

Supporting Statement for
FERC-549C, Standards for Business Practices of Interstate Natural Gas Pipelines
Final Rule in Docket No. RM96-1-037 (Issued July 19, 2012)

The Federal Energy Regulatory Commission (Commission) requests Office of Management and Budget (OMB) review and approval of **FERC-549C, Standards for Business Practices of Interstate Natural Gas Pipelines**. FERC-549C is an existing information collection and in this Final Rule, the Commission amends Part 284 of its regulations governing standards for conducting business practices with interstate pipelines.

The Commission is submitting a second clearance package under this Final Rule to request approval of the changes to the FERC-545 collection (OMB Control No. 1902-0154). The FERC-545 accounts for the required tariff revision each pipeline company will file with the Commission.

The FERC-549C is affected because the Final Rule upgrades the Commission's current business practice and communications standards to the latest version 2.0 as approved by the North American Energy Standards Board (NAESB) Wholesale Gas Quadrant (WGQ). On March 4, 2011, NAESB filed a report informing the Commission that it had adopted and ratified Version 2.0 of its business practice standards applicable to natural gas pipelines. The Version 2.0 standards revised the Version 1.9 Standards to include: (1) standards to support gas-electric interdependency; (2) standards created for Capacity Release redesign due to the elimination of Electronic Data Interchange (EDI) for Capacity Release Upload information; (3) standards to support the Electronic Delivery Mechanism (EDM); (4) standards to support the Customer Security Administration (CSA) Process; (5) standards for pipeline postings of information regarding waste heat; and (6) minor technical maintenance revisions designed to more efficiently process wholesale natural gas transactions.

All of the changes in the Final Rule are provided for under sections 4, 5, 8, 10 and 16 of the Natural Gas Act (NGA) and Title III, section 311 of the Natural Gas Policy Act (NGPA).

In addition to the program change due to the Final Rule, the Commission is also removing from the FERC-549C burden inventory hours associated with implementation of previous versions of the standards, and is adjusting existing burden to account for the current number of applicable companies.

Background

Before the industry restructuring was initiated by the Commission in Order No. 636 (issued 4/8/1992), 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. The Final Rule amends regulations that reflect the current restructured industry and would require 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 the retail and wholesale natural gas and electric industries. NAESB’s mission is to take the lead in developing standards across these industries to simplify and expand electronic communication, and to streamline business practices. Core to its 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 this effort.

All of the standards have been adopted by the Commission in 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 instructions) submits a request to the NAESB office, detailing the change, so that the appropriate process may take place to amend the standards.

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

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

specific information that would be used by industry to conduct the top 10 high priority business transactions.

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, a private consensus standards developer. The WGQ is an accredited standards organization under the auspices of the American Standards Institute (ANSI).

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

The business practice standards under FERC-549C are required to carry out the Commission's policies in accordance with the general authority in Sections 4, 5, 7, 8, 10, 14, 16, and 20 of the Natural Gas Act (NGA) (15 U.S.C. 717c-717w), and sections 311, 501, and 504 of the Natural Gas Policy Act of 1978 (NGPA) (15 U.S.C. 3301-3432).

The Commission adopted these business practice standards in order to update and standardize the natural gas industry's business practices and procedures as well as to improve the efficiency of the gas market and the means by which the gas industry conducts business across the interstate pipeline grid.

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

Adoption of the Version 2.0 standards will continue the process of updating and improving NAESB's business practice standards for the wholesale gas market. The implementation of the Version 2.0 standards will provide additional transparency to natural gas pipelines' informational posting web sites and improve communication standards, including gas-electric communication. This will promote improved communications between natural gas pipelines and their existing and potential customers, including electric generation customers.

The following paragraphs are excerpted and paraphrased from NAESB's Report on Version 2.0 of the NAESB WGQ Standards, March 4, 2011. The report can be found in the Commission's eLibrary system at

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

<http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12580807> and is also attached as a supplementary document. These paragraphs summarize the changes that impact the information collection contained under FERC-549C.

Standards to Support Gas-Electric Interdependency

The standards to support gas-electric interdependency provide for enhanced granularity for public utilities identifying critical operational flow orders. The modifications resulted in an additional 15 notice types and modified the implementation of the business process and sample paper transaction. The changes were made to allow Transportation Service Providers the flexibility to communicate with additional clarity beyond the currently defined notice types.

Standards created for Capacity Release re-design due to elimination of EDI for Capacity Release Upload

Transactions

In this area, FERC approves several additional Capacity Release re-design standards due to the elimination of EDI for Capacity Release Upload. The standards add four new Capacity Release data sets. Through this significant effort, the electronic transactions in support of the capacity release program are streamlined.

Standards to support Electronic Delivery Mechanism (EDM)

Version 2.0 modifies the Quadrant Electronic Delivery Mechanism (QEDM) Manual, in particular it modifies the technical characteristics set forth in Appendices B, C and D. It also updates the NAESB WGQ QEDM Manual to add the ability to provide informational Postings report downloads in a comma-separated-value (CSV) file format. These changes were undertaken to ensure NAESB's technical standards remain current.

Standards to support Customer Security Administration (CSA) Process

Version 2.0 added a standard which reflects the ability of Service Requesters to obtain security information for that party's users that have access to the Transportation Service Provider's system.

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

The information resulting from the FERC-549C data requirements will not be filed at FERC. Instead it will be posted on the pipelines' Internet sites, provided to third parties or retained. The Internet and current software allow easy access and use of data on the pipelines' Internet sites and for transmittal of information.

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. No duplication of the information collection requirements has been found.

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

There are no small businesses that are significantly impacted under the FERC-549C information collection requirements. The proposed business standards, practices and procedures will impact the day-to-day operations of major and a few non-major natural gas companies. The business practice standards are designed to benefit all customers, including small businesses. As noted in the Final Rule, the Commission allows for extensions of time and for waivers of the business practice standards. Such extensions or waivers are based upon a pipeline's individual circumstances, including the size of the pipeline. For smaller pipelines the Commission has granted waivers of some of the standards when such pipelines have shown that complying with such standards would prove unduly burdensome.

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

The information collection requirements are completed on an event basis. There is no set schedule for compliance. For those reasons, it is not applicable to consider the consequences of conducting this collection less frequently.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

The information collection requirements do not meet all of OMB's section 1320.5 requirements. Some of the information generated may be generated and reported to third parties on a more than quarterly basis. The Commission has determined that this information is necessary for efficient and effective coordination and communication in the industry.

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.

The Commission issued a Notice of Proposed Rulemaking (NOPR) in Docket No. RM96-1-037 on February 16, 2012. In response to the Version 2.0 NOPR, comments were filed by six commenters.³ The comments expressed a variety of views, including requests for clarification and modification of the Commission's policy on extensions of time to comply with NAESB WGQ Standards. Among the comments filed with the Commission were comments from NAESB explaining that its WGQ Executive Committee was in the process of voting on two standards to rectify the inconsistency with respect to Standards 0.3.19 and 0.3.21 noted by the Commission in the Version 2.0 NOPR. On May 4, 2012, NAESB filed a status report informing the Commission that it had finalized the two corrections to Standards 0.3.19 and 0.3.21.

On May 8, 2012, the Commission issued a notice providing interested parties an opportunity to file comments with respect to the two corrected standards adopted by NAESB and whether the Commission should incorporate these revised standards into its regulations.⁴ In response to this notice, three comments were filed, all of which supported the Commission's incorporation of the revised standards.

Commenters were generally supportive of the Version 2.0 standards and no commenters disapproved of the Commission's actions. No comments were received related directly to the Commission's burden estimates or the need for the collection.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

There are no payments or gifts to respondents in the Final Rule.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

³ In the Appendix to the Final Rule, we identify all the commenters that filed comments in response to the Version 2.0 NOPR, along with the abbreviations used in the Final Rule to identify these commenters.

⁴ *Standards for Business Practices of Interstate Natural Gas Pipelines*, 77 FR 28331 (May 14, 2012).

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 law 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 adopted in Final Rule.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

The Commission is seeking approval of a program increase, a program decrease, and an adjustment of burden hours. The program increase is due to provisions of the Final Rule in RM96-1-037. The program decrease is to remove the burden hours in the inventory that were for implementation of prior versions of the Standards. The adjustment accounts for an updated number of pipeline companies in the industry.

The burden increase of 3,542 hours (an average of 22 hours per company) for Version 2.0 of the standards is based on the Commission’s recent experience with establishing the standards in previous GISB/NAESB rulemaking dockets. Following implementation (companies are required to be in compliance by December 1, 2012) of the standards and practices, the burden under FERC-549C would be reduced by 3,542 hours.⁵ The reasoning is that the standards create an efficiency that otherwise would not be present. After implementing the standards, companies should actually be able to perform their business practices in equal or less time than they would absent the standards.

Program Increase: additional hours for Final Rule in RM96-1-037. A summary of FERC-549C burden estimate as resulting from the Final Rule is shown below:

Burden Proposed in Final Rule in RM96-1-037					
	Number of Respondents (A)	Number of Responses Per Respondent (B)	Total Number of Responses (A)x(B)=(C)	Average Burden Hours per Response (D)	Estimated Total Annual Burden (C)x(D)
Data Collection					
FERC-549C	161	1	161	22	3,542

⁵ FERC indicated in the NOPR and Final Rule that the burden for this collection is one ‘one-time’.

Program Decrease: removal of hours for prior versions of the Standards. The following table shows the completed implementation burden hours, the ICR, Docket Number and when the work was due to be completed for previous versions of the NAESB standards that have not been (but need to be) removed from this collection.

ICR Number	FERC Docket Number	Completed Burden Hours Remaining in Inventory	Due Date of One-Time Filing
199611-1902-004	RM96-1-003	194,648	November 1997
199611-1902-004	RM96-1-007 (Proposed Rule)	1 ⁶	June 1999
199805-1902-001	RM96-1-007 (Final Rule)	4,184	June 1999
199901-1902-001	RM96-1-011	242,730	August 1999
200012-1902-005	RM96-1-015	164,238	May 2001
200505-1902-003	RM96-1-026	243,102	September 2005
200707-1902-002	RM96-1-027	1,860	November 2007
200905-1902-001	Adjustment	62,713	July 2009
201004-1902-002	RM96-1-030	2,860	November 2010
Total Hours		916,336	

Adjustment. In Version 1.2 of the standards, the Commission adopted a reoccurring record retention requirement. Since the number of applicable entities has increased since Version 1.2 was implemented, the Commission is adjusting the burden associated with the record retention requirement [a total of 4,624 hours (an additional 63 companies at 68 hours per company)].

Usual and customary burden for new entrants. The Commission considers the burden for new entrants into the natural gas industry to be “usual and customary” and therefore exempt from the PRA⁷ and not included in the ongoing estimate for the FERC-549C. FERC makes this determination because in order for an entity to enter the market and do business, it must abide by the standards that the existing entities are already following. For example, if a new entity did not follow the existing standards, it would not be able to conduct business in the natural gas market. Thus the *existing* industry business practice standards are “usual and customary” for any applicable entity that chooses to enter the natural gas industry because they have to follow them in order to operate their day-to-day business practices and to communicate with their various stakeholders. The Commission

⁶ The Office of Management and Budget approved one hour for the collection at the proposed rule stage.

⁷ See OMB’s implementing regulations at 5 CFR 1320.3(b)(2)

will continue to evaluate the burden effect on existing natural gas companies resulting from changes to the existing business practice standards as such changes arise.

Summary table of changes to burden hours:

	Burden Hours
Current Inventory	922,660
Program Increase, due to final rule in RM96-1-037	+3,542
Program Decrease, due to completion of various earlier collections	-916,336
Adjustment, to reflect change in number of companies	+4,624
New Inventory	14,490

[The net program change is -912,794 hours (increase of 3,542 hours and decrease of 916,336 hours.)]

Total Burden Hour Costs. The total estimated annual cost associated with the burden hours is \$550,977 (\$244,433 + \$306,544). It includes:

Total standards implementation cost (and total burden cost for the final rule in RM96-1-037): \$244,433 (3,542 hours * \$69.01/hour⁸)

Total record retention cost: \$306,544 (10,948 hours⁹ * \$28/hour¹⁰).

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There are no capital or start-up costs not associated with the burden hours.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

⁸ \$143,540/year/2080 hours/year = \$69.01/hour, rounded. This figure is based on a FERC staff average salary plus benefits. It is assumed that respondents to this collection are compensated similarly to FERC staff.

⁹ This is the total burden for the existing record retention requirement. 4,624 hours associated to account for an increase in the number of entities complying and the remaining 6,324 for entities already accounted for, giving a total of 10,948 hours.

¹⁰ The record keeping cost is based on a FERC staff research of average record retention costs.

The estimated annualized cost to the Federal Government related only to the requirements as contained in the Final Rule are shown below:

Data Requirement Number	Analysis of Data (FTEs)¹¹ (1)	Estimated Salary Per Year¹² (2)	FERC Forms Clearance (3)	Total Cost One year's Operation [(1)*(2)]+(3)
FERC-549C	.75	\$143,540	\$1,588	\$109,243

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

The following tables show how the currently approved inventory for FERC-549C will be affected, in aggregate, by the new/modified information collection requirements, by the adjustment in the number of entities subject to this collection (for the Version 1.2 record keeping requirement), and by the removal of burden associated with completed implementation of previous versions of the standards. The format, labels, and definitions of the table follow the ROCIS system's "ICR Summary of Burden" for the meta-data.

FERC-549C	Requested	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Previously Approved
Annual Number of Responses	161	-	-469	630
Annual Time Burden (Hr)	14,490	-912,794	+4,624	922,660
Annual Cost Burden (\$)	0	-	-	0

The decrease in number of responses in the 'adjustment' column above is due to correcting the manner in which this collection had been submitted previously.

Previously, the Commission had estimated approximately 5 responses per respondent per year. Because the ongoing burden is associated with business practice standards and not with discrete reporting requirements, the Commission is using one response per year per respondent (161 total respondents).

The main reason for the significant reduction in the burden is the removal of hours associated with completed information collection requirements. There is also an increase

¹¹ An "FTE" is a "Full Time Equivalent" employee that works the equivalent of 2,080 hours per year.

¹² "Salary" represents the allocated cost per gas program employee at the Commission based on its appropriated budget for fiscal year 2012. The \$143,540 "salary" consists of salary and benefits

in the burden due to an adjustment as well as the incorporation of the latest NAESB WGQ business practice standards. The provisions in the Final Rule upgrade the Commission's current business practices and communication standards by specifically: (1) adding and revising standards allowing the elimination of EDI requirements for Capacity Release Upload information; (2) creating and modifying existing information posting requirements for websites and browsers; (3) requiring pipelines to provide security information; (4) providing for the posting of information on waste heat recovery feasibility on the Internet; (5) modifying pipeline notice content and creating new pipeline notice types; and (6) creating standards to ensure NAESB data format is consistent with other data reporting via the Internet by using CSV.

As noted in item 12, the Commission considers the burden for an entity to enter the market as "usual and customary" and therefore exempt from the PRA.¹³

The implementation of these data requirements will provide additional transparency to informational posting web sites and will improve communication standards, including gas-electric communications. The implementation of these standards and regulations will promote the additional efficiency and reliability of the gas industries' operations thereby helping the Commission to carry out its responsibilities under the Natural Gas Act of promoting the efficiency and reliability of the gas industries' operations. In addition, the Commission's Office of Enforcement will use the data for general industry oversight.

16. TIME SCHEDULE FOR PUBLICATION OF THE DATA

Any data contained in the FERC-549C are not published.

17. DISPLAY OF EXPIRATION DATE

The FERC-549C requirements will be part of the Commission's regulations and the required information will not be filed and posted on formatted/printed forms. This prevents the display of 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 the FERC-549C. In addition and as in noted in Item 17 above, the FERC-549C does not have a format that allows the display of an OMB control number.

¹³ See OMB's implementing regulations at 5 CFR 1320.3(b)(2)