

North American Energy Standards Board

NAESB

Gas-Electric Interdependency

Standards & Issues

North American Energy Standards Board

Gas Electric Interdependency - February 2006 Report

RM96-1-027 (RM05-28-000) NOPR: Gas Issues

- ❖ Issue 1: Consider the development of standards to support Capacity Release pricing on an index for pipelines that have the FERC authority to enter into negotiated rates and discount capacity on an index basis.
 - ❖ The Commission clarified, releasing shippers are free to offer the same type of pricing arrangements as pipelines - gas price indices, as long as, the rate paid by the replacement shipper does not exceed the maximum rate in the pipeline's tariff, including rate formulas that produce varying rates during the term of an agreement, as discounted rates.
 - ❖ RM06-21 and RM07-4; Requesting comments on the capacity release program and if changes in any policies would improve the efficiency of the natural gas market. Comments due March 12, 2007.

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RM96-1-027 (RM05-28-000) NOPR: Gas Issues continued

- ❖ Issue 2: Review the possibility of adding an additional intraday nomination cycle with bumping rights to provide more flexibility to shippers, including power generators, with firm transportation rights such that they can nominate for natural gas supporting their market clearing times.
 - ❖ “... making the third intra-day nomination non-bumping creates 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.”

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RM96-1-027 (RM05-28-000) NOPR: Gas Issues continued

- ❖ Issue 3: Review the ability of pipelines to shift gas for primary firm transportation within a pipeline path without having to re-offer as secondary firm transportation service.
 - ❖ In most cases, it would be reasonable to permit the reassignment since the shipper already has a transportation contract with primary points through the posted constraint point and has scheduled gas through that point so that reallocating gas to a different delivery point would not pose an operational problem.

The only caveat would be if Shipper 1 seeks to re-designate a secondary delivery point (outside its path) that is also being requested by Shipper 2, and the delivery point is within the path of the Shipper 2. If both secondary nominations to that point cannot be accepted, Shipper 2, with a contract path through the secondary point, would have priority.

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RM05-5 (RM05-28-000) NOPR: Electric Issues

- ❖ Issue 4: Review and modify the requirements for organized electric markets so that the markets clear in sufficient time to nominate within the existing gas nomination timelines.
- ❖ Issue 5: Consider the development of business practices for generators that offer into the day ahead market to have the appropriate commercial arrangements to fulfill the needed obligations.

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RM05-5 (RM05-28-000) NOPR: Electric Issues

- ❖ The Commission concurrently opened section 206 proceedings to examine the RTO and ISO scheduling processes during emergency conditions to ensure that the RTOs and ISOs have procedures in place during emergencies to permit better synchronization of their markets with the gas market and to ensure that generators making appropriate bids into the RTO and ISO markets are able to recover their prudently incurred costs. (Docket Nos. EL07-1, EL07-2, EL07-3, EL07-4, EL07-5, EL07-6)
- ❖ January 16, 2007 filing deadline has been met
- ❖ The ISOs and RTOs have responded. Cal ISO has asked for an extension. Several stakeholders have filed motions to intervene.

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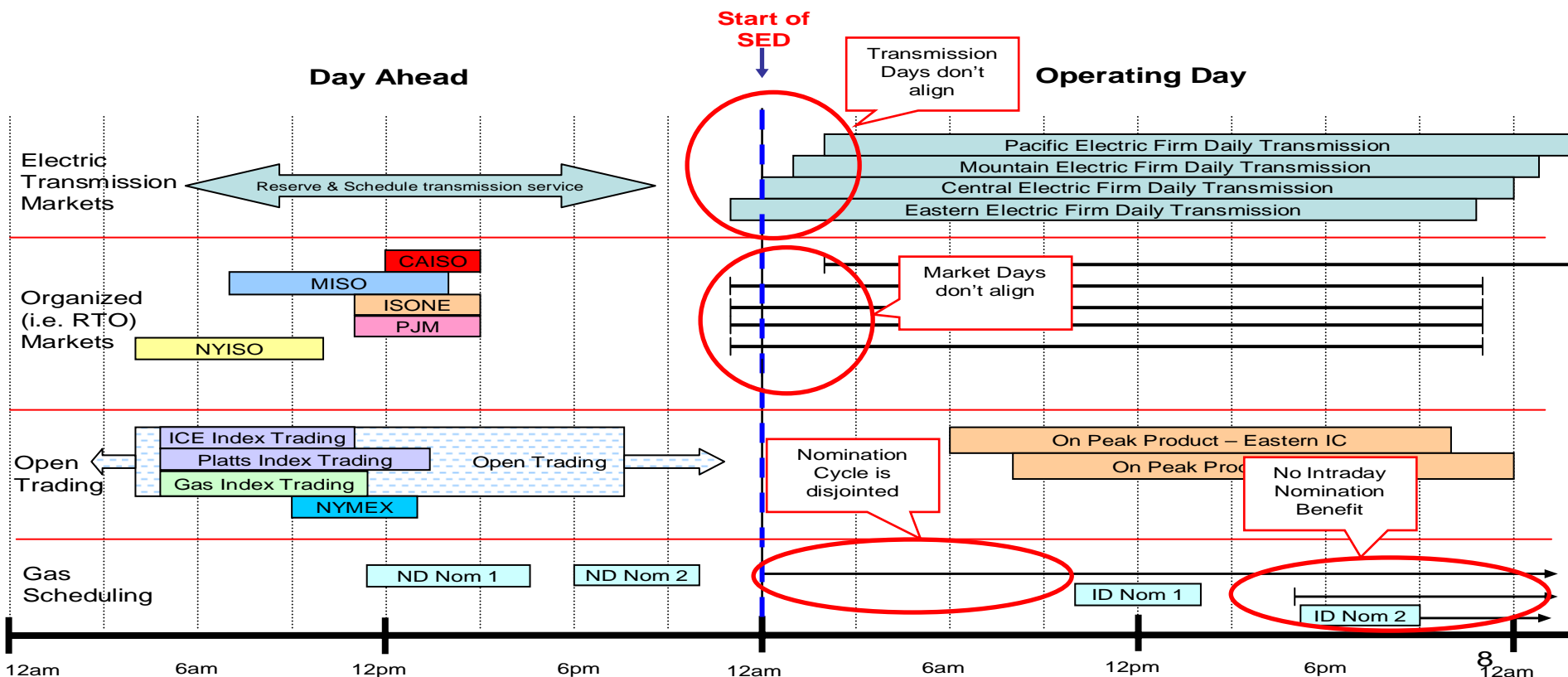
RM05-5 (RM05-28-000) NOPR: Electric Issues

- ❖ Issue 6: Develop the appropriate supporting definitions for new business practices for the Wholesale Electric Quadrant, including but not limited to definitions for: alternate fuel capability, usable alternate fuel capability, firm transportation service, firm sales service, firm supply, and “must run” generator.
 - ❖ The Commission responded that the report is not clear as to what affect such definitions would have on the operation of the electric grid, or what business practices would be affected, choosing not to provide guidance on whether such definitions should be developed at this time. NAESB has since re-activated the “Seams” committee which will look again at the possibility of standards for energy definitions.
 - ❖ Some of the definitions may be addressed as part of the OATT NOPR Reform as parts of RM05-17 and RM05-25 address definitions

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Overlay of Electric and Gas Market Timelines



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Next Steps

- ❖ WGQ 2007 Annual Plan has an item to pursue analysis of the nominations timeline and additions to it to support electric market clearing times - controversial as it increases the value of firm transportation.
- ❖ Provisional item on the WEQ 2007 Annual Plan - respond to standards development needs as an outgrowth of the WGQ effort and the reports submitted to the FERC regarding the order on inquiry.
- ❖ NAESB Board of Directors receives a report on these efforts at each Board meeting, and the WEQ and WGQ Executive Committees prepare updates at each of their quarterly meetings.