Direct Energy

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: NATIONAL GRID – DISTRUBUTION ADJUSTMENT CLAUSE FILING, GAS COST RECOVERY FILING, AND GAS CUSTOMER CHOICE PROGRAM TARIFF FILING – DOCKET NOS. 4514, 4520 & 4523.

Dear Ms. Massaro:

In response to the Notice of Public Hearing issued by the Rhode Island Public Utilities Commission ("PUC") on October 10, 2014 to examine the propriety of the filings submitted by National Grid ("NGrid") in the above-referenced dockets, Direct Energy Business, LLC ("Direct Energy") hereby provides these public comments with respect to Docket No. 4523 - National Grid - Gas Customer Choice Program Tariff Filing.

INTRODUCTION

As a leading, retail natural gas marketer, Direct Energy competitively supplies a significant amount of natural gas sold to Rhode Island's commercial and industrial natural gas customers. We submit these public comments to the PUC in general support of expanding natural gas availability and maintaining a robust, competitive market that inures to the benefit of the state's natural gas ratepayers. To facilitate more customers having the ability to choose competitive natural gas supply service, we support fair and balanced regulatory policies and operational market rules that achieve that end state. Therefore, in its review of the proposed NGrid tariff filings, we respectfully urge the PUC to consider how these changes may adversely affect and/or undermine the competitive retail gas market in Rhode Island.

NATIONAL GRID'S INADEQUATE COMMUNICATION AND CONSULTATION REGARDING PROPOSED TARIFF CHANGES WITH OTHER STAKEHOLDERS

Direct Energy is deeply concerned with NGrid's inadequate lack of communication and insufficient consultation with other stakeholders, especially the Marketers, regarding the operational impact of the proposed tariff changes reflected in Docket 4523 - Gas Customer Choice Program Tariff Filing. NGrid states in the pre-filed testimony of Ms. Elizabeth D. Arangio[1] submitted on September 8, 2014 that "*the Company has been consulting with the Division and its consultant, Bruce Oliver, on a monthly basis to discuss the issues impacting the Customer Choice Program and the specific proposals and tariff changes reflected in this filing.*" While NGrid has been regularly meeting with the Division and its consultant, it has yet to find sufficient time to meet and consult with Marketers regarding their proposed tariff changes. With the exception of a brief meeting/conference call[2] held this earlier in month where NGrid presented a high-level overview of its proposed tariff modifications for both Massachusetts and Rhode Island, Direct Energy is not aware of any other collaborative meeting/technical conference or company communication where NGrid has provided the opportunity to substantially communicate and consult with Marketers. As key market participants in the Gas Customer Choice Program, Direct Energy believe Marketers deserve to be better informed and consulted timely on important tariff changes that fundamentally impact their customers and business operations. In her pre-filed testimony, Ms. Arangio further states ..."*the Company has not yet had the opportunity to consult with Marketers, customers, or other interested stakeholders, which is why the Company is deferring more comprehensive changes until a later date*[3]. However, Direct Energy believes NGrid had ample opportunity to engage Marketers and present their proposed tariff changes in a manner that would invite healthy debate and dialogue. Regrettably, on the brink of the 2014-15 Winter Heating Season, Marketers like Direct Energy are now faced with the potential introduction of several important tariff changes that will impose significant operational constraints and unforeseen financial impact on their customers.

OPERATIONAL IMPACT OF NGRID PROPOSED TARIFF CHANGES ON MARKETERS AND THEIR CUSTOMERS

In its filing of September 8, 2014 and reflected in the pre-filed testimony of Ms. Elizabeth Arangio[4], NGrid delineates several proposed tariff modifications that will dramatically change its current Gas Customer Choice Program and existing operational protocols Moreover, NGrid has proposed to implement these significant tariff changes on November 1, 2014, within the next six (6) business days without adequate and meaningful input from the Marketers. Therefore, Direct Energy provides the following brief comments pertaining to the proposed NGrid Tariff Proposal as presented in its Gas Customer Choice Program Filing:

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[1] National Grid's Gas Customer Choice Program Filing, Docket 4436 - Pre-filed Testimony of Elizabeth D. Arangio - Section IV. - Company Proposal page 19 of 20.
[2] National Grid New England Marketer Meeting, October 8, 2014
[3] National Grid's Gas Customer Choice Program Filing, Docket 4436 - Pre-filed Testimony of Elizabeth D. Arangio - Section IV. - Company Proposal page 19 of 20.
[4] National Grid's Gas Customer Choice Program Filing, Docket 4436 - Pre-filed Testimony of Elizabeth D. Arangio - Section IV. - Company Proposal found on page13 of 20.

NGrid Tariff Proposal

1.) ***Pipeline Delivery Requirements***: *Marketers must deliver a minimum of forty percent (40%) of total daily pipeline receipts (including all of the Marketer's Aggregation Pools serving both FT-1 and FT-2) on each of the upstream pipelines: Algonquin Gas Transmission (Algonquin) and Tennessee Gas (Tennessee). The remaining twenty percent (20%) of total daily pipeline receipts (including all of the Marketer's Aggregation Pools serving both FT-1 and FT-2) may be delivered on either or both Algonquin or Tennessee.*

In Direct Energy's view, NGrid's proposed allocation requirements are inconsistent with the manner and method it releases capacity to Marketers. Based on the path allocations in the pipeline path availability and methodology, the capacity releases are split 70% Algonquin and 30% Tennessee. Historically, Direct Energy delivered 25% of the Algonquin capacity allocation to NGrid, as required. Additionally, NGrid historically required their capacity to be delivered to their city-gate during certain periods without the imposition of penalty. NGrid has always had the right to call its release capacity associated in each pipeline for delivery. Direct Energy believes this new discretionary penalty that is equal the Winter imbalance rate is punitive to Marketers. National Grid should only impose capacity delivery restrictions. Therefore, Direct Energy opposes this tariff modification.

2.) ***Peaking Assets Calculation***: *The Company (NGrid) proposes to modify the FT-2 Demand Rate and associated peaking purchases to include certain pipeline assets and associated supplies in the calculations to more accurately reflect the usage of such assets. These assets include the Company's Algonquin HubLine and East-West capacity and the Tennessee Dracut capacity.*

NGrid's proposed tariff change will have a direct impact on the demand charges to the FT-2 peaking service. Direct Energy believes this tariff modification will increase costs to transportation customers due to this new peaking assets calculation scheme.

3.) ***Daily Nominations under Operational Flow Order Conditions***: *Marketers must satisfy the FT-1 and F-2 daily requirements with their sum total of pipeline capacity release volumes before FT-2 storage and peaking assets can be nominated on days when the Company issues an Operational Flow Order ("OFO") aggravated by under-delivery.*

Direct Energy believes there should be no dependency on the deliveries of one pool to other. Firm Transportation FT-1 and Firm Transportation FT-2 are two separate and distinct services that NGrid offers with different characteristics and impacts. FT-1 is assigned only a percentage of pipeline assets. Marketers are responsible to acquire enough supplies to manage the customers' daily demand. The FT-2 service is a Local Distribution Company ("LDC") managed service. The LDC assigns Pipeline, Storage and Peaking services to manage the demand requirement provided by the LDC. Marketers serving FT-1 cannot physically use Storage and Peaking assets to serve customers. Therefore, FT-2 Storage and Peaking assets should not be dependent on the deliveries of FT-1. Therefore, Direct Energy opposes this tariff modification.

CONCLUSION

Due to inadequate notification and insufficient communication to Marketers, Direct Energy respectfully requests that the PUC to defer the implementation of NGrid's proposed Gas Customer Choice Program tariff changes on November 1, 2014, as planned. Rather, we encourage NGrid to convene, at its earliest convenience, a series of collaborative meetings for all interested stakeholders to undertake a comprehensive review of its Gas Customer Choice Program with the overall policy objectives that 1.) maintains overall system integrity and reliability; 2.) supports and expands viable choice options that serve the interest of the state's natural gas ratepayers; and 3.) supports a robust, sustainable competitive retail market. Lastly, we encourage the PUC to compel National Grid in the future to provide timely notification to the Marketers of potential tariff modifications that may impact their business operations and customers. Direct Energy appreciates the opportunity to provide comments on this important matter.

Respectfully submitted,

Direct Energy Business, LLC

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Dated: October 23, 2014