



NORTH AMERICAN ENERGY STANDARDS BOARD

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March 30, 2012
Filed Electronically

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street N.E., Room 1A
Washington, D.C. 20585

RE: Request For Comments, Coordination between Natural Gas and Electricity Markets (Docket No. AD12-12-000)

Dear Ms. Bose:

The North American Energy Standards Board (NAESB) herewith submits these comments regarding a request for comments for “Coordination between Natural Gas and Electricity Markets”, (Docket No. AD12-12-000), in which Commissioner Moeller of the Federal Energy Regulatory Commission (Commission) provided the industry with an opportunity to forward comments on the interdependence of the natural gas and electricity markets. These comments are submitted voluntarily. Communications concerning these comments can be directed to:

Mr. Jonathan Booe
Deputy Director
North American Energy Standards Board
801 Travis Street, Suite 1675, Houston, Texas 77002
Phone – 713-356-0060
Email Address: naesb@naesb.org

The report is being filed electronically in Adobe Acrobat® Portable Document Format (.pdf). All of the documents are also available on the NAESB web site (www.naesb.org). Should you have need of the filing in editable format, we can provide it in Microsoft® Word® 2010.

Respectfully submitted,

Jonathan Booe

Mr. Jonathan Booe
Deputy Director, North American Energy Standards Board



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cc: Chairman Jon Wellinghoff, Federal Energy Regulatory Commission
Commissioner Philip D. Moeller, Federal Energy Regulatory Commission
Commissioner John R. Norris, Federal Energy Regulatory Commission
Commissioner Cheryl A. LaFleur, Federal Energy Regulatory Commission
Jennifer Murray, Confidential Assistant for Commissioner Moeller, Federal Energy Regulatory Commission

Mr. Michael C. McLaughlin, Office Director, Office of Energy Market Regulations, Federal Energy Regulatory Commission
Mr. Michael Bardee, General Counsel of the Commission, Federal Energy Regulatory Commission

Mr. Joseph McClelland, Director, Office of Electric Reliability, Federal Energy Regulatory Commission
Mr. Michael Goldenberg, Senior Attorney, Office of General Counsel, Federal Energy Regulatory Commission
Ms. Pam Silberstein, Attorney-Advisor (Public Utilities) (OEPI), Federal Energy Regulatory Commission

Mr. Michael Desselle, Chairman and CEO, NAESB Board of Directors
Ms. Valerie Crockett, Vice Chairman, NAESB Board of Directors and Co-Chairman, NAESB Gas Electric Harmonization Committee
Dr.. Susan Tierney, Co-Chairman, NAESB Gas Electric Harmonization Committee
Ms. Rae McQuade, President, NAESB
Mr. William P. Boswell, General Counsel, NAESB

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

**Coordination Between the Natural Gas
and Electricity Markets**)
)

Docket No. AD12-12-000

COMMENTS OF THE NORTH AMERICAN ENERGY STANDARDS BOARD

The North American Energy Standards Board (“NAESB”) is voluntarily submitting these comments with regard to a February 3, 2012 request for comments on “Coordination between Natural Gas and Electricity Markets”, (Docket No. AD12-12-000).^{1,2} In this request, Commissioner Moeller of the Federal Energy Regulatory Commission (Commission) provided the industry with an opportunity to forward comments on the interdependence of the natural gas and electricity markets.

The North American Energy Standards Board (NAESB) is a non-profit member-driven organization formed to add efficiency to the industry through the development of standards. NAESB was created with the support of the U.S. Department of Energy (DoE) for the purpose of developing voluntary standards and model business practices designed to promote more competitive and efficient natural gas and electric services that streamline the transactional processes of the natural gas and electric industries. NAESB and its predecessor organization, the Gas Industry Standards Board (GISB), have developed voluntary consensus-based standards in these industries for nearly twenty years with the support of the Federal Energy Regulatory Commission, the DoE, the North American Electric Reliability Corporation (NERC), the National Association of Regulatory Utility Commissioners (NARUC) and state utility commissions, among other governmental and industry entities.

With the recent release of the National Petroleum Council’s report “Prudent Development – Realizing the Potential of North America’s Abundant Natural Gas and Oil Resources,”³ the Council recommended that:

The Federal Energy Regulatory Commission, the North American Electric Reliability Corporation, the North American Energy Standards Board, the National Association of Regulatory Utility Commissioners, and each formal wholesale market operated by the Regional Transmission Organizations should, with robust participation from market participants, undertake to:

- *Develop policies, regulations, and standardized business practices that improve the coordinated operations of the two industries and reduce barriers that hamper the operation of a well-functioning market*
- *Increase the transparency of wholesale electric power and natural gas markets*
- *Address the issue of what natural gas services generators should hold, including firm transport and storage, and what services pipeline and storage operators should provide to meet the requirements of electricity generators as well as compensation for such services for pipeline and storage operators and generators*

Transmission operators should identify any transmission bottlenecks or power market rules that limit the ability of natural gas combined cycle plants to replace coal-fired generation.

With these recommendations from the NPC, the NAESB Board of Directors created a committee, the Gas-Electric Harmonization Committee⁴, to review the market harmonization issues and make recommendations to the Board of Directors regarding the best course of action for NAESB. The committee⁵ is composed of a broad cross section of natural gas and electric markets – state and federal regulators, pipelines, generators, producers, distribution, marketing, transmission, end users, independent system operators and technology experts. The committee is also fortunate to have several of the key architects of the NPC report on the leadership committee. NAESB has reached out to other groups that are also addressing harmonization issues, such as the North American Electric Reliability Corporation, to ensure that the activities are coordinated. All NAESB meetings, including those of this committee, are open to any interested party.

¹ See <http://www.ferc.gov/about/com-mem/moeller/moellergaselectricletter.pdf>

² See <http://www.ferc.gov/media/headlines/2012/2012-1/notice.pdf>

³ See <http://www.npc.org/NARD-ExecSummVol.pdf>, page 40.

⁴ See http://www.naesb.org/pdf4/021612press_release.pdf

⁵ See http://www.naesb.org/pdf4/board_gas_electric_harmonization_members.pdf

The committee deliverables should come in the form of recommendations for (1) standards development, (2) identification and framing policy or market issues that prevent further development of standards by NAESB, and (3) identifying areas in which NAESB standards development is not the best course of action because regional service agreements or other organizations' efforts would be more appropriate. After several meetings, the committee has separated the observations made into four core areas –

- Scheduling and other inconsistencies in the interactions of the natural gas and electricity markets which some members believe may impact the effectiveness of providing gas and electric service.
- Capacity issues including the availability and determination to use firm and interruptible capacity in support of load requirements is believed by some members to be a core issue in the interdependencies of the two markets, for both day of and day ahead markets.
- Curtailment policies and practices are components of the interdependency of the two markets that some members believe may impact harmonization. Curtailment is interruption of service that has been scheduled.
- Some members believe that additional and more formal structure for communications of the parties in the gas and electric markets is needed, particularly for unanticipated demand situations.

Observations made by various committee members, organized by the four core areas noted above are provided in the work papers and can be accessed from the NAESB web site.⁶ As you can tell from the web site and the work papers for the meetings held already, the work papers are still drafts and undergoing changes, and the observations themselves have not been subject to a committee vote. The committee will continue to meet to refine the observations and draft recommendations for the NAESB Board of Directors consideration. The recommendations from this committee will not take the form of standards themselves, but will rather provide guidance on the areas in which development of standards would be helpful. Recommendations can also take the form of identifying areas where outstanding policy issues prevent further development of standards by NAESB. Lastly, recommendations can take the form of the identification of areas in which standards development by NAESB would not be the best course of business as it would be more appropriate for services to be developed to address regional needs or the standards to be developed would be more appropriately addressed by other standards development organizations. It is hoped that the committee will have recommendations for consideration to the NAESB Board of Directors by its September 20, 2012 meeting.

We appreciate the opportunity to provide these comments to the Commission, and look forward to supporting the Commission's direction in whichever manner the Commission deems appropriate. If there are any questions or additional information is required, do not hesitate to contact the NAESB office (713-356-0060, naesb@naesb.org).

⁶ See http://www.naesb.org/board_gas_electric_harmonization.asp