



October, 2009 – Last On, First Off and Reallocating a Nomination

As promised in California Gas Transmission's September SNL article, this month's SNL explains more about the Last On, First Off (LOFO) concept regarding nominations on PG&E's system using *INSIDEtracc*. Also included are some useful tips in how to reallocate a nomination in order to force cuts onto one particular nomination.

Last On, First Off

If *INSIDEtracc* nominations are cut during the Schedule process using destination rankings, why does a nomination with a high ranking get cut before one with a lower ranking? The answer: nomination cycles have a higher priority than nomination rankings. Nominations in the latest cycle will be cut prior to nominations in earlier cycles. CGT refers to this process as Last On, First Off. LOFO does not come into play during a Confirm process; it is applied during a Schedule process only.

During the Schedule process, if supply cuts are unavoidable, *INSIDEtracc* looks at renominated cut volumes, new nominations, and/or incremental nominations and applies the cuts in the current cycle using destination rankings before cutting previous cycle scheduled volumes using destination rankings. Any cuts made during the Intraday 1 or Intraday 2 cycles will be subject to Elapsed Prorata Scheduled Quantity limits.

Let's say a customer performs a replacement volume increase on a nomination after the cycle deadline has passed. Since the increase was made after the cycle deadline, this nomination now consists of two pieces.

- The original volume retains the original cycle tag
- The incremental volume is tagged for the next cycle

The following examples will illustrate how LOFO cuts are applied. An Excel spreadsheet example has been created to demonstrate the LOFO rule, and can be found [here](#) on our Pipe Ranger Web site.

Nomination Cuts

A Timely nomination for 20,000 Dths, with a destination ranking of 1, is confirmed at 18,000 Dths and scheduled at 15,000 Dths (a total 5,000 Dth cut). After the Schedule process is completed, the nomination now has two pieces: the original Timely nomination which is now 15,000 Dths, and the Evening renomination for 5,000 Dths, both with a destination ranking of 1. During the Evening Confirm process, the nomination is confirmed at 20,000 Dths.

Scenario A

In the Evening Schedule process a supply cut of 3,000 Dths is applied to the Evening renominated volume of 5,000 Dths. Even though this nomination was ranked a 1, the cycle priority is applied first cutting the renominated volume, leaving it scheduled at 17,000 Dths.

Scenario B

During the Evening Schedule process a supply cut of 6,000 Dths occurs. INSIDEtracc will cut the Evening renominated volume of 5,000 Dths to zero, then work backwards and cut an additional 1,000 Dths from your lowest-ranked Timely nomination(s).

Nomination Increases

A Timely nomination with a destination ranking of 1 is confirmed and scheduled for 10,000 Dths. After the Schedule process is completed, the customer creates a new nomination with a Package ID for 5,000 Dths. The nomination now has two pieces: 10,000 Dths tagged as Timely and 5,000 Dths tagged as Evening, both with a destination ranking of 1, for a total of 15,000 Dths for the gas day.

Scenario C

In the Evening Schedule process a supply cut of 3,000 Dths is applied to the Evening incremental volume of 5,000 Dths. Even though this nomination was ranked a 1, the cycle priority is applied first cutting the incremental volume, leaving it scheduled at 12,000 Dths.

Scenario D

During the Evening Schedule process a supply cut of 6,000 Dths occurs. INSIDEtracc will cut the Evening nomination incremental volume of 5,000 Dths to zero, then work backwards and cut an additional 1,000 Dths from your lowest-ranked Timely nomination(s).

Reallocating a Nomination

To reallocate supply cuts to a lower-ranked nomination in a cycle requires decreasing one nomination from an earlier cycle and creating a new nomination in the current cycle.

The key is to re-level the playing field by equalizing the cycle factor. To do this, the customer must de-schedule the original lower-ranked nomination, using the Query/Replace Processed Nomination screen, by the volume that was cut. Then, create a new nomination, add a Package ID to make it unique, and **give it the lowest destination ranking possible (99)** for the same cut volume.*

By doing this, the volume cut from the original nomination is now a new nomination tagged in the later cycle and therefore subject to the LOFO rule during the next Schedule process. INSIDEtracc will cut the nominations during the next Schedule process using the destination rankings, and the lower-ranked nomination in the latest cycle will be cut first.

*Note: If you are considered **both** the Buyer and Seller for the nomination, no matching nomination is required. If you are only the Buyer or only the Seller, your counter-party must match the new nomination you create.

Potential Risks

Although reallocating a nomination will work beautifully with nominations made at the Citygate, there are potential risks involved when using this technique on nominations made at an interconnect or on a path. If an interconnect or path is flowing at full capacity, voluntarily de-scheduling the volume of the lower-ranked nomination by the process mentioned above creates a risk of losing your original space during the next cycle's Confirm process.

Additionally, this technique is best attempted during the Evening or Intraday 1 cycles. Using this technique in the Intraday 2 cycle leaves no room for correcting errors should something go wrong.

Helpful Tips:

1. If you are unsure how to properly make a reallocation, call CGT's Helpline to request assistance from our Gas Scheduling team, and select Option 2.
2. LOFO occurs in the Schedule process only, looking at the latest cycle nominations first, then destination rankings.
3. An Excel [spreadsheet example](#) has been created to demonstrate the LOFO rule, and can be found on our Pipe Ranger Web site.
4. Since all nominations in the Timely cycle are new nominations for the gas day, the LOFO rule will not apply for that cycle, and Schedule process cuts are all determined by using destination rankings.
5. LOFO rules apply only during the Evening, Intraday 1 and Intraday 2 cycle Schedule processes.
6. All confirmed and scheduled cuts are automatically renominated for the next Confirm cycle. Any nomination increases or decreases are processed in the next Confirm cycle.
7. *INSIDEtracc* screens and reports only display the total nomination volume for the gas day. When a nomination change occurs, *INSIDEtracc* accounts for all individual pieces of the nomination behind-the-scenes.