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DEPARTMENT OF ENERGY

FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Part 284

[Docket No. RM96-1-037]

Standards for Business Practices for Interstate Natural Gas Pipelines

AGENCY: Federal Energy Regulatory Commission, DOE.

ACTION: Notice of Proposed Rulemaking.

SUMMARY: The Federal Energy Regulatory Commission (Commission) is proposing to amend its regulations at 18 CFR § 284.12 to incorporate by reference the latest version (Version 2.0) of business practice standards adopted by the Wholesale Gas Quadrant of the North American Energy Standards Board (NAESB) applicable to natural gas pipelines.¹ The Commission also proposes to provide guidance on the standards the Commission applies to requests for waivers or extensions of time to comply with NAESB Standards. These standards can be obtained from NAESB at 1301 Fannin, Suite 2350, Houston, TX 77002, telephone: (713) 356-0060, <http://www.naesb.org>, and are available for viewing in the Commission's Public Reference Room.

DATES: Comments are due [insert date 30 days after publication in the **FEDERAL**

¹ The Commission's proposal includes incorporation of the minor corrections and errata to the Version 2.0 Standards made by NAESB and reported to the Commission on June 28, 2011, October 11, 2011 and December 22, 2011.

REGISTER].

ADDRESSES: Comments, identified by docket number, may be filed in the following ways:

- Electronic Filing through <http://www.ferc.gov>. Documents created electronically using word processing software should be filed in native applications or print-to-PDF format and not in a scanned format.
- Mail/Hand Delivery: Those unable to file electronically may mail or hand-deliver comments to: Federal Energy Regulatory Commission, Secretary of the Commission, 888 First Street, NE, Washington, DC 20426.

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SUPPLEMENTARY INFORMATION:

138 FERC ¶ 61,124
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Standards for Business Practices for
Interstate Natural Gas Pipelines

Docket No. RM96-1-037

NOTICE OF PROPOSED RULEMAKING

(February 16, 2012)

1. The Federal Energy Regulatory Commission (Commission) proposes to amend its regulations at 18 CFR 284.12 to incorporate by reference the latest version (Version 2.0) of business practice standards adopted by the Wholesale Gas Quadrant (WGQ) of the North American Energy Standards Board (NAESB) applicable to natural gas pipelines. The Commission also proposes to provide guidance on the standards the Commission applies to requests for waivers or extensions of time to comply with NAESB Standards. The Commission's proposal includes incorporation of the minor corrections and errata made by NAESB and reported to the Commission on June 28, 2011, October 11, 2011, and December 22, 2011.

I. Background

2. Since 1996, the Commission has adopted regulations to standardize the business practices and communication methodologies of interstate natural gas pipelines to create a more integrated and efficient pipeline grid. These regulations have been promulgated in

the Order No. 587 series of orders,² wherein the Commission has incorporated by reference standards for interstate natural gas pipeline business practices and electronic communications that were developed and adopted by NAESB's WGQ. Upon incorporation by reference, this version of these standards will become part of the Commission's regulations and compliance by interstate natural gas pipelines will become mandatory.

3. 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.

4. On June 28, 2011, NAESB filed a report informing the Commission that it had made modifications to the NAESB WGQ Version 1.9 and 2.0 Standards to correct various minor errors. The errata corrections make minor revisions to the NAESB WGQ

² This series of orders began with the Commission's issuance of *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587, FERC Stats. & Regs. ¶ 31,038 (1996).

Standards and Data Elements including revisions to the: (1) Datasets for Additional Standards; (2) Nomination Related Datasets; (3) Flowing Gas Related Standards; (4) Invoicing Related Datasets; (5) EDM Related Standards; and (6) Capacity Release Related Standards and Datasets.

5. Further, on October 11, 2011, NAESB filed a report informing the Commission that it had made additional modifications to the NAESB WGQ Version 2.0 Standards to correct various minor errors in the Nominations Related and Capacity Release Related Datasets.

6. Finally, on December 22, 2011, NAESB filed a report informing the Commission that it had made additional modifications to the NAESB WGQ Version 1.9 and 2.0 Standards to correct various minor errors. The errata corrections make minor revisions to the NAESB WGQ Standards and Datasets including revisions to the: (1) Nominations Related Datasets; (2) Capacity Release Related Datasets; and (3) Quadrant Electronic Delivery Mechanism Related Standards.

II. Significant Changes and Additions Contained in the Version 2.0 Standards

A. Gas-Electric Communications

7. In Order Nos. 698 and 698-A,³ the Commission incorporated by reference the NAESB Wholesale Electric Quadrant (WEQ) and WGQ Gas/Electric Coordination Standards. These standards were adopted to ensure that pipelines have relevant planning

³ *Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities*, Order No. 698, FERC Stats. & Regs. ¶ 31,251, order on clarification and reh'g, Order No. 698-A, 121 FERC ¶ 61,264 (2007).

information to assist in maintaining the operational integrity and reliability of pipeline service, as well as to provide gas-fired power plant operators with information as to whether hourly flow deviations can be honored. The standards also required electric transmission operators and power plant operators to sign up to receive operational flow order notices from connecting pipelines as well as other critical notices. These standards ensured that operators of the electric grid could stay abreast of developments involving natural gas pipelines that can affect the reliability of electric service. The standards required that, upon request, a gas-fired power plant operator must provide to the appropriate independent 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).⁴

8. In the NAESB WGQ Version 2.0 Standards, NAESB modified and developed additional standards to further enhance that coordination. NAESB made modifications to its WGQ Standards 4.3.28, 4.3.29, and 5.3.38 and developed new Standards 5.3.70 and 5.3.71 to enhance the clarity of the content and format of critical, non-critical, and planned service outage notices issued by pipelines. These modifications were made to allow Transportation Service Providers the flexibility to communicate additional clarity beyond the currently defined notice types through the addition of 15 new notice types. The expansion from the current 12 notice types to 27 notice types increases the ability of

⁴ Order No. 698, FERC Stats. & Regs. ¶ 31,251 at P 12-13.

pipelines to detail the subject matter of the notices.⁵ The expansion also allows the notices to be easily identified and sorted, thereby promoting easier prioritization and organization of these communications. Some of the notices that may be of particular relevance to coordination between the gas and electric industries are: operational alerts; over-under performance; pipeline conditions; planned service outages; storage and weather alerts.

9. NAESB modified the existing gas-electric coordination WGQ Standards 0.2.1 through 0.2.3, 0.3.11 through 0.3.15; and created a new Standard 0.2.4 to further define the roles and responsibilities of each participant under the Gas/Electric Operational Communication Standards promulgated in Order No. 698. Specifically, NAESB modified the WGQ Standards in order to define the terms Reliability Coordinator and Power Plant Gas Coordinator to replace existing terminology of Regional Transmission Organizations, Independent System Operators, any other appropriate independent transmission operators, and Power Plant Operators respectively. NAESB modified WGQ Standard 0.3.14 to change the parties to whom pipelines are required to provide notification of operational flow orders and other critical notices. Pipelines are now

⁵ The new Version 2.0 Notice Types subjects are: Computer System Status; Customer Services Update; Gas Quality; Imbalance Trading; Location Change; Operational Alert; Over-Under Performance; Pipeline Conditions; Planned Service Outages; Storage; Weather Alert; Capacity Release; Cash Out (cash liquidation of transportation imbalances); PTR (Plant Thermal Reduction) Percentage (this is the amount a nomination is to be reduced due to natural gas processing); and Scheduling Alert (information regarding scheduled gas quantities and potential revisions and/or adjustments).

required to provide Balancing Authorities and/or Reliability Coordinators, and Power Plant Gas Coordinators such information.

B. Capacity Release Upload Transactions

10. In the NAESB WGQ Version 2.0 Standards, NAESB sought to modify electronic capacity release transaction standards to reflect NAESB's elimination of the largely unused EDI requirements for Capacity Release Upload information. NAESB added two standards related to notices provided by Transmission Service Providers and one standard related to error messages. The NAESB WGQ Version 2.0 Standards also add four new capacity release standard datasets to replace fourteen Version 1.9 Datasets that NAESB deleted in an effort to restructure and simplify capacity release transactional information.

C. Electronic Delivery Mechanism (EDM)

11. In the NAESB WGQ Version 2.0 Standards, NAESB adopted several standards to ensure the consistency of Transportation Service Provider website data labels as well as the ability to provide Informational Postings report downloads in a comma-separated-value (CSV) file format. These changes were undertaken to ensure that NAESB's technical standards remain consistent with current technical practices.

D. Customer Security Administration

12. In the NAESB WGQ Version 2.0 Standards, NAESB adopted Standard 4.3.100 to support the CSA processes. This new standard establishes a timeline for a Transportation Service Provider to respond to a request from a service requester for information, such as user name and security privileges, regarding those parties permitted to access the Transportation Service Provider's "Customer Activities" Website on the service

requester's behalf. The new standard also establishes the number of representatives a service requester can authorize to receive such information and details the related user management responsibilities of the service requester.

E. Waste Heat Recovery Feasibility

13. NAESB sought to facilitate the Commission's FY 2009 – 2014 Strategic Plan⁶ objective of evaluating the feasibility of installing waste heat recovery systems as a way to promote the efficient design and operation of jurisdictional natural gas facilities. NAESB WGQ Version 2.0 Standard 4.3.23 specifies the location where information regarding the feasibility of waste heat recovery is to be posted on the Informational Postings sections of pipelines' websites.

F. Operationally Available and Unsubscribed Capacity

14. In the NAESB WGQ Version 2.0 Standards, NAESB added several new Standards, 0.3.18 through 0.3.22, and replaced an existing Dataset 5.4.13 with new Datasets 0.4.2 and 0.4.3, to further specify the information on operationally available and unsubscribed capacity that pipelines disseminate. NAESB indicates that these standards are intended to specify the Business Practice Standards and Dataset requirements for reporting operationally available and unsubscribed capacity. NAESB included these new Business Practice Standards in a new section entitled "Operating Capacity and Unsubscribed" in its Business Practice Standards for Additional Standards.

⁶ Federal Energy Regulatory Commission, Strategic Plan, FY 2009 – 2014 at 25. <http://www.ferc.gov/about/strat-docs/FY-09-14-strat-plan-print.pdf>.

G. Clean up and Miscellaneous Revisions

15. In the NAESB WGQ Version 2.0 Standards, NAESB also continued the process of making minor clarifications and corrections to existing standards including: (1) revising the formatting, appearance, or descriptions; (2) clarifying or correcting code values to tables; and (3) making minor non-substantive changes.

III. Discussion**A. Proposed Action**

16. In this NOPR, the Commission proposes to incorporate by reference in its regulations Version 2.0 of the NAESB WGQ's consensus business practice standards,⁷ with certain exceptions.⁸ Adoption of the Version 2.0 Standards will continue the

⁷ In its Version 2.0 Standards, the WGQ made the following changes to its Version 1.9 Standards:

- a. It revised Principle 4.1.32; Definitions 0.2.1, 0.2.2, 0.2.3, 5.2.1, 5.2.4, and 5.2.5; Standards 0.3.11 through 0.3.15, 2.3.34, 4.3.16, 4.3.23, 4.3.28, 4.3.29, 4.3.54, 5.3.1 through 5.3.14, 5.3.16, 5.3.19 through 5.3.21, 5.3.24 through 5.3.27, 5.3.31 through 5.3.33, 5.3.38, 5.3.42, 5.3.48, 5.3.50, 5.3.51, 5.3.60, 5.3.62, 5.3.62a, and 5.3.63 through 5.3.69; and Datasets 1.4.1 through 1.4.6, 2.4.1, 2.4.3, 2.4.4, 2.4.6, 2.4.7, 3.4.1, 3.4.4, 5.4.14 through 5.4.17, and 5.4.20 through 5.4.22.
- b. It added Definition 0.2.4; Standards 0.3.18 through 0.3.22, 4.3.100 through 4.3.102, 5.3.70 through 5.3.72; and Datasets 0.4.2, 0.4.3, and 5.4.24 through 5.4.27.
- c. It deleted Standards 5.3.17, 5.3.30, 5.3.43, and 5.3.61; and Datasets 5.4.1 through 5.4.13, 5.4.18, and 5.4.19.

⁸ We discuss in sub-section A.1 below, those NAESB WGQ Version 2.0 Standards that we propose not to incorporate by reference.

process of updating and improving NAESB's business practice standards for the benefit of the wholesale gas market.

17. As the Commission found in Order No. 587, adoption of consensus standards is appropriate because the consensus process helps ensure the reasonableness of the standards by requiring that the standards draw support from a broad spectrum of industry participants representing all segments of the industry.⁹ Moreover, because the industry has to conduct business under these standards, the Commission's regulations should reflect those standards that have the widest possible support. In section 12(d) of the National Technology Transfer and Advancement Act of 1995 (NTT&AA), Congress affirmatively requires federal agencies to use technical standards developed by voluntary consensus standards organizations, like NAESB, as a means to carry out policy objectives or activities.¹⁰

1. Proposal Not to Adopt Certain Standards

a. Standards Not Adopted in Previous Rulemakings

18. The Commission is continuing its past practice and is not proposing to incorporate by reference Standards 4.3.4 and 10.3.2, because they are inconsistent with the

⁹ The NAESB 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 percent of the WGQ's general membership voting must ratify the standards.

¹⁰ Pub. L. No. 104-113, section 12(d), 110 Stat. 775 (1996), 15 U.S.C. 272, note (1997).

Commission's record retention requirement in 18 CFR 284.12(b)(3)(v).¹¹ Also, consistent with past practice, we are not incorporating NAESB's interpretation of its standards into the Commission's regulations because, while interpretations may provide useful guidance, they are not determinative and we will not require pipelines to comply with NAESB's interpretations.¹² Likewise, consistent with prior practice we will not incorporate optional contracts into our regulations because the Commission does not require the use of these contracts.¹³ In addition, the Commission is not proposing to incorporate by reference the WEQ/WGQ eTariff Related Standards because the Commission has already adopted standards and protocols for electronic tariff filings based on the NAESB Standards.¹⁴

b. Standards 0.3.19 and 0.3.21

19. NAESB adopted new Standards¹⁵ and Datasets¹⁶ in Version 2.0 designed to specify the business practices for the dissemination of operationally available and

¹¹ See, e.g., *Standards for Business Practices for Interstate Natural Gas Pipelines*, Final Rule, Order No. 587-T, FERC Stats. & Regs. ¶ 31,289, at P 5 & n.9 (2009).

¹² *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676-E, FERC Stats. & Regs. ¶ 31,299, at n.16 (2009).

¹³ *Id.*

¹⁴ See *Electronic Tariff Filings*, FERC Stats. & Regs. ¶ 31,276 (2008).

¹⁵ NAESB WGQ Version 2.0 Standards 0.3.18 through 0.3.22.

¹⁶ NAESB WGQ Version 2.0 Datasets 0.4.2 and 0.4.3 were created to replace deleted NAESB WGQ Version 1.9 Dataset 5.4.13 (Operationally Available and Unsubscribed Capacity).

unsubscribed capacity information as required under section 284.13 of the Commission's regulations. The new NAESB WGQ Standards are intended to provide industry-wide standardization of certain data elements required to be provided as part of the Commission's reporting requirements for interstate pipelines. However, two of the proposed standards, WGQ Standards 0.3.19 and 0.3.21, appear to be inconsistent with the Commission's posting regulations.

20. NAESB WGQ Standard 0.3.19 states:

Operationally Available Capacity (OAC), Operating Capacity (OPC) and Total Scheduled Quantity (TSQ) are associated information and should be reported at the same level. Transportation Service Providers should report OAC, OPC and TSQ at, at least one of, point, segment or zone level.

21. While this standard allows the pipeline to choose whether to post Operationally Available Capacity, Operating Capacity, and Total Scheduled Quantity at either a point, segment or zone level, section 284.13(d)¹⁷ of our regulations does not permit the pipeline

¹⁷ 18 CFR 284.13(d). Section 284.13(d) states in relevant part:

d) Capacity and flow information. (1) An interstate pipeline must provide on its Internet web site and in downloadable file formats, in conformity with §284.12 of this part, equal and timely access to information relevant to the availability of all transportation services whenever capacity is scheduled, including, but not limited to, the availability of capacity at receipt points, on the mainline, at delivery points, and in storage fields, whether the capacity is available directly from the pipeline or through capacity release, the total design capacity of each point or segment on the system, the amount scheduled at each point or segment whenever capacity is scheduled, and all planned and actual service outages or reductions in service capacity.

to limit the posting to a point, segment, or zone, but requires posting at all receipt and delivery points and on the mainline. Section 284.13(d) states that the pipeline must post “information relevant to the availability of all transportation services whenever capacity is scheduled, including, but not limited to, the availability of capacity at receipt points, on the mainline, at delivery points, and in storage fields.” Because the NAESB standards are intended to implement Commission posting requirements, we are concerned about inconsistencies between those standards and the regulations. We therefore are proposing not to incorporate by reference Standard 0.3.19 and pipelines are expected to continue to post information in accordance with § 284.13 of the Commission’s regulations.

22. NAESB WGQ Standard 0.3.21 states:

The Total Scheduled Quantity and the Operationally Available Capacity information should be updated by the Transportation Service Provider to reflect scheduling changes and be reported promptly following the scheduling deadline associated with the timely and evening nominations cycles.

While this standard requires the posting of information only at the timely and evening nominations cycles, section 284.13(d) does not limit the posting to only two cycles but requires the posting of capacity availability and scheduled capacity “whenever capacity is scheduled.” This would include postings for the two intra-day cycles during the gas day.¹⁸

¹⁸ NAESB Standard 1.3.2 established four nomination cycles (Timely, Evening, Intra-day 1, and Intra-Day 2).

23. We therefore are proposing not to incorporate by reference Standard 0.3.21. While NAESB is considering a revision to Standard 0.3.21, pipelines are expected to continue to adhere to the regulations and post available capacity at the four intra-day nomination opportunities. In addition, we note that some pipelines are providing additional nomination opportunities (such as hourly nominations) under certain rate schedules. The regulation requires posting “whenever capacity is scheduled,” which would include posting for these additional nomination opportunities as well as posting for the standard four nomination periods.

B. Proposed Implementation Procedures

24. The Commission proposes that natural gas pipelines be required to implement the NAESB WGQ Version 2.0 Standards in accordance with the following schedule. We propose to require compliance with the NAESB WGQ Version 2.0 Standards beginning on the first day of the month after the fourth full month following issuance of the final rule. So if the final rule were issued on February 17, 2012, compliance would be required beginning on July 1, 2012. Based on past practice, we are proposing this implementation schedule to give the natural gas pipelines subject to these standards adequate time to implement these changes. In addition, the Commission proposes that pipelines be required to file tariff records to reflect the changed standards at least two months before the implementation date.

25. The Commission also proposes to revise the compliance filing requirements to increase the transparency of the pipelines’ incorporation by reference of the NAESB

WGQ Standards so that shippers and the Commission will know which tariff provisions implements each standard as well as the status of each standard.

- (1) The pipelines should designate a single tariff section under which every NAESB standard is listed.¹⁹
- (2) For each standard, the pipeline would indicate in the tariff section listing all the NAESB standards:
 - (a) whether the standard is incorporated by reference;
 - (b) for those standards not incorporated by reference, the tariff provision that complies with the standard;²⁰ and
 - (c) an indication as to whether the pipeline has been granted a waiver, extension of time, or other variance with respect to compliance with the standard.²¹
- (3) If the pipeline is requesting a continuation of an existing waiver or extension of time, it must include a table in its transmittal letter that indicates the

¹⁹ This section should be a separate tariff record under the Commission's electronic tariff filing requirement and be filed electronically using the eTariff portal using the Type of Filing Code 580.

²⁰ For example, pipelines are required to include the full text of the NAESB nomination timeline standards (WGQ Standards 1.3.2(i-v) and 5.3.2) in their tariffs. *Standards for Business Practices for Interstate Natural Gas Pipelines*, Final Rule, Order No. 587-U, FERC Stats. & Regs. ¶ 31,307, at P 39 & n.42 (2010). The pipeline would indicate which tariff provision complies with each of these standards.

²¹ Shippers can use the Commission's electronic tariff system to locate the tariff record containing the NAESB standards, which will indicate the docket in which any waiver or extension of time was granted.

standard for which a waiver or extension of time was granted, and the docket number or order citation to the proceeding in which the waiver or extension was granted.

This approach would give Commission staff and all shippers a common location that identifies the way the pipeline is incorporating all the NAESB WGQ Standards and the standards with which it is required to comply. The Commission will post on its eLibrary website (under Docket No. RM96-1-037) a sample tariff format, to provide filers an illustrative example to aid them in preparing their compliance filings.²²

C. Waivers and Extensions of Time

26. In previous compliance proceedings, there has been a marked increase in the number of requests for waivers or for extensions of time to comply with standards. The Commission's orders on these requests have developed a set of general principles which the Commission intends to follow in reviewing such requests in the future.²³ The following will help to clarify Commission policy regarding requests for waivers and extensions of time as well as the information that must be included with all such requests.

- (1) All waivers and extensions of time are limited to the individual set of NAESB standards being adopted (in this case NAESB WGQ's Version 2.0

²² <http://www.ferc.gov/docs-filing/elibrary.asp>.

²³ See *Standards for Business Practices for Interstate Natural Gas Pipelines, compliance order*, 133 FERC ¶ 61,096, at P 4 (October 28 Order), *further compliance order*, 133 FERC ¶ 61,185, at P 4 (2010) (November 30 Order); *B-R Pipeline Co.*, 128 FERC ¶ 61,126 (2009) (*B-R Pipeline*).

Standards). Pipelines will need to seek renewal of any such waivers or extensions for each version of the standards the Commission adopts.²⁴

(2) Waivers or extensions of time will not be granted for standards that merely describe the process by which a pipeline must perform a business function, if it performs that function, where the standard does not require the pipeline to perform the business function.²⁵ In such a case, as long as the pipeline does not perform the business function, it is not required to follow the standard and hence requires no waiver or extension of time. If, however, the pipeline revises its tariff to perform the business function, the standard(s) will already be in the tariff and the pipeline will be required to comply with the standard(s).²⁶

(3) If a pipeline is seeking a renewal of a waiver or extension of time request, it must provide a current justification for the request and must include a citation to

²⁴ In *B-R Pipeline*, 128 FERC ¶ 61,126 at P 6, the Commission stated that “each time the Commission adopts new versions of [the] standards ... pipelines must request waiver [or extension of time] of the new standards.”

²⁵ October 28 Order, 133 FERC ¶ 61,096 at P 9; November 30 Order, 133 FERC ¶ 61,185 at P 7.

²⁶ As an example, Standard 4.3.96 requires pipelines to provide hourly gas quality information “to the extent that the TSP is required to do so in its tariff or general terms and conditions, a settlement agreement, or by order of an applicable regulatory authority.” A pipeline that does not provide hourly gas quality information, therefore, does not require a waiver or extension of time for compliance with this standard, because the standard imposes no obligation on the pipeline to comply with the standard until it provides hourly gas quality information. See October 28 Order, 133 FERC ¶ 61,096 at P 9.

an order or the docket number of the proceeding in which the initial waiver or extension of time was granted.²⁷

(4) In cases in which pipelines maintain they should not be required to incur the costs of implementing standards shippers are not interested in utilizing, waivers ordinarily will not be granted. Instead, the approach to these requests will be to grant the pipeline an extension of time for compliance until 60 days after the pipeline receives a request to comply with the standard.²⁸ Waivers are justified only when the pipeline can demonstrate that there is good cause not to require the implementation of a standard even though shippers want to use the standard.

(5) The Commission generally will not entertain waiver or extension of time requests for NAESB WGQ Definitions (x.2.z Standards). The NAESB WGQ Definitions specify and elucidate specific terms of generally applicable business practices and do not require a pipeline to perform any action or incur expense to comply with such Definitions.

27. To provide guidance to pipelines in filing requests for waivers or extensions of time, the Commission also will explain its general policy regarding waivers of the four general categories of NAESB standards: (1) business practice standards; (2) requirements to conduct business electronically using the Internet (Internet Business Standards); (3) Commission Internet posting requirements (Internet Posting Standards);

²⁷ See Order No. 587-U, FERC Stats. & Regs. ¶ 31,307 at P 38-39.

²⁸ See *T.W. Phillips Pipeline Corp.*, 137 FERC ¶ 61,104, at P 11 (2011).

and (4) requirements to conduct computer-to-computer transactions using EDI. It is important for pipelines to identify clearly in their filings the specific standards from which they are seeking waivers or extensions of time. In particular, pipelines need to be clear as to whether they are requesting waivers of the Internet Requirements or the EDI requirements.

(1) Waivers or Extensions of Time to Comply with Business Practice Standards. Waivers or extensions of time to comply with business practice standards will generally be denied because these standards establish the basic principles on which business is required to be conducted. Nonetheless, if a pipeline believes such a waiver or extension of time to comply is justified, it must detail specific reasons why it seeks the waiver or extension of time to comply with the standard and address alternative methods by which it could comply with the principle of the standard.²⁹

(2) Waivers or Extensions of Time to Comply with the Internet Business Standards. Waivers or extensions of time to comply with the requirement to conduct business over the Internet generally will be granted based on a pipeline's individual circumstances, such as the size of the pipeline, the number of shippers, its ability to provide electronic services, the demand for such services, and

²⁹ See *Carolina Gas Transmission Corp.*, 131 FERC ¶ 61,211, at P 4 (2010); *MoGas Pipeline LLC*, 131 FERC ¶ 61,251, at P 7 (2010); *Granite State Gas Transmission, Inc.*, 132 FERC ¶ 61,262, at P 8 (2010) (requiring small pipelines to use manual methods of implementing index-based capacity releases).

alternative means by which the pipeline conducts the business practice. For smaller pipelines, the Commission has granted waivers of the Internet Business Standards when such pipelines have shown that complying with such standards would prove unduly burdensome.³⁰ For larger pipelines, the Commission has rarely granted waivers or extensions of time to comply with the Internet Business Standards.³¹ However, if a pipeline can demonstrate that shippers are not utilizing a standard, then the Commission will grant an extension of time to comply. Such an extension of time ensures that pipelines do not needlessly have to spend money revamping computer services that shippers do not use while, at the same time, ensuring that shippers have access to such services if they need them.

(3) Waivers or Extensions of Time to Comply with Internet Posting Standards.

The Commission rarely grants waivers or extensions of time to comply with the posting requirements because posting of this information is required by the Commission's regulations. The cost of maintaining and posting information on an Internet website is not great even for smaller pipelines.

(4) Waivers or Extensions of Time to Comply with EDI standards. The Commission generally will grant waivers or extensions of time to comply with the EDI requirements based on a pipeline's individual circumstances, such as the size

³⁰ October 28 Order, 133 FERC ¶ 61,096 at P 17-18; November 30 Order, 133 FERC ¶ 61,185 at P 9.

³¹ October 28 Order, 133 FERC ¶ 61,096 at P 17-18.

of the pipeline, the number of shippers, its ability to provide electronic services, the demand for such services, and alternative means by which the pipeline conducts the business practice. For smaller pipelines, the Commission generally grants waivers of the EDI Standards when such pipelines have shown that complying with such standards would prove unduly burdensome.³² For larger pipelines on which shippers are not utilizing a standard, in lieu of an outright waiver, the Commission generally will grant an extension of time until such time as a request is made to use EDI.³³ As with the EDI requirements relating to capacity releases,³⁴ NAESB also can review whether certain business transactions still need to be available through EDI, given the lack of usage, and pipelines can also seek such revisions from NAESB for EDI standards whose upkeep no longer appears to be cost justified.

IV. Notice of Use of Voluntary Consensus Standards

28. Office of Management and Budget Circular A-119 (section 11)

(February 10, 1998) provides that federal agencies should publish a request for comment in a NOPR when the agency is seeking to issue or revise a regulation proposing to adopt a voluntary consensus standard or a government-unique standard. In this NOPR, the

³² See *supra* n.29.

³³ See *supra* n.30; *Texas Eastern Transmission LP.*, 100 FERC ¶ 61,364 (2002) (granting an extension of time for unused EDI datasets, but requiring compliance with datasets for publicly available capacity release information).

³⁴ See *supra* P 10.

Commission is proposing to incorporate by reference voluntary consensus standards developed by the WGQ.

V. Information Collection Statement

29. The following collections of information contained in this proposed rule are being submitted to the Office of Management and Budget (OMB) for review under section 3507(d) of the Paperwork Reduction Act of 1995, 44 U.S.C. 3507(d). The Commission solicits comments on the Commission's need for this information, whether the information will have practical utility, the accuracy of the provided burden estimates, ways to enhance the quality, utility, and clarity of the information to be collected, and any suggested methods for minimizing respondents' burden, including the use of automated information techniques. The following burden estimates include the costs to implement the WGQ's definitions and business practice standards for interstate natural gas pipelines and electronic communication protocols. The burden estimates are primarily related to start-up to implement these standards and regulations and will not result in ongoing costs.

Data Collection	No. of Respondents	No. of Responses Per Respondent	Hours Per Response	Total No. of Hours
FERC-545 ³⁵	161	1	10	1,610
FERC-549C ³⁶	161	1	22	3,542
Totals				5,152

Total Annual Hours for Collections

(Reporting and Recordkeeping, if appropriate) = 5,152

Information Collection Costs: The Commission seeks comments on the costs to comply with these requirements. It has projected the average annualized cost for all respondents to be the following:³⁷

	FERC-545	FERC-549C
Annualized Capital/Startup Costs	\$94,990	\$208,987
Annualized Costs (Operations & Maintenance)	N/A	N/A
Total Annualized Costs	\$94,990	\$208,987

Total Cost for all Respondents = \$303,968

³⁵ Data collection FERC-545 covers rate change filings made by natural gas pipelines, including tariff changes (OMB Control No. 1902-0154).

³⁶ Data collection FERC-549C covers Standards for Business Practices of Interstate Natural Gas Pipelines (OMB Control No. 1902-0174).

³⁷ The total annualized cost for the two information collections is \$303,968. This number is reached by multiplying the total hours to prepare a response (hours) by an hourly wage estimate of \$59 (a composite estimate that includes legal, technical and support staff wages and benefits obtained from the Bureau of Labor Statistic data at http://bls.gov/oes/current/naics3_221000.htm and <http://www.bls.gov/news.release/ecec.nr0.htm> rates). $\$303,968 = \$59 \times 5,152$.

30. OMB regulations³⁸ require OMB to approve certain information collection requirements imposed by agency rule. The Commission is submitting notification of this proposed rule to OMB. These information collections are mandatory requirements.

Title: FERC-545, Gas Pipeline Rates: Rates Change (Non-Formal);

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

Action: Proposed collections

OMB Control Nos.: 1902-0154, 1902-0174

Respondents: Business or other for profit, (i.e., Natural Gas Pipelines, applicable to only a few small businesses.) Although the intraday reporting requirements will affect electric plant operators, the Commission is not imposing the reporting burden of adopting these standards on those entities.

Frequency of Responses: One-time implementation (business procedures, capital/start-up)

Necessity of Information: The proposals in this NOPR would, if implemented, 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) requiring the posting of information on waste heat recovery feasibility on the Internet; (5) modifying pipeline notice content and

³⁸ 5 CFR 1320.11.

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.

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.

Internal Review: The Commission has reviewed the requirements pertaining to business practices of natural gas pipelines and made a preliminary determination that the proposed revisions are necessary to establish more efficient coordination between the gas and electric industries. Requiring such information ensures both a common means of communication and common business practices to limit miscommunication for participants engaged in the sale of electric energy at wholesale and the transportation of natural gas. These requirements conform to the Commission's plan for efficient information collection, communication, and management within the natural gas pipeline industries. The Commission has assured itself, by means of its internal review, that there is specific, objective support for the burden estimates associated with the information requirements.

31. Interested persons may obtain information on the reporting requirements by contacting the following: Federal Energy Regulatory Commission, 888 First Street, NE,

Washington, DC 20426 [Attention: Ellen Brown, Office of the Executive Director, e-mail: DataClearance@ferc.gov, phone: (202) 502-8663, fax: (202) 273-0873].

32. Comments concerning the collection of information(s) and the associated burden estimate(s), should be sent to the contact listed above and to the Office of Management and Budget, Office of Information and Regulatory Affairs, Washington, DC 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, telephone: (202) 395-4638, fax: (202) 395-4718].

VI. Environmental Analysis

33. The Commission is required to prepare an Environmental Assessment or an Environmental Impact Statement for any action that may have a significant adverse effect on the human environment.³⁹ The Commission has categorically excluded certain actions from these requirements as not having a significant effect on the human environment.⁴⁰ The actions proposed here fall within categorical exclusions in the Commission's regulations for rules that are clarifying, corrective, or procedural, for information gathering, analysis, and dissemination, and for sales, exchange, and transportation of natural gas that requires no construction of facilities.⁴¹ Therefore, an environmental assessment is unnecessary and has not been prepared as part of this NOPR.

³⁹ Order No. 486, *Regulations Implementing the National Environmental Policy Act of 1969*, FERC Stats. & Regs. ¶ 30,783 (1987).

⁴⁰ 18 CFR 380.4.

⁴¹ See 18 CFR 380.4(a)(2)(ii), 380.4(a)(5), 380.4(a)(27).

VII. Regulatory Flexibility Act Certification

34. The Regulatory Flexibility Act of 1980 (RFA)⁴² generally requires a description and analysis of final rules that will have significant economic impact on a substantial number of small entities. The RFA mandates consideration of regulatory alternatives that accomplish the stated objectives of a proposed rule and that minimize any significant economic impact on a substantial number of small entities. The Small Business Administration's (SBA) Office of Size Standards develops the numerical definition of a small business.⁴³ The SBA has established a size standard for pipelines transporting natural gas, stating that a firm is small if its annual receipts are less than \$7 million.⁴⁴

35. The regulations proposed here impose requirements only on interstate pipelines, the majority of which are not small businesses. Most companies regulated by the Commission do not fall within the RFA's definition of a small entity. Approximately 161 entities would be potential respondents subject to data collection FERC-545 reporting requirements and also be subject to data collection FERC 549-C reporting requirements. Nearly all of these entities are large entities. For the year 2010 (the most recent year for which information is available), only seven companies not affiliated with larger companies had annual revenues of less than \$7 million, which is about three percent of the total universe of potential respondents. Moreover, these requirements are

⁴² 5 U.S.C. 601-612.

⁴³ 13 CFR 121.101.

⁴⁴ 13 CFR 121.201, subsection 486.

designed to benefit all customers, including small businesses. The Commission estimates that the one-time implementation cost of these standards is \$303,968, or \$1,888 per company.⁴⁵ The Commission does not consider the estimated \$1,888 impact per entity to be significant. As noted above, adoption of consensus standards helps ensure the reasonableness of the standards by requiring that the standards draw support from a broad spectrum of industry participants representing all segments of the industry. Because of that representation and the fact that industry conducts business under these standards, the Commission's regulations should reflect those standards that have the widest possible support.

36. Accordingly, pursuant to § 605(b) of the RFA, the regulations proposed herein should not have a significant economic impact on a substantial number of small entities.

VIII. Comment Procedures

37. The Commission invites interested persons to submit written comments on the NAESB business practice standards proposed for incorporation by reference in this NOPR, as well as any related matters or alternative proposals that commenters may wish to discuss. Comments are due [insert date 30 days from publication in the **FEDERAL REGISTER**]. Comments must refer to Docket No. RM96-1-037, and must include the commenter's name, the organization they represent, if applicable, and their address. Comments may be filed either in electronic or paper format.

⁴⁵ This number is derived by dividing the total cost figure by the number of respondents. $\$303,968/161 = \$1,888$.

38. The Commission encourages comments to be filed electronically via the eFiling link on the Commission's web site at <http://www.ferc.gov>. The Commission accepts most standard word processing formats. Documents created electronically using word processing software should be filed in native applications or print-to-PDF format and not in a scanned format. Commenters filing electronically do not need to make a paper filing.

39. Commenters that are not able to file comments electronically must send an original of their comments to: Federal Energy Regulatory Commission, Secretary of the Commission, 888 First Street NE, Washington, DC 20426.

40. All comments will be placed in the Commission's public files and may be viewed, printed, or downloaded remotely as described in the Document Availability section below. Commenters on this proposal are not required to serve copies of their comments on other commenters.

IX. Document Availability

41. In addition to publishing the full text of this document in the Federal Register, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through the Commission's Home Page (<http://www.ferc.gov>) and in the Commission's Public Reference Room during normal business hours (8:30 a.m. to 5:00 p.m. Eastern time) at 888 First Street, NE, Room 2A, Washington DC 20426.

42. From the Commission's Home Page on the Internet, this information is available on eLibrary. The full text of this document is available on eLibrary in PDF and

Microsoft Word format for viewing, printing, and/or downloading. To access this document in eLibrary, type the docket number excluding the last three digits of this document in the docket number field.

43. User assistance is available for eLibrary and the Commission's website during normal business hours from the Commission's Online Support at (202) 502-6652 (toll free at 1-866-208-3676) or email at ferconlinesupport@ferc.gov, or the Public Reference Room at (202) 502-8371, TTY (202) 502-8659. E-mail the Public Reference Room at public.referenceroom@ferc.gov.

List of subjects in 18 CFR part 284

Incorporation by reference, Natural gas, Reporting and record keeping requirements.
By the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

In consideration of the foregoing, the Commission proposes to amend 18 CFR part 284,

Chapter I, Title 18, Code of Federal Regulations, as follows:

**Part 284 -- CERTAIN SALES AND TRANSPORTATION OF NATURAL GAS
UNDER THE NATURAL GAS POLICY ACT OF 1978 AND RELATED
AUTHORITIES**

1. The authority citation for part 284 continues to read as follows:

Authority: 15 U.S.C. 717-717w, 3301-3432; 42 U.S.C. 7101-7352; 43 U.S.C. 1331-1356.

2. Section 284.12 is amended by revising paragraph (a) (1) to read as follows:

Section 284.12 Standards for pipeline business operations and communications.

(a) * * *

(1) * * *

(i) Additional Standards (General Standards, Creditworthiness

Standards, Gas/Electric Operational Communications Standards and Operating Capacity and Unsubscribed Standards) (Version 2.0, November 30, 2010) with the exception of Standards 0.3.19 and 0.3.21;

(ii) Nominations Related Standards (Version 2.0, November 30, 2010, Minor Corrections Applied Through December 2, 2011);

(iii) Flowing Gas Related Standards (Version 2.0, November 30, 2010, Minor Corrections Applied through June 3, 2011);

(iv) Invoicing Related Standards (Version 2.0, November 30, 2010, Minor Corrections Applied Through June 3, 2011);

(v) Quadrant Electronic Delivery Mechanism Related Standards

(Version 2.0, November 30, 2010, Minor Corrections Applied Through December 2, 2011) with the exception of Standard 4.3.4;

(vi) Capacity Release Related Standards (Version 2.0, November 30, 2010, Minor Corrections Applied Through January 5, 2012); and

(vii) Internet Electronic Transport Related Standards (Version 2.0, November 30, 2010, Minor Corrections Applied January 2, 2011) with the exception of Standard 10.3.2.

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