**via posting**

**TO:** NAESB Gas-Electric Harmonization 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 – August 30, 2022

**DATE:** September 13, 2022

Dear Gas-Electric Harmonization Forum Participants,

A Gas-Electric Harmonization Forum meeting was held on August 30, 2022 at 2:00 PM Central. Mr. Desselle and Ms. Crockett 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/geh083022recording.mp4>

| **Notes from the August 30, 2022 NAESB Gas-Electric Harmonization Forum Meeting** | |
| --- | --- |
| **Administrative:** | Mr. Desselle welcomed the participants to the meeting and expressed thanks to FERC and NERC for asking NAESB to convene an effort to address Recommendation 7 of the FERC, NERC and Regional Entity Staff Report: The February 2021 Cold Weather Outages in Texas and the South-Central United States (Report). He acknowledged that this is a unique opportunity for NAESB, but not unprecedented, and while some components of Recommendation 7 may not lend themselves to standards development, there will likely be other solutions or efficiencies that are identified as part of the forum process.  Mr. Desselle thanked Mr. White and NARUC for coordinating with NAESB regarding forum activities and the NAESB members, trade associations, and other interested parties for participating in this industry collaboration. He stated that the forum efforts would be led by NAESB Advisory Council members Mr. Gee, a former Assistant Secretary at the U.S. Department of Energy (DoE), a former Chairman of the Texas Public Utility Commission, and former Chair of the NARUC Electricity Committee, Ms. Tierney, a former Assistant Secretary at the U.S. DoE and former Commissioner of the Massachusetts Department of Public Utilities, and Mr. Wood, a former Chairman of the FERC and the Public Utilities Commission of Texas.  Ms. Crockett stated that a small change to the agenda had been made, noting that FERC Chairman Glick would provide closing remarks instead of opening remarks.  Mr. Booe read the NAESB Antitrust and Other Meeting Policies. |
| **Opening Remarks from Jim Robb and Greg White** | Ms. Crockett invited Mr. Robb and Mr. White to provide opening remarks.  Mr. Robb thanked Mr. Desselle, Ms. Crockett, and NAESB for convening the forum to address the issues identified in Recommendation 7 of the Report. He stated that as the country migrates towards an electric grid increasingly reliant on renewable resources, the flexibility that natural gas can provide as a fuel source will be critically important. Mr. Robb noted the need for the natural gas and electric sectors to remain well coordinated and stated that NAESB was a logical organization to convene the forum in response to Recommendation 7 of the Report. He indicated that NAESB and NERC have a long history of coordination regarding reliability and market challenges and that the organizations will continue to closely coordinate throughout the forum activities.  Mr. White expressed thanks to NAESB for the invitation to participate in the forum and commended Chairman Glick and Mr. Robb for encouraging coordination with NARUC as part of the forum activities. He noted that NAESB and NARUC share a long-standing relationship and that a number of state commissioners and state commission staff have participated in many NAESB efforts, making NAESB a unique and well-positioned organization to serve as the forum. Mr. White stated that NARUC members have been focused on gas electric coordination for many years and that there are many issues that may addressable at this time. He indicated that NARUC and its members look forward to participating in the process. |
| **FERC & NERC Staff Presentation of Key Recommendation #7** | Mr. Desselle asked Ms. Polzin, Mr. Lyons, and Mr. Huff to provide the FERC NERC Presentation regarding the NAESB Gas-Electric Forum: Response to Recommendation 7 from the [Staff Report on the February 2021 Cold Weather Outages](https://naesb.org/pdf4/ferc_nerc_regional_entity_staff_report_Feb2021_cold_weather_outages_111621.pdf).  Ms. Polzin stated that to draft the Report, FERC, NERC, and the Regional Entities assembled a team of nearly fifty subject matter experts from across the country to look into the causes of the outages and develop recommendations intended to mitigate or prevent future occurrences. She, Mr. Lyons, and Mr. Huff briefly overviewed the key findings of the Report regarding the events that led to the outage, the effect on the natural gas system, and the causes of the electric generation shortfalls. Ms. Polzin stated that as part of Recommendation 7, the Report proposed the creation of a forum in which representatives of state legislatures and/or regulators with jurisdiction over natural gas infrastructure, in cooperation with FERC, NERC, and the Regional Entities, and with input from the grid operators and gas infrastructure entities, identify concrete actions, consistent with the forum participants’ jurisdiction, to improve the reliability of the natural gas infrastructure system necessary to support bulk-power system reliability. She explained that the goals of the forum should be to identify concrete actions, plans for implementing those actions, timing considerations, and an identification of the responsible entities for implementing the action.  Ms. Polzin indicated that Recommendation 7 is one of the centerpieces of the Report and stated that it will be important to solicit input from regulators with jurisdiction over the natural gas infrastructure, grid operators, and gas infrastructure entities as well as trade organizations and other interest groups representing various sectors of the natural gas infrastructure and the electric generation and transmission sectors. She explained that the drafters of the Report recommended the creation of a forum for several reasons. Ms. Polzin stated that outages during extreme cold weather events have been the subject of three separate FERC and NERC inquiries, occurring in 2011, 2018, and 2021, and that these events followed a similar pattern of natural gas demand by the local distribution companies for heating supplies increasing at the same time as demand by natural gas-fueled generators while natural gas supply was decreasing. She explained that as this repeated problem crosses jurisdictions and state lines and impacts both the natural gas and electric sectors, the issues have not been easy to resolve. Ms. Polzin stated that currently, during extreme cold weather events, local distribution companies have priority in order to transport natural gas to homes for heating but noted that a majority of homes today require electricity to run their heaters, meaning, while natural gas may be delivered, it cannot be used if there is an electricity outage. She stated that the drafters of the report believed that for these reasons, issues caused by extreme cold weather events needed to be addressed and that the forum was the best venue to do so. Ms. Polzin noted that in creating Recommendation 7, the Report drafters were aware of prior efforts to address some of these issues, by both the FERC and other entities, including NAESB. She expressed appreciation for the experience that participants in prior efforts can contribute to the forum.  Ms. Polzin stated that the Report includes thirteen suggested topics for the forum to address as part of Recommendation 7 and noted that an additional four topics have been identified from Recommendation 24 that could be considered for inclusion as part of forum discussions. She explained that these discussion topics fall into one of three categories: (1) measures to improve gas-electric information sharing for improved system performance during extreme cold weather emergencies; (2) measures to improve reliability of natural gas facilities during cold weather with examples such as freeze protection and protection of the electric supply; and (3) measures to improve the ability of generators to obtain fuel during extreme cold weather events when natural gas heating load and natural gas-fired generators are both in high demand for natural gas, at the same time that natural gas production may have decreased. Ms. Polzin noted that the drafters of the Report did not intend for the identified topics to be proscriptive and that additional discussion topics could be added if needed.  Mr. Lyons stated that one topic which falls under measures to improve gas-electric information sharing is the potential to aggregate natural gas information to be shared on a regional basis with electric system operators, including the possibility of creating a voluntary natural gas coordinator. He noted that another topic in this area is expansion to or revision of natural gas demand response and interruptible customer programs, explaining that this could lead to better coordination during periods of coinciding electric and natural gas peak load demands as well as serve to better inform natural gas customers of real-time pricing. Mr. Lyons stated that this category also includes as a discussion topic electric and natural gas industry interdependencies such as communications, contracts, constraints, and scheduling.  Mr. Lyons indicated that as part of measures to improve reliability of natural gas facilities during cold weather, topics included any additional state actions, including an organization to set voluntary standards, to enhance the systemic reliability of intrastate natural gas pipelines and other intrastate natural gas facilities as well as methods to streamline the process for, and eliminate barriers to, identifying, protecting, and prioritizing critical natural gas infrastructure load and programs to encourage and provide compensation opportunities for natural gas facility winterization. He noted that this category also includes a topic from Recommendation 24 regarding possible financial incentives for the natural gas infrastructure system necessary to support the bulk electric system to winterize or prepare to perform during extreme cold weather events.  Mr. Huff stated that there are a number of identified topics that fall under the category of improving the ability of generators to obtain natural gas during extreme cold weather events. He indicated that these include identifying cost-effective instances for firm supply and/or transportation or dual fuel capability requirements for certain natural gas-fired generators, how such requirements could be structured, including associated compensation mechanisms, and if additional infrastructure buildout would be needed as well as consumer cost impacts. He indicated that this specific topic could also include areas from Recommendation 24 related to market or public funding for generators to have firm transportation and supply and to invest in storage contracts as such funding may be needed to finance infrastructure necessary to provide additional firm transportation capacity. Mr. Huff noted that other topics include the entity with authority, and under which circumstances, to take certain emergency actions, the potential use of resource accreditation requirements as a factor in the firmness of a unit’s gas commodity and transportation arrangements and potential for correlated outages for units served by the same pipeline(s), as well as an area from Recommendation 24 related to possible investments in strategic natural gas storage facilities. He stated that the remaining discussion topics in the category are the existence of any barriers to the use of dual fuel capability that could be addressed by changes to state or federal rules or regulations and considerations of other resources that could help mitigate the risk of a loss of natural gas fuel supply, increasing access to and utilization of natural gas storage facilities, increasing peak-shaver gas-fired generating units with on-site liquified natural gas storage, and, from Recommendation 24, possible options for increased regasification of liquid natural gas, including possible Jones Act waivers.  Mr. Huff recommended that forum participants read the Report which includes an executive summary that covers the key areas addressed by the Report and its findings. He noted that the Report also includes links to the background material that supports the recommendations.  Ms. Crockett thanked Ms. Polzin, Mr. Lyons, and Mr. Huff for providing the overview of the Report. |
| **NAESB Forum Remarks from Bob Gee, Sue Tierney, and Pat Wood** | Ms. Crockett asked for any remarks by Mr. Gee, Mr. Wood, and Ms. Tierney.  Mr. Gee thanked FERC, NERC, and Regional Entity staff for their work putting together the Report and commended Chairman Glick and Mr. Robb for designating NAESB as the organizing entity for the forum. He indicated that NAESB’s experience in bringing together stakeholders enables the organization to effectively execute the charge of the forum and recognized the important role NARUC plays in shaping the thoughts and ideas of the forum. He recommended that the forum pose probative questions to fact find and develop a range of solutions. Mr. Gee commented that the forum could be an opportunity for participants to reiterate the important role that natural gas plays in supporting electric generation. He stated that the facts should guide forum activities and asked participants to approach, with an open mind, the development of any recommendations.  Mr. Wood noted that for decades now, NAESB has supported FERC efforts regarding both the natural gas and electric markets and stated that NAESB is an ideal organization to convene a forum to discuss these important gas and electric coordination issues. He acknowledged that while aspects of gas-electric coordination have been, in the past, difficult to address, there may be certain issues that are now ripe for addressing. Mr. Wood indicated that the forum is an open process for participation and its work intended to enhance and support other initiatives, including state efforts. He encouraged those participating to do so with a focus on obtaining the best outcomes for the future and the country and maintain collegiality and an openness in order to help ensure a reliable and resilient power system.  Ms. Tierney explained that given the trend in electrification, especially in heating and transportation, the electric grid will play an increasingly important role in the economy of the United States. She noted that natural gas is a critical fuel for the supply of the nation’s electricity and that the increasing needs for electricity, along with threats of extreme weather, will require new ideas and creativity from the industries. Ms. Tierney expressed support for organizing forum activities by the three discussion categories, as identified by FERC and NERC staffs. She explained that the most helpful recommendations that the forum can produce will be those that follow the format as set out by FERC and NERC staffs; developing concrete actions and plans to carry out those actions through the identification of timelines, and identifying the responsible parties to take those actions. Ms. Tierney stated that NAESB’s procedures for conducting virtual meetings will efficiently bring together participants and that these, along with forum leadership, can help create opportunities for constructive discussions. |
| **Discussion of NAESB Forum Process and Next Steps** | Ms. Crockett stated while the NAESB Gas Electric Harmonization work may result in the identification of potential areas of standards development, the overarching goal of this effort is to produce recommendations that address the topics outlined in Recommendation 7 of the Report and as further detailed in the presentation provided during the meeting by Ms. Polzin, Mr. Lyons, and Mr. Huff. She noted that all forum meetings will follow the NAESB process. Mr. Desselle stated that NAESB is currently finalizing preliminary forum meeting dates and that an initial meeting scheduling will be made available in the coming days. He indicated that the intent is to hold the majority if not all forum meetings using a virtual platform, although an in-person meeting may be held if deemed necessary.  Ms. McQuade explained that the NAESB Gas Electric Harmonization Forum was created in 2014 to provide an opportunity for natural gas and electric industries to respond to various actions regarding market coordination issues and provided a brief overview of the previous activities of the forum. Mr. Booe stated that as with past NAESB Gas Electric Harmonization Forum efforts, NAESB will use its American National Standards Institute (ANSI) accredited process to respond to the request, which can include the utilization of voting for decision making, if needed. He explained that participants will need to register for each forum meeting and that as part of this registration, participants will need to identify with a specific NAESB Quadrant and Segment. Mr. Booe stated that a full record resulting from the meetings will be produced and made publicly available. He indicated that the forum process will likely incorporate the solicitation of written comments and that more information will be forthcoming. Mr. Desselle reminded participants that under the NAESB process, participants do not have to be NAESB members to participate or vote.  Mr. Booe asked that those with questions regarding the process or the forum meetings to contact the NAESB office. |
| **Closing Remarks from Chairman Glick** | Mr. Desselle asked Chairman Glick to offer any closing remarks.  Chairman Glick expressed thanks to NAESB for undertaking the forum activities and the speed at which the effort was initiated. He stated that it is incumbent upon the industry to learn from past cold weather events and take action to ensure such circumstances are prevented from happening in the future. Chairman Glick recognized the difficulty in addressing gas-electric coordination issues but expressed confidence that the forum convened by NAESB will produce helpful discussions and solutions to move the industry forward. He thanked Mr. Gee, Mr. Wood, and Ms. Tierney for leading the forum and indicated that FERC is committed to helping the process.  Mr. Desselle thanked the speakers and participants and adjourned the meeting. |
| **Adjourn:** | The meeting adjourned at 3:41 PM Central. |
| **Work Papers Provided for the Meeting:** | **Meeting Related Documents:**   * Announcement: <https://naesb.org/pdf4/geh083022announcement.docx> * Agenda: <https://naesb.org/pdf4/geh083022a.docx> * Antitrust Guidance and Other Meeting Policies: <http://www.naesb.org/misc/antitrust_guidance.doc>   **Meeting Materials**   * FERC NERC Presentation: <https://naesb.org/pdf4/geh083022a1.pdf> |
| **Attendees:** | Please see the posted participant attendance record:<https://naesb.org/pdf4/geh083022a2.docx> |