

TO: Confirmation and Cross Contract Ranking Subcommittee chairs, Posting on the GISB home page for interested industry participants
FROM: Donna Scott and Sylvia Munson
RE: Draft Minutes from the Confirmation and Cross Contract Ranking Subcommittee Meeting—April 19 and 20, 1999

April 19, 1999

Page 3:

Some of the discussion centered on the issues that have been raised by the LDCs who are concerned about entity to entity only confirmations. One issue of concern is the title transfer activities that currently occur at TSP delivery locations to LDCs. This is where the Service Requester delivers quantities to ~~its~~ downstream party, and before it is delivered to the LDC's system, there are transactions that occur at the location (daisy chain). Another issue raised is when, on the LDC system, multiple contracts for the same entity exist and when the gas is confirmed ~~for into~~ those entities, the current practice is to use the downstream or upstream contract for verification that the deals are all flanged up.

Page 4:

On the production side, when the TSP does not use the interest owner method (see R97043 above), the entity to entity only confirmation method would require the operator to acquire information from the interest owner concerning the identity of the Service Requester's transportation. If the Service Requester is anyone other than the interest owner, the interest owner would have to divulge his or her market to the operator, or it would require the interest owner to obtain information from the operator.

A producer did point out that in today's business environment, it is commonly believed that by knowing the contract number, ~~a party~~ you does not necessarily know who the parties involved in the transactions are. But in reality, what occurs today is ~~confirmations are performed at the~~ when we have to ~~confirm by~~ contract level, the operator is the one chasing down the contract numbers. Often the ~~people~~ parties don't know the contract numbers because the interest owner sold to an entity that may have multiple contracts or may sell to other entities. If ~~we~~ operators just confirmed a quantity to the interest owner, then ~~we would be done~~ the process would be complete. The operator is just stuck in the middle, ~~and we are~~ churning contracts around. It doesn't add any value. ~~In this example, the working interest owner confirms with the TSP.~~

One TSP mentioned that confirmations at a contract level are used for various business practices on their system. ~~The group~~ We needs to consider where Title Transfer Tracking fits in, since contracts are what allow pool to pool(s) transactions to be automated. Some TSPs use up/down contract information to stack services (~~what does this mean?~~) (i.e. Storage inject/withdraw). A lot of TSPs use these data fields for other reasons to define the services being provided. For pure confirmations, roll up to entity is easy. On ~~this TSP's~~ their system, the operator at a producer level performs the wellhead confirmation function. A different avenue is used to accomplish tiered confirmations. The operator confirms at the producer/interest owner level. The producer can rank the contracts they are selling to and if no ranks are provided the default is pro rata.

Several TSPs currently perform multiple levels of confirmations based on the upstream or downstream requirements for confirmation at a location. One concern that was expressed is either the Service Requesters are reluctant to use ranks or there is a lack of understanding of ranks. A ~~result n outcome that should come out~~ of this process is better instructions for ranking and the benefits that ranking transactions provide.

It was noted that having a default confirmation rule may be a benefit to the

industry, but exceptions to a single confirmation rule will ~~swallow the rule~~~~end to pollute the confirmations at another location~~. If a default method is recommended, then ~~the group~~~~we~~ have to do what is technically possible. If ~~there is~~~~you have~~ a mismatch on the 'desired' confirmation, it is possible to roll detail up, but not to roll down if the information isn't present.

One ~~TSP~~ participant currently uses the Contract/Package ID level of confirmation. The main reason ~~it's~~~~their~~ customers have migrated to this level of detail is to monitor the gas purchased against the gas delivered. To do something different would require a change in customer mindset. It also was mentioned that this level of detail might also help customers prepare PUC reporting documents.

The subcommittee needs to provide a way whereby customers can tell that the gas got delivered and who delivered it.

Page 5:

7. If there is more than one industry standard level of confirmations, who are the parties that mutually agree? Should there be a choice available to Service Requester and/or ~~Operator~~~~Confirming Party~~ on what level should be used? (0)

Page 6:

8. Should the confirmation process be reengineered?

Some parties wanted to discuss reengineering the confirmation. Others mentioned that ~~we~~~~GISB~~ should not make the confirmation process more complicated. ~~The group~~~~We~~ needs to determine as gas flows across a meter, whose instructions (ranks) apply when a reduction needs to be made. The group needs to keep in mind that what ~~the industry does today~~~~we have~~ works for a lot of people. ~~The group~~~~We~~ needs to understand the current business needs and determine if ~~fewer~~~~reduced~~ options are better before ~~standardizing the confirmation process~~~~going there~~.

Segment	In Favor	Balanced vote for Concept 3		
		Balanced In Favor	Opposed	Balance Opposed
End User	1	1	10	10
LDC	2 ?	2	0	0
Producer	1	1	0	0
Services	3	2	0	0
Pipeline	4	.4	1	1.6
Total	<u>11</u>	<u>17.46</u>	13	5.4

[Were there two LDCs voting? I thought SoCal was the only LDC present and voting at this time.]