

Subj: Amoco Comments to proposed Intraday Standards due Jan 2
Date: 97-12-29 15:24:38 EST
From: thomas_g_ehinger@amoco.com
To: gisb@AOL.com

December 29, 1997

Re: Amoco's Comments to proposed Intraday Standards

In addition to the specific comments that I am submitting herein, I wish to draw your attention to the Natural Gas Supply Association response dated December 18, 1997 in Ferc Docket RM96-1-007 (Business Standards NOPR) pages 8-20 on intraday issues. Amoco supports those comments as well and attaches them to this reply. (It had to be scanned separately from a fax.)

Proposed Principles

1.1.a - (delete) This has more to do with the definition of confirmation process than an expectation of a practice.

1.1.b - Change the word 'outlined' to 'stated'.

1.1.c - (delete) This action taken randomly by various parties would be disruptive. Point operators and confirming parties are more likely to want a cumulative report anyway. Parties may mutually agree to some short cut documents but this principle allows for a unilateral decision.

1.1.d - (delete) True-up is not a standard practice and as such cannot be added to the cycle confirmation deadline times in this way.

1.1.e - (delete) The proposed standard for 5pm intraday already disallows bumping. If this is trying to talk to other continuous cycle times then that issue is something different.

Proposed Standards

1.3.2 - Add the words 'receipt of' before 'Quick Response' in all cycles. A 'Notice to Bumped Parties' document does not exist except for reference in 1.3.f.

1.3.2ii - Change the effective bump time to 5pm on flow day for the reasons expounded in the attached NGSA NOPR response.

1.3.3 - The EC approved language seems to be missing words at the end. Should read 'may waive the obligation of sender to send.'

1.3.22ii&iii - Change this to read that for the intraday nomination/confirmation process there should be explicit confirmation such that in the case of disagreement among confirming parties the previously scheduled quantity prevails. This means that affected parties must communicate for assurance of a change in noms. In other words the 'lesser of rule ' does not apply.

1.3,22iv - This should be in the form of a definition.

1.3.32 - Delete the last sentence 'TSPs may(for an interim period) limit service..' as this is not practice when working against deadlines or when expecting a quick response to allow time to resubmit corections.

New Proposed Standards

1.3.b - The Explicit Confirmation should have a definition as well as being a default.

1.3.e - (rewrite) I believe we should have a common single practice for the industry to distinguish which cycle the nom is made for. I should be able to submit an intraday for that gas day for any cycle as long as it precedes the deadline time.

Suggested Change to Existing Standards

1.3.20 - (rewrite) The Confirmation Requester may waive the Confirming Party's obligation for a Confirmation Response to be sent.

1.3.21 - (rewrite) The Service Requester, Service Provider and Confirming Parties should adhere to nomination, confirmation and scheduling deadlines. It is the party receiving the request who has the right to waive the deadline if done non-discriminately.

Sincerely,

Thomas G. Ehinger
Amoco's GISB Coordinator

at (281) 366-4559 or Thomas_G_Ehinger@Amoco.com

December 29, 1997

Submitted as part of Amoco's comments on GISB
Proposed Intra-day Standards.

Sincerely,

Tom Ehinger

Amoco's GISB Coordinator

* Excerpt from Natural Gas Supply Association's
response dated December 18, 1997 to FERC's
Docket RM 96-1-007 (Business Standards NOPR)
pages 8-20 on Intra-day issues.

*

B. NGSA Generally Supports The Commission's Proposal Regarding Intra-Day
Nominations, But With Some Reservations.

NGSA supports the general objective of the Commission to standardize pipeline business practices regarding intra-day nominations (Notice at 19-27). In particular, NGSA strongly supports those aspects of the Commission's proposal which would require that intra-day nominations be "made available to all open access services, apply to each contract between the shipper and the pipeline, and permit the shipper to request changes at all receipt and delivery points" (Notice at 26). While NGSA agrees with the

Commission's general intent in this matter, there are a several areas where NGSA offers specific recommendations for the Commission's further consideration. These suggestions are embodied in NGSA's recommended intra-day nomination schedule as illustrated in Exhibit I and are further discussed below.²

NGSA asks the Commission to consider the following NGSA recommendations to be a compromise or an interim step toward full implementation of the Commission proposal. NGSA believes that it would be unwise for the Commission to implement its current intra-day nomination proposal without any practical experience as to how it might affect natural gas market operations. Under the NGSA proposal, advocates for multiple intra-day nominations with bumping would still obtain much of what they desire while minimizing the economic impact on bumped parties.

NGSA members participated in the GISB Intra-day Task Force effort and consequently understand the reasons leading to the three intra-day nomination cycles. NGSA believes the Commission's proposal, inclusion of bumping, is an ambitious undertaking for the industry to implement such a comprehensive set of cycles. Consequently, NGSA believes the Commission should be watchful of potential adverse impacts on administrative costs, the natural gas marketplace and operational integrity.

² For purposes of nomenclature, any nomination submitted after the Timely Nomination is due at 11:30 a.m. on scheduling day is generally referred to as an "intra-day" nomination.

EXHIBIT I

NGSA RECOMMENDED NOMINATION SCHEDULE

(Note that the NGSA proposal is totally consistent with the nomination schedule which the GISB intra-day nomination task force filed at the Commission on September 1, 1997.)

ALL ITEMS LISTED BELOW ARE STATED IN CENTRAL CLOCK TIME (CCT)

	Timely Nomination Cycle	Evening Nomination Cycle	Intra-day Nomination No. 1 Cycle	Intra-day Nomination No. 2 Cycle
	Scheduling Day		Gas Flow Day	
Nomination Deadline	11:30 a.m.	6:00 p.m.	10:00 a.m..	5:00 p.m.
Confirmation Deadline	3:30 p.m.	9:00 p.m.	1:00 p.m.	8:00 p.m.
Scheduled Quantities Report	4:30 p.m.	10:00 p.m. (Notice to bumped parties)	2:00 p.m. (Notice to bumped parties)	9:00 p.m.
Effective Flow Time	9:00 a.m. (Next gas day)	5:00 p.m.* (Next gas day)	5:00 p.m. (Same day)	9:00 p.m. (Same day)
Bumping of Interruptible Shippers	Not Applicable	Yes	Yes	No*

* Elements of the NGSA proposal which differ from the Commission's proposal.

Furthermore, NGSA views the Commission's proposed intra-day nomination model, particularly the bumping aspects, as a clear enhancement to existing firm transportation service and a degradation to existing interruptible transportation, storage and no notice services.

1. NGSA Has Reservations Regarding The Operational Practicality Of The Last Intra-Day Nomination Cycle.

The gas producer community cautions the Commission about implementing a 9 p.m. gas flow change associated with the last intra-day nomination cycle. Such a confirmation process and the attendant changes in gas flows may be impractical for gas producers, processors, and gatherers during the night time due to difficulties in coordinating personnel, the lack of access to remote locations, and safety considerations. Aside from the gas supply community, NGSA believes that many other non-jurisdictional entities in the gas industry will also find a 24-hour business process to be untenable at this time.

2. Bumping Should Not Be Permitted During The Last Intra-Day Nomination Cycle.

The Commission raised a question in its Notice (at 21) as to whether the 5:00 p.m. intra-day nomination #2 cycle should involve bumping. NGSA supports the position that bumping should not be permitted in the 5:00 p.m. intra-day nomination #2 cycle. Because firm shippers will have had at that point three opportunities to nominate their capacity for a single gas day, it is reasonable that this last nomination to be one where a shipper's gas that is flowing will continue to do so for the remainder of the gas day. If bumping were allowed in this cycle, there would be no opportunity for a bumped party to restore its gas flow for that gas day.

Because the Scheduled Quantities Report and the Effective Flow Time occur simultaneously for the last intra-day nomination (at 9:00 p.m. on flow day), pipeline customers with previously scheduled gas would not be capable of instantaneously changing their gas flows, especially given the lack of any prior knowledge.³ As a result, it is likely that bumping during the last intra-day nomination cycle will automatically cause imbalances. Not only is the requirement for an instantaneous response by bumped parties administratively infeasible, given the impracticality of altering gas field flows during the night, it might ultimately be detrimental to the perceived and tangible reliability of natural gas.

Furthermore, NGSA believes that a "no bump" policy for the 5:00 p.m. intra-day nomination #2 cycle should be uniform across all pipelines so as to ensure consistency in the grid-wide implementation of intra-day nominations. NGSA, therefore, recommends a grid-wide standard which precludes bumping in the last intra-day nomination cycle or in any subsequent nomination on a so-called "continuous" pipeline, rather than allowing pipelines to individually determine whether or not this nomination can bump.

3. The Effective Time Of The Evening Nomination Cycle Should Be 5 p.m. The Next Day.

The Notice discusses (at 22) another issue of critical importance to the industry; that is, the effective time of the 6:00 p.m. evening intra-day nomination (on scheduling day). The Notice proposes an effective time of 9:00 a.m. at the start of the gas flow day under

³ In contrast, the party submitting the last intra-day nomination would at least know of the possibility for a scheduled quantity change at 9:00 p.m. on flow day.

the rationale that firm shippers should have the right to use their capacity when they need it. NGSA believes, however, that the effective time for the 6:00 p.m. evening nomination should be 5:00 p.m. on flow day rather than 9:00 a.m., especially if that intra-day nomination cycle can bump scheduled interruptible transportation. NGSA's concerns regarding the effective time of the 6 p.m. evening intra-day nomination cycle are mitigated under the NGSA proposal.

Under the Commission's proposal, a party who is bumped by an evening nomination at 9:00 a.m. on flow day would not be able to restore flow until 5:00 p.m., resulting in eight hours without gas flow. If the effective times for the 6:00 p.m. evening nomination cycle and the 10:00 a.m. intra-day nomination #1 cycle coincided, then parties who submitted a timely nomination, and had gas scheduled to flow, would at least receive gas flow for a portion of that flow day. In addition, pipelines and their customers could more easily coordinate these bumping schedule changes with the other intra-day nomination changes, all of which are likely to have a complementary effect on each other. Consequently, under the NGSA proposal, the schedule changes caused by bumping would be kept to a minimum (refer to Exhibit I).

Another concern with the Commission's proposal regarding the effective time of the evening nomination cycle, is its potential effect on natural gas reliability. A party who had gas scheduled in the timely nomination cycle would be informed of their scheduled quantity at 4:30 p.m. on scheduling day. Under the Commission's proposal, bumped by an evening nomination parties would be informed at 10:00 p.m. on scheduling day that they were being bumped effective at 9:00 a.m. on flow day. It is likely that trading partners would have

already planned and communicated their next day's operations based on the information received at 4:30 p.m. on scheduling day. Receiving such potentially significant changes⁴ in scheduled quantities at 10:00 p.m. on scheduling day will be difficult for the affected parties to reconcile on a timely basis. It would be more realistic from an operating perspective and provide a higher degree of reliability if the gas flows at 9:00 a.m. were to proceed as communicated at 4:30 p.m. on scheduling day. This approach would provide bumped parties and other operating parties sufficient time during the business day to adjust their operations to reflect the revised scheduled quantities that would become effective at 5:00 p.m. on flow day.

Another consequence of the Commission's evening nomination proposal is the added risk that wellhead owners and operators could be subject to an unplanned shut-in of gas which could dramatically impact gas producer economics. In a similar manner, gas consumers' end-use economics could be significantly impacted by unanticipated gas production shut-ins.

NGSA also is concerned that the Commission's proposal reduces the incentive for firm shippers to meet the timely nomination deadline. This could result in a significant number of transactions being postponed to the evening nomination cycle. Comments made by pipelines in the GISB Intra-Day Task Force effort indicate that there has, in fact, been a significant increase in evening nomination activity in situations where shippers can currently expect to be scheduled effective at the start of the gas flow day. Consequently,

⁴ For example, the bumping nomination may affect different receipt and/or delivery points than the bumped transactions.

under the Commission's proposal, more than just a few intra-day nominations will have to be confirmed by pipelines and interconnected parties causing a company's business hours to significantly expand. The time and effort spent confirming and allocating pipeline capacity for timely nominations would have been wasted. In this context, the Commission's proposal to initiate bumping at 9:00 a.m. (for the evening nomination) would result in a significant increase in the expenditure of gas producer, operator, and pipeline resources to achieve essentially the same flow day outcome. An outcome that is currently being accommodated by no notice pipeline service and storage service.

Parties other than shippers, specifically pipelines and interconnected operators, spend a considerable amount of time and effort to confirm and schedule nominations received in the timely cycle. The proper confirmation of a nomination involves the communication and alignment of information such as quantity, location, contract numbers and involved entities. Successfully doing so requires the involvement of personnel in the scheduling, operating, contracting, administrative, coordination and management functions of pipelines, point and plant operators, working interest owners, gatherers and agents. If a significant number of transactions move from the timely cycle to the evening cycle, the communication and parties necessary to achieve confirmation during the timely confirmation cycle (11:30 am to 3:30 p.m.) will also have the burden of doing so during the 6:00 p.m. to 9:00 p.m. evening confirmation cycle.

In addition to the potential increase in effort associated with confirming the same gas flow in two cycles, there are potential impacts on the gas commodity market as well. If a significant number of shippers fail to submit timely nominations, and bumping occurs

in the evening cycle, then gas marketers might have to sell the same gas in both the timely cycle and the evening cycle. A daily after-market could develop similar to the monthly after-market that existed when nomination deadlines for first of month flow were a number of days in advance of the start of the month. Not only would that waste effort in the timely cycle, but this would also increase the volatility of gas commodity prices. It seems inappropriate to allow the nuances of transportation scheduling to have undue influence on natural gas commodity markets.

In the Notice (at 24), the Commission states that firm shippers should have "the right to renominate their supplies to take into account changes in weather or other circumstances." NGSA believes the transportation marketplace offers a number of options to shippers to meet changing weather or circumstances, such as "swing on storage" and "no notice" services. In Order 636 (Mimeo at 85-86), the Commission describes no notice service as allowing "pipeline customers to be able to continue to receive un-nominated volumes to meet unexpected requirements caused, for example, by unexpected changes in temperature. Thus, pipeline customers will be able to receive varying volumes of gas to meet their fluctuating needs during a twenty-four hour period." At the same time, and correctly so, the pipelines were provided the operational tools (e.g., storage) and revenues from no notice service to equip them with the resources to meet the fluctuating needs of shippers. Expecting all operators, wellhead working interest owners, gatherers and agents to provide the same service ignores the operational realities those parties face, ignores the fact that pipelines have been provided the means to meet those needs, and ignores the suite of services already available to shippers. Furthermore, the GISB intra-day nomination model as submitted on September 1, 1997, which differs from the Commission

proposal, does provide adequate opportunities for shippers to adjust their gas flows for the gas day with a 5:00 p.m. effective time.

From NGSA's perspective, the issue here is not with the relative priority of firm transportation (Notice at 23), but rather the practical effects of changing scheduled quantities on those parties burdened with confirming and implementing changes after the conclusion of the timely nomination process.

4. The "Lesser-Of" Rule Should Not Apply To Nominations Submitted After The 11:30 a.m. Deadline For The Timely Nomination Process.

Although not specifically mentioned in the Notice, NGSA believes that the "lesser-of" rule (GISB standard 1.3.22) should not apply to those nominations submitted after the 11:30 a.m. deadline for timely nominations. NGSA believes that the pipelines' scheduling of such intra-day nominations should be based solely on an explicit confirmation process.⁵

GISB standards for timely nominations and those under consideration by GISB's Intra-Day Task Force rely on a "lesser-of" rule in the confirmation process to arrive at a scheduled quantity in the event the interconnected parties cannot agree on the quantity of gas to flow at a point. Under the "lesser-of" rule, if confirming parties cannot agree on the quantities, then the lesser quantity would be scheduled. Given that the many parties involved in the timely confirmation cycle will be available during normal business hours to coordinate and agree upon the nominated quantities, NGSA does not anticipate that this

⁵ In an "explicit" confirmation process, all confirming parties must agree to an intra-day flow change in order for it to be scheduled; there would be no default mechanism that would cause a change to scheduled volumes, absent any agreement among the confirming parties.

rule will normally be invoked during the timely nomination cycle. Even if it does, there is less potential for adverse impacts since the gas flow day has not yet started.

The circumstances change considerably during the intra-day nomination cycles and, therefore, warrant a different set of rules. As discussed earlier, the confirmation of nominations involves parties from a wide range of entities and functions who will likely have decreased capabilities during off-hours to achieve agreement as to a change in scheduled quantities. The "lesser-of" rule provides for a default scheduling result that would bring about a deemed change in flow rates that may not be agreed to and/or may not be operationally implementable at that time. Off-hours flow changes in the producing community simply cannot be made at every one of the tens of thousands of production receipt points. Not all points are remotely controlled, and thus, flow changes must be made on-site. Some points are unsafe to access in darkness (e.g., those reachable only by water) or may not be staffed (e.g., remote offshore platforms) continuously. It is inequitable to impose a scheduling change at a point where the flow change cannot be implemented and where all involved parties have not agreed to the change. NGSAs recommends an explicit intra-day confirmation process, such that unless all parties agree to a change in the currently scheduled quantity, there should be no change scheduled for that intra-day nomination cycle. Such an implementation policy would encourage the communication necessary between shipping and operating parties to accommodate intra-day changes. A rule designed solely to bring about a scheduling result on paper, which changes the imbalance obligations among trading partners, should not take precedence over the operational realities of our industry.

5. NGSA Supports The Waiver Of All Daily Imbalance Penalties For All Scheduled Gas Volumes Bumped By An Intra-Day Nomination.

NGSA also believes that the Commission should universally apply its current policy in which bumped shippers not be subject to penalties directly related to the bump on the day which the bump takes place.⁶ Bumped shippers should not be held financially responsible for imbalances caused by another party's actions; in this case, a firm shipper's decision to request different scheduled volumes through an intra-day nomination. Bumped shippers are already "penalized" by the irrecoverable economic losses caused by resource expenditures used: 1) in submitting a timely nomination, and 2) in managing their business operations to comply with the originally scheduled volumes. These economic losses increase dramatically if a bumped shipper either is unable to reschedule its bumped volumes or loses its customer.

6. NGSA Is Concerned About Potentially Discriminatory Intra-Day Pipeline Bumping Procedures.

Given the potentially significant impact on gas producers, shippers, and operators of an intra-day nomination bumping rule, NGSA believes it is necessary for the Commission to require pipelines to implement tariff language regarding intra-day nomination bumping which precludes unduly discriminatory or preferential practices for de-scheduling (i.e., bumping) previously scheduled quantities. Currently, interruptible shippers are bumped by firm shippers on a "black box" basis, which gives the pipeline considerable discretion in determining whose volumes are bumped. This situation would be exacerbated with the implementation of intra-day nomination bumping, because it could

⁶ See Tennessee Gas Pipeline Company, 73 FERC ¶61,158, at 61,456 (1995).

result in the preferential bumping among similarly situated shippers, due to the tight time constraints associated with confirming and scheduling a multitude of intra-day nominations and the administrative burden of pro-rating a multitude of shippers with minor volume adjustments.