

The Importance of Natural Gas for Electric Reliability and Affordability

- Natural gas is an important electric generation fuel that will continue to play an instrumental role in the electric system for the foreseeable future.
- The American Public Power Association (APPA) supports federal policies that help ensure a reliable and affordable supply of natural gas to support a reliable and resilient power grid and reasonable electric rates for customers.
- APPA supports higher standards for delivery, notification, and transparency from the natural gas industry, whether the industry adopts and implements those standards voluntarily or through increased government oversight.

Background

The electric and natural gas industries are interdependent, and recent developments, including extreme winter storms, significant fluctuations in natural gas commodity prices, and greater reliance on intermittent electric generation technologies, such as wind and solar, have brought a heightened focus on the relationship between these industries.

Natural gas has grown significantly as an electric generation fuel source in recent years, and natural gas-fired generation is expected to continue to play an important role in the nation's resource mix for the foreseeable future. In 2023, natural gas accounted for nearly 43.5 percent of utility-scale electricity generation in the United States.¹ Many public power utilities rely on natural gas-fired electric generation, either owned or contracted through bilateral or organized wholesale electric markets. "Natural gas-fired generators are essential for meeting demand; they are dispatchable at any hour and provide a consistent rated output under a wide range of conditions," the North American Electric Reliability Corporation (NERC) said in its 2023 Long-Term Reliability Assessment.

However, NERC wrote, "sufficient natural gas fuel supplies cannot be assured without better reliability measures and the effective coordination between the operators and planners of both electricity and natural gas infrastructures." The 2024 Long-Term Reliability Assessment reiterated these same points. Jurisdiction for siting and permitting interstate natural gas pipelines resides primarily with the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act (NGA), and pipeline certificate applications are also subject to National Environmental Policy Act (NEPA) review. Aside from the importance of natural gas to electric reliability, the price of natural gas often directly impacts the wholesale price of electricity, both within and outside of organized wholesale markets.

The severe arctic weather event known as Winter Storm Uri in February 2021 vividly illustrated the reliability and economic interdependencies between the electric and natural gas sectors. During Winter Storm Uri, there was a massive decline in natural gas production, with natural gas fuel supply struggling to meet both residential heating load and electric generating unit demand for natural gas. Although natural gas is an essential fuel for home heating, electric generation, and other critical uses, the price of the natural gas commodity is fully deregulated. For example, during Winter Storm Uri, natural gas prices spiked from roughly \$3 per million British thermal units (MBtu) at most locations to \$100 to \$400 per MBtu at many hubs, and over \$1,000 at some locations. These high fuel prices contributed to soaring wholesale electricity costs in some regions. Some of the same natural gas and electric interdependencies were observed during Winter Storm Elliott in December 2022, with several regions engaging in controlled outages to preserve system stability.

¹ EIA 2023 <https://www.eia.gov/electricity/data/eia923/>

Regulatory Actions

In November 2021, FERC and NERC staff issued a report on the Winter Storm Uri event that detailed the growing interdependency between the gas and electric sectors. More recently, in July 2023, the North American Energy Standards Board (NAESB) released a gas and electric harmonization report. Recommendations to adopt multi-day unit commitment processes, align timelines between the power day and gas day, and support natural gas and electricity demand response programs were broadly supported, but other aspects showed remaining disagreements between the electric and natural gas industries. APPA supports higher standards for delivery, notification, and transparency from the natural gas industry, whether the industry adopts and implements those standards voluntarily or through increased government oversight, including but not limited to, the establishment of a natural gas reliability organization, similar to NERC's role in the electric industry, as proposed (but not endorsed by the gas industry) in the NASEB report.

The FERC-NERC Report was limited to the grid reliability impacts of Winter Storm Uri and did not address the storm's economic consequences, such as extreme natural gas spikes and the related increases in wholesale electric costs. Extreme increases in wholesale electric costs ultimately increase the cost for public power utilities and their customers, including fixed and low-income individuals. Affordability is a key part of ensuring reliable electric service. APPA supports federal legislation that would allow federal authorities to temporarily cap the price at which wholesale sales of natural gas may be made during periods of acute supply shortage or to otherwise limit excessive natural gas wholesale prices.

Efficient and predictable permitting processes are key to ensuring the infrastructure needed to move natural gas used to provide electricity to residences and businesses. Recently, policy disputes at FERC and subsequent litigation have injected significant uncertainty into the process. FERC previously considered two draft policy statements that outlined a revised approach for evaluating new natural gas pipeline project applications under the NGA. One draft policy statement addressed FERC's general policy for granting certificates for pipelines and liquefied natural gas projects under the NGA. The other policy statement explained how FERC would assess the impacts of natural gas infrastructure projects on climate change in its reviews under the NGA and NEPA, focusing on FERC's consideration of greenhouse gas (GHG) emissions associated with proposed projects. APPA filed comments in response to the draft policy statements, citing the importance of new pipeline infrastructure and urging FERC to provide clearer guidance on how it will balance the benefits and adverse impacts of proposed projects. APPA also urged FERC to clarify the suggestion that it will encourage applicants to mitigate "indirect" GHG emissions from new pipeline projects, given the substantial uncertainty the proposed policy created for natural gas pipeline companies, and the potential deleterious effects on pipeline infrastructure development. In early 2025, FERC withdrew the draft policy statement on GHG emissions, stating that it will assess the climate change impacts of natural gas infrastructure projects on a "case-by-case" basis.

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The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government and protect the interests of the more than 54 million people that public power utilities serve and the 96,000 people they employ.