

Supporting Statement
**FERC-923, Communication of Operational Information
between Natural Gas Pipelines and Electric Transmission Operators,
in Docket No. RM13-17, Notice of Proposed Rulemaking (NOPR)¹, issued 7/18/2013**

Background

The Federal Energy Regulatory Commission (FERC or Commission) is proposing to revise its regulations (at 18CFR38.2 and 284.12(b)(4)) to provide explicit authority to interstate natural gas pipelines and public utilities that own, operate, or control facilities used for the transmission of electric energy in interstate commerce to share non-public, operational information with each other for the purpose of promoting reliable service and operational planning on either the pipeline's or public utility's system.² This proposal will help ensure the reliability of natural gas pipeline and public utility transmission service by permitting transmission operators to share the information that they deem necessary with each other to promote the reliability and integrity of their systems.

The information will not be submitted to FERC; rather the non-public information will be shared voluntarily between industry entities. FERC is not prescribing the content, medium, format, or frequency for the information sharing and communications; those decisions will be made by the industry entities, depending on their needs and the situation.

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

In recent years, reliance on natural gas as a fuel for electric generation has steadily increased.³ This trend is expected to continue into the future, resulting in greater interdependence between the natural gas and electric industries.⁴ Several events over the last few years, such as the Southwest Cold Weather Event,⁵ demonstrated the crucial interconnection between natural gas pipelines and electric transmission operators and the need for robust communication between these industry sectors to ensure that both systems operate safely and effectively for the benefit of their customers.

1 <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13308690>

2 For ease of reference, we will refer to these entities collectively as "transmission operators."

3 See, e.g., Energy Information Administration, *Fuel Competition in Power Generation and Elasticities of Substitution* (June 2012). Other references are provided in the NOPR.

4 See, e.g., North American Electric Reliability Corporation, 2013 Special Reliability Assessment: Accommodating an Increased Dependence on Natural Gas for Electric Power; Phase II: A Vulnerability and Scenario Assessment for the North American Bulk Power System at 1 (May 2013).

5 Additional information on the Southwest Cold Weather Event (of February 1-5, 2011) is available on ferc.gov (Report at <http://www.ferc.gov/legal/staff-reports/08-16-11-report.pdf>, and Presentation at <http://www.ferc.gov/EventCalendar/Files/20110915110000-A-4-presentation.pdf>).

As highlighted further in # 8 below, the Commission has compiled inputs from the various entities to better understand the interface between the electric and natural gas pipeline industries and identify areas for improved coordination and communication between their operators. Specifically, and after several regional conferences, it was established that further sharing of non-public, operational information between transmission operators could enhance system reliability and contingency planning in both industries. However, some members of the public have indicated that there is a real or perceived prohibition (statutory and/or regulatory) on the sharing of certain non-public information. For example, several transmission operators pointed out that there is general reluctance to share information because of concerns that do so could be a violation of current laws (Federal Power Act and Natural Gas Act), regulations or tariffs. Electric generators expressed concern about the communication of generator-specific information between an electric transmission operator and a pipeline operator without the generator's knowledge. Other comments expressed concern regarding the potential harm to industry participants or the potential for improper use of material resulting from increased communication. This proceeding seeks to address those concerns, and the Commission is proposing to revise its regulations to authorize expressly the exchange of non-public, operational information between electric transmission operators and interstate natural gas pipelines.

The revised regulations are in sections 38.3(a) which applies to any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce subject to a No-Conduit Rule, and to section 284.12(b), which applies to any interstate pipeline. The proposed changes in sections 38.3(a) and 284.12(b) will authorize public utilities providing transmission service and natural gas pipelines to share non-public, operational information when such information is for the purpose of promoting reliable service or operational planning.

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

Note that this non-public information (FERC-923) will be communicated and shared between various industry entities and is not being submitted to FERC.

Entities from both electric and natural gas industries have already begun efforts to improve coordination, however further sharing of non-public, operational information between transmission operators could enhance system reliability and contingency planning in both industries. The information sharing and communications between industry entities are voluntary, although there are restrictions on providing the non-public information to third parties or marketing entities.

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

FERC is removing actual or perceived impediments to the information sharing and communications between industry entities.

FERC is not prescribing the content, medium, format, or frequency for the information sharing and communications. The decisions on content, medium, format, and frequency will be made by the industry entities, depending on their needs.

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

As detailed in #8 below, the Commission has issued multiple notices and held several conferences to obtain public feedback and comments on the situation, challenges, issues, and possible areas for improvement. The data the industry entities may choose to share are non-public and in many cases current or time-sensitive operational data. The information is not available elsewhere.

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

The information sharing is voluntary and between industry entities that believe sharing the non-public information is useful for the purposes of reliability and operations.

The SBA has established a size standard for electric utilities, electric power distribution, and electric bulk power transmission and control, stating that a firm is small if, including its affiliates, it is primarily engaged in the transmission, generation and/or distribution of electric energy for sale and its total electric output for the preceding fiscal year did not exceed four million megawatt hours.⁶ For pipeline transportation of natural gas, the SBA defines a small entity as having a maximum annual receipt of \$25.5 million dollars.⁷ The Commission estimates a total of 13 “small” entities (or 5% out of the total 269 entities)⁸ are affected by the NOPR. The estimated annual cost of the proposal for each respondent, large or small, is \$362.46.

6. CONSEQUENCE TO FEDERAL PROGRAM IF COLLECTION WERE CONDUCTED LESS FREQUENTLY

The frequency and content of the information being shared is not determined by FERC; rather it is determined by the affected entities based on operational circumstances.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

There are no special circumstances.

8. DESCRIBE EFFORTS TO CONSULT OUTSIDE THE AGENCY: SUMMARIZE PUBLIC COMMENTS AND THE AGENCY’S RESPONSE

6 13 CFR 121.201, Sector 22, Subsector 221, Utilities & n.1.

7 Based on 13 CFR 121.201, Sectors 48-49, Subsector 486, Pipeline Transportation, the annual receipts indicate the maximum allowed for a concern and its affiliates to be considered “small.”

8 Based on the SBA definitions and including affiliates, the number of “small” entities is estimated to be:

- for public utility transmission providers, 5 small public utilities; and
- for natural gas pipelines, 8 small interstate natural gas pipelines.

On February 15, 2012, the Commission issued a notice in Docket No. AD12-12-000 requesting comments on various aspects of gas-electric interdependence and coordination in response to questions posed by members of the Commission. In order to better understand the interface between the electric and natural gas pipeline industries and identify areas for improved coordination, the questions covered a variety of topics including market structure and rules, scheduling, communications, infrastructure and reliability. In response to the notice, the Commission received comments from 79 entities, with some raising concerns that current laws, regulations, or tariffs may hinder the sharing of such information.

During August 2012, the Commission convened five regional conferences for the purpose of exploring these issues and obtaining further information from the electric and natural gas industries regarding coordination between the industries. Representatives from a cross-section of both industries attended the regional conferences, with total attendance exceeding 1,200 registrants. Among the topics discussed at the conferences were communications, coordination, and information-sharing. Participants at multiple conferences again expressed concern that Commission rules and policies could be impeding further efforts to improve communication between the industries. Some natural gas pipelines and Regional Transmission Organizations and Independent System Operators (RTOs/ISOs) also noted that, although they make significant amounts of operational information publicly available, there is reluctance to share information on a more granular level because of concerns about violating statutory prohibitions against undue preference for any customer or customer class.⁹

On November 15, 2012, the Commission issued an order directing further technical conferences and reports. In the November 15 Order, the Commission acknowledged the concerns regarding communications between the two industries, but found that there was little specific discussion of potential clarifications or potential changes to the Commission's regulations. The Commission, therefore, directed Commission staff to convene a technical conference to identify areas in which additional Commission guidance or potential regulatory changes could be considered.¹⁰

Pursuant to the November 15 Order, on December 7, 2012, a Notice of Request for Comments and Technical Conference to be held on February 13, 2013 was issued on information sharing and communication issues between the natural gas and electricity industries.¹¹ Interested parties were asked to file comments prior to the technical conference on three questions related to communications and information sharing. Twenty-seven comments were filed in response to the December 7 Notice, and more than 350 persons, representing a cross-section of industry, registered for the technical conference.

⁹ See FERC Staff Report on Gas-Electric Coordination Technical Conferences (Nov. 2012), available at <http://www.ferc.gov/legal/staff-reports/11-15-12-coordination.pdf> (November 15 Staff Report).

¹⁰ Coordination between Natural Gas and Electricity Markets, 141 FERC ¶ 61,125 (2012) (November 15 Order).

¹¹ *Coordination between Natural Gas and Electricity Markets*, Docket No. AD12-12-000 (Dec. 7, 2012) (Notice Of Request for Comments and Technical Conference) (<http://www.ferc.gov/EventCalendar/Files/20121207134434-AD12-12-000TC1.pdf>); 77 Fed. Reg. 74180 (Dec. 13, 2012) (<http://www.gpo.gov/fdsys/pkg/FR-2012-12-13/pdf/2012-30063.pdf>).

The public comments, presentations, staff report, notices, and agendas, etc. are available in FERC's eLibrary system.¹²

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

The Commission does not make payments or provide gifts for respondents related to this collection.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

The sharing of the non-public data occurs between industry entities; the data are not provided to FERC. Based on the NOPR, recipients of the non-public, operational information would be subject to a No-Conduit Rule that prohibits subsequent disclosure of that information to an affiliate or third party.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE

The sharing of the non-public data occurs between industry entities; the data are not provided to FERC. The content of the data being shared is determined by the entities involved based on reliability needs and the operational situation.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

The proposed communications and information sharing are voluntary, take place between various industry entities (and are not submitted to the Commission), and are intended to promote reliable service and operational planning. While the extent of such communications likely will vary significantly across the country, the following estimates represent an expected average. The annual estimates reflect burden for operational contacts and emergencies.

FERC-923, Communication of Operational Information Between Natural Gas Pipelines and Electric Transmission Operators, as proposed in NOPR in Docket No. RM13-17¹³					
Type of Entity (1)	No. of Respondents (2)	Number of Responses Per Respondent¹⁴ (3)	Average Burden Hours per Response (4)	Total Annual Burden Hours (2)*(3)*(4)=(5)	Total Annual Cost)¹⁵ (5)*(\$60.41/hr.)=(6)

12 In the eLibrary system at <http://elibrary.ferc.gov/idmws/search/fercadvsearch.asp>, do a docket search on AD12-12.

13 Columns 5 and 6 are rounded.

14 The Commission estimates an annual average per entity of 12 responses (including electricity and gas emergency and/or operational contacts).

15 The hourly costs (for salary plus benefits) are based on the Bureau of Labor Statistics Occupational Outlook Handbook, 2012-2013 edition (at <http://www.bls.gov/ooh/>). The estimated costs are \$125,647 annually or \$60.41 hourly.

Public Utility Transmission Provider	132 ¹⁶	12	0.50	792	\$47,845
Interstate Natural Gas Pipelines	137 ¹⁷	12	0.50	822	\$49,657
Total	269	12	0.50	1,614	\$97,502

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There are no start-up, capital, or other non-labor hour cost associated with the proposed FERC-923.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

The estimated federal cost follows.

Type of Cost	Estimated Annual Federal Cost ¹⁸
PRA Administration Cost ¹⁹	\$2,250
FERC Total	\$2,250

(Because the information is not submitted to FERC, there is no federal cost associated with processing and analysis of the data.)

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

Based on public comments received since 2/15/2012, the Commission is removing perceived or actual barriers for information sharing between gas and electric industry transmission operators for the purposes of reliability and operational planning. The information sharing and communications are voluntary between industry participants and are not provided to FERC.

16. TIME SCHEDULE FOR PUBLICATION OF DATA

The Commission does not make payments or provide gifts for respondents related to this collection.

17. DISPLAY OF EXPIRATION DATE

It is not appropriate to display the expiration date because the information is not collected on a preformatted form or in any format that would allow for such a display.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

16 Of the 132 public utility transmission providers, five (5) are considered “small” using the SBA definition.

17 The 2012 filings of the Forms 2 and 2A indicated that there are 137 interstate natural gas pipelines. Of those pipelines, eight (8) are considered small using the definition of the Small Business Administration (at 13 CFR 121.301), including the affiliate.

18 Based on 2013 cost per FTE of \$145,818

19 The PRA Administration Cost is based on the Commission’s estimated staff time and resources to comply with the requirements of the PRA.

Proposed FERC-923 (OMB Control No. 1902-TBD)
Docket No. RM13-17-000, Proposed Rule issued 7/18/2013
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The Commission does not use statistical methods for this collection. Therefore the Commission does not certify that the collection uses statistical methods.