

12. Twenty-eight comments on the NOPR were filed.¹⁷ The comments can roughly be divided into three categories: those that supported the proposal, those that either supported or did not object to the proposal, but sought clarifications principally regarding implementation details, and those opposing the proposal. The majority of comments support the proposal.¹⁸ They contend it would provide greater flexibility to releasing shippers, enhance competition by freeing up capacity that otherwise would not be released, and better accommodate retail unbundling programs at the state level.¹⁹ The local distribution companies (LDCs) maintain that under state unbundling mechanisms, they are frequently the suppliers of last resort and, therefore, need to recall capacity in the event marketers fail to deliver.

13. Those opposing the proposal²⁰ contend it would decrease the reliability of the pipeline grid by reducing (bumping) volumes of already scheduled gas and thereby reduce liquidity. They

¹⁷The commenters and the abbreviations used in this order are listed on the Appendix.

¹⁸E.g., AGA, APGA, APS/PWEC, Con Edison, Dominion LDCs, ENA, Kentucky, Keyspan, MLGW, PSCNY, PA OCA, Xcel.

¹⁹Xcel provides a succinct summary of the position:

The proposed rules would provide firm capacity holders, including the Xcel Energy utility operating companies, with increased flexibility in structuring capacity release transactions to best fit their business needs. The Xcel Energy utility operating companies could benefit from the potential increase in value of non-recallable capacity release and from the greater flexibility when a recall is necessary.

Comment at 2.

²⁰E.g., DETM, Dynegy, EIP, EPSA, NGSA, NiSource, Williston.

maintain that partial day recalls will reduce reliability because bumping a replacement shipper's scheduled volumes may affect scheduling on a number of pipelines, and bumped replacement shippers will be forced to try and reschedule their gas. Those opposing the proposal also are concerned partial day recalls will reduce the value of released capacity and create less competition between pipeline firm capacity and capacity release. NiSource maintains that partial day recalls may decrease reliability for LDCs that permit marketers (using other LDCs' released capacity) to bring capacity to their city-gates by permitting a diversion of gas from one LDC market to another.

14. A number of comments raise operational issues relating principally to partial or flowing day recalls occurring during the gas day after capacity has begun to flow. These include: the need for advance notice to pipelines and replacement shippers of capacity to be recalled, and whether the pipeline or releasing shipper should provide the notice;²¹ allocating capacity as well as imbalances and penalties between releasing and replacement shippers when recalls take place during the gas day;²² and

²¹See Comments by Algonquin/Texas Eastern; Dominion; Dynegy; ENA; Gulf South; INGAA; Kinder-Morgan; NiSource; Williston; Industrials.

²²See Comments by Algonquin/Texas Eastern; Dynegy; Gulf South; ENA; INGAA; Kinder-Morgan; NiSource; Williston. As an example, a replacement shipper with capacity of 2400 Dth/day could nominate the entire 2400 Dth for the full gas day, but take 1200 Dth in the first five hours of the day, leaving only 1200 Dth remaining for the remainder of the gas day. If a releasing shipper sought to recall the full 2400 Dth at the Intra-Day 1 cycle taking, which would take effect at 5 p.m., the issue raised by the comments are how to allocate the 2400 Dth between the releasing and replacement shippers and how to determine imbalances and potential penalties. Williston also raises the issue of how to perform such an allocation when there are multiple capacity releases: e.g., a releasing shipper releases capacity to a single replacement shipper who re-releases that capacity to three other replacement shippers. If the initial releasing shipper recalls, the capacity, Williston requests clarification as to how the remaining daily quantity should be allocated among the three final replacement shippers.

ensuring that total volumes delivered do not exceed original contract MDQ.²³ Some comments suggest the Commission convene a technical conference to address these issues.²⁴

15.

DISCUSSION

16. **Overview**

²³Williston.

²⁴Comments by EPPG; ENA.

33. The Commission recognizes that implementation of recalls at the Intra-Day 1 and 2 cycles can affect flowing gas and, as the comments point out, result in the need to allocate daily nominations (and potentially penalties) between releasing and replacement shippers. But these issues are not insurmountable and should not prevent implementation of partial day recalls. Some pipelines already have implemented partial day recalls on their systems.³⁹ Rather than having pipelines implement partial day recalls based on their own distinct processes for handling allocation and other operational issues, the Commission is providing an opportunity for NAESB to reach consensus on a set of standards that can be applied to all partial day recalls. Therefore, the Commission will postpone implementation of partial or flowing day recalls of scheduled gas at the Intra-Day 1 and Intra-Day 2 cycles, and provide NAESB with six months to develop standards governing recalls at these cycles that affect flowing gas. At the end of this period, NAESB should file with the Commission the standards it has developed or, if it is unable to reach consensus, a report outlining the standards considered, the voting records with regard to these standards, and the reasons for its inability to reach consensus. Other industry members can also submit comments and will have an additional 15 days from the filing of the NAESB information to file additional comments on the NAESB report. Since NAESB has already been working on the partial day recall issue, six months should provide a sufficient time period for developing standards. Once the Commission receives the report from NAESB and the comments, it will issue an order establishing the requirements for partial day recalls.

³⁹Dominion Transmission, Inc., 95 FERC & 61,316, at 62,080 (2001); National Fuel Gas Supply Corporation, 96 FERC & 61,182, at 61,804 (2001).