# North American Energy Standards Board

1415 Louisiana, Suite 3460, Houston, Texas 77002
Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@naesb.org
Home Page: www.naesb.org


Via email and posting

October 24, 2022

Dear GEH Forum Participants,

Please find attached a survey/request for comments that will be used to support the agenda of our fourth Gas-Electric Forum meeting on November 8, 2022. To participate in this process and submit a survey, please complete it online through the following hyperlink: https://www.surveymonkey.com/r/F7M8JV3. It is not necessary to submit a survey in order to participate in the meeting on November 8th; however, the responses provided may be utilized to shape the final agenda for the meeting and guide our discussions.

A Microsoft Word version of the survey/request for comments is attached.

- To complete the survey online, simply follow the instructions as you move from page to page. Through the platform, your answers will be saved as you take the survey online, and you may leave and return to the survey when convenient for you. You may also re-enter the survey and modify your responses prior to the cutoff date of on November 1, 2022.
- If you prefer not to take the online version of the survey and would rather complete a Microsoft Word document version, you may do so by completing the attached and emailing it to the NAESB office (naesb@naesb.org) by November 1, 2022.
- As a submitter, you should identify with a NAESB Quadrant and Segment, or as an observer, when forwarding your responses and comments. A description of the NAESB Quadrant and Segments can be found through the following hyperlink: https://www.naesb.org/pdf4/geh_balanced_voting_quadrant_segment_descriptions.doc.

The announcement and agenda for the November 8, 2022 meeting has been distributed. All survey responses will be compiled and made publicly available as a work paper for the meeting, and those who submit written comments in response to this survey will receive priority in the discussions during the meeting.

Again, all responses are requested by the close of business on **November 1, 2022**. Thank you for your time and for your commitment to the GEH Forum –

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**GAS ELECTRIC FORUM NOVEMBER 8, 2022 MEETING PREPARATORY SURVEY**
**DUE NOVEMBER 1, 2022**

**Section I – Submitter Information**

**1. Please provide your contact information:**

Company/Organization: Industrial Energy Consumers of America ("IECA")

Representative: Paul Cicio

Email Address: Pcicio@ieca-us.org

Phone Number 703 216 7402

**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 November 8th Meeting**

1. Expansion of natural gas infrastructure/capacity has been a solution offered by several participants during the Forum discussions.

   a) What are the barriers to building the additional infrastructure/capacity that may be helpful in supporting the Bulk Electric System?

   b) How can these barriers be eliminated?

Comments and Specific Recommendations:

**I. Congress Needs to Give the FERC/NERC Responsibility to Ensure that there is Adequate Interstate Natural Gas Pipeline Capacity for Reliability of Natural Gas and Electricity Supply**

Congress needs to give the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC) responsibility for ensuring that there is sufficient interstate natural gas pipeline capacity at peak demand for reliability of natural gas and electricity. No federal agency has this responsibility. No federal agency knows what pipelines are running at peak demand. Without ensuring that pipeline capacity is available, lives are at risk, as well as our nation's economic and national security. We are already experiencing regional energy scarcity. Numerous pipelines issue operational flow orders and curtailments during the winter.

Furthermore, the FERC/NERC cannot fulfil its mandate to ensure electricity reliability unless there is adequate pipeline capacity for natural gas-fired generation that is being used to displace coal-fired power generation units and because new storage technologies are not at scale to provide load balancing. Natural gas-fired generation is crucial to the transition to a low carbon electricity.[1]

On a regional basis, manufacturing companies cannot expand because pipeline capacity is not available. In the winter months, they are forced to run at reduced operating rates or be curtailed all together, creating havoc to supply chains.

Recently, the Wall Street Journal reported that U.S. corporations are reshoring jobs.[2] This is good news, but short lived unless we urgently expand natural gas pipelines. U.S. manufacturing cannot beat China without the infrastructure necessary to expand our facilities.

The FERC's responsibility needs to shift from being a regulator of pipeline permits to having responsibility to ensure that the pipelines that are needed will get built in a timely manner to secure our nation's reliability and national security. Today, the FERC is reactive. With responsibility to ensure reliability, their role shifts to being pro-active.

[1] NERC Report, State of Reliability, July 2022, https://www.nerc.com/pa/RAPA/PA/Performance%20Analysis%20DL/NERC_SOR_2022.pdf

[2] "U.S. Companies on Pace to Bring Home Record Number of Overseas Jobs," The Wall Street Journal, August 20, 2022, https://www.wsj.com/articles/u-s-companies-on-pace-to-bring-home-record-number-of-overseas-jobs-11660968061

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The current regulatory system is broken and has not adjusted to the accelerating changes of the market. For decades, the current system has worked well. When pipeline capacity was needed, pipeline companies filed permits to the FERC and for the most part, the pipelines were approved and built without much delay. That is no longer the case.

Today, at every turn, politics and activists successfully slow and stop pipelines through legal action. New pipelines, justified on the basis of demand for natural gas, no longer get built. And, if they do, because of long delays, it is at a cost that is double or triple the original cost. These higher costs get passed onto us, the ratepayer, who are saddled with these costs for decades, increasing inflation.

While EIA forecasts long-term growth for natural gas for industrial, power generation and for LNG exports, we note that Constitution (0.7 Bcf/d), Penn East (1.1 Bcf/d), Atlantic Coast (1.5 Bcf/d), Northeast Direct (1.2 Bcf/d) pipelines were all cancelled. Mountain Valley (2 Bcf/d) and Norther Access (0.5 Bcf/d) are both opposed and significantly delayed. We cannot have increased use of natural gas without increased pipeline capacity.

**POLICY RECOMMENDATIONS**

**Give the FERC/NERC Responsibility to Ensure that there is Adequate Interstate Natural Gas Pipeline Capacity for Reliability of Natural Gas and Electricity Supply**

- The FERC/NERC will monitor interstate natural gas pipeline capacity nationally for purposes of ensuring reliability and identify pipelines and areas of the country that need increased capacity. New pipeline permit applications inform this objective. This is consistent with GAO's recommendation.[3]

  *FERC should use available information, such as reports by transmission pipeline operators on service interruptions, to identify and assess risks to the reliability of natural gas transmission service.*

- Require the FERC to take action to remedy reliability problems by expediting permits and construction and completion of the pipeline. Actions includes requesting use of Presidential emergency powers. This is consistent with but goes beyond GAO's recommendation.[4]

  *FERC should develop and document an approach to respond, as appropriate, to risks it identifies to the reliability of natural gas transmission service.*

- Require the FERC/NERC to provide national oversight to ensure a smooth transition to decarbonization. For example, a pipeline serves multiple states with no coordination of the shutdown of coal or nuclear power plants and the addition of natural gas fired generation, which risks reliability and results in lack of pipeline capacity for manufacturing. Give the FERC/NERC the

[3] U.S. Government Accountability Office, September 2020: Gas Transmission Pipelines; https://www.gao.gov/products/gao-20-658#summary_recommend

[4] U.S. Government Accountability Office, September 2020: Gas Transmission Pipelines

responsibility to coordinate with state agencies and if necessary, require that coal fired, or nuclear power generation units remain operating until pipeline capacity is available for all ratepayers.

- Assure that there is adequate natural gas pipeline capacity available for manufacturing growth. Manufacturing companies cannot compete with utilities and LNG exporters for pipeline capacity. Manufacturing is unable to do long term firm pipeline contracts. If Congress wants manufacturing to grow, it must either always ensure that there is more capacity than demand or it needs to create a new program that sets-aside capacity for manufacturing growth.

**II. Technical Conference on Federal-State Interstate Natural Gas Pipeline Coordination and Oversight is Needed**

Action is needed to ensure that there is adequate interstate natural gas pipeline capacity for the manufacturing sector. Regionally, demand for natural gas power generation and LNG exports has reduced available pipeline capacity for manufacturing and new pipeline capacity is not getting built. Inadequate pipeline capacity is disrupting existing manufacturing facility operations and is preventing new investments and job creation. Reliability is a core issue. The situation is getting worse each year and has implications to our nation's supply chain, inflation, national security, and the growing trade deficit. One hundred percent of IECA members are from the manufacturing sector.

We encourage the FERC to hold a Technical Conference to examine the need for federal and state coordination and oversight of pipeline capacity, taking into consideration the siting of new natural gas-fired power generation, and the shutdown of coal and nuclear electric generation. Without action, more regions and manufacturers will be impacted. Furthermore, our nation cannot have electric reliability without natural gas pipeline reliability. Currently, no federal agency has responsibility for natural gas pipeline reliability.

The technical conference will require participation by entities representing manufacturers, pipelines, electric utilities, state public service commissions, state government economic development officials, and others.

Our member companies report that there are serious regional interstate natural gas pipeline capacity shortages that have resulted in an annual increase of pipeline operational flow orders that will eventually result in curtailments of supply to manufacturing facilities. This has resulted in higher natural gas cash-market prices. For example, the Transco Zone 5 January 2022 average price was $11.367 per MMBtu. On January 21, prices increased to $21.80 per MMBtu. Curtailments are also being reported on intrastate pipelines.

Inadequate pipeline capacity, coupled with increasing demand from power generators and LNG exports, is disrupting our nation's manufacturing supply chain. The problem is exacerbated during peak demand in the summer and winter seasons. When regional pipelines do not have the needed capacity to supply demand, manufacturing companies are the first to be impacted by gas-use restrictions, extremely high Gas Daily prices, and ultimate curtailment.

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Many manufacturers are deemed essential to the economy. However, when natural gas restrictions occur, only those users that absolutely need gas such as hospitals, residential homes, and entities able to afford the extremely high prices, such as LNG facilities and power generators, are first on the delivery list.

High natural gas prices are not a concern for the electric or gas utilities because they can pass the costs onto their consumers via their fuel adjustment mechanism. High prices are also not a concern to LNG exporters who benefit from exceedingly high global LNG prices. For manufacturing, competitiveness is directly impacted by higher prices for natural gas and electricity.

When confronted with a reduction of natural gas supply, manufacturing companies have limited options, none of which are satisfactory. They cut back manufacturing production rates or stop production all together, shift production to other sites across the country, or switch to backup energy sources like diesel, biomass liquor (paper companies), and coal or propane, if those options are available. Most companies do not have alternatives. We are dependent upon natural gas.[5]

**Setting aside the obvious and serious challenges of permitting, construction, and the completion of pipelines, there is a lack of oversight and planning by federal and state authorities.**

For example, even though an interstate pipeline runs through several states, all of which are dependent upon the same pipeline, there is no coordination to ensure that decisions by one state are not negatively impacting another state. As long as there is excess pipeline capacity, this is not a problem. However, excess capacity no longer exists in several major pipelines.

A case in point is Virginia, North Carolina, and South Carolina. We have observed that these state utilities have Integrated Resource Plans which have and/or plan to accelerate the decommissioning of coal-fired electricity generation plants and build significant natural gas combined cycle generators.[6] In other regions, it may be nuclear plants. In all cases, electricity generators are building natural gas-fired power in order to reliably supply their needs and to provide backup power for intermittent renewable energy.

All of these electric generators are using more and more pipeline capacity on Transco Zone 5, which supplies Virginia, North Carolina and South Carolina. The Cove Point LNG export terminal, which is at the end of Zone 5, is acquiring all the capacity that it can. **The result is periods of natural gas pricing that are five times higher than the nation's average if we can get it at all.** During peak system demand, the region's natural gas prices are now correlated to the global LNG market prices.

The problem is that new natural gas electric generation capacity in Virginia is not being considered by North Carolina and South Carolina and vice versa. They are all acting independently, nor is LNG demand being considered. In all cases, the power generators and LNG export terminals are securing the capacity needed for their new facilities. However, none of the decisions made by electric utilities and LNG exporters take into account whether there is remaining pipeline capacity sufficient to supply the existing and future growth of the manufacturing sector in their states, and therein lies the problem.

[5] IECA: EIA Explains Why U.S. Manufacturing Cannot Switch from Natural Gas to Electricity, https://www.ieca-us.com/wp-content/uploads/07.15.21_MECS-Fuel-Switching-IECA-Statement.pdf
[6] "Duke Energy plans to exit all coal, double renewables," Kristi E. Swartz, E&E News Energywire, https://www.eenews.net/articles/duke-energy-plans-to-exit-all-coal-double-renewables/

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Unlike electricity, there is no federal oversight for natural gas pipeline reliability. For electricity, the FERC/NERC has the responsibility to ensure reliability. No federal agency has the authority or responsibility to monitor pipeline capacity rates. No federal agency knows which pipelines are running out of capacity at peak demand.

Finally, another issue complicates manufacturers' ability to secure needed pipeline capacity. The variability of manufacturing production changes monthly and from year to year, which limits some manufacturers from being able to do long-term firm natural gas contracts for pipeline service. LNG exporters and utilities have greater flexibility to make these long-term commitments. And, the continued rapid expansion of LNG exports has reduced and will continue to reduce available pipeline capacity for manufacturers unless new pipeline capacity is put in service.

2. Please provide general comments and recommendations concerning the following related to information sharing:

   a) What information is currently not shared between interstate pipelines, LDCs, gas-fired power generators, and the ISO/RTOs that would be helpful in situations of constrained capacity/unanticipated demand?

   b) What information is currently not shared between intrastate pipelines, LDCs, gas-fired power generators, and the ISO/RTOs that would be helpful in situations of constrained capacity/unanticipated demand?

   c) What are the barriers to sharing the information, and how can they be eliminated?

   d) How could/should the information be shared

   Comments and Specific Recommendations:

3. What changes could/should be made to the current forecasting processes to accommodate constrained capacity/unanticipated demand events that may occur?

   Comments and Specific Recommendations:

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4. Recognizing that there are costs associated with providing increased reliability of the natural gas infrastructure system, how could/should those costs be addressed?

   Comments and Specific Recommendations:

5. Are there contractual terms or policies that present a barrier to responses in situations of constrained capacity/unanticipated demand?

   Comments and Specific Recommendations:

6 Ideally, what modifications to the existing processes for nominating firm service on interstate/intrastate pipelines would be the most beneficial in preparation for and during events when demand for natural gas is rising sharply and leading to constraints/unanticipated demand (i.e. operations on holidays/weekends, operations outside of the day ahead market)?

   Comments and Specific Recommendations:

***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 November 8, 2022.***