



Comments on Recommendation #2 to NAESB WGQ Executive
Committee Request No. : R02002 - Order 587-N

The proposed standards and principles in this Recommendation #2 deal with the important issue of how to allocate capacity between the Releasing Shipper and the Replacement Shipper when an intraday recall takes place. All the Standards being proposed herein are based primarily on the premise that all capacity will be used in the market on a uniform hourly basis. At this point in time this may represent the easiest way to solve this allocation problem in the industry, but it does not necessarily represent reality when providing service to certain customers such as power plants where non-uniform rates of flows are common. Dynergy's impression of these particular proposed standards is that they may require further discussion in order to make everyone more comfortable with them. Dynergy would welcome the opportunity to engage in more discussion around the issues identified in its comments. Dynergy's specific comments that it would like to have considered regarding these proposed standards and principles are as follows:

5.1.z3 Proposed Principle

This proposed principle deals with the Notice of the Capacity Allocation that the affected parties will receive in order to allow them to take appropriate actions to place new nominations and/or avoid penalties.

First, this should be a Standard rather than a Principle since this notification process should be required and be specifically outlined in the individual TSP tariffs rather than relegated to the status of a Principle that is generally not required to be included in the tariff.

In addition, this proposed Principle allows the Notice of the Capacity Allocation to be provided in any manner and at any time the TSP chooses as long as it allows the parties the time to take the appropriate actions. It simply says that the Notice

“should be provided in a manner that will permit affected parties sufficient time.....” Even though Dynegy supports the concept of the advance notice of the Capacity Allocation so we can react to it, we would like to hear more details on exactly how this notification process would take place. We would also like to have the opportunity for more discussion centered around actually defining the timing requirements for the notices in the Standards. Dynegy would suggest that this should be further discussed and agreed to in a subsequent NAESB meeting.

5.3.z15 Proposed Standard

This standard reads as follows:

“The amount of capacity allocated to the Replacement Shipper(s) should equal the original released capacity less the recalled capacity.”

While this formula for determining the capacity allocated to the Replacement shipper may seem fine on its face, proposed Standard No. 5.3.z12 allows the recall quantity to be expressed in terms of the total released capacity. Therefore, when applying this formula, it leaves open the possibility that the total released capacity could be recalled by the Releasing Shipper even when it should not have been. This would result in no capacity allocated for the Replacement Shipper even when a certain percentage of available capacity has already been used. Dynegy realizes that this was probably not the intention of the language and would ask that it be clarified. The formula will not yield the correct capacity allocation to the Replacement Shipper as intended unless the amount of the recalled capacity specified in the formula is always adjusted by the TSP either based upon the theoretical Elapsed Prorata Capacity (EPC) or some other Tariff specific variation of the EPC. Suggested revised language is as follows:

“The amount of capacity allocated to the Replacement Shipper(s) should equal the original released capacity less the recalled capacity that is adjusted based upon the Elapsed Prorata Capacity (EPC) or other TSP tariff specific variations of the EPC in accordance with Standard No. 5.3.z13.”