

REVIEW OF IMBALANCE THRESHOLDS
FOR NATURAL GAS PRODUCERS ON
GAZ MÉTRO'S TERRITORY

TABLE OF CONTENTS

1 BACKGROUND 3

**2 REVIEW OF THRESHOLDS FOR DAILY AND CUMULATIVE
VOLUME DIFFERENCES 4**

3 AMENDMENTS TO THE *CONDITIONS OF SERVICE AND TARIFF* 5

4 CONCLUSION AND APPLICATION TO THE RÉGIE 6

1 BACKGROUND

As part of the second phase of file R-3732-2010, Gaz Métro Limited Partnership (“Gaz Métro”) proposed the creation of a receipt rate for natural gas produced on Gaz Métro’s territory (tariff D_R) to the Régie de l’énergie (“the Régie”). Given that producers had to provide their own balancing service, they were likely to incur expenses in the event of differences between nominated volumes and actual volumes injected in the network. The distributor therefore initially proposed that the fees be applicable for any daily differences between the nominated and injected volumes beyond 2% of the consumption zone.

The Régie asked Gaz Métro to examine the possibility of establishing a threshold similar to that of TransCanada Pipeline Limited (“TCPL”), set at 75 GJ in its conditions of service.¹

In its decision D-2012-135, the Régie indicated that the use of a threshold could help prevent penalizing small producers:

[Translation]

“The Régie would be favourable to establishing a realistic threshold similar to that of the TCPL, which is set at 75 GJ (gigajoules) in its conditions of service. Such a threshold could prevent penalizing small producers for volume differences which, even if they exceed 2% of their nomination, remain insignificant compared to the volumes delivered in a consumption zone.”²»

In the third phase of the file, Gaz Métro then presented an analysis demonstrating that a volume threshold of 75 GJ, similar to that set by TCPL for its transportation network, would help to prevent penalizing small producers, as least when daily variations were small.³ Gaz Métro added that it would also be appropriate to set a minimum threshold for billable cumulative differences. It proposed that this threshold be set at 150 GJ, i.e. a threshold equivalent to that set for the TCPL network. The combination of these two thresholds, i.e. 75 GJ for daily volume differences and 150 GJ for cumulative differences, would allow for the expenses tied to the differences between the nominated and injected volumes for small producers to be subtracted. Consequently, the

¹General Terms and Conditions, http://tccustomerexpress.com/docs/ml_regulatory/17_General_Terms_and_Conditions.pdf

² R-3732-2010, D-2012-135, paragraph 35

³ R-3732-2010, Gaz Métro 9, Document 1, page 9, lines 1 to 3

distributor proposed to add wording concerning volume thresholds for daily imbalances and for cumulative differences to Article 14.2.3.2 of the *Conditions of Service and Tariff* (“CST”).

In decision D-2013-195, the Régie approved the establishment of a threshold of 75 GJ for daily billable differences and a threshold of 150 GJ for cumulative billable differences, as well as amendments to the CST concerning imbalances.

Given that the rates applicable to daily imbalances and to the balance of the cumulative difference are based on TCPL rates, Gaz Métro is proposing amendments to Article 14.2.3.2 of the CST to reflect the terms of the agreement between Gaz Métro and carrier TCPL.

2 REVIEW OF THRESHOLDS FOR DAILY AND CUMULATIVE VOLUME DIFFERENCES

Following the Régie’s authorization of the natural gas purchase and injection project between Gaz Métro and the City of Saint-Hyacinthe and establishment of certain rates (R-3909-2014), a producer will soon be injecting into the Gaz Métro network. That producer will therefore be subject to reception tariff terms and to those Articles applicable to customers that supply their own balancing service. The arrival of a producer customer prompted Gaz Métro to review those Articles applicable to the customer, to ensure their proper enforcement.

To date, the 75 GJ and 150 GJ thresholds are still in force under the TCPL’s conditions of service for daily and cumulative differences. However, Gaz Métro concluded that it is not subject to these thresholds.

Gaz Métro entered into a specific agreement entitled the “Limited Balancing Agreement” (“LBA”) with carrier TCPL, under which the thresholds for daily and cumulative volume imbalances are defined as follows:

- Daily, the greater of approximately 2% of the nomination or approximately 2% of the average nominations over the past 30 days, or 2,111 GJ
- Cumulatively, the greater of approximately 4% of the nomination or approximately 4% of the average nominations over the past 30 days, or 4,211 GJ

In examining this LBA, Gaz Métro found that its minimum thresholds are in fact 2,111 GJ for daily imbalances and 4,221 GJ for cumulative imbalances.

The 75 GJ and 150 GJ thresholds outlined in TCPL's conditions of service represent only a minimum threshold for the carrier.

In light of this LBA, Gaz Métro proposes to review the thresholds in its own CST that apply to natural gas producers on its territory, to better reflect its actual thresholds under the agreement with TCPL. Gaz Métro believes it would be unfair to calculate penalties based on operational thresholds that are less favourable than its actual thresholds, since this would lead it to charge producers for costs it did not incur. Moreover, Gaz Métro is of the opinion that the thresholds must be amended to comply with decision D-2013-135, which states that in the absence of actual injection data,⁴ the use of Gaz Métro's tolerance bands under its agreement with TCPL constitutes the best option.

3 AMENDMENTS TO THE CONDITIONS OF SERVICE AND TARIFF

The revision of thresholds for daily and cumulative volume differences would result in the following amendments to the CST wording: The threshold of 75 GJ should be replaced by 2,111 GJ for daily imbalances, while the threshold of 150 GJ should be replaced by 4,222 GJ for the cumulative difference. Article 13.2.2.2, entitled *Differences Between Nominated Volumes and Volumes Injected*, would be amended as follows:

“13.2.2.2 Differences Between Nominated Volumes and Volumes Injected

The charges for differences between nominated volumes and volumes injected are as follows:

Daily imbalances

No charges shall be required if the daily difference between the nominated volume and the volume injected is less than the greater of ~~75~~ 2,111 GJ or 2% of the total nominated volume at a receipt point or the greater of ~~75~~ 2,111 GJ or 2% of the total nominated volume in the consumption zone.

In the case where the daily difference between the nominated volume and the volume injected is higher than the greater of ~~75~~ 2,111 GJ or 2% in the consumption zone and at a receipt point:

- 1. No charges shall be required if the daily difference between the nominated volume and the volume injected at that receipt point by a customer is in the sense opposite to the daily difference between nominated volumes and volumes injected in the consumption zone;*
- 2. Charges shall however be required when this difference is in the same sense as the daily difference in the consumption zone.*

⁴ Paragraph 26 of decision D-2013-135

In the latter case, the daily imbalance of the consumption zone shall be allocated among all customers having a billable daily imbalance, in proportion to their individual imbalance in excess of the greater of ~~75~~ 2,111 GJ or 2% of their nomination.

[...]

Cumulative difference account balance

The cumulative difference account balance shall be calculated by adding or deducting any daily difference to the previous cumulative difference account balance. This balance may be reduced in accordance with Article 15.5.8. Charges shall be payable if the cumulative daily account balance is higher than the greater of ~~150~~ 4,221 GJ or 4% of the greater of the nominated volumes or the average nominated volumes for the past 30 days.”

4 CONCLUSION AND APPLICATION TO THE RÉGIE

Gaz Métro wishes to revise the thresholds for daily and cumulative volume differences applicable to natural gas producers on its territory in order to comply with decision D-2013-135, by applying the same tolerance bands established between Gaz Métro and TCPL.

In TCPL’s conditions of service, the amounts indicated are 75 GJ for daily imbalances and 150 GJ for cumulative differences. However, an examination of the LBA has led Gaz Métro to conclude that its tolerance bands are in fact 2,111 GJ for daily imbalances and 4,221 GJ for cumulative differences.

Gaz Métro is asking the Régie to approve an amendment to the tolerance thresholds cited in Article 13.2.2.2 of the *Conditions of Service and Tariff*, to reflect its tolerance bands under its agreement with TransCanada Pipeline Limited.