**via posting**

**TO:** NAESB Gas-Electric Harmonization (GEH) Forum Participants and Interested Industry Parties

**FROM:** Caroline Trum, NAESB Staff, Director Wholesale Electric Quadrant

**RE:** Staff Notes from theNAESB Gas-Electric Harmonization Forum Meeting – April 27, 2023

**DATE:** May 16, 2023

Dear NAESB Gas-Electric Harmonization Forum Participants,

A NAESB Gas-Electric Harmonization (GEH) Forum meeting was held on April 27, 2023 at 1:00 PM Central. Mr. Gee and Mr. Wood presided over the meeting. The notes below reflect the NAESB staff summary of the meeting.

A recording of the meeting has been posted on the NAESB GEH Forum webpage: <https://naesb.org/recordings/geh042723recording.mp4>

The chat log from the meeting has been posted on the NAESB GEH Forum webpage: <https://naesb.org/pdf4/geh042723chat.docx>

| **Notes from the April 27, 2023 NAESB Gas-Electric Harmonization Forum Meeting** | |
| --- | --- |
| **Administrative** | Mr. Booe welcomed the participants and provided the antitrust guidance. He explained that, as previously discussed, the purpose of the final round of surveys is to solicit more detailed feedback from participants regarding the proposals and recommendations that have received high support as indicated by the GEH Forum Record as well as the specific areas highlighted by FERC and NERC staff as part of the [presentation](https://naesb.org/pdf4/geh083022a1.pdf) from the August 30, 2022 meeting of the forum. Mr. Booe stated that the final survey will be distributed in advance of the May 17, 2023 GEH Forum meeting, with future meetings being used to narrow in on recommendations for inclusion in the final report. He indicated that NAESB is working with GEH leadership to schedule additional meetings.  Mr. Booe stated that the survey for the April 27, 2023 GEH Forum contained questions addressing five areas: (1) potential state actions that can support the reliability of the natural gas system; (2) ways to encourage weatherization; (3) how to identify, protect, and prioritize critical natural gas infrastructure load; (4) how the studies proposed by FERC and NERC staff as well as those recommended throughout forum process could be addressed; and (5) the creation of a voluntary natural gas coordinator. Mr. Booe explained that although a voluntary natural gas coordinator was the topic of a previous survey, the questions were included as part of this survey after indication from meeting participants that there could be additional comments given the clarification provided during the previous meeting that the intent of the questions was solicit recommendations from the industry regarding what the role of a voluntary natural gas coordinator could entail.  Mr. Gee and Mr. Wood both expressed appreciation for participants who continue to provide survey responses and contribute to the discussion. |
| **Review Results of March 15, 2023 Survey** | Mr. Booe stated that the received survey responses had been compiled into a singular work paper for the meeting that has been updated since its original posting to incorporate late submitted survey responses.  *Questions Addressing Additional State Action*  Texas Pipeline Association (TPA)  Mr. Booe asked Ms. Coffee to comment on TPA’s survey responses. Ms. Coffee stated that written comments submitted by TPA for the meeting are similar to those TPA has provided in the past. She noted that the written comments for the April 27 GEH Forum meeting provided by Kinder Morgan are also reflective of a number of TPA positions. Mr. Gee stated that as part of the current session of the Texas Legislature, there are several bills under consideration that would result in increased regulatory oversight by the Railroad Commission (RRC) of Texas in the operation of intrastate natural gas pipelines. Ms. Coffee indicated that there are several active legislative initiatives in this area, including Senate Bill 2110[[1]](#footnote-1) which is still in committee.  Kinder Morgan, Intrastate Pipeline Group  Mr. Booe asked Mr. Wolf to comment on Kinder Morgan’s survey responses. Mr. Wolf stated that the legal construct for intrastate market within Texas differs from that of the interstate market and noted that there are important differences between how these two markets operate. He explained that intrastate pipelines operated by Kinder Morgan pipelines serve not only electric generators and gas distribution companies but also many smaller, local end users like cooperatives, municipal utilities, and industrial customers. Mr. Wolf stated that unlike Kinder Morgan’s interstate pipeline customers, the majority of its Texas intrastate pipeline customers contract for product that bundles the transport, storage, and supply of natural gas on a firm basis. He suggested that in evaluating solutions, the forum needs to consider recommendations that account for intrastate and interstate market differences as well as differences between state and federal authority.  American Electric Power  Mr. Booe asked Ms. Daley to comment on American Electric Power’s survey responses. Ms. Daley stated that over the course of the GEH Forum, there appear to be several repeated high-level areas of coordination between the natural gas and electric markets that have been identified. She indicated that these include the timeline for natural gas scheduling as well as market changes to electric scheduling that should be considered by the ISOs/RTOs to that together can improve the ability of natural gas-fired generators to obtain fuel supplies and transportation during critical periods.  Ms. Daley expressed support for further consideration of an organization that could establish reliability standards for natural gas facilities and pipelines. She acknowledged that while there are significant challenges that would need to be addressed in creating such an organization, reliability standards in this area could introduce new efficiencies and improve upon reliability.  American Gas Association (AGA)  Mr. Booe asked Mr. Agen to comment on AGA’s survey responses. Mr. Agen stated that there is a lack of clarity regarding how a broad natural gas reliability organization could operate, given the jurisdictional and political issues that would need to be resolved. He explained that to create a singular organization may require the ceding of jurisdiction in some areas by state legislative bodies and regulatory authorities. Mr. Agen suggested that this issue may be better addressed by individual states.  MISO  Mr. Booe asked Ms. Welch to comment on MISO’s survey responses. Ms. Welch stated that two areas in which action by state regulators could make an impact are winterization of wellheads and information sharing requirements for intrastate pipelines. She stated that facility winterization is an issue governed by state regulations but has impacts to the interstate markets and suggested that it may be helpful for states to come together to discuss how best to address this topic to provide consistency across jurisdictions. Ms. Welch stated that consistency across jurisdictions for intrastate information sharing practices is also important and recommended that states consider modeling requirements, including those for critical notices, on the NAESB WGQ Business Practice Standards.  Mr. Gee asked if there are any forums that have been established for state regulators to share best practices. Mr. Thanos commented that he was unaware of any current efforts occurring through NARUC but suggested that this may be an idea worth further consideration.  AF&PA and Gas Consumers Group  Mr. Booe asked Ms. Chambers to comment on AF&PA and Gas Consumers Group’s survey responses. Ms. Chambers expressed support for cost-effective measures to promote weatherization, including reasonable steps for cost recovery, as well as measures to promote secure fuel supplies. She indicated that, where possible, states should take an active role in ensuring these objectives.  PJM  Mr. Booe asked Mr. Glazer to comment on PJM’s survey responses. Mr. Glazer stated that one important area to address is modifications to force majeure contracting provisions, including those contained in the NAESB Base Contract for the Sale and Purchase of Natural Gas. Mr. Glazer also provided remarks on the establishment of a voluntary natural gas coordinator acknowledging that there may be challenges in creating such an entity, there may be voluntary steps natural gas pipelines can consider and implement through their own initiatives.  Interstate National Gas Association of America (INGAA)  Mr. Booe asked Mr. Smith to comment on INGAA’s survey responses. Mr. Smith stated that it may be more beneficial to devote resources to developing proposals that will address specific issues faces by the industry during Winter Storms Uri and Elliott. He suggested that establishing a natural gas pipeline reliability organization or coordinator will likely require significant jurisdictional and regulatory discussions.  Aspen Environmental  Mr. Booe asked Ms. Elder to comment on Aspen Environmental’ s survey responses. Ms. Elder expressed a preference for prioritizing actions that would support efforts such as winterization. She stated that to the extent that an LDC or generator operating in the intrastate market needs to pay a premium to obtain a secure, winterized fuel supply, then states should allow those costs to be passed through to consumers.  New England LDC Group  Mr. Booe asked Mr. Soderman to comment on New England LDC Group’s survey responses. Mr. Soderman stated that one issue which the industry should prioritize for resolution is the consideration of changes to force majeure provisions included as part of the NAESB Base Contract for the Sale and Purchase of Natural Gas. He stated that potential modifications could include items such as specifying equipment necessary for winterization or redundancy requirements.  Mr. Soderman suggested that there also needs to be discussions within the electric industry on how to properly incentivize generators to acquire the resources needed to ensure fuel security. He also noted that it may be beneficial to assess future fuel needs and how these requirements will be accommodated. Mr. Wood remarked that, in support of the energy transition, natural gas-fired generators will likely be called upon in greater frequency to provide peaking services, especially in times when there is a need for resources with quick load following capabilities. He commented that this may require different types of tariffing practices for both natural gas and electric markets, such as subsidized market products for services like on-site fuel storage and firm natural gas transportation to firm storage.  Mr. Booe asked if any additional comments on this topic. None were offered.  *Questions Addressing Weatherization*  National Gas Supply Association (NGSA)  Mr. Booe asked Ms. Jagtiani to comment on NGSA’s survey responses. Ms. Jagtiani stated that it may be difficult for states to develop common weatherization best practices as weatherization requirements will differ depending on the climate and geography of a region but noted that the Railroad Commission of Texas has developed weatherization best practices that may provide a helpful starting point for other jurisdictions.  Ms. Jagtiani explained that force majeure provisions within contracts need to fairly balance resource performance versus risk and noted that contracting parties are always able to negotiate their own terms. She stated that there is an inherent incentive for upstream facilities to winterize so operators can ensure gas continues to flow from the wellhead to be sold but that there are many different issues beyond a producer’s control that may contribute to the issuance of a force majeure. Ms. Jagtiani suggested that if weatherization requirements that go beyond measures a reasonably prudent operator would take are established, then there should be some sort of accompanying economic incentive or compensation mechanism. Mr. Gee noted that a natural gas reliability organization or coordinator could be an appropriate forum to consider weatherization requirements that could either be voluntarily adopted by the industry or mandated by an applicable regulatory authority.  Mr. Glazer suggested that there may also be a benefit to considering if there are contractual incentives that could be created to induce electric generator owners to contract with natural gas suppliers that affirm to certain winterization standards.  Mr. Olsen expressed support for the comments offered by NGSA regarding force majeure language, indicating that producers have an economic incentive to ensure production stays online. He stated that the current force majeure contracting provisions appropriately balance risk and echoed Ms. Jagtiani’s statement that parties can negotiate different terms if desired.  Southwest Power Pool  Mr. Booe asked Mr. Phillips to comment on SPP’s survey response. Mr. Phillips expressed support for the establishment of reliability standards or best practices for the natural gas market related to winterization. He suggested that it would also be beneficial if there was additional transparency regarding intrastate natural gas pipeline activities through the use of critical notices like those provided by interstate natural gas pipelines.  AF&PA and Gas Consumers Group  Mr. Booe asked Ms. Chambers to comment on AF&PA and Gas Consumers Group’s survey responses. Ms. Chambers noted the importance of identifying winterization objectives and taking reasonable steps to realize those goals.  CenterPoint Energy  Mr. Booe asked Mr. Noland to comment on CenterPoint Energy’s survey responses. Mr. Noland stated that there is a need to further define or better identify the scenarios that can lead to the issuance of a force majeure and noted that there are reasonable steps that can be taken by facility owners and operators to minimize or limit the impact of certain “force of god” acts.  Mr. Booe asked if there were any additional comments on this topic. None were offered.  *Questions Addressing Critical Natural Gas Infrastructure Load*  Natural Gas Supply Association (NGSA)  Mr. Booe asked Ms. Jagtiani to comment on NGSA’s survey responses. Ms. Jagtiani stated that NGSA is supportive of proposals that will eliminate barriers to identifying and protecting critical natural gas infrastructure as well as facilitate increased federal-state information sharing. She indicated that NGSA is also supportive of the issuance of pre-emptive waivers and suggested that there could be a pre-approval process with defined criteria and a rebuttable presumption that the waiver is granted if those pre-existing conditions are met.  Interstate National Gas Association of America (INGAA)  Mr. Booe asked Mr. Smith to comment on INGAA’s survey responses. Mr. Smith stated if a recommendation regarding pre-emptive waivers is pursued, the granting of the waivers needs to account for natural gas pipeline quality specifications as gas quality is a significant safety component.  *Questions Address Studies*  Natural Gas Supply Association (NGSA)  Mr. Booe asked Ms. Jagtiani to comment on NGSA’s survey responses. Ms. Jagtiani stated that one of the biggest questions to resolve related to gas-electric coordination is how power markets can better support investments for infrastructure needed for reliability as well as ensuring that there is sufficient infrastructure to meet future reliability needs, such as flexibility to meet new ramping requirements that may be steeper and more frequent. She stated that NGSA has proposed an idea for a potential study to identify if the existing natural gas infrastructure can accommodate new anticipated future loads and has been working with NERC to identify a diverse group of participants to develop a scoping document that would outline how the study could be conducted. Ms. Jagtiani explained that the study would not contemplate market solutions or financing but rather focus on identifying where there are potential infrastructure issues and then provide that information to state and federal policy makers. She noted that NGSA has also reached out to the U.S. Department of Energy (DoE) for input. Mr. Glazer stated that the DoE conducted a past study of similar nature to evaluate stresses on the natural gas pipeline system. Ms. Jagtiani responded that NGSA has put together a list of existing studies but no identified study has focused specifically on future ramping requirements that may be required to support the energy transition. Ms. Bagot noted that the study referenced by Mr. Glazer was conducted several years ago and that there may have been significant changes since this time. She suggested that it may be helpful to reference this past study in communications with the DoE and that the development of any scope statement be done in as unbiased of a manner as possible to produce useful results.  Kinder Morgan  Mr. Booe asked Mr. Wolf to comment on Kinder Morgan’s survey responses. Mr. Wolf stated that as part of written comments, Kinder Morgan provided information on the actions that have been undertaken in Texas by the PUC and ERCOT to implement the firm fuel supply service (FFSS). He explained that this product provides premium pricing to electric generators that have acquired firm natural gas storage and transportation rights and that as part of the next phase, there is consideration about expanding upon the types of resources eligible to provide FFSS. Mr. Wolf suggested that this could be a type of financial incentive that other markets may want to consider. Mr. Gee noted that not much feedback in support of publicly funded strategic storage facilities has been provided as of yet during the GEH Forum meetings. He indicated that FFSS seems like a mechanism to add a degree of certainty to an electric generator’s fuel supply and may be an alternative to consider.  Mr. Gee stated that as part of the GEH Forum record, information has been provide regarding New England’s utilization of LNG as a back-up fuel supply and asked if it would be feasible to consider, as another alternative to natural gas storage, facilities capable of re-vaporizing LNG and injecting the gas back into the system. Mr. Brooks responded that ISO-New England has executed a reliability must-run contract with an LNG import terminal due to regional natural gas pipeline system constrains and geographical limitations that make it difficult to develop in-ground storage facilities. He stated that while LNG has been successfully utilized in New England, it is an expensive resource, and the reliability must-run agreement is a mechanism that may help to spread costs across the footprint as it is unrealistic for a single generator to undertake such costs. Mr. Thanos expressed agreement, stating that due to the high cost of LNG, it may not be an economically feasible tool for most regions of the country. Mr. Wolf added that there may be additional infrastructure and logistical complexities that would have to be resolved to support wider utilization of LNG, indicating that while natural gas pipelines deliver to LNG facilities, they may not be configured to receive and transport fuel from an LNG facility. Mr. Gee noted that it appeared that there were cost considerations in using LNG beyond what could be addressed through Jones Act waivers.  Mr. Booe asked if there were any additional comments on this topic. None were offered.  *Questions Addressing Voluntary Natural Gas Coordinator*  Mr. Booe stated that while this topic was discussed during the previous meeting, there was some confusion regarding questions poised around the voluntary natural gas coordinator and if such a role would be feasible. He stated that during the meeting, clarity was provided to explain that the questions were meant to solicit feedback from participants regarding the potential roles and responsibilities of such an entity as well as an indication from meeting participants that there may be additional comments in this area.  Natural Gas Supply Association  Mr. Booe asked Ms. Jagtiani to comment on NGSA’s survey responses. Ms. Jagtiani stated that, as explained in NGSA’s comments, any considerations regarding the development of a natural gas coordinator will need to demonstrate that there is value in such a role for the industry as well as fully describe what gaps the entity’s responsibilities would be addressing. She noted that there will also need to be support from the various existing regulatory authorities.  MISO  Mr. Booe asked Ms. Welch to comment on MISO’s survey responses. Ms. Welch stated coordinator roles have been a net benefit for the electric industry and may be helpful for the natural gas industry as well. She proposed that one potential area of focus could be a voluntary coordinator whose role would be to work with various stakeholders to establish baseline reliability guidance or minimum reliability expectations. Ms. Welch suggested that such a role could be modeled on NERC’s structure prior to becoming the Electric Reliability Organization (ERO) and promulgating mandatory reliability standards, explaining that the entity facilitated the development of voluntary practices and operational protocols to support reliability that were coordinated through the industry. She indicated that a natural gas coordinator could also organize regional operational studies or coordinate performance expectations to meet system needs.  Mr. Wood stated that while FERC regulations have resulted in a high level of market transparency for the interstate natural gas pipelines, there have been discussions as part of the GEH Forum that indicate that there may not be the same level of market transparency for intrastate natural gas pipelines or operational transparency for interstate natural gas pipelines. He noted that it may be worthwhile to initiate industry discussions around the role of a voluntary natural gas coordinator but indicated that national solutions like this could take considerable time to build consensus support. He suggested that it may be more beneficial to focus on the recurring problems for the industry that were at issue during Winter Storms Uri and Elliott and identify mechanisms that could be of near-term benefit. Mr. Wood stated that one such area could include steps to support natural gas scheduling during holidays and weekends in the winter as well as identifying what types of non-commercially sensitive operational information would be of use to natural gas end users to provide a better picture of system operations during critical periods. |
| **Next Steps & Other Business** | Mr. Booe stated that there will be one more survey distributed for the May 17, 2023 meeting. He indicated that NAESB is working with leadership to schedule additional meetings and noted that these may be a different format, such as multi-day meetings. |
| **Adjourn:** | The meeting was adjourned at 3:37 PM Central. |
| **Work Papers Provided for the Meeting:** | **Meeting Related Documents**   * Announcement and Agenda: <https://naesb.org/pdf4/geh042723a.docx> * Antitrust Guidance and Other Meeting Policies: <http://www.naesb.org/misc/antitrust_guidance.doc>   **Meeting Materials**   * GEH Forum Survey: <https://naesb.org/pdf4/geh042723w1.docx> * GEH Forum Survey Responses – April 24, 2023: <https://naesb.org/pdf4/geh042723w2.docx> |
| **Attendees:** | Please see the posted participant attendance record:<https://naesb.org/pdf4/geh042723a2.docx> |

1. While the details of SB 2110 were not discussed as part of the meeting, the [Texas State Legislature page for SB2110](https://capitol.texas.gov/BillLookup/History.aspx?LegSess=88R&Bill=SB2110) states that this bill relates to the provision of natural gas by and rates charged by certain gas utilities. [↑](#footnote-ref-1)