



April 16, 2015

Commissioner Cheryl A. LaFleur

STATEMENT

Statement of Commissioner Cheryl A. LaFleur on Gas-Electric Coordination

"Today's Final Rule, which revises our regulations related to scheduling of transportation service on interstate pipelines, is the culmination of over three years of collaborative efforts among the Commission, its staff, the electric and natural gas sectors, state regulators, and other interested stakeholders. I support this order because these revisions to natural gas scheduling practices are an important step in promoting coordination between the natural gas and electric markets.

"Over three years ago, the Commission identified a growing concern related to gas-electric interdependence, in light of the nation's increasing reliance on natural gas for electric generation. In response, the Commission started a dialogue, including several regional and national technical conferences, regarding the potential need for better coordination between the natural gas and electricity markets. Based on the record we assembled, the Commission identified two cross-cutting issues that warranted national attention: communications between natural gas and electric operators, and natural gas and electric scheduling and capacity release issues.

"In March 2014, the Commission issued a Notice of Proposed Rulemaking (NOPR) that proposed changes to nationwide gas scheduling practices. While we put forward a proposal in the NOPR, the Commission provided the electricity and natural gas industries six months to utilize the NAESB process to attempt to reach consensus on a proposal - whether the Commission's or an alternative. Today's Final Rule revises our regulations to incorporate by reference modified NAESB Wholesale Gas Quadrant Business Practice Standards developed through that process, to change the timing for the day-ahead Timely Nomination Cycle and to add an intraday nomination cycle.

"This order illustrates how the Commission can engage with industry and stakeholders in a collaborative process to offer real improvements in our natural gas and electricity markets. I believe that the Final Rule strikes the appropriate balance by offering more flexibility to all shippers on interstate pipelines, changing the nationwide Timely Nomination Cycle nomination deadline, and adding an additional intraday nomination cycle. Notably, while the Commission had proposed to change the start time for the gas day in the NOPR issued last year, I was persuaded that there was simply insufficient justification for making that change at this time.

In particular, I would like to thank FERC staff, NAESB industry volunteers, and NAESB staff, all of whom have worked hard on these issues.

"Today's order is not the end of the Commission's work on these issues. The RTOs and ISOs are now required to file tariff revisions to coordinate their markets with the changes adopted in this Final Rule, or show cause why such changes to existing scheduling practices are not needed.

"In addition, beyond national issues such as scheduling, regional efforts should continue to address aspects of gas/electric coordination, particularly fuel assurance in competitive electric markets that are heavily or increasingly dependent on natural gas. In particular, ISO-NE and PJM have undertaken market reforms to promote fuel assurance in their respective footprints, some of which are still pending before the Commission, and efforts are underway in New England to assess and address regional needs for natural gas infrastructure. I will be closely following these efforts as they go forward."