Subtitle I, Section 106 describes the authority of the FAA Administrator. Subtitle VII, Aviation Programs, describes in more detail the scope of the agency’s authority.

This rulemaking is promulgated under the authority described in Subtitle VII, Part A, Subpart I, Section 40103. Under that section, the FAA is charged with prescribing regulations to assign the use of the airspace necessary to ensure the safety of aircraft and the efficient use of airspace. This regulation is within the scope of that authority as it establishes a low altitude RNAV route (T-route) in Houston, TX.

Environmental Review

The FAA has determined that this action qualifies for categorical exclusion under the National Environmental Policy Act in accordance with FAA Order 1050.1E, Environmental Impacts: Polices and Procedures, paragraph 311a. This airspace action is not expected to cause any potentially significant environmental impacts, and no extraordinary circumstances exist that warrant preparation of an environmental assessment.

List of Subjects in 14 CFR Part 71

Airspace, Incorporation by reference, Navigation (air).

Adoption of the Amendment

In consideration of the foregoing, the Federal Aviation Administration amends 14 CFR part 71 as follows:

PART 71—DESIGNATION OF CLASS A, B, C, D, AND E AIRSPACE AREAS; AIR TRAFFIC SERVICE ROUTES; AND REPORTING POINTS

1. The authority citation for part 71 continues to read as follows:


§ 71.1 [Amended]

2. The incorporation by reference in 14 CFR 71.1 of FAA Order 7400.T, Airspace Designations and Reporting Points, signed August 27, 2009 and effective September 15, 2009, is amended as follows:

Paragraph 6011 United States Area Navigation Routes.

* * * * *

T-284 WEMAR, TX to Scholes, TX [New]

WEMAR, TX—Fix (Lat. 29°39′37″ N., long. 97°00′37″ W.)

DROPP, TX—Fix (Lat. 29°13′38″ N., long. 95°32′04″ W.)

Scholes, TX (VUH)—VORTAC (Lat. 29°16′10″ N., long. 94°52′04″ W.)

Issued in Washington, DC, on March 25, 2010.

Kelly Neubecker,

Acting Manager, Airspace and Rules Group.

[FR Doc. 2010–7245 Filed 3–31–10; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

18 CFR Part 284

[Docket Nos. RM96–1–030 and RM96–1–036; Order No. 587–U]

Standards for Business Practices for Interstate Natural Gas Pipelines

AGENCY: Federal Energy Regulatory Commission.

ACTION: Final Rule.

SUMMARY: The Federal Energy Regulatory Commission (Commission) is amending its regulations that establish standards for interstate natural gas pipeline business practices and electronic communications to incorporate by reference into its regulations the most recent version of the standards, Version 1.9, adopted by the Wholesale Gas Quadrant (WGQ) of the North American Energy Standards Board (NAESB) applicable to natural gas pipelines, with certain enumerated exceptions. This rule upgrades the Commission’s current business practice and communication standards to include standards governing Index-Based Capacity Release and Flexible Delivery and Receipt Points and to reflect the Commission’s findings in Order Nos. 698, 712, 717, and 682. This rule will increase the efficiency of the pipeline grid and make pipelines’ electronic communications more secure.

DATES: Effective Date: This rule will become effective May 3, 2010. Natural gas pipelines are required to file tariff sheets to reflect the changed standards on September 1, 2010, to take effect on November 1, 2010. Implementation of these standards is required on and after November 1, 2010. The incorporation by reference of certain publications in this rule is approved by the Director of the Federal Register as of May 3, 2010.

FOR FURTHER INFORMATION CONTACT:


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Before Commissioners: Jon Wellinghoff, Chairman; Marc Spitzer, Philip D. Moeller, and John R. Norris.

Final Rule

Issued March 24, 2010.

1. The Federal Energy Regulatory Commission (Commission) is amending § 284.12 of its regulations (which establishes standards for natural gas pipeline business practices and electronic communications) to incorporate by reference the most recent version (Version 1.9) of the standards promulgated by the Wholesale Gas Quadrant (WGQ) of the North American Energy Standards Board (NAESB). This rule upgrades the Commission’s current business practice and communication standards to include standards governing Index-Based Capacity Release and Flexible Delivery and Receipt Points and to reflect the Commission’s findings in Order Nos. 698, 712, 717, and 682.

I. Background

2. Since 1996, in the Order No. 587 series, 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 grid. In this series of orders, the Commission incorporated by reference consensus standards developed by NAESB (formerly the Gas Industry Standards Board or GSB), a private consensus standards developer composed of members from all segments of the natural gas industry. NAESB is an accredited standards organization under the auspices of the American National Standards Institute (ANSI).

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

4. On June 27, 2005, NAESB filed these standards with the Commission and requested clarification regarding a number of additional proposals that it was considering, including capacity release indexed pricing, the use of flexible receipt and delivery points upstream of a constraint, and changes to the intra-day nomination cycle. The 2005 NAESB report highlighted several issues relating to Commission policy that were inhibiting the development of additional standards and requested Commission guidance and clarification on these issues.

5. In Order No. 698, the Commission incorporated by reference certain NAESB business practices standards for interstate natural gas pipelines designed to improve coordination and communication between the gas and electric industries. The order also provided clarification and guidance on three issues on which NAESB had been unable to reach a consensus: (1) Uses of gas indices for pricing capacity release transactions; (2) flexibility in the use of receipt and delivery points; and (3) changes to the intraday nomination schedule to increase the number of scheduling opportunities for firm shippers.

6. On September 3, 2008, NAESB submitted a report to the Commission on these three issues. NAESB reports that its membership conducted thirteen subcommittee meetings, many of which were multi-day meetings, held between June 2007 and July 2008. While the standards discussed related only to gas issues, NAESB states that all interested parties, including the Wholesale Electric Quadrant membership, were invited to participate and share their perspectives. Two hundred people, including many from the electric industry, participated in these meetings.

7. NAESB’s September 2008 report also states that the WGQ has adopted business practice standards for (1) increasing the flexibility of gas receipt and delivery points and (2) index-based pricing for capacity releases. In addition, despite holding 12 meetings with respect to modifying the intra-day nomination schedule, NAESB reports that none of the proposed standards for revised intra-day nominations achieved a sufficient consensus for adoption.

8. On July 16, 2009, after a review of the new and revised standards referenced in NAESB’s September 2008 Report, the Commission issued a notice of proposed rulemaking that proposed to amend the Commission’s regulations at 18 CFR 284.12 to incorporate by reference the consensus standards adopted by NAESB’s WGQ that (1) permit the use of indices to price capacity release transactions and (2) afford greater flexibility on the receipt and delivery points for redirects of scheduled gas quantities. The Commission also noted that the industry was unable to reach consensus on increasing opportunities for intra-day nominations. Seven entities filed comments in response to the July 2009 NOPR.

9. On September 30, 2009, NAESB filed a report informing the Commission that it had adopted and ratified Version 1.9 of its business practice standards applicable to natural gas pipelines. The Version 1.9 standards are the result of a continuing effort by NAESB’s WGQ and the gas industry to add additional specificity and functionality to gas standards. For example, the Version 1.9 Business Practice Standards now include communication standards and protocols concerning the use of index-based pricing for capacity releases, which the Commission proposed to adopt in the July 2009 NOPR, and new standards adopted in the Order Nos. 698, 712, 717, and 682. In addition, these new and modified standards now support the ability of pipelines to redirect gas around constraints, provide additional gas quality and transactional reporting, and add new information posting requirements for Web sites and browsers.

10. On November 19, 2009, the Commission issued a notice of proposed rulemaking that proposed to amend the Commission’s regulations at 18 CFR 284.12 to incorporate by reference the latest version (Version 1.9) of consensus business practice standards adopted by NAESB’s WGQ applicable to natural gas pipelines. Three entities filed.....
comments in response to the November 2009 NOPR.9

II. Discussion

A. Incorporation of the NAESB Standards by Reference

11. After a review of the comments filed in response to the two NOPRs, the Commission will amend part 284 of its regulations to incorporate by reference Version 1.9 of the NAESB WGQ’s consensus standards, with the two exceptions noted in the November 2009 NOPR.10 The Version 1.9 Standards include communication standards and protocols related to the business practice standards dealing with index-based capacity release, which the Commission proposed to adopt in the July 2009 NOPR, and new standards adopted in response to Order Nos. 698, 712, 717, and 682. These new and modified standards provide additional flexibility to shippers. The standards create a uniform method that will enable releasing and replacement shippers to use third-party rate indices to create rate formulas for capacity releases that will better reflect the value of capacity. These standards also reflect a reasonable compromise for dealing with copyright issues that arise in using copyrighted gas indices to set prices, ensuring that shippers have a reasonable choice of available indices to use while equitably spreading the costs entailed by the use of such indices among the pipelines and shippers. The standard for the use of flexible receipt and delivery points will enable all shippers to quickly and efficiently redirect gas when such gas may be needed by gas generators or other shippers. In addition, the standards will provide for more uniform reporting for gas quality and new information posting requirements for Web sites and browsers. Adoption of the Version 1.9 Standards will continue the process of updating and improving NAESB’s business practice standards for the wholesale gas market.

12. To implement these standards, natural gas pipelines will be required to file tariff sheets to reflect the changed standards on September 1, 2010, to take effect on November 1, 2010, and will be required to implement these standards on and after November 1, 2010.

13. NAESB approved the Version 1.9 Standards under NAESB’s consensus procedures.11 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. Moreover, since the industry itself 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 means to carry out policy objectives and activities determined by the agencies unless use of such standards would be inconsistent with applicable law or otherwise impractical.12

14. The comments on both NOPRs generally supported the adoption of the standards. We will address below the few issues raised in the comments.

B. Issues Raised by Commenters

1. Waivers of the Index-Based Capacity Release Pricing Standards Comments

15. Carolina does not object to incorporation of the capacity release index-based standards, but states that “substantial costs and administrative burdens would be imposed on Carolina unnecessarily if it was required to fulfill all of the requirements of the standards adopted by NAESB to address index-based capacity releases.”13 Furthermore, Carolina states that in almost three years of operation as an interstate pipeline, no shipper has requested index-based pricing for a capacity release on Carolina’s system, and Carolina itself has not sold capacity on its system using index prices. In addition, Carolina stated that because of its small staff, the time and cost of implementing the standards would far exceed the estimates of the NOPR.14

16. Carolina concludes by stating that as long as a pipeline supports index-based capacity releases in a manner adequate to its circumstances and the needs of its shippers, the Commission’s policies would be fulfilled. Alternatively, the Commission, in its final rule, should indicate its willingness to grant waivers of the capacity release standards to pipelines operating under the circumstances and needs of its shippers.15

17. AGA supports Carolina’s argument on the availability of waivers, and argues that, to the extent the particular circumstances of an individual pipeline warrants additional time to implement these standards, the pipeline should seek a waiver of the regulations. In this regard, AGA believes the Commission should consider Carolina’s concerns described in their comments regarding their specific circumstances in an individual proceeding on a request for waiver as opposed to revising the Final Rule to address potential implementation issues.16

Commission Finding

18. Determining whether a waiver or extension of time, or whether a non-standard process may be appropriate for an individual pipeline based on their particular circumstances cannot be determined generically in a final rule. Carolina needs to raise such issues in its compliance filing or in a request for waiver, so that its shippers will have an opportunity to intervene and raise any concerns with Carolina’s proposals.17

2. Issues On Which Consensus Could Not Be Reached

a. Intra-Day Nominations Background

19. In the July 2009 NOPR, the Commission determined not to propose regulations to resolve a disputed issue relating to revising the schedule for intra-day nominations. The Commission’s regulations provide that nominations by shippers with firm transportation service have priority over nominations by shippers with interruptible service.18 In Order No. 103.

9 See supra n.6.

10 As proposed in the November 2009 NOPR, the Commission is continuing its past practice and is not incorporating by reference Standards 4.3.4 and 10.3.2, because they are inconsistent with the Commission’s record retention requirement in 18 CFR 284.12(b)(3)(v). In addition, the Commission is not incorporating by reference the WQG-WGQ eTariff Related Standards because the Commission has already adopted standards and protocols for electronic tariff filings based on the NAESB Standards. See Electronic Tariff Filings, FERC Stats. & Regs. ¶ 31.276 (2008).

11 This process first requires a super-majority vote of 17 out of 25 members of the WQG’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 WQG’s general membership voting must ratify the standards.


13 Carolina Comments (Docket No. RM96–1–030) at 2.

14 Id. at 3.

15 Id. at 5.

16 AGA Reply Comments (Docket No. RM96–1–030) at 5.


19 18 CFR 284.12(b)(1)(i).
587–G,\textsuperscript{20} issued in 1998, the Commission, however, followed the Gas Industry Standards Board\textsuperscript{21} consensus and permitted pipelines with three intra-day nomination opportunities to exempt the last intra-day opportunity from bumping. The Commission found that the consensus created a fair balance between firm shippers, who will have had two opportunities to reschedule their gas, and interruptible shippers and will provide some necessary stability in the nomination system, so that shippers can be confident by mid-afternoon that they will receive their scheduled flows.

20. The NAESB standards currently provide shippers four nomination opportunities: The Timely Nomination Period (11:30 a.m. CCT\textsuperscript{22} the day prior to gas flow), the Evening Nomination Cycle (6 p.m. CCT the day before gas flow); Intra-Day 1 (10 a.m. CCT the day of gas flow); and Intra-Day 2 (5 p.m. CCT the day of gas flow). A firm nomination for the first three nomination cycles has priority over (can bump) an already scheduled interruptible (IT) nomination. But at the Intra-Day 2 cycle, a firm nomination will not bump already scheduled interruptible service.

\begin{tabular}{|l|l|l|l|l|}
\hline
Cycle & Nomination time (CCT) & Nomination effective & Bumping IT & Bumping notice & Schedule confirmed \\
\hline
Timely & 11:30 a.m. & Day-Ahead & Yes & 4:30 p.m. & 4:30 p.m. \\
Evening & 6 p.m. & Day-Ahead & Yes & 10 p.m. & 10 p.m. \\
Intra-Day 1 & 10 a.m. & Day of & Yes & 2 p.m. & 2 p.m. \\
Intra-Day 2 & 5 p.m. & Day of & No & NA & 9 p.m. \\
\hline
\end{tabular}

\begin{flushleft}
21. A number of parties urged NAESB to consider revising these timelines to better coordinate scheduling for the gas and electric industries. The NAESB committee held 12 meetings and considered a wide variety of possible revisions to the nomination schedule adopted in 1998. These included complete revisions of the timeline, including changing the gas day; adding intra-day nomination opportunities within the existing framework; changing the Intra-Day 2 to a bump nomination while adding an additional no-bump nomination period, and merely changing the Intra-Day 2 cycle to a bumbable nomination. None of these proposals achieved a sufficient consensus at the subcommittee level.

22. In the July NOPR, we did not propose to resolve the dispute, finding that “a simple, one-size fits-all solution does not exist that will solve the complex issue of coordinating between the electric and gas industries, [because] the diversity within the electric industry (e.g., differing timelines, system peaks times, generation mixes, and prevalence of firm gas service), in particular, does not suggest that revising gas scheduling procedures is the most effective means to improve coordination.”\textsuperscript{23} Based on the extensive NAESB record that we reviewed, we were not convinced that we have a sufficient basis for finding that any of the proposed revisions create a superior balance of interests compared with the original consensus.\textsuperscript{24}
\end{flushleft}

\textsuperscript{21} NAESB Comments (Docket No. RM96–1–030) at 7.
\textsuperscript{22} Central clock time.
\textsuperscript{23} 21. A number of parties urged NAESB to consider revising these timelines to better coordinate scheduling for the gas and electric industries. The NAESB committee held 12 meetings and considered a wide variety of possible revisions to the nomination schedule adopted in 1998. These included complete revisions of the timeline, including changing the gas day; adding intra-day nomination opportunities within the existing framework; changing the Intra-Day 2 to a bump nomination while adding an additional no-bump nomination period, and merely changing the Intra-Day 2 cycle to a bumbable nomination. None of these proposals achieved a sufficient consensus at the subcommittee level.

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\textsuperscript{24} For example, we do not know the costs to the pipelines and practical implications to shippers or others of creating more numerous intra-day nomination opportunities or adding a late nomination period well after normal business hours.

23. NGSA supports the Commission’s proposal to not impose a generic change to the intra-day nomination timeline of all pipelines.\textsuperscript{25} NJN/PSEG also supports the Commission’s decision to not adopt any changes to its current regulations and policies regarding intra-day nominations. These commenters note that the lack of consensus among NAESB participants only underscores the concerns the gas industry has with proposed changes to the current NAESB gas nomination timeline.\textsuperscript{26}

24. By contrast, TVA disagrees with the Commission’s proposal to maintain the status quo regarding intra day nomination regulations. TVA states that, due to an ever increasing amount of renewable resources and their intermittent nature, it is crucial for the electric and gas industry to coincide their scheduled loads in order to maintain both flexibility and reliability.\textsuperscript{27} TVA urges the Commission to postpone this ruling until more information is gathered on this issue\textsuperscript{28} and requests that a technical conference be convened to on this matter.\textsuperscript{29}

25. APS also states that maintaining the status quo is not an option, and that the NAESB gas nomination timeline must be modified. It further states that the only proposal that currently accomplishes objectives such as pipeline infrastructure development, greater access to firm capacity, enhanced reliability, and reduced risk for shippers is the APS/TVA proposal. It states that absent approval of the APS/TVA proposal, NAESB cannot make further progress without policy guidance from the Commission on the issues of: (1) Whether the no bump rule, in its entirety, should be eliminated; and/or (2) if the no bump rule is maintained, what is the minimum amount of hours that interruptible service should be guaranteed to flow, and does the minimum amount of flow have to be as a result of the last cycle of the day.\textsuperscript{30}

26. NGSA urges the Commission to deny the request of TVA and others to schedule a technical conference on the issue of intraday pipeline nomination schedules. In this regard, NGSA asserts that NAESB had an extensive and open process to consider the various proposed modifications to the timelines. In the end, no consensus approach was approved. However, despite the significant NAESB efforts, parties are now asking for a technical conference. In NGSA’s view, such a conference would be unnecessary and redundant,\textsuperscript{31} and the Commission should adhere to its proposal. NGSA concludes that no compelling reason has been shown why the Commission should not accept the comprehensive NAESB process.

Commission Determination

27. The comments on this issue reveal the same kinds of disagreements that surfaced in the NAESB process, and we

25 NGSA Comments (Docket No. RM96–1–030) at 3.
26 NJN/PSEG Comments (Docket No. RM96–1–030) at 8–9.
27 TVA Comments (Docket No. RM96–1–030) at 2.
28 Id. at 1.
29 TVA at 2.
30 APS Comments (Docket No. RM96–1–030) at 7.
31 NGSA Comments (Docket No. RM96–1–030) at 5.
still do not see that any nationwide scheduling solution is superior to the balance between firm and interruptible service created by the existing standards. Having a last No-bump nomination nomination opportunity provides necessary stability to the nomination system by ensuring that interruptible shippers can be bumped only at the Intra-Day 1 nomination cycle during the business day and so will have an opportunity to reschedule their gas. Furthermore, some electric generators rely on interruptible transportation of natural gas to supply fuel; changing the intra-day nomination rules would not constitute an improvement in gas-electric coordination. Moreover, because these nationwide standards cover four time zones, and already extends to 10 p.m. East Coast time, we do not believe that extending the No-bump cycle even later in the night is a reasonable alternative. As we stated in the NOPR, individual pipelines may be able to offer special services or increased nomination opportunities that will better fit the profile of gas fired generation. Given the extensive comments during the NAESB process, and those filed here, we see little benefit from holding a technical conference on this issue.  

b. Gas Quality Posting

Background

28. NAESB modified Gas Quality Standards Nos. 4.3.90 and 4.3.92 and also added a new gas quality standard. However, NAESB reported that two proposed gas quality standards failed to pass as a result of a single segment failing to approve the standard. One of the blocked standards would have required a pipeline that currently does not post a Wobbe number to post gas quality information on its Web site and to calculate and post a Wobbe number when notified by a Service Requestor of its desire to begin discussing the interchangeability of gas supplies. The other blocked standard would have added to an existing requirement that pipelines post and permit downloads of three months of historical gas quality data by requiring that the pipelines permit the download of gas quality information for a date range specified by the party seeking to download the information. The Commission proposed to take no action on these blocked standards.  

Comments

29. AGA notes that, in the November 2009 NOPR, the Commission did not propose to require the incorporation of standards regarding the posting of gas quality information. AGA urges the Commission to reconsider, and argues that, when there is strong support within four industry segments for a proposed NAESB standard, but a single segment blocks the initiative, such a proposal cannot be fairly characterized as lacking support. AGA also argues that the Commission should take a closer look at the standards and make a determination on the merits as to whether the benefits achieved by the transparency of gas quality information and the efficiency associated with the standardized practices as to posting the information would outweigh the burden of the incorporation of such standards.  

30. AGA maintains that the standard requiring pipelines to calculate the Wobbe number is consistent with the Commission’s reliance on the Natural Gas Council’s White Paper on Natural Gas Interchangeability and Non-Combustion End Uses. AGA contends that the White Paper concluded that “the Wobbe Number provides the most efficient and robust single index and measure of gas interchangeability,” and AGA argues shippers have a critical need for the Wobbe number. AGA also argues that the blocked posting standard would allow shippers to obtain information based on a given date range which will allow shippers to compare gas quality information over different periods of time.  

31. AGA also recommends that the Commission consider the merits of posting historical gas quality information based on a given date range so that shippers could compare gas quality information over different periods rather than the NAESB standard which require information by location for a three month period.  

Commission Determination

32. In the past, the Commission has resolved disputes at NAESB, and adopted our own standards, when we find that the standards are sufficiently important to warrant such intervention. We have examined the substance of these gas quality standards, as we noted in the NOPR, and we have reached the conclusion that these particular standards do not warrant such intervention. AGA has not provided convincing reasons that these standards are as important to the operation of the pipeline grid as the standards on which the Commission intervened in the past or that the benefits of these standards outweigh the burdens.  

33. The Commission does not currently require pipelines to use the Wobbe number in calculating gas quality. It is not clear, and AGA has not demonstrated, that a widespread need to compare gas quality across pipelines exists, that all pipelines actually collect information that permit them to calculate a Wobbe number, that the best or only way to make such a comparison is using the Wobbe number, or that the few shippers with a need for such a comparison cannot reasonably make comparisons based on existing information. We therefore see insufficient justification for imposing a burden on pipelines to calculate a Wobbe number when the Wobbe number has no significance to their systems.  

34. With respect to the blocked standard regarding downloading, the existing NAESB standards, 4.3.90, 4.3.91, and 4.3.92, already require pipelines to provide a downloadable file, with a standardized file format, of gas quality information for each identified location for a three month period. Since the data are available, we see no need for Commission intervention to determine a download functionality that is more efficient for all pipelines, particularly given the large disparities in the quantity of data provided by different pipelines. Moreover, because pipelines’ gas quality requirements differ markedly, some issues regarding gas quality, including the use of the Wobbe number and individual posting requirements keyed

32 AGA Comments (Docket No. RM96–1–036) at 6.  
33 AGA Comments (Docket No. RM96–1–036) at 6–7.  
to the specific gas quality conditions on a pipeline can be better addressed in individual Commission proceedings involving gas quality when relevant.

III. Implementation Schedule and Procedures

35. In their comments on the July NOPR, AGA, NJN/PSEG, and NGSA support prompt implementation of the index based capacity release standard and the standards providing greater flexibility for using alternate receipt and delivery points so that shippers can benefit from the enhanced flexibility and improved efficiency that the standards provide.\(^{38}\) INGAA urges the Commission to defer requiring implementation of the index based capacity release standards and receipt and delivery point standards until after the Commission completes its consideration of NAESB WGQ Standards Version 1.9, so that pipelines can implement these standards once.\(^{39}\) El Paso urges the Commission to implement the index-based capacity release and flexible delivery and receipt point standards six months after the effective date of the Version 1.9 Standards.\(^{40}\) TVA also argues that the Commission should postpone deciding on the proposals in the July 2009 NOPR due to the fact that NAESB will file the WGQ Version 1.9 Standards in the near future.

Commission Determination

36. We have sought reasonably to balance the interests of the parties by acting quickly on the November 2009 NOPR and adopting Version 1.9 of the standards. This will ensure that shippers can utilize the flexibility provided by the index based releases and the improved point right authority, but at the same time resolves the pipelines’ concerns by minimizing their costs through a single implementation. In addition, we are directing the filing of tariff sheets at a time that coordinates with the filing by natural gas pipelines and processing by the Commission of the pipelines’ electronic tariff filings.

37. Thus, we will require natural gas pipelines to file tariff sheets to reflect the changed standards on September 1, 2010, to take effect on November 1, 2010, and will require implementation of these standards by November 1, 2010. Pipelines incorporating the Version 1.9 standards into their tariffs must include the standard number and Version 1.9 designation.\(^{41}\)

38. In addition, we have noticed that pipelines propose to incorporate the NAESB standards in a variety of non-standard ways. For example, pipelines often file to renew requests for waivers or extensions of time with respect to particular standards without providing a citation to the order or notice in which the initial waiver or extension was granted. As a result, both Commission staff and the public have difficulty reviewing the compliance filings.

39. To ease the burden of compliance review, we therefore will specify certain format requirements applicable to the compliance filings. Pipelines must include in their transmittal letter a table of all the NAESB standards incorporated by reference and a cross-reference to the tariff provision (whether revised or not) in which that standard is contained. For standards that are not incorporated by reference, the pipelines also should identify the provision that complies with that standard.\(^{42}\) Where applicable, pipelines shall also include a table of prior standards for which waivers or extensions of time were granted along with citations to the relevant orders or notices granting those waivers or extensions of time. In addition, we have included as Appendix B an example of a recommended tariff provision for incorporation of the NAESB standards by reference.

IV. Notice of Use of Voluntary Consensus Standards

40. In section 12(d) of NTT&AA, Congress affirmatively requires Federal agencies to use technical standards developed by voluntary consensus standards organizations, like NAESB, as the means to carry out policy objectives or activities determined by the agencies unless use of such standards would be inconsistent with applicable law or otherwise impractical.\(^{43}\) NAESB approved the standards under its consensus procedures. Office of Management and Budget Circular A–119 (§ 11) (February 10, 1998) provides that Federal agencies should publish a request for comment in a NOPR when the agency is seeking to issue or revise a regulation proposing to adopt a voluntary consensus standard or a government–unique standard. On July 16, 2009, the Commission issued a NOPR proposing to incorporate by reference NAESB’s standards governing Index-Based Capacity Release and Flexible Delivery and Receipt Points and on November 19, 2009, the Commission issued a NOPR that proposed to incorporate by reference NAESB’s Version 1.9 Standards, which included the standards on Index-Based Capacity Release and Flexible Delivery and Receipt Points. The Commission took the comments on these two NOPRs into account in fashioning this Final Rule.

V. Information Collection Statement

41. The Office of Management and Budget’s (OMB) regulations in 5 CFR 1320.11 require that it approve certain reporting and recordkeeping requirements (collections of information) imposed by an agency. Upon approval of a collection of information, OMB will assign an OMB control number and an expiration date. Respondents subject to the filing requirements of this Final Rule will not be penalized for failing to respond to these collections of information unless the collections of information display a valid OMB control number.

42. This Final Rule upgrades the Commission’s current business practice and communication standards to the latest edition approved by the NAESB WGQ (i.e., the Version 1.9 Standards).

43. The implementation of these standards is necessary to increase the efficiency of the pipeline grid, make pipelines’ electronic communications more secure, and is consistent with the mandate that agencies provide for electronic disclosure of information. Requiring such information ensures a common means of communication and ensures common business practices that provide participants engaged in transactions with interstate pipelines with timely information and uniform business procedures across multiple pipelines.

44. The following burden estimates include the costs to implement the WGQ’s revised business practice standards and communication protocols for interstate natural gas pipelines. The implementation of these data requirements will help the Commission carry out its responsibilities under the Natural Gas Act of promoting the efficiency and reliability of the natural gas industry’s operations. In addition, the Commission’s Office of Energy Market Regulation will use the data for general industry oversight.

45. The Commission sought comments on the Commission’s estimate provided in the NOPR of the

\(^{38}\) AGA Comments (Docket No. RM96–1–030) at 2–3; Reply Comments at 1–7; NJN/PSEG Comments (Docket No. RM96–1–030) at n.2; NGSA Comments (Docket No. RM96–1–030) at 3.

\(^{39}\) INGAA Comments (Docket No. RM96–1–030) at 1. Answer at 2–3.

\(^{40}\) El Paso Comments (Docket No. RM96–1–036) at 1.

\(^{41}\) Please see the attached Appendix B, which shows the preferred and recommended format for submitting tariff sheets that would incorporate the NAESB Version 1.9 gas standards by reference.

\(^{42}\) We note that Standards 1.3.2 and 5.3.2 should be included in the pipelines’ tariffs.

\(^{43}\) See supra, n.12.
burden associated with adoption of the NOPR proposals. In response to the NOPR, no comments were filed that addressed the reporting burden imposed by these requirements. Therefore the Commission will use these same estimates in this Final Rule, with the sole exception that, based on more recent information, we are updating our estimate of the number of respondents (from 168 to 130).

<table>
<thead>
<tr>
<th>Data collection</th>
<th>Number of respondents</th>
<th>Number of responses per respondent</th>
<th>Hours per response</th>
<th>Total number of hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>FERC–549C</td>
<td>130</td>
<td>1</td>
<td>22</td>
<td>2,860</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td>2,860</td>
</tr>
</tbody>
</table>

Total Annual Hours for Collection
(Reporting and Recordkeeping, (if appropriate)) = 2,860.

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

<table>
<thead>
<tr>
<th>Annualized Capital/Startup Costs</th>
<th>$429,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annualized Costs (Operations &amp; Maintenance)</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Annualized Costs</td>
<td>429,000</td>
</tr>
</tbody>
</table>

47. OMB regulations require OMB to approve certain information collection requirements imposed by agency rule. The Commission is submitting notification of this Final Rule to OMB. These information collections are mandatory requirements. Title: FERC–549C, Standards for Business Practices of Interstate Natural Gas Pipelines.

Action: Information collection.

OMB Control No.: 1902–0174.

Respondents: Business or other for profit, (Interstate natural gas pipelines (Not applicable to small business)).

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

Necessity of Information: The Commission’s regulations adopted in this rule upgrade the Commission’s current business practices and communication standards in response to the Commission’s determinations in Order Nos. 682, 698, 698–A, 712, and 717, and would: revise standards allowing index-based pricing for capacity release transactions and allow for increased receipt and delivery point flexibility through the use of redirects of scheduled quantities; create information posting requirements for Web sites and browsers; require the posting of gas quality information including posting and format requirements; report hydrocarbon liquid drop out measurements; and create standards to reflect changes in the use of software used on the Internet.

48. The implementation of these data requirements will increase the efficiency of the capacity release market and the ability to schedule gas around constraints, will be reported directly to the industry users and will provide additional transparency to informational posting Web sites. It also will improve gas quality measurements and will improve communication standards. 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 Energy Market and Regulation will use the data in rate proceedings to review rate and tariff changes by natural gas companies for the transportation of gas, for general industry oversight, and to supplement the documentation used during the Commission’s audit process.

49. Internal Review: The Commission has reviewed the requirements pertaining to business practices and electronic communication with interstate natural gas pipelines and has made a determination that these revisions are necessary to establish a more efficient and integrated pipeline grid. These requirements conform to the Commission’s plan for efficient information collection, communication, and management within the natural gas industry. 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.

50. Interested persons may obtain information on the reporting requirements by contacting: Federal Energy Regulatory Commission, Attn: Michael Miller, Office of the Executive Director, 888 First Street, NE., Washington, DC 20426 Tel: (202) 502–8415, Fax: (202) 273–0873, E-mail: michael.miller@ferc.gov or by contacting: Office of Management and Budget, Office of Information and Regulatory Affairs, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission, (202) 395–4638, fax: (202) 395–7285).

VI. Environmental Analysis

51. 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. The Commission has categorically excluded certain actions from these requirements as not having a significant effect on the human environment. The actions adopted 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 and electric power that requires no construction of facilities. Therefore, an environmental assessment is unnecessary and has not been prepared in this Final Rule.

VII. Regulatory Flexibility Act

52. The Regulatory Flexibility Act of 1980 (RFA) generally requires a description and analysis of final rules that will have significant economic impact on a substantial number of small entities. In drafting a rule an agency is required to: (1) Assess the effect that its regulation will have on small entities; (2) analyze effective alternatives that...
may minimize a regulation’s impact; and (3) make the analysis available for public comment.49

53. The regulations we are adopting in this Final Rule impose requirements only on interstate pipelines, the majority of which are not small businesses. In this regard, we note that, under the industry standards used for the RFA, a natural gas pipeline company qualifies as a “small entity” if it had annual receipts of less than $7 million.50 Most companies regulated by the Commission do not fall within the RFA’s definition of a small entity. Approximately 130 entities would be potential respondents subject to data collection FERC–549C reporting requirements. Nearly all of these entities are large entities. For the year 2007 (the most recent for which information is available), only four 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 designed to benefit all customers, including small businesses. 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.51

54. Accordingly, pursuant to section 605(b) of the RFA, the Commission hereby certifies that the regulations adopted herein will not have a significant adverse impact on a substantial number of small entities.


As we stated in Standards for Business Practices of Interstate Natural Gas Pipelines, Order No. 587-C, FERC Stats. & Regs. ¶ 31,050, at 30,588 (1997), pipelines may file requests seeking waiver or extension of the requirements of this rule, but must file such requests within 30 days of the issuance of this rule.

VIII. Document Availability

55. 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 FERC’s Home Page (http://www.ferc.gov) and in FERC’s Public Reference Room during normal business hours (8:30 a.m. to 5 p.m. Eastern time) at 888 First Street, NE., Room 2A, Washington, DC 20426.

56. From FERC’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.

57. User assistance is available for eLibrary and the FERC’s Web site during normal business hours from FERC Online Support at 202–502–6652 (toll free at 1–866–208–3676) or e-mail 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.

IX. Effective Date and Congressional Notification

58. These regulations are effective May 3, 2010. The Commission has determined, with the concurrence of the Administrator of the Office of Information and Regulatory Affairs of OMB, that this rule is not a “major rule” as defined in section 351 of the Small Business Regulatory Enforcement Fairness Act of 1996.

List of Subjects in 18 CFR Part 284
Continental shelf, Incorporation by reference, Natural gas, Reporting and recordkeeping requirements.

By the Commission.
Kimberly D. Bose, Secretary.

In consideration of the foregoing, the Commission amends 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


2. Section 284.12 is amended by revising paragraphs (a)(1)(i) through (a)(1)(vii), and (a)(2) to read as follows:

§ 284.12 Standards for pipeline business operations and communications.

(a) * * * *(1) * * *

(i) Additional Standards (General Standards, Creditworthiness Standards and Gas/Electric Operational Communications Standards) (Version 1.9, September 30, 2009);

(ii) Nominations Related Standards (Version 1.9, September 30, 2009);

(iii) Flowing Gas Related Standards (Version 1.9, September 30, 2009);

(iv) Invoicing Related Standards (Version 1.9, September 30, 2009);

(v) Quadrant Electronic Delivery Mechanism Related Standards (Version 1.9, September 30, 2009) with the exception of Standard 4.3.4;

(vi) Capacity Release Related Standards (Version 1.9, September 30, 2009); and

(vii) Internet Electronic Transport Related Standards (Version 1.9, September 30, 2009) with the exception of Standard 10.3.2.

2) This incorporation by reference was approved by the Director of the Federal Register in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. Copies of these standards may be obtained from the North American Energy Standards Board, 801 Travis Street, Suite 1675, Houston, TX 77002. Phone: (713) 356–0060. NAESB’s Web site is at http://www.naesb.org/. Copies may be inspected at the Federal Energy Regulatory Commission, Public Reference and Files Maintenance Branch, 888 First Street, NE., Washington, DC 20426. Phone: (202) 502–8371, http://www.ferc.gov, or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202–741–6030, or go to: http://www.archives.gov/Federal_register/code_of_Federal_regulations/ibr_locations.html.

Appendix A

Note: The following Appendix will not appear in the Code of Federal Regulations.