

Close Post Times White Paper

Business Issues Committee (BIC) Meeting 9/22/00

- I. Natural Gas Purchasing (typical)
 - a. Daily - between 9:30am and 11:00am day prior
 - b. Intraday - between 9:30am and 11:00am same day

- II. Natural Gas Scheduling

<u>Cycle</u>	<u>Nomination Due</u>	<u>Confirmation Close</u>	<u>Schedule Available</u>	<u>Gas Flow</u>
Timely	12:30am	4:30pm	5:30pm	10:00am next day
Evening	7:00pm	10:00pm	11:00pm	10:00am next day
Intraday 1	11:00am	2:00pm	3:00pm	6:00pm same day
Intraday 2	6:00pm	9:00pm	10:00pm	10:00pm same day

- III. Gas Day – 10:00am to 10:00am
- Electric Day – 12:00 am to 12:00 am

Background:

Natural gas purchasing is typically done between 9:30 am and 11:00 am for next day requirements. Any purchase done outside this time range, occurring during the typical intraday range, will come at a higher price, and thus, increase costs due to the smaller number of suppliers and in turn, lack of liquidity. On average, any buying done outside of the norm, will have an incremental cost of at least 10 cents/Mmbtu. For example, a generator buying 100,000 Mmbtu, after the typical time range, on average, is likely to incur at least \$10,000 extra in fuel costs. If the buying occurs after the typical intraday time range, the number of suppliers and, in turn, liquidity, is reduced even more substantially directly resulting in further price increases, if the supply can even be found.

Per GISB (the Gas Industry Standards Board), the Nomination (scheduling) deadlines do not permit any new schedules past 6:00 pm of the current gas day. With this schedule, a generator can not schedule more or less gas past this time. So if the next day's electric schedule comes out after 6:00 pm, the generator can not adjust its same day gas allotment, which leaves the generator at extreme risk that may require it to shut down prematurely. This, in turn, could result in electricity shortages, or at a minimum, higher wholesale electricity clearing prices.

With the gas day (10 am to 10 am) not coinciding with the electric day (12 am to 12 am), a daily change for a generator will cause an adjustment to two gas days. This increase in fuel costs and longer term uncertainty will cause natural gas fueled generators to change their bidding strategies. With natural gas being the only generator fuel that is delivered 'just in time', as the others are inventoried on site, the daily generator schedules must take into account the natural gas industry's time cycles.

Conclusion:

Posting the Day Ahead schedule close to 6 pm will increase a generators' gas costs and risk, which will lead to unnecessary increases in wholesale prices. Aligning the posting time of the NY day ahead market with PJM (4 pm) would be more acceptable.