September, 2009 – Cut Codes and Source/Destination Rankings

Following in our August footprints, below are some common cut codes found on California Gas Transmission's 100 and 110 reports. Understanding these common and not-so-common nomination cuts can ease your scheduling research.

Cut Codes – Confirm Process

Nomination cuts that happen in the Confirm process will help you understand the PG&E volumes confirmed to the interconnect pipelines. Confirm process cuts can be grouped into five primary categories.

Unbalanced Pools

The two most commonly seen cut codes occur when pools are out of balance. These codes are:

- ImbPool-01 – Source pool imbalance due to short supply. The entity listed in the Source ID field of the nomination is associated with this cut.
- ImbPool-02 – Destination pool imbalance due to short market. The entity listed in the Destination ID field of the nomination is associated with this cut.

There are times when you will receive both ImbPool cuts. This happens when INSIDE*tracc* is running the Confirm process and balancing pools. If you lose some supply, the system will cut your market based on your destination rankings. If you lose some market, the system will cut your supply based on your source rankings. All pools must be balanced at the end of each Confirm or Schedule process.

Mismatched Nominations

When Buyer and Seller nomination volumes do not match, the result is a "Nom" cut code.

- Nom-01 – Lesser of rule applied to match confirming party
- Nom-02 – Confirming party did not nominate

To correct these cuts requires a call to your nominating counterparty to match volumes.

<u>Off-System Deliveries</u>

Nominations made to off-system destinations sometimes result in an "OSD" cut code.

- OSD-01 – Destination pool imbalance due to off-system delivery constraint
- OSD-02 – Exceeded off-system delivery constraint

OSD-01 cuts on nominations to Southern California Gas Company at Kern River Station can be corrected by calling SCGC.

OSD-02 cuts on nominations to all other interconnects can be corrected by calling CGT's Gas Scheduling team.

<u>Path Limits</u>

"Path" cuts are not commonly seen, but may occur when the path associated with the nomination Transportation Exhibit is constrained.

- Path-01 – Exceeded path receipt volume limit
- Path-02 – Destination pool imbalance due to path constraint
- Path-03 – Source pool imbalance due to path constraint

A path cut starts with Path-01 nominations where the Transportation Exhibit resides. Then INSIDE*tracc* must balance the pool by identifying the source gas to the Path-01 nomination. The nominations above the Path-01 cut (source gas) receive a Path-02 cut. The nominations below the Path-01 cut (destination markets) receive a Path-03 cut.

<u>Interconnect Limits</u>

Interconnect cuts, similar to Path cuts, are not commonly seen. However, when aggregate nominations at a given interconnect exceed the physical pipeline capacity, Transportation Exhibits may be constrained.

- Intrcon-03 – Exceeded interconnect receipt volume limit
- Intrcon-04 – Exceeded interconnect delivery volume limit

An Intrcon-03 cut will happen if total customer nominations exceed the posted capacity at an interconnect, thereby restricting the amount of gas that can flow to PG&E. An Intrcon-04 cut will happen if total customer nominations leaving the PG&E system are greater than the total customer nominations coming onto the PG&E system at the following interconnects: Malin, Topock North, Topock South, and Daggett.

Path or Interconnect cuts are applied in the following order:

1. Nominations with no transport
2. As-available transportation, by price
3. Firm transportation, prorated

Cut Codes – Schedule Process

There are only three cut codes that are applied in the Schedule process, all related to scheduled volumes. They are:

- SchVol-01 – PG&E received reduced scheduled volume from upstream pipeline
- SchVol-02 – Source pool reduction due to upstream pipeline scheduled volume
- SchVol-03 – Scheduled volumes were not received from upstream pipeline

A SchVol-01 cut will happen at the TSA level. This indicates a delivered volume from the upstream pipeline less than the confirmed volume requested.

A SchVol-02 cut is associated with a SchVol-01 cut, and is applied to all the nominations below the TSA level.

A SchVol-03 cut will happen on the Timely schedule process, and only if an upstream pipeline cannot provide scheduled volumes to CGT's Gas Scheduling team at NAESB's designated time.

Source and Destination Rankings

Another valuable piece of information to master is regarding Source and Destination rankings. Source and Destination rankings reflect a user's preference on which gas should flow in cases where cuts must be made to nominations. Understanding these rankings help puts the whole nomination picture together.

99 is the default ranking in INSIDE*tracc* and represents a nomination with the lowest ranking. However, a ranking can be any number between 1 (the highest priority) and 99, and multiple nominations can share the same ranking. Any cuts applied to nominations that share rankings will be done prorata.

The entity in the Source ID field is considered the Seller and controls the Destination ranking. If a pool becomes out of balance due to a supply cut, your destination rankings will determine which market will receive the nominated gas first.

The entity in the Destination ID field is considered the Buyer and controls the Source ranking. If a pool becomes out of balance due to a market cut, your source rankings will determine which source gas will flow to the destination entity first.

When placing your nominations in INSIDE*tracc*, the system will allow you to input both rankings. Once all the source and destination data is entered, INSIDE*tracc* determines whether the nomination is tagged as a Seller, Buyer, or Both nomination. At that point, INSIDE*tracc* either accepts both rankings, if you are both the buyer and seller designated in the nomination, or disallows the ranking that you do not control based on whether you are considered the Source ID entity (Seller) or the Destination ID entity (Buyer).

Renominated Cut Volumes and Rankings

All Confirm or Schedule process cuts are automatically renominated in the next Confirm cycle, but the cut volumes take on a lower priority. This is because they are tagged as "new" nominations in a later cycle. This explains how a nomination with a high-priority ranking in the Evening cycle will be cut before a nomination with a low-priority ranking from a prior cycle. This process is known as "Last On, First Off" (LOFO). Watch for October's SNL article to provide additional information on the LOFO process.

Helpful Tips:

1. If you are the Seller, you determine who first gets the gas you're selling by using Destination Rankings.
2. If you are the Buyer, you determine whose gas you first purchase by using Source Rankings.
3. The 100 report displays Confirm process cuts only.
4. The 110 report displays all cuts from the Confirm and the Schedule processes.
5. There are a total of 55 possible cuts that INSIDE*tracc* can apply to your nominations. 52 of those are applied in the Confirm process and the remaining 3 are applied in the Schedule process.
6. All the Confirm and Schedule cut codes and descriptions can also be found in the *Query/Replace Processed Nominations* screen by editing a particular nomination and then clicking on the third tab, *Conf/Sch Cut Msgs*. This is a great place to view all your cuts for the entire day in one handy location.