

DYNEGY PERSPECTIVE ON XKR

Pipelines should be required to provide shippers with the ability to rank gas supplies across their contracts. Shippers often have multiple contracts with a pipeline. These may consist of one or more interruptible, firm or no-notice contracts, or firm capacity release agreements. Absent this standard, a shipper moving gas from a single location on multiple contracts is not formally allowed to specify which of its contracts should be cut first in the event of a supply problem. Shippers are unable to specify that their interruptible contracts - for which they pay only a usage-based charge - should be cut before their firm contracts - for which they pay a reservation charge whether they use it or not. Similarly, shippers purchasing capacity in the secondary market may be unable to meet "must use" requirements under capacity release agreements, as they cannot specify that the capacity release transportation agreement is the last to be cut. Finally, shippers are faced with the possibility that the commodity rate for transporting gas under an interruptible contract may be less than the minimum commodity rate under a firm contract. Without the ability to rank its contracts, a shipper would not be able to elect to flow gas under the lower-priced interruptible contract, rather than the firm contract.

While Dynegy continues to support a standard that requires pipelines to permit customers to rank their gas supplies across their contracts in the event of a supply shortage, the commission appears to have taken this standard one step further by requiring pipelines to honor such ranks even when the cut is the result of a transportation constraint. Recognition of a shipper ranking during a transportation constraint must take a back seat to recognizing contractual rights and tariff priorities established between the shipper and the pipeline. Without first applying tariff priorities, recognizing shipper rankings during a transportation constraint situation could allow lower priority services to flow even when the pipeline is at capacity and ignores tariff-based priorities. This aspect of the proposal goes well beyond what Dynegy had in mind for XKR and should be eliminated from any standard.

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