

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: **Final Minutes from the Confirmation and Cross Contract Ranking Subcommittee Meeting—June 28 and 29, 1999**

GAS INDUSTRY STANDARDS BOARD
GISB Confirmation and Cross Contract Ranking Meeting
Koch Gateway Offices, 20 Greenway Plaza, Houston, Texas
June 28, 1999
FINAL MINUTES

I. Administrative

Ms. Munson and Ms. Scott chaired the meeting. Ms. Scott thanked Koch for hosting the meeting and Randy Young performed the housekeeping duties. Ms. Munson gave the anti-trust advice. Attendees introduced themselves. The participants were informed that the format of the sign in sheet has changed to reflect GISB's privacy policy. The minutes of May 24 and 25, 1999 were adopted with changes. The agenda was adopted as modified with the specific presentations being addressed after lunch.

II. Continued Discussion of Different Confirming Party Relationships

Discussion opened with the confirmation process utilized between an Enduser and a TSP, when the Enduser is directly tied to an interstate or intrastate pipeline. It was noted that some parties use the passive confirmation process with Endusers and that standard 1.3.40 is supportive of that business practice. Standard 1.3.40 states:

The Explicit Confirmation process requires that the Confirming Party respond to a Request for Confirmation or initiate an unsolicited Confirmation Response. Absent mutual agreement to the contrary, Explicit Confirmation is the default methodology.

The following concept was moved and seconded:

Concept 6:

Absent mutual agreement to the contrary between the Transportation Service Provider (TSP) and the end user, for confirmations at an end user location, the TSP should be required to support the fact that the end user will confirm with the TSP to only the downstream entity to Service Requester level.

Questions posed to the LDCs?

- Is confirmation with TSPs the only way for a LDC to determine the level of transportation service for the party delivering to the citygate?
- Why can't LDCs receive transportation service level information directly from the parties that are delivering to the citygate?

- Isn't it more appropriate for the LDC to receive assurance of both the transportation service and the supply service directly from those parties delivering to the citygate? These parties are the ones involved in the LDC unbundling program and not the TSP.

LDC response to questions:

Using an entity level confirmation process could be done, but it would move cuts to the next cycle instead of making cuts known in the confirmation cycle. Entity level confirmations would have to be used in conjunction with other sources of information to validate the priority of the entity at the citygate. The correlation between the entity and their respective priority on the upstream TSP may not be able to be verified until after the scheduling cycle in which the nomination was submitted. Having certain data elements available in the confirmation process allows the validation of priority at the time of confirmations. This allows the buyers and sellers to arrange for the appropriate gas flow in the next nomination cycle when reductions occur. The benefits of providing this information in the confirmation cycle are to allow information to be distributed in a timely manner and it assures the information gets to the right party expeditiously. The information would be present in the scheduled quantity report instead of being reported after the scheduling information was disseminated. This could cause confusion in the industry.

The LDC could require parties to prove that they hold a firm upstream contract. The LDC could then build a table containing the party name and contract number to be used in conjunction with the entity level confirmation. This could be one method used for a rough verification of the level of service being delivered to the citygate.

Commissions are looking for curtailment prevention. One way to monitor this is by reviewing the service level upstream of the citygate. TSPs today have information available that they collect to determine the priority of gas being delivered to the citygate. In today's environment, it is unrealistic to examine the total wellhead to burnertip service level arrangements. However, to monitor deliveries to and through a citygate is feasible. The industry needs to consider what information is used today to effectuate current business practices and not take anything away.

Discussion continued:

One party stated that nominations could be received at a detail level, confirmations could be rolled up to occur at an entity level, and scheduled quantities could occur at the detail level. There was disagreement on this statement. Some TSPs stated that they do not want to take information away, they want to ensure that they are using their customer's instructions versus letting the upstream or downstream party decide how gas flows on their customer's transportation contracts. These TSPs want to make sure the directions for supply and/or market reductions come from the right party. The shipper should provide ranks and that should determine what flows on the pipeline's side of the flange.

Some TSPs believe that explicit confirmations would be streamlined by communicating at the entity level. The following example was used to illustrate this point. Today, where entity/contract level confirmations are exchanged, when a shipper

changes contracts, even if the quantity does not change, all parties to that arrangement have to be notified that a new contract number has been established. In turn, those parties need to inform the operator of the point that a new contract number is going to be represented in the confirmation process. If the confirmation were performed at the entity level, when the entity and quantity remain the same, no notification to other parties would need to occur.

It would be beneficial to the LDCs if the industry would support a mandatory default at a lower level than entity. Other concepts that are specific to location types have used the statement, “absent mutual agreement to the contrary,” to support multiple levels in the confirmation process. The LDCs need a level of detail that the TSPs already have, so the LDCs can do their own policing. At an entity level, the process may go faster, but it may mask real problems that will come out later which could make the industry less effective on a larger scale. Reductions need to be communicated prior to gas flow, not after gas flows. Some LDCs feel that the communication should occur in the confirmation process.

GPM, a gathering, processing, and marketing company gave a presentation to the group in favor of the confirmation process being conducted at the Package ID level.

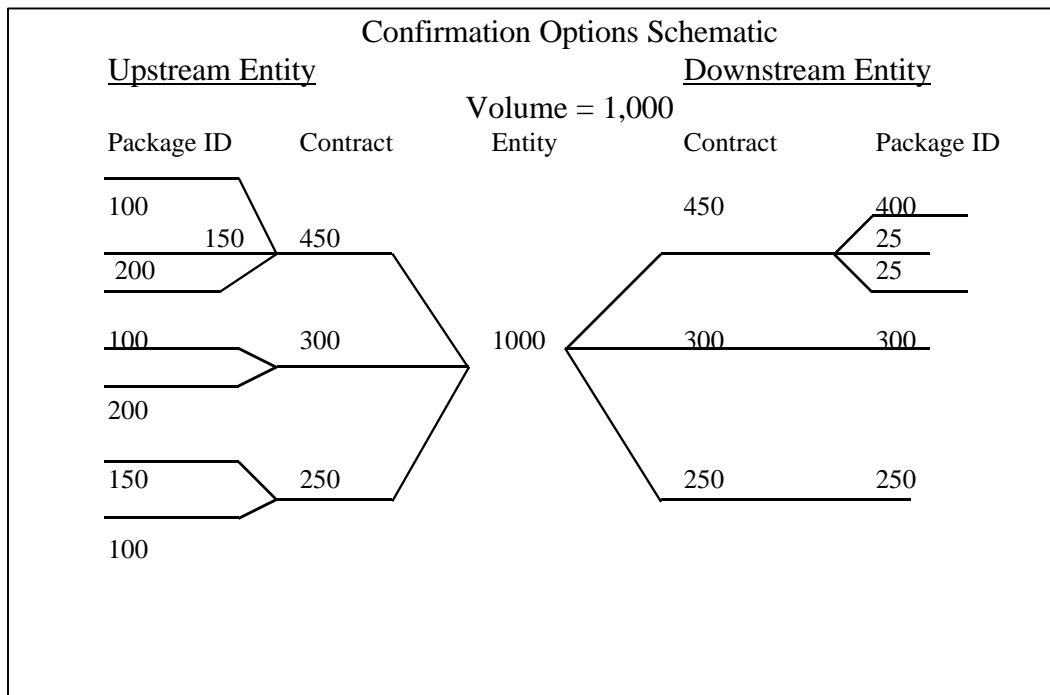
Industry Goals

- Increase Gas Demand
- Competitively Priced Product
- Maximize Efficiencies
 - ⇒ every operating segment
 - ⇒ every business process

Gas Confirmation Business Process

Confirmation Options

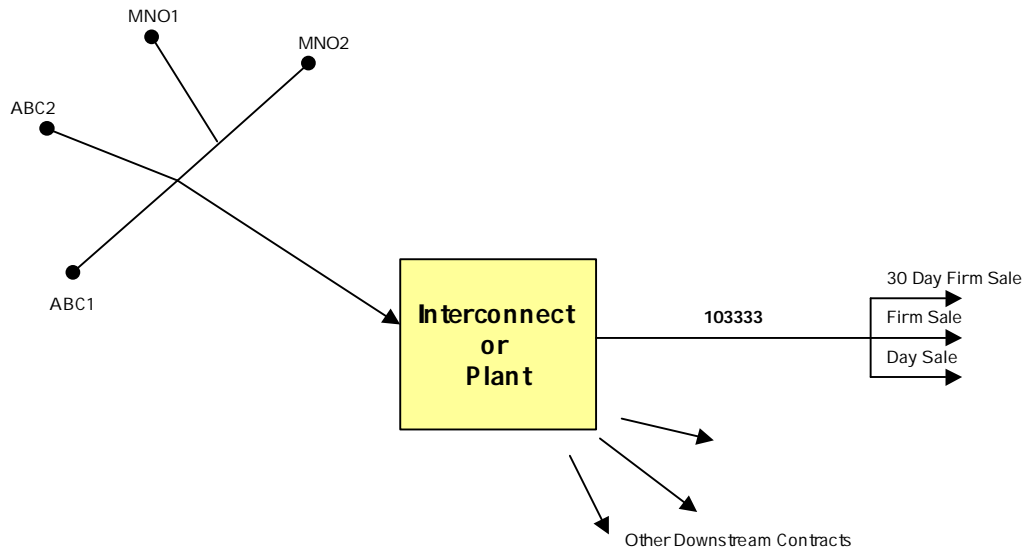
- Legal Entity
- Contract
- Package ID - Preferred



- Gas Confirmation Business Process**
- Package ID Benefits
- Control confirmations at Point(s) Interconnect
 - Accurate record keeping
 - Title tracking
 - Differentiate service levels (ranking)
 - Pipeline as recognized record source

CONFIRMATION TRANSACTION

SHIPPER CONTRACTS



CONFIRMATION REPORT

ENTITY LEVEL

<u>ENTITY LEVEL</u>								
Operator Name:								
Location	Service	Requestor	Contract	Daily Nominated	Daily Scheduled	Reason Code	MTD Scheduled	Package ID
	ABC CORP.			20,000	20,000		60,000	
	XYZ CORP.			100,000	100,000		300,000	

CONTRACT LEVEL

<u>CONTRACT LEVEL</u>								
Operator Name:								
Location	Service	Requestor	Contract	Daily Nominated	Daily Scheduled	Reason Code	MTD Scheduled	Package ID
PLANT Z	ABC CORP.		109998 FT	20,000	20,000		60,000	
PLANT Z	XYZ CORP.		103333 FT	100,000	100,000		300,000	

PACKAGE ID LEVEL

<u>PACKAGE ID LEVEL</u>								
Operator Name:								
Location	Service	Requestor	Contract	Daily Nominated	Daily Scheduled	Reason Code	MTD Scheduled	Package ID
PLANT Z	ABC CORP.		109998 FT	14,000	14,000		42,000	Shipper ABC1
				500	500		1,500	Shipper ABC2
				3,500	3,500		10,500	Shipper MNO1
				2,000	2,000		6,000	Shipper MNO2
			Total for Contract 109998	20,000	20,000		60,000	
PLANT Z	XYZ CORP.		103333 FT	40,000	40,000		120,000	30-Day Firm Sale
				35,000	35,000		105,000	Day Sale
				25,000	25,000		75,000	Firm Sale
			Total for Contract 103333	100,000	100,000		300,000	

Conclusion

Package ID Preferred

- Efficient, cost effective
- Pipeline as recognized record source
- Differentiate service levels
- Potentially eliminates need for Cross Contract Ranking

Several individuals voiced concerns about going to the Package ID level. If this level became mandatory there would be no reason for cross contract ranking. The ranks provided in the nomination would not be used at this level of detail. The legal entity level does allow for ranks to be used on the TSP when supplies are insufficient to cover the total quantity being nominated.

There was disagreement over whether Concept 6 pertained to LDCs or just direct connects to Interstate pipelines. Not all LDCs consider themselves to be TSPs even though they are defined as TSPs in the definition of a TSP per GISB.

Modified Concept 6:

Absent mutual agreement to the contrary between the Transportation Service Provider (TSP) and the end user for confirmations at an end user location, the TSP should be required to support the fact that the end user will confirm with the TSP to the entity to Service Requester level.

Motion:	TSP/Enduser Confirmations			Balancing Determinant	Balanced	Balanced	Balanced Total
	For	Against	Total		For	Against	
End Users	0	0	0	0	0.00	0.00	0
LDCs	0	3	3	2	0.00	2.00	2
Services	3	1	4	2	1.50	0.50	2
Producers	1	1	2	2	1.00	1.00	2
Pipelines	10	7	17	2	1.18	0.82	2
	14	12	26	8	3.6765	4.3235	8

Motion Failed.

It was noted that an end user should be present if they have specific requirements that they need in the confirmation process.

Mike Novak presented the Local Distribution Company cross contract ranking confirmation proposals for the citygate.

Citygate Proposal 1:

Absent mutual agreement to the contrary between a pipeline and Local Distribution Company, confirmation will be performed at an upstream/downstream entity contract/Package ID to service requester contract/package ID level at a citygate location.

It was noted that the Path NonThreaded Model could not support this level of detail.

Citygate Proposal 2:

Absent mutual agreement to the contrary between the pipeline and LDC, for confirmations at a citygate location, the LDC and pipeline confirmation will be performed at an upstream/downstream entity to service requester entity level. The LDC, in its sole discretion, may require the pipeline to provide supplemental information as a part of the confirmation, scheduling and allocation process necessary for the LDC to meet its statutory and /or regulatory obligations.

The meeting recessed.

June 29, 1999

The meeting reconvened. The antitrust guidelines were read. The concepts that have passed were reviewed and the participants were reminded that the objective is to answer the list of questions that this group had compiled at the April 19 & 20 meeting. The participants were reminded that we are answering question 4. Answering the questions and agreeing on concepts will be the foundation needed to create standards for the industry. After answering question 4, the group will need to answer questions 1, 2, 5, 7, 9, and 10. Concept 4 answered all questions relating to question 11, 12, 13 and 14.

Discussion continued with the motion on the floor.

Concept 7:

Absent mutual agreement to the contrary between a pipeline and Local Distribution Company, confirmation will be performed at an upstream/downstream/entity/contract/Package ID level at a citygate location.

Most LDCs would like the confirmation process to be at the entity/contract level. However, some LDCs do use the Package ID in confirmation process. It was stated that the Package ID was originally intended to be Senders Option in the Nomination data set and should not be included in the confirmation process. Originally, it was intended for the Service Requester to distinguish deals and rank those deals on the TSP's pipeline. Today, it is present as a Mutually Agreeable data element in the confirmation data sets (Request for Confirmation and Confirmation Response). When the Service Requester sends a Package ID, it does not know whether the data element will be present in the confirmation process because the confirmation level is agreed upon between the operators at a location. It was suggested that the data element be changed to Business Conditional.

It was quoted that current Standard 1.3.24 states that "When used, Package ID should be supported for nominating, scheduling, allocating, and invoicing (sales and

purchase), and not required for transportation invoicing.” It was noted that confirmations was also taken out of this standard. Others noted that the Package ID was left in the confirmation data sets as Mutually Agreeable. It was noted that this is misleading, if two parties at a location mutually agree to use Package ID in the confirmation process, it could force the Service Requesters to use Package ID in the Nomination. Therefore, the Package ID is not Senders Option in the Nomination.

It was noted that TSPs want to support their customers to the extent possible. As such, the upstream/downstream parties should not dictate what gas flows on the Service Requester’s contracts. GISB should determine what is best for the industry and each segment needs to educate their constituents and regulatory bodies of the findings.

Finding no consensus around Proposal 1 the LDCs were requested to discuss Proposal 2.

Citygate Proposal 2:

Absent mutual agreement to the contrary between the pipeline and LDC, for confirmations at a citygate location, the LDC and pipeline confirmation will be performed at an upstream/downstream entity to service requester entity level. The LDC, in its sole discretion, may require the pipeline to provide supplemental information as a part of the confirmation, scheduling and allocation process necessary for the LDC to meet its statutory and /or regulatory obligations.

Several participants voiced concerns with the language used in proposal 2. After discussion,

Mike Novak withdrew Concept 7 that was Proposal 1 modified to Proposal 2 with the following replacement language:

Modified Concept 7:

Absent mutual agreement to the contrary between the pipeline and LDC, for confirmations at a citygate, the LDC and pipeline confirmation should be performed at an upstream/downstream entity to Service Requester entity level. At either party’s option, the pipeline may be required to provide supplemental information obtained through the nomination process as a part of the confirmation and scheduling process necessary for the LDC to meet its statutory and/or regulatory obligations. Such supplemental information should include items such as the capacity type indicator, TSP Service Requester contract, downstream contract identifier and/or downstream package id.

Mr. Novak explained that the supplemental information would be provided prior to the confirmation process in order for the LDC to use the information in conjunction with the entity level confirmation data.

Concept 7 was modified as follows:

Absent mutual agreement to the contrary between the pipeline and LDC, for confirmations at a citygate, the LDC and pipeline confirmation should be performed at an upstream/downstream entity to service requester entity level. The pipeline should provide supplemental information obtained or derived through the nomination process as a part of

the confirmation (e.g., through the Request for Confirmation 1.4.3 and the Confirmation Response 1.4.4) and scheduling process necessary for the LDC to meet its statutory and/or regulatory obligations. Such supplemental information, if available, should include the pipeline Service Requester contract and may include an indicator of delivery characteristics, downstream contract identifier and/or package id. In any event, the pipeline may opt to continue entity/contract level confirmations at the citygate.

- It is the intent of the motion maker that the supplemental information would only be required if the TSP currently captures the information in the nomination process.
- The priority at the location, citygate, is where an indicator of delivery characteristics is of interest.

How does the TSP know what the LDC needs to meet its statutory and/or regulatory obligations?

- Some LDCs post their respective state orders, which contain requirements that are being created by the states. The Utility Industry Group (UIG) is working to provide guidelines to the states as they unbundle. However, as some states implement, the recommendations from the UIG have not always been adopted and now the UIG is being asked to create additional processes to support what the states have adopted.

Does the following language, give the LDC the right to ask a TSP for new information without the business process being adopted by GISB?

The pipeline should provide supplemental information obtained or derived through the nomination process as a part of the confirmation (e.g., through the Request for Confirmation 1.4.3 and the Confirmation Response 1.4.4) and scheduling process necessary for the LDC to meet its statutory and/or regulatory obligations.

- This concept does not suggest that LDCs should request TSP to add business process without new processes being reviewed through the GISB process.

What is the definition of an indicator of delivery characteristics?

- It is a derivable element that a TSP could calculate based on the type of contract and service that is being provided at a location.

Final version of Concept 7:

Absent mutual agreement to the contrary between the pipeline and LDC, for confirmations at a citygate, the LDC and pipeline confirmation should be performed at an upstream/downstream entity to Service Requester entity level. The pipeline should provide supplemental information obtained or derived through the nomination process as a part of the confirmation (e.g., through the Request for Confirmation (1.4.3) and the Confirmation Response (1.4.4)) and scheduling process necessary for the LDC to meet its statutory and/or regulatory obligations. Such supplemental information, if available, should include the pipeline’s Service Requester Contract and based upon the pipeline’s business practice, may include a derivable indicator characterizing the type of contract and service being provided at a citygate location, Downstream Contract Identifier and/or Package ID. In any event, the pipeline may opt to continue entity/contract level confirmations at the citygate.

Motion:	Pipeline/LDC Conf.		Balancing	Balanced	Balanced	Balanced
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	For	Against	Total	Determinant	For	Against	Total
End Users	0	0	0	0	0.00	0.00	0
LDCs	3	0	3	2	2.00	0.00	2
Services	3	2	5	2	1.20	0.80	2
Producers	2	0	2	2	2.00	0.00	2
Pipelines	12	2	14	2	1.71	0.29	2
	20	4	24	8	6.9143	1.0857	8

Motion Passes.

III. Next Meeting Arrangements

Southern California Gas Company will host the July 20 and 21 meetings in Los Angeles. Meeting participants are encouraged to inform the GISB office or the Chairs if they are planning to attend the meeting. Ken Schubert with TransCanada Pipeline offered to host the August 9 and 10 Confirmations and Cross Contract Ranking Subcommittee meetings in Calgary, Canada. Meeting participants are encouraged to submit work papers in advance of the meetings.

The meeting adjourned.