

# Pennsylvania Natural Gas Choice Programs

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**RESA**

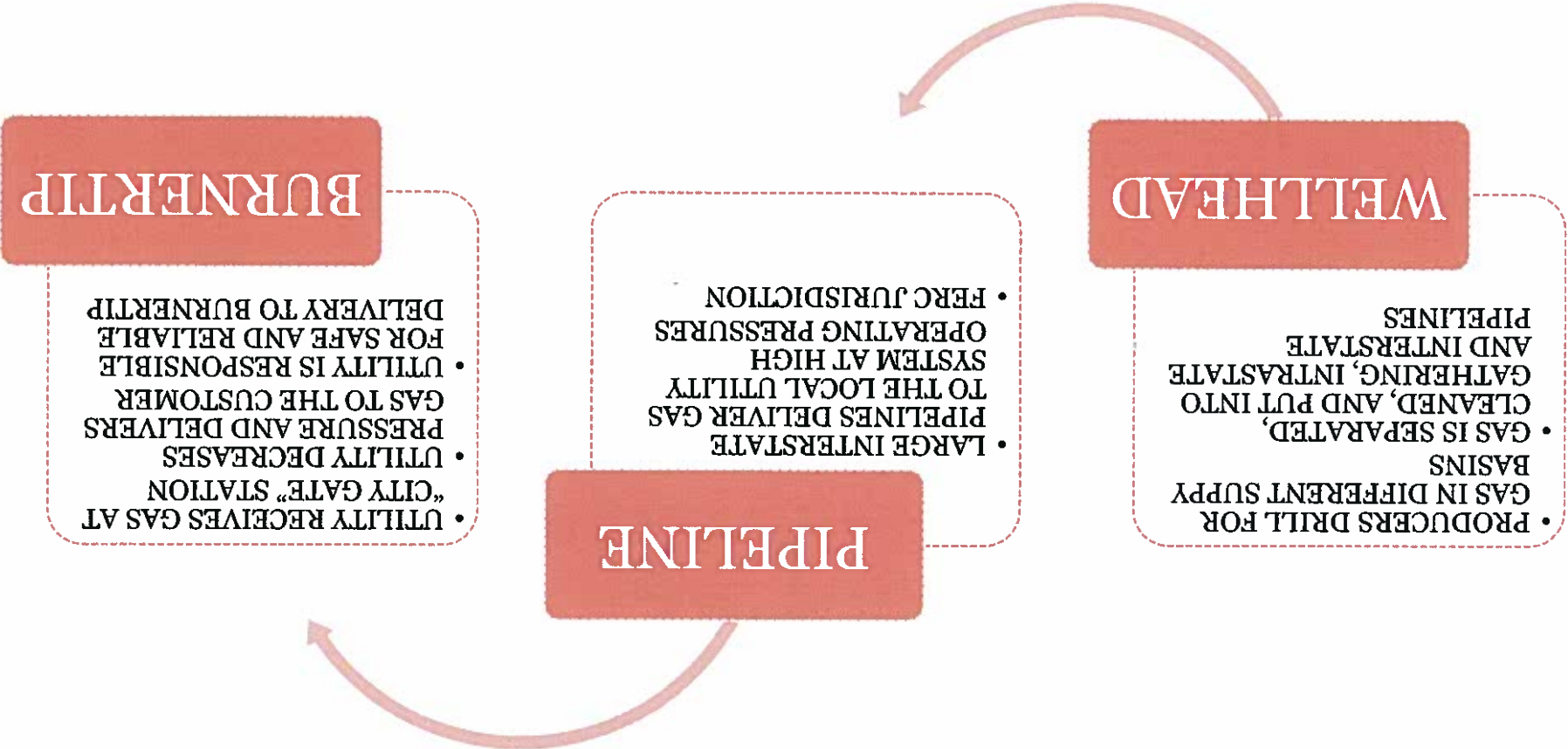
**MANAGER GOVERNMENT & REGULATORY**

**AFFAIRS – MIDWEST**

**DIRECT ENERGY, LLC**

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# Wellhead - Pipeline - Burnertip



# Transportation and Choice

Customers bring in the molecules in two ways:

- 1) **Transport Customers:** these very large users can take gas straight from the pipe. They don't necessarily use a retail supplier and can be subject to penalties directly from the utility.
- 2) **Choice:** residential and small commercial users. They must take gas from a retail supplier or the utility.

## Gas Choice

- ▶ 22 states allow residential shopping in some form – referred to as gas choice

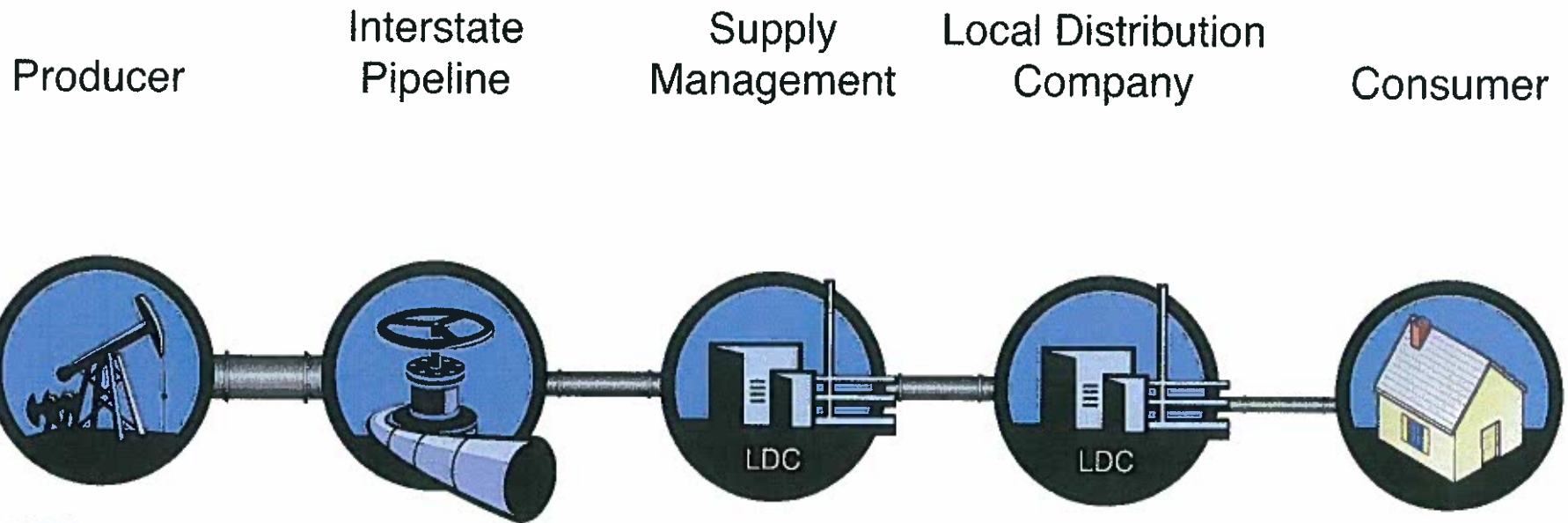
- ▶ Most active program to date in PA is Columbia

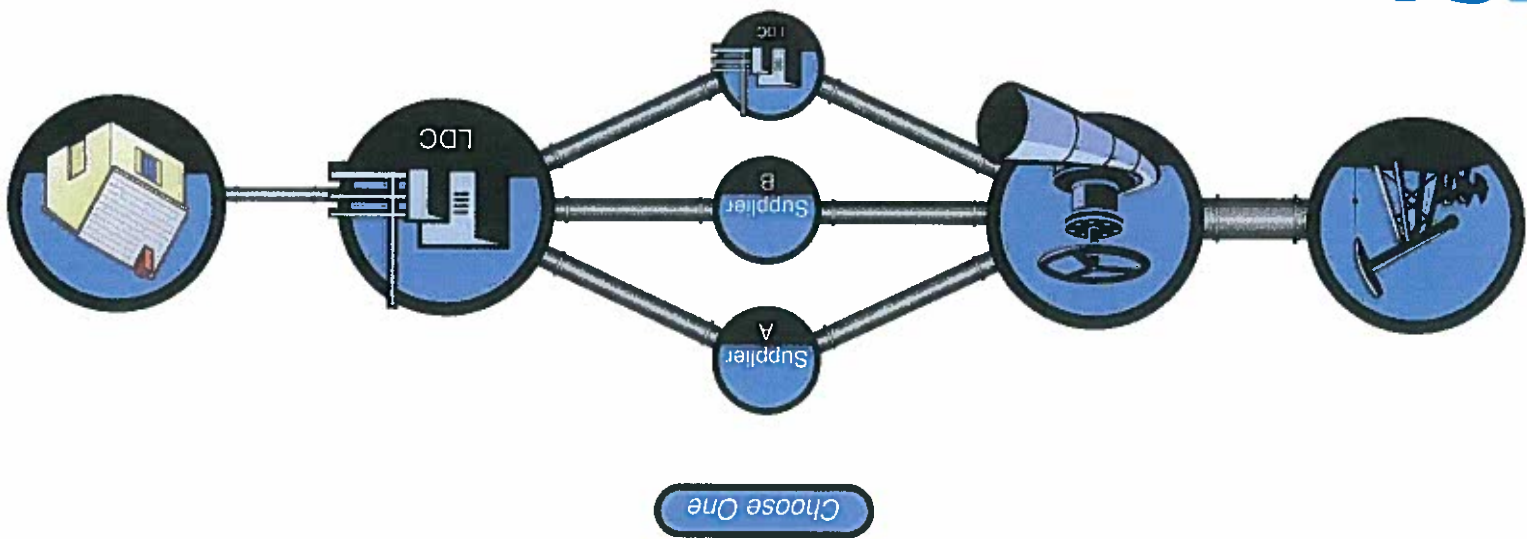
- ▶ Recent PUC changes will increase residential and transport programs in all utilities starting this year.

- ▶ A customer who purchases the molecules from a supplier still receives that gas from the local utility distribution line.

- ▶ A supplier brings gas into the utility system on contracts held with pipelines but the utility maintains the reliability and safety of lines leading to the customer's home or business.

# Historic Model





### Competitive Model

Producer Interstate Pipeline Supply Management Local Distribution Company Consumer

# Natural Gas Suppliers “NGS”

- In order to sell to choice customers in PA a supplier must obtain a license and become a Natural Gas Supplier “NGS”
- Financial security, expertise in the industry and history of complaints in other states must be shown.
- Another term used is Marketer – another misnomer given a NGS is a trader, scheduler, pipeline contracted supplier of the gas.

# Pipeline + Utility + NGS = CHOICE

- Without a partnership choice doesn't work.
- NGS must contract and register with the local utility.
- NGS and utilities "talk" daily to ensure reliable gas flow.
- Pipelines have penalties on utilities and NGS if gas is not delivered properly.
- Utilities have penalties on NGS if gas is not delivered properly.

