

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Coordination between Natural Gas)
and Electricity Markets) Docket No. AD12-12-000

**COMMENTS OF THE
ELECTRIC POWER SUPPLY ASSOCIATION AND THE NEW ENGLAND
POWER GENERATORS ASSOCIATION, INC.**

The Electric Power Supply Association (“EPSA”)¹ and the New England Power Generators Association, Inc. (“NEPGA”)² respectfully submit the following comments to the Federal Energy Regulatory Commission (“FERC” or “Commission”) in the above referenced proceeding.³ EPSA and NEPGA appreciate the opportunity to comment on the Commission’s inquiry on electric and natural gas coordination by responding to the December 7, 2012 Notice of Request for Comments and Technical Conference (“December 7 Notice”). On November 15, 2012, the Commission issued an order directing staff to establish

¹ EPSA is the national trade association representing competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving power markets. EPSA seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the view of any particular member with respect to any specific issue.

² The New England Power Generators Association (NEPGA) is the trade association representing competitive electric generating companies in New England. NEPGA’s members’ represent 85%, or nearly 27,000 megawatts, of all the available generating capacity in New England. NEPGA’s mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. NEPGA believes that sustainable competitive markets are the best means to provide long-term reliable and affordable supplies of electricity for consumers. The comments contained in this filing represent the position of NEPGA as an organization, but not necessarily the view of any particular member with respect to any specific issue..

³ *Coordination between Natural Gas and Electricity Markets*, Notice Assigning Docket No. and Requesting Comments (“Notice”), Docket No. AD12-12-000, (issued February 15, 2012).

a technical conference to identify areas in which additional Commission guidance or regulatory changes could be considered. In advance of this conference, the December 7 Notice asked that interested parties provide comments on three questions. Herein EPSA and NEPGA provide comments on the three gas and electric industry communication and information sharing questions posed by the Commission.

Currently, many of these coordination issues and communication issues are being considered either in national or regional forums. EPSA and NEPGA take these issues seriously and believe that the constructive dialogue among all sectors of the energy industry at the technical conference will prove valuable. EPSA and NEPGA appreciate the Commission's willingness to consider industry comments for additional analysis of information sharing and communication issues. In response to the notice, EPSA and NEPGA offer topics that need to be covered or discussed at that conference, rather than submitting proposed answers or solutions to the questions and circumstances posed. While coordination and communication issues have emerged as a shorter term area of concern for industry and regulators, specific changes or regulatory approaches by FERC are by no means clear or obvious. This is based both on regional differences and on the need for more clarity around what information appears to be needed by system operators to facilitate reliability during emergency operational situations. The upcoming technical conference is the appropriate approach to address the areas for Commission consideration and possible regulatory changes. As noted throughout this proceeding, EPSA and NEPGA

generally support deference to stakeholder processes and regional approaches for issue resolution due to significant variations and extensive local differences on the gas-electric interface, particularly in New England, but see an opportunity for FERC to provide overall guidance on how to address these issues.

It is important to note that the use of natural gas for generation currently represents a significant portion of power generation. Because of the significant amount of existing gas-fired generation, existing market structures in many regions appear to support an increase in the use of natural gas for generation. But in other regions such as in New England, specifically, there are ongoing stakeholder discussions on potential electricity market reforms to allow for more flexible pricing and better price information, and to incent additional generator performance. These discussions are still at an early stage, however. Moreover, the markets have recently increased reliance on gas-fired generators to provide power, requiring generators to secure natural gas via a combination of gas supply arrangements and gas pipeline transportation capacity arrangements, which may also be provided through asset management relationships with third-party providers. The pipelines have acknowledged that the secondary natural gas market, used extensively by generators, is “very robust” and serves as an avenue for generators to secure necessary gas transportation.⁴ Where supported by well-functioning, competitive wholesale market structures, power is reliably generated and supplied to consumers. While market improvements can be made regarding communications and data exchange, the current level of

⁴ Chris Newkumet, *Spectra’s Yardley Sees Challenges on Gas-Electric Issues*, Electric Power Daily, December 19, 2012, at 8.

effective operation must be maintained. The appropriate actions and discussions over additional potential electricity market improvements are occurring at the regional level, such as the New England stakeholder discussions noted above. Any proposals along these lines will then be submitted for approval, and addition guidance, if necessary, to the Commission.

I. Responses to Questions Posed

Herein EPSA and NEPGA offer answers to the questions posed in the December 7 Notice related to communications and information sharing.

Question 1: During an emergency, what kind of verbal communications and data exchanges do and should take place between the natural gas and electric industries? What are the industries' current "best practices" for these communications? How can today's best practices be improved? What should the Commission do, if anything, to facilitate the application of best practices between the industries?

During emergencies verbal communication and sharing of data in an efficient and effective manner is critical to maintain both electric and natural gas system reliability. Currently, power suppliers, balancing authorities, and system operator counterparts employ best practices during emergencies based on their long-standing relationships, both contractual and operational.

For example, generators use the secondary pipeline transportation market and the spot supply market through existing business relationships in order to obtain necessary fuel in tight circumstances. EPSA and NEPGA highlight this practice, as it appears to be overlooked by the pipelines and the system operators. The importance of the secondary and spot markets, and gas/power marketers, cannot be overstated or overlooked in these circumstances. When a

generator sees that it needs additional natural gas supply, it will often turn to the secondary market for pipeline transportation and the spot market for natural gas supply, often via a gas/power marketer, in order to fill that immediate need for gas and the associated transportation. The relationship between generators and pipelines tends to function well and provide flexibility in the gas market, with each appropriately communicating with the other in times of excess supply or demand. EPSA and NEPGA submit that in any effort to address communication and information sharing, the Commission should be careful not to inadvertently create any barriers to this already well-established and well-functioning commercial environment.

Additionally, EPSA and NEPGA raise an important factor for consideration in this discussion. Due to the physical structure of the nation's power system, there currently exists a regulatory and jurisdictional gap regarding generators that are located behind a Local Distribution Company ("LDC"). The structure of many LDC systems means that generators are considered industrial customers, and therefore are among the first customers that are curtailed. However, those same generators are still subject to NERC and FERC reliability obligations and requirements. One possible solution to this issue is to propose that generators receive a new priority level, perhaps between other industrial customers and residential customers. While EPSA and NEPGA understand the jurisdictional conundrum the physical structure of these arrangements presents, we raise this as an issue that should be evaluated in order to fully address the issues of coordination between the natural gas and electric industries.

Question 2: Please provide specific examples of other communications practices between the natural gas and electric industries that could be enhanced, including any communications regarding maintenance and construction planning, day-to-day operations, and other non-emergency situations. In providing examples, please explain whether there are regulatory or other barriers that would prevent good communications such as specific Commission regulations, tariffs or contractual provisions, legal precedents, or inadequate communications infrastructure.

EPSA and NEPGA maintain that, in non-emergency conditions including day-to-day operations, maintenance, and planning, the current communication practices are sufficient and working. As mentioned above, generators utilize their relationships with marketers and pipelines in order to fill any unmet needs for natural gas supply and transportation in day-to-day operations.

Question 3: Should natural gas pipeline and electric utility system operators be allowed to exchange information that is not publicly posted? If so, what kinds of information should be permitted to be shared and under what circumstances? If information is shared, is there a need for enhanced protections against the improper use of the material communicated and what protections would be appropriate? Is the answer the same if a natural gas pipeline or its affiliate sells or buys wholesale electric power? If there are concerns that the increased communications might cause potential harm to industry participants, please explain those concerns. Please consider examples of information sharing that include both verbal and digital information.

EPSA and NEPGA also ask the Commission to consider what additional information should be shared between a system operator and pipelines on behalf of generators and the electric bulk system, and for what purpose. This question arises out of several concerns. First, EPSA and NEPGA members are concerned about the amount of information that may be requested by a system operator or pipeline and seeks a greater understanding of what that information would be used for and how it would be protected. Additionally, EPSA and NEPGA are concerned that, without a discussion of what specific information is

necessary, there is a possibility that pipelines could be overwhelmed with data by system operators, thus leading to a greater risk of loss, misuse of information, etc., and perhaps with little or no benefit to reliability. Thus, it is important that the information pipelines receive should be carefully tailored to address specific needs and should be conveyed only in emergency situations in order to minimize the risk of pipelines being overwhelmed with superfluous data.

EPSA and NEPGA are additionally concerned about the possibility that, when system operators do share information with pipelines, that the pipelines have appropriate limitations on who has access to this information. Without specific guidelines, concerns exist that the same person at a pipeline who sells and schedules capacity could have access to this shared information. This concern leads into several other questions that should be considered and answered at the upcoming technical conference, including if the information shared could allow for inappropriate market advantages.

In addition to uncertainty over who gets what information, an important consideration is how that information is going to be used, and what the information tells the pipelines or the system operator in order to maintain reliable operations. Is the information required to be shared necessary for a specific purpose or condition? Clarity is needed over why and how certain specific information would be collected and used in a manner that improves reliability of both the electric and natural gas systems.

As such, EPSA and NEPGA see a good role for FERC as setting out guidelines for information sharing, with these considerations: what information is

being shared? How and when is that information being used? How should system operators and pipelines collect and store that information to ensure that the information is sufficiently separated and protected? This is an opportunity for FERC to establish overall principles informing how confidential information can be disseminated when and where it is deemed necessary.

II. Conclusion

Wherefore, EPSA respectfully requests that the Commission consider the comments herein and considers these questions as part of the agenda to further discussion at the February 2013 technical conference. EPSA looks forward to being part of the continuing dialogue on these important issues.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the comments via email upon
Each person designated on the official service list compiled by the Secretary in
this proceeding.

Dated at Washington, D.C. January 07, 2013.

A handwritten signature in cursive script, appearing to read "N. Bagot", is positioned above a horizontal line.

Nancy Bagot, VP of Regulatory Affairs