

Southwest Customer Group

Gas/Electric Harmonization Proposal
Submitted to the North American Energy Standards Board

April 18, 2014



Who is the Southwest Customer Group?

- ▶ A diverse group of electric utilities, LDCs, public power, and state regulatory agency
- ▶ Operating within the states of Arizona, New Mexico, and Texas
 - Arizona Corporation Commission
 - Arizona Public Service
 - El Paso Electric Company
 - Public Service Company of New Mexico
 - Salt River Project
 - Tucson Electric Power Company
 - UNS Gas, Inc.

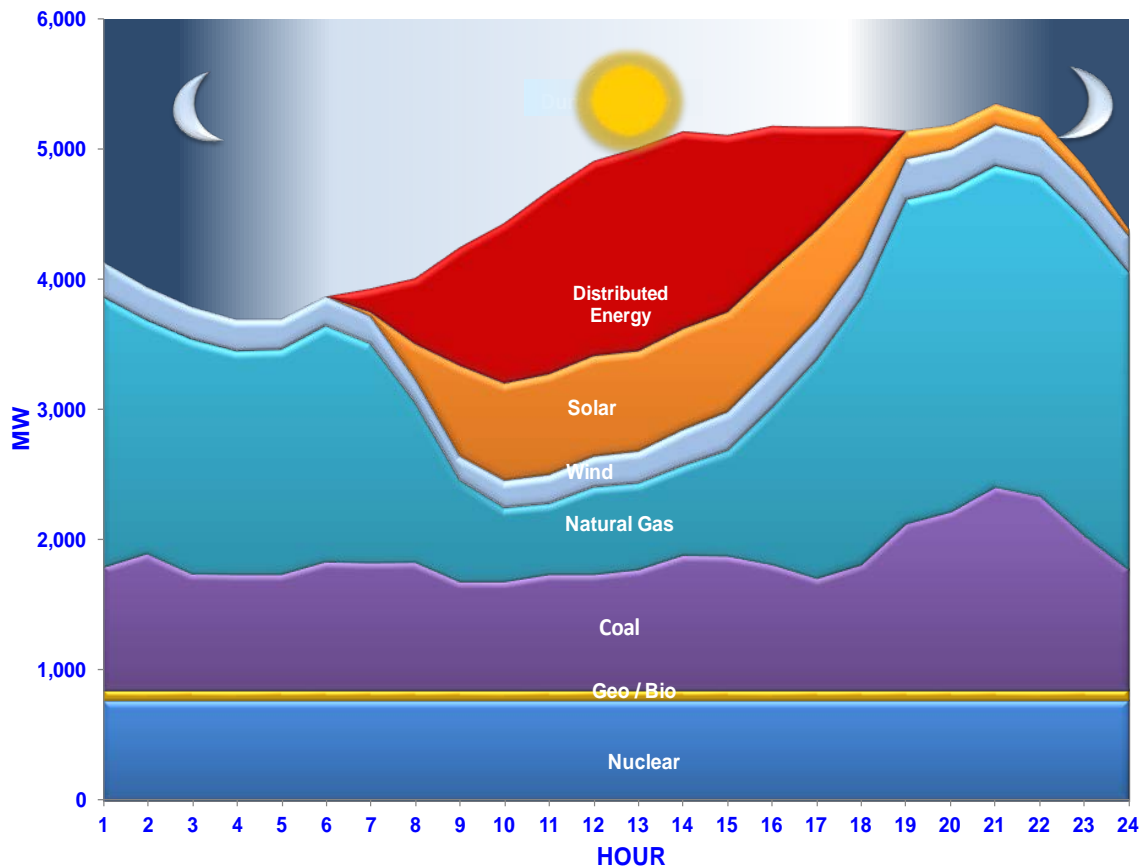
Proposal Overview

- ▶ **FERC NOPR addresses many of the key concerns impacting utilities in the Southwest**
 - Earlier start to the gas day (5AM CCT is beneficial)
 - Inclusion of four intraday nomination cycles
 - Additional intraday bumping rights for firm shippers
- ▶ **Timing of ID 3 intraday cycle remains a concern**
 - Natural gas peak usage is shifting to as late as 9PM PPT (11PM CCT) daily
 - Natural gas ramp is significant from 5PM to 9PM PPT (7PM to 11PM CCT)
 - Impact of solar generation delays natural gas peak
 - Operating contingencies/gas generation ramp rates support firm ID 3 nomination cycle at 7PM CCT

Solar will impact natural gas demand

- ▶ Requires increased reliance on quick start gas-fired generation
 - Ramping capabilities address steeper slopes
 - Peak hour moving later in the day
 - Impacted by retirement of coal assets

Future April Hourly Dispatch at APS



Southwest Customer Group Proposal

Nomination Cycle	Nomination Deadline	Schedule Issued	Gas Flow Time	Time between Scheduled and Nomination Deadline	Bumping Rights
All Times are Central Time					
Timely Day Prior to Flow	1:00 PM	4:30 PM	5:00 AM	2 Hours	N/A
Evening Day Prior to Flow	6:30 PM	10:00 PM	5:00 AM	11 Hours	Yes
Intraday 1 (Cycle 1)	9:00 AM	12:00 PM	3:00 PM	2 Hours	Yes
Intraday 2 (Cycle 2)	2:00 PM	4:30 PM	6:00 PM	2.5 Hours	Yes
Intraday 3 (Cycle 3)	7:00 PM	8:30 PM	9:00 PM	30 minutes	Yes
Intraday 4 (Cycle 4)	9:00 PM	10:00 PM	11:00 PM	15 hours	No

Benefits of Proposal

▶ Interstate pipelines/midstream operators

- Increase value/reliability of firm transportation to encourage contracting
- Promote infrastructure development by encouraging long term contracts that afford guaranteed revenue for pipelines
- Increase firm scheduling cycles to enhance pipeline real time operations

▶ Producers

- Encourages policies and price signals that will promote Intraday market liquidity
- Gas day start at 5AM CCT closer to normal business hours than NOPR 4AM CCT

▶ LDCs/Electrics/RTOs

- Ensure access to transportation capacity for those that value it most
- Provide access to firm capacity to respond in real time to changes in demand, improving reliability