

**NATIONAL FUEL GAS DISTRIBUTION CORPORATION COMMENTS ON R03031**  
**Submitted by M. Novak, 11/14/2003**

**GENERAL**

National Fuel Gas Distribution (NFGD) supports the Triage Recommendation to assign R03031 to a four quadrant Task Force with certain qualifications outlined below. The request consists of two main components:

- 1) Investigate and review possible additions, deletions, and/or changes to the current Wholesale Gas Quadrant (WGQ) standards concerning Intraday Nominations, Confirmation Scheduling, and Gas Day.
- 2) Investigate possible standards creation related to additional coordination of the interaction between the scheduling of wholesale electric and wholesale gas scheduling transactions.

No one present at the call disagreed with the determination that the Request was within NAESB's scope; the sole area of dispute concerns quadrant assignment. On the latter issue, no one disputed that the Request should not be assigned to at least the WGQ – the timeline in question is a WGQ standard.

Both components of R03031 are complex and the second one is open ended. There was not enough time on the Triage call to fully understand where this request might take the organization in terms of standards development; at least some parties from each of the other three quadrants claimed an interest that could not be represented within the WGQ. Ignoring such statements raises the peril of reconsideration down the road.

NFGD proposes that the four quadrant Task Force acts as an additional layer of Triage and fulfill primarily an educational role. It should not develop standards but serve as a forum for parties to educate each other. To fully process this issue, particularly the second component, parties should have a fundamental understanding of each other's commodities as well as wholesale-retail relationships as they relate to this issue. One exercise the Task Force could perform is to overlay electric scheduling and trading timelines over the gas timeline. The load profiles associated with different forms of generation, including those other than gas-fired, should also be discussed to help provide context. Additionally, the impact of the gas timeline's "lesser-of" rule needs to be understood by all.

As mentioned above, NFGD does not believe the Task Force should pursue any standards development (this should be an explicit EC instruction). Instead, the Task Force should meet a limited number of times with the goal of producing a Report. Parties could then file comments upon the Report, but more importantly, they could develop more detailed Requests. Based upon what is learned from the Task Force, the EC would be in a much better position to assess which quadrants should address standards development. For example, if a Request is made to develop an industry wide electric nomination/confirmation deadline that corresponds to a deadline within the gas timeline, then quadrant assignment could be WEQ and possibly REQ. Requests associated with changes to the existing gas timeline might be more properly assigned to the WGQ and RGQ. Other Requests might be WGQ-WEQ assigned or RGQ-REQ assigned. It is not necessary, once such sufficient detail is known, to assign all standards development to a four or even two quadrant approach.

Absent detail, a four quadrant approach is the only way to ensure that all parties interests are adequately protected. Beyond an "educational / identify the issues" effort, standards development should not take place without more detailed Requests. The overall issue is very important and all parties are best served by a clear understanding of the issue as well as a focused standards development process.

**POSITION ON ROLE OF THE RGQ (partially in response to Detroit Edison Comments)**

Many LDC's support the gas nomination/confirmation timeline as specified in NAESB WGQ Standard No. 1.3.2. In some cases, states have issued Orders<sup>1</sup> or regulations requiring LDCs under their jurisdiction to provide intraday nominations to their customers; both customer choice and large volume transportation. Other LDCs have agreed to support the timeline as a part of restructuring settlement agreements. Whether or not an LDC provides intraday nominations to its customers/shippers, the timeline and associated

---

<sup>1</sup> State of New York Public Service Commission, Case 97-G-1380, In the Matter of Issues Associated with the Future of the Natural Gas Industry and the Role of Local Distribution Companies, (issued December 21, 1999), p. 4.

confirmation standards (e.g. NAESB WGQ Standards No. 1.3.22) influence activity at the city gate, and consequently, transportation nominations on the LDC itself.

From the city gate to the burner tip, the LDC is the operator, much like the pipeline is the operator from the well head to the city gate. LDCs take nominations to transport gas from their customers just as pipelines take nominations from their shippers. From a NAESB perspective, discussion of business activities that take place between the city gate and burner tip, if they are to be discussed at all, belong to the RGQ and not the WGQ. This differs from the GISB era when it had a well-head to burner-tip charge.

Because of WGQ standards concerning the "lesser of" rule, if an additional industry wide confirmation deadline is added, LDC operations are impacted. Every industry-wide deadline is an opportunity to add or lose gas at the city gate. If an LDC ignores a confirmation deadline, it will at best stay even and potentially lose gas (without notice via nomination from the LDC shipper) unless it is scheduling additional supplies to back up the market. That too is a variation within different retail gas models. Some LDCs are expected to back up the market supply shortfalls and may not need to support intraday nominations, existing or additional. Others, particularly in NY, are expected to coordinate balancing activities with the Marketers serving the market. Intraday nominations are provided and marketers are expected to have the assets to meet varying customer loads, i.e. resolve customer imbalances.

LDC shippers are also impacted; their upstream Supplier may be the party that is displaced by a pipeline nomination at an additional intraday cycle. NFGD raises these points not to outright oppose the Request, but rather to point out that any changes can impact a wide array of interests. Change is not impossible but it is complex; far beyond what might appear by just reading the text of the Request.

From a retail gas perspective, as the markets are set up in many states, DTE's statement "Who the customer is, or how many there are using the delivered fuel is irrelevant for nominations, scheduling etc. The quantities are important at this point, not the customers." is incorrect. Shipper imbalances can exist on both the LDC and the pipelines; they aren't simply passed upstream as they are in the electric retail model under which DTE operates in Michigan. The marketers are LDC customers, they are shippers, in fact, the same role they play on the pipelines.

Many large customers also ship their own gas. Large customer transportation has been around since the 1980's and operates under different rules than customer choice transportation. This appears to be a difference between electric retail and gas retail markets. As NFGD understands electric customer choice, any electric customer that doesn't buy their supply from the utility falls within customer choice regimen. Within gas, customer choice is often restricted to customers with consumption less than 5000 Dth/year.

An LDC's role in WGQ is as a shipper and not an operator. As a shipper in the wholesale environment and an operator in the retail environment, it requires a "split personality" to cover its interests. It's quite possible that an LDC's shipper point-of-view will conflict with its operator point-of-view. Fortunately, each of point-of-view is represented within a separate quadrant. The RGQ has also made some provision for such discussion; it's Annual Plan contains an item "Examine Wholesale Gas Quadrant Non-EDM Standards". Gas nomination/confirmation timeline standards clearly fall under this item.

#### **PRIORITY OF REQUEST WITHIN THE RGQ (partially in response to Maine OPA)**

There are many similar interests between the RGQ and REQ and both quadrants have made considerable efforts to coordinate activity. There are fundamental differences, as mentioned above, that will cause the REQ and RGQ to pursue different paths from time-to-time. This may be one of those times although NFGD has an open mind concerning those who advocate an REQ interest in R03031. Priorities on Annual Plans change, further it would be unfair to quadrants who are ready to pursue a multi-quadrant request to defer until all quadrants are ready.