NEM Opposes Changes in National Fuel Gas Distribution Storage Requirements

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The National Energy Marketers Association has asked the New York PSC to reject proposed changes to National Fuel Gas Distribution Corporation's storage inventory balance requirements, and requested that the demand charge credited to a marketer when it returns storage capacity to the utility mirror the demand charge billed to the marketer when it enrolls a customer under SC19 (Case 11-G-0272).

In general terms, Distribution has proposed to increase pre-existing storage inventory requirements applicable to retail supplies in the winter and decrease those percentages in the summer, due to what Distribution said was its "operating experience with SC19."

"Marketers should be permitted to make the most efficient use of the storage assets as they see fit to serve their customers, given seasonal variations. The proposed tariff changes will prevent marketers from doing so. By the terms of the proposal, marketers will be limited in putting cheaper gas in storage in the summer, and will be hamstrung in the use of storage in the winter to meet peak demand," NEM said.

"Of particular note, NFG proposes to increase the storage requirement from the current 20% to 28% in March, which is a significant increase given how variable the weather can be at that time. This heightened end of winter storage requirement effectively forces marketers to 'park' gas in storage through the peak winter months instead of being able to use storage to meet customer demand," NEM added.

NEM said that Distribution has not justified that any changes in storage requirements are needed for reliability. NEM further argued that, "the abundant supply of gas being made available from Marcellus Shale, in fact argues against more stringent storage requirements."

NEM noted that system reliability is already ensured by the existing credit requirements for marketers that fail to meet daily delivery quantities established by the utility.

"The net result of the utility micromanaging its system in this manner is to unnecessarily cause marketer pricing to become less competitive than the incumbent utility's pricing," NEM said.

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