

# Proposed Tariff Modifications

Customer Focused and Market Orientated

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# Agenda

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- **Meeting Kickoff** Daniel Drew
- **Agenda and Meeting Format** Hector Alatorre
- **OFO Changes Discussion** Sharon Larsen
- **Application of new OFO Structure** Rich Truxell
- **Over/Under Run Changes Discussion** Mike DiCarlo
- **Q&A** Various
- **Next Steps** Gennifer Raney

# Operation Flow Order Discussion



# Changes to tariff GT&C Section 51 and 52

## Tariff Changes

- Eliminate Section 51 (Operational Controls) and incorporate cumulative imbalance restrictions into Operational Flow Order Section 52.
- Two new OFO types will be:
  - Reduce Cumulative imbalance OFOs which require a party's cumulative monthly imbalance to be made up over a specified time period; (minimum of three (3) Gas Days, one of which must be a business day), to no greater than the tolerance percentage defined in the OFO.
  - Maintain Cumulative imbalance OFOs which require parties' cumulative imbalances to maintain for the duration of the OFO within a designated threshold.
- Add New OFO classes that allow for tiered or non-tiered penalties for all types of OFOs :
  - Class 1 OFO: no less than 2% or 10,000 tolerance and penalty tiering
  - Class 2 OFO Imbalance: no less than 5% or 5,000 tolerance and no penalty tiering
  - Class 2 OFO Scheduling: no less than 5% or 1,000 tolerance and no penalty tiering

# Customer Forum – Proposals

## OFO Changes

### Tariff Changes

- Penalties will also be dependent on the OFO Class called:
- Class 1 OFO – will allow for penalty tiering:
  - Penalty Tier 1 –\$5.00 for quantities that are up to 1.5% above tolerance.
  - Penalty Tier 2 –\$10.00 for quantities that are greater than 1.5% above tolerance but less than 3% above the tolerance.
  - Penalty Tier 3 –\$15.00 for quantities greater than 3% above tolerance.
- Class 2 OFO – will not allow for penalty tiering :
  - All quantities above tolerance will be subject to the higher of \$50 or 3x applicable midpoint price (current penalties).
- Class 1 or 2 will be declared in the OFO notice
  - If Class 1 is not sufficient to address the situation fully, then a Class 2 will be called
- Adding the same indices as the Cashout filing for Class 2

# Example of new OFO tiering

## Daily OFO Imbalance Due From Zone 6

		Exclusions		Percent	Qty	Qty		(Imb – Tolerance)
		451,887		12%	55,000	10,000		45,000
<b>Class 1</b>	(2% of	Allocated Deliveries	or	10,000 dth)		9,038		
	Tier	Penalty Percentage above tolerance		Lower Penalty Range of Deliveries	Upper Penalty Range of Deliveries	Net Actual Penalty Quantity	Penalty Rate	Penalty \$
	1	0.0 % - 1.5%		0	6,778	6,778	\$5.00	\$ 33,890.00
	2	>1.5% - 3.0 %		6,779	13,556	6,778	\$10.00	\$ 67,780.00
	3	>3.0 %		13,557	Remainder	31,444	\$15.00	\$ 471,660.00
						45,000		\$ 573,330.00
		<b>Total Allocated Delivery Qty less Exclusions</b>		<b>Imbalance Percent</b>	<b>Imbalance Qty</b>	<b>Tolerance Qty</b>		<b>Penalty Qty = (Imb – Tolerance)</b>
		451,887		17%	75,000	22,594		52,406
<b>Class 2</b>	(5% of	Allocated Deliveries	or	5,000 dth)				
						52,406	\$50.00	\$2,620,300.00

## Example of Reduce Cumulative OFO

Reduce Cumulative Imbalance OFO shall require Buyers to reduce the cumulative monthly imbalance attributable to the Buyer, over the time specified in the OFO (minimum of three (3) Gas Days, one of which must be a business day), to no greater than the tolerance percentage defined in the OFO. Any cumulative monthly imbalance attributable to a party to which Seller has directed a Reduce Cumulative Imbalance OFO in excess of the allowable variation specified by Seller in the OFO shall constitute an unauthorized OFO Imbalance. The allowable variation specified by Seller in the OFO shall not be less than 2% or 10,000 dt, whichever is greater (Class 1 OFO) or not less than 5% or 5,000 dt, whichever is greater (Class 2 OFO), in each area in which the OFO is in effect.

Example 1 Reduce Cumulative OFO Called on Day 15			10% Due From to be Effective Day					
			Cumulative					
			Imbalance	Deliveries	Tolerance	Penalty		
Thursday	OFO Day 1	Gas days 1-15	15,000	120,000	12,000	3,000	3 day grace	No penalty
Friday	OFO Day 2	Gas days 1-16	32,000	240,000	24,000	8,000	3 day grace	No penalty
Saturday	OFO Day 3	Gas days 1-17	34,000	365,000	36,500	0	3 day grace	No penalty
Sunday	OFO Day 4	Gas days 1-18	26,100	490,000	49,000	0		No penalty
Monday	OFO Day 5	Gas days 1-19	27,100	615,000	61,500	0		No penalty

# Example 2 of Reduce Cumulative OFO

## Class 1 Reduce Cumulative OFO Called on Day 15

10% Due From to be Effective Day 18

			Cumulative					
			Imbalance	Deliveries	Tolerance	Penalty		
Thursday	OFO Day 1	Gas days 1-15	15,000	120,000	12,000	3,000	3 day grace	No penalty
Friday	OFO Day 2	Gas days 1-16	28,000	240,000	24,000	4,000	3 day grace	No penalty
Saturday	OFO Day 3	Gas days 1-17	32,000	280,000	28,000	4,000	3 day grace	No penalty
Sunday	OFO Day 4	Gas days 1-18	45,000	350,000	35,000	10,000		10,000
Monday	OFO Day 5	Gas days 1-19	62,000	490,000	49,000	13,000		13,000
Day 4							10,000	
Penalty Tier								
	1	1.50%	350,000	5,250	\$ 5.00		5,250	\$ 26,250.00
	2	1.50%	350,000	5,250	\$ 10.00		4,750	\$ 47,500.00
	3	Remainder			\$ 15.00		-	\$ -
			10,500				10,000	\$ 73,750.00
Day 5							13,000	
Penalty Tier								
	1	1.50%	490,000	7,350	\$ 5.00		7,350	\$ 36,750.00
	2	1.50%	490,000	7,350	\$ 10.00		5,650	\$ 56,500.00
	3	Remainder			\$ 15.00		-	\$ -
			14,700				13,000	\$ 93,250.00



# Example of Maintain Cumulative OFO

## Maintain Cumulative Imbalance OFO

The OFO shall require Buyers to maintain for the duration of the OFO the cumulative monthly imbalance attributable to Buyer at the time of the OFO notice. Any change in such cumulative imbalance attributable to a Buyer in excess of the allowable variation specified by Seller in the OFO shall constitute an unauthorized OFO Imbalance. The allowable variation specified by Seller in the OFO shall not be less than 2% or 10,000 dt, whichever is greater (Class 1 OFO) or not less than 5% or 5,000 dt, whichever is greater (Class 2 OFO), in each area in which the OFO is in effect.

### Maintain Cumulative OFO - must maintain imbalance within imbalance threshold of 2% or 10,000 dts (whichever is greater) from date called

Shipper A: Imbalance tolerance used is 10,000 dts							
Cumulative Option	Day	Imbalance	Tolerance	Thresholds		Outside	Penalty
				Plus	Minus	Tolerance	
	Day 1	150,000	10,000	160,000	140,000		
Imbalance	Day 2	151,300				no	
Imbalance	Day 3	139,450				550	550 Below threshold
Imbalance	Day 4	162,300				2,300	2,300 Above threshold
Day 3							
Penalty Tier							
1	1.50%	150,000	2,250	\$ 5.00		550	\$ 2,750.00
2	1.50%	150,000	2,250	\$ 10.00		-	\$ -
3	Remainder			\$ 15.00		-	\$ -
		4,500				550	\$ 2,750.00
Day 4							
Penalty Tier							
1	1.50%	150,000	2,250	\$ 5.00		2,250	\$11,250.00
2	1.50%	150,000	2,250	\$ 10.00		50	\$ 500.00
3	Remainder			\$ 15.00		-	\$ -
		4,500				2,300	\$11,750.00

## Example 2 of Maintain Cumulative OFO

**Maintain Cumulative OFO - must maintain imbalance within imbalance threshold of 2% or 10,000 dts (whichever is greater) from date called.**

Shipper B: Imbalance tolerance used is 2% of cumulative imbalance					Thresholds		Outside	
			<u>Imbalance</u>	<u>Tolerance</u>	<u>Plus</u>	<u>Minus</u>	<u>Tolerance</u>	<u>Penalty</u>
<b>Cumulative Option</b>	Day 1		2,100,000	42,000	2,142,000	2,058,000		
	Imbalance	Day 2	2,115,000				no	
	Imbalance	Day 3	2,150,000				8,000	8,000 Above threshold
	Imbalance	Day 4	2,040,000				18,000	18,000 Below threshold
<b>Day 3</b>								
Penalty Tier		Day 1 Imbalance						
1	1.50%	2,100,000	31,500	\$ 5.00		8,000		\$ 40,000.00
2	1.50%	2,100,000	31,500	\$ 10.00		-		\$ -
3	Remainder			\$ 15.00		-		\$ -
			63,000			8,000		\$ 40,000.00
<b>Day 4</b>								
Penalty Tier		Day 1 Imbalance						
1	1.50%	2,100,000	31,500	\$ 5.00		18,000		\$ 90,000.00
2	1.50%	2,100,000	31,500	\$ 10.00				
3	Remainder			\$ 15.00		-		\$ -
			63,000			18,000		\$ 90,000.00

# Example of Scheduling OFO

Class 1 Scheduling OFO - Directed at Shippers 5% Tolerance or 10,000 dth						
				5000		
	Location A					
		Scheduled	Allocated	Difference	Tolerance	OFO Penalty
	Shipper A	100,000	120,000	20,000	10,000	10,000
	Shipper B	50,000	50,000	0	2,500	
	Shipper C	15,000	15,000	0	750	
Penalty Tiers for Shipper A						
1	1.50%	100,000	1,500	\$ 5.00	1,500	\$ 7,500.00
2	1.50%	100,000	1,500	\$ 10.00	1,500	\$ 15,000.00
3	Remainder			\$ 15.00	7,000	\$105,000.00
			3,000		10,000	\$127,500.00
Class 2 Scheduling OFO - Directed at Shippers 5% Tolerance or 1,000 dth						
				5000		
	Location A					
		Scheduled	Allocated	Difference	Tolerance	OFO Penalty
	Shipper A	100,000	120,000	20,000	5,000	15,000
	Shipper B	50,000	50,000	0	2,500	
	Shipper C	15,000	15,000	0	750	
	Shipper A OFO charges			\$ 50.00	15,000	\$750,000.00
					15,000	\$750,000.00

# Daily Overrun and Underrun Discussion



# Changes to tariff GT&C Section 18

## Unauthorized Daily Overrun

- Changes to the Allowable Daily Dispatching Variations. This is the quantity of unauthorized overrun that is subject to Tier 1 penalty. Currently, the Allowable Daily Dispatching Variation is a seasonal percentage of the sum of:
  - (1) allocated primary FT (including high burns) at the location;
  - (2) scheduled secondary FT at the location; and
  - (3) scheduled IT at the location.
- (1) above is proposed to be split between:
  - Allocated Traditional FT (including high burns) at the location; and
  - Scheduled Non-Traditional FT at the location.
- This does not change the quantity of Unauthorized Daily Overrun; only how it is tiered.
- Tier 1 penalty will be charged the zone of delivery instead of Zone 3 to Zone of delivery. This is consistent with changes made in the Priority of Service filing.

# Unauthorized Daily Overrun Example – 5% Tolerance

## Zone 6 Swing Service Delivery Point

Measured = 80,184	
Scheduled	Allocated
Traditional Delivery	20,000
Non-Traditional Delivery	30,000
Secondary Delivery	8,000
IT Delivery	10,000
GSS Storage Withdrawal	4,000
Overrun	8,184
<b>46,000</b>	<b>80,184</b>

Allowable Daily Dispatching Variation Current	
Traditional Allocated	20,000
Non-Traditional Allocated	30,000
GSS Allocated	4,000
Secondary Scheduled	5,000
IT Scheduled	10,000
	69,000
Tolerance	5%
Allowable Daily Dispatching Variation	3,450

Penalty Tiering		
Tier 1	3,450	3-6 IT Rate
Tier 2	50	\$2.50
Tier 3	4,684	\$50 or 3x High Common Reference Spot Price

Allowable Daily Dispatching Variation Proposed	
Traditional Allocated	20,000
Non-Traditional Scheduled	18,000
GSS Allocated	4,000
Secondary Scheduled	5,000
IT Scheduled	10,000
	57,000
Tolerance	5%
Allowable Daily Dispatching Variation	2,850

Penalty Tiering		
Tier 1	2,850	6-6 IT Rate
Tier 2	50	\$2.50
Tier 3	5,284	\$50 or 3x Reference Spot Price "Sell"*

\* Pending approval of Cash-out Price Calculation filing (RP20-614)

# Changes to Tariff GT&C Section 18

## Unauthorized Daily Underrun

- Unauthorized Daily Underrun is a daily penalty for Swing Service Delivery point operators that flow less than scheduled quantities at their location(s).
- Unauthorized Daily Underruns *DO NOT* include low-burn transactions scheduled on: FT Traditional deliveries, bundled storage transactions, and “linked” swing supplier transactions
- Unauthorized Daily Underrun will always be applicable with an allowable variation (tolerance) percentage posted on the 1Line Informational Postings page. The allowable variation will be calculated by applying the posted percentage to the total scheduled at the location excluding FT Traditional deliveries, bundled storage transactions, and “linked” swing supplier transactions.
- Penalties will be tiered 1 – 3:
  - Tier 1 – IT rate for the applicable zone of delivery for quantities exceeding the allowable variation up to double that variation. If the allowable variation is 10% then quantities exceeding the 10% but less than or equal to 20% will be in Tier 1.
  - Tier 2 – \$2.50 for quantities in excess of Tier 1 and up to 50 dt
  - Tier 3 – Higher of \$50 per dt or 3 times the Reference Spot Price “Buy”\* for remainder of quantities in penalty

# Unauthorized Daily Underrun Example – 10% Tolerance

## Zone 6 Swing Service Delivery Point

	Measured = 80,184	
	<b>Scheduled</b>	<b>Allocated</b>
Traditional Delivery →	60,000	40,000
Non-Traditional Delivery →	70,000	44,000
Secondary Delivery →	30,000	8,184
IT Delivery →	10,000	0
	<u>0</u>	<u>-12,000</u>
	170,000	80,184

← Bundled Storage Injection

Tolerance Calculation	
Traditional	N/A
Bundled Storage Injection	N/A
Non-Traditional	70,000
Secondary	30,000
IT	<u>10,000</u>
Scheduled Quantities:	110,000
Posted Tolerance:	10%
Tolerance Quantity:	11,000

Unauthorized Daily Underrun Quantities	
Traditional	N/A
Bundled Storage Injection	N/A
Non-Traditional	26,000
Secondary	21,816
IT	<u>10,000</u>
Unauthorized Daily Underrun:	57,816

Penalty Tiering		
Tier 1	11,000	6-6 IT Rate
Tier 2	50	\$2.50
Tier 3	<u>35,766</u>	\$50 or 3x Reference Spot Price "Buy"*
Total:	46,816	

\* Pending approval of Cash-out Price Calculation filing (RP20-614)



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# THANK YOU