



October 16, 2023

North American Energy Standards Board
Wholesale Gas Quadrant Executive Committee
1415 Louisiana Street, Suite 3460
Houston, TX 77002

RE: Comments on Standards Request No. R23001

North American Energy Standards Board (“NAESB”) Wholesale Gas Executive Committee:

Consolidated Edison, Inc. (“Con Edison”) appreciates the opportunity to provide comments in support of continued discussion on Standards Request No. R23001, specifically regarding the force majeure provisions within the proposed Enhancements to the NAESB Base Contract for Sale and Purchase of Natural Gas. Con Edison strongly believes that the Wholesale Gas Quadrant’s (“WGQ”) no-action recommendation is premature and urges the Executive Committee to support continued WGQ engagement on the force majeure language.

Con Edison’s experience as a local distribution company (“LDC”) during Winter Storm Elliott – and the collective experience of similarly situated LDCs – underscores urgency to discuss and address winter gas supply issues. A no-action vote will stifle much needed and constructive conversation on an important topic in a manner that is counterproductive to the mission of NAESB’s stakeholder process, particularly during a time when customers and regulators are looking to the gas industry for solutions.

For the reasons outlined below, Con Edison strongly supports continued discussion on Standards Request No. R23001.

I. Introduction

Con Edison is a gas, electric, and steam utility providing power and heat service to over 9 million people within New York City, Westchester County, and portions of southeastern New York and northern New Jersey across the Consolidated Edison Company of New York, Inc. (“CECONY”), Orange and Rockland Utilities, Inc. (“O&R”), and Rockland Electric Company service territories.

Con Edison’s LDC operations occur within New York State with electric utility operations extending across the NYISO and PJM Interconnection footprint. Con Edison participates in the WGQ LDC segment on behalf of CECONY and O&R gas customers; however, safe, reliable, and transparent upstream gas service is integral to maintaining the reliability of both retail gas and electric systems.

II. Comments

A. *Winter Storm Elliott highlighted the urgency of improved gas supply practices and risk-sharing.*

The consistency and dependability of upstream production and transportation facilities is an essential component for reliable service in Con Edison's service territories. During Winter Storm Elliott, the reliability of Con Edison's LDC network was severely compromised due to upstream pipeline and producer conditions. These conditions highlight the importance of revisiting gas supply market practices and engaging in WGQ-wide discussion to reduce supply risk where possible.

Heading into the Christmas 2022 weekend, Con Edison experienced prolonged, reliability-threatening delivery pressure decreases across all pipeline suppliers driven by production losses, equipment failures, and line pack depletion amid sharp temperature drops. On Christmas Eve, Con Edison's pipeline suppliers warned that pressure recovery was unlikely without a decrease in demand, which triggered the Con Edison LDCs to take emergency actions. Following its emergency procedures, Con Edison transitioned electric and steam generation to alternate fuels and dispatched its on-system LNG facility; however, pressure recovery remained uncertain. Concerned that delivery pressures would remain at inadequate levels during the Christmas morning peak. In response, the Con Edison LDCs issued conservation appeals on Christmas Eve while preparing for a potential firm gas customer curtailment. A gas outage within Con Edison's service territory, which includes Manhattan, would have had major domestic and international repercussions including public health and financial/economic impacts.

Con Edison narrowly avoided unprecedented emergency actions due to warming temperatures heading into Christmas morning, but the experience revealed several lessons learned.

While the Con Edison LDCs had sufficient gas supply on paper to meet customer demand, including commodity and firm pipeline capacity, system reliability was compromised due to upstream conditions and outages. The specific equipment failures during Winter Storm Elliott shifted risk onto Con Edison's customers during below-freezing temperatures and on a holiday weekend, underscoring the importance of greater transparency and communication between suppliers and customers to enhance reliability.

During Winter Storm Elliott, Con Edison gas operations learned of pressure issues during real-time, and force majeure notices from pipelines were received in some cases days later. Some force majeure notices contained little to no information about the underlying problems. Con Edison understands that several northeast LDCs had similar experiences during Winter Storm Elliott.

The need to discuss improved coordination, risk-sharing, and transparency within the wholesale gas industry has never been greater. While Winter Storm Elliott is the latest headline-catching winter storm event, the increased frequency of extreme weather highlights the urgent need to engage in meaningful dialogue across industry segments to address supply issues that create unnecessary, avoidable risk for downstream customers and unreasonably threaten reliability.

B. Force majeure issues disproportionately impact retail gas and electric customers.

While the NAESB WGQ membership is comprised predominantly of wholesale and market interests, the force majeure issue primarily impacts retail gas and electric customers who face the brunt of gas market disruptions at the end of the gas supply chain. The WGQ membership should not cavalierly dismiss how LDC and end-user impacts can influence the industry's value to customers. The WGQ membership should recognize that foreclosing dialogue concerning LDC and end-user priorities is counter-productive to consensus-building and advancing industry reliability.

The consequences of gas supply disruption faced by retail gas and electric customers are disproportionately great relative to upstream entities. During Winter Storm Elliott, New York City customers absorbed extreme levels of risk following production losses and equipment failures. At the same time, electric customers within the PJM footprint faced similar reliability concerns due to generator outages overwhelmingly attributable to gas plants impacted by production and mechanical issues.

PJM's Winter Storm Elliott analysis points to gas supply issues as a material contributing factor to generator outages on Christmas Eve 2022 (about 13% of total gas generation capacity).¹ PJM noted that in 92% of generator outages, PJM operators had less than a single hour's notice or no notice at all.² PJM operators were able to avoid electricity interruptions during Winter Storm Elliott and took emergency actions including a public conservation appeal to maintain reliability. However, some balancing authorities in the Southeast were unable to avoid load shed: Tennessee Valley Authority ordered nearly eight hours of serve interruptions on a holiday weekend to maintain reliability.³ FERC estimated that Winter Storm Elliott contributed to power outages for millions of customers across the Eastern half of the country.⁴

The circumstances faced by the Eastern U.S. during Winter Storm Elliott demonstrate the breadth and scale of customer impacts during extreme weather events – including significant downstream retail gas and electric reliability threats driven by upstream gas supply disruptions. Con Edison encourages wholesale and market interests to consider retail gas and electric customers when determining whether to bar important reliability discussion at NAESB.

C. NAESB's own Gas-Electric Harmonization Report supports continued discussion and empowers gas industry to shape its collective future.

Within the final Gas-Electric Harmonization Report released July 2023, NAESB endorsed discussion of the force majeure standards change request and encouraged the WGQ to

¹ Winter Storm Elliott Event Analysis and Recommendation Report (“PJM Elliott Report”), at 57, available at <https://www.pjm.com/-/media/library/reports-notices/special-reports/2023/20230717-winter-storm-elliott-event-analysis-and-recommendation-report.ashx>.

² PJM Elliott Report at 25.

³ December 2022 Winter Storm Elliott Grid Operations: Key Findings and Recommendations (“FERC Elliott Recommendations”), at 2, available at <https://www.ferc.gov/news-events/news/presentation-ferc-nerc-regional-entity-joint-inquiry-winter-storm-elliott>.

⁴ FERC's September 21, 2023 press release, Elliott Report: Complete Electricity Standards, Implement Gas Reliability Rules, available at <https://www.ferc.gov/news-events/news/elliott-report-complete-electricity-standards-implement-gas-reliability-rules>.

expeditiously act to evaluate the proposal.⁵ The WGQ's no-action recommendation is discouraging and contrary to NAESB's own recommendation to, at minimum, consider and substantively discuss the merits of the proposal.

Importantly, absent some form of meaningful dialogue and industry action, regulators may choose to act independently. The NAESB report's ultimate recommendation calls on Congress to enact a natural gas reliability organization – a point further advanced by the FERC/NERC Joint Winter Storm Elliott Inquiry, which previewed its recommendations at FERC's September Open Session. FERC and NERC Staff expressed within recommendation 4 that "legislation is needed to establish reliability rules for natural gas infrastructure necessary to support the grid and LDCs."⁶ The force majeure standards request currently before the Executive Committee provides the industry with the opportunity to be a part of the reliability conversation and proactively develop a workable solution from the ground up.

The WGQ should be empowered to shape its collective future even if it involves difficult discussion or negotiation, and not be quick to shut down important stakeholder conversations before they begin. The WGQ should seek to demonstrate to customers, regulators, and lawmakers that it understands the importance of improving the reliability of the nation's gas supply system by leading on this issue.

III. Conclusion

Con Edison appreciates the opportunity to share our experiences and provide comments. For the above reasons, Con Edison strongly supports continued stakeholder discussions concerning Standards Request No. R23001 and respectfully requests that the Executive Committee consider these comments at the October 26th meeting.

Respectfully,

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⁵ NAESB Gas Electric Harmonization Forum Report, at 2-3, *available at* https://www.naesb.org/pdf4/geh_final_report_072823.pdf.

⁶ FERC Elliott Recommendations at 18.