

Capacity Center's Top 20 Capacity Traders Report for 2015

Sequent Overtakes Tenaska as # 1 Capacity Trading Volumes Increase Year over Year

Capacity Center has released its 8th Top Twenty Capacity Traders Report. During 2015, a few notable facts and several changes among the Top 20 have emerged.

For the past six years straight Tenaska has held the #1 position; however, for 2015 Sequent has earned top trader honors. Sequent traded an average daily equivalent pipeline capacity volume of over 5.8 Bcf/d outpacing second place Tenaska at just under 5.5 Bcf/d of pipeline capacity traded. In total transacted quantity, Sequent at 4,348 Bcf total traded in 1,440 deals nearly doubled Tenaska's 2,214 Bcf total traded in 308 deals.

For the balance of the Top 5, Direct Energy and BP both retained Top 5 status each dropping one place to 3rd and 4th respectively, although they increased their daily traded quantities by 1.1 Bcf/d (Direct) and 0.5 Bcf/d (BP). New to the Top 5 is NRG, which wasn't even in the Top 20 last year, moving up 22 places within the Top 100 to earn the #5 slot.

2015 experienced much jockeying as several companies dramatically increased capacity trading to move up in the ranks of the Top 100 to earn a spot in the Top 20. Among the Top 20 climbers:

- Koch Industries moved up 21 places to #8
- ConocoPhillips moved up 19 places to #12
- Noble Energy moved up 32 places to #13
- BNP Paribas moved up 46 places to #14
- EDF Trading moved up 9 places to #15
- Texla moved up 18 places to #16

The Players

The overall number of players in the capacity trading market is essentially unchanged over the last several years, but slightly down to just over 400 from 430. Within the Top 20, seven companies dropped out:

- Macquarie (formerly #11)
- Interstate Gas Supply (formerly #12)
- J Aron & Co. (formerly #13)
- SCANA (formerly #14),
- CenterPoint Unregulated (formerly #15)
- Equitable Unregulated (formerly #16)
- Duke Energy Unregulated (formerly #20)

Capacity Center 2015 Top 20 Capacity Traders

2015 Rank	Acquiring Shipper	Daily Equiv Dth	Total Traded Bcf	2015 Deal Count	Rank Change from 2014	Daily Equiv Change 2014-2015	Total Traded Change 2014-2015	Deal Count Change 2014-2015
1	Sequent	5,867,784	4,348	1,440	+3	310.5%	398.9%	171.2%
2	Tenaska	5,476,500	2,214	308	-1	241.4%	260.9%	81.3%
3	Direct Energy	3,212,923	1,645	2,872	-1	147.3%	130.5%	139.3%
4	BP	2,553,117	1,097	676	-1	112.5%	129.2%	178.4%
5	*NRG	978,096	364	408	+22	439.2%	447.6%	850.0%
6	Exelon Unreg	842,870	314	102	-	77.4%	62.2%	94.4%
7	Infinite Energy	522,473	191	663	+3	109.5%	109.5%	91.2%
8	*Koch Industries	506,788	295	348	+21	249.5%	397.6%	940.5%
9	Shell	464,240	260	76	+8	148.4%	228.0%	82.6%
10	DTE Energy Unreg	419,791	159	253	-1	71.3%	57.0%	106.8%
11	Twin Eagle	416,152	192	155	+8	143.6%	170.1%	91.2%
12	*ConocoPhillips	404,750	153	203	+19	205.7%	213.2%	188.0%
13	*Noble Energy	400,000	1,406	fs4	+32	335.7%	1039.0%	3.8%
14	*BNP Paribas	395,783	194	27	+46	535.7%	719.3%	108.0%
15	*EDF Trading	392,336	165	949	+9	163.2%	187.3%	74.8%
16	*Texla	391,380	143	333	+18	204.3%	204.3%	163.2%
17	NextEra Unreg	373,182	159	223	-10	45.4%	50.5%	157.0%
18	Atmos Energy Unreg	336,859	236	58	-13	27.8%	43.9%	68.2%
19	Concord Energy	331,446	175	97	-11	49.2%	41.8%	96.0%
20	NJR Unreg	321,820	118	35	-2	103.3%	79.7%	79.5%

*2015 entrants to Top Twenty

Year over Year Increase in Capacity Trading

Not only did the number of deals increase year over year, but the deals became larger and longer in 2015 as compared to 2014. This combined to create a significant increase in the total capacity traded. Against this backdrop, it is also notable that EIA statistics show daily production of gas reaching approximately 70 Bcf/d and that Capacity Center statistics indicate just under 50% of this volume was flowing through the 34.36 Bcf/d of daily equivalent secondary market capacity during the first eight months of 2015. This is more than 300% higher than the amount of daily equivalent reported in 2009 (10.9 Bcf/d). Continuing the trend we observed last year, longer-term deals are becoming more prevalent in the market. While total daily equivalent traded through August 31, increased from 26 Bcf/d to 34 Bcf/d, the quantity of total transacted (regardless of term) increased from 14,721 Bcf to 20,236 Bcf. In addition, the number of deals done between January 1 and August 31 increased from 28,666 to 31,056.

Total Capacity Traded						
	2014 (Dthd)	2015 (Dthd)	2014 (Bcf)	2015 (Bcf)	2014 (Deals)	2015 (Deals)
Top 20 Traders	16,518,878	24,608,290	8,651	13,828	7,126	9,230
All Capacity Traded	26,081,520	34,365,050	14,721	20,236	28,666	31,056
Top 20 % of All Trades	63%	72%	59%	68%	25%	30%
Top 5	9,560,641	18,088,420	4,828	9,668	4,121	5,704
Top 5 % of Top 20 Traders	58%	74%	56%	70%	58%	62%

Capacity Trading Concentration

Notably, as seen above, the capacity trading market continues to become more concentrated. Concentration in both the Top 20 and the Top 5 increased markedly, with the Top 20 accounting for 72% of all daily equivalent capacity traded and the Top 5 representing 74% of the capacity traded by the Top 20.

Top Four Traders Differentiating Characteristics

The Trading Partners of the Top 4, Sequent, Tenaska, Direct Energy, and BP have some interesting differences. For instance, Sequent, predominantly a wholesale market player, acquired 44% of its daily equivalent capacity from LDCs, 37% from Producer-Marketers and 18% from Power generators. On the other hand, Tenaska, also predominantly a wholesale player, acquired 80% of its capacity from Producer-Marketers, 17% from LDCs and just 3% from Power generators. As would be expected, Direct Energy, primarily a gas marketer to C&I customers obtained 72% of its capacity from LDCs, 27% from Producer-Marketers and 1% from Power generators. Fourth place BP, a wholesale and to some extent a C&I player, obtained 53% of its capacity from Producer-Marketers, 44% from LDC's and 2% from End-users with their own transportation capacity.

Pipeline Activity for 2015

Capacity Center also provides a view into the most active pipeline markets. As last year, the Top 5 pipelines all serve both the hugely expanding Northeast Shale production markets and the very mature and active competitive retail markets.

The Top 5 in the Pipeline ranking are:

1. Transco at over 3.3 Bcf/d and nearly 2.5 Tcf total traded up from 2.4 Bcf/d and 1.7 Tcf total traded in 2014
2. Texas Eastern with 2.28 Bcf/d and 2.37 Tcf total traded up from 1.9 Bcf/d and over 2.07 Tcf total traded in 2014
3. ANR Pipeline with 2.04 Bcf/d and 0.8 Tcf total traded up from 0.95 Bcf/d and 0.39 Tcf total traded in 2014
4. Columbia Gas at 2.0 Bcf/d and 0.9 Tcf total traded essentially even with 2014 at 2.03 Bcf/d and 0.9 Tcf total traded
5. Rockies Express moved up dramatically as the shippers on its East to West reversal for the most part traded their capacity to Asset Managers to the tune of 1.8 Bcf/d and 0.89 Tcf total traded, This was up from 0.16 Bcf/d and 0.12 Tcf total traded in 2014.

A chart of the Top 20 pipelines and their traded volumes follows.

Capacity Center Top 20 Pipelines

2015 Rank	2014 Rank	Pipeline	Daily Equiv (Dth)	Total Traded (Bcf)	Deal Count
1	1	Transcontinental Gas Pipe Line	3,312,862	2,492	4,684
2	3	Texas Eastern Transmission	2,286,614	2,371	2,308
3	9	ANR Pipeline	2,041,298	827	535
4	2	Columbia Gas Transmission	2,006,589	899	3,787
5	36	Rockies Express Pipeline	1,860,826	891	52
6	4	Tennessee Gas Pipeline	1,539,061	632	3,563
7	5	Dominion Transmission	1,460,034	618	2,183
8	10	Gulf South Pipeline	1,163,741	425	407
9	8	Algonquin Gas Transmission	1,083,105	407	919
10	6	Southern Natural Gas	897,872	363	1,061
11	11	Panhandle Eastern Pipe Line	792,667	303	1,141
12	49	Enable Gas Transmission	747,382	772	105
13	18	El Paso Natural Gas	670,289	328	42
14	16	Northwest Pipeline	621,226	263	117
15	12	Natural Gas Pipeline	605,088	380	95
16	19	Florida Gas Transmission	589,917	471	995
17	13	Columbia Gulf Transmission	499,785	192	1,498
18	17	Northern Natural Gas	460,514	205	582
19	7	East Tennessee Natural Gas	440,247	268	67
20	20	National Fuel Gas Supply	425,793	156	689
Totals:			23,504,910	13,261	24,830

The Top 20 rankings process utilized Capacity Center’s database of all the transportation capacity release deals done on every interstate pipeline during the period January 1, 2015 through August 31, 2015. Ranking data excluded volumes done due to acquisitions and between related affiliates. Capacity Center presents the total traded Bcf which is (capacity per day) x (the number of days regardless of term), while the daily equivalent measure caps the duration of a trade at 365 days in order to derive an apples-to-apples comparison of daily controlled capacity – where a 10 day deal for 100,000 Dthd and a 100 day deal for 10,000 Dthd have the same daily equivalent controlled capacity of 2,740 Dth/day.

For more information about the rankings or about Capacity Center, contact Brendan Tierney, btierney@capacitycenter.com or (978) 717-6144

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