

February 4, 2004
NAESB GECTF Comments from ChevronTexaco

The following comments are offered by ChevronTexaco, a major producer and marketer of natural gas, to the Gas Electric Coordination Task Force (GECTF). In this document are some clarifications that ChevronTexaco would like to ensure get included in the issues list that will be discussed further by the GECTF. The list below does not elaborate on issues ChevronTexaco feels were adequately captured at the meeting, but focuses on areas that did not seem clear.

ISSUES:

- 1) The power trading presentations focused a good bit on the speculative nature of scheduling generation; ie, going long or short vs supply requirements based on market views. This appears to be not an issue of reliability or of supply availability, but rather an issue of how to reduce costs and risks. Therefore, as the GECTF considers changes to gas and/or power business cycles, we need to clearly focus on reliability/availability, NOT on costs. Discussions over time will likely cover who should bear what costs, but that seems better suited for later in our process.
- 2) An unintended outcome of the GECTF's process and recommendations, if detrimental to producers' interests, may be to move producer/marketers away from wanting to serve peaking power needs. Other markets exist for natural gas. Thus, we clearly need to delineate infrastructure issues versus supplier/customer relationships and processes.
- 3) In order to better understand gas/electric coordination issues, ChevronTexaco believes the GECTF would benefit from a better understanding of how the power industry settles generation imbalances (inadvertent power). In managing hour-ahead power cycles, what reliability problems are being caused if some generators run more or less than scheduled? There will always be imbalances, or inadvertent power, and balancing processes improvement alone may solve many problems.
- 4) While the following point was well-discussed at the meeting, it does bear repeating. There appears to be a standardization issue internal to the wholesale electric quadrant across the country. The gas experts assembled for this task force may not be of much use to an internal-to-power standardization effort. The GECTF, and perhaps even FERC, needs clear resolution of our intents w/r to this issue, and what impact we could have without power itself being standardized.
- 5) ChevronTexaco suggests cross-commodity credit mechanisms are out of scope for this effort and should not be discussed in order to focus on reliability/compatibility issues.
- 6) We must have more diverse representation/participation on the task force from other power sectors and from other geographic regions within the power business.

The brainstorm at the end of meeting, as do many brainstorming sessions, focused on solution statements as well as issues. The GECTF should ensure it is collecting issues/problems at this point.