

RECOMMENDATIONS FOR IMBALANCE NETTING AND TRADING
(CORRESPONDING TO REQUEST NOS. R97117, R97118, R00025 AND
1999AP7) AND FOR THE BPS RESOLUTION AND PROPOSED
STANDARDS REGARDING ITEMS ASSIGNED TO THEM FROM THE
ORDER 637 WORK PLAN AS A PART OF THE 2000 ANNUAL PLAN
(CORRESPONDING TO REQUEST NO. 2000AP9).

COMMENTS OF CONSOLIDATED EDISON, KEYSpan AND NATIONAL FUEL
DISTRIBUTION (“Commenting GISB LDCs”)

The Commenting GISB LDCs endorse the Recommendations for Imbalance Netting and Trading issued for industry comment on September 5, 2000. The Commenting GISB LDCs support the concept of moving the logical groupings from GISB Standard 2.3.32 to the related data dictionaries but cautions against those that in the future may wish to delete or otherwise dilute the logical grouping concept because it is no longer detailed within the Standard.

Additionally, the Commenting GISB LDCs endorse much of BPS Order 637 Work Plan (BPS 637 Plan) issued for industry comment on the same date. Where the Commenting GISB LDCs do not support the BPS 637 Plan, it asserts that the BPS made significant errors during its deliberations. To correct for these errors, the Commenting GISB LDCs propose alternate standards.

Index of Customers

The Commenting GISB LDCs support the proposed changes to GISB Standard 4.3.16. The BPS, however, erred in proposing deletion of GISB Standard 4.3.35. The action item identified on page 2 of the Status Report states “Correctly reflect the FERC order reference and section number (GISB Standard No. 4.3.16) and data element ordering (GISB Standard No. 4.3.35).” The current GISB Standard No. 4.3.35 includes both a list of items to be included and specific ordering. While the Status Report includes a footnote stating that work should “Begin once the FERC issues the revised report format”, the BPS took an unwarranted leap when it deleted the standard entirely. As a result, Order Number 637, Docket No. RM98-10-000, issued February 29, 2000, "Appendix A, Instruction Manual for Electronic Filing of the Index of Customers" would control. Order 637 (p. 194) added additional Information Requirements to the Index of Customers (receipt and delivery points, zones, segments, common transaction point codes, contract numbers, shipper identification numbers, negotiated rate indicators, names of agents or asset managers and affiliate relationship identification) but it did not comment on the ordering of elements. Without GISB Standard 4.3.35, there is no specified order of elements. Rather than use Order 637 as a back door means to remove the ordering requirement in the GISB standards, those advocating that position should propose such a change through normal GISB procedures. Tellingly, the Commentary/Rationale of Subcommittee(s)/Task Force(s) section of the BPS recommendation is blank.

The Commenting GISB LDCs propose the following modification to GISB Standard 4.3.35:

4.3.35 The header information should be displayed at the top before the columnar information. The column headings for the posting of “Index of Customers” should be displayed as follows:

Rate Schedule
Customer
Contract Effective Date
Contract Termination Date
Maximum Daily Quantity
Maximum Storage Quantity
Rollover Period
[Receipt Points](#)
[Delivery Points](#)
[Capacity Zones and/or Segments](#)
[Common transaction point codes](#)
[Contract numbers](#)
[Shipper identification numbers](#)
[Negotiated rate indicators](#)
[Agents/Asset Managers](#)
[Affiliate relationship Identification](#)
Footnotes (when applicable)

These columns should appear in this order from left to right. The data should be sorted in ascending order by rate schedule and then by customer name within rate schedule. Footnote text should be displayed below the columnar information.

Partial Day Capacity Release

The BPS 637 Plan modifies GISB Standard 5.3.2, to permit partial day capacity releases where releases are non-biddable. While these changes are commendable, they are incomplete because there are no provisions for biddable partial day capacity releases. Order 637-A clarifies that since the maximum tariff rate is no longer applicable to short-term capacity release transactions, the exemption from posting and bidding does not apply as long as the rate ceilings are waived. As a result of this price cap waiver, there will be fewer non-biddable releases and more biddable releases. Accordingly, the proposed 5.3.2 modifications will not come into play as often as they would have under the original capacity release regulations. GISB standards that do not facilitate the biddable capacity release deals may sabotage FERC’s price cap waiver experiment.

One rationale provided in the Status Report against providing for partial day biddable releases was that “some participants expressed their continued concern that treasury for credit approval and contract desk for producing the contract will not be staffed 24 X 7 or after 5:00 P.M.”. Another rationale was that “biddable deals was out of scope of GISB’s

work for Order 637.” Still another was “There was further discussion that this issue may not be ripe for standards development.” Finally, “the Enron pipelines reviewed the order again (since the last meeting) and they feel the Commission did not mean to include biddable deals at this time.”

Except for the first rationale, these excuses are feeble and a blatant attempt to undercut the scheduling equality provided for in Order 637.

One of the primary goals of Order No. 637 was to achieve comparability between released capacity and pipeline service offerings.¹ To that end, the Commission adopted Section 284.12(c)(1)(ii) which states:

Capacity release nominations. Pipelines must permit shippers acquiring released capacity to submit a nomination at the earliest available nomination opportunity after the acquisition of capacity. If the pipeline requires the replacement shipper to enter into a contract, the contract must be issued within one hour after the pipeline has been notified of the release, but the requirement for contracting must not inhibit the ability of the replacement shipper to submit a nomination at the earliest available nomination opportunity.

If released capacity is to be comparable with pipeline service offerings, shippers must be permitted to both release and recall capacity in a manner that allows the replacement or recalling shipper to use the capacity on the day that it is obtained, just as the pipelines are able to do when they sell their own services.²

The Commenting GISB LDCs acknowledge that the Commission has approved Gas Industry Standards Board (“GISB”) standards that reflect capacity release timelines that are inconsistent with both partial day releases involving competitive bidding and partial day recalls. For example, GISB Standard 5.3.7 precludes partial day recalls of capacity. Similarly, GISB Standard 5.3.2 sets forth a capacity release timeline that requires that nominations of released capacity need only be permitted by the next day. Nonetheless, in Order No. 637-A, the Commission confirmed that the policies and regulations adopted in Order No. 637 supplant GISB Standard 5.3.2 to the extent that they are inconsistent.³ The Commission’s ruling concerning the resolution of conflicts between Commission policy and existing GISB standards is completely appropriate. GISB standards should be modified to comply with Commission policy. Any other result would be a case of the tail wagging the dog.

¹ See Order No. 637-A, FERC Stats & Regs. at 31,588.

² There is nothing that prevents pipelines from offering new services on an almost instantaneous basis.

³ See Order No. 637-A, FERC Stats. & Regs. at 31,588.

Consistent with this view, the Commenting GISB LDCs believe that GISB standards that do not allow shippers to either post and release capacity that must be competitively bid on a partial day basis or recall capacity on a partial day basis are inconsistent with Order No. 637, regardless of whether they are consistent with existing GISB standards.

GISB has made provisions in its standards for limiting certain capacity release transactions to normal business hours so some limits may be reasonable. Never the less, there is no reason that a biddable partial day release for an Intraday 2 nomination cannot be accommodated by a morning bidding session. As such, the Commenting GISB LDCs propose the following addition to the proposed changes to GISB Standard 5.3.2. Unless the capacity release timeline is modified, replacement shippers will not be given the opportunity to nominate competitively bid released capacity that can be used on a partial day basis. This is not consistent with the Commission's policy on comparability described above.

For short-term biddable partial day releases (less than 5 months):

- Offers should be tendered by 8:00 A.M. on the Business Day for which Intraday 2 Cycle nominations may be placed;
- open season ends no later than 9:00 A.M. on the Business Day Intraday 2 Cycle nominations are due (evaluation period begins at 9:00 A.M. during which contingency is eliminated, determination of best bid is made, and ties are broken);
- evaluation period ends at 10:15 A.M.;
- match or award is communicated by 10:15 A.M.;
- match response by 11:00 A.M.;
- award posting by 12:00 P.M.;
- contract tendered with contract # by 1:00 P.M.; contract executed; Intraday 2 Cycle nomination possible for current day gas flow. (Central Clock Time)

Additionally, so long as the posting and bidding activity can be contained within normal business hours, the short-term timeline in 5.3.2 can be tightened to allow for nominations on the evening and intraday 1 cycles. The change relative to what has been proposed in the BPS 637 Plan is to strike the phrase "before timely nominations..." which will essentially return the standard to its current form and make it consistent with the non-biddable release timeline. The insertion of this term restricts any ambiguity that may have existed which would have permitted an Intraday 1 nomination, at the very least and represents a deliberate attempt to take away the ability to schedule released capacity during both the intraday 1 and intraday 2 cycles. Secondly, there is no reason to take a leisurely approach for the award posting or tendering the contract. With the adjustments below, 5.3.2 accommodates evening and intraday 1 nominations:

5.3.2 For short-term *biddable* releases (less than 5 months):

- offers should be tendered by 1:00 P.M. on ~~the a~~ *Business Day* ~~before timely nominations~~;
- open season ends no later than 2:00 P.M. on ~~the a~~ *Business Day* ~~before timely nominations are due~~ (evaluation period begins at 2:00 P.M. during which contingency is eliminated, determination of best bid is made, and ties are broken);
- evaluation period ends at 3:15 P.M.;
- match or award is communicated by 3:15 P.M.;
- match response by 4:00 P.M.;
- award posting by ~~5:00~~4:30 P.M.;
- contract tendered with contract # by ~~10:00 A.M.~~5:00 P.M.; contract executed; ~~timely~~ *Evening or Intraday 1* nomination possible for next day gas flow. (Central Clock Time)

The leisurely pace within 5.3.2 for Non-Biddable releases should also be tightened:

For non-biddable releases:

Timely Cycle

- posting of pre-arranged deals not subject to bid are due by ~~9:30~~10:00 A.M. *on a Business Day*;
- contract tendered with contract # by ~~10:30~~11:00 A.M.; contract executed; nomination possible for Timely Cycle.

Evening Cycle

- posting of pre-arranged deals not subject to bid are due by ~~4:00~~3:30 P.M. *on a Business Day*;
- contract tendered with contract # by ~~5:00~~3:30 P.M.; contract executed; nomination possible for Evening Cycle.

Intraday 1 Cycle

- posting of pre-arranged deals not subject to bid are due by ~~8:00~~3:30 A.M. *on a Business Day*;
- contract tendered with contract # by ~~9:00~~3:30 A.M.; contract executed; nomination possible for Intraday 1 Cycle.

Intraday 2 Cycle

- posting of pre-arranged deals not subject to bid are due by ~~3:00~~3:30 P.M. *on a Business Day*;
- contract tendered with contract # by ~~4:00~~3:30 P.M.; contract executed; nomination possible for Intraday 2 Cycle. (Central Clock Time)

Partial Day Recalls

LDCs made the importance and priority of partial day recalls known at the June Executive Committee meeting. The BPS Order 637 Plan dismisses this issue as follows:

GISB Standard 5.3.6 and 5.3.7

- *The issue identified was whether an intraday release can be recalled.*

The sense of the room was upon the review of GISB Standards 5.3.6 and 5.3.7 no changes are required. Specifically, there is no need to eliminate the prohibition on partial day recalls. There was no objection.

This conclusion, after LDC concerns on this issue had been made known at the June EC meeting, and the absence of deliberation is disingenuous. The scheduling equality offered by Order 637 is severely diminished unless the deletion of the prohibition of partial day recalls in GISB Standard 5.3.7. GISB standards should be revised so that (1) a releasing shipper that acts in accordance with its specified recall rights may notify the pipeline of a recall and then nominate service at the first nomination deadline following the communication of the recall; and (2) a shipper can post and release capacity on a short-term basis subject to competitive bidding in a manner that will permit the replacement shipper to use the released capacity on a partial day basis at the first available intra-day nomination deadline.

If an LDC nominates on a timely basis to an alternative market and subsequent to that nomination, determines that gas needs to be rescheduled at its city gate, the LDC can place an Evening, Intraday 1 or Intraday 2 nomination to utilize that capacity where it is needed. It follows that shippers should have the ability to recall capacity released to another shipper on a partial day basis and place intraday nominations under the same circumstances. Without the ability to recall, LDCs cannot afford the risk of failing to meet their obligation to serve and therefore, cannot risk a capacity release. LDCs that release their capacity risk overruns or worse, not receiving service. Many LDCs will be reluctant to release capacity during peak periods and therefore will inhibit the market and price discovery for capacity during such a period.

No business, technical or regulatory rationale against partial day recalls is provided within the Status Report. The parties present at the BPS meetings clearly did not want to go on record with their objections to partial day recalls. One can only speculate why.

The Commenting GISB LDCs offer the following revisions to GISB Standard 5.3.7:

5.3.7 ~~There should be no partial day recalls of capacity.~~ Transportation service providers should support the function of reputting by releasing shippers. A Releasing Shipper with recall rights may exercise such rights at any time by notifying the Transportation Service Provider which in turn, should notify the replacement shipper. The recalling shipper may nominate at the next available nomination deadline following notification.

The Commenting GISB LDCs offer the corresponding change to GISB Standard 5.3.6:

5.3.6 If the releasing shipper wishes to recall capacity to be effective for a gas day or a partial gas day, the notice should be provided to the transportation service provider and the acquiring shipper no later than 2 hours prior to the next available 8 A.M. Central Clock Time on nomination ~~day~~deadline.

In conclusion, the Commenting GISB LDCs wish to reiterate that much of the BPS 637 Plan is sound. Combined with the changes provided within this document, the industry will benefit from standards that carry forward the intent of Order 637.