Sabine Pass Liquefaction, LLC and Corpus Christi Liquefaction, LLC (the “Requesters”) proposed a new NAESB WGQ Standard R19014 to increase firm shippers’ certainty of scheduled quantities during pipeline restrictions in order to reduce unnecessary nominations and minimize unutilized capacity during restrictions in the hopes of increasing uniform transparency and efficiency in the natural gas markets across the entire U.S. natural gas pipeline grid. The Requesters put forward the proposal based on existing industry best practices currently used by several interstate pipelines and put the matter before NAESB for discussion and consensus-based decision. Following multiple meetings, NAESB declined to take action to consider the proposal and voted to maintain the status quo. Rather than considering the proposed standard and debating its merits in accordance with NAESB consensus building principles, one or two interest groups have blocked the discussion and consideration of a uniform industry-best practice across the entire U.S. natural gas pipeline grid.

The proposed standard allocation method by use of a shipper’s capacity entitlement is already used by several interstate pipelines. Namely, during pipeline restrictions and prior to the Timely Nomination Cycle, a Transportation Service Provider (“TSP”) reduces available firm capacity through a segment and allocates such reduced capacity by a shipper’s firm capacity entitlement, also referred to as its maximum daily quantity (MDQ). If additional firm capacity remains available, the TSP allocates the remaining capacity on a pro-rata basis using a shipper’s nominations. The Requesters have found increased efficiency and transparency on pipelines which utilize this method and accordingly the Requesters put forward R19014 for debate consensus building among market participants including TSPs and their shippers with firm transportation rights. There has been staunch opposition to the proposal from the Pipeline Segment which has insisted that the detail of allocation be left to individual pipeline tariff proceedings before FERC. However, NAESB history supports the Requesters’ proposal. Intraday nominations are a perfect example of a practice that was previously determined by individual pipeline tariffs. Following work and consensus building by NAESB, intraday nomination cycle best practice was implemented and standardized across the U.S. natural gas pipeline grid. The Requesters hoped that productive discussion and debate by NAESB would similarly result in a new standard that would implement a uniform allocation methodology to increase transparency and efficiency in the entire U.S. natural gas market.

On January 31, 2020 a simple majority roll call vote of the Triage Subcommittee found R19014 to be within scope (14 attendees opposed and 22 attendees were in favor), but TSP representatives in opposition to the proposal asked for further discussion and vote on the scope of R19014 by the WGQ Executive Committee (“WGQ EC”). Under the NAESB process, the request was sent to the WGQ EC, which has the power to review the scope recommendations of the Triage Subcommittee. Once this was moved to the WGQ EC, NAESB representatives from the Producer Segment and Pipeline Segments uniformly outvoted those in favor of the proposal 11 to 9 and the matter was added to the Board of Directors conference call meeting held on September 3, 2020. After presentation and discussion, the Board of Directors found R19014 to be within the scope of NAESB and directed WGQ and WEQ to add R19014 to their respective agendas. During the WEQ EC October 27th meeting, the review and discussion found there was no support for either a new standard or a modification of the existing WEQ standard that would be complimentary to WGQ R19014. As a result, the WEQ EC approved a no action recommendation regarding a WEQ Standard development. During the WGQ EC October 29th meeting, the WGQ EC voted to approve a no action recommendation regarding R19014. Certain members of the WGQ incorrectly stated that there was no interest in pursuing the standard moving forward based on the votes at previous meetings where the standard was reviewed. It is important to note the previous votes were a discussion on if the standard fell within the scope of NAESB, not a vote based on the merits of the standard. In fact, many members stated the standard has merit but cast negative votes based on concerns about the scope. Once the standard was found to be within the scope of NAESB, these facts seemed to be lost on the members determined to block the standard from any further discussion.

An industry best practice was identified and brought to NAESB for discussion. The proposed standard R19014 was found to be within scope at two meetings, but before debate and consensus building could occur, certain segments within the WGQ blocked the exploration of merit by issuing a no-action recommendation. If NAESB is no longer the place for debate and consensus building regarding industry best practices, the Requesters ask, which organization has NAESB ceded responsibility to for developing industry best practices??