



March 16, 2015

Mr. David Whiteley
Executive Director, EIPC
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Dear Mr. Whiteley,

Thank you for the opportunity to review and comment on the Eastern Interconnection Planning Collaborative draft report, “Gas-Electric System Interface Study, Target 3 Report, Natural Gas and Electric System Contingency Analysis.” The Interstate Natural Gas Association of America represents interstate natural gas pipelines in the United States and Canada. INGAA’s members operate over 200,000 miles of interstate pipelines, which transport gas across state lines to local gas distribution companies, producer/marketers, industrial customers and gas-fired generators. Many of INGAA’s 24 members operate interstate pipelines that transport gas within one or more of the Participating Planning Authorities in the Eastern Interconnection.

INGAA and its members recognize the need to simplify the underlying assumptions of a study in order to perform modeling efforts. Yet, INGAA is concerned that the study oversimplifies certain assumptions for purposes of the EIPC hydraulic modeling effort and, as a result, overstates or mischaracterizes the proposed mitigation measures. INGAA offers the following high-level observations and also provides comments and edits within the Target 3 draft report.

INGAA notes that since a pipeline’s contractual obligations are not recognized by the model, the report could leave PPAs and other readers with a false impression about what a pipeline could do in the event of an actual contingency. Pipelines, as open access providers, must act in a non-unduly discriminatory manner. Under the obligations created by the Federal Energy Regulatory Commission, a pipeline must serve customers based on the “firmness” of their transportation agreements. A pipeline cannot unduly discriminate based on end use to favor one customer or a class of customers (e.g., gas-fired generators) when other customers also may be affected by a contingency event and require transportation service. Further, per its tariff, a pipeline must provide service based on its scheduling priorities, which are based on contractual commitments. Therefore, a pipeline cannot take all actions to ensure transportation for an interruptible shipper when higher priority transportation shippers have requested transportation service. While the report briefly acknowledges that the modeling disregards a pipeline’s contractual obligations, the report still could lead a PPA to assume that mitigation opportunities for gas-fired generators are greater than what would be available in an actual contingency.

The report correctly assumes that pipelines work diligently to mitigate contingency events by using whatever tools are available to maintain reliability and mitigate the reduction of pipeline capacity, including using pipeline line pack, increased interconnect flows from neighboring pipelines, increasing spare compression, if available, and reversing flow across key pipeline segments. During peak winter and summer days, however, a pipeline's shippers, and interconnected pipelines' shippers, likely will need to use their full contractual entitlements. Therefore, it is highly unlikely that a pipeline would have available all of the mitigation measures suggested in the draft report.

INGAA specifically is concerned that the draft report places too much emphasis on the ability to use pipeline line pack to mitigate electric or gas contingencies. Each pipeline has taken the hydraulics of line pack into account in designing its existing firm service obligations; there is little or no slack line pack capability. Line pack can be used by a pipeline to manage operational changes on its system and to provide shippers non-ratable flexibility when operations permit. Yet, a pipeline cannot exhaust line pack without affecting deliveries to other shippers and without causing operational harm to the pipeline system. Once exhausted, pipeline line pack cannot be replenished readily within the Gas Day and perhaps not even within the next several days. On a peak day, there is little or no excess line pack to provide shippers, including gas-fired generators, with flexibility beyond scheduled transportation. Therefore, ISOs/RTOs should not assume that a region can rely on line pack for electric reliability in the event of a contingency during a peak day (or any day). Line pack is not a substitute for an appropriate transportation contract and does not create incremental capacity.

In addition, INGAA wishes to clarify that there is never "spare" or unused no-notice capacity that can be allocated to another shipper, including a gas-fired generator, to mitigate a contingency event. A pipeline must stand ready to serve no-notice shippers that pay a premium for this highest-priority pipeline service, and accordingly, a pipeline reserves capacity specifically for these shippers. A pipeline will not know how much of the capacity reserved for no-notice service will be unused until the Gas Day is over. Therefore, INGAA requests that EIPC remove spare no-notice service as part of its modeling or mitigation analysis, if it was relied upon to elongate the time before a gas-fired generator would trip.

Similarly, the draft report overstates the likelihood that a pipeline company would be able to use storage or LNG withdrawals to mitigate a contingency event during a peak day. In order for storage or LNG to contribute to mitigating a contingency event, the storage or LNG must be located downstream of the gas contingency and sufficiently proximate to the gas-fired generator so that the gas response time will mitigate the loss of gas from the pipeline. Further, the draft report should take into account the physical limitations of depleted reservoir storage in the Eastern Interconnection. If storage reserves are depleted due to earlier withdrawals, storage gas cannot be withdrawn or replenished as rapidly as if the storage reserves are not depleted. Finally, while the study recognizes that pipeline companies likely do not have withdrawal rights, the draft report also does not recognize that the gas within pipeline storage facilities is owned by the pipeline's shippers, not the pipeline. A pipeline cannot withdraw a shipper's gas without its authorization for another shipper's use. Therefore, INGAA requests that EIPC reflect in the report the unlikelihood of generators relying on pipelines for increased storage withdrawals to mitigate a contingency during a peak day.

In connection with using flow diversion as a mitigation tool, INGAA notes that some pipeline tariffs allow for gas flow diversions (diverting one shipper's flowing gas to another shipper's delivery point in the same geographic region), assuming the pipeline has the operational ability to do so. Yet, inherent in this tariff-based mitigation option is the original shipper's consent. As now drafted, the report could lead a PPA to assume that there are greater flow day mitigation opportunities for gas-fired generators than in fact are feasible.

Finally, the report erroneously states that pipelines assess penalties to generators that attempt to nominate outside the standard NAESB cycles (assuming the pipeline does not have additional nomination opportunities in its tariff). If a control room operator provides a generator the opportunity to make an additional nomination, no penalties will accrue due to the ability to nominate. During critical operating conditions, however, penalties can arise if a shipper that nominates (or does not nominate) for additional pipeline transportation starts to consume gas without delivering the corresponding gas supply into the pipeline system, and continues to pull gas despite warnings from the pipeline that it is in violation of a critical day notice or Operational Flow Order. During an extreme event, a pipeline may notify shippers to remain in contractual daily balance during the critical period to maintain the operational integrity of the pipeline and to maintain its ability to serve primary firm transportation customers. On peak day conditions, if a generator or other shipper knowingly violates an OFO, it does so at the operational expense of the other pipeline shippers and knowing that it could harm the integrity of the pipeline system. An ISO/RTO should not reimburse generators for pipeline penalties incurred during an OFO, since this reimbursement incents generators to disregard pipeline notices and engage in operationally harmful behavior. INGAA requests that EIPC revise its final report accordingly.

Thank you for the opportunity to review and comment on the Target 3 draft report. The pipeline industry looks forward to continuing to work with EIPC to finalize this comprehensive initiative on gas-electric interdependence. Please feel free to contact me if you have any questions or concerns with INGAA's comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. F. Santa, Jr.", with a stylized flourish at the end.

Donald F. Santa, Jr.

Cc: Richard Levitan

Attachment