

# Change of Reference Spot Prices for Cashout Docket #RP15-1212-000



# Background

- Currently, Transco uses Natural Gas Week's "Natural Gas Weekly Spot Prices" for Reference Spot Prices to resolve imbalances.
- Imbalances within 2.5% "Sell" and 5% "Buy" tolerance are cashed out at the simple average of the weekly indices.
- Imbalances between 2.5% and 5%, "Sell" imbalances use highest of the weekly indices and imbalances between 5% and 10%, "Buy" imbalances use the lowest of the weekly indices.
- Beyond 5% "Sell" and 10% "Buy" the prices are tiered.

# Requirements for Index Selection

FERC issued an order November 19, 2004 that established minimum reporting requirements for selection of an index. Each index must satisfy one of the following:

- Average daily reported volume of 25,000 mmbtus/day.
- Average daily number of reported transactions of five or more.
- Average daily number of reported counterparties of five or more.



# Proposal

- Cashout calculations will use Platts for determination of Reference Spot Prices.
- Calculations will be based on daily prices instead of weekly prices.
- Imbalances in Zone 6 will use different Reference Spot Prices depending on the location:
  - Station 505 and all Leidy Line locations west of Station 505 will use the “Transco, Leidy Line receipts” index. This includes Algonquin Centerville.
  - All Zone 6 locations, except Station 505 and all Leidy locations west of Station 505 will use the average of “Transco, zone 6 N.Y.” and “Transco, zone 6 non-N.Y.” indices. This includes TETCO Lambertville.

## Cashout Indices

Cashout Location	Before Oct 1*	as of Oct 1**
Zone 1	EI Natural Gas Week - Transco Station 30	Platts Gas Daily - Transco Zone 1
Zone 2	EI Natural Gas Week - Gulf Coast Regional Average	Platts Gas Daily – Florida Gas Transmission Zone 1***
Zone 3	EI Natural Gas Week -Transco Station 65	Platts Gas Daily - Transco Zone 3
Zone 4	EI Natural Gas Week - Transco Zone 4	Platts Gas Daily - Transco Zone 4
Zone 5	EI Natural Gas Week - Columbia Appalachia Pool	Platts Gas Daily - Transco Zone 5
Zone 6 Leidy	EI Natural Gas Week - Dominion North Point	Platts Gas Daily - Transco Leidy Receipts
Zone 6 Mainline	EI Natural Gas Week - Dominion North Point	Platts Gas Daily - Average of Transco Non-New York, Transco New-York
* Cashout calculations based on the average of the weekly indices.		
** Monthly average of the daily averages of “High”, “Midpoint”, and “Low” indices.		

\*\*\*FGT Zone 1 closely matches geographic area of Transco Zone 2 and satisfies FERC liquidity requirements.

# 1Line Changes

- For Cashout and within-the-month imbalances management purposes, zone 6 imbalances will be classified into two buckets labeled as Zone 6 Mainline (OIA 2 - 6) or Zone 6 Leidy (OIA 2L - 6).
- 1Line pages that will identify the imbalances:
  - Monthly Summary
  - Trade Summary
  - Imbalance Resolution Summary
  - Invoice Packet
    - Shipper imbalance statement
    - Imbalance resolution statement
- 1Line reports that will identify the imbalances:
  - Trade Detail
  - Shipper imbalance Daily Statement
  - Shipper Imbalance Information
  - Imbalance Payback by Zone
  - Imbalance by Zone
  - Imbalance Summary by OIA/Zone
  - Daily Imbalance by Zone

## 1line Changes (cont'd)

- > Within-the-month imbalance management related to Zone 6
  - Imbalances will continue to be held at the receipt location
  - The receipt location will determine if the imbalance is Zone 6 mainline (OIA 2 – 6) or Zone 6 Leidy (OIA 2L – 6)
- > A shipper's ability to do current month imbalance transactions (TT3 or TT4) to offset a current month imbalance on that contract in the opposite direction will be determined based upon where the imbalance resides (Zone 6 mainline or Zone 6 Leidy).
- > Example 1:
  - Shipper A creates a "Due To Shipper" imbalance on a transaction with a Leidy Line receipt point on Day 5
  - Shipper A wants to resolve that imbalance on Day 9 by submitting a TT3 (Delivery makeup) to a Zone 6 mainline delivery location to offset the imbalance created earlier in the month
  - Transco will only allow the TT3 if the receipt location on the TT3 is somewhere on Zone 6 Leidy
  - This will require that the shipper has unused transportation capacity from the Zone 6 Leidy receipt to the delivery point
- > Example 2:
  - Shipper B has a "Due To Shipper" imbalance on a transaction with a Zone 6 Mainline receipt point on Day 6
  - Shipper B wants to resolve that imbalance on Day 11 by submitting a TT3 (Delivery makeup) to a Zone 6 mainline delivery point location to offset the imbalance created earlier in the month
  - Transco will only allow the TT3 if the receipt location on the TT3 is somewhere on the Zone 6 mainline
  - This will require that the shipper has unused transportation capacity from the Zone 6 mainline receipt to the delivery point

# Timing of Changes

- Change went into effect beginning Gas Day October 1, 2015.
- Unresolved imbalances for October will be cashed out and reflected on the December 10, 2015 invoice.



# Summary

- Platts' higher number of transactions and trade volumes consistently satisfy FERC requirements.
- Gas Daily has more Transco-specific reporting locations than Natural Gas Week that provide better representation of the geographical value differences of natural gas.
- Higher trade volumes better represent market prices and volatility.
- Revisions will reduce arbitrage opportunities created by imbalances that are negatively impacting pipeline operations.
- Effective date October 1, 2015.
- For questions, please contact your Transportation Services Representative.