**COMMENTS OF AMERICAN ELECTRIC POWER**

**TO THE NORTH AMERICAN ENERGY STANDARDS BOARD**

**REGARDING QUESTIONS PERTAINING TO GAS-ELECTRIC HARMONIZATION**

**July 21, 2021**

American Electric Power[[1]](#footnote-1) (AEP) appreciates the efforts of the North American Energy Standards Board (NAESB) in response to the events surrounding Winter Storm Uri in February 2021. Uri was a prime example of the dangers to the nation’s energy supply when market models falter, and when fuel sources and delivery systems are not operating in perfect coordination. It was, in more ways than one, the perfect storm.

AEP is awaiting the findings of the FERC and NERC Joint Inquiry into 2021 Cold Weather Grid Operations. Those findings may reveal unexpected synergies and interactions that either exacerbated or mitigated the scope of the crisis. The findings also could be highly informative in defining future directions of gas-electric harmonization efforts. We believe NAESB should delay its renewed exploration of the topic until the joint inquiry completes its work later in the year.

Additionally, a review of the history of the electric industry reveals that evolutionary improvements occurred when the industry was required by the government – state or federal – to make such improvements. It is unrealistic to expect the gas industry to behave any differently. Their business model will support improvements when those improvements are required.

AEP believes the potential actions suggested in this request for information should be considered. Realizing NAESB does not address policy questions, providing discussion paths and identifying issues that could lead to policy questions for others to explore could be beneficial. That said, with respect to Winter Storm Uri, it is important to remember that other factors contributed to the crisis. The lack of weatherization of thermal, nuclear and renewable generation in Texas also played a role. Low pressure or interruption in natural gas delivery due to critical natural gas delivery infrastructure freeze-ups also were significant contributing factors. Market structure and the independent nature of the Electric Reliability Council of Texas prevented significant support from other regions. Other RTOs in the region (notably SPP and MISO) also encountered capacity constraints. But SPP was able to import roughly three times as much energy as the total ERCOT import capacity. While Winter Storm Uri highlights the need to revisit gas-electric harmonization, the lack of that harmonization should not be looked at as the sole cause of the dangers Texas faced. The resulting improvements in coordination have the potential to reduce costs in both industries and, ultimately, provide cost savings and increased reliability to end-use customers.

Since the beginning of the NAESB gas-electric harmonization discussions, AEP has advocated for a few primary advancements:

* **Mandatory security standards.** While the electric industry is governed by hundreds of mandatory cyber and physical security Standards and thousands of Requirements, most natural gas industry standards are voluntary. The Pipeline and Hazardous Materials Safety Administration (PHMSA), a division of the US Department of Transportation is responsible for developing and enforcing safe, reliable and environmentally sound pipeline transportation operations. Providing robust support for the entire natural gas industry is a tall order. Yet, PHMSA is a small, understaffed organization. This situation needs to be remedied and the standards need to be mandatory.

In 2019, PHMSA Administrator Howard Elliott testified before Congress[[2]](#footnote-2) that his agency had spent two years assessing a Congressional rulemaking before determining that it was too big for the agency to handle. PHMSA needed to dissect the rulemaking into smaller subsets in order to accomplish their safety assignments. These delays, apparently attributable to workload, are unacceptable.

In addition, predominantly voluntary Pipeline Security Guidelines under the Department of Homeland Security’s Transportation Security Administration (TSA) creates an additional layer of coordination, and potential confusion, as agencies and industry seek to respond to critical threats to the pipeline sector. Bifurcation of agency jurisdiction and the voluntary nature of security and safety regulations under PHMSA and TSA should be evaluated. TSA recently ratified[[3]](#footnote-3) its mandatory cybersecurity requirements following the Colonial Pipeline cyberattack earlier this year. This is a step in the right direction.

* **Coordination.** The natural gas industry evolved to serve the home heating needs of American residences. The electric industry now is the gas industry’s largest customer, and natural gas is the primary fuel source to generate electricity. Yet, the business model and infrastructure of the gas industry still are geared toward heating homes. In some cases, natural gas electric generation was underserved in favor of gas delivery to other industrial customers. Targeted coordination in identifying critical gas infrastructure, such as electric compression stations and associated facilities, is essential to ensure reliable natural gas delivery to a natural gas-powered generator. Such coordination was directed by the Texas legislature following Winter Storm Uri. Their model could serve consumers well in other jurisdictions.
* **Hourly nomination cycles.** Although the additional nomination cycle resulting from the 2012 NAESB efforts was helpful, we need to go further. Inconsistent access to fuel continues to be a challenge for the electric grid. Hourly nomination cycles still bear consideration. We acknowledge, however, that hourly nominations on their own would not have alleviated the Winter Storm Uri crisis.

We continue to advocate for improvements in these areas. The electric grid is as resilient and reliable as its weakest link. As the interconnectedness of the gas industry and the electric industry grows, these three issue buckets increasingly threaten the grid. As a result, it appears time to add a fourth advocacy goal:

* **Reliability Oversight**. Due to the inherent linkage between the modern electric and gas industries, the idea of the North American Electric Reliability Corporation (NERC) having jurisdiction over both the electric and gas industries has merit.

AEP is committed to safe and reliable service to its customers at reasonable costs. Continuing conversations about natural gas and electric coordination are critical as we develop the grid of the future.

Thank you for the opportunity to enter into this discussion again. AEP looks forward to the coming dialogue.

1. AEP is uniquely situated to participate in this discussion. AEP’s approximately 16,800 employees operate and maintain the nation’s largest electricity transmission system and more than 223,000 miles of distribution lines to efficiently deliver safe, reliable power to nearly 5.5 million regulated customers in 11 states. AEP also is one of the nation’s largest electricity producers with approximately 30,000 megawatts of diverse generating capacity, including more than 5,500 megawatts of renewable energy. AEP has been engaged in the NAESB gas electric harmonization efforts since NAESB was assigned by the Federal Energy Regulatory Commission (FERC) to bring the electric and natural gas industries into better alignment in 2012. We appreciate the opportunity to continue in these discussions. [↑](#footnote-ref-1)
2. <https://www.transportation.gov/testimony/state-pipeline-safety-and-security-america> [↑](#footnote-ref-2)
3. <https://www.federalregister.gov/documents/2021/07/20/2021-15306/ratification-of-security-directive> [↑](#footnote-ref-3)