Natural Gas Technical Conference

RESA and Shipley Positions

Introduction

- Accelerated Switching Timeframes
- Capacity Assignment
  - Slice of System
  - Virtual Assets
- Daily Imbalance Trading
- Non-Emergency Day Penalties

Accelerated Switching

- The ultimate purpose is to provide an improved customer experience; one that better aligns with the typical customer's expectations.
- In an era where one can open a bank account with a smart phone app in less than 30 minutes, or change an electricity provider in six days, customers do not expect that it may take as much as 45 days to switch natural gas suppliers.
- RESA does not believe that there is any reasonable disagreement with the premise that faster switching is better for customers.
- RESA believes that we should take every practical step to shorten the switch period to the greatest extent possible.
- Acquiring Supplier should be responsible for capacity for balance of month.
- NGDC should estimate meter reads.
- RESA can agree to limitation of two off-cycle switches per month for Residential and one off-cycle per month for C&I

Capacity Assignment from All Assets

- Capacity released must be a non discriminatory allocation of the entire NGDC capacity portfolio and not just certain paths or pipelines (Slice of system).
- NGDC capacity used to serve a customer's peak day should follow the customer with transition from Sales service to Choice, Choice back to Sales service, and from one NGS to another NGS.
- NGDC will release capacity to NGS monthly based on the aggregated peak day of the NGS for the respective month.
  - Example…The NGDC total Peak Day is 100,000 MMBTUs for a city gate(s) and the NGDC holds 90,000 of interstate capacity for the city gate. For April the NGDC determines that a NGS peak day for its aggregated pool of customers behind the city gate is 25,000 MMBTUs. Around March 20th the NGDC would release to the NGS 22,500 (90k/100k x 25K) of interstate capacity effective April 1-30th.
  - Exceptions
    - Capacity that is not feasible for release (unique stranded delivery points).
    - Capacity needed by NGDC for non temperature related balancing for imbalances between city gate nominations and actual city gate burns (assuming NGDC is the balancing/swing party at the city gate).

Capacity Assignment from All Assets

- Are NGS benefiting from capacity they didn't pay for/double dipping if the NGDC sells capacity? No.
  - Monetary value for selling the capacity or using it for off system sales will result in more competitive NGS offers to customers.
  - NGDC likewise does not pay for the capacity.
  - NGDC profits from capacity sales, off system sales, and AMA deals are generally shared between NGDC and Customers.
- What states or programs do this well?
  - Ohio: Program varies by NGDC but in general Ohio has a mature competitive market which has embraced "the asset follows the customer" paradigm. Transport and storage assets are released to NGSs based on the customer's peak day requirements relative to the peak day of the total portfolio.
- Virtualization is a "step backwards"?
  - All capacity assets are assignable. Burden is on NGDC to prove otherwise.
  - NGDC should only use virtualization as a workaround if the asset is needed for non temperature balancing, peaking supply, or other system integrity reason.
  - NGDC should give the same services to NGS as provided by asset provider to NGDC.
  - Duke Ohio release a virtual storage called Enhanced Firm Balancing Service (EFBS). EFBS mirrors the services available by Duke capacity contracts that make up EFBS.

Uniform Capacity Costs for All Customers

- All customers (Choice and Sales customers) directly pay to the NGDC the average system pipeline reservation charge of upstream capacity that NGDC holds on interstate pipelines.
- NGDC charges the customer monthly for upstream capacity costs on a volumetric or reservation basis? How are NGDC over/under collections handled? Pipeline refunds?
- NGDC releases upstream capacity on interstate pipelines system to NGS monthly at a $0.00 reservation rate. NGS is responsible for variable charges. These are invoiced directly by interstate pipeline to NGS.

Uniform Capacity Costs for All Customers

- PTC: NGDC should not include weighted average capacity in the PTC since NGS will not reflect it in their offers.
- FERC issues None.
  - FERC rules states a release of capacity to a marketer participating in a state regulated retail access program are exempt.
  - Peoples and Central Hudson (NY) are two NGDC who currently release capacity at a $0.00 reservation rate.
- How does this shift competition?
  - NGS and NGDC are on a equal playing field with access to all assets and reduced risk of under recovery of capacity cost.
  - Allows NGS to reduce risk premiums in offers to customers by having a known asset portfolio to a serve customer.
  - Prevents NGS and NGDC duplicating efforts for contracting for capacity that serves the same customer.

Daily Imbalance Trading

- Mechanism for keeping customers and customer pools "whole"
  - If one supplier is long, but another is short, they can trade to offset imbalances
- Why is this function so important?
  - Change in customer operations could affect balances, such as shut downs
  - Unforeseen scheduling issues, such as cuts, could prevent gas getting to certain customers or pools
  - Changes in weather can impact actual usage and imbalances
  - Human error
- Benefits to customers and suppliers
  - Get the amount of gas needed to correct imbalances
  - Avoid unnecessary cash outs or scheduling penalties when the system, as a whole, is ok
- Utility impact
  - No net effect on supply, so there's no reliability risk
  - Accounting for the transfers in their supply/billing systems

Daily Imbalance Trading

- Ideal Features
  - Standardization of rules across utilities
    - Allow for all customer rate classes
    - Year-round access, even during periods of constraints and operational flow orders
    - No volume limitations
    - Free or reasonable administrative costs
    - Consistent deadlines
  - Streamlining
    - Ability to process trades on EBBs
    - Visibility for suppliers to see if others are net long/short so they can quickly reach out to a party on the other side of a position
    - Real-time usage data and reporting

Non-Emergency Penalties

- Local Market price reasonable basis for maximum penalty so long as adder is reasonable.
- Should be provision that allows no-harm-no-foul scaling down or elimination of penalty if action actually benefits or does not harm system
- There also should be a minimum volume below which no penalty applies because it is not material; i.e., 5 dth.
- Should be set as Maximum penalties to allow for NGDC flexibility to scale down or eliminate based on circumstances.
- A statewide maximum of %115 of local market price seems rational.
- Cash out rates should have same uniform structure as penalty.