



North American Energy Standards Board

1415 Louisiana, Suite 3460, Houston, Texas 77002
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Home Page: www.naesb.org

GAS ELECTRIC FORUM OCTOBER 21, 2022 MEETING PREPARATORY SURVEY DUE OCTOBER 10, 2022

Section I – Submitter Information

1. Please provide your contact information:

Company/Organization: Process Gas Consumers Group (“PGC”), Industrial Energy Consumers of America (“IECA”) and American Forest and Paper Association (“AF&PA”) (jointly, “Commenters”) jointly submit these comments.

Representative: Andrea Chambers

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Phone Number 1 202 799 4440

2. For the purposes of participating in the Gas Electric Forum, are you responding as *(please check one box only)*:

- Wholesale Gas Market – Producer
- Wholesale Gas Market -- Pipeline
- Wholesale Gas Market -- Distributor
- Wholesale Gas Market – Services or Technology Company
- Wholesale Gas Market – End User
- Wholesale Electric Market – Transmission Company
- Wholesale Electric Market – Generator
- Wholesale Electric Market – Distributor/Load Serving Entity
- Wholesale Electric Market – End User
- Wholesale Electric Market – Independent Grid Operator & Planner
- Wholesale Electric Market – Marketer/Broker
- Wholesale Electric Market – Technology or Service Company
- Retail Energy Market – Retail Electric Service Provider/Supplier
- Retail Energy Market – End User/Public Agency
- Retail Energy Market – Retail Gas Market Company
- Retail Energy Market – Retail Electric Utility
- Other Market Participant / Observer



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Section 2: General Comments Related to Agenda Topics for the October 21st Meeting

1. Please provide general comments and recommendations for the forum attendees to consider that provide practical solutions for lack of natural gas pipeline capacity during periods of unanticipated demand when building additional infrastructure is not possible or timely.

Comments and Specific Recommendations:

Process Gas Consumers (“PGC”), American Forest and Paper Association (“AF&PA”) and the Industrial Energy Consumers of America (“IECA”) file these joint comments. PGC, AF&PA and IECA represent industrial and manufacturing entities that are energy-intensive, trade-exposed companies, referred to jointly here as “AIP”. AIP does not agree with the premise of this question, to the extent that it assumes that building additional infrastructure is not possible or should not be pursued. AIP members plan ahead to obtain adequate natural gas supplies and natural gas pipeline capacity to run their plants in a safe and reliable manner at all times, including in times where demand may be extremely high. AIP members do not rely upon last minute scrambling for natural gas pipeline capacity nor natural gas supply. Instead, AIP members sign long-term firm pipeline transportation agreements (typically between 10-20 years), which allows the pipelines to build transportation capacity to serve their needs safely and reliably. AIP strongly urges the Forum to move away from the idea of reliance upon curtailment arrangements, as such arrangements cannot make up for the lack of capacity being built to serve electric generation demand. Instead, AIP asserts that, if natural gas-fired generation must be relied upon to serve peak demand, generators that are critical or essential to provide power to consumers and rely on natural gas as a fuel source should be required to obtain firm natural gas transportation capacity and supply, so that the pipeline transportation capacity that is needed to move their supply will be constructed and gas will be produced in order to serve their demand.

AIP also suggests that the electric reliability issues appear to be created by the fact that the wholesale electricity markets do not allow generators to be compensated for their costs of firm gas supply and firm gas transportation needed to serve them in peak periods. AIP urges FERC to require any gas-fired electric generators that are critical for serving load on peak be required to hold firm pipeline capacity and natural gas supplies, and that such generators be paid for the costs of firm natural gas pipeline capacity and firm gas supply through the electricity markets as part of the cost of reliable electric service. Capacity prices for electricity would then



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create the proper incentives for generators to pay for pipeline capacity or storage for these must-run units.

As to unanticipated demand, it seems that the electric forecasts are not accurate, which is causing the spike in demand to be “unanticipated.” During the hearings concerning the Uri storm, witnesses testified that they disagreed with the forecasted demand from ERCOT and expected demand to be higher than what was forecasted. AIP suggests that the ISOs and RTOs should revise their forecasting by building in a cushion in their forecasts when a big storm is approaching so that the higher demand is not “unanticipated.”

AIP notes that building adequate transportation capacity in advance of emergency situations may increase the cost of wholesale electricity, but so does the lack of having sufficient firm natural gas supplies contracted for, or firm natural gas transportation built and contracted for, in advance of periods of high demand, such as extreme weather events. This increase in cost is due to generators being forced to go into the market to try to purchase natural gas or obtain release capacity at the time of peak demand when there are shortages of capacity and transportation, with no guarantee that it will be available at any price. If the decision is made for policy reasons not to construct additional natural gas transportation capacity, then natural-gas-fired generation should not be relied upon for peak demand or unanticipated demand, rather, alternatives such as dual-fuel capable units, or storage should be planned for such events.

AIP members pay for firm pipeline transportation and gas supplies and do not rely upon time of use procurement due to the lack of reliability and increased cost exposure to the spot market at these times. AIP suggest that the electric industry should not expect reliable gas-fired electric generation at reasonable prices without taking similar actions to plan for future supply and delivery of such supplies.

2. Please provide general comments and recommendations for the forum attendees to consider that provide practical solutions for syncing deadlines between gas and electric markets when there is unanticipated demand for gas-fired power generation that may not support existing deadlines, without penalizing the existing market participants.

Comments and Specific Recommendations:

AIP supports the comments of NGSAs which state that the ISOs and RTOs should move the time for dispatching generation to earlier in the day. Moving to an earlier time will allow generators who need to purchase gas the ability to access the market at the time when the gas market has more liquidity, instead of dispatching



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electric generation after most gas has already been sold for the day or the weekend. This change would also allow the market to function and not penalize other market participants who purchase their gas at times when the supply is more readily available. AIP understands that NYISO does perform electric dispatch before the start of the natural gas day and this allows its generators to secure natural gas when the market is liquid.

AIP notes that the gas markets generally work very well to allocate the capacity needed during the day through the intra-day renomination process. However, while changes to scheduling might provide some additional flexibility, scheduling changes will not make up for the lack of capacity being built to serve overall demand.

3. Please provide general comments and recommendations for the forum attendees to consider that provide practical solutions for addressing any information limitations that could provide the data needed to ameliorate some of the problems seen in Storm Uri.

Comments and Specific Recommendations:

As noted above, there should be a method for improving the ISOs' and RTOs' forecasts for demand prior to the occurrence of a storm event and including an appropriate safety margin, a means for market participants to give feedback to the ISO or RTO when they disagree with the forecasts, and some ability to have either FERC or the local public utility commission to intervene when the forecasts appear too low to avoid any "unanticipated" demand.

Another issue that is of concern to AIP members is the lack of transparency as to the availability of capacity on intrastate pipelines. It is unclear where capacity that was contracted for on intrastate pipeline disappears to during a storm event or who it was allocated to. More information postings made by intrastate capacity operators would improve the ability of market participants to cope with extreme weather events.

For both interstate and intrastate pipelines, AIP suggests that situational awareness could be increased if an outside group, such as ICE, were to provide a transparent means for all market participants, including operators of electric generation, to be able to obtain data as to the current and anticipated operational status of pipelines on a regional or national basis through a single website as described in AIP's response to Question 4. Such information would allow market participants to determine which pipelines are operating at or near capacity and where pipeline



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capacity might be available without having to check each pipeline individually. Tracking the operations of the pipelines on a regional or national basis would allow market participants to take actions to avoid constrained areas in some instances where there is more than one pipeline alternative. Additionally, this data would provide market signals regarding where pipeline capacity is needed and help incentivize new pipeline capacity to be developed.

4. Please provide other general comments and recommendations for the forum attendees to consider related to the topics identified for the October 21 meeting:

Comments and Specific Recommendations:

For both interstate and intrastate pipelines, another approach that could be developed in addition to planning to build more capacity, would be a program that would allow demand response on gas pipelines so that market participants could enter pre-arranged deals to offer their capacity on a voluntary basis during times when a critical weather event is declared. While capacity reallocation is occurring currently through pipeline capacity release programs and asset management arrangements, AIP suggests that a committee of all stakeholders be formed to establish a special pipeline capacity plus natural gas swap or exchange on ICE or other such platform where pipelines, coordinating with replacement shippers, could identify open capacity and supplies and post it for bid in emergency weather situations. A critical weather event program like this could allow some efficiency and fairness in reallocation of capacity in an extreme weather event where there is high demand and limited capacity.

Thank you very much for taking time to complete this survey. Your feedback is valued and NAESB appreciates your support. Your responses will help shape the discussion in the meeting held on October 21.