

April 19, 1999

TO: Cross Contract Ranking Subcommittee chairs, Posting on the GISB home page for interested industry participants
FROM: Donna Scott and Sylvia Munson
RE: **Final Minutes from the Cross Contract Ranking Subcommittee Meeting—March 23 and 24, 1999**

March 23, 1999

I. Administrative

The meeting opened with Ms. Munson welcoming the participants to the meeting and thanking Transco, Dale Davis, for hosting the meeting. The antitrust guidelines were read. The roll was called and the agenda was adopted. The minutes of March 10, 1999 were adopted with changes.

II. Continued Discussion of Cross Contract Ranking.

The subcommittee was asked to characterize the remaining issues.

Greg Lander presented the following list:

1. Are we defining Party to Party as the standard when cross contract ranking is employed or are we saying that Party to Party is always used. (Resolved)
2. Discuss the conditionality of data elements by model type. Review the four ranks currently used. (Concept 5)
3. Re-discuss the concept of having a default ranking methodology.

The current Version 1.3 Data Element Cross Reference Table was reviewed and revised as follows:

Version 1.3	P	N	T	U
Upstream Rank Current	MA	MA	NU	SO
Upstream Rank Revised	NU	NU	NU	SO
Receipt Rank	SO	SO	SO	NU
Delivery Rank	SO	SO	SO	NU
Downstream Rank Current	MA	MA	NU	SO
Downstream Rank Revised	NU	NU	NU	SO

The subcommittee will instruct Information Requirements to change the condition of upstream rank and downstream rank in the Data Element Cross Reference Table to “NU” for the pathed and non-path models.

The default rank methodologies for capacity constraints and confirmations of several Transportation Service Providers (TSPs) were discussed to determine if a default

ranking methodology should be considered. The following TSP's reviewed their methods as follows:

1. ANR defaults to a rank of 997 for all unranked paths. Using a code of 999 signifies payback. Transactions that are ranked the same are reduced on a pro-rata basis.
2. Koch defaults to a rank of 999 for all unranked paths. Transactions that are ranked the same are reduced on a pro-rata basis.
3. NGPL does not assigned ranks until they are needed. If the customer can not be reached, then ranks are generated for the non-ranked line items where the largest quantity is assigned the greater numeric rank in order to minimize the number of line items that are cut.
4. ETGP, TGPC, and MGT default to the rank of 500 for all unranked paths. Transactions that are ranked the same are reduced on a pro-rata basis.
5. TWPL, NNG assign ranks in numeric order to minimize number of reductions.
6. FGT and NBPL assign a single default number. Transactions that are ranked the same are reduced on a pro-rata basis.
7. Panhandle, Trunkline - Not required from customer, they do not use a default and no pro-rata reductions are used. If transactions need to be reduced, the customer is called to determine the reductions.
8. TETCO/Algonquin defaults to rank of 999 for all unranked paths, then pick the highest to cut unless operator request pro-rata.

When no ranks are provided, numbers 3, 5, 7, and 8 result in the minimum number of line items being reduced and numbers 1, 2, 4, and 6 result in a prorata reduction. Other methods may be employed, but were not represented here today. Not everyone supported the concept of reductions by largest quantity without prior notification.

It was determined that no default method is needed at this time. Where ranks are provided by the Service Requester, the Transportation Service Provider should use those ranks when making reductions. Where ranks are not provided by the Service Requester, the Transportation Service Provider should employ its own default method. (See 1.4.1 Data Dictionary)

A motion was made and seconded to accept the modification to Concept 4 that was recommended on March 10 as follows:

Concept 4. When nominated quantities exceed available capacity, the TSP should first utilize its tariff requirements to assign capacity to each service level for each Service Requester. The TSP should then use the Service Requesters' provided ranks to determine how the available quantities should be distributed within a single service level. The scheduling ranks (as applicable) should be used as follows:

- For reductions identified at or upstream of the constraint location the order for application of ranks is Receipt Rank (Priority), Upstream Rank (Priority), Delivery Rank (Priority), Downstream Rank (Priority), (as applicable).
- For reductions identified at or downstream of the constraint location, the order for application of ranks is Delivery Rank (Priority), Downstream Rank (Priority), Receipt Rank (Priority), Upstream Rank (Priority), (as applicable).

Segment	In Favor	Balanced In Favor	Opposed	Balance Opposed
End User	0	0	0	0
LDC	0	0	0	0
Producer	1	1	0	0
Services	4	2	0	0
Pipeline	11	2	0	0
Total	16	5	0	0

The Subcommittee started to review the cross contract ranking concepts to consider them for standardization. It was determined that we should wait until the confirmation discussions have been flushed out before we finalize the concepts of cross contract ranking.

III. Discussion of Adding Confirmations to the Subcommittee Work.

The group began to discuss how this Subcommittee should proceed with confirmations. It was recommended to change the name of the Cross Contract Ranking Subcommittee to Confirmations and Cross Contract Ranking Subcommittee. The following guidelines were discussed:

1. The rights of ownership, and subsequent instruction thereof, of the Service Requester are fully respected as contemplated by Order 587.
2. Standards should be developed in a way not to preclude facilitation of nominations, confirmations, allocations, and subsequent reporting thereof, occurring at like levels of detail.
3. Streamline in order to facilitate automation of the confirmation process.

The group discussed how to proceed and started formulating the work plan.

- What is our scope?
 1. Complete Cross Contract Ranking (587G Compliance)
 2. Resolve requests that are sent to this task force by the Business Practice Subcommittee
- Terminology - What it is we're talking about?
- Develop standards to enable Cross Contract Ranking.

The meeting was called to recess for the day, and will resume on March 24, at 9:00 a.m.

March 24, 1999

I. Administrative

The meeting opened with Ms. Munson welcoming the participants to the meeting. The antitrust guidelines were read. The roll was called.

II. Discussion of Cross Contract Ranking

Mike Novak joined the meeting via conference call. He prefaced his comments with the thought that what he is about to discuss with the group may involve rate issues, but they are closely related to cross contract ranking issues.

In his state (New York), it is required that those delivering gas at the city gate must have moved the gas to the city gate via firm transportation. If the LDC cannot confirm that the gas was moved on a firm contract, the nomination to the LDC can be rejected. In fact, this requirement is in National Fuel's tariff. He believes other LDCs in New York also require something similar. The upstream information on the nomination identifies the upstream contract and whether the contract is firm or interruptible. He believes this ties in with the reliability of the distribution system, which often does not have on-system storage. When storage is not contiguous, LDCs need an intraday nomination opportunity to cover situations where additional gas is needed to satisfy the LDC's load, which is why LDCs strongly supported the creation of the intraday nomination standards last year.

Since National Fuel has required firm nominations be submitted to them, third party transportation deliveries have been much more reliable. Mike thinks confirming at an entity level means LDCs will be undercutting LDC service reliability because LDCs will be losing details related to the nomination (e.g., whether the gas is firm or interruptible). Today LDCs hold the bulk of firm capacity at city gates. In New York, LDCs have been told that marketers will be taking their place, and they are not to renew their contracts with the pipelines. Pennsylvania is a little different - if no one else offers to take the capacity in place of the LDC, they (LDCs) are obligated to recontract to maintain reliability. Otherwise, marketers can take the capacity. In New York, LDCs are able to audit the marketers' contracts to make sure the capacity is firm. He explained in detail that party-to-party level confirmations would mask the quality of transportation delivered to the citygate.

Mike then added that he thinks if there is an indicator at the package level where LDCs can determine whether the gas is firm or interruptible, this may be enough to satisfy LDCs' needs. Randy Young asked about this indicator - he is not sure how a pipeline could see the contracts behind it. Randy also added that Mike has a false sense of security in thinking that just because the gas is delivered to the city gate as firm, it does not mean that the gas has moved as firm across the grid. Mike agreed somewhat, but noted that LDCs must often assume that the gas has been moved from the wellhead to the city gate as firm. Randy agreed with Mike's option of LDCs being able to audit the contracts of their suppliers to make sure that the gas is firm.

Mike Schisler then asked about Mike N.'s reliability concerns. He thinks Novak's concerns are based upon conjecture. He relayed some of NGPL's LDC experiences, and they have had no problems with reliability, even in critical periods. Novak pointed out

that Illinois and New York are “diametrically opposed” in regulatory philosophies concerning unbundling and the future of LDC merchant service. Schisler said he doesn’t think the pipes should be auditing the LDCs contracts with its suppliers. Novak does not think he was requiring this - he thinks pipes already know this information - that is, whether the transportation contract is for firm or interruptible and whether the points are primary or secondary. Schisler disagreed and pointed out that the pathed non-threaded pipes do not know whether contracts are interruptible or firm because aggregation and disaggregation can potentially occur at any point. He noted that if this issue fails at the EC, it will likely go to FERC. Novak asked some clarifying questions about the model.

Donna Scott pointed out that Title Transfer Tracking standards have recently been passed, and maybe Mike N. should take some comfort in the information TTT will provide him. She does not believe that it will be possible to track a molecule of gas from wellhead to burner tip through all of the various contracts that could be used. Mike thinks once the gas moves beyond the city gate, he does not care how many times it is traded. He is less concerned with what happens at the pipeline receipt point relative to the citygate.

Joe Bianchi pointed out that if GISB is trying to satisfy the FERC Order, there is no way that Mike N.’s indicator will work - there can be multiple grades of firm and interruptible gas, which will require more detail than just a single indicator. Mike responded that in that case, it would break down to the contract level. In response to Joe’s comment, Mike noted that there are several LDCs who do not think the city gates are FERC jurisdictional. He understands that this issue could go to FERC, and he does not prefer that. Mike said he was in a meeting with other New York LDCs yesterday and they suggested that the indicator he referred to earlier should be mandatory. Donna agreed with Joe that it would be very difficult to distinguish between primary and secondary firm. Dale Davis added that during the scheduling process, the primary vs. secondary detail can be lost, so LDCs should not assume that the detail can be preserved.

In response to Mike’s comments about reliability, Mark Scheel thinks the market will sort out the reliability issue. He thinks if LDCs want to demand that firm be delivered, the parties should make this part of the deal. Mike agreed with Mark that, at liquid points, what Mark discussed is true, but at other points, it is not necessarily true. Mike is concerned with those situations. Mark Gracey asked if Mike’s primary concerns was with third parties delivering to city gates. Mike said yes. Mark asked if the tariff requires the delivery of firm gas. Mike said yes (and elaborated). Mark then asked if this requirement is outlined in his transportation agreements. Mike said yes. Mark then said maybe there should be some audit process established between the LDC and its suppliers, rather than creating standards. Mike disagreed. Mark is not sure this audit process should be in the confirmation process.

Greg Lander said he is the one that suggested the indicator option to Mike. He believes that the primary/secondary firm issue must be examined. He agreed with Mike Schisler that the pathed non-threaded model offers a unique situation, since information gets lost because there is no downstream information. He does not think it is reasonable for a pathed non-threaded pipe to have service levels in confirmations. He added that in the market area of the Northeast U.S., the pipelines that serve that market are pathed, so this shouldn’t present a problem.

Betty Barnum agreed with Mike N.'s comments - she currently gives her shippers all the information she has and she would like to continue to do so.

Donna said there may be cases where the issue is not ripe for standardization, such as what has been discussed here. The group can talk about it, but standards may not be necessary.

In closing, Mike N. suggested that the entity-to-entity confirmation level should be Mutually Agreeable, which would be the quickest way to solve the issue. Tammy Hopkins doesn't think the Order is final and GISB can come up with something different.

The group thanked Mike Novak for joining the meeting and sharing his perspective on cross contract ranking and confirmations.

III. Continued Discussion of Confirmations.

The group discussed whether to proceed by adopting Concept 2:

In order to effectuate cross contract ranking, the level of confirmation at a location should occur at the entity to entity level.

as a standard or a principle. Several felt we had put this topic on hold and it should not be discussed until the confirmations had been resolved. Others wanted to add Concept 2 to the list of guidelines to be kept in mind as we discussed confirmations. After discussion on whether it was premature to vote any of the cross contract ranking concepts, a motion was made to make Concept 2 a Principle.

Segment	In Favor	Balanced In Favor	Opposed	Balance Opposed
End User	0	0	0	0
LDC	0	0	0	0
Producer	1	1	0	0
Services	3	1.5	1	.5
Pipeline	3	.75	5	1.25
Total	7	3.25	0	1.75

The motion passed.

The group started with defining terminology to be used in conjunction with discussions on confirmations. The following terminology was listed:

Parties	Relationships
1. Party ⇒ Entity - synonymous to Party	1. Party to Party
2. Operator	2. SR to SR
3. Transportation Service Provider	3. Operator to Producer

(TSP)	
4. Service Requester (SR)	4. Producer to SR
5. Confirming Party	5. SR to End User
6. Producer	6. TSP to LDC
7. Confirmation Requester	7. TSP to End User
8. Upstream Party	8. SR to LDC
9. Downstream Party	9. LDC to End User
10. End Users	
11. Local Distribution Company (LDC)	
⇒ TSP	
⇒ Operator	
⇒ SR	
⇒ Confirming Party	
12. Supplier (entity)	
⇒ Producer	
⇒ TSP	
⇒ Operator	
⇒ Marketer	

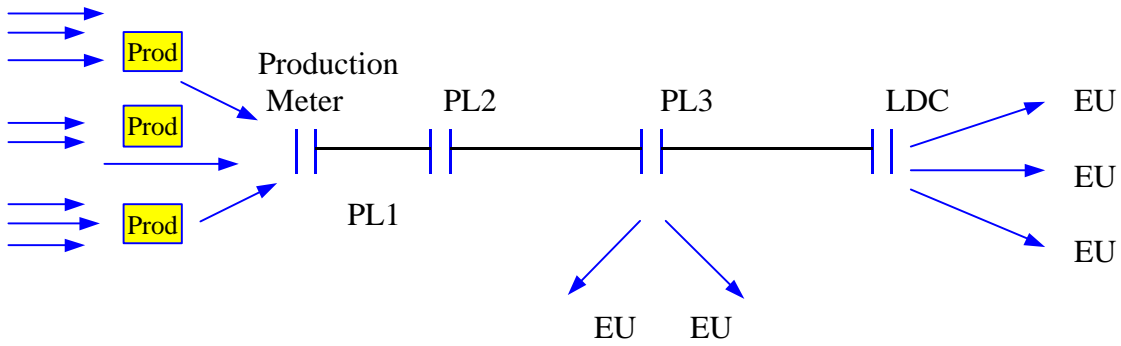
The Subcommittee determined it would be helpful to draw a diagram of the various roles and relationships that exists from the wellhead to the burner tip. (See Diagram 1). Definitions will be established as necessary to make sure everyone is using the terminology with the same understanding. The chairs and other members should review COPAS 28 and determine if the definitions would be helpful to this Subcommittee.

IV.. Next Meeting and Adjournment.

The Subcommittee felt it would be beneficial to have the GISB office send out a letter to all members informing them that confirmations was being added to the Cross Contract Ranking Subcommittee. This would allow interested parties the ability to participate. Members of the committee felt it would be advantageous to change the meeting dates from April 16 and 30, to April 19 and 20. This would help consolidate travel for participants from out of town. The chairs will check into this and post the revised dates early next week.

The members discussed how to proceed with the combined Subcommittee, Confirmations and Cross Contracts Ranking. The order and topics of discussion will be posted in the Agenda. Work papers are welcomed by interested parties and should be submitted to the GISB office for posting.

**Diagram 1 - Wellhead to Burner Tip Interconnections
Where Confirmations Take Place**



- The party at the point where the physical flow is transferred from the production point to the pipeline is called the production meter operator.

Cross Contract Ranking Subcommittee
Concepts as of March 24, 1999

D1. Service Level is the term used to describe the characteristics of service defined in a Transportation Service Provider's tariff or general terms and conditions that should be used in the confirmation and/or scheduling process to determine confirmed or scheduled quantities. (2/3/99)

P1. In order to effectuate cross contract ranking, the level of confirmation at a location should occur at the entity to entity level. (2/2/99 voted to P1 3/24/99)

C4. When nominated quantities exceed available capacity, the Transportation Service Provider (TSP) should first utilize its tariff requirements to assign capacity to each service level for each Service Requester (SR). The TSP should then use the SR's provided ranks to determine how the available quantities should be distributed within a single service level. The scheduling ranks (as applicable) should be used as follows:

- For reductions identified at or upstream of the constraint location, the order for application of ranks is Receipt Rank (Priority), Upstream Rank (Priority), Delivery Rank (Priority), Downstream Rank (Priority), (as applicable).
- For reductions identified at or downstream of the constraint location, the order for application of ranks is Delivery Rank (Priority), Downstream Rank (Priority), Receipt Rank (Priority), Upstream Rank (Priority), (as applicable).

(2/3/99, modified on 3/10/99, voted on 3/24/99)

C5. When applying a confirmation reduction to an entity at a location, the Transportation Service Provider (TSP) should use the ranks provided by the Service Requester on all nominations for that location and entity to determine the appropriate nomination(s) to be reduced, except were superseded by the TSP tariff, general terms and conditions, or contractual obligations. The scheduling ranks (as applicable) should be used as follows:

- For receipt side reductions, the order for application of ranks is Upstream Rank (Priority), Receipt Rank (Priority), Delivery Rank (Priority), and Downstream Rank (Priority).
- For delivery side reductions, the order for application of ranks is Downstream Rank (Priority), Delivery Rank (Priority), Receipt Rank (Priority), and Upstream Rank (Priority).

(2/3/99, modified on 3/10/99)

C6. (Motion was withdrawn, per minutes of Feb. 2-3, 1999.)

C7. For a nomination to be considered a new line item, a data element which is part of the key should be different than one already present. If a line item is received by the Transportation Service Provider and key data elements are not different than ones already present, the line should overlay the data elements which are not part of the key and which have changed. (3/1/99)