data from October 12, 2012, a day on which seven gas-fired generator reductions were reported during the morning ramp (ISO New England Responses 1 and 2, pages 2-3).

[7] Available at http://www.google.com/url?url=http://www.nerc.com/pa/rrm/January%25202014%2520Polar%2520Vortex%2520Review/Polar_Vortex_Review_29_Sept_2014_Final.pdf&rct=j&frm=1&q=&esrc=s&sa=U&ei=6DjKVL6sGbb7sASm2oKoBg&ved=0CBQQFjAA&usg=AFQjCNG1orlYxfs6lUgROoZomfb4bjt1mw.

is instructive as to the causes of fuel-related outages and de-rates both nationwide and in the Northeast. As a general proposition, NERC observed as follows (Report at 2):

> One of the largest issues impacting gas-fired generation was the curtailment or interruption of fuel supply. Unlike other fuel sources, natural gas is not typically stored on-site. Generators rely on real-time delivery of natural gas from their suppliers. When units are not confident that they will be dispatched, the fuel is often obtained on the spot-market on a non-firm, interruptible basis. Therefore, if firm contracts are honored before interruptible contracts, if the firm customers require more gas, and the capacity of the gas transportation is based on firm contracts, less capacity is available for interruptible supply. This can result in generating units becoming unavailable as there is no pipeline capacity to supply interruptible gas.

Regarding outages and de-rates in the Northeast Power Coordinating Council ("NPCC"), the home of most members of ISO New England and the NY ISO, NERC noted specifically that a "significant portion of the cold-related outages … were related to fuel-gelling issues" and then observed generally as follows regarding NPCC outages (Report at 8):

> Excluding unrelated outages, outages related to curtailments and interruptions of natural gas delivery were the significant contributor of the NPCC generator outages. These outages totaled a maximum of 3,296 MW of generators and, as shown in Figure 8, they significantly impacted NPCC's generation resources starting at approximately 10:00 a.m. on January 7, 2014.

In the discussion section of the Polar Vortex Review, NERC makes no mention of the Gas Day parameters as a relevant consideration; rather, it opines as follows (Report at 17):

> Increased reliance on natural gas during the polar vortex exposed the industry to various challenges with fuel supply and delivery. This increased reliance, compounded by generation outages during the extreme conditions, increased the risks to the reliable operation of the BPS.
>
> As the industry relies more on natural-gas-fired capacity to meet electricity needs, it is important to examine potential risks associated with increased dependence on a single fuel type. The extent of these concerns varies from Region to Region; however, they are most acute in areas where power generators rely on interruptible natural gas pipeline transportation.
>
> Unlike coal and fuel oil, natural gas is not typically stored on site. As a result, real-time delivery of natural gas through a network of pipelines and bulk gas storage is

> critical to support electric generators. Natural gas is widely used outside the power sector, and the demand from other sectors—particularly coincident end-user gas peak demand during cold winter weather—critically affects gas providers' ability to deliver interruptible transportation service in the power sector. Additionally, demand for natural gas is expected to grow in other sectors (e.g., transportation, exports, and manufacturing).

In other words, fuel-related outages and de-rates have many causes, and there is no reliable evidence that the start of the Gas Day is a relevant, distinguishing factor that warrants the change in the Gas Day start suggested in the NOPR. The strong likelihood is that with the change in the nomination cycles recommended by NAESB in this proceeding, those generators that have experienced morning ramp issues related to the start of the Gas Day will have such issues obviated.[8] Of course, the more important problem, especially in the New England area, is the over-reliance of gas-fired generators on non-firm transportation capacity – a problem that will not be cured by any of the measures proposed in the NOPR. However, the Commission appears to understand the importance of addressing this transportation issue, as evidenced by its November 20, 2014 issuance of an Order on Technical Conferences in Docket Nos. AD13-7 and AD14-8, in which it addresses this very issue, observing that "Fuel assurance is a key to ensuring generator performance, which directly contributes to the overall reliability of the grid and just and reasonable rates." 149 FERC ¶ 61,145 at P 8 (2014).[9]

III. CONCLUSION

APGA respectfully submits that for the reasons set forth in its November 26, 2014 comments herein and above, there simply is no credible record basis for a determination that the

[8] *See, e.g.*, November 28, 2014 Comments of Natural Gas Council at 4-7.

[9] Notably, ISO New England, after summarizing the steps it is taking to address the availability of generators, observes as follows (Response at 7): "Beyond these measures, though, the New England region needs its generating resource owners and other entities to make investments—investments in firm fuel supplies and transportation, maintenance of on-site fuel inventory and dual fuel capability. To provide incentives for these investments, the ISO is implementing the Pay-for-Performance proposal accepted by the Commission." (Footnote omitted.)

current 9 a.m. CCT Gas Day start is unjust and unreasonable, as required by NGA Section 5 to justify a change, or that a 4 a.m. CCT Gas Day would be a suitable, much less just and reasonable, substitute. If anything, the record confirms the importance of retaining the current 9 a.m. CCT Gas Day start, accepting the NAESB-proposed and industry supported changes to the gas nomination cycles, and directing the electric industry to take important self-help steps to foster greater reliability, including but not limited to securing firm transportation capacity to move their gas supplies to generators or installing adequate dual fuel capability or investing in gas storage facilities or making other infrastructure investments to ensure the availability of a firm power supply during peak periods.

Respectfully Submitted,

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