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Access Code for Common Carrier Pipelines

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Pre-1978 Regulation

- Producer prices at wellhead are regulated by the FPC (now FERC)
- Interstate Pipelines
 - Purchased gas from producers at regulated rates
 - Sold gas to LDCs on a “bundled”, regulated basis
- LDCs
 - Purchased gas from pipelines at FERC regulated rates
 - No separate procurement function
- Intrastate Pipelines

Unbundling

- Natural Gas Policy Act of 1978
 - Congressional response to entice drilling
 - Partial decontrol of wellhead prices
 - Prices for “new” production deregulated
- FERC Orders 436, 500, 636, etc.
 - Opened third party access to interstate pipeline system at tariffed rates
 - Unbundled gas sales component from transportation and storage services
 - Interstate pipelines no longer in merchant function

Natural Gas Service in Ohio

Prior to deregulation, natural gas commodity was supplied to most of Ohio by 4 Local Distribution Companies (LDCs)

- Columbia Gas
- Dominion East Ohio
- Duke Energy
- Vectren

The Transition in the Wholesale Market in Ohio

- Late 1970s – gas curtailment era; insufficient supplies due to regulated rate
- 1978 – PUCO’s “Self-Help” programs began; large industrials (General Motors) permitted to transport their own production within the state to their plants elsewhere in the state
- 1985 – PUCO initiated Case No. 85-800-GA-COI to investigate gas transportation services offered by LDCs to large customers

Natural Gas Legislation

- 1996 – Ohio’s House Bill HB476 (Natural Gas Alternative Regulation Law) established customer choice
- Ohio HB9 – Ohio’s natural gas industry was “unbundled”
 - Unbundling – separating charges for delivery from commodity
 - Customers can obtain commodity from 3rd party (PUCO-certified) suppliers

Natural Gas Legislation

Ohio's HB9:

- Certification - retail gas suppliers must be PUCO certified
- Governmental aggregation for competitive retail gas service authorized
- PUCO authorized to order open access for large LDCs
- Consumer protection authority – consolidatee for certain retail natural gas transactions

Natural Gas

- 1997 – Columbia Gas of Ohio’s pilot program allowing customers to select alternate supplier
- 1998-2003 – 3 other major Ohio LDCs implemented choice programs
- 2006 – Dominion East Ohio Gas began 1st phase to exit the merchant function (Case No. 05-474-GA-EXM)
 - Replaced regulated rate with a market-based rate (SSO)
 - Descending clock auction process conducted by 3rd party, observed/monitored by PUCO
 - New (winning) rate is Retail Price adjustment (RPA), approved by PUCO
 - Cost =NYMEX end-of-month gas futures contract + RPA
 - SSO rate varies monthly, same as the GCR rate

GAS CHOICE

2009 – Standard Choice Offer (SCO) for choice-eligible customers.

- DEO no longer purchases commodity for its choice-eligible customers.
- PIPP and non-eligible customers are still service under the SSO service.
- DEO's customers purchase commodity directly
- SCO rate also NYMEX month-end settlement price + RPA (determined via bidding)

GAS CHOICE

- Vectren Energy Delivery of Ohio
 - 2008 - Vectren established SSO rate
 - 2010 – transitioned to SCO
- Duke Energy - Ohio
 - Continues to operate utilizing GCR
- Columbia Gas of Ohio
 - 2010 – SSO
 - 2011 - SCO

Standard Service Offer (SSO)

- Alternative to the GCR (Gas Cost Recovery rate = the LDCs regulated supply rate)
- Gas suppliers for non-Choice Customers selected through auction process
- Wholesale gas supplied by winners to LDC
- LDC remains system operator and provider of last resort

Standard Choice Offer

- Auction process same as SSO
- Winning bidders assigned customer groups rather than share of wholesale load
- Assigned customers are now Choice customers served at auction rate

Ohio's Unbundling Efforts Today

- Open Access Guidelines
 - LDCs Required to Annually Provide List of Transportation Services Available
 - Required Ohio LDCs to File Open Access Tariffs
 - Established Guidelines For Who Can Transport Gas – non-"human needs" customers only
- Customer Choice Programs
 - Unbundled LDC services for all customers
 - LDCs required to file choice tariffs
 - Code of conduct established for LDCs & suppliers
 - PUCO certification requirement for suppliers

Certification

- PUCO certification required - § 4928.08 & § 4929.20(A), O.R.C.
- Certification application process - § 4901:1-24 and § 4901:1-27, O.A.A.
- Required for any retail supplier and certain governmental aggregators providing competitive retail service – 3 types

Certification Process

- Applications and filing instructions – PUCO website
- Applications – docketed & reviewed
 - Applicant fitness & capability: managerial, technical, financial
 - 30 day automatic approval
 - If unresolved issues, application suspended for timely correction or withdrawal
 - If suspended – PUCO 90 day timeline
 - Issued numbered certificate good for 2 years

What is Governmental Aggregation?

- Aggregation - when a group of customers form a single, larger “customer” that buys energy for its members
- Generally larger groups receive better offers (prices)
- Ohio’s communities (townships, cities, counties) are permitted to aggregate their citizens/customers and solicit bids from gas suppliers

Tweaks and Adjustments

1. Capacity assignment – whether mandatory or not
2. Purchase of supplier receivables – whether LDC must purchase supplier receivables and at what rate (consolidated bills)
3. Enrollments – proof of customer intent to switch, customer eligibility, switching fees, confirmation letters
4. Lag between customer signup and actual activation
5. Telephonic enrollment – whether to allow customer switching via telephone; documentation

Tweaks and Adjustments, contd.

6. Internet enrollment – whether to allow, what safeguards are required
7. Billing – who bills for the commodity service, transferring information amount parties, minimum billing requirements
8. Supplier defaults – what to do
9. Door-to-door solicitation – what requirements to ensure fair and reasonable behavior
10. Customer education and moratoriums – who educates consumers, comparisons of offers

Ohio Gas Markets Today

- Over 105 competitive retail natural gas suppliers certified
- Approximately 3.25 million eligible customers in Ohio
- Millions of Ohioans have participated in a choice program since 1997
- All customers enrolled in retail gas choice today are billed their supplier charges in the LDC bill
- 90% of gas consumed comes from outside Ohio; approximately 10% comes from local (Ohio) production, but increasing

Questions?

Thank you.