

1Line Training

Capacity Release

Origin/Purpose of Capacity Release

- FERC Order 636: Significantly changed how pipelines operated
- Applies to Part 284 Firm Transportation and Storage Services
- Timelines and Rules are developed by NAESB and adopted by FERC
- Gives firm capacity holders an opportunity to release capacity they are not using to other shippers and recover some/all of the costs
- Gives interested parties an opportunity to pick up firm capacity on a pipeline
- FERC Order 712: Created a more efficient capacity release market.

ORDER 712 OVERVIEW

On June 30, 2008, the FERC published its final rule on Order 712 which became effective July 30, 2008.

Price Cap Removal

- Commission removed, on a permanent basis, the rate ceiling on capacity releases of one year or less.

Asset Management Arrangements

- Commission modified its regulations to facilitate asset management arrangements by relaxing its prohibition on tying and bidding requirements.

Retail Choice Programs

- Commission modifies its regulations to facilitate retail choice programs by relaxing its prohibition on tying and bidding requirements.

Storage Tied Releases

- Commission clarifies that its prohibition on tying does not apply to conditions associated with gas inventory held in storage for releases of firm storage capacity.

ORDER 712 PRICE CAP REMOVAL

Long Term: greater than 1 year

Short Term: one year or less

All long term releases (>1 year) are capped at the maximum tariff rate.

All short term releases (\leq year) are not capped at the maximum tariff rate.

Price cap rules apply to all capacity release types (regular, asset management arrangements, retail choice, and storage tied releases)

Asset Management Arrangements (AMA)

- Releasing shipper required to select AMA Indicator.
- Minimum time requirement obligation to serve:
 - ≥ 1 year; on any day during a minimum period of five months out of each twelve-month period of the release.
 - < 1 year; obligation must apply for the lesser of five months or the term of the release.
- Must be prearranged.
- Can be either biddable or non-biddable.
- Are not subject to the rollover provision.
- Conditions must be stated in the terms of the release:
 - (a) volumetric level of replacement shipper's delivery or purchase obligation and
 - (b) time period obligation is in effect.

Retail Choice Programs (RC)

- Releasing shipper will be required to select RC Indicator.
- Releases must be prearranged.
- Releases are not subject to the rollover provision.
- Releases can be either biddable or non-biddable.

NAESB Version 3.0

- Periodically, FERC approves new versions of the North American Energy Standards Board (NAESB) Business Practice Standards; these contain Principles, Definitions, Standards and Models, including Data and Code Value Dictionaries.
- Changes related to NAESB 3.0 were reflected in Transco's 1Line system beginning April 1, 2016.
- NAESB 3.0:
 - New Capacity Release Timelines

Index-based Capacity Release

- Index-based capacity releases are based on an identified Index Price (as opposed to the traditional basis of absolute dollars and cents or percentage of maximum tariff rate)
- 1Line will support:
 - at least two non-public index references (specifically, Platts Gas Daily)
 - all price indices referenced in Transco's tariff
 - publicly available indices requested by releasing shippers
- 1Line will also support subscription-based indices, with those subscription costs paid by the initial requesting releasing shipper

Index-based Capacity Release (continued)

- In creating an index-based offer of capacity, the releasing shipper will:
 - Identify the offer as being index-based (much like they currently identify offers related to Asset Management Arrangements or Retail Choice Programs)
 - Specify a Rate Floor to identify the lowest rate (in dollars and cents) that is acceptable to the releasing shipper
 - Specify the indices to be used in pricing the release
 - Provide a formula (including the index) to be used in pricing the release, and will specify a pricing method as either a percentage of the formula or an absolute dollar and cents differential from the formula or the Rate Floor
 - Specify a Rate Default to identify the rate to be used for invoicing purposes when the result of the index-based formula is unavailable or cannot be computed

Index-based Capacity Release (continued)

- Regarding the index-based formula:
 - The formula value cannot be calculated during offer creation or bid evaluation (since the index value is not known at that time)
 - Bid evaluations will be done comparing the absolute dollar and cents differential or the percentage of the formula among competing bids
 - The actual formula value calculation will be done in the billing process
- The maximum tariff rate will be used in all index-based release credit calculations (to minimize pipeline exposure)
- Other than the specific requirements related to index-based capacity releases, they will be subject to the traditional rules of capacity release, including rollover provisions and pricing restrictions related to maximum and minimum tariff rates (including being capped at the maximum tariff rate if the release term is greater than one year)
- There are no index-based permanent releases allowed

Scheduling Equality

- Allows Capacity Release and Recall activity at multiple cycles during the day
- Introduced in Order 637; further defined by Order 587 and subsequent related Orders (587-N, 587-O)
- Offer Quantity is always specified as a full-day quantity
 - On Offers with an Effective Cycle of ID1, ID2, or ID3 the quantity available for scheduling on the first day of the Release Period will be adjusted subject to EPSQ (elapsed pro-rata contract quantity)

Timelines

- Capacity Release timelines are tied into Nomination timelines
- Offer posting periods (minimum requirements)
 - Non-biddable Offers are not posted until Awarded
 - Biddable Offers 1 year or less must be posted for a minimum of 1 hour (12:00 to 1:00 pm)
 - Biddable Offers of more than 1 year must be posted for a minimum of 3 business days and 1 hour
 - The releasing shipper may set the posting period above the minimum requirements
- [Click here to access a chart of color-coded Timelines](#)

Tariff Reference

- Section 42 of the General Terms and Conditions of Transco's FERC Gas Tariff
- This includes Timelines, Rules and Rights of Releasing and Replacement Shippers

Available Credit

- All bids (including prearranged) are subject to credit verification
- Bidder can check their Available Credit through 1line before bidding from the Bids screen
- Credit is evaluated based on Term, Rate and Quantity (both reservation and commodity charges)

Billing

- Releasing Shipper's bill will show contractual charges for Releasing Contract and a credit for the Replacement Contract's charges (those charges covered by the Awarded Rate)
- Replacement Shipper's bill will show charges for the Replacement Contract (those charges covered by the Awarded Rate)

1line Pages

- Offers
- Create Offers
- Bids
- Awards
- Recall/Reput
 - Lots of filters on pages; combinations can be utilized to display only records desired
 - E-mail notification intensive

Need More Help?

- Capacity Release is handled by your Primary Rep in the Customer Services Department
- Please also refer to the 1line FAQ section on the Informational Postings page for useful information about Capacity Release

Customer Services Representatives



- James Corley
713-215-4607
- Cindy Hungate
713-215-4603
- Liz Hughes
713-215-2345

- Andrea Beltran
713-215-4474
- Mike Ledford
713-215-4929