



Gas Industry Standards Board

1100 LOUISIANA, SUITE 4925, HOUSTON, TEXAS 77002
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Home Page www.gisb.org

January 28, 1999

TO: Business Practices Subcommittee (BPS) chairs: Greg Lander (absent), Norm Walker (absent), Randy Friedman, Diane McVicker (absent), Terry McRae
Posting on the GISB home page for interested industry participants

FROM: Rae McQuade

RE: **Final Minutes from the Business Practices Subcommittee -- January 28, 1999**

I. Administrative

Mr. McRae opened the meeting, welcomed the participants, the roll was called and antitrust advice was given by Mr. Buccigross. The revised agenda was adopted with the addition of transfer of BPS requests to EBB Internet Implementation (EII) task force. The minutes of the January 14 meeting were adopted with changes.

II. Discussion and vote on any proposed recommendations for transferal of requests from BPS to EBB Internet Implementation (EII) Task Force

Ms. Scott requested that Request No. R98003, a request to accommodate tiered rates in the EDI data sets, be transferred to EII Task Force. The tiered rates would address a shortcoming of the invoicing structure where there can only be one charge type per line item, but multiple Charge Types can make up one Unit Price at the line item level. Two different solutions were posed in the request. Some concerns were raised that this request may have business practices associated with it and therefore should not be transferred to the EII task force based on the discussions of the Executive Committee minutes dated December 17, 1998. Others noted that BPS should not prevent a submitter from transferring his or her request to EII Task Force as the submitter could withdraw the original request and submit a new one directly to EII. After discussion Ms. Scott withdrew her request to transfer Request No. R98003 to EII Task Force. BPS will continue to entertain requests to transfer requests as long as the fit within the topics considered by the EII Task Force. Currently requests that can be transferred are from the invoicing or capacity release areas.

III. Standards Language for Request Nos. R98011 and R98012

The discussion began with proposed standard 2.3.H, from draft 10 of the proposed standards:

2.3.H In cases where a Service Requester has not nominated one or more transactions at a location for the full period being allocated, the Transportation Service Provider (TSP) should have prior agreement from such Service Requester before the TSP makes any allocations to such Service Requester (or to one or more of such Service Requester's agreement(s) with the subject TSP) for that portion of the period being allocated but during which the Service Requester had not nominated any transactions at the location.

Discussion: Mr. Young noted that the language may be permissive of getting more gas allocated to a party than actually flowed within that one day. An example was given of a plant that only flowed for four hours, but could get allocated for the entire day. Proposed standard 2.3.H may conflict with GISB Standard No. 2.3.15, which indicates that there are only two types of allocations - monthly and daily. This language may not support monthly allocations. Mr. Young noted an



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alternative solution for Transportation Service Providers that perform monthly allocations:

"For TSPs that perform monthly allocations, when disagreements on allocations occur, a protest/complaint process would be used, and if not resolved within a certain period of time, the allocation will default to pro-rata."

The above language accommodates a monthly allocation. After discussion, Ms. McNeal offered the following replacement language:

"If a Pre-determined Allocation (PDA) for the swing or rank methodology is received without an approval from the swing or lowest ranked party, then it is not considered a valid PDA and allocation defaults to pro-rata."

After the discussion, both the motioneer and seconder amended the motion for proposed standard 2.3.H.

2.3.H Amended If a Pre-determined Allocation (PDA) for the swing or rank methodology is received without an approval from the swing or lowest ranked party, then it is not considered a valid PDA and allocation defaults to pro-rata.

Discussion: Concern was raised that the approval process is not clearly defined, nor is the electronic communication and timing for receipt of information between parties and the Transportation Service Provider.

Vote: The proposed standard passed with the following vote:

| Segment | For | Balanced For | Against | Balanced Against |
|--------------|-----------|--------------|----------|------------------|
| LDCs | 2 | 2 | 0 | 0 |
| Services | 3 | 2 | 0 | 0 |
| Producers | 1 | 1 | 0 | 0 |
| Pipelines | 5 | 1.25 | 3 | 0.75 |
| TOTAL | 11 | 6.25 | 3 | 0.75 |

IV. Upcoming Agenda & Adjournment

The meeting adjourned at 4:50 p.m. The next meeting is scheduled for Thursday, February 4, at 3:00 p.m. to 5:00 p.m. central. The agenda for the meeting is:

1. Administrative: Welcome, Antitrust Advice, Roll Call, Adoption of Agenda, Adoption of Draft Minutes from January 28, 1999.
2. Issues raised by Information Requirements Subcommittee, to be addressed by the BPS
3. Transfers from BPS to EII Task Force (Invoicing and Capacity Release Requests)
4. Review of the following requests **FOR DISCUSSION AND VOTE** :
 - R98011 Add new standards and definitions to standardize the PDA/Allocation process and standardize the terms parties use when referring to various processes known as allocation
 - R98012 Add a new standard to describe when and under what circumstances Allocation Statements are sent to shippers
[The discussions will start with 2.3.O, and then return to 2.3.I]
5. Next meeting and agenda for telephone conference
6. Adjourn



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IV. Attendees¹

| | <u>Name</u> | <u>Company</u> | <u>Member</u> | <u>2.3.H</u> |
|------------------|-----------------------|----------------------------------|---------------|--------------|
| SERVICES | Steve Hinton | TransCapacity | ✓ | ✓ |
| | Jim Buccigross | National Registry of Cap. Rights | ✓ | ✓ |
| | Donna Scott | Enron Administrative Corp. | ✓ | ✓ |
| | Mark Scheel | Dynegy Corp. | ✓ | absent |
| LDCs | Rick Ishikawa | So Cal Gas | ✓ | ✓ |
| | Randy Friedman | Northwest Gas | ✓ | ✓ |
| PIPELINES | Betty Barnum | Duke -- Panhandle Eastern | ✓ | X |
| | Kim Van Pelt | Duke -- Trunkline | ✓ | X |
| | Mary Sue McNeal | El Paso Natural Gas | ✓ | ✓ |
| | Mark Gracey | Tennessee Gas Pipeline | ✓ | X |
| | Theresa Hess | Enron -- Transwestern | ✓ | absent |
| | Julie Unruh | Koch Gateway | ✓ | ✓ |
| | Sandra Barnett | Koch Midstream Services | ✓ | ✓ |
| | Randy Young | Koch Midstream Services | ✓ | not voting |
| | Kelly Adolf | Williston Basin | ✓ | ✓ |
| | PRODUCER: | Terry McRae | PennzEnergy | ✓ |
| GISB | Rae McQuade | GISB | ✓ | |

¹ The attendees' names which appear in **BOLD** are committee chairs. The others are participants.



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STANDARDS LANGUAGE SUPPORTED FOR REQUEST NOS. R98011 & R98012

as of January 28, 1999

EXISTING STANDARDS:

2.3.24 [DELETE]

DEFINITIONS:

- 2.2.A. Monthly Allocation is the term used to describe the process where the Allocating Party performs the allocation process at the end of the monthly flow period.
- 2.2.C Daily Allocation is the term used to describe the process where the Allocating Party performs the allocation process following each gas day.

STANDARDS:

- 2.3.A At a location, there is at least one Confirming Party on each side of a location.
- 2.3.A.1 Allocations use the total quantity measured, or estimated, during the period to provide allocations to parties' scheduled (or otherwise identified transactions consistent with GISB Standard No. 2.3.F) transactions.
- 2.3.A.3 In the allocation process, estimated quantities should be adjusted to actuals following the time that the actual quantities are known.
- 2.3.B.1.d At a location which is not covered by an OBA, an Allocating Party receives PDAs from others.
- 2.3.B.1.e At a location which is not covered by an OBA, an Allocating Party calculates the allocations for the location and provides these allocations to the appropriate parties for their use.
- 2.3.B.2 At a location which is not covered by an OBA, a party which is not the Allocating Party at the location should receive and process allocations from the Allocating Party and employ these allocations when providing allocation information to its parties (as applicable and appropriate).
- 2.3.C At a location which is covered by an OBA, each Allocating Party can allocate its side of the location.
- 2.3.D.3 At a location which is not covered by an OBA:
- where the Confirming Parties confirm at a level less detailed than the nomination level;
 - where a Service Requester has submitted more than one nomination line item to a Transportation Service Provider (TSP); and,
 - where the TSP allocates to a level lower than the Service Requester contract level;
- the TSP should employ the TSP's tariff allocation methodology (including where applicable employing the other Confirming Party(ies)' Pre-determined Allocation(s) (PDA)) to allocate gas to the confirmation detail level. The TSP should then either: a) accept a PDA from such Service Requesters that provides allocation instructions for the allocation of quantities from the confirmation detail level to the nomination line item detail level, or b) employ the Service Requester's supplied ranks to allocate gas to the nomination line item detail level.

Where a TSP accepts PDAs from a Service Requester and the Service Requester does not provide a PDA, the TSP should employ the tariff allocation methodology for the



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allocation of the gas to the applicable confirmation level of detail and then should perform the default allocating methodology for allocations from the confirmation detail level down to the nomination line item detail level.

TSPs which allocate to Service Requesters at the Service Requesters contract level, or higher, are not required to allocate to a lower level or accept accounting allocation instructions from the Service Requester (i.e. neither PDAs nor Service Requester supplied ranks).

2.3.E At a location which is not covered by an OBA, a Confirming Party is permitted to submit a Pre-determined Allocation (PDA) to the Allocating Party which conforms to level of detail as used in the confirmation process between the Allocating Party and that Confirming Party. The Allocating Party should employ such PDA for the purpose of allocating quantities of its party(ies)' gas to the level of detail contained in the confirmation process between the Allocating Party and that Confirming Party.

A Confirming Party should not submit a PDA to an Allocating Party with respect to a location at a lower level of detail (more detailed) than that level of information exchanged between such parties during the confirmation process between them.

A PDA submitted by the Confirming Party to the Allocating Party with respect to a location should conform to the level of detail exchanged between such parties during the confirmation process. Submission by the Confirming Party to the Allocating Party of information at a higher level of detail (less detail) is a mutually agreed process.

2.3.F Absent prior mutual agreement among the Confirming Parties and those Service Requester(s) which are not Confirming Parties at the location, a Pre-determined Allocation (PDA) may not be used to allocate gas to a transaction that was not identified in the nomination or confirmation process, as applicable. In the event of a conflict between this standard and the Transportation Service Provider's (TSP's) existing tariff or general terms and conditions, the latter will prevail.

Where there has been such prior mutual agreement, a TSP, upon receipt of a PDA referencing a transaction not otherwise present in a nomination or confirmation may, but is not required to, generate a nomination (or confirmation) transaction (of zero or null quantity) corresponding to the subject transaction.

2.3.G Except in cases where the Percentage or Operator Provided Value method of allocation or the operation of GISB Standard No. [2.3.M.1] is being employed, where there is:

- (i) sufficient gas to fulfill all scheduled quantities at a location, a Pre-determined Allocation (PDA) should not result in a quantity being allocated to a party, contract or transaction, as applicable, that is less than the corresponding scheduled quantity(ies) for that party, contract or transaction, as applicable,
- (ii) insufficient gas to fulfill all scheduled quantities at a location, a PDA should not result in a quantity being allocated to a party, contract or transaction, as applicable, that is greater than the corresponding scheduled quantity(ies) for that party, contract or transaction, as applicable.

In the event of conflicts between this standard and the Transportation Service Provider's existing tariff or general terms and conditions, the latter will prevail.

2.3.H If a Pre-determined Allocation (PDA) for the swing or rank methodology is received without an approval from the swing or lowest ranked party, then it is not considered a valid PDA and allocation defaults to pro-rata.

2.3.N At a location which is covered by an OBA, the scheduled quantity should be the allocated quantity.



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INSTRUCTIONS TO INFORMATION REQUIREMENTS:

- 2.3.B.1.e At a location which is not covered by an OBA, there is at least a Primary Allocating Party which is the Confirming Party which operates on side of the locations and which it has been agreed will receive and process PDA(s) from the Confirming Party(ies) on the other side of the location. This Primary Allocating party receives and processes the PDA(s) to the level specified in the PDA(s) and returns appropriate Allocated quantities information to the Confirming Party(ies) on the other side of the location which provided PDA(s). Where the PDA(s) received by the Primary Allocating Party did not specify allocations to the level of transactions present on the Primary Allocating Party's side of the location, other standards apply for the remainder of the allocation process on the Primary Allocating Party's side of the location.
- After the Primary Allocating Party has provided Allocated quantities information to the Confirming Party(ies) on the other side of the location, the Confirming Party on the other side of the location which is the operator of the other side of the location (the Secondary Allocating Party) employs the allocated quantities information received by such Secondary Allocating Party from the Primary Allocating Party to provide allocated quantities information to its parties in a manner consistent with the allocated quantities information provided to it by the Primary Allocating Party. To the extent PDA(s) received by the Secondary Allocating Party from party(ies) on its side of the location specify a level of detail more specific than the Allocated quantities information received from the Primary Allocating Party, the Secondary Allocating Party employs these PDA(s) to allocate quantities to its PDA Submitters. Where the Allocated quantities information received by the Secondary Allocating Party were not to the level of transactions on the Secondary Allocating Party's side of the location, and where the PDA(s) received by the Secondary Allocating Party (if any) did not specify allocations to the level of transactions present on the Secondary Allocating Party's side of the location other standards apply for the remainder of the allocation process.
- 2.3.B.2 Confirming Parties which are not the Primary Allocating Party at a location should receive and process allocations from the Primary Allocating Party and employ these allocations in providing allocation information to their parties and Service Requesters (as applicable and appropriate). Where a Confirming Party is the operator of one side of a location and is not the Primary Allocating Party at the location, then they are the Secondary Allocating Party. The allocations provided by such Secondary Allocating Party to its parties and Service Requesters should reflect the same business results as those communicated to them by the Primary Allocating Party.