

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

**Coordination of the Scheduling Processes
of Interstate Natural Gas Pipelines and
Public Utilities**

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Docket No. RM14-2-000

**COMMENTS OF THE
ISO/RTO COUNCIL**

In accordance with the Federal Energy Regulatory Commission's ("Commission's") notice of proposed rulemaking issued on March 20, 2014 in the above referenced docket, the Independent System Operators ("ISO")/Regional Transmission Organizations ("RTO") Council ("IRC")¹ respectfully submits these comments in support of the proposed changes to the gas operating day and scheduling practices used by interstate pipelines to schedule natural gas transportation service. The Commission's notice of proposed rulemaking ("NOPR") proposes a 4:00 a.m. Central Clock Time ("CCT") start of the Gas Day, a 1:00 p.m. CCT Timely Nomination Cycle deadline and four intraday nomination cycles.² The IRC supports the Commission's three proposals as described in the NOPR and further discussed below.

The NOPR provided the natural gas and electric industries six months to reach consensus on any revisions to the Commission's proposals in the NOPR through the North American Energy Standards Board ("NAESB"). The IRC actively participated in the NAESB discussions, submitted comments on the proposal developed by NAESB to the Wholesale Gas Quadrant Business Standards Committee, and

¹ The IRC is comprised of the Alberta Electric System Operator ("AESO"), the California Independent System Operator Corporation ("CAISO"), the Electric Reliability Council of Texas ("ERCOT"), the Independent Electricity System Operator of Ontario, Inc., ("IESO"), ISO New England, Inc. ("ISO-NE"), Midcontinent Independent System Operator, Inc., ("MISO"), New York Independent System Operator, Inc. ("NYISO"), PJM Interconnection, L.L.C. ("PJM"), and Southwest Power Pool, Inc. ("SPP"). The AESO and IESO are not subject to the Commission's jurisdiction and ERCOT is not subject to the Commission's jurisdiction for the purposes of the matters at issue in this NOPR; however, the entities join these comments.

² The NOPR does not propose a change to the Evening Nomination Cycle.

provides additional detail here on the scheduling practices it believes would improve gas and electric coordination and promote electric system reliability.

I. GAS DAY

The IRC supports a 4:00 a.m. CCT or earlier start of the Gas Day, and supported packages consistent with those Gas Day start times during the NAESB discussions. CAISO and IESO supported all of the proposed Gas Day start times during the NAESB discussions. The current start of the gas operating day (9:00 a.m. CCT) requires electric generators to nominate gas over two electric days. Gas scheduled during the day-ahead Timely Nomination Cycle covers the evening peak of one electric day, and the morning electric ramp of the following electric day. Schedules for the second electric day, which correspond to the morning electric ramp, are not yet known when generators nominate gas. Moving the gas operating day to an earlier time would allow generators to nominate gas in the day-ahead Timely Nomination Cycle, *i.e.*, the most liquid cycle, to cover the morning electric ramp and the evening peak of a single electric day.³

The morning electric ramp is driven by the public consumption of energy and is outside the control of electric grid operators. As the Commission stated in the NOPR, moving the start of the gas day earlier should address instances when gas-fired generators find they are running out of scheduled natural gas capacity during the morning electric ramp period and have to wait until the 9:00 a.m. CCT Gas Day start for additional scheduled gas to flow.⁴ The Commission's proposal to move the start of the Gas Day to 4:00 a.m. CCT accommodates the timing of the morning electric ramp periods across all four time zones. This proposed start time also provides generators in all regions with enhanced access to the

³ FERC NOPR at P 38. *On balance, the Commission finds that the overall benefits to both industries of moving the Gas Day earlier so that the morning ramp period for gas-fired generators and other gas consumers is included in a single Gas Day outweigh the potential for increased costs that may be incurred.*

⁴ FERC NOPR at P 39.

day-ahead Timely Nomination Cycle to serve the morning electric ramp period and support electric energy and reliability service positions.

While earlier postings of ISO/RTO day-ahead market results may warrant additional consideration and may help generators know the amount of gas to nominate to meet their electric commitments, posting day-ahead electric market results earlier does not solve the concern about generators nominating gas across two different electric days. The continuation of a 9:00 a.m. CCT Gas Day means that fuel and transportation service to meet the morning electric ramp must be managed over two Gas Days. As gas-fired generators approach the end of the Gas Day during the morning electric ramp, they could exhaust their supply of natural gas. Generators could exhaust gas supply by incorrectly anticipating their next day electric schedule, or by operating differently in real-time than anticipated when nominating gas day-ahead.

Retention of a 9:00 a.m. CCT Gas Day does not mitigate the electric reliability issues described above because that timing is the cause of the problems - *i.e.*, the need to manage gas nominations to support two electric days or the potential that, as gas-fired generators approach the end of the Gas Day during the morning electric ramp, they could exhaust their supply of natural gas. The IRC respectfully submits that planning for and including the entire morning electric ramp in the initial Gas Day operating plan is more reliable to serve electric load requirements and may reduce the need to change valve positions to deliver unplanned gas supply in the early morning hours. Moving the Gas Day to a start time of 4:00 a.m. CCT or earlier mitigates the issues described above and would result in immediate, incremental improvements to gas/electric coordination.

II. NATURAL GAS TRANSPORTATION TIMELY NOTIFICATION CYCLE

The IRC supports moving the day-ahead deadline for submitting gas nominations in the Timely Nomination Cycle to 1:00 p.m. CCT or later. The opportunity to schedule day-ahead gas in the Timely Nomination Cycle is important because secondary gas transportation contracts scheduled in the day-

ahead Timely Nomination Cycle are considered firm on interstate natural gas pipelines. Since many gasfired generators in organized electric markets rely on secondary gas transportation, scheduling gas likely to flow the next day is beneficial for electric system reliability on cold days.⁵

In addition, moving the Timely Nomination Cycle deadline to 1:00 p.m. CCT could mitigate the existing disconnect between the current Timely Nomination Cycle and the close of ISO/RTO day-ahead electric markets. The later deadline would facilitate the ability of generators to nominate gas in the Timely Nomination Cycle with better information on day-ahead electric market positions. Some of the ISOs/RTOs could consider changing day-ahead scheduling, in the event that the Timely Nomination Cycle close is moved to 1:00 p.m. CCT or later.

III. MODIFIED INTRADAY NOMINATION TIMELINE

The IRC supports the four intraday gas nomination cycles proposed by the Commission. Real-time electric operating conditions can change from day-ahead assumptions. While pipelines can be flexible and allow nominations outside of the NAESB-standard timing, more standardized opportunities for electric generators to nominate gas would provide generators additional operational flexibility to respond to real-time electric system needs. During the NAESB Gas Electric Harmonization Task Force discussions, the IRC also supported three intraday gas nomination cycles, when considered as part of a package that includes an earlier start of the Gas Day (*e.g.*, 4:00 a.m. CCT). The IRC continues to support three intraday gas nomination cycles when coupled with a 4:00 a.m. CCT or earlier start of the Gas Day.⁶

IV. CONTINUED EVALUATION OF SCHEDULING PRACTICES AND COORDINATION

Currently, almost half of the total installed capacity in the United States ISO/RTO regions comes from natural-gas fired generation, and that number is expected to increase in many regions. This

⁵ Although the IRC supports the 1:00 p.m. CCT deadline for the Timely Nomination Cycle proposed by FERC, the IRC also supported a 2:00 p.m. CCT deadline for the Timely Nomination Cycle during the NAESB discussions.

⁶ The CAISO would also support three intraday gas nomination cycles irrespective of an earlier start of the Gas Day.

increased penetration of natural gas generation to the capacity portfolio for electric systems creates practical operational issues that support changes to the Gas Day and nomination cycles. Further, because real-time electric system conditions can differ from day-ahead assumptions, responding to unplanned outages in real-time, or adjusting to load forecast changes, for example, can require immediate electric system operator action to maintain reliability. Generators that hold secondary released gas capacity or interruptible gas transportation contracts, or purchase gas through marketers, face challenges purchasing gas outside of normal business hours. Gas can be nominated on all days; however, the current nomination scheduling practices coupled with gas markets that are often less liquid during weekends, holidays, evening, and overnight hours increase the difficulty of responding to unforeseen electric system conditions. Scheduling flexibility on the gas pipeline system can be further limited during Operational Flow Orders (“OFOs”), especially if pipelines or LDCs require ratable, hourly flow balancing during the OFO. Scheduling gas in hourly increments when day-ahead electric schedules are not yet known, or when there are limited opportunities for purchasing and/or nominating gas outside of the existing day-ahead and intraday nomination cycles, could mean limited generator flexibility on days when ratable flow restrictions are in place.

While not at issue in the FERC NOPR, other scheduling practice changes discussed during the NAESB Gas Electric Harmonization Task Force could help promote scheduling flexibility on the gas pipeline system. For example, some pipelines offer hourly nominations, and other pipelines have staffed operation desks in a manner that would support hourly nominations. Hourly, or more flexible, nominations could help promote additional liquidity in gas markets, because there would be additional opportunities for marketers to ship gas - even across pipelines - if more gas was made available in-day. Additional natural gas scheduling flexibility could increase electric system operational flexibility and promote electric system reliability.

The proposals at issue in the NOPR should facilitate the intended reliability benefits. However, the IRC respectfully urges the Commission to continue to evaluate other potentially beneficial practices, and to support discussions between the electric industry and the gas industry to assess such opportunities to further enhance the flexibility and coordination needed to support electric system reliability.

V. CONCLUSION

The IRC thanks the Commission for the opportunity to comment on the NOPR and requests that the Commission consider its comments in the development of the Final Rule. Specifically, the IRC requests that the Commission's final rule:

- Modify the start of the Gas Day to 4:00 a.m. CCT or earlier;
- Modify the close of the Timely Nomination Cycle to 1:00 p.m. CCT or later;
- Increase the number of intraday nomination cycles available in accordance with these comments;
and
- Continue to evaluate and support efforts to further enhance the flexibility and coordination needed to ensure electric system reliability.

Respectfully submitted,

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Dated: November 25, 2014

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Rensselaer, NY this 25th day of November, 2014.

By: /s/ John C. Cutting

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