



September 5, 2023

Wholesale Gas Quadrant Subcommittee on Contracts
North American Energy Standards Board
1415 Louisiana Street, Suite 3460
Houston, Texas 77002

RE: Standards Request R23001 – Proposed revisions to the Base Contract for the Sale and Purchase of Natural Gas

National Grid is an electric and gas utility delivering power and heat to more than 5 million people in New York and Massachusetts. With almost 9,000 miles of electric transmission lines, 70,000 miles of electric distribution circuits, and 36,000 miles of gas pipelines in the US, we help heat and power homes and businesses and connect communities to the energy they need. Our 17,000 employees, two-thirds of whom belong to a union, are at the heart of transforming our electricity and natural gas networks with smarter, cleaner, and more resilient energy solutions to achieve net-zero by 2050.

National Grid appreciates the opportunity to submit these comments in strong support of Standard Request R23001, which proposes revisions to the force majeure provisions of the NAESB Base Contract for the Sale and Purchase of Natural Gas (“NAESB Base Contract”). This request is a productive first step toward better understanding and addressing the supply disruptions that arose during Winter Storms Uri and Elliot, and, as a result, National Grid believes that the no-action motion is pre-mature, and that the stakeholder discussions should go forward in the WGQ Contracts Subcommittee.

The NAESB Base Contract is a voluntary tool intended to facilitate transactions—parties are not required to use it. For longer term, structured transactions, National Grid typically negotiates more stringent commercial terms than what the NAESB Base Contract affords—including termination rights and customized force majeure provisions. However, in the day ahead market and using services such as ICE, National Grid, like many other gas purchasers, tends to rely on the NAESB Base Contract. In essence, the NAESB Base Contract serves as an off-the shelf resource so that parties can transact expeditiously once they have agreed on price, volume and delivery date.

The language reflected in the current NAESB Base Contract was developed several decades ago when almost all the gas supply was coming from the Gulf Coast. Now, the majority of the supply feeding the Northeast is local production where low temperatures causing the freezing of wells and lines are reasonably foreseeable by producers. The force majeure provisions in the NAESB Base Contract should be updated to reflect these new market circumstances. Whether or not a declaration of force majeure is appropriate should be based on

circumstances at the time parties enter into a transaction and not at the time the underlying NAESB Base Contract was developed.

I. Comments

The changes proposed in Standard Request 23001, which was filed by Southwest Power Pool, PJM Interconnection, MISO Energy, Texas Competitive Power Association, UGI Utilities, and CenterPoint Energy, focus on three key areas: (1) clarifying when force majeure provisions can be invoked, (2) requiring parties to take steps to prevent the provisions from being invoked, and (3) requiring more details and greater transparency when a force majeure is declared. In their totality, these changes will allow market participants to further understand the causes of these events and, where possible, will enable local distribution companies (“LDCs”) to work with counterparties to ensure that similar situations do not lead to future supply disruptions. Additional details and greater transparency will increase the understanding of these events to everyone’s benefit and can help to preserve electric and gas system reliability.

In its comments, Cheniere argues that the concerns raised by the request are either already addressed in the General Terms and Conditions of the Base Contract for Sale and Purchase of Natural Gas (“General Terms”), or they raise specific issues that should be negotiated between counterparties. However, as previously discussed, bilateral contract negotiation is not always feasible based on the short timeframes associated with many gas purchases. From an operational standpoint, utilities still rely on the NAESB Base Contract, and its language still needs to be updated. As an example, from December 23-25, 2022, National Grid experienced a loss of supply on a pipeline delivering to its downstate New York customers. The net result was that a National Grid subsidiary burned more supply than what was delivered and exceeded pipeline operational flow order tolerances. In this situation, National Grid had procured supply from multiple marketers, and as counterparties, these marketers issued force majeure letters that failed to adequately describe what had happened from their perspective. All shortfalls were ultimately traced back to a specific producer, but only after considerable time and effort by National Grid’s gas schedulers. This experience would not have occurred if there had been greater transparency. All parties would have grasped the situation and could have quickly begun work to restore the lost supply and avoid similar disruptions on subsequent days.

Moreover, Cheniere argues that these changes would upset the balance that the current contract achieves among interested parties by: (a) singularly focusing on winter weather events and winterization actions, to the exclusion of other types of weather events; (b) protecting end users at the expense of other competing entities, such as producers and others in the upstream natural gas supply chain; and (c) altering the legal standards for what constitutes force majeure in various contexts. As a preliminary matter, National Grid submits that greater transparency and access to information when a force majeure is declared would strengthen the balance currently in the contract rather than weaken it, because counterparties would gain a more complete understanding of each other’s positions. But these arguments should be made in the context of a full debate on the request, instead of being used as a basis to shut the discussion down altogether.

NAESB serves a critical role as an open, national forum for stakeholders from all market segments to present, debate, and collaborate on communication standards aimed at making

energy markets more efficient and reliable. R23001 is motivated by a desire to enhance energy system reliability and was submitted in response to supply disruptions during Winter Storm Elliott that left gas and electric systems across much of the country teetering on the brink of widespread outages. While National Grid does not necessarily accept Cheniere’s arguments on their merits, it believes that they should get a fair hearing as a part of a broad, in-depth discussion of this important Standard Request.

II. National Grid supports the comments submitted by the American Gas Association (“AGA”)

In its comments, the AGA raises a vital argument regarding the procedural implications surrounding the proposed no-action vote. As background, it correctly notes that Request No. R23001 was submitted to the triage process for review by the Triage Subcommittee and Executive Committee members. The Triage Disposition for Request No. R23001, dated May 26, 2023, states that the request is within scope, and is to be assigned to the WGQ and the WGQ Contracts Subcommittee.¹ However, no segment raised an objection to moving this request forward at any point during that process.


Now that the request is at the subcommittee level, National Grid agrees with the AGA that it is inappropriate to eliminate the request with a “no action” vote prior to discussion. The decision to stifle a proposed standard prior to debate creates an untenable precedent whereby future individuals and organizations might be deterred from submitting standards requests in the first place. Effectively, this would render NAESB moot and leave it in a position where it is unable to carry out its mission. Instead, the debate on R23001 should continue at the subcommittee and Executive Committee levels.

National Grid joins the AGA in opposing the no-action motion on procedural and process grounds.

III. Conclusion

For the forgoing reasons, National Grid supports continued stakeholder discussions regarding Standards Request No. R23001.

Respectfully submitted,



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¹ *Comments of the American Gas Association, dated September 5, 2023*