

# **NAESB WGQ CAPACITY RELEASE STANDARDS AND PROCEDURES**

## **CAPACITY RELEASE SUMMARY**

A firm shipper (releasing shipper) may sell all or any portion of its capacity rights to another party (replacement shipper). This process is referred to as “capacity release”. At a minimum, all capacity release deals must be openly posted for informational purposes.

The first step in the capacity release process is initiated when the releasing shipper offers capacity to be released. Through the offer process, the releasing shipper sends information about the release to the Transportation Service Provider (TSP) for posting. There are two distinctly different types of offers: prearranged and non-prearranged. The offer provides a mechanism for the releasing shipper to transmit to the TSP the terms of the capacity to be released (including the criteria to be used to determine the winning Bidder(s) for non-prearranged releases or the identity of the replacement shipper for prearranged releases). Prearranged deals comprise the majority of released capacity transactions. A prearranged replacement shipper must send a confirming transaction to the TSP to validate the release.

Step two of the process begins when the capacity which is being offered is available for bid. At that time any party seeking to acquire such capacity (Bidder) makes a bid through the TSP’s system.

In the third step of the release process, the TSP evaluates all valid bids and picks the winning bid based upon criteria selected by the releasing shipper – this is called an “award.” The winning Bidder is then referred to as the “replacement shipper.” The replacement capacity award contains specific information about the released capacity which is available for the replacement shipper’s use.

Except as noted below for capacity recalls, the replacement shipper may use the released capacity in the same manner as the original capacity holder during the term of the release. At the end of the term of a release deal, the capacity usually reverts back to the releasing shipper.

A condition that the releasing shipper may include in the release offer is that the capacity may be recalled. A recall indicates that the releasing shipper has asked to have the released capacity returned to them at a specified time. Recalls may be effective at any of the standard nomination cycles. In some instances, recalled capacity may be returned to the replacement shipper through use of a “reput” by the releasing shipper if that right was provided for in the release.

## **CAPACITY RELEASE**

The NAESB standardized Capacity Release timeline can be used to support the release of firm capacity if two (2) criteria are met:

1. all information provided by the releasing and replacement shippers is valid and the replacement shipper is creditworthy when the bid is tendered; and

2. there are no special terms or conditions associated with the release.

Capacity Releases offered at the maximum tariff rate or offered for a term of 31 days or less can be accomplished on a non-biddable basis (i.e. the replacement shipper is designated by the releasing shipper). All other releases are considered biddable (i.e. required to be posted for bid). Biddable releases for less than one year have a separate timeline from releases with a term of one year or more. Since non-biddable releases do not have to accommodate a bidding process, they also have a separate timeline which is the same for both short term and long term non-biddable releases. Releases are always for full gas-day quantities regardless of the time (or nomination cycle) when the release is made.

If there are any special terms and/or conditions applied to the release by the releasing shipper, the TSP is not required to follow the standardized timelines described below.

### **CAPACITY RELEASE TERMS**

**Release Offer:** A release offer must state all the parameters of the release such as the begin and end dates, the receipt and delivery points, the quantity and the release rate.

**Bid Period:** The Bid Period is the time between the Offer Posting and the Bid Deadline. Replacement shipper “bids” (including a verification of agreement to the release terms) are due by the Bid Deadline. Generally, the minimum Bid Period is one hour.

**Bid Evaluation Period:** The TSP must evaluate each replacement shipper’s bid to be sure it meets the requirements of the release, tariff requirements and operational considerations. The TSP then determines the winning bid. Generally, the minimum Bid Evaluation Period is an hour after the latest Bid Deadline.

**Capacity Award:** Upon completion of the Bid Evaluation, the released capacity is awarded to the winning replacement shipper(s). Upon the posting of the award, the replacement shipper may submit a nomination in the next available nomination cycle for the release effective date.

**Match:** A “match” applies when a designated replacement shipper has been given the right to match the winning bid. The capacity is awarded to the designated replacement shipper if he matches the winning bid. If the designated replacement shipper does not match the bid, the capacity is awarded to the highest bidder among the other bidding shippers. The minimum period of time for a matching bid is one hour.

### **BIDDABLE RELEASE TIMELINE**

1. **For Releases with a term of less than one year**
  - a. Offer Deadline – 12:00 p.m. on a Business Day
  - b. Bid Deadline – 1:00 p.m.
  - c. Analysis Deadline
    - i. With/Without Match Analysis – 2:00 p.m.
    - ii. Match Analysis – 3:00 p.m.

- d. Award and Match Deadlines –
  - i. Non-Match Award – 2:00 p.m.
  - ii. Match – 2:30 p.m.
  - iii. Match Award – 3:00 p.m.

**2. For Releases with a term of one year or more**

- a. Offer Deadline – 12:00 p.m. four Business Days before award
- b. Bid Deadline – 1:00 p.m. on Business Day before nominations can begin
- c. Analysis Deadline
  - i. With/Without Match Analysis – 2:00 p.m.
  - ii. Match Analysis – 3:00 p.m.
- d. Award and Match Deadlines –
  - i. Non-Match Award – 2:00 p.m.
  - ii. Match – 2:30 p.m.
  - iii. Match Award – 3:00 p.m.

On all Biddable Releases, the contract is to be issued within one hour of award posting with a new contract number if applicable.

**PREARRANGED NON – BIDDABLE RELEASES**

The prearranged non-biddable capacity release timeline closely follows the nomination scheduling cycles and related timelines. However, the award posting of these releases is required to be completed not less than one hour before the nomination deadline for the applicable cycle. Prior to the posting of completed prearranged, non-biddable release, the releasing shipper must have offered the capacity for release and the replacement shipper must have validated that offer. Upon the release being posted, nominations may be submitted for the released capacity in the next available nomination cycle. The replacement shipper's contract must be issued within one hour of the award posting (including a new contract number when applicable).

- 1. Releases to be available for nomination in the next Timely Cycle**
  - a. Releases must be posted no later than 10:30 a.m. on a Business Day.
  - b. Nominations may be made for the Timely Cycle (11:30 a.m. deadline).
- 2. Releases to be available for nomination in the next Evening Cycle**
  - a. Releases must be posted no later than 5:00 p.m. on a Business Day.
  - b. Nominations may be made for the Evening Cycle (6:00 p.m. deadline).
- 3. Releases to be available for nomination in the next Intraday 1 Cycle**
  - a. Releases must be posted no later than 9:00 a.m. on a Business Day.
  - b. Nominations may be made for the Intraday 1 Cycle (10:00 a.m. deadline).
- 4. Releases to be available for nomination in the next Intraday 2 Cycle**
  - a. Releases must be posted no later than 4:00 p.m. on a Business Day.
  - b. Nominations may be made for the Intraday 2 Cycle (5:00 p.m. deadline).

## CAPACITY RECALLS

Like the non-biddable release timeline, the capacity recall timeline essentially follows the nomination and scheduling cycles and related timelines. The applicable recall deadlines for each nomination cycle are shown below. Note that there is an additional “Early Evening” recall cycle that permits an earlier notification of a recall for the Evening Cycle. However, no changes to the nomination deadline or the effective gas flow times result from the use of this option. Additionally, the capacity available for recall in the ID1 and ID2 Cycles is limited to the amount of usable capacity remaining in the gas day based on the effective gas flow time of the scheduling cycle.

1. Recalled Capacity available for nomination in the next Timely Cycle
  - a. Capacity recall notices to the TSP and replacement shipper must be completed no later than 8:00 a.m.
  - b. TSP notification of recall to all affected replacement shippers must be completed no later than 9:00 a.m.
  - c. Nominations for the recalled capacity may be made for the Timely Cycle (11:30 a.m. deadline).
2. Recalled Capacity available for nomination in the next Evening Cycle (Early Evening Recall)
  - a. Capacity recall notices to the TSP and replacement shipper must be completed no later than 3:00 p.m.
  - b. TSP notification of recall to all affected replacement shippers must be completed no later than 4:00 p.m.
  - c. Nominations for the recalled capacity may be made for the Evening Cycle (6:00 p.m. deadline).
3. Recalled Capacity available for nomination in the next Evening Cycle
  - a. Capacity recall notices to the TSP and replacement shipper must be completed no later than 5:00 p.m.
  - b. TSP notification of recall to all affected replacement shippers must be completed no later than 6:00 p.m.
  - c. Nominations for the recalled capacity may be made for the Evening Cycle (6:00 p.m. deadline).
4. Recalled Capacity available for nomination in the next Intraday 1 Cycle
  - a. Capacity recall notices to the TSP and replacement shipper must be completed no later than 7:00 a.m. on the day that Intraday 1 Nominations are due.
  - b. TSP notification of recall to all affected replacement shippers must be completed no later than 8:00 a.m. on the day that Intraday 1 Nominations are due.
  - c. Nominations for the recalled capacity may be made for the Intraday 1 Cycle (10:00 a.m. deadline).
5. Recalled Capacity available for nomination in the next Intraday 2 Cycle
  - a. Capacity recall notices to the TSP and replacement shipper must be completed no later than 2:30 p.m. on the day that Intraday 2 Nominations are due.
  - b. TSP notification of recall to all affected replacement shippers must be completed no later than 3:30 p.m. on the day that Intraday 2 Nominations are due.

- c. Nominations for the recalled capacity may be made for the Intraday 2 Cycle (5:00 p.m. deadline).

### **CAPACITY REPUTS**

Notification of a reput, the return of recalled capacity to the replacement shipper, must be provided to the TSP by the releasing shipper no later than 8:00 a.m. to support nominations by the replacement shipper in the next Timely Cycle. The right to reput capacity must have been specified in the terms of the release.