Proposed Business Practice Standards for R04021
Pipeline-Power Plant Communications

Independent System Operators (ISO) and Regional Transmission Organizations (RTO) have reviewed the North American Energy Standards Board's (NAESB) newly Proposed Standard R04021 - *(Request to develop standards for the daily operational communications between pipelines and power plants)* that is scheduled for discussion at the upcoming WEQ/WGQ Energy Day Subcommittee meeting on March 1-2, 2005, and appreciate the opportunity to provide written comments on this proposed standard.

The ISOs and RTOs would like to focus their comments on the overall concept of R04021 and not necessarily address the specific details as found in the subject document. We wish to raise the following concerns for NAESB to consider before moving into its development process.

1. The Standard should allow for regional/area diversity.[1] Emergencies in the electric industry are for the most part, sub-regional in nature. The drivers that cause the need for heightened coordination between the gas and electric sectors differ from region-to-region. The Standard should allow for regional/area solutions, which can better accommodate the drivers that can lead to gas-electric interdependency concerns.

2. Two areas, California (CAISO) and New England (ISO-NE), have already implemented appropriate and successful business practices to improve communications between the natural gas and electric industries, which is fostering education, understanding, coordination and increased information sharing. These practices are working well within their respective regions and bolsters the overall reliability of these systems.

3. Since 2002, the North American Electric Reliability Council (NERC) has been intimately involved in assessing ways to improve operational communications between the natural gas and electric industries through the formation of its Gas/Electric Interdependency Task Force (GEITF). GEITF has determined that gas pipeline reliability can substantially impact the availability of gas-fired electric generation. NERC and NAESB must avoid duplicating remedial efforts. Therefore, close coordination with the NERC effort should be pursued.

1. Remedial Solutions Should Be Driven by Regional Stakeholders:

The impact of the January 14 - 16, 2004 "Cold Snap" in the Northeast clearly demonstrated that inadequate communications during critical periods can have a detrimental impact on both the natural gas and electric industries. ISO-NE and others must be praised for their remedial response by the creation of the *"Cold Weather Event Operations"* Operating Procedure. ISO-NE's response is an excellent example of vested

[1] NAESB efforts (so far) have been to create nationwide business standards. As such NAESB, must recognize appropriate regional differences, procedures and practices.

stakeholders cooperating to achieve the necessary coordination to resolve a regional problem. This reinforces our belief that regional entities are best suited to create *"tailor-made"* solutions for specific regional problems. The weather conditions that triggered this scenario were extreme and well outside normal or even abnormal winter weather. . The Northeast "Cold Snap" was an uncommon event and it is unlikely that its impact could be duplicated in many other parts of the country. Put in perspective, this was an extreme regional event that had a significant impact on a specific region of the country.

Other parts of North America, such as the West, are hardly immune to cold weather conditions. However, it must be recognized that if a severe "Cold Snap" like that experienced in the Northeast occurred within the Western US, it might not have the same impact. High-density population areas in the west, such as the Los Angeles basin and the San Francisco Bay areas, are not subject to extreme cold temperatures. Heavily populated areas in the West that do have the potential to experience extreme cold weather, such as Seattle and Portland, are sufficiently distant from the California load centers and the likelihood of a coincidental extreme "Cold Snap" having a significant impact on the reliability of the western natural gas and electric systems could be considered highly remote. This is just one example of why it may not be appropriate, at this time, to create a single, nationwide remedial standard in response to the extreme weather conditions experienced within the Northeast US.

2 Natural Gas and Electric System Coordination is Taking Place:

ISOs and RTOs recognize the need for improved inter-industry communications between natural gas transportation/distribution providers and operators of the bulk electric power systems. This is especially critical at times when gas supplies or deliveries may be constrained and electric system reliability may become jeopardized. ISOs and RTOs all have firmly established Emergency Operating Procedures (EOPs) that provide load relief during periods of electric system operable capacity shortages, whether those capacity shortages are caused by generator mechanical failure, or fuel supply shortages. Incorporating inter-industry communications as part of these EOPs only works to increase the reliability of both systems.

For example, the CAISO has faced numerous electric system reliability challenges since its inception in 1998. Constrained deliveries of natural gas to specific locations within California impacted electric system reliability. Learning from these types of events, the CAISO has already established effective communications procedures with the major gas pipeline companies serving the region. After signing non-disclosure agreements,[2] CAISO routinely exchanges operational information[3] with pipeline operators and vice versa. Whenever either party forecasts extreme weather and/or abnormal operational conditions, the level of communications automatically increases.

[2] Establishing any standard that require sharing information with outside entities that could be considered confidential and proprietary market information must have appropriate confidentiality agreements in place.
[3] Operational information that is primarily public domain in nature, since both these entities are FERC regulated to ensure fairness and transparency for all customers.

3. There is a Need to Ensure Effort is Not Duplicated:

NERC and NAESB must be careful not to duplicate their efforts. In October 2002, the NERC Board of Trustees directed its Planning Committee to create a Gas/Electricity Interdependency Task Force (GEITF) to address the reliability concerns associated with the electric industry's increasing dependence on natural gas for power generation. GEITF's primary goal was to determine the interdependency relationship between natural gas operations and planning and electric generation operations and planning. GEITF was formed in January 2003 and published its *"Gas/Electric Interdependencies and Recommendations"* report in June 2004. This report was noted at the September 21 – 22, 2004 meeting of the JIC, during the discussion and approval of the Standard Request.

As previously noted, several ISOs and RTOs have already established processes to maintain a working relationship with their region's natural gas transportation/delivery providers. The GEITF has indicated that it considered the established communication practice between CAISO and regional gas pipeline providers as a "model" for others to exemplify.

NERC has already begun to focus on the reliability implications of power plant fuel deliveries.[4] In its *"Gas/Electric Interdependencies and Recommendations,"* GEITF recognized that gas pipeline reliability can substantially impact gas-fired electric generation availability, and conversely, that electric system reliability can have a reciprocal impact on natural gas pipeline operations.[5] NERC is currently in the process of creating a Standards Authorization Request (SAR) to incorporate fuel supply and delivery adequacy within its Resource Adequacy Standards. Clearly, NERC recognizes that reliable fuel delivery is of paramount importance to electric system integrity and is including assessment of power plant fuel supply infrastructure into its Planning Standards.

Conclusions

There is sufficient diversity between the Eastern, Texas and Western electrical interconnections in terms of climate, weather, timing of peak demand, market conditions, fuel supply and delivery systems, and generating resource mix that would make a single, nation-wide communications standard highly impractical and inappropriate at this time.

The Standard should accommodate regional challenges and not mandated by a *"one-size-fits-all"* nationalize business standard. Established levels of dialogue with

[4] Power plant fuel supply /delivery chains of all types, not just natural gas.

[5] NERC has voiced its concern about critical natural gas pipeline outages that will need to take place as a result of the Pipeline Integrity Management Rule that requires increased inspection to insure the integrity of all major pipelines over the next 10 years. Pipeline outages must be coordinated in a timely manner with ISOs, RTOs and BAs in order to ensure the availability gas-fired electric generation, and thus, the reliability of the overall electric system.

regional natural gas transportation/delivery providers are working very well and satisfy the information and reliability needs of all parties involved.

While we have concerns about NERC and NAESB duplicating efforts and even crossing paths, we have no comments or concerns with NAESB creating standards to improve communications between gas pipeline operators and their end use customers (both LDCs and gas-fired electric power plants).

Communications between gas pipeline operators and electric reliability authorities, such as ISOs and RTOs, concerning the overall reliability of each regional system should fall under the purview of NERC. We strongly urge NAESB to consult with NERC prior to mandating any communications standard.