

report.

97-G-1380  
Concerns SA 4 &  
SA 5

State of New York  
Department of Public Service

July 6, 1999

FRTS  
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To: Reliability Collaborative Participants

Attached for your consideration are two proposals which staff offers to start a dialogue on July 15 on ways to meet reliability concerns for the coming winter and during what we see as a critical five year transition period. Your participation and buy-in on ways to meet the reliability concerns of the Commission while still promoting competition is the goal for these meetings.

We appreciate that consensus on the two upstream issues was not reached by the Working Groups for a variety of reasons. Time is running out and we ask that you come to the meetings on July 15 and 16 with a clean slate which will permit compromise for the greater good. Movement by all will be necessary for success.

In order to facilitate travel plans for out-of-town participants the issue we will address at 10:00 A.M. on the morning of the 15th will be the report of the Communications Working Group. This work product, which is presented as a consensus report, is absolutely essential to reliable service and we anticipate will be adopted with relatively minor modifications by the parties. We will not address the upstream issues and our suggested resolutions until after lunch on the 15th.

Attachments

**Reliability Collaborative**  
**Capacity Requirements Issue**

**The Issue**

The Commission requires marketers serving firm customers to have 5 months of firm primary delivery point capacity to the LDC's citygate. The source of most of the capacity is the LDCs who plan to release that capacity in a manner that would minimize stranded costs. Some wholesale marketers have expressed that the "primary delivery point" requirement will negatively affect the wholesale market.

**Working Group Findings**

There was no consensus on this issue. The alternatives identified by the working group involve either retaining a requirement for firm primary delivery point capacity for a period other than 5 months, or relaxing that requirement and relying on the capacity now held by LDCs to back-stop marketers. While the wholesale marketer group indicates that requirements for primary delivery point capacity will hinder competition, another active group of marketers have filed a statement which effectively says that an interim 5 month primary point delivery requirement is not a "deal breaker."

**Strawman Proposal**

1. For this winter marketers will have the option of bringing 5 months of firm primary point delivery to the citygate, or
2. Provide an affidavit showing that they have sufficient "firm deliverability" agreements (excluding primary point delivery capability), to meet their market demands for the five winter months (November through March) and LDCs will develop a service for which they can impose a standby charge to back stop marketers if they cannot get access to the citygate with secondary delivery point capacity. The utility will develop a standby charge.

**Observation**

LDCs would be required to release some capacity on a recallable basis to back stop the primary delivery point needs, made known in advance, by marketers.

**Gas Reliability Collaborative**  
**Dedication of Capacity to New York Issue**

**The Issue**

The Policy Statement envisions LDCs exiting the merchant business and retaining upstream pipeline capacity only to the extent needed for operational and reliability purposes. The Policy Statement also charges the parties to develop, during the "transition" to a competitive market, a mechanism where capacity would stay dedicated to New York after the utility has relinquished its upstream pipeline capacity.

**Working Group Findings**

No consensus was reached on how to achieve the above although the framework for this Strawman was proposed.

**Strawman Proposal**

1. As a condition of serving in New York, a marketer will enter into a legal agreement with the LDC to insure that the marketer's capacity will continue to serve the marketer's current customers, even if the marketer is no longer doing so. The marketer would agree that before it permitted the Right of First Refusal conditions associated with the contracts to expire or before it used the capacity to serve customers in another LDC franchise area, it would allow the entity that would serve its former customers to have first call on the capacity.
2. The availability of the capacity shall be posted on the LDC web site and the price shall not exceed that permitted by the Federal Energy Regulatory Commission at the time.
3. This transition mechanism will expire not later than the year ending October 31, 2004.

**Observation**

Relies on contractual rather than regulatory foundations to provide the dedication conditions.