# Summary of Recommendation for Proposed Capacity Release Modifications

# Technical Implementation and Standards/Definitions

**WGQ Executive Committee** 



#### \* Background:

- Modifications to the capacity release business standards corresponding to Order No. 698 were adopted by the WGQ Executive Committee (EC) on June 25, 2008 and subsequently ratified by the membership on August 25, 2008.
- Additional modifications corresponding to FERC Order No. 712/712A were adopted by the Business Practices Subcommittee on July 10, 2008.
- The proposed recommendation provides the full staffing of the business standards to ensure standardized implementation across the industry.
- As a result of developing the technical implementation, additional changes to the standards adopted by the EC were identified and adopted by the WGQ Business Practices Subcommittee on March 16, 2009.

#### What does the proposed recommendation cover?

- 2009 Annual Plan Item 3a FERC Order Nos. 698/698-A Index-Based Pricing
- 2009 Annual Plan Item 4b FERC Order Nos. 712/712-A
  - \* i. Lifting of price cap for transactions for term one year or less
  - ii. Asset Management Arrangements
  - iii. Retail Choice Programs
  - iv. Tying of inventory related requirements associated with a storage release
- Accommodation of market-based rates
- Related Miscellaneous NAESB Requests R07018, R08019 and R08024 (data element usage change and new code values)

#### Note:

For purposes of this implementation, the Offer Upload and Bid Upload are not available to be communicated via NAESB WGQ EDI/EDM.



**Accommodation of Market-Based Rates** 

- Added a data element, *Market-Based Rate Indicator*, to identify if the base contract of the capacity release transaction utilizes a FERC approved market-based rate.
- Recognition that market-based rate transactions do not have associated minimum/maximum tariff rates.





#### FERC Order Nos. 712/712-A

- Added four new data elements:
  - 1. *Replacement Shipper Role Code* identifies whether the transaction:
    - a. involves an Asset Management Arrangement (AMA)
    - b. is associated with a Retail Choice Program (RCP)
    - c. or neither (Other)
  - 2. Storage Inventory-Conditioned Release Indicator identifies storage release transactions with inventory condition(s)
  - 3. Special Terms and Miscellaneous Notes AMA location of AMA obligation(s)
  - 4. Special Terms and Miscellaneous Notes Storage Inventory Conditions - location of related inventory requirements



#### Index-Based Releases (IBR)

- Identifies whether the transaction being released utilizes Index-Based Pricing and if so, how is it priced:
  - a. Basic Formula process within the one hour time line
  - b. Unique Formula may have to processed outside of the one hour time line







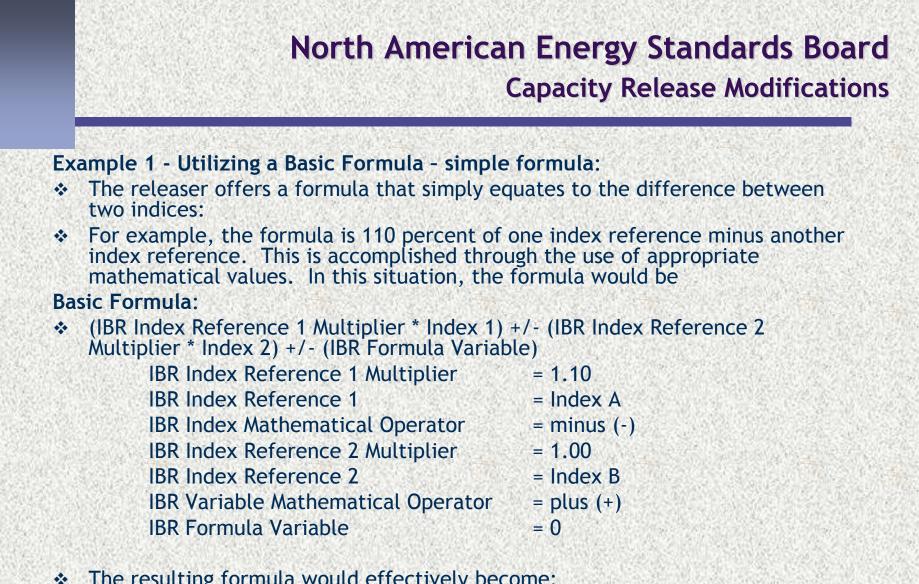
Index-Based Release - Basic Formula:

The structure of an IBR Basic Formula is:

(IBR Index Reference 1 Multiplier \* Index 1) +/- (IBR Index Reference 2 Multiplier \* Index 2) +/- (IBR Formula Variable)







The resulting formula would effectively become:
 (1.10 \* Index Ref A) - (1.00 \* Index Ref B) + 0



#### Example 2 - Utilizing a Basic Formula - more complicated formula

 The Releasing Shipper offers a formula that equates to 90 percent of one index reference minus 85 percent of another index reference, plus 10 cents. This is accomplished through the use of appropriate mathematical values:

#### **Basic Formula:**

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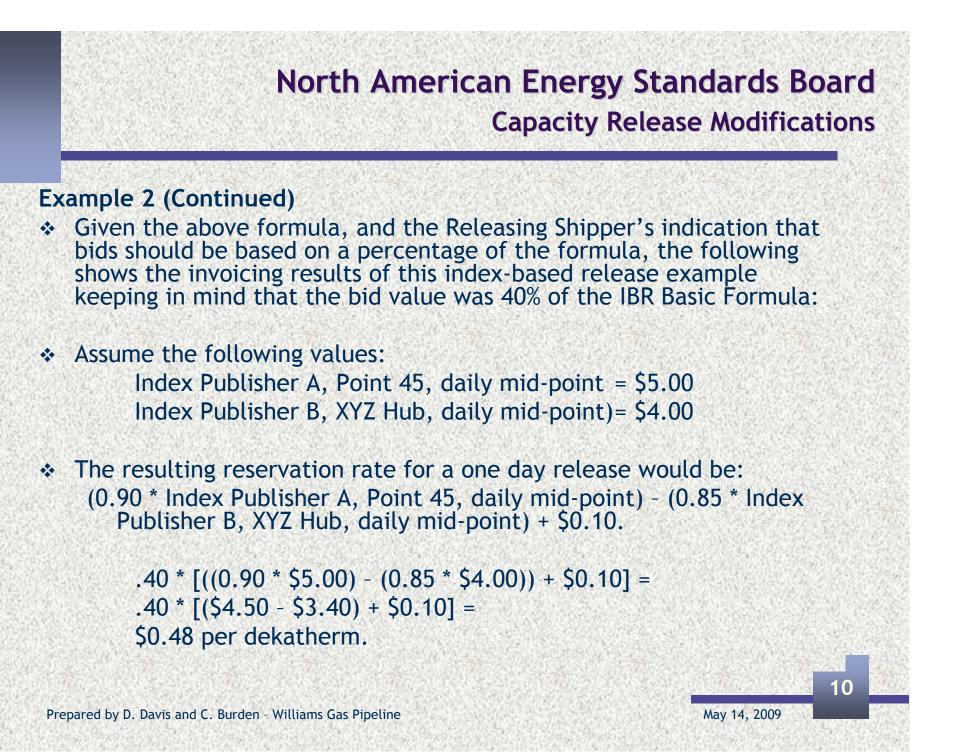
- (IBR Index Reference 1 Multiplier \* Index 1) +/- (IBR Index Reference 2 Multiplier \* Index 2) +/- (IBR Formula Variable)
  - Data Element Values
    IBR Index Reference 1 Multiplier
    IBR Index Reference 1
    IBR Index Mathematical Operator
    IBR Index Reference 2 Multiplier
    IBR Index Reference 2
    IBR Variable Mathematical Operator
    IBR Formula Variable

- = .90
- = Index A, Point 45, daily mid-point
- = minus (-)
- = 85%
- = Index B, XYZ Hub, daily mid-point
- = plus (+)
- = \$0.10
- The resulting formula would effectively become:

(0.90 \* Index Publisher A, Point 45, daily mid-point) - (0.85 \* Index Publisher B, XYZ Hub, daily mid-point) + \$0.10.

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#### **IBR Release - Unique Formula**

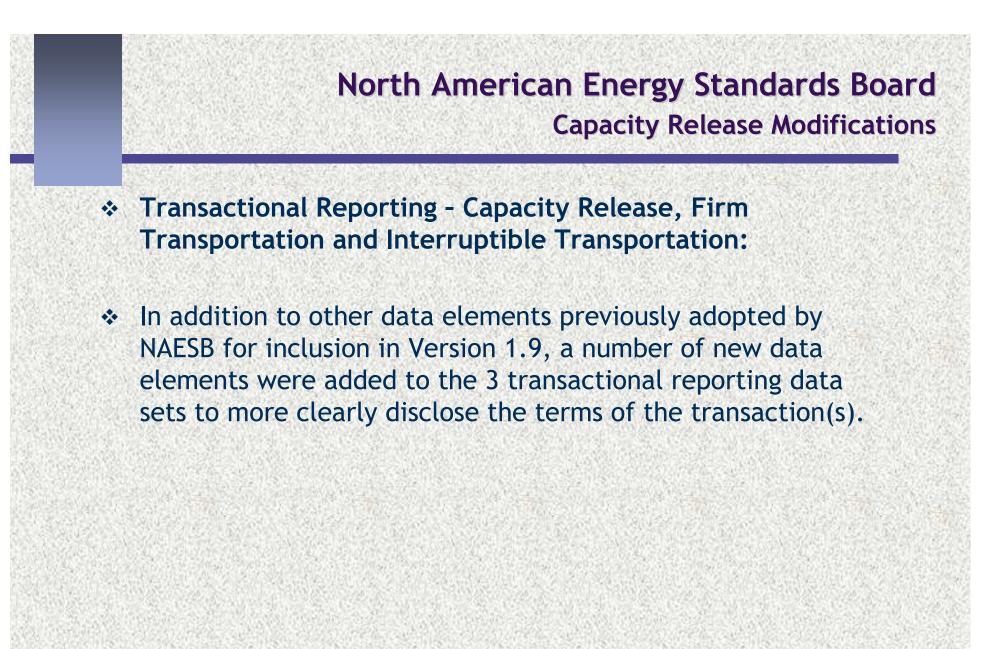
- The releaser offers a formula that does not fit into the Basic Formula.
- In these situations, a complete description of the formula, the indices, all identifying information, rate components and other factors necessary to calculate a rate must be included in the IBR Unique Formula Special Terms.





#### Example 3 - IBR Unique Formula - most complicated formula

- The Releasing Shipper indicates that the unique formula is effectively: (Index Publisher A, Point 45, bid week) - (the greater of Index Publisher B, XYZ Hub, bid week or Index Publisher C, XYZ Hub, bid week) + \$0.15.
- All of the above information is communicated in the data field IBR Unique Formula Special Terms.
- The Releasing Shipper indicates that bids should be provided as a differential from the formula.
- Given the above formula, and the bid differential from the formula as -\$0.20, the following shows the invoicing results of this index-based release example:
- Assume the following values: Index Publisher A, Point 45, bid week = \$5.00 Index Publisher B, XYZ Hub bid week = \$2.00 Index Publisher C, XYZ Hub bid week = \$3.00
- The resulting reservation rate for a one day release would be: [\$5.00 - \$3.00 (AKA the greater of \$2.00 or \$3.00) + \$0.15] - \$0.20 = \$1.95 per dekatherm



#### **Transactional Reporting - Capacity Release:**

- i. Allowable Re-release Indicator
- ii. Business Day Indicator
- iii. IBR Index-Based Capacity Release Indicator
- iv. Market-Based Rate Indicator
- v. Permanent Release Indicator
- vi. Prearranged Deal Indicator
- vii. Previously Released
- viii. Recall Notification Period Indicators (one for each cycle)
- ix. Recall/Reput Terms
- x. Replacement Shipper Role Indicator
- xi. Right to Amend Primary Points Indicator
- xii. Right to Amend Primary Points Terms
- xiii. Special Terms and Miscellaneous Notes AMA Obligations
- xiv. Special Terms and Miscellaneous Notes Storage Inventory Conditions
- xv. Storage Inventory-Conditioned Release Indicator

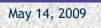
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Transactional Reporting - Firm Transportation and Transactional Reporting - Interruptible Transportation:

i. Market-Based Rate Indicator





Other Items Added for Improved Understanding

- Expanded detail was included in the Technical Implementation of Business Practices (TIBP) to provide guidance on how these data concepts work - including, but not limited to:
  - a. expanded narrative explanation
  - b. sections devoted solely to Index-Based Release transactions
  - c. instructions on how to accommodate a bidder's desire to bid 100% of the maximum reservation rate (modified NAESB WGQ Standard No. 5.3.26)
  - d. multiple Sample Papers





#### Data Element Quick Guides:

- An additional tool was added to the TIBPs Data Element Quick Guides
- These guides identify the data elements and <u>intended</u> EBB usages for capacity release transactions depending on whether the release is Index-Based and/or prearranged.
- The usage columns in the Quick Guide Tables may not display the <u>actual</u> usage for the data element listed in the corresponding NAESB standards manual data dictionary. What is shown is the <u>intended</u> outcome of the usage (i.e., some 'C' usage data elements are really 'M' based on other conditions in the "Condition" column)

#### \* Example of Data Element Quick Guides:

#### Offer Upload - NAESB WGQ Standard No. 5.4.7

Business Name	Non-Index-Based Capacity Release		Index-Based Capacity Release	
	Prearranged	Non- Prearranged	Prearranged	Non- Prearranged
Bid Quantity – Contract	М	Not Used	М	Not Used
Bid Quantity – Location	BC	Not Used	BC	Not Used
Bid Tie-breaking Method	С	С	С	С
Biddable Deal Indicator Data	М	М	М	М
IBR Bid Value – Differential	Not used	Notused	C M	Not used
IBR Bid Value – Differential Rate Floor	Not Used	Not Used	С	Not Used
IBR Bid Value – Percent	Not Used	Not Used	С	Not Used
IBR Formula Identifier	Not Used	Notused	М	М
IBR Formula Variable	Not Used	Not Used	C 😽	С

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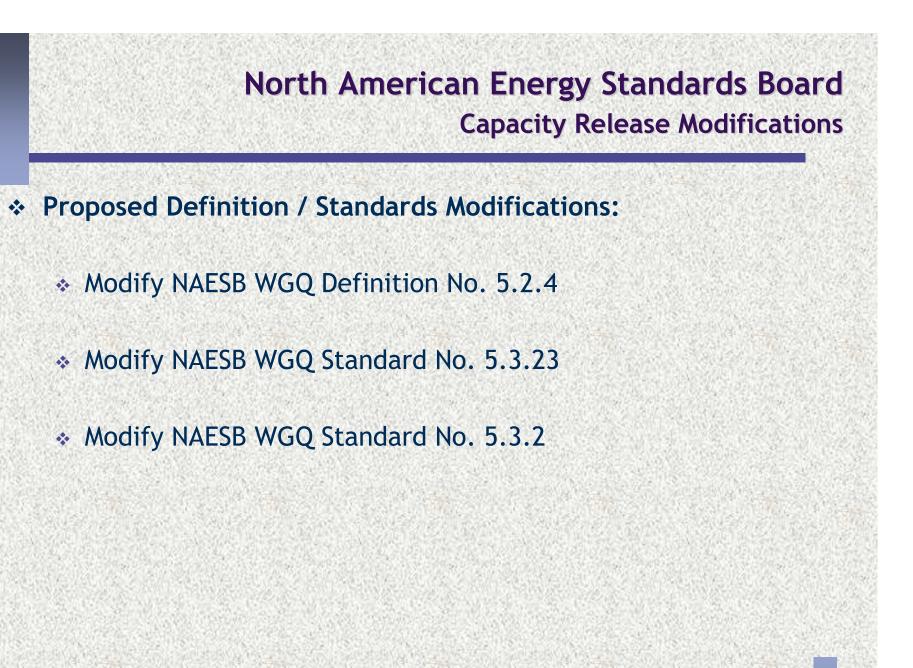
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Data Element Quick Guides were created for the following data sets:

- Offer Upload
- Offer Download
- Bid Upload
- Bid Download
- Award Download
- Transactional Reporting Capacity Release NAESB WGQ Standard No. 5.4.20

NAESB WGQ Standard No. 5.4.7 NAESB WGQ Standard No. 5.4.1 NAESB WGQ Standard No. 5.4.18 NAESB WGQ Standard No. 5.4.2: NAESB WGQ Standard No. 5.4.3: Offer Upload Notification NAESB WGQ Standard No. 5.4.9:

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#### NAESB WGQ Definition No. 5.2.4

As modified by the NAESB WGQ EC June 25, 2008 and ratified August 25, 2008 with additional proposed modifications as noted below that were adopted by the NAESB WGQ BPS on March 16, 2009:

For index-based capacity release transactions, Rate Floor is the term used to describe the lowest rate specified in the capacity release offer in dollars and cents that is acceptable to the releasing shipper. The Rate Floor may not be less than the Transportation Service Provider's (TSP) minimum reservation rate or zero cents when there is no stated minimum reservation rate. If a Rate Floor is not otherwise specified, the TSP's minimum reservation rate should serve as the default value for the Rate Floor.

#### NAESB WGQ Standard No. 5.3.26

As modified by the NAESB WGQ EC June 25, 2008 and ratified August 25, 2008 with additional proposed modifications as noted that were adopted by the NAESB WGQ BPS on March 16, 2009:

The releasing shipper should specify which one of the following methods is acceptable for bidding on a given capacity release offer:

Non-Index-based release - dollars and cents,

Non-Index-based release - percentage of maximum tariff rate, or

Index-based formula as detailed in the capacity release offer.

The bids for the given capacity release offer should adhere to the method specified by the releasing shipper. The bidder may bid the maximum reservation rate, in the Transportation Service Provider's tariff or general terms and conditions, if applicable, as an alternative to the method specified by the releasing shipper, except when the release is index-based for a term of one year or less or utilizes market-based rates.

#### Modified WGQ Standard No. 5.3.2

For biddable releases (less than 1 year or less): offers should be tendered by 12:00 P.M. on a Business Day; open season ends no later than 1:00 P.M. on a Business Day (evaluation period begins at 1:00 P.M. during which contingency is eliminated, determination of best bid is made, and ties are broken); evaluation period ends and award posting if no match required at 2:00 P.M.; match or award is communicated by 2:00 P.M.; match response by 2:30 P.M.; where match required, award posting by 3:00 P.M.; contract issued within one hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract. (Central Clock Time) For biddable releases (more than 1 year or more): offers should be tendered by 12:00 P.M. four Business Days before award; open season ends no later than 1:00 P.M. on the Business Day before timely nominations are due (open season is three Business Days); evaluation period begins at 1:00 P.M. during which contingency is eliminated, determination of best bid is made, and ties are broken: evaluation period ends and award posting if no match required at 2:00 P.M.; match or award is communicated by 2:00 P.M.; match response by 2:30 P.M.; where match required, award posting by 3:00 P.M.; contract issued within one hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract. (Central Clock Time)

\*\*\*\*\* REMAINDER OF STANDARD IS UNCHANGED\*\*\*\*\*

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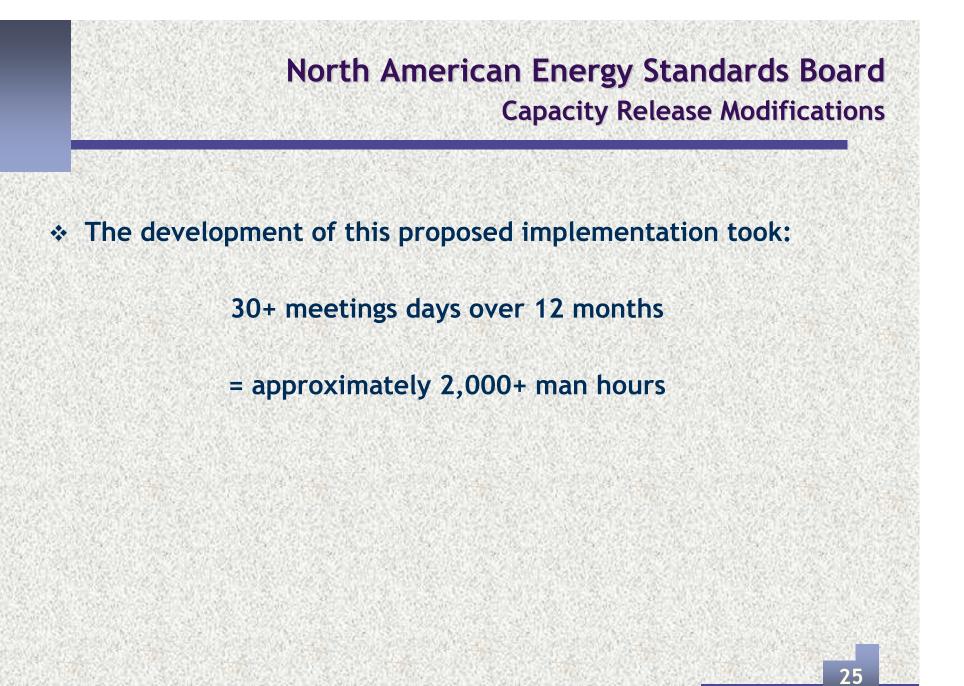
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#### Last but not least:

- The Offer Upload and Bid Upload are not available to be communicated via NAESB WGQ EDI/EDM. However, implementation for NAESB WGQ EDI/EDM is provided for Offer Download, Bid Download and Award Download
- Added validation codes in the Offer Upload Quick Response and Bid Upload Quick Response in order to accommodate standardized error / warning messages on the EBBs.









So, if you see a member of the Joint IR/Technical Subcommittees Team, don't be surprised if they look like this.....





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