COMMENTS OF THE INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA ON WHOLESALE GAS QUADRANT 2014 ANNUAL PLAN ITEM 11.C.

The North American Energy Standards Board (NAESB) Wholesale Gas Quadrant (WGQ) Executive Committee (EC) requests comments on its proposed business practices standards and implementation guides to support 2014 WGQ Annual Plan Item No. 11.c. The proposed NAESB WGQ Standard No. 1.3.2 (Proposed Timeline) modifies the existing scheduling timeline by: (1) moving the Timely Cycle nomination deadline from 11:30 a.m. to 1:00 p.m. Central Clock Time (CCT); (2) adding an Intraday 3 Cycle; (3) compressing the Evening and Intraday Cycles; and (4) maintaining the no-bump rule for the last Intraday Cycle. The Proposed Timeline builds on the scheduling timeline developed by natural gas industry participants as part of the Natural Gas Council (NGC) Gas Day Initiative and the NAESB Gas-Electric Harmonization (GEH) Forum. This Proposed Timeline incorporates essential elements necessary for an efficient and reliable scheduling timeline. INGAA recognizes that while the Proposed Timeline remains silent on the start of the Gas Day, as directed by the NAESB Board of Directors, it works optimally for a range of Gas Day start times – from 4:00 a.m. to 9:00 a.m. CCT.

In addition to the changes to the scheduling timeline, the WGQ EC also proposes important conforming changes to other standards, including the Capacity Release timeline (NAESB WGQ Standard No. 5.3.2) and the Capacity Recall timeline (NAESB WGQ Standard No. 5.3.44). The proposed Capacity Release Timeline would allow shippers to complete a

Timely Cycle biddable capacity release process prior to the proposed 1:00 p.m. CCT timely nomination deadline.[1]

For the reasons discussed below, the Interstate Natural Gas Association of America (INGAA) supports the proposed modified NAESB WGQ Standard Nos. 1.3.2, 5.3.2, and 5.3.44. INGAA further supports the corresponding proposed modified standards, technical implementation and other business documentation as reflected in Parts 1 and 2 of the recommendation form.

COMMENTS

I. INGAA Supports Moving the Timely Cycle Nomination Deadline from 11:30 a.m. to 1:00 p.m. CCT.

The Proposed Timeline moves the Timely Cycle nomination deadline into the afternoon to provide generators a greater opportunity to nominate timely for pipeline transportation. At the same time, it ensures that the Timely Cycle is completed during normal business hours and gives pipelines sufficient time to confirm and schedule gas. Accordingly, INGAA supports the WGQ EC's proposed changes to the Timely Cycle.

A. The Proposed Timeline provides generators a greater opportunity to nominate timely for pipeline transportation.

Moving the nomination deadline for the Timely Cycle to 1:00 p.m. CCT offers gas-fired generators a greater opportunity to secure gas supplies – at a time when the market is liquid – and to submit their timely nomination for pipeline transportation after receiving their day-ahead

[1] INGAA notes that the scheduling timeline, the capacity release timeline and capacity recall timeline are interrelated; the capacity release timeline and capacity recall timeline were modified to reflect the nomination deadlines in the revised scheduling timeline. Therefore, changes to one timeline without correlating changes to the other timelines would create inefficiencies.

In addition, INGAA recognizes that these proposed changes build on NAESB WGQ Standards Version 2.1 and Version 2.2. Since the proposed changes are cumulative, standards in Version 2.1 and Version 2.2 must be adopted for the proposed changes to the scheduling timeline, the capacity release timeline, and the capacity recall timeline to be effective.

electric dispatch schedule. Of course, this timing modification only can be realized fully if independent system operators (ISOs) and regional transmission organizations (RTOs) review and move their dispatch schedules prior to the nomination deadline. INGAA recognizes that this is the subject of the Federal Energy Regulatory Commission's (FERC's) "Order Initiating Investigation into ISO and RTO Scheduling Practices and Establishing Paper Hearing Procedures," and that these entities will be reviewing their dispatch schedules.[2] Nonetheless, even if the ISOs/RTOs do not move their dispatch schedules, INGAA members are committed to moving the Timely Cycle nomination deadline to 1:00 p.m. CCT.

Another benefit of moving the Timely Cycle to 1:00 p.m. CCT, and making the corresponding changes to the Capacity Release timeline, is that biddable capacity releases can be posted, bid and awarded before the Timely Cycle nomination deadline for the next Gas Day. Under the current timeline, a biddable capacity release effective for the next Gas Day at best can be available for the Evening Cycle nomination deadline. The earlier nomination at the Timely Cycle allows replacement shippers better access to capacity that they may have not been able to secure during the Evening Cycle.

B. The Proposed Timeline completes the Timely Cycle during normal business hours, and provides pipelines sufficient time to confirm and schedule gas.

Importantly, the Proposed Timeline recognizes the natural gas industry's need to complete the Timely Cycle during normal business hours when producers, point operators, and shippers are in the office to confirm pipeline shippers' nominations and the associated supply to support their nominated transportation volumes. Although interstate pipelines have been able to

[2] *California Independent System Operator Corporation, et al.*, Order Initiating Investigation into ISO and RTO Scheduling Practices and Establishing Paper Hearing Procedures, 146 FERC ¶ 61,202 (2014).

automate much of the confirmation and scheduling process, there necessarily remains a significant amount of person-to-person communication to execute this process fully.

During the confirmation process, a pipeline must confirm a shipper's nomination with upstream and downstream parties to ensure: (1) the shipper has contracted for sufficient gas supply with an upstream supplier to fulfill its nomination and (2) the downstream entity, such as another interstate or intrastate pipeline, has sufficient take-away capacity to accept that gas. Further, even with automation, a pipeline may need to call a shipper(s) to correct nomination errors. For example, a pipeline could contact a shipper directly if the shipper nominated an amount greater than its contract demand volume or if a shipper nominated at the wrong location. In addition, a pipeline may need to contact a producer or point operator directly to ensure that there is sufficient supply to meet the shipper's nominated transportation volumes. These scheduling mismatches can be resolved more efficiently during normal business hours, when the producers, point operators and shippers are easiest to reach. Therefore, it is important for the Timely Cycle to occur during normal business hours when these nomination and confirmation issues can be resolved, and the nominations can be confirmed and scheduled. If not, the pipeline may be unable to transport the shipper's gas and another shipper may secure the shipper's primary point or path on a secondary basis.

To accommodate the number of nomination changes received in the Timely Cycle, pipelines need sufficient time to confirm and schedule gas nominations. Based on the requested quantities of gas and the priority level of shippers' nominations, the pipeline then analyzes and determines how it will "set up" and operate its system to deliver gas to customers for gas flow beginning the next Gas Day. This process takes time and much of it may be manual. Accordingly, it is essential that a pipeline has at least four hours between the Timely Cycle

nomination deadline and the scheduling deadline to process nominations correctly. Pipelines support compressing the length of the Timely Cycle to four hours. Compressing the nomination cycle to less than four hours, however, is unmanageable.

In order to complete the Timely Cycle by 5:00 p.m. CCT (the end of the business day) and still provide the necessary four hours for pipelines to confirm and schedule gas, 1:00 p.m. CCT is the latest possible Timely Cycle nomination deadline. Moving the nomination deadline even later in the afternoon would push the whole cycle into the evening when producers, point operators and shippers may be unavailable to confirm nominations. Alternatively, moving the nomination deadline later than 1:00 p.m. CCT, while still completing the Timely Cycle by 5:00 p.m. CCT, would compress the time too severely for pipelines to confirm and schedule gas. The proposed 1:00 p.m. CCT Timely Cycle nomination deadline strikes the appropriate balance.

II. INGAA Supports Adding an Intraday 3 Nomination Cycle.

INGAA supports the WGQ EC proposal to modify the current intraday nomination timeline to provide three intraday nomination cycles, instead of the existing two.[3] The additional nomination cycle, which has a 7:00 p.m. CCT nomination deadline, benefits all customers. It enhances gas-fired generators' ability to respond to real-time events by providing them with an additional opportunity to secure pipeline capacity for the remainder of the current Gas Day (with gas flow at 10:00 p.m. CCT). This provides all customers an opportunity to react to weather changes or other operational challenges within the Gas Day and to realign their nominations for the remainder of the Gas Day accordingly. For example, the proposed additional Intraday 3 Cycle would assist a generator that either has been asked by its ISO to run in excess of its day-ahead dispatch schedule or that has been asked to run without prior notice. The generator could

[3] INGAA notes that an additional standardized intraday nomination cycle would not preclude individual pipelines from proposing nomination opportunities that surpass the required standardized NAESB cycles.

nominate in the Intraday 3 Cycle for pipeline transportation necessary to meet its electric dispatch requirement, thereby increasing the reliability of the electric grid.

In addition, making the last intraday nomination opportunity "no-bump" has provided stability to the nomination system and should be maintained. This provides customers assurance that a certain quantity of gas will flow for the remainder of the current Gas Day.

III. INGAA Supports Compressing the Evening and Intraday Nomination Timelines.

The current scheduling timeline provides pipelines four hours to confirm and schedule gas nominations during the Evening and Intraday Cycles. The Proposed Timeline reduces this time to three hours. INGAA supports the WGQ EC's Proposed Timeline for the Evening and Intraday Cycles since it provides: (1) sufficient time to confirm and schedule gas; (2) sufficient time between the scheduled quantity posting of one cycle and the nomination cycle deadline for the next cycle; and (3) minimizes nomination cycle overlaps. The NGC Gas Day Initiative and the NAESB GEH Forum participants identified these criteria as essential elements for a natural gas scheduling timeline.

The Proposed Timeline provides a pipeline sufficient time – three hours – to confirm and schedule gas after it receives customers' nominations during the Evening and Intraday Cycles. This compresses the current intraday confirmation and scheduling time by one hour. Natural gas industry participants agreed that three hours provides adequate time to confirm and schedule gas during the lower-volume Evening and Intraday Cycles. In addition, the Proposed Timeline provides sufficient time – 1.5 hours – between the posting of the scheduled quantities by the pipeline and the next nomination cycle deadline (for all but one cycle).

Further, the Proposed Timeline minimizes cycle overlaps to the greatest extent possible. The Proposed Timeline eliminates cycle overlaps so that a customer: (1) would not have a

nomination deadline for one cycle at the same time as a nomination deadline for another cycle and (2) would not need to nominate for a subsequent nomination cycle prior to learning whether the pipeline has scheduled its nomination in the previous cycle. Similarly, the Proposed Timeline also minimizes cycle overlaps to ensure pipelines are not confirming and scheduling gas for two different cycles simultaneously. Cycle overlaps could lead to greater instances of incorrect shipper nominations and pipeline scheduling errors. INGAA recognizes the Proposed Timeline still would have an overlap between the Evening Cycle and the Intraday 3 Cycle. Yet, this overlap was unavoidable to protect other scheduling timeline priorities and considerations.

CONCLUSION

For the reasons stated above, INGAA supports the NAESB WGQ EC's proposal to modify the existing natural gas scheduling timeline (NAESB WGQ Standard No. 1.3.2). In addition, INGAA supports the proposed conforming changes to other standards, including the Capacity Release timeline (NAESB WGQ Standard No. 5.3.2) and the Capacity Recall timeline (NAESB WGQ Standard No. 5.3.44). INGAA further supports the corresponding proposed modified standards, technical implementation and other business documentation as reflected in Parts 1 and 2 of the recommendation form.

Respectfully submitted

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