North American Energy Standards Board

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via email and posting

TO:	NAESB Gas Electric Coordination Task Force (GECTF) Participants and Posting for Interested Parties
FROM:	Todd Oncken, Deputy Director
RE:	GECTF Meeting Final Minutes – February 10-11, 2004
DATE:	February 25, 2004

NAESB Gas Electric Coordination Task Force
February 10-11, 2004
Hosted by SoCal Gas, San Diego, CA

1. Welcome

Ms. McVicker called the meeting to order. Mr. Oncken gave the antitrust advice. Introductions were made. Approval of the minutes from the last GECTF meeting was deferred until day two. The agenda was adopted unanimously, as modified.

As follow-up to the last meeting, Ms. McVicker reviewed recent communications with NERC's Gas Electric Interface Task Force (GEITF). Ms. McVicker read an email from Mr. Twitchel, a NERC representative, as follows: We agree that NERC should be coordinating its activities with other industry groups, especially NAESB, that are related to the important issue of fuel supply of power plants. Ms. McVicker noted that the GEITF has asked her to present an update on the GECTF at the next GEITF meeting.

The minutes from the January 29-30, 2004 GECTF meeting were reviewed on day two and modifications were offered. Mr. Novak moved, seconded by Ms. Chezar, to adopt the amended minutes. The minutes were adopted absent objection.

Ms. McQuade reviewed the voting procedures for the GECTF. She stated the GECTF will follow balanced voting where each quadrant has to pass the motion independently. The balanced voting within the quadrant will operate according to standard procedures used for single quadrant issues. Key aspects of balanced voting are one person/one vote and one vote per organization per segment. Quadrant and segment membership should be declared at the beginning of the meeting, and once declared would not change for the duration of the meeting.

2. Review of Current Preliminary Issues List

During the last GECTF meeting, a preliminary list of issues was developed and subsequently categorized according to topic. Ms. Davis questioned whether the preliminary issues list appropriately reflected the results of the last meeting. Accordingly, Ms. Davis offered a redlined alternate workpaper. It was agreed to work through the workpaper provide by Ms. Davis in the category order of the original workpaper. Both workpapers, as well as subsequent versions of the preliminary issues list, are posted for the meeting.

Significant time was spent discussing each of the items on the preliminary issues list. In evaluating and refining each item, the task force worked to provide a level of detail that would provide context for the issues, noting that it will likely be some time before several of the issues are discussed. It was noted that items included in the preliminary issues list were for discussion purposes only and would not necessarily result in new standards or modifications to existing standards. Ms. McVicker also encouraged the task force to be open in their

discussion to the possibility of a solution to meet the needs of the power industry that would not require standards changes.

The nature of the items was discussed. It was noted that some items, such as item 7, were items for informational purposes that would provide background information for the general topic or other items on the preliminary issues list. Likewise, it was suggested that some items, such as items 10 and 17, could be viewed as basic facts rather than discussion issues.

In line with his submitted comments, Mr. McKelvy proposed a new item identifying a distinction between coordination issues originated by reliability issues versus trading risk management practices. He indicated the producers would be more accepting of changes due to the former than the latter.

At the end of day one, a revised preliminary issues list was prepared. Looking forward to day two, the revised list will be reviewed for scope, areas of consolidation, and prioritization. Additionally, the importance of diverse representation on the task force from all NAESB quadrants was highlighted.

Participants reviewed the revised draft issues list. There were several wording modifications, instances where two issues were combined, and two deletions. A revised draft issues list was prepared during lunch. Details of significant changes are shown below.

Mr. Bray moved, seconded by Ms. Chezar, to delete item 16, *cost allocation for new gas infrastructure to support peaking*, from the preliminary issues list due to its conflict with existing NAESB standard 1.1.16. During discussion on the motion, Ms. Calcagno proposed to maintain the item as an inclusion in the report. Mr. Bray opposed that treatment of the item. Discussion on the motion revealed that participants differed on the meaning of the item. From one perspective, the issue was seen as dealing with cost issues involved in a new pipeline. From the other perspective, the issue was seen as whom should bear the costs of changes that benefit the power industry and whether there is policy guidance that could be given by FERC on that point. Mr. Love suggested the latter perspective would be fleshed out during the individual discussions of the issues – both the associated costs and risks. Ms. McVicker agreed and noted that deletion did not remove the topic of costs from this task force. The motion passed unanimously absent objection.

Ms. Chezar moved, seconded by Ms. Burnett, to delete item 6, *discuss the desire of certain parties to allow for cross-commodity netting in contractual arrangements*, from the preliminary issues list because it is clearly outside the scope of the task force. The motion passed unanimously absent objection. It was noted that it would be appropriate for the topic to be submitted as an individual request for standards not associated with the GECTF.

The preliminary issues list was reviewed in light of the scope of the task force. While it was understood that any changes were made they would benefit all market participants, the task force was clear that this was not the forum for unrelated concerns regarding gas scheduling flexibility. No issues remaining at this point were deleted due to scope considerations.

After extended discussion on the implications of discussing pipeline services, significant changes were made to issue 19, *is there a need for new pipeline and LDC tariff service offerings to accommodate the need for additional scheduling flexibility for power generators?* Several participants felt it was important to maintain the possibility that modifications to NAESB WGQ standards would not be required. It was also noted this could be the opportunity for the power industry to identify important elements that are lacking from existing service offerings. Other

participants felt it was not NAESB's role to discuss pipeline service offerings. Mr. Gwilliam, seconded by Ms. Chezar, to change the wording of issue 19 to read: *Identify examples of the service characteristics that could meet the market needs for increased delivery flexibility.* The motion passed unanimously.

Participants reviewed the categorizations for each of the issues. It was suggested categorization was necessary so that like issues could be considered together to facilitate future discussions. Several categorizations were changed and several issues were reassigned.

3. Additions to the Preliminary Issues List

Please see discussion above.

4. Discussion of Preliminary Issues List topics

Item 22: Clarify the differences in terminology between natural gas and power (e.g., does "Firm" mean the same thing in both commodities?)

Discussion of Item 22 highlighted some differences in the definition of firm in each of the commodities. Likewise, it became apparent that firm is viewed differently across the segments of each commodity. Mr. Oberski stated that there was not currently a standard treatment of firm power among the regions, and that issue has been identified by the NAESB WEQ Seams Subcommittee and included in the Seams Catalog. Ms. Calcagno explained a principle difference between firm power and firm gas from a supplier's perspective was that firm power is more of a financial concept, rather than a physical concept. It was noted that if a power supplier was unable to perform to their obligations, it was accepted within the industry to pay the power pool participant who provided the electricity. Ms. McVicker summarized the concept of firm gas as follows: for the supplier, firm gas is the obligation to deliver gas into the pipeline; and for the pipeline, firm gas means firm transportation capacity. Mr. Love further defined firm as capacity that has been reserved for a particular use and is made available as used by the customer and as scheduled by the customer.

The discussion of item 22 led into a more generic discussion of the operation and marketing of gas and power. The following points were made regarding the power industry:

- The power pool, or ISO, does not own generation facilities; instead, it matches requests for service to bids for generation and dispatches generation according to the most efficient use of resources.
- Independent generators bid into the pool to be the next entity to provide the next megawatt of service, without advanced knowledge of whether they will be dispatched to serve the load. The effect of short notice is greater for peaking and intermediate load units. An intermediate generation facility might only have a 20% load factor.
- The power dispatch authority dispatches generation on the assumption that all predicates have been met by the bidding entity prior to the bid (e.g. gas transportation has been arranged to support any electric generation required).
- Power is supplied to end users without the need for a firm contract. While some firm contracts are served, other users are just connected to the power grid and take power from any provider.
- When firm power contracts are used, they are typically between an end user and marketer. The marketer will aggregate the load requirements of all his contracts and

then will contract with specific generators to supply the power. When a marketer is unsuccessful from either side of the contracts, the load is served as if no contract exists and the marketer is subject to the market price of the day.

- The electric grid is designed with reserves to ensure there is enough power to serve the load for any given hour. While electricity might always flow, it might not flow from the intended facilities.
- Interruptible power is different in different areas. Often a lower rate will accompany interruptible power, but the provider has the ability to suspend service in emergency situations.
- The electric day runs from midnight to midnight, depending on the time zones.
- The NERC reliability standards and operation of the Joint Interface Committee impact NAESB WEQ standards development.
- Non-firm power can be the result of lack of firm delivery rights.
- The power markets are currently operating in two paradigms: RTO/ISO markets and bilateral markets. The operations and generation dispatch could vary depending on the paradigm.
- The current portfolio of pipeline services available to generators is not sufficient to respond to the needs of a peaking generator. It was suggested the portfolio of services available to generators has changed with the evolution of the gas industry – and some generators are viewed as new customers and offered different products than those historically offered.
- A peaking unit is called to serve to maintain reliability and must be on line within ten minutes.
- Information on available power transmission capacity is available on the OASIS system on an hour-ahead basis.
- Power control rooms process hundreds of scheduled changes per hour, sometimes with ten minutes notice. It was noted that changes to power schedules do not impact the service provided to other customers.
- In instances when a generation unit unexpectedly goes offline, implementing prearranged contractual arrangements for gas supply can be difficult, and potentially impossible, due to timing constraints.
- The gas market closes before the power market clears, so gas must be scheduled before generation schedule is known. If the generation bid is not dispatched, the underlying gas schedule would have to be resold or not used. The timing mismatch creates increased risk in the power market.
- An example was provided that demonstrated that even if a generator had the gas and a transportation contract, scheduling the gas when it was needed was still a problem. The need for gas for generation purposes does not necessarily coincide with the gas timelines. It was suggested that the only solution to the problem posed by this example would be to have the capacity available at all times and not used for other purposes.

The following points were made regarding the gas industry:

- It is possible that gas could not flow depending on the inputs and physical nature of the commodity.
- An LDC faces difficulties forecasting load, but has built a portfolio of services to address those needs.
- From a pipeline point of view, information on the gas supply needs of power generators is very valuable for planning purposes.
- An hourly gas nomination process during the day of flow is possible on some pipeline systems, but might not produce the results or flexibility desired.
- The gas scheduling process is complicated and includes notice, bumping, priority and dispatching. It was estimated it takes at least 2 to 3 hours to complete the process. Nesting of requests for service – an issue currently addressed by the nominations timeline – could also complicate the process.
- Changing to an hourly gas nomination process could require a change in measurement practices because there are some meters that do not provide hourly data.
- The ability of a pipeline to offer additional services is contingent on the pipeline's physical and existing contractual characteristics.
- Information on available pipeline capacity is available on pipeline websites. This is a FERC mandated requirement. It is updated four times a day in connection with the nominations timeline. It was noted that capacity used for certain services, such as instantaneous service, is not necessarily reflected in the posted number.
- Increased levels of service to one segment of the industry should not impact the level of service provided to other participants on the gas grid.

The following points were made regarding both industries:

- The deregulation of the two industries into competitive markets occurred without much planning between them. This has implications for facility citing and planning.
- Part of the difficulty in addressing these issues is the creation of a bridge between something that is economically dispatched (power) and something that is contractually dispatched.
- It is difficult for an input (gas) of power generation, which operates in a real time market based on hourly increments, to be supplied through a daily market.

5. Next Meetings

The next GECTF meeting will be held in Houston, TX on March 15-16, 2004 from 10:00 a.m. to 6:00 p.m. Central on day one and 9:00 a.m. to 3:00 p.m. Central on day two.

The format for the next meeting was discussed. Mr. Bray suggested a panel discussion would be a good format to use for the next meeting to continue the discussion started at this meeting and provide more opportunity for participants to better understand the issues and question. Mr. Griffith volunteered to present at the next meeting the reasoning behind the gas nominations timeline and cycles, including the issues of bumping and priority. Mr. Oberski

took on the task of coordinating an electric presentation that would compare the gas timeline with each of the major electric markets (for day-ahead) to demonstrate the disconnect between the industries. A contrast of the peaking patterns for gas and electric was also identified as a pertinent topic, but an assignment was not made.

6. Adjourn

The meeting adjourned at 2:30 p.m. Pacific on February 11, 2004.

7. Attendance

Name	Organization	Day One	Day Two
Mariam Arnaout	American Gas Association	In Person	In Person
Roman Bakke	Southern California Edison	In Person	In Person
Ed Berman	Baltimore Gas & Electric Co.	In Person	In Person
Jeff Bittell	Texas Gas Transmission	Phone	Phone
Mike Bray	Shell Gas Transmission	In Person	In Person
Curt Brechtel	Arizona Public Service	In Person	In Person
Kathryn Burch	Duke Energy Gas Transmission	In Person	In Person
Christopher Burden	Williams Gas Pipeline	Phone	Phone
Tina Burnett	The Boeing Company	In Person	In Person
Suzanne Calcagno	UBS Energy	Phone	Phone
Yvette Camp	Southern Company	Phone	Phone
Dolores Chezar	KeySpan Energy	In Person	In Person
Craig Colombo	Dominion Resources	Phone	Phone
Pete Connor	NiSource	Phone	Phone
Valerie Crockett	Tennessee Valley Authority	In Person	In Person
Dale Davis	Williams Gas Pipeline	In Person	In Person
Pat Davidson	SoCal Gas	In Person	In Person
George Dawe	Duke Energy Corp.	In Person	In Person
Michael Desselle	American Electric Power		In Person
Jay Dibble	Calpine	In Person	In Person
Dan Downs	New York State Department		Phone
Karen Gossett	UBS		Phone
Mark Gracey	Tennessee Gas Pipeline	In Person	In Person
Bill Griffith	El Paso Western Pipeline	In Person	In Person
Tom Gwilliam	Iroquois Gas Transmission	In Person	In Person

Carl Haga	Southern Company	In Person	In Person
Scott Hansen	Questar Pipeline	In Person	In Person
Nancy Hetrick	Northern Natural Gas	Phone	Phone
Gary Hinners	Reliant Energy Services	Phone	Phone
Jeff Hodges	UBS		Phone
Bradley Holmes	TransWestern Pipeline	Phone	Phone
Rick Ishikawa	SoCal Gas	In Person	In Person
Alan Johnson	Mirant	Phone	Phone
Joe Kardas	National Fuel Supply	In Person	In Person
Drake Kijowski	PSEG Energy Resources & Trade	In Person	In Person
Iris King	Dominion Transmission	In Person	In Person
Melissa Lauderdale	Edison Electric Institute	Phone	Phone
Chuck Linderman	Edison Electric Institute	In Person	In Person
Paul Love	NGPL	In Person	In Person
Marcy McCain	Duke Energy Gas Transmission	In Person	In Person
Paul McKelvey	ChevronTexaco	In Person	In Person
Rae McQuade	NAESB Executive Director		In Person
Diane McVicker	Salt River Project	In Person	In Person
Ken Mancini	PJM Interconnection	Phone	Phone
Chris Maturo	NiSource Inc.	In Person	In Person
Janie Nielsen	Kern River Gas Transmission	In Person	In Person
Mike Novak	National Fuel Distribution	In Person	In Person
Lou Oberski	Dominion	In Person	In Person
Todd Oncken	NAESB Deputy Director	In Person	In Person
Arlene Palmerino	NY State Department of Public Service	Phone	Phone
Marjorie Perlman	Energy East Management Corp.	In Person	In Person
John Porter	Tennessee Valley Authority		Phone
Marv Rosenberg	FERC	In Person	In Person
Ken Schubert	TransCanada Pipeline	In Person	In Person
Rodger Schwecke	SoCal Gas		In Person
Denise Spensor	Reliant	Phone	
Ed Tammy	Florida Power & Light	In Person	In Person

Kim Van Pelt	Panhandle Eastern Pipeline	In Person	In Person
Pauline Wah	SoCal Gas	In Person	In Person
Brian White	NiSource Pipelines	In Person	In Person
Randy Young	Gulf South Pipeline	In Person	In Person
Steve Zavodnick	Baltimore Gas & Electric Co.	Phone	Phone