

INTEGRATION OF COMPLEX GENERATION OPTIONS

The Energy Authority's expertise and capabilities allow large Midwestern client to quickly integrate complex new generation options into its portfolio.

A large Midwestern client purchased a 707 MW natural gas combined-cycle facility in July of 2011. The then under-construction facility would begin commercial operations in January 2012. Although the client had an extensive generation fleet using a mix of fuels, this was the first natural gas-fired plant to be added. The client had less than six months to obtain the risk management and physical gas supply capabilities it would need to supply the new plant.

Solution:

Client contracted with TEA to supply comprehensive risk management and natural gas supply services.

- TEA was able to leverage its existing natural gas trading, scheduling and settlement capabilities to provide these services to our client in a timely manner.
- TEA immediately drafted a Risk Management Program and Risk Policy review for the client in support of the new facility. TEA worked with the client to refine the policy and present it to the organization's governing Board.
- TEA created a Physical Gas Supply plan for the client that included considerations of the pipeline capacity, storage, and balancing agreements that would be used to supply the plant. Once approved by the client, TEA set about implementing the supply plan from its natural gas trading desk in Jacksonville, FL.
- TEA's contracts administration group worked with the client to provide expertise and guidance through the process of negotiating ISDAs for long-term fuel hedges.

Results:

TEA's client was able to obtain full Risk Management and natural gas supply services from TEA far more quickly than it could have built these capabilities on its own.

- TEA was immediately able to purchase and schedule natural gas to the plant as soon as it was needed in support of generation test-firing.
- Within two months of the client purchasing the plant, TEA was executing forward hedge purchases on behalf of the client and in adherence to the Risk Management Program.
- The client avoided having to hire any trading, scheduling or analytics staff in support of this new natural gas activity.
- The client was immediately able to leverage TEA's experience in natural gas trading and operations to optimize the process and output of the plant.