

To: EIPC Participating Planning Authorities, EIPC Staff and Stakeholders

From: Local Distribution Companies

Re: Comments Gas-Electric System Interface Study Target I Draft Report

Target I of the Gas-Electric Study is a baseline assessment that includes descriptions of the natural gas-electric system interfaces and how they impact each other. EIPC recently posted the first draft Target I report on the EIPC website and is now seeking stakeholder feedback.¹

Local Distribution Companies (LDCs) request additional discussion and consideration of “Table 3 – Qualitative Assessment of Gas-Electric Interface Attributes” located on page 18. The table presents interstate natural gas pipeline and LDC penalties for gas overruns and/or imbalances as “unfavorable” gas-electric interface conditions in U.S. electric market regions. This demonstration is at least misleading and should be removed. Penalties for unauthorized overruns and/or lack of uniformity during certain periods (i.e. operational flow orders demanding +/- variations in scheduled flow volumes) are in place to protect the natural gas system (i.e., are reliability requirements). The Federal Energy Regulatory Commission has explicitly recognized the need for penalties as a means to protect gas system reliability and has adopted policies and regulations that permit pipelines to implement penalties to the extent needed to deter gas customer conduct that is detrimental to the system.² Conceptually, the same is true for LDCs. Moreover, all customers, both generators and non-generators, are exposed to these sorts of imbalance penalties as a means to encourage the proper use of natural gas system so that it can remain in reliable operation. Accordingly, such natural gas system reliability requirements should not be presented as “unfavorable” for electric reliability. Instead, requirements that are designed to preserve gas system reliability should be considered favorable by all customers.

¹Target I Draft Report, February 21, 2014, available at: [http://www.eipconline.com/uploads/Draft - Target 1 Report 02-21-2014 .doc](http://www.eipconline.com/uploads/Draft_-_Target_1_Report_02-21-2014.doc).

²See, e.g., *Regulation of Short-Term Natural Gas Transportation Services and Regulation of Interstate Natural Gas Transportation Services*, Order No. 637, 90 FERC ¶ 61,109.

In addition, under the “*Dual Fuel Requirements*” heading on page 98, the sentence “[a]ll New York LDCs require dual fuel capability under their electric generation service classifications” should be revised and/or deleted. This statement is inaccurate, not every LDC in New York has this requirement.