

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

**Commissioner Philip D. Moeller’s Inquiry)
Into the Trading of Natural Gas, and the)
Proposal to Establish an Electronic Information)
and Trading Platform)**

Docket No. AD14-19-000

**POST-TECHNICAL CONFERENCE COMMENTS
OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

In accordance with Commissioner Philip D. Moeller’s September 19, 2014 *Post-Meeting Notice* in this proceeding, the New York Independent System Operator, Inc. (“NYISO”) respectfully submits its post-technical conference comments. The NYISO thanks Commissioner Moeller for convening the technical conference and for allowing the NYISO to participate in the discussion. The NYISO is very supportive of efforts to facilitate and improve the way natural gas is traded, procured and transacted by non-core gas customers, and would welcome the opportunity to participate in future meetings.

I. Natural Gas Liquidity Concerns

Commissioner Moeller opened the September 18, 2014 Technical Conference with the question, “is there sufficient transparency and liquidity of available gas transportation service and supply for generators to access, compete for, and purchase available gas transportation service and gas supply... ?” The NYISO has received input that is responsive to Commissioner Moeller’s question from owners and operators of gas-fired generators located in New York.

In New York, electric system conditions can vary significantly on a five-minute and/or hourly basis due to varying electric loads, changes in intermittent generator output, transmission topology,

generator outages or derates, or changed market conditions. These variables can, in combination, produce a wide range of dispatch of gas-fired generation across the real-time market day.

Some New York generation owners/operators have told the NYISO that they are able to work with their interconnecting pipeline companies and/or Local Distribution Companies (“LDCs”) to purchase balancing services for small changes and work with marketing companies to quickly arrange for intra-day gas purchases or sales. These suppliers are able to manage their gas balancing obligations and to make their generators available to meet the NYISO’s varying real-time dispatch needs. Other electricity suppliers have reported difficulty in quickly locating natural gas marketers to arrange for additional intra-day gas purchases or sales of excess gas, which limits their availability for real-time dispatch by the NYISO.

The NYISO occasionally requests the commitment of additional gas-fired generation to meet electric capacity requirements during cold weather conditions after the close of the NYISO Day-Ahead Market and after the close of the Gas Day nomination cycles. Some generators have demonstrated the ability to make gas purchase arrangements on short notice and respond to the NYISO’s scheduling requests. Other generators have reported difficulty in either reaching their marketer (often during off peak hours) or, if they can contact their marketer, the marketer is either uncertain if it will be able to arrange gas for delivery, or it may take up to several hours to arrange the gas delivery.

During Operational Flow Order (“OFO”) time periods, some generators report difficulty procuring additional natural gas. It is the NYISO’s understanding that while an OFO generally requires all gas customers to manage actual usage to meet daily or hourly schedules, an OFO does not automatically prevent a gas customer from procuring additional, available gas transport service to increase its consumption without violating the OFO.

The NYISO has received comments that some natural gas customers are required to purchase similar gas blocks for Saturday, Sunday and Monday (and Tuesday if Monday is a holiday) depending on the natural gas trading platform. Some New York generators have reported that they are able to

manage this inflexibility by working with a marketing company, while other generators have reported difficulty in managing this requirement due to a limited ability to procure additional gas from a marketer. Lack of flexibility in procuring gas over weekends tends to lead to less flexible generator offers in the electric markets that the NYISO administers.

II. Transparency and Liquidity of Natural Gas Transportation and Supply

When a gas pipeline is fully subscribed on a daily or hourly basis, the NYISO does not expect additional gas transport capability to be made available by improving the transparency of gas transportation system use. Improving the trading liquidity of the natural gas commodity will not increase the total quantity of gas that can be transported over a natural gas pipeline at times of greatest need. However, improving transparency and natural gas trading liquidity may enable the customer that values natural gas the most to acquire gas during times of scarcity.

The NYISO expects that a large portion of the confirmed gas nominations on many fully subscribed gas pipelines are put into place to serve firm gas retail customers, loosely referred to as “core” customers. A smaller portion of the confirmed gas nominations are held by customers that could respond to price signals, such as retail customers taking service under real-time pricing contracts or tariffs, interruptible gas customers, positions being injected into storage, or gas-fired generation customers. Some gas-fired generation customers may be located where electricity market clearing prices are high, other gas-fired generation customers may be located where electricity market clearing prices are more moderate.

Improving the transparency of natural gas transportation reservations and procurement rights held by non-core gas customers, including gas-fired generators, may increase the liquidity of the natural gas commodity and permit scarce gas to be consumed by the customer(s) that can recognize the greatest value from it.

III. Conclusion

The NYISO respectfully submits these post-technical conference comments for Commissioner Moeller's consideration.

Respectfully submitted,

/s/ James H. Sweeney

Wesley J. Yeomans, Vice President, Operations
James H. Sweeney, Attorney
New York Independent System Operator, Inc.

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cc: Michael Bardee
Gregory Berson
Anna Cochrane
Jignasa Gadani
Jesse Hensley
Morris Margolis
Michael McLaughlin
David Morenoff
Daniel Nowak
Adria Woods
Jason Stanek

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 1st day of October, 2014.

/s/ Mohsana Akter

Mohsana Akter
New York Independent System Operator, Inc.
10 Krey Blvd.
Rensselaer, NY 12144
(518) 356-7560