

129 FERC ¶ 61,131
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Part 284

[Docket No. RM96-1-036]

Standards for Business Practices for Interstate Natural Gas Pipelines

(Issued November 19, 2009)

AGENCY: Federal Energy Regulatory Commission.

ACTION: Notice of Proposed Rulemaking.

SUMMARY: The Federal Energy Regulatory Commission (Commission) is proposing to amend its regulations at 18 CFR § 284.12 to incorporate by reference the latest version (Version 1.9) of business practice standards adopted by the Wholesale Gas Quadrant of the North American Energy Standards Board (NAESB) applicable to natural gas pipelines. The proposed standards include standards adopted in response to Order Nos. 698, 712, 717 and 682, as well as standards related to transactional reporting, NAESB contracts, communication protocols and technical standards. These standards can be obtained from NAESB at 1301 Fannin, Suite 2350, Houston, TX 77002, phone: 713-356-0060, <http://www.naesb.org>, and are available for viewing in the Commission's Public Reference Room.

DATES: Comments are due [insert date 45 days after publication in the **FEDERAL REGISTER**].

ADDRESSES: You may submit comments, identified by Docket No. RM96-1-036, by any of these methods:

- Agency Web Site: <http://www.ferc.gov>. Documents created electronically using word processing software should be filed in native applications or print-to-PDF format and not in a scanned format.
- Mail/Hand Delivery: Commenters unable to file comments electronically must mail or hand deliver an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Secretary of the Commission, 888 First Street, N.E., Washington, DC 20426.

FOR FURTHER INFORMATION CONTACT:

Bruce McAllister (technical issues)
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SUPPLEMENTARY INFORMATION:

129 FERC ¶ 61,131
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Standards for Business Practices for
Interstate Natural Gas Pipelines

Docket No. RM96-1-036

NOTICE OF PROPOSED RULEMAKING

(Issued November 19, 2009)

1. The Federal Energy Regulatory Commission (Commission) proposes to amend its regulations at 18 CFR § 284.12 to incorporate by reference the latest version (Version 1.9) of business practice standards adopted by the Wholesale Gas Quadrant (WGQ) of the North American Energy Standards Board (NAESB) applicable to natural gas pipelines.

I. Background

2. Since 1996, the Commission has adopted regulations to standardize the business practices and communication methodologies of interstate natural gas pipelines to create a more integrated and efficient pipeline grid. These regulations have been promulgated in the Order No. 587 series of orders,¹ wherein the Commission has incorporated by reference standards for interstate natural gas pipeline business practices and electronic communications that were developed and adopted by NAESB's WGQ. Upon incorporation by reference by the Commission, interstate natural gas pipelines must comply with the requirements contained in the standards.

¹ This series of orders began with the Commission's issuance of Standards for Business Practices of Interstate Natural Gas Pipelines, Order No. 587, FERC Stats. & Regs. ¶ 31,038 (1996).

3. On July 16, 2009, the Commission issued a Notice of Proposed Rulemaking (July 16 NOPR) proposing to incorporate into the Commission regulations by reference business practice standards adopted by NAESB's WGQ for index-based pricing for capacity releases and for increasing the flexibility of gas receipt and delivery points.² Comments on this notice have been received and the matter is currently pending Commission action. These WGQ standards were filed with the Commission September 14, 2007 and created and modified existing standards.
4. On September 30, 2009, NAESB filed a report informing the Commission that it had adopted and ratified Version 1.9 of its business practice standards applicable to natural gas pipelines. Both this NOPR and the July 16 NOPR are the result of a continuing effort by NAESB and the gas industry to add additional specificity and functionality to gas standards in several areas. For example, new or revised standards in Version 1.9 include communication standards and protocols related to the business practice standards dealing with index-based capacity release, which the Commission proposed to adopt in the July 16 NOPR, and new standards adopted in response to Order Nos. 698, 712, 717 and 682. These new and modified standards support the ability of pipelines to redirect gas around constraints, provide additional gas quality and transactional reporting, and create new standards for index-based capacity release transactions and new information posting requirements for web sites and browsers.

² Standards for Business Practices of Interstate Natural Gas Pipelines, 74 FR 36633 (July 24, 2009), FERC Stats. & Regs. ¶ 32,645 (July 16, 2009).

II. Significant Changes and Additions Contained in the Version 1.9 Standards

A. Standards to Support Order No. 698 and Order No. 712

5. In Order Nos. 698 and 698-A, the Commission requested that NAESB develop or modify standards for business practices: (1) for index-based pricing for capacity release transactions; (2) to allow for increased receipt and delivery point flexibility through the use of redirects of scheduled quantities; and (3) to modify the existing intra-day nomination timeline.³

6. In response to Order Nos. 698 and 698-A, NAESB's WGQ Business Practice Subcommittee (BPS) adopted revised standards allowing index-based pricing for capacity release transactions,⁴ and developed a business practice standard to allow for increased receipt and delivery point flexibility through the use of redirects of scheduled quantities. NAESB was unable to reach consensus on standards relating to the intra-day nomination timeline. The July 16 NOPR addressed the business practice standards developed by NAESB in these areas.

7. The Version 1.9 Standards provide details on the technical implementation⁵ of index-based pricing for capacity release, and is coordinated with some of the changes

³ Standards for Business Practices for Interstate Natural Gas Pipelines, Order No. 698, FERC Stats. & Regs. ¶ 31,251 (2007), order on clarification and reh'g, Order No. 698-A, 121 FERC ¶ 61,264 (2007).

⁴ These included modification of three WGQ business practice standards, and the development of ten new WGQ business practice standards and two new WGQ definitions. These revisions are included in the standards presented in NAESB's September 2009 Report to the Commission. These revisions were first discussed in another NAESB report (submitted on September 3, 2008) in which the WGQ BPS discussed these business practices and the record developed by the WGQ BPS and WGQ EC as they were considered.

⁵ Technical implementation is accomplished through the identification of the data
(continued)

developed to accommodate the determinations in Order Nos. 712 and 712-A⁶ with respect to capacity release standards.⁷

B. Standards to Support Order No. 717

8. In Order No. 717, the Commission amended the Standards of Conduct for Transmission Providers.⁸ In response to Order No. 717, the WGQ Business Practice Subcommittee made modifications to NAESB WGQ Standard No. 4.3.23 related to the Transportation Service Providers' requirements for their Informational Postings Web Site. The modified standard includes a Standards of Conduct section where information can be posted regarding affiliate or corporate transactions as well as posting requirements for the Informational Postings Web Site.

C. Posting of Gas Quality Information

9. NAESB modified Gas Quality Standards Nos. 4.3.90 and 4.3.92 and also added a new gas quality standard.⁹ The Version 1.9 Standards related to the posting of gas

required to support the transactions, definitions of information and mapping of those data into specific electronic transactions. This is outlined in the WGQ Capacity Release Related Standards section of Version 1.9.

⁶ Promotion of a More Efficient Capacity Release Market, Order No. 712, FERC Stats. & Regs. ¶ 31,271 (2008), order on reh'g, Order No. 712-A, FERC Stats. & Regs. ¶ 31,284 (2008).

⁷ The standards include new NAESB WGQ Definitions Nos. 5.2.4 & 5.2.5, NAESB WGQ Standard Nos. 5.3.1, 5.3.3, 5.3.26, and 5.3.61 – 5.3.69 and modifications to NAESB WGQ Standards Nos. 5.3.1, 5.3.3 and 5.3.26 and complementary modifications to the related data sets.

⁸ Standards of Conduct for Transmission Providers, Order No. 717, FERC Stats. & Regs. ¶ 31,280 at P 1 (2008).

⁹ As discussed below, two other new gas quality standards failed to be adopted.

quality information includes posting and format requirements, provisions for Transportation Service Providers to report hydrocarbon liquid drop out measurements and Informational Postings Web Site criteria.

D. Internet Communication Standards

10. NAESB made a variety of technical and clean up revisions to the standards. Several standards were modified in response to the Sandia National Laboratories' security assessment of the NAESB communication standards. NAESB also modified the standards to reflect changes in the use of software used on the Internet, including support for Adobe Flash Player and Active X control as Internet browser plug-ins, Mozilla Firefox as another browser option, and the removal of Netscape as a supporting browser.

III. Discussion

11. In this NOPR, the Commission proposes to incorporate by reference in its regulations Version 1.9 of the NAESB WGQ's consensus standards,¹⁰ with two exceptions.¹¹ Adoption of Version 1.9 will continue the process of updating and improving NAESB's business practice standards for the benefit of the wholesale gas

¹⁰ In its Version 1.9 Standards, the WEQ made the following changes to its Version 1.8 standards: New Definitions Nos. 5.24, 5.25, and 11.21 – 11.2.5; Modified Definitions Nos. 10.2.8, 10.2.14, 10.2.24, 10.2.30 – 10.2.34, 10.2.37, and 10.2.38; New Standards Nos. 0.3.16, 0.3.17, 1.3.80, 4.3.94 – 4.3.99, 5.3.1, 5.3.3, 5.3.26, 5.3.61 – 5.3.69, 10.1.10, 10.3.26, 10.3.27 11.31, and 11.32; Modified Standards Nos. 4.1.39, 4.3.16, 4.3.23, 4.3.26, 4.3.29, 4.3.32, 4.3.33, 4.3.90, 4.3.92, 5.3.1, 5.3.3, 5.3.26, 10.2.8, 10.2.14, 10.2.24, 10.2.3 – 10.2.34, 10.2.37, 10.2.38, 10.3.13, 10.3.15, and 10.3.17; and miscellaneous maintenance clean-up revisions.

¹¹ The Commission is continuing its past practice and is not proposing to incorporate by reference Standards 4.3.4 and 10.3.2., because they are inconsistent with the Commission's record retention requirement in 18 CFR 284.12(b)(3)(v). See, e.g., Standards for Business Practices for Interstate Natural Gas Pipelines, Final Rule, Order No. 587-T, FERC Stats. & Regs. ¶ 31,289 at P 5 & n.9 (2009).

market. The most noteworthy of the standards are those addressing recent changes to the Commission's regulations in Order Nos. 698 (gas-electric coordination), 712 (capacity release), and 717 (standards of conduct), and additional standards and revisions to standards that address pipelines' posting of gas quality information, and Internet security and communications.

12. In addition, the Version 1.9 standards include new or revised standards that the Commission proposed to adopt in the July 16 NOPR; these standards included updated communication protocols and other standards for implementing the Commission's findings on improving index-priced capacity release transactions and flexibility to designate receipt and delivery points adopted in response to Order No. 698. New standards in Version 1.9 include business practices and communication protocols for implementing asset management agreements and the removal of the price ceiling for capacity release transactions as permitted under Order No. 712. They also contain revisions to the posting requirements for affiliate information to be consistent with the new requirements of Order No. 717. In addition, they contain further refinements to the standards for posting gas quality information on pipeline web sites, in particular requirements for formatting downloadable files. Finally, they contain standards that help to better ensure the security of Internet communications and to accommodate software changes in Internet usage.

13. NAESB reports that two of its new gas quality standards failed to pass as a result of a single segment failing to approve the standard. One of the blocked standards would have required a pipeline that currently does not post a Wobbe number¹² to post gas

¹² The Wobbe number or Wobbe index is named after Goffredo Wobbe, an Italian physicist who developed a formula to compare the characteristics of two gasses. The Wobbe index is a measure of the physical combustion characteristics of natural gas used in the natural gas industry to ensure that natural gas from different sources is compatible

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quality information on its web site and to calculate and post a Wobbe number when notified by a Service Requestor of its desire to begin discussing the interchangeability of gas supplies. The other blocked standard would have added to an existing requirement that pipelines propose an additional requirement that three months of historical gas quality data be downloadable based on a given date range.

14. The Commission does not currently require pipelines to use the Wobbe number in calculating gas quality, and NAESB's September 30 Report shows that no consensus to approve such a requirement has been achieved. Nor has any showing been made of a need for a nationwide requirement for providing a Wobbe number applicable to those pipelines whose tariffs do not require the use of a Wobbe number. Accordingly, the Commission is not proposing to create any such requirement in this NOPR. Issues regarding gas quality, including the use of the Wobbe number, can be addressed in individual Commission proceedings involving gas quality when relevant. With respect to the blocked standard regarding downloading, the existing NAESB standards, 4.3.90, 4.3.91, and 4.3.92, already require pipelines to provide a downloadable file, with a standardized file format, of gas quality information for each identified location for a three month period. We therefore see no need for Commission intervention on the question of whether it is more efficient for the pipeline or the shipper to select the date range from the data provided.

15. As the Commission found in Order No. 587, adoption of consensus standards is appropriate because the consensus process helps ensure the reasonableness of the

with gas-burning equipment in a particular service area. See Williams, Technical Background and Issues of Gas Interchangeability, 27 (AGA Staff Paper, 2006) (<http://www.aga.org/NR/rdonlyres/C9D9FB1D-E244-4B9D-9C67-5FA74C24A8E0/0/0604GASINTERCHANGEABILITYSTAFFPAPER.pdf>).

standards by requiring that the standards draw support from a broad spectrum of industry participants representing all segments of the industry.¹³ Moreover, since the industry itself has to conduct business under these standards, the Commission's regulations should reflect those standards that have the widest possible support. In section 12(d) of the National Technology Transfer and Advancement Act of 1995 (NTT&AA), Congress affirmatively requires federal agencies to use technical standards developed by voluntary consensus standards organizations, like NAESB, as means to carry out policy objectives or activities.¹⁴

16. The Commission proposes that natural gas pipelines be required to implement the Version 1.9 Standards on the first day of the month three months after a final rule is issued. Based on past practice, we are proposing this implementation schedule to give the natural gas pipelines subject to these standards adequate time to prepare to implement for these changes. In addition, the Commission proposes that pipelines be required to file tariff sheets to reflect the changed standards two months before the implementation date

IV. Notice of Use of Voluntary Consensus Standards

17. Office of Management and Budget Circular A-119 (section 11) (February 10, 1998) provides that federal agencies should publish a request for comment in a NOPR when the agency is seeking to issue or revise a regulation proposing to adopt a voluntary consensus standard or a government-unique standard. In this NOPR, the

¹³ The NAESB process first requires a super-majority vote of 17 out of 25 members of the WGQ's Executive Committee with support from at least two members from each of the five industry segments – Distributors, End Users, Pipelines, Producers, and Services (including marketers and computer service providers). For final approval, 67 percent of the WGQ's general membership voting must ratify the standards.

¹⁴ Pub. L. No. 104-113, section 12(d), 110 Stat. 775 (1996), 15 U.S.C. 272 note (1997).

Commission is proposing to incorporate by reference voluntary consensus standards developed by the WGQ.

V. Information Collection Statement

18. The following collection of information contained in this proposed rule has been submitted to the Office of Management and Budget (OMB) for review under section 3507(d) of the Paperwork Reduction Act of 1995, 44 U.S.C. 3507(d). The Commission solicits comments on the Commission's need for this information, whether the information will have practical utility, the accuracy of the provided burden estimates, ways to enhance the quality, utility, and clarity of the information to be collected, and any suggested methods for minimizing respondents' burden, including the use of automated information techniques. The following burden estimates include the costs to implement the WGQ's definitions and business practice standards for interstate natural gas pipelines and electronic communication protocols. The burden estimates are primarily related to start-up to implement these standards and regulations and will not result in ongoing costs.

Data Collection	No. of Respondents	No. of Responses Per Respondent	Hours Per Response	Total No. of Hours
FERC-549C	168	1	22	3,696
Totals				3,696

Total Annual Hours for Collection
(Reporting and Recordkeeping, (if appropriate)) = 3,696

Information Collection Costs: The Commission seeks comments on the costs to comply with these requirements. It has projected the average annualized cost for all respondents to be the following:¹⁵

¹⁵ The total annualized cost for the two information collections is \$554,400. This
(continued)

	FERC-549C
Annualized Capital/Startup Costs	\$554,400
Annualized Costs (Operations & Maintenance)	N/A
Total Annualized Costs	\$554,400

19. OMB regulations¹⁶ require OMB to approve certain information collection requirements imposed by agency rule. The Commission is submitting notification of this proposed rule to OMB. These information collections are mandatory requirements.

Title: Standards for Business Practices of Interstate Natural Gas Pipelines
(FERC-549C)

Action: Proposed collections

OMB Control No.: 1902-0174

Respondents: Business or other for profit, (Natural Gas Pipelines (not applicable to small businesses.))

Frequency of Responses: One-time implementation (business procedures, capital/start-up)

Necessity of Information: The proposals in this NOPR would, if implemented, upgrade the Commission's current business practices and communication standards in response to the Commission's determinations in Order Nos. 682, 698, 698-A, 712 and 717, and would: revise standards allowing index-based pricing for capacity release transactions and allow for increased receipt and delivery point flexibility through the use of redirects of scheduled quantities; create information posting requirements for web sites and

number is reached by multiplying the total hours to prepare a response (hours) by an hourly wage estimate of \$150 (a composite estimate that includes legal, technical and support staff rates). \$554,400= \$150 x 3,696.

¹⁶ 5 CFR 1320.11

browsers; require the posting of gas quality information including posting and format requirements; report hydrocarbon liquid drop out measurements; and create standards to reflect changes in the use of software used on the Internet.

20. The implementation of these data requirements will increase the efficiency of the capacity release market and the ability to schedule gas around constraints, will provide additional transparency to informational posting web sites, will improve gas quality measurements and will improve communication standards. The implementation of these standards and regulations will promote the additional efficiency and reliability of the gas industries' operations thereby helping the Commission to carry out its responsibilities under the Natural Gas Act of promoting the efficiency and reliability of the gas industries' operations. In addition, the Commission's Office of Energy Market and Regulation will use the data for general industry oversight.

21. Internal Review: The Commission has reviewed the requirements pertaining to business practices of natural gas pipelines and made a preliminary determination that the proposed revisions are necessary to establish more efficient coordination between the gas and electric industries. Requiring such information ensures both a common means of communication and common business practices to limit miscommunication for participants engaged in the sale of electric energy at wholesale and the transportation of natural gas. These requirements conform to the Commission's plan for efficient information collection, communication, and management within the natural gas pipeline industries. The Commission has assured itself, by means of its internal review, that there is specific, objective support for the burden estimates associated with the information requirements.

22. Interested persons may obtain information on the reporting requirements by contacting the following: Federal Energy Regulatory Commission, Attn: Michael

Miller, Office of the Executive Director, 888 First Street, N.E., Washington, DC 20426
Tel: (202) 502-8415 / Fax: (202) 273-0873, Email: michael.miller@ferc.gov.

23. Comments concerning the collection of information(s) and the associated burden estimate(s), should be sent to the contact listed above and to the Office of Management and Budget, Office of Information and Regulatory Affairs, Washington, DC 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, phone: (202) 395-4638, fax: (202) 395-7285].

VI. Environmental Analysis

24. The Commission is required to prepare an Environmental Assessment or an Environmental Impact Statement for any action that may have a significant adverse effect on the human environment.¹⁷ The Commission has categorically excluded certain actions from these requirements as not having a significant effect on the human environment.¹⁸ The actions proposed here fall within categorical exclusions in the Commission's regulations for rules that are clarifying, corrective, or procedural, for information gathering, analysis, and dissemination, and for sales, exchange, and transportation of natural gas that requires no construction of facilities.¹⁹ Therefore, an environmental assessment is unnecessary and has not been prepared as part of this NOPR.

¹⁷ Order No. 486, Regulations Implementing the National Environmental Policy Act of 1969, FERC Stats. & Regs. ¶ 30,783 (1987).

¹⁸ 18 CFR 380.4.

¹⁹ See 18 CFR 380.4(a)(2)(ii), 380.4(a)(5), 380.4(a)(27).

VII. Regulatory Flexibility Act Certification

25. The Regulatory Flexibility Act of 1980 (RFA)²⁰ generally requires a description and analysis of final rules that will have significant economic impact on a substantial number of small entities. In drafting a rule an agency is required to: (1) assess the effect that its regulation will have on small entities; (2) analyze effective alternatives that may minimize a regulation's impact; and (3) make the analysis available for public comment.²¹ Based on our analysis of the requirements proposed in this NOPR, we do not think the proposed rule will have a significant impact on a substantial number of small entities.

VIII. Comment Procedures

26. The Commission invites interested persons to submit written comments on the NAESB business practice standards proposed for incorporation by reference in this NOPR, as well as any related matters or alternative proposals that commenters may wish to discuss. Comments are due [insert date 45 days from publication in the **FEDERAL REGISTER**]. Comments must refer to Docket No. RM96-1-036, and must include the commenter's name, the organization they represent, if applicable, and their address. Comments may be filed either in electronic or paper format.

27. Comments may be filed electronically via the eFiling link on the Commission's web site at <http://www.ferc.gov>. The Commission accepts most standard word processing formats and commenters may attach additional files with supporting information in certain other file formats. Commenters filing electronically do not need to make a paper filing. Commenters unable to file comments electronically must send an

²⁰ 5 U.S.C. 601-612.

²¹ 5 U.S.C. 601-604.

original and 14 copies of their comments to: Federal Energy Regulatory Commission, Secretary of the Commission, 888 First Street, N.E., Washington, DC 20426. For paper filings, the original and 14 copies of such comments should be submitted to the Secretary of the Commission, Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426.

28. All comments will be placed in the Commission's public files and may be viewed, printed, or downloaded remotely, as described in the Document Availability section below. Commenters on this proposal are not required to serve copies of their comments on other commenters.

IX. Document Availability

29. In addition to publishing the full text of this document in the Federal Register, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through FERC's Home Page (<http://www.ferc.gov>) and in FERC's Public Reference Room during normal business hours (8:30 a.m. to 5:00 p.m. Eastern time) at 888 First Street, NE, Room 2A, Washington, DC 20426.

30. From FERC's Home Page on the Internet, this information is available in eLibrary. The full text of this document is available in eLibrary both in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in eLibrary, type the docket number, excluding the last three digits of this document in the docket number field ("RM96-1"), and in the subdocket number field type in the last three digits ("036").

31. User assistance is available for eLibrary and the FERC's web site during the Commission's normal business hours. For assistance, contact FERC Online Support by

e-mail at FERCOnlineSupport@ferc.gov, or by telephone at 202-502-6652 (toll-free at (866) 208-3676) or for TTY, contact (202) 502-8659.

List of subjects in 18 CFR part 284

Incorporation by reference, Natural gas, Reporting and record keeping requirements.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

In consideration of the foregoing, the Commission proposes to amend part 284, Chapter I, Title 18, Code of Federal Regulations, as follows:

Part 284 -- CERTAIN SALES AND TRANSPORTATION OF NATURAL GAS UNDER THE NATURAL GAS POLICY ACT OF 1978 AND RELATED AUTHORITIES

1. The authority citation for part 284 continues to read as follows:

Authority: 15 U.S.C. 717-717w, 3301-3432; 42 U.S.C. 7101-7352; 43 U.S.C. 1331-1356.

2. Section 284.12 is amended by revising paragraph (a) (1) to read as follows:

Sec. 284.12 Standards for pipeline business operations and communications.

(a) * * *

(1) * * *

(i) Additional Standards (General Standards, Creditworthiness

Standards and Gas/Electric Operational Communications Standards)

(Version 1.9, September 30, 2009);

(ii) Nominations Related Standards (Version 1.9, September 30, 2009);

(iii) Flowing Gas Related Standards (Version 1.9, September 30, 2009);

(iv) Invoicing Related Standards (Version 1.9, September 30, 2009);

(v) Quadrant Electronic Delivery Mechanism Related Standards

(Version 1.9, September 30, 2009) with the exception of Standard 4.3.4;

(vi) Capacity Release Related Standards (Version 1.9, September 30, 2009); and

(vii) Internet Electronic Transport Related Standards (Version 1.9,

September 30, 2009) with the exception of Standard 10.3.2.

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