



NORTH AMERICAN ENERGY STANDARDS BOARD

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Via Email and Electronic Filing
June 22, 2012

The Honorable Jon Wellinghoff
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: Coordination Between the Natural Gas and Electricity Markets, Docket No. AD12-12-000

Dear Chairman Wellinghoff:

I hope this letter finds you well. In light of the letter you have received from a broad spectrum of energy trade associations, we would like to provide some clarity and a brief snapshot of our status. As you are well aware, NAESB is a member-driven organization that takes the view of our members seriously. The work of the gas-electric harmonization committee (GEH) has been undertaken by NAESB to be responsive to the National Petroleum Council's¹ report released late last year,² "Prudent Development – Realizing the Potential of North America's Abundant Natural Gas and Oil Resources." The report was in response to requests from Secretary Chu. In being responsive to the NPC process findings, NAESB has endeavored to work with all interested parties, and with state and federal regulators and agencies, and all meetings have been posted and open to any interested party and all materials made available for review.

NAESB applauds the importance accorded to the subject of gas-electric harmonization (GEH) by this comprehensive group of trade associations³ and we agree with them that the role in federal policy-setting for GEH belongs solely to the FERC. The trade association's letter cautions against the premature development of standards in an area that has so many potential policy choices yet to be made. NAESB fully agrees with that statement. However, the letter may lead a reader to infer that NAESB's effort is designed to shape specific policy recommendations. This is not correct.

Since there is specific reference to the efforts currently proceeding at NAESB through the GEH Committee and recognized by the Commission,⁴ it is important to clarify the nature of NAESB's efforts. The NAESB effort has been designed to identify and categorize the issues to advance the dialogue at the Commission and elsewhere. Through this process NAESB has found that the issues fall into three categories: (1) those that can be resolved commercially without either policy choices or standards, (2) those that require policy choices before any action would be appropriate, and (3) those where policy choices have already been made, or where voluntary commercial practices are evolving toward uniformity, and where standards development might be appropriate. We expect this

¹ The list for the members of the National Petroleum Council can be found at the following link:
<http://www.npc.org/members/bycom.html>

² The executive summary of the report can be access from the following link: <http://www.npc.org/NARD-ExecSummVol.pdf>

³ The trade associations' letter can be accessed from http://www.naesb.org/misc/coalition_letter_062012.pdf.

⁴ The list of the members for the GEH Committee can be accessed from:
http://www.naesb.org/pdf4/board_gas_electric_harmonization_members.pdf



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last category to be very small since the level of dialogue that has to occur and the policy deliberations that will be required at the Commission and in other forums will be far larger. NAESB hopes to inform that dialogue. We also recognize that as we proceed to examine the application of standards in this latter category, NAESB may discover that policy modifications may arise that prevent the adoption of standards at this time.

At this point, NAESB's recommended assignment of issues into the various categories is very preliminary. Clarifying, exploring, and understanding the issues through extensive informal dialogue among the industries, Federal government representatives, and state regulators have yielded the greatest benefit from this effort. Clearly, where an issue is best handled through voluntary or bilateral contractual actions, or where an issue cannot be resolved without a Commission-determined balancing of rights and obligations, NAESB must be an observer, not a decision maker. However, we would emphasize that when the market decides that a commercial practice would benefit from standardization, or when the Commission makes a policy call that requires standards development, it is critical that NAESB be fully organized, involved, and ready to respond. Further, where a business practice could facilitate market conduct by becoming standardized, and could be done without disturbing the relative rights of parties, it is NAESB's job to help.

NAESB is prepared to fully support FERC's efforts, and looks forward to working both with the Commission on these issues and with the trade associations which signed the above mentioned letter.

With Best Regards,

Rae McQuade

Rae McQuade
President, North American Energy Standards Board

cc: Commissioner Tony Clark
Commissioner Cheryl LaFleur
Commissioner Philip Moeller
Commissioner John Norris

Michael Desselle, Chairman, NAESB
Valerie Crockett, Vice Chairman, NAESB and co-chair of the GEH Committee
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