LDC Segment 7/30/2019

Excerpts Re Comments:

Add Argus to Spot Price Publication Section 2.25

Contracts Subcommittee Meeting 7/31/19

R19006

Workpaper by Pete Connor

**Summary:**

**LDC Segment doesn’t seem to support adding Argus but does appear open to modifying Section 2.25 to fill in the blank. See excerpts of feedback below.**

1. Out of curiosity I asked all the gas traders on the floor about this request. They all categorically opposed. I’m personally neutral to the addition of Argus. Special Provisions can be used as a vehicle to manage preference (Gas Daily v. Argus Or some combination). Both publications may have their own unique methodologies to derive traded fair value (index). In the event of disconnects between Gas Daily and Argus values, the parties -via Base Contract and SP- must find resolve.

1. I don’t think we have a strong preference. We are fine with adding Argus, or simply leaving it blank and letting the traders fill it in.

I do agree that we are giving Gas Daily too much influence, so I would support not  giving them the “default” designation.

To be clear, I have no issue with leaving it blank.

1. I’m ok with adding Argus.  In my view, we unintentionally gave Gas Daily too much influence when the contract was originally written.
2. Honestly, I wonder if we shouldn’t add a third source and create a check box for each option. This could be the first step in that direction.
3. Frankly, this needs more debate in the context of the true net benefit. In addition, the change to the standard has to be measured from a practical stand point (e.g revamping ETRM systems + added cost for another publication ...etc).

1. If Argus/other was to be added, it might make sense to remove Gas Daily as default to

administrative hassle has already started (just kidding 😊). Competition is great to the benefit of all and this will definitely come with some hassle if it was to pass.

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1. I also checked with our traders. Their opinion was:

They don’t see any issue in adding Argus to Section 2.31 of the Base Contract although they don’t think it really makes a difference because any Company could currently write Argus in as the Spot Price Publication instead of checking the box for Gas Daily Midpoint.  They are also fine with Gas Daily being removed and Section 2.31 being left as a fill in the blank section.  They definitely agree with the comment below that “we unintentionally gave Gas Daily too much influence when the contract was originally written” which is why Gas Daily has become the industry standard.  They don’t think many companies would currently choose Argus in Section 2.31 until Argus prices are being used more widespread in the industry and Argus priced volumes are traded on ICE.

1. XYZ is agnostic on this.
2. ABC leans towards including Argus. We don’t see any operational problems with adding them.

No issues if you wanted to go with a fill in either.

1. I have talked to our internal stakeholders on this subject, and the general sentiment is that it would be counterproductive for us to have any changes to the current standard.   
     
   ANY change, yes ANY change, would lead to a LOT of work being created behind the scenes.
2. EDF isn’t supportive of adding Argus. It would add some complexity with each of the counterparties as to what spot index would be the default, where we would insist on Gas Daily Midpoint.