

**Cross Contract Ranking Subcommittee
KeySpan Energy, Brooklyn NYC
December 14, 1998**

Final Minutes

Sylvia Munson welcomed everyone to the meeting and thanked Brooklyn Union for hosting the meeting at their offices. The Antitrust statement was read, roll call of the attendees was taken and the agenda was adopted. Attached is the sign-in sheet. The minutes from the November meeting were reviewed, revised and adopted as final minutes with the revisions.

The group was asked to consider NGPL's work paper. Koch representatives had spoken with NGPL and stated that there were no new issues to be considered by the subcommittee.

The subcommittee made the decision to open discussion with issue number 5.
Threshold Question - Should cross contract ranking be within or across service types?

Jerry Clark stated that the tariff may have several types of service within one priority. If we try to have standards where we define the level where the rankings are used, then we should set those standards where the priorities are the limiting factors. We need to limit our standards to recognize the tariff rules for confirmation and scheduling and only use ranks across type of service when pipeline based restriction processes do not come into play.

Note: All references to allocations in these discussions refers to the allocations that occur as part of the confirmations and scheduling process. The reference is not made to allocations that occur after the flow of gas.

Betty Barnum shared a concern and asked the question, "Are we adding new ranks?"
The answer to this question was we do not know yet, we will decide that later.

Basic Concept - What is Cross Contract Ranking? Through discussion of the question the following basic concepts were captured.

- Ability of shippers to rank gas supplies across their contracts. Without effecting operational integrity of system. (FERC 587-F)
- GISB should strive to provide shippers the maximum flexibility to rank contracts for both supply and market cuts. (P.92 of 587-G)
- Don't compromise FT/IT priorities.
- Ranks are provided in nominations.
- Utilized in nomination related standards process in event shipper's full nominated quantity is not satisfied.
- Used to determine what the scheduled quantity is.
- For one service requester.
- IT is a class lower than FT.
- TSPs are not required to utilize rankings from agents that cross multiple service requesters.

Randy Young presented a picture of cross contract ranking.

The central issue that remains is what are the effects of cross contract ranking when there are capacity constraints versus when there are no capacity constraints.

It was decided to discuss no capacity constraints scenario first.

If there is not capacity constraint, Donna Scott feels that the Service Requester's priorities should be utilized regardless of the type of service.

Betty Barnum mentioned that BPS is currently working on this issue. Comments were made that BPS is working on flowing gas, specifically allocations, not this.

Michael Hansen stated that the Commission seems to imply that one set of rules applies to capacity constraints and another set of rules applies to when there is not capacity constraints. Does it help the industry to have two sets of rules?

Kim Van Pelt asked Randy Young, "If there is no capacity constraint, then you'd follow the rankings?" Randy replied, "If you allow them across type of service. If you go across type of service then rank 9 gets cut. If you don't, then rank 8 gets cut first."

It was suggested that one way to do it, is on the confirmation, look at the type of service that was not confirmed and use that group in the reduction.

Mark Gracey stated that the example assumes confirmation at a service requester level, not at a package id level. And we need to make sure we don't change the tariff priorities because that was a settlement issue with our customers - even with capacity constrictions - that's an out of bounds area.

Michael Hansen noted that one thing we probably need to do is look at the paths between the two parties at a point. If a shipper has 2 suppliers at a point, if supplier A has a reduction, we can't cut supplier B - we need to look at how we apply the reductions if it is on a pathed model. Jerry Clark commented on the use of confirmations and level that could be confirmed - example is PNT model and works at point/entity level. On the pathed model, in this example, it could be designed that the confirming party would only confirm at the meter/party level as well.

Therese Hess stated that if you confirm at the nomination line item level of detail, then you don't need cross contract ranking. If you confirm at a higher level then you use cross contract ranking to work to the details.

Mark Gracey stated at a minimum, we confirm at the upstream party level, we should start with that and then look at the lower level of confirmations.

Randy Young stated that the threshold question that this group needs to decide is if the shipper has the right to provide their rankings. If the pipeline uses the lowest level of confirmation then perhaps the shipper does not need to have that right.

The committee suggested we go through various business case scenarios to determine the effects of cross contract ranking.

Business Case 1 - Not Constrained, Within One Service Class
Upstream Entity/point level, confirmation pathed model, one service requester

Nom	Rank	Upstream	Receipt Loc	Delivery Loc	Downstream	Quantity	Contract	Schedule
1	1	S2	A	DL	M12	10,000	FT-1	10,000
2	2	S2	A	DL	M12	12,000	FT-2	12,000
3	3	S2	A	DK	M42	14,000	FT-1	8,000
4	2	S2	A	DL	M12	4,000	IT-1	0
RQCF = 40,000		CONF = 30,000						

Business Case 2 - Not Constrained, Across Service Class
Upstream Entity/point level, confirmation pathed model, one service requester

Nom	Rank	Upstream	Receipt Loc	Delivery Loc	Downstream	Quantity	Contract	Schedule	
1	1	S2	A	DL	M12	10,000	FT-1	10,000	
2	2	S2	A	DL	M12	12,000	FT-2	12,000	
3	3	S2	A	DK	M42	14,000	FT-1	4,000	
4	2	S2	A	DL	M12	4,000	IT-1	4,000	
RQCF = 40,000		CONF = 30,000							

Business Case 3 - Not constrained, Within 1 Service Class, Using Upstream Contract/Entity to Confirm

Nom	Rank	Up Entity	Up K	Rec Loc	Del Loc	Dn Entity	Quantity	Contract	Schedule
1	1	S2	Uk1	A	DL	M12	10,000	FT-1	6,000
2	2	S2	Uk2	A	DL	M12	12,000	FT-2	12,000
3	3	S2	UK2	A	DK	M42	14,000	FT-1	12,000
4	2	S2	Uk1	A	DL	M12	4,000	IT-1	0
RQCF = UK1 14,000		CONF = 6,000							
RQCF = UK2 26,000		CONF = 24,000							

Business Case 4 - Not constrained, Across Service Type, Using Upstream Contract/Entity to Confirm

Nom	Rank	Up Entity	Up K	Rec Loc	Del Loc	Dn Entity	Quantity	Contract	Schedule
1	1	S2	Uk1	A	DL	M12	10,000	FT-1	6,000
2	2	S2	Uk2	A	DL	M12	12,000	FT-2	12,000
3	3	S2	UK2	A	DK	M42	14,000	FT-1	12,000
4	2	S2	Uk1	A	DL	M12	4,000	IT-1	0
RQCF = UK1 14,000		CONF = 6,000							
RQCF = UK2 26,000		CONF = 24,000							

Business Case 5 - Not constrained, across service type, within service, confirmation at nomination line item level. Results are a function of the line item confirmation process.

	RQCF	CONF
Line 1	10,000	5,000
Line 2	12,000	10,000
Line 3	14,000	14,000
Line 4	4,000	1,000

Michael Hansen presented paper. (See work paper submitted by Columbia Gulf.)
When you confirm use the applicable business cases from 1 - 5 (TBD).

When a constraint occurs use scenario 1 from Michael's paper.

Open issue:

- Should Service Requester ranks be applied to break ties within the same service priorities?
- Which business case from one through five should be adopted?
- Should cross contract ranking be within or across service types?

Donna Scott stepped down as co-chair to state that if there is no capacity constraint that the Service Requester's higher level cross contract rank should be utilized prior to the lower level line item rank. Donna believes this is the concept presented in the work paper provided by Dynegy. She also noted that it would be very beneficial to the industry to be able to rank within service type to enable capacity release contracts to be prioritized rather than to be scheduled on a pro-rata basis when capacity constraints occur depending on the terms of the release.

Dale Davis offered the following summary of what the group had been discussing:

If the confirmation process is at the nomination line item detail level, then any Service Requester ranks are irrelevant for the pathed model. If the confirmation process is performed at any higher level, then the Service Requester ranks will be meaningful. The results may be different dependent on whether cross contract ranking is performed within class of service or across class of service.

At the next meeting the group will determine where cross contract ranking will apply and should be prepared to vote.

The meeting schedule will be January 13, February 2 & 3 and March 1 and 10.

Attachment 1

List of issues identified and captured during the presentations at the November meeting:

1. Which rank is used in scheduling, receipt versus delivery versus upstream versus downstream at a point (depends on source of reduction)? Make consistent across models. (Question 11, Detail)
2. When does the transaction get balanced (if done)? DONE
3. Tariff based rules apply on capacity constraints - how and when does ranking come into play? (Philosophical)
4. What happens when shippers cross rank some contracts and not others (what are defaults if no rank supplied)? (Question 7, Detail)
5. Across type of service? Firm only? Primary versus Secondary? (Philosophical)
6. Do we need a new element ? Reconciliation, the how to. This is a detail IR will provide.
7. Do we need to identify groups of contracts for ranking and how long is a group effective? (Question 4, Detail)
8. What happens to capacity rights on intraday cycles when/if ranks cross types of service? (Questions 9 and 10, Philosophical)
9. To which cycles should ranking apply? (Questions 8 and 9, Philosophical)
10. Once gas is scheduled and flowing it stands on its own. What are the effects on bumping? (Questions 8 and 9, Philosophical)
11. Should cross contract ranking be used for market and supply cuts only. (Question 1, Philosophical)
12. Do the models come into play on how we establish cross contract ranking? (Detail)
13. Are (and if so, how are) shipper ranks used when confirmation is at a level of detail lower than shipper level? (Questions 14 and 15, Philosophical)
14. What happens when the operator confirmation conflicts with cross contract ranking when confirmation is at a "detail" level? (Questions 13 and 15, Philosophical)
15. Write instructions defining shipper expectations in cross contract ranking dependent on confirmation level being performed. (Questions 13 and 14, Philosophical)

The list of issues identified and captured during the presentations were regrouped by order of philosophical questions.

Order of Philosophical Questions:

- A. Across type of service? Firm only? Primary versus Secondary? (5)
- B. Tariff based rules apply on capacity constraints - how and when does ranking come into play? (3)
- C. Should cross contract ranking be used for market and supply cuts only. (11)
- D. What happens to capacity rights on intraday cycles when/if ranks cross types of service? To which cycles should ranking apply? Once gas is scheduled and flowing it stands on its own. What are the effects on bumping? (8, 9, 10)
- E. Are (and if so, how are) shipper ranks used when confirmation is at a level of detail lower than shipper level? What happens when the operator confirmation conflicts with cross contract ranking when confirmation is at a "detail" level? Write instructions defining shipper expectations in cross contract ranking dependent on confirmation level being performed. (13, 14, 15)