FACT SHEET

Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities, Docket Nos. RM96-1-027 and RM05-5-001

Summary of the Rule

The Commission is issuing a Final Rule at its June 21, 2007 meeting. The Final Rule is entitled Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities, Docket Nos. RM96-1-027 and RM05-5-001.

The Commission is amending parts 38 and 284 of its open access regulations governing standards for business practices and electronic communications with interstate natural gas pipelines and public utilities. The Commission is incorporating by reference certain standards promulgated by the North American Energy Standards Board (NAESB). Incorporation by reference of these standards will establish communication protocols between interstate pipelines and power plant operators and transmission owners and operators.

Among other things, the standards would require gas-fired generators and pipelines to establish procedures to communicate material changes in circumstances that may affect hourly flow rates. They would also require pipelines to provide electric transmission operators and power plant operators to sign up to receive from connecting pipelines operational flow orders and other critical notices. Finally, they would also require that upon request, a gas-fired generator provide the balancing authority or reliability coordinator pertinent information regarding its service levels for gas transportation and for gas supply.

In addition, the rule discusses three issues identified by NAESB as potential areas for standards development that some industry participants believe might assist in resolving coordination problems between the gas and electric industries. The issues discussed are (1) use of indices for pricing capacity release transactions; (2) pipelines' ability to permit shippers to choose alternate delivery points; and (3) changes to the intraday nomination gas schedule.

Benefits of the Rule

Amending the Commission's regulations to adopt NAESB's new standards is an important and necessary step toward improving coordination between the gas and electric industries. Such coordination should help improve the reliability of both industries by ensuring that all parties have information relevant to their scheduling and dispatch.

The standards, for example, would require gas-fired power plant operators and pipelines to establish procedures to communicate material changes in circumstances that may affect hourly flow rates. These standards would ensure that pipelines have relevant planning information that will assist in maintaining the operational integrity and reliability of pipeline service, as well as providing gas-fired power plant operators with information as to whether hourly flow deviations can be honored. They would further improve communication by requiring pipelines to provide electric transmission operators, including ISOs and RTOs, and power plant operators to sign up to receive from connecting pipelines operational flow orders and other critical notices. These standards will ensure that operators of the electric grid can stay abreast of developments on gas pipelines that can affect the reliability of electric service. The standards require that, upon request, a gas-fired power plant operator must provide to the appropriate electric balancing authority or electric reliability coordinator pertinent information regarding its service levels for gas transportation (firm or interruptible) and for gas supply (firm, fixed or variable quantity, or interruptible). This information should assist reliability coordinators in assessing the relative reliability of various gas-fired generators.

The Rule is not a Major Rule

This Final Rule is not a major rule under the Small Business Regulatory Enforcement Fairness Act of 1996. The regulations adopted here impose requirements only on interstate pipelines and public utilities, the majority of which are not small businesses, and would not have a significant economic impact. These requirements are, in fact, designed to benefit all customers, including small businesses. In addition, the discussion of the three issues identified by NAESB establishes no new Commission policies and should have no impact on small businesses. Accordingly, pursuant to section 605(b) of the RFA, the Commission hereby certifies that the regulations adopted herein will not have a significant adverse impact on a substantial number of small entities.

The Final Rule is not likely to result in a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions. The rule will not have a significant adverse effect on competition, employment, investment, productivity, innovation or the ability of U.S. companies to compete with foreign companies in domestic and export markets.