

Supporting Statement for
**FERC-549C, Standards for Business Practices of Interstate
Natural Gas Pipelines**

The Federal Energy Regulatory Commission (Commission) requests Office of Management and Budget (OMB) review and approval for a reduction in the hours associated with **FERC-549C, Standards for Business Practices of Interstate Natural Gas Pipelines** (OMB Control No. 1902-0174). FERC-549C is an existing data requirement and the reduction is a result of completion of the requirements in an earlier Commission order. In that order, the Commission estimated there would be a one-time increase of **148,806 hours**. This is equal to an average of 1,181 hours per company under FERC-549C. FERC-549C is currently approved through June 30, 2013.

Summary

On February 24, 2009, the Commission issued a Final Rule (Order No. 587-T) amending its regulations that established standards for interstate natural gas pipeline on business practices and electronic communications. The Commission incorporated by reference into its regulations the then most recent version of the standards, Version 1.8, as adopted by the Wholesale Gas Quadrant (WGQ) of the North American Energy Standards Board (NAESB). The Version 1.8 Standards were necessary to increase the efficiency of the pipeline grid, to make pipelines' electronic communications more secure.

Requiring this information ensured both a common means of communication and common business practices in order to provide participants engaged in transactions with interstate pipelines the ability to have timely information and to ensure there are uniform business procedures across multiple pipelines. The set of standards addressed the following:

- 1) Internet Electronic Transport, as applicable to the retail gas and electric markets as well as the wholesale gas market;
- 2) Changes to the Electronic Delivery Mechanism Related Standards;
- 3) Standard related to reporting on gas quality; and
- 4) Maintenance changes to the Nomination Related Standards and Flowing Gas Related Standards.

The Final Rule went into effect April 2, 2009, and pipelines were required to implement the standards three months after the Final Rule's effective date or July 2, 2009. Pipelines have implemented these standards plus it should be noted that NAESB submitted the standards to the Commission on September 14, 2007, following a consensus vote by industry. Therefore industry had thorough

familiarity with the standards prior to their issuance, and the implementation has been completed.

Background

Before the industry restructuring was initiated by the Commission in Order No. 636, natural gas pipelines primarily provided a merchant service. A typical pipeline company purchased gas from producers or other suppliers, transported the gas from the supply area to storage fields or sales delivery points, and sold the gas on a “bundled” basis. Now, pipelines are primarily transporters of natural gas.

The physical operation of a pipeline for open-access transportation is much the same as for bundled service. However, in the Commission’s view, the change in the primary role of the pipeline from merchant to transporter requires there be standards/business practices to establish a more efficient and integrated pipeline grid. Order No. 587-T contained amendments to regulations that reflect the current restructured industry and required certain standardized business practices to facilitate the efficient development of a national pipeline grid system.

The process of standardizing business practices in the natural gas industry began with a Commission initiative to standardize electronic communication of capacity release transactions.¹ The outgrowth of the initial Commission standardization efforts produced working groups composed of all segments of the gas industry and ultimately, the Gas Industry Standards Board (GISB), a consensus organization open to all members of the gas industry was created. GISB was succeeded by the North American Energy Standards Board (NAESB)).

NAESB is a voluntary non-profit organization comprised of members from all aspects of the greater gas industry. NAESB’s mission is to take the lead in developing and implementing standards across the industry to simplify and expand electronic communication, and to streamline business practices. The objective is to lead to a seamless North American marketplace for natural gas, as recognized by its customers, the business community, industry participants and regulatory bodies. NAESB Wholesale Gas Quadrant (WGQ) standards are a product of NAESB.

All of the standards that have been adopted by the Commission with the realization that as the industry evolves and uses the standards, additional and amended NAESB WGQ standards will be necessary. Any industry participant seeking additional or amended standards (including principles, definitions, standards, data elements, process descriptions, technical implementation

¹ Standards for Electronic Bulletin Boards Required under Part 284 of the Commission’s Regulations, Order No. 563, 59 FR 516 (January 5, 1994).

instructions) submits a request to the NAESB office, detailing the change, so that the appropriate process may take place to amend the standards.

A cold snap in January 2004 in New England highlighted the need for better coordination and communication between the gas and electric industries as coincident peaks occurred in both industries making the acquisition of gas and transportation by power plant operators more difficult. In response to this need, in early 2004, NAESB established a Gas-Electric Coordination Task Force to examine issues related to the interrelationship of the gas and electric industries and identify potential areas for improved coordination through standardization. NAESB developed a number of standards to enhance the coordination of scheduling and other business practices between the gas and electric industries.

Final Rule (Order No. 587-T) (Docket No. RM96-1-029)

As noted above, on February 24, 2009, the Commission issued a Final Rule amending its regulations that establish standards for interstate natural gas pipeline business practices and electronic communications to incorporate by reference into its regulations the most recent version of the standards, Version 1.8, adopted by the Wholesale Gas Quadrant (WGQ) of the North American Energy Standards Board (NAESB) and to make other minor corrections. The Final Rule upgraded the Commission's current business practice and communication standards to reflect the latest version approved by the NAESB WGQ (i.e., the Version 1.8 Standards), and is necessary to increase the efficiency of the pipeline grid, make pipelines' electronic communications more secure, and is consistent with the mandate that agencies provide for electronic disclosure of information.

The standards are as follows:

- (i) Additional General Standards, Creditworthiness Standards, and Gas/Electric Operational Communications Standards (Version 1.8, September 30, 2006);
- (ii) Nominations Related Standards (Version 1.8, September 30, 2006);
- (iii) Flowing Gas Related Standards (Version 1.8, September 30, 2006);
- (iv) Invoicing Related Standards (Version 1.8, September 30, 2006);
- (v) Quadrant Electronic Delivery Mechanism Related Standards (Version 1.8, September 30, 2006) with the exception of Standard 4.3.4;

(vi) Capacity Release Related Standards (Version 1.8, September 30, 2006 (with minor corrections applied December 13, 2006); and

(vii) Internet Electronic Transport Related Standards (Version 1.8, September 30, 2006) with the exception of Standard 10.3.2.

The NAESB (WGQ) Quadrant Electronic Delivery Mechanism (QEDM) established the framework for the electronic dissemination and communication of information between parties in the North American Wholesale Gas marketplace. Specifically, the WGQ Standards Board has standardized five methods of communication that can be implemented by market participants. The five methods are:

EDI/EDM Transfer - The transfer of EDI files, as defined by the ANSI-based NAESB WGQ file formats standards, transferred via the Internet using the NAESB Internet Electronic Transfer (Internet ET) mechanism.

FF/EDM Transfer - The transfer of "flat files", as defined by the NAESB WGQ file formats standards, transferred via the Internet using the NAESB Internet ET mechanism.

Informational Postings Web Sites - Internet web sites that provide open access to various documents and information posted by Transportation Service Providers.

EBB/EDM - Customer Activities Internet web sites that provide secure access to various documents, information and transactions between Transportation Service Providers and Service Requesters.

Interactive Flat File/EDM – The transfer of "flat files", as defined by the NAESB WGQ QEDM file format standards, using a secure web site.

The “open” technology standards selected by NAESB WGQ are designed to provide flexibility and scalability. The business benefits gained from adherence to open standards are:

- Provides the framework to electronically trade with others (e.g., electric utilities, banks, suppliers, retail customers).
- Encourages marketplace development of off-the-shelf software solutions to support NAESB WGQ QEDM.
- Strengthens security and integrity of electronic communication.

A. Justification**1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY**

Pursuant to sections 4, 5, and 16 of the Natural Gas Act (NGA), (15 U.S.C. 717c-717o, P.L. 75-688, 52 Stat. 822 and 830), and Title III of the Natural Gas Policy Act (NGPA) (15 U.S.C. 3301-3432, P.L. 95-621), a natural gas company must obtain Commission authorization for all rates and charges made, demanded, or received in connection with the transportation or sale of natural gas in interstate commerce. The Commission is authorized to investigate the rates charged by natural gas pipeline companies subject to its jurisdiction. If, after the investigation, the Commission is of the opinion that the rates are “unjust or unreasonably or unjustly discriminatory or unduly preferential,” it is authorized to determine and prescribe just and reasonable rates. The NGA also provides the Commission with a means for considering the reasonableness of rates through settlement conferences or hearings.

Since 1996, in the Order No. 587 series,² the Commission has adopted regulations to standardize the business practices and communication methodologies of interstate pipelines in order to create a more integrated and efficient pipeline. In this series of orders, the Commission incorporated by reference consensus standards developed by the WGQ (formerly GISB), a private consensus standards developer. The WGQ is an accredited standards organization under the auspices of the American Standards Institute (ANSI).

FERC-549C was created in Order No. 587 (July 26, 1996, 61 FR 39053) because interstate pipelines were required to adopt certain standards for business practices that required changes in the day-to-day operations. In addition, these standards required pipelines to adopt certain mechanisms for electronic communication between the pipelines and those doing business with the pipelines.

On March 16, 1996, GISB filed 140 standards covering 5 major business areas. The GISB Executive Committee, through its consensus voting procedures, approved these standards. In addition, on April 12, 1996, GISB filed data elements describing the specific information that would be used by industry to conduct the top 10 high priority business transactions.

² Standards for Business Practice of Interstate Natural Gas Pipelines, Order No. 587, 61 FR 39,053 (July 26, 1996), FERC States and Regulations, Regulation Preambles July 1996-December 2000 ¶ 31,038 (July 17, 1996).

In section 12(d) of the National Technology Transfer and Advancement Act of 1995 (NTT&AA)³, Congress affirmatively required federal agencies to use technical standards developed by voluntary consensus standards organizations, like NAESB, as a means to carry out policy objectives or activities unless the use of such standards would be inconsistent with applicable law or otherwise impractical. NAESB approved the standards under its consensus procedures. (This process first requires a super-majority vote of 17 out of 25 members of the WGQ's Executive Committee with support from at least two members from each of the five industry segments-Distributors, End Users, Pipelines, producers and Services (including marketers and computer service providers). For final approval, 67% of the WGQ's general membership voting must ratify the standards.)

The Office of Management and Budget Circular A-119 (§11)(February 10, 1998) provides that federal agencies should publish a request for comment in a NOPR when the agency is seeking to reissue or revise a regulation proposing to adopt a voluntary consensus standard or a government-unique standard. In the NOPR RM96-1-029, the Commission proposed to incorporate by reference voluntary consensus standards developed by the WGQ. The Commission adopted the standards in the final rule, with the two exceptions as noted in the NOPR,⁴ Version 1.8 of the NAESB WGQ's consensus standards.

2. HOW, BY WHOM, AND FOR WHAT PURPOSE IS THE INFORMATION TO BE USED AND THE CONSEQUENCES OF NOT COLLECTING THE INFORMATION

Adoption of Version 1.8 continued the process of updating and improving NAESB's business practice standards for the wholesale gas market. As noted above, the Internet Electronic Transport Related Standards helped create a more seamless electronic marketplace by providing consistent electronic protocols across the wholesale gas, as well as the retail gas and retail electric markets. The standards also include a new standard for gas quality reporting (Standard 4.3.93) that will provide the industry with important information about how pipelines determine gas quality. Standard 4.3.93 requires that the pipelines post on their web sites specific information on how the pipelines determine gas quality, including the industry standard (or other methodology, as applicable) that the pipeline uses for the following: procedures used for obtaining natural gas samples, analytical test method(s), and calculation method(s), in conjunction with any physical constant(s) and underlying assumption(s). The revisions to the

³ Pub. L. No. 104-113, section 12(d), 110 Stat. 775 (1996), 15 U.S.C. 272 note (1997).

⁴ As proposed in the NOPR, the Commission continued its past practice and did not incorporate by reference Standards 4.3.4 and 10.3.2, because they were inconsistent with the Commission's record retention requirement in 18 CFR 284.12(b)(3)(v).

Nomination Related Standards and Flowing Gas Related Standards are designed to ensure that these standards reflect current market practices.⁵

The data filed under FERC-549C is to ensure that pipelines have the appropriate information and can communicate this information. FERC-549C as noted above was created to implement standards that would have mechanisms in place for electronic communication as well as standards governing business practices in day-to-day operations. The information required under FERC549C is not filed with the Commission but instead posted on the pipelines' Web sites.

The Commission's Office of Energy Market Regulation and the Office of General Counsel will use the data in rate proceedings to review rate and tariff changes by natural gas pipelines for the transportation of gas, for general industry oversight, and to supplement the documentation used during the Commission's audit process.

Failure by the Commission to collect this information would mean that it is unable to monitor and evaluate transactions and operations of interstate pipelines and perform its regulatory function of the transmission and sale of natural gas for resale in interstate commerce and also reducing barriers to trade between markets and among regions.

3. DESCRIBE ANY CONSIDERATION OF THE USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE REPORTING BURDEN AND TECHINCAL OR LEGAL OBSTACLES TO REDUCING BURDEN

There is an ongoing effort to determine the potential and value of improve of information technology to reduce burden. As noted above, the Commission does not receive any of the information under FERC-549C data requirements as information required to be obtained due to revised standards and data sets are posted on the pipelines' Internet sites. GISB and its successor NAESB developed standards for accomplishing electronic commerce over the Internet for Electronic Delivery Mechanisms including ANSI ASC X12 (EDI), flat files and Customer Activities Web site presentations (EBB). Technologies have been established to reliably and safely move data across the Internet.

The NAESB WGQ EDI/EDM standards define the file formats, data elements and transaction types used in transmitting ANSI ASC X12 transactions over the Internet. These standards have been in place since version 1.0 of the standards

⁵ In addition, the Commission amended § 284.12(b) to make two minor corrections. First, the Commission corrects the reference to the "Gas Industry Standards Board" to refer to the "North American Energy Standards Board Wholesale Gas Quadrant." Second, the Commission corrects the reference to the paragraph incorporating the NAESB standards by reference from paragraph (b)(1) to paragraph (a)(1).

issued by GISB, NAESB's predecessor organization.

The WGQ QEDM defines the various format, content and data requirements of these electronic commerce methods. Additionally, for Customer Activities Web sites, Informational Postings Web sites and Interactive FF/EDM methods, the WGQ QEDM also defines the electronic delivery mechanism used. That is, the WGQ QEDM defines the protocols, security and transmission requirements for each electronic commerce method.

The electronic delivery mechanism for EDI/EDM and Batch FF/EDM is defined by the NAESB Internet ET standard. The NAESB Internet ET is a multi-quadrant standard that specifies the protocols, security and transmission requirements for computer-to-computer transactions. Implementers of EDI/EDM and Batch FF/EDM reference the NAESB Internet ET standards for transmission requirements.

Throughout the industry there are various systems within each company that process information related to scheduling, allocation, invoicing, etc. The use of standardized EDI transaction sets, common Web site navigation and layout, and uniform flat file data formats eliminates errors that result from manual processing, or processing complications of nonstandard electronic communications methods between trading partners. As a result, a company that relies on computerized systems to conduct business transactions with several trading partners may process transactions more efficiently by implementing QEDM standards.

Additionally, by using the NAESB Internet ET for transmission, a single connection method can be utilized, eliminating the complexity of different connection methods for different trading partners.

4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S) DESCRIBED IN INSTRUCTION NO. 2.

Commission filings and data requirements are periodically reviewed in conjunction with OMB clearance expiration dates. This includes a review of the Commission's regulations and data requirements to identify the duplication. To date, no duplication of these data requirements have been found. The Commission's staff is continuously reviewing its various filings in an effort to alleviate duplication. There are no similar sources of information available that can be used or modified for use for the purpose described in Item A (1).

5. METHODS USED TO MINIMIZE BURDEN IN THE COLLECTION OF INFORMATION INVOLVING SMALL ENTITIES

There are no small businesses that are impacted under the FERC-549C reporting/data requirements. These business standards, practices and procedures impact the day-to-day operations of major and a few non-major natural gas companies whose operational thresholds are above the small business standards.

In this regard, the Commission notes that under the industry standards used for the Regulatory Flexibility Act (RFA), a natural gas pipeline company qualifies as a small “entity” if it had annual receipts of \$7.0 million or less. Most companies regulated by the Commission do not fall within the RFA’s definition of a small entity. Approximately 130 natural gas companies (including storage) would be subject to data collection FERC-549C (Standards) reporting requirements. Nearly all of these entities are large entities. For the year 2008 (the most recent year for which information is available), only five companies not affiliated with larger companies had annual revenues of less than \$7.0 million, which is about three percent of the total universe of potential respondents. Moreover, these requirements are designed to benefit all customers, including small businesses. As noted above, adoption of consensus standards helps ensure the standards are reasonable by requiring that the standards development draws support from a broad spectrum of industry participants representing all segments of the industry.

6. CONSEQUENCES TO FEDERAL PROGRAM IF THE COLLECTION OF INFORMATION WERE CONDUCTED LESS FREQUENTLY

The changes in business practices under section 284.12 of the Commission’s regulations required interstate pipelines to adopt certain standards promulgated by the Wholesale Gas Quadrant of NAESB. The Commission sought to standardize the business practices and communication protocols. However, the Commission did not specify the frequency with which the information should be communicated. The information is generated on an event basis only.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

These program requirements meet all of OMB’s section 1320.5 requirements. As noted above, the information collected under FERC-549C is not submitted to the Commission.

8. DESCRIBE EFFORTS TO CONSULT OUTSIDE THE AGENCY, SUMMARIZE PUBLIC COMMENTS AND THE AGENCY'S RESPONSE TO THESE COMMENTS

The Commission's procedures require that the rulemaking notice be published in the Federal Register, thereby allowing all pipeline companies, state commissions, federal agencies, and other interested parties an opportunity to submit comments, or suggestions concerning the proposal. The rulemaking procedures also allow for public conferences to be held as required.

As noted above, the Commission has adopted the standards developed by NAESB, specifically the NAESB WGQ business practice standards providing for coordination and communication between natural gas pipelines. As more fully explained in item no. 15, the standards adopted in the Final Rule have been implemented by industry.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

There are no payments or gifts to respondents in the proposed rule.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

The Commission generally does not consider the data posted concerning standardized business procedures to be confidential. Specific request for confidential treatment to the extent permitted by regulations will be entertained pursuant to 18 C.F.R. section 388.112.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE THAT ARE CONSIDERED PRIVATE

There are no questions of a sensitive nature associated with the standardized business procedures proposed in the subject NOPR.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

In the Final Rule, the Commission estimated that it would take a one-time burden of 148,806 hours (or an average of 1,181 hours per company) to implement standards/information collection requirements for FERC-549C. As we noted in the Final Rule submission, following the one-time implementation of the proposed standards and practices, the burden under FERC-549C would be reduced by 148,806 hours. This submission is to account for that reduction.

DATA REQUIREMENT FERC-549C	Current OMB Inventory#	Proposed in Final Rule 029	New OMB Inventory
Estimated number of respondents	93	126	126
Estimated number of responses per respondent	4.85	1	4.85
Estimated number of responses per year	451	126	611
Estimated number of hours per response	1,900.4	1,181	1,748.95
Total estimated burden (hours per year)	857,087	148,806	1,068,606
Program Change in burden hours		+148,806	
Adjustment change in burden hours			+62,713.2

Data Requirement FERC-549C	Proposed in Final Rule RM96-1-029	Current OMB Inventory	Proposed New OMB Inventory
Estimated No. of Respondents	126	130	130
Estimated No. of Responses per Respondent	1	4.85	4.85
Estimated No. of Responses per year	126	630.4350	630.4350
Estimated No. hours per response	1,181	1,700.739	1,464.5369
Total estimated burden (hours per response)	148,806	1,071,466	922,660
Program change in burden hours			-148,806
Adjustment change in burden hours			

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

In the Final Rule, the Commission estimated the one-time filing/startup costs to respondents related only to the data collection/requirements as contained in the Final rule to be as follows:

	FERC-545	FERC-549C
Annualized Capital/Startup Costs	\$211,680	\$12,743,010
Annualized Costs (Operations & Maintenance)	\$ 0	\$ 0
Total Annualized Costs	\$211,680	\$12,743,010

Total Cost for all Respondents = \$12,954,690

(\$12,743,010 (148,806 x \$85.6351 an hour). Total Costs (cumulative for FERC-549C are \$91,755,098.05. Total costs after reduction of the Final Rule = \$79,012,081.36.)

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The estimated annualized cost to the Federal Government related only to the data collection/requirements as proposed in the Final Rule are shown below:

Data Requirement Number	Analysis of Data (FTEs)⁶	Estimated Salary Per Year⁷	FERC Forms Clearance	Total Cost One year's Operation
FERC-545	.25	\$126,384	\$ -0-	\$31,596
FERC-549C	.75	\$126,384	\$-0-	\$94,788

Total Costs for Final Rule=\$126,384.

Data Collection	Previous Federal	Final Rule Cost	Total/New
FERC-549C		\$94,788	\$ 221,172

As revised to reflect cost of living increase

Data Requirement	Analysis of	Estimated	FERC Forms	Total Cost One year's
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⁶ An "FTE" is a "Full Time Equivalent" employee that works the equivalent of 2,080 hours per year.

⁷ Salary" represents the allocated cost per gas program employee at the Commission based on its appropriated budget for fiscal year 2008. The \$126,384 "salary" consists of \$102,028 in salaries and \$24,355 in benefits

Number	Data (FTEs)⁸	Salary Per Year⁹	Clearance	Operation
FERC-549C	.25	\$137,874	\$-0-	\$34,469

Total Costs = \$34,469 (Final Rule). Total Costs including Final Rule for FERC-549C = \$255,641.

15. REASONS FOR CHANGES IN BURDEN INCLUDING THE NEED FOR ANY INCREASE

This Final Rule upgraded the Commission's current business practice and communication standards to the latest edition approved by the NAESB WGQ (i.e., the Version 1.8 Standards). The implementation of these standards was necessary to increase the efficiency of the pipeline grid, make pipelines' electronic communications more secure. Requiring such information ensures both a common means of communication and common business practices that provide participants engaged in transactions with interstate pipelines with timely information and uniform business procedures across multiple pipelines.

The Commission required that natural gas pipelines implement the Version 1.8 Standards on the first day of the month three months after the final rule was issued or July 2, 2009. Based on past practice, the Commission proposed this implementation schedule in order to give the natural gas pipelines subject to these standards adequate time to prepare for these changes. Natural gas pipelines have now updated their websites to reflect these changes.

16. TIME SCHEDULE FOR PUBLICATION OF THE DATA

The time schedule for FERC-549C "Standards for Business Practices of Interstate Natural Gas Pipelines" is shown below.

Schedule for Data Collection and Analysis

<u>Activity</u>	<u>Estimated Completion Time</u>
N/A	N/A

The Commission does not publish this information. As noted above, the information contained under FERC-549C requirements is not filed with the

⁸ An "FTE" is a "Full Time Equivalent" employee that works the equivalent of 2,080 hours per year.

⁹ Salary" represents the allocated cost per gas program employee at the Commission based on its appropriated budget for fiscal year 2010. The \$137,874 "salary" consists of \$110,299.64 in salaries and \$27,57.61 in benefits

Commission but instead information implementing the standards is posted on the natural gas pipelines Internet sites.

17. DISPLAY OF EXPIRATION DATE

Not applicable. The data requirements under FERC-549C are based on regulations and not filed on formatted/printed forms. Therefore, the subject data requirements do not have an appropriate format to display an OMB expiration date.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are exceptions to the Paperwork Reduction Act Submission Certification. The Commission does not use statistical methodology for either FERC-545 or FERC-549C. In addition and as in noted in item no. 17 above, FERC-549C does not have an appropriate format to display an OMB control no.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable to FERC-549C.