

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—July 20 and 21, 1999**

GAS INDUSTRY STANDARDS BOARD
GISB CONFIRMATION & CROSS CONTRACT RANKING MEETING
Southern California Gas Company, Library Tower Building, Los Angeles, California
July 20, 1999
FINAL MINUTES

I. Administrative

Ms. Munson and Ms. Scott chaired the meeting. Ms. Munson thanked SoCal for hosting the meeting and Pat Davidson 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 agenda and minutes of June 28 and 29, 1999 were adopted.

II. Continued Discussion of Different Confirming Party Relationships

Discussion began by answering questions submitted by PG&E concerning the LDC relationships in Concept 7.

Concept 7 reads:

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 may include a derivable indicate 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.

Question 1: Are there situations where the LDC's are required to validate whether the supply received from an upstream TSP on behalf of a transport shipper on the distribution system, is being supplied from a "Firm" contract holder?

As discussed at previous meetings, it would be impossible for a TSP to determine if the supply was firm. The TSP would only have knowledge of the transportation service used to deliver to the city gate.

Question 2: How would an upstream TSP determine the statutory and/or regulatory requirements imposed upon the downstream LDC?

The TSP would receive a request from the LDC and the LDC should provide some proof to the TSP of a state regulatory obligation for the additional information. It was stated that most pipelines have staff that monitor the requirements of the state commissions.

Question 3: Do you think that making the Package ID data element within the Nomination data set Business Conditional will resolve this issue?

Using the upstream/downstream package ID is not supported by some TSPs. The Package ID does not give the LDC an indication of whether the gas being delivered is firm.

Question 4: If the nomination data received from the TSP’s contract holder contains Package ID data, and the Confirmation Request data received from the sending TSP does not contain matching Package ID data, does the transaction get confirmed or does the mismatch cause the transaction to “fall on the floor?” If you don’t match on package ID does the confirmation fail?

If the confirmation is at the Package ID level, the transaction fails. If the Package ID is provided as supplemental information, the transaction would not fail.

The group was asked if further discussion on the different party relationships was needed. The group determined to address the enduser relationship. The group discussed whether the enduser should be separated into two motions or one motion based on the business relationship to a TSP, where a TSP is an interstate pipeline or a local distribution company. The following motion was made and modified as follows:

Concept 8:

Absent mutual agreement to the contrary between the Transportation Service Provider (TSP) and the enduser at an enduser location, confirmations will be performed at an upstream/downstream entity to Service Requester entity level. In any event, the TSP may opt to continue entity/contract level confirmations at the enduser location.

Motion:	C8: TSP/Enduser Confirmations			Balancing Determinant	Balanced	Balanced	Balanced Total
	For	Against	Total		For	Against	
End Users	1	0	1	1	1	0.00	1
LDCs	0	2	2	2	0.00	2.00	2
Services	1	1	2	2	1	1	2
Producers	0	2	2	2	0	2	2
Pipelines	13	1	14	2	1.86	.14	2
	15	6	21	9	3.86	5.14	9

Motion Failed.

Concept 9:

Absent mutual agreement to the contrary between the Transportation Service Provider (TSP) and the enduser at an enduser location, confirmations will be performed at an upstream/downstream entity to Service Requester entity level.

Motion:	C9: TSP/Enduser Confirmations			Balancing Determinant	Balanced	Balanced	Balanced Total
	For	Against	Total		For	Against	
End Users	1	0	1	1	1	0.00	1
LDCs	0	2	2	2	0.00	2.00	2
Services	3	1	4	2	1.50	0.50	2
Producers	0	2	2	2	0.00	2	2
Pipelines	10	4	14	2	1.43	.57	2
	14	9	23	9	3.93	5.07	9

Motion Failed.

Concept 10:

Absent mutual agreement to the contrary between the Transportation Service Provider (TSP) and the enduser at an enduser location, confirmations will be performed at an upstream/downstream entity to Service Requester entity level. For the purposes of this concept a TSP excludes LDC's.

Motion:	C10:TSP/Enduser Conf/not LDC			Balancing Determinant	Balanced	Balanced	Balanced Total
	For	Against	Total		For	Against	
End Users	1	0	1	1	1.00	0.00	1
LDCs	2	0	2	2	2.00	0.00	2
Services	1	1	2	2	1.00	1.00	2
Producers	2	0	2	2	2.00	0.00	2
Pipelines	1	14	15	2	.13	1.82	2
	7	15	22	9	6.13	2.87	9

Motion Passes.

A request to postpone further development of relationship concepts for end users was made. The group was asked if we could move on to the list of questions or if more relationship concepts need to be discussed. The group recommended the following order to be used for moving forward.

Answer the questions in the following order:

- Question 1 should be answered last.
Can there be a standard default level of confirmation elements to be used by each set of confirming party relationships?
- We should complete question 4, what are the confirming party relationships, by:
 - a) considering plants (definition of production location)
 - b) complete LDC/enduser issues
 - c) does there need to be another relationship defined for producer/LDC.
- Question 2 should be answered next.

- Are there different data requirements for each set of confirming party relationships?
- Question 5 was covered in the confirmation concepts already.
- Are there dependencies in these relationships driven by the data requirements?
- Question 7 is still an open issue.
- 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 on what level should be used?
- Question 9 should be completed after question 7.
- Should entity level confirmations be supported in order to effectuate Cross Contract Ranking? In considering the answer to question 9, we need to answer how does a TSP support Cross Contract Ranking with alternative confirmation levels. Should there be a choice available to Service Requester and/or Operator, who are the parties that mutually agree?
- Question 10 should be answered next to last.
- How does the level of confirmation interact with Title Transfer Tracking?

The group discussed plants and their relationship as a production location. Several participants had concerns about plants being incorporated into Concept 4 instead of Concept 5.

The following motion was made:

Concept 11:

For a single tier confirmation, absent mutual agreement to the contrary between the Transportation Service Provider (TSP) and the operator at a plant or wellhead, the TSP should be required to support the fact that the operator will confirmation with the TSP to only the upstream entity level to Service Requester level.

The motion maker requested that the group discuss enhancements to Concept 11 that would enable a distinction to be made between offshore and onshore wellheads and plants. One point of view is that onshore gas and plants should not have multi-tiered confirmations as suggested in Concept 4. However, multi-tiered confirmations is very successful on the offshore locations. Concept 4 would be modified to read:

Modified Concept 4:

For multi-tiered confirmations, absent mutual agreement to the contrary between the TSP and the Operator for confirmations at a production location, the TSP should be required to support the fact that the operator will confirm with the TSP to only the upstream entity level. These upstream entities should either confirm or nominate (at the TSP's determination) at an entity level with the TSP.

The motion maker then requested to have the motion on the floor (Concept 11) combined with Concept 4, thus effectively withdrawing Concept 11.

Modified C4:

For multi-tiered confirmations, absent mutual agreement to the contrary between the TSP and the Operator for confirmations at a production location, the TSP should be required to support the fact that the operator will confirm with the TSP

to only the upstream entity level. These upstream entities should either confirm or nominate (at the TSP's determination) at an entity level with the TSP. For a single tier confirmation, absent mutual agreement to the contrary between the Transportation Service Provider (TSP) and the operator at a production location, the TSP should be required to support the fact that the operator will confirmation with the TSP to only the upstream entity level to Service Requester level.

Motion:	Modified Concept 4			Balancing Determinant	Balanced For	Balanced Against	Balanced Total
	For	Against	Total				
End Users	0	1	1	1	0.00	1.00	1
LDCs	0	2	2	2	0.00	2.00	2
Services	0	2	2	2	0.00	2.00	2
Producers	0	2	2	2	0.00	2.00	2
Pipelines	12	2	14	0	1.71	.29	2
	12	9	21	0	1.71	7.29	9

Motion Failed.

The following motion was made to define a production location:

Concept Definition 1:

Production Location includes wellheads, platforms, plant tailgates (excluding straddle plants) and physical wellhead aggregation points.

Motion:	Concept Definition 1			Balancing Determinant	Balanced For	Balanced Against	Balanced Total
	For	Against	Total				
End Users	0	0	0	0	0.00	0.00	0
LDCs	1	0	1	1	1.00	0.00	1
Services	2	0	2	2	2.00	0.00	2
Producers	2	0	2	2	2.00	0.00	2
Pipelines	4	8	12	2	.67	1.33	2
	9	8	17	7	5.67	1.33	7

Motion Passes.

The following motion was made to modify C4:

Absent mutual agreement to the contrary between the TSP and the Operator for confirmations at a production location, *where upstream transportation has not occurred*, the TSP should be required to support the fact that the operator will confirm with the TSP to only the upstream entity level. These upstream entities should either confirm or nominate (at the TSP's determination) to the Service Requester entity level with the TSP.

This motion was withdrawn.

A motion was made to establish the confirmation process between the LDC and the enduser.

Concept 12:

Absent mutual agreement to the contrary between the LDC and the enduser at an enduser location, confirmations will be performed at a downstream entity and downstream contract to Service Requester entity and Service Requester contract level.

The group discussed the confirmations between the LDCs and the enduser.
The meeting recessed.

July 21, 1999

The meeting reconvened and the concepts that had passed to-date were reviewed. It was requested that Concept 7 be clarified for the participants. Some individuals indicated that the only time upstream/downstream entity to Service Requester entity level would not be used in the confirmation process was when an LDC was required by a statutory and/or regulatory obligation to have a lower level of detail provided. The chairs will confer with the motion maker of Concept 7 to clarify when and under what circumstances the supplemental information would be provided by the TSP.

It was noted by the LDCs participating at the meeting that they do not employ a confirmation processes with their endusers today. The LDCs were in support of creating a concept for confirmation between an LDC and enduser in order to create a foundation for enduser confirmations.

The group continued discussion and modified Motion 12 as follows:

Where LDCs confirm with endusers, absent mutual agreement to the contrary between the LDC and enduser at an enduser location confirmations will be performed at an downstream entity and downstream contract to Service Requester entity and Service Requester contract level.

The motion makers were requested to modify their motion to incorporate the language of Concept 7. The following motion was made:

Concept 13:

Where LDC's confirm with endusers, absent mutual agreement to the contrary between the LDC and enduser, for confirmations at an enduser location, the enduser and LDC confirmation should be performed at an upstream/downstream entity to Service Requester entity level. The LDC 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 operating and/or accounting requirements. Such supplemental information, if available, should include the LDC's Service Requester Contract and may include a derivable indicator characterizing the type of contract and service being provided at a enduser location, Downstream Contract Identifier and/or Package ID. In any event, the LDC may opt to continue entity/contract level confirmations at the enduser location.

The motion makers withdrew Concept 12 and asked questions concerning current business practices. It was a concern of some of the participants that without the Package ID to support differences in packages of supplies there would be no assurance to parties

that the specific gas package flowed. If the confirmation is at an entity level, even though ranks are provided at the Package ID level in the nomination, there may be differences between the buyers and sellers as to what package actually was confirmed. This could cause reconciliation issues to occur in the accounting processes. It was mentioned that buyers and sellers should agree on how the various packages of gas should be prioritized by ranks prior to the nomination process.

After discussion it was clear that the threshold question is: Do shippers want to rank their quantities on and across TSP contracts and control the transportation services they pay for or do shippers want upstream and downstream entities to dictate how gas flows on their contracts?

The following motion was made:

Modified Motion 13

Where LDCs confirm with endusers, and absent mutual agreement to the contrary between the LDC and enduser, for confirmations at an enduser location, the enduser and LDC confirmation should be performed at an upstream/downstream entity to Service Requester entity level. The LDC 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. Such supplemental information if available, should include the LDC's Service Requester Contract and based upon the LDCs business practices may include a derivable indicator characterizing the type of contract and service being provided at a enduser location, Downstream Contract Identifier and/or Package ID. In any event, the LDC may opt to continue entity/contract level confirmations at the enduser location.

Motion:	Concept 13 LDC to enduser			Balancing Determinant	Balanced For	Balanced Against	Balanced Total
	For	Against	Total				
End Users	1	0	1	1	1.00	0.00	1
LDCs	2	0	2	2	2.00	0.00	2
Services	2	0	2	2	2.00	0.00	2
Producers	2	0	2	2	2.00	0.00	2
Pipelines	5	1	6	2	1.67	.33	2
	12	1	13	9	8.67	.33	9

Motion Passes.

Two additional relationships were identified: the producer to interest owner relationship and the producer to LDC relationship. The chairs determined that the group should move on to question 2 before defining further relationships.

III. Answers to the Remaining Questions

In response to question 2, the following matrix was prepared.

Question 2: Are there different data requirements for each set of confirming party relationships?

TSP - Request for Confirmation [-----Supplemental Information-----]

In any event . . .	Service Requester SRK	Upstream Identifier UpK	Downstream Identifier DnK	Service Requester Contract	Downstream Contract	Package ID	Service Indicator
TSP/Operator - Tier 1		X					
TSP/Producer - Tier 2	X	X					
TSP/TSP	X		X				
Pipeline/LDC (Supplemental Info.)	X x		X x	X	X	X	X
TSP/Enduser	X		X				
LDC/Enduser (Supplemental Info.)	X x		X x	X	X	X	X

TSP - Response to Confirmation [-No Supplemental Information Needed-]

In any event . . .	Service Requester SRK	Upstream Identifier UpK	Downstream Identifier DnK	Service Requester Contract	Downstream Contract	Package ID	Service Indicator
Operator -Tier 1/TSP	X						
Producer - Tier 2/TSP	X		X				
TSP/TSP	X	X					
LDC/Pipeline	X x	X x					
Enduser/TSP	X	X					
Enduser/LDC	X x		X x				

The supplemental information is provided when the TSP initiates the confirmations. The LDC would use that criteria to assist in making the appropriated reductions on their side of the meter in conjunction with the entity level confirmation. Supplemental information needs to be defined. If the LDC sends a request for confirmation to the TSP, does the TSPs still need to provide supplemental information? If so, does this cause multiple iterations of confirmations?

The group moved on to answer question 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 on what level should be used?

Several participants thought the two confirming parties are ones that should mutually agree on what level the confirmation process should be performed at.

- For production locations, the TSP and the Operator should agree on the level at which the confirmation should be performed at.
- In cases where multi-tiered confirmations are employed, the Operator will still determine the level at which the confirmation will be performed at. The Operator will take into consideration the interest owner/producer and their

confirmation requirements. It was stated that producers want the ability to confirm their own gas.

- The parties who control the meter should determine the confirmations process.

How does a TSP support Cross Contract Ranking with multiple confirmation levels? This question was left as a concern, but no further discussion was required at this time.

The group moved on to answer question 9.

Should entity level confirmations be supported in order to effectuate Cross Contract Ranking? This question has been answered through the work done, no further action is needed.

The group moved on to answer question 10.

How does the level of confirmation interact with Title Transfer Tracking?

If entity level confirmations went into place before Title Transfer Tracking, it could have an impact on how gas is bought and sold. Today, the contracts and package ID are used for exchanging information to confirm gas without the TSP performing Title Transfer Tracking. The two concepts conflict with one another. One of the biggest issues is timing of whether Title Transfer Tracking and Confirmations at a legal entity level are implemented at different times. Do we need to recommend that Title Transfer Tracking and Confirmations and Cross Contract Ranking become effective together?

IV. Next Meeting Arrangements

TransCanada Pipeline will host the next Confirmation and Cross Contract Ranking Subcommittee meetings on August 9 and 10 in Calgary, Canada. Meeting arrangements are posted on the GISB home page. Meeting participants are encouraged to submit work papers in advance of the meetings. The group will address submitted work papers and converge the concepts crafted in Cross Contract Ranking and Confirmations. Participants should be prepared to start crafting standards. The chairs will work with other subcommittees and the GISB office to arrange for the September meetings to be held on September 23 and 24. Please check the GISB home page for the meeting schedule.