



Legal Alert: FERC Issues a NOPR Reforming Gas Day and Two Orders to Improve Natural Gas – Electric Generation Industry Coordination

March 26, 2014

On March 20, 2014, the Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking (NOPR)¹ and two separate, but related, Orders² to improve the coordination of scheduling natural gas pipeline capacity to meet increasing demand from gas-powered electricity markets. Specifically, the NOPR proposes to amend FERC Regulation 248.12, which incorporates by reference the standards set by the North American Energy Standards Board (NAESB) for scheduling the transportation service of interstate natural gas pipelines.

The NOPR's proposed amendments would (1) start the natural gas operating day (Gas Day) earlier—at 4:00 a.m. CCT, (2) start the Timely Nomination Cycle later—at 1:00 p.m. CCT, and (3) modify the current intraday nomination timeline to increase the number of standard intraday nomination cycles from two to four, to include 8:00 a.m., 10:30 a.m., 4:00 p.m. and 7:00 p.m. CCT. FERC's proposed changes to Gas Day aim to synchronize the gas and electric operating days in response to increased interdependence between natural gas and gas-fired electric power generators.

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Proposed Nomination Schedule

<u>Nomination Cycle</u>	<u>Nomination Deadline (CCT)</u>	<u>Notification of Schedule</u>	<u>Nomination Effective (CCT)</u>	<u>Bumping of IT</u>
Timely	1:00 p.m.	4:30 p.m.	4:00 a.m. Next Day	N/A
Evening	6:00 p.m.	10:00 p.m.	4:00 a.m. Next Day	Yes
Intra-Day 1	8:00 a.m.	11:00 a.m.	12:00 p.m. Current Day	Yes
Intra-Day 2	10:30 a.m.	2:00 p.m.	4:00 p.m. Current Day	Yes
Intra-Day 3	4:00 p.m.	6:00 p.m.	7:00 p.m. Current Day	Yes
Intra-Day 4	7:00 p.m.	9:00 p.m.	9:00 p.m. Current Day	No

Furthermore, the NOPR clarifies FERC's policy on a pipeline's ability to allow firm shippers to supersede an interruptible shipper's nomination during any enhanced nomination opportunity proposed by a pipeline beyond the standard nomination opportunities. The NOPR also proposes to require all interstate pipelines to offer multi-party service agreements to allow multiple shippers to share interstate natural gas pipeline capacity under a single service agreement.

Because a final rule adopting the proposed amendments would change the NAESB

standards, FERC has requested that the natural gas and electric industries utilize their expertise in this area to “work out the details of how changes in scheduling practices can most efficiently be made and implemented, consistent with [FERC’s NOPR].”³ Industry stakeholders may respond to the NOPR by filing with FERC either consensus standards developed through the NAESB process, or a notice indicating the inability of industry to reach a consensus on the proposed changes, within 180 days of the issuance of the NOPR in the Federal Register. Public comment on the NOPR and proposed consensus standards must be filed within 240 days of the publication of the NOPR in the Federal Register.

As part of its efforts to address interstate gas pipeline-electric generator coordination issues, FERC also issued two separate, but related, orders. *First*, under Section 5 of the Natural Gas Act (NGA), FERC issued a show cause order requiring all interstate pipelines to submit filings within 60 days (i.e., by May 19, 2014) either revising their tariffs to provide for posting on the pipeline’s website offers to purchase released pipeline capacity or otherwise demonstrating that they are in full compliance with FERC regulations requiring the posting of such offers. Upon FERC’s review of various pipeline websites, FERC found that none of the websites provided a location for such postings as required by FERC regulations at 18 C.F.R. § 284.8(d). The show cause order also requests that the NAESB develop business practice and communication standards specifying the information to be included in the purchase offer postings. In their compliance filings, pipelines must explain how they will fully comply with 18 C.F.R. § 284.8(d) until NAESB standards are developed and implemented. Motions to intervene in this proceeding must be filed with FERC within 12 days of March 20, 2014, the date the Order was issued (i.e., by April 1, 2014).

Second, under Section 206 of the Federal Power Act (FPA), FERC initiated an investigation into independent system operator (ISO) and regional transmission organization (RTO) scheduling practices and established paper hearing procedures. FERC’s investigation will focus on the ISO’s and RTO’s day-ahead scheduling practices to determine if they are just and reasonable and examine whether the ISO and RTO day-ahead scheduling practices would and should correlate with any revisions to the natural gas scheduling practices proposed under the NOPR. The ISOs and RTOs must make a filing no later than 90 days after the publication of a final rule revising Gas Day under the related proceeding. Motions to intervene must be filed with FERC within 21 days of March 20, 2014, the date the Order was issued (i.e., by April 10, 2014).

¹ Coordination of the Scheduling Process of Interstate Natural Gas Pipelines and Public Utilities, Docket No. RM14-2, 146 FERC ¶ 61,201 (2014).

² California Indep. System Operator Corp., et al., Order Initiating Investigation into ISO/RTO Scheduling Practices and Establishing Paper Hearing Procedures, Docket Nos. EL14-22 through 27, 146 FERC ¶ 61,202 (2014); Posting of Offers to Purchase Capacity,

Docket No. RP14-442, 146 FERC ¶ 61,203 (2014).

³ *Id.* at 10.

If you have any questions about this Legal Alert, please feel free to contact any of the attorneys listed under 'Related People/Contributors' or the Sutherland attorney with whom you regularly work.