| **Chat Transcript from the February 2, 2023 NAESB Gas-Electric Harmonization Forum** | | | |
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| **Time** | **To** | **From** | **Chat** |
| 9:11am | Everyone | Nancy Bagot | Can GEH leadership let us know what the timetable is for development of a report, or what you intend to pass on to NERC & FERC? |
| 9:15am | Everyone | Dick Brooks | Please include me in the queue |
| 9:28am | Everyone | Andreas Thanos | So, again, the issue arises because the generators do not know when they will be called. Not because the gas market is flawed. It appears that generation scheduling is flawed. |
| 9:29am | Everyone | Catherine Elder | bravo on the winterization comments from Xcel and early commitment to get paid for that |
| 9:38am | Hosts and Panelists | Ana Garza-Beutz | The event driven idea is interesting, but what if the coordination is lacking on a more regular basis? Decarbonization demands very steep ramping of natural gas to fuel electric generators when renewables suddenly (but predictably) drop off. This extreme non-ratable use of natural gas is already a significant challenge in California. And the issue will get progressively worse when electrification causes winter heating fuel switching placing more strain on natural gas as an electric generation fuel. I wonder if event-driven solutions might not work if the events are daily? |
| 9:38am | Everyone | Nancy Bagot | Please keep in mind that the electricity market schedules both Day Ahead and REAL-TIME - you can view that as a function of the commodities being delivered. Gas molecules which move slowly and electrons which move immediately. So the disparagement of the electricity market responding in real time is not helpful. Do we need to find ways to address critical periods? Yes. But I might call into question several of the practices on the gas side, but that is not helpful and I'm trying to be aware of how an entire system works without upending it but recognizing two different systems need to better harmonize to ensure reliability for consumers - of both gas and electricity. |
| 9:39am | Hosts and Panelists | Thomas Coleman | This appears to be more of a subsidy for the gas generators - what about generators bearing more of the cost by purchasing peaking products for peak delivery or invest in firm transportation |
| 9:40am | Hosts and Panelists | Brian Fitzpatrick | This topic of gas generator commitment has been and continues to be a key focus area within the ongoing PJM Electric Gas Coordination Sr. Task Force. |
| 9:40am | Everyone | Dick Brooks | I'm hearing two key issues: The need for a 24/7 Gas Markets/Trading and a 24/7 market for pipeline capacity trading (something like OASIS for Electric) |
| 9:40am | Hosts and Panelists | Bobbi Welch | Event driven solutions we support. What happens when the weather forecast changes after the unit commitments have been made for an extended holiday weekend? It may not solve the problem. Parties thought they were in a good position coming into Storm Elliott. |
| 9:41am | Everyone | Thomas Coleman | This appears to be more of a subsidy for the gas generators - what about generators bearing more of the cost by purchasing peaking products for peak delivery or invest in firm transportation |
| 9:42am | Everyone | Ana Garza-Beutz | The event driven idea is interesting, but what if the coordination is lacking on a more regular basis? Decarbonization demands very steep ramping of natural gas to fuel electric generators when renewables suddenly (but predictably) drop off. This extreme non-ratable use of natural gas is already a significant challenge in California. And the issue will get progressively worse when electrification causes winter heating fuel switching placing more strain on natural gas as an electric generation fuel. I wonder if event-driven solutions might not work if the events are daily.? |
| 9:42am | Everyone | Joshua Phillips | Interesting idea Dick, that approach would also capture deliverability concerns from suppliers on intrastate lines. |
| 9:42am | Everyone | Nancy Bagot | A consideration for Dick's comment above - do we need to differentiate between what is needed to address emergency conditions/critical periods, and what may be needed to improve operations on a regular basis? For instance, a 24/7 gas market is likely not necessary...360 days of the year? But some iteration of a more liquid/transparent market may be necessary for those other five days. |
| 9:43am | Everyone | Andrea Chambers | I am hearing more about the need for RTOs and ISOs committing generators in advance of the gas markets opening so they can buy gas when it is available prior to shortages. This can have economic benefits for consumers as well. |
| 9:43am | Everyone | Dick Brooks | Thanks Joshua, just my observations from the Xcel comments |
| 9:44am | Everyone | Bobbi Welch | Previously sent to Host and Panelists only. Intended to send to Everyone. My apologies for the duplicate entries. Event driven solutions we support. What happens when the weather forecast changes after the unit commitments have been made for an extended holiday weekend? It may not solve the problem. Parties thought they were in a good position coming into Storm Elliott. |
| 9:45am | Hosts and Panelists | Brian Fitzpatrick | From a root cause perspective, the common denominator during Uri and Elliott was a rapid and massive drop in production rates. Addressing the issues that resulted in these infrequent but high impact gas loss events should be first priority because without that, no level of firm gas service Iexcept for dual fuel capability) will be helpful. |
| 9:48am | Hosts and Panelists | Brian Evans-Mongeon | Jonathan, i need to drop off at a few minutes before 11 for another call. I will be back around 12. |
| 9:48am | Everyone | John Olenick | Gas can be available over weekends and holidays IF you have a contract with a supplier in place that allows you to call on that gas over the weekend or holiday period. You must plan AHEAD of time and have that contract in place. Its just like the Soviet grocery store - if you have a contract in place with the grocery store owner he will allow you into the backroom to get what you need. HOWEVER, you must pay for that right and have that contract previously in place. |
| 9:49am | Everyone | Andrea Chambers | If the well is frozen it does not matter who is open when. |
| 9:54am | Everyone | Thomas Coleman | A list of products that the gas industry offers would be a great educational tool as I feel that their is wide spread lack of knowledge on what is available to meet peak demands |
| 9:54am | Everyone | Joshua Phillips | are those market products standardized? |
| 9:58am | Everyone | Sylvia Munson | Josh Phillips - somewhat, through pipeline service offerings but the creative products that marketers offer is their competitive advantage.] |
| 10:00am | Everyone | Nancy Bagot | To Pat's point, and in response to Ana's comment above in responding to intermittency on a more regular basis - I think we see a majority of real gas/electric problems when there are broader events that affect both systems. So Uri or Elliott cause great demands on both gas for home heating/residential customers and the power industry has similar demands. |
| 10:03am | Everyone | Ronnie Hensley | @Patricia Jagtiani why do you mean by "quicker flow time"? |
| 10:04am | Everyone | Thomas Coleman | Interruptible transportation has always been a gamble for reliability - so the question is how do you close that gap with potential products and or services that provide peaking services |
| 10:05am | Everyone | Andreas Thanos | @Thomas C. There are services out there. It all depends on price |
| 10:05am | Everyone | Thomas Coleman | Exactly |
| 10:06am | Everyone | Terri Eaton | Thomas, I also think that resource accreditation is an important component here. I believe that in many regions transportation is considered as part of resource accreditation. Again though, firm transportation is of no help if gas wells freeze up. The winterization issue needs to be addressed. |
| 10:08am | Everyone | Thomas Coleman | Terri - yes - I really like your idea around transparency for well head performance. Force Majeure should not be done away with but performance track record should be transparent |
| 10:08am | Everyone | Andreas Thanos | @Terri E. It all depends on your location. I am not sure that wells freezing up affects withdrawals from underground storage. |
| 10:10am | Everyone | Terri Eaton | Fair point Andreas. I don't actually know but I can look into the question of whether storage wells freeze up. I suspect you are right, but seems to me that winterization of wells is far more cost effective than some sort of 1:1 storage requirement. |
| 10:12am | Everyone | Dick Brooks | Seems like a nationwide pipeline capacity market, like OASIS for Electric, would be helpful to address some problems |
| 10:13am | Everyone | Catherine Elder | I think the storage well freeze off is going to depend on how much water is in the formation. I had thought that during Uri the Keystone and Washington Ranch didn't freeze off at the wells but Keystone had a compressor freeze problem? I don't recall that any other Texas storage froze. May also make a difference what is aquifer stoage and what is reservoir versus what is salt dome. Xcel may have some insight into that aquifer storage that tends to get used in Illinois and Iowa maybe. |
| 10:13am | Everyone | Thomas Coleman | Great point - Michele - which is why "resource adequacy" is meaningless with out fuel assurance |
| 10:15am | Everyone | Catherine Elder | yes!!!!!! Michael ! yes on the possibility of introducing price caps for gas in critic moments! yes! |
| 10:16am | Everyone | Thomas Coleman | but remember that the crisis feeds off itself due to a lack of preparedness and a snowball effect |
| 10:17am | Everyone | Cory Samm | During most critical times, even if a gas generator has firm gas transportation this still does not help if gas has not been nominated. Craig Glazer discussed this in our previous NAESB forum discussion. If a unit is not cleared in the day ahead or RAC and if there is not a market signal that the unit will be dispatched in real-time after the last gas nomination cycle has closed, then firm transportation still does not remedy this specific situation. For example, if NG is trading at $50 / Dth (or significantly higher during critical times – $500 during Uri) during the last nomination cycle and a generator “thinks” a RT dispatch may occur, they may line up a certain quantity of gas as a “just in case” scenario. If a RT dispatch does not occur, then the generator has that certain quantity of gas length they need to sell back which is usually at a significant loss due to the NG market receding over that timeframe. |
| 10:17am | Everyone | Cory Samm | Many of these occurrences happen in the early morning hours and prior to the start of the next gas day. As Andrea mentioned above, one idea is for RTO’s committing gas generators in advance which allows them to nominate the quantity of gas needed for the dispatch. It is understood that this idea could create additional implications (depressed LMP’s, etc.) but may be an avenue for further discussion for gas/electric harmonization. |
| 10:18am | Everyone | Kenneth Yagelski | Aquifer storage facilities properly designed for operation in low temperatures can be protected from potential freeze-off issues. There just needs to be proper incentive to design to those standards. |
| 10:18am | Everyone | Catherine Elder | all the more reason to halt the circular crisis feeding -- there is a point at which prices increase by enough that there is no increase in allocative efficiency by higher prices. Consumers do not see these prices in real time. |
| 10:20am | Everyone | Sylvia Munson | I think capping gas prices will not be necessary if we get many of these other items solved. |
| 10:21am | Everyone | Catherine Elder | maybe. but I do worry about market failure here |
| 10:23am | Everyone | Andreas Thanos | Capping prices is something of the past. It removes the necessary incentives that producers need |
| 10:24am | Everyone | Catherine Elder | the market is not perfect, much as we would like it to be |
| 10:28am | Everyone | Ana Garza-Beutz | Agree Pat. Solutions for the immediate concerns of cold weather events should also consider the known future challenges associated with the US decarbonization goals and the spikey nature that will be required of gas as fuel for gas generators. If we fail to incorporate these concerns now, we will just be kicking the can and this forum will need to reconvene to tackle those issues when they become live concerns years from now. |
| 10:33am | Everyone | Matthew King | If large amounts of production infrastructure fails during extreme weather, then market prices will reflect scarcity. Price caps will not address the underlying lack of needed supply. |
| 10:39am | Everyone | Jennifer Coffee | The Texas Pipeline Association has addressed all of Michele's concerns, as they pertain to intrastate pipelines, in our previous comments, as well as in numerous legislative hearings over the past two years at the state level. Happy to provide a copy of those comments again to anyone who missed them. |
| 10:45am | Everyone | Dick Brooks | I agree with Bob - visibility of pipeline capacity is a critical success factor going forward |
| 10:45am | Everyone | Catherine Elder | the point of higher prices would be to allocate supply biut in real time they cannot possibly do so -- consumers demand what they demand during extreme events and they do not see the price signal -- this disconnect means that higher prices cannot achieve the intended effect of greater allocative efficiency, or, allocating supply to those that value it most. |
| 10:52am | Hosts and Panelists | James Mann | I have tried numerous pipeline cases at the Railroad Commission. If there is no agreement between companies then somebody has to decide the dispute. The Railroad Commission can, and does, establish interim rates to be charged during the litigation. |
| 10:53am | Hosts and Panelists | James Mann | Discovery is the same at both the Railroad Commission and the courts. The same rules apply. |
| 10:56am | Everyone | Dick Brooks | Excellent point Michele; even gas fired heating units require electricity. Killing electricity also hurts residents that rely on NG for heating. |
| 10:57am | Hosts and Panelists | Natalie Dubiel | Thanks, Michele. I'll reach out after this call. Its my position that we are helping by clarifying our jurisdiction by filing our comments. Additionally, the formal complaint hearing is a litigated hearing which also includes a discovery process--the discovery process is not limited to the district courts as a legal principle. I'm particularly interested in which legislators disagree with the RRC's interpretation of its current jurisdiction. We'd love to meet with those legislators and answer any questions they have, so I'll give you a call later today. |
| 10:58am | Hosts and Panelists | Michele Richmond | Thanks, Natalie. I look forward to visiting with you more and hopefully we can work together to address these issues. |
| 10:59am | Everyone | John Olenick | Im good |
| 11:02am | Everyone | Dick Brooks | Let me rephrase "curtailing NG supply for Electric Generating facilities" affect those that rely on electricity for heating, which includes many gas fired heating units. |
| 11:05am | Hosts and Panelists | Alan Kloster | Who was the last speaker? |
| 11:06am | Everyone | Andrea Chambers | I am speaking on behalf of the Process Gas Consumers and the American Forest & Paper Association. |
| 11:07am | Hosts and Panelists | Brian Evans-Mongeon | Jonathan, just wanted to let you know that i am back on the call. |
| 11:07am | Hosts and Panelists | Alan Kloster | Thanks |
| 11:24am | Everyone | Dick Brooks | SMD = Standard Market Design (in ISO-NE) |
| 11:24am | Everyone | Pat Wood | Which was a model for a national SMD! |
| 11:26am | Everyone | Dick Brooks | 😀 |
| 11:32am | Everyone | Dick Brooks | Sounds good |
| 11:36am | Hosts and Panelists | Michael Desselle | Dick Brooks has his hands up |
| 11:38am | Everyone | Ana Garza-Beutz | Thanks Pat for the motivating call to action! |
| 11:39am | Everyone | Catherine Elder | thank you for all the work |
| 11:39am | Everyone | Cory Samm | Thank you |