

**STATUS OF GISB EFFORTS TO ACHIEVE A SEAMLESS, STANDARD
INTRADAY NOMINATION PROCESS**

In Order No. 587-C, FERC emphasized that “[i]n order to achieve the efficiencies that derive from uniform nomination procedures, greater standardization of intraday nomination procedures clearly is required. Clarification of the intended meaning of GISB standard 1.3.32 may not create the needed standardization, and the focus, therefore, should not be on clarifying the existing standard, but on achieving the needed uniformity in the intraday nomination process.”

In response, GISB formed the Intraday Nomination Task Force, which has met more than 20 times since its first meeting on March 24, 1997. Over the course of five months, approximately 12 different proposals to standardize intraday nomination procedures were considered. On July 11, 1997, the Task Force agreed in concept to the Proposed Compromise Model, (“Model”) which is posted on the GISB Website and attached as Appendix __. Three sub-teams were created at that meeting and have been working to test the model to assure that it will work appropriately. The sub-teams have also been defining necessary standards and definitions. The Model, together with the standards and definitions are “work-in-progress,” and must be completed before presentation to and voting by the Executive Committee, the only GISB body that is empowered to adopt standards.

**DESCRIPTION OF THE MODEL FOR STANDARDIZING INTRADAY
NOMINATIONS**

The Model for intraday nominations employs “nomination cycles,” i.e., different time periods before and during the gas day when nominations may be sent by shippers and will be supported by Transportation Service Providers (“TSP”) across the grid. The “Timely Nomination” cycle is the standard timeline in GISB Standard 1.3.2, adopted by the Commission in Order No. 587. That standard provides that nominations must be sent by 11:30 AM¹ and received by the TSP by 11:45 AM to be scheduled for the next gas day, which begins at 9:00 AM. The “Timely Nomination” cycle is completed by 4:30 PM when the TSP has rescheduled its entire system. The Model adds three nomination cycle opportunities to the existing timeline following the existing Timely Nomination schedule. There is one “Untimely Nomination”² that is available to schedule gas for flow the next gas day and two “Intraday Nomination”³ cycles for scheduling gas during the actual gas day.

¹ All times are set forth in Central Clock Time.

² Also referred to as a Type II intraday.

³ Also referred to as a Type I intraday.

Bumping Procedures Currently Employed By Interstate Pipelines Are Maintained and Accommodated In the Model.

The task force faced the issue of whether bumping practices needed to be standardized to coordinate intraday nominations across the grid. To the task force, “bumping” meant whether an intraday nomination under a firm rate schedule should be permitted to interrupt scheduled or flowing interruptible service. GISB has not taken a position on whether a particular TSP should provide for “bumping.” Pipelines’ pre-GISB tariffs on file with FERC outline bumping procedures for particular pipelines’ nomination procedures, if any. GISB has not suggested alteration of these tariff provisions in recognition of the fact that bumping policies affect the market for a TSP’s services and the relationship between and among a TSP and its customers. Instead, the GISB nomination cycles account for the fact that some TSPs have bumping provisions and others do not.

The intraday nomination procedures included in this discussion include nomination deadlines that provide adequate opportunities for all parties involved in a transaction to revise their operations to account for intraday nominations. They also provide shippers with standard procedures that will be used by TSPs and all confirming parties across the entire North American pipeline network. These procedures and the associated additional standards proposals would be considered the minimum acceptable standards that all TSPs will make available to their customers. Any additional nomination opportunities that individual TSPs make available to their customers, or that are coordinated between TSPs, are considered to exceed these minimum standards. Both continuous and contiguous scheduling are specifically found to exceed these minimum standards. All intraday nominations must be made in whole-day (24 hour flow) quantities, regardless of the effective time-frame of the pending nomination cycle.

A. Untimely Nominations Cycle

The Untimely Nomination Cycle is for processing nominations that a customer sends to a TSP but are received by the TSP after the Timely Nomination deadline (sent by 11:30 AM and received by 11:45 AM). These Untimely Nominations must be sent by 6 PM on the day before the gas is to flow and must be received by 6:15 PM. Confirmations are due from the TSP by 9 PM on the day before the gas day. The TSP would provide the Scheduled Quantities document(s) no later than 10 PM. When the gas flows will depend on whether the TSP has a bumping policy, and whether the nomination actually causes a bump. If no bumping is required to schedule the nominated gas, then the gas would flow at 9 AM on the next gas day. If the TSP permits bumping and the nomination precipitates a bump, then the gas will flow at 5 PM on the next gas day.

If a party is bumped, that party will still receive the benefit of 8 hours of scheduled service (one-third of the gas day). The bumping party will be able to flow gas for 16 hours (two-thirds of the gas day). The bumped party will also have an opportunity to nominate during the First and Second Intraday Nomination Cycle and thus mitigate the effect of the bump.

B. First Intraday Nomination Cycle

The First Intraday Nomination is for scheduling gas that will flow by 5 PM on the gas day. These nominations would be sent to the TSP no later than 10 AM on the gas day. These nominations must be received by the TSP by 10:15 AM on the gas day on which the gas is to flow. Confirmations are due from the TSP by 12 noon on the gas day. The TSP would provide the Scheduled Quantities document(s) no later than 1 PM. If the TSP does not permit bumping, then the gas will only be scheduled if there is available capacity (and will flow by 5 PM). If the TSP permits bumping and the nomination precipitates a bump, then the "Notice to Bumped Parties" document would be made available no later than 1 PM on the gas day.

Again, if a party is bumped as a result of the First Intraday Nomination Cycle, a bumped party will still receive the benefit of 8 hours of scheduled service (one-third of the gas day). The bumping party will be able to flow gas for 16 hours (two-thirds of the gas day). The bumped party will then have an opportunity to nominate during the Second Intraday Nomination Cycle to mitigate the effects of the bump.

C. Second Intraday Nomination Cycle

The Second Intraday Nomination Cycle is for scheduling gas that is to flow at 9 PM on the gas day. These nominations are sent to the TSP by 5 PM to be effective that same gas day. The TSP must receive the nominations by 5:15 PM on the gas day on which the gas is to flow. Confirmations are due from the TSP by 8 PM on the gas day. The TSP must provide the Scheduled Quantities document(s) no later than 9 PM on the gas day. No bumping is permitted on any TSP during this cycle.⁴ As a result, gas will be scheduled only if there is available capacity.

⁴ No "Notice to Bumped Parties" document is necessary for this cycle because no bumping is permitted to accommodate a this Second Intraday Nomination.

EXPLANATION OF THE MODEL

The Model, by design, leaves several issues unaddressed. It is a realistic compromise that, once tested, we believe will be a workable solution to transition the industry towards the goal of continuous 7 day-a-week, 24 hour-a-day scheduling.

Current Intraday practices vary from TSP to TSP. These varying practices are frequently the result of rate case settlements and compliance filings. Rate case settlements, in particular, represent compromise solutions reached between TSPs and their customers often reflecting unique operating conditions. Developing a “one size fits all” solution isn’t currently possible. The Model represents significant compromise of individual company and segment viewpoints and is as far as GISB can go in standardizing intraday nomination procedures without impacting existing services and settlements.

The 10 A.M. Intraday Nomination Timetable Is A Compromise

The relationship between the 9 AM start of gas day and the local peak hour, as that relates to scheduling process, is just one of the issues that is challenging. If capacity is available and confirmations can be made, gas should flow as soon as possible. An eastcoast LDC may prefer an intraday nomination opportunity that either coincides or precedes 9 AM because its peak hour is 8 AM (before the start of the gas day). A westcoast LDC may prefer a later time because its peak occurs at 11 AM. The 10 AM intraday nomination deadline represents a simple compromise.

The GISB Model Strikes A Balance Between Service Degradation And Grid Wide Consistency

While some might view differing bumping practices as the biggest impediment to developing “Grid Wide” Intraday nomination efficiency, the key finding of the Intraday Task Force is that the lack of timing and coordination(sync up) between TSPs, presents the biggest impediment. If two interconnecting TSPs have inconsistent intraday nomination and confirmation practices, the intraday rights of the shipper (whether bumping or otherwise making changes) may be meaningless, and, as a result, gas may not flow. To correct this inconsistency, the Model provides three “sync up” times (in addition to the 11:30 AM timely nomination deadline) at which gas may be moved across the interconnected grid.

Some shippers may view the timing of certain intraday timeline events as a degradation of service because the TSPs on which they receive service may currently provide for those events at a more advantageous time. Developing a grid wide model necessitates an attempt to reconcile timing differences. Ultimately, the best place to determine the appropriate balance between “Degradation of Service” and “Grid Wide Consistency” concerns may be the individual compliance filings. While accommodations for unique operating circumstances may be needed, they should not materially impact grid intraday standards. The sync up times are key and they must be hard and fast.

Bumping

Even though many TSPs do not accommodate bumping on intraday nominations, the ability to synchronize across the grid will make bumping a more common occurrence. Because the sync up times improve the interconnectivity of the grid, flow disruptions will also be more prevalent, even on those TSPs that do not bump. As a result, the conflict between the rights of firm shippers and respect for flowing gas becomes the next great impediment to a “one size fits all” solution.

If intraday nominations were for available capacity alone, disruptions to flowing gas as a result of such nominations would be minimal. In recent years, the Commission has recognized that in some cases, firm capacity holders can displace interruptible shippers so long as notice is provided to the “bumped” parties. The Model respects the notice concept. While there appears to be a considerable lag between the time a nomination that could cause a bump is placed and flow of that gas commences, it is a reflection of a desire to provide effective notice to the bumped parties. The untimely and two intraday nomination cycles strike a balance by requiring a delayed flowing time to allow bumped shippers to reschedule volumes. A supplier may lose a market due to intraday nomination that results in a bump, but it has the opportunity to reschedule. The Task Force explicitly recognized that it would be unfair to allow a shipper to be bumped without an opportunity to make alternative arrangements. The lag also accommodates varied processing times and the time required to ensure that revised scheduled volume reports are provided. The task force agreed that the final grid wide intraday nomination opportunity be “no bump” because there is no other intraday sync up time provided by the Model before the next gas day.

It would perhaps be a cleaner industry wide solution to standardize at one extreme or the other. However, if a standard is created that requires all scheduled gas to always flow for the entire gas day, if firm shippers can schedule gas at any moment with an absolute call on capacity, then the interruptible market becomes much less reliable and perhaps unreliable. Some argue that this may create a degradation to the timely nomination timeline. A shipper with an absolute call on capacity may wait until the last possible minute to place a nomination. If this nomination causes a bump, the disruption could be grid wide. Structure and predictable results are key to making the grid wide process work. It is by design that an intraday nomination that causes a bump (whether it is received as an untimely nomination or by the 10 AM intraday nomination deadline) does not flow until 5 PM. The Model guarantees bumped parties 8 hours of flow and bumping parties 16 hours of flow.

The Model also recognizes that some parties have an operational need to create an incentive for shippers to submit timely nominations by the 11:30 AM deadline. Otherwise, the shippers may simply wait to submit their nominations. The incentive inserted into the Model is that shippers who place untimely nominations are not guaranteed flow at the beginning of the gas day for a TSP that employs bumping.

UNADDRESSED ISSUES

These issues are still being discussed and more time is needed for the task force to them:

No-Notice Service

Another complication is between two classes of firm transportation: notice and no-notice. No-notice transportation has inherent intraday rights coupled in most cases with the ability to have a flowing receipt delivery imbalance. To the extent that notice shippers can place unlimited grid wide intraday nominations, the distinction between notice and no-notice services begins to disappear. This may have unintended cost shifting and ultimately contracting consequences.

Continuous Versus Batch Processing

One of the most complex problems concerns the ability of TSPs that now continuously process nominations to switch to a batch process. At a certain level, it seems that so long as the continuous TSP “sync’s up” with batch TSPs, then the two scheduling models can co-exist and no switch would be necessary. Those that believe that a switch from continuous to batch is a degradation of service might make this argument. If capacity is available, then co-existence does seem workable. When a bump has to take place, co-existence appears to unravel. There appear to be inconsistent notice parameters between the two models.

Others may similarly argue that a continuous scheduling model simply exceeds the grid wide standard of batch processing. If exceeding standards causes an inconsistency in the grid, then it may be detrimental to shippers on interconnected TSPs and therefore should be approached with extreme caution. A compromise might be for TSPs that schedule continuously to continue to do so for on-system intradays, but batch for grid wide intraday nominations. This approach may, however, lead to complex capacity allocation issues.

Rollover Versus No Rollover

Current standard 1.3.13 does not allow rollover options for intraday nominations. The task force grappled with this issue due to the unnecessary administrative burden on shippers that want to submit intraday nominations for a longer date range than one day, and transportation service providers that want to accommodate. In fact, a number of transportation service providers that formerly supported rollover options were required to change to a no rollover environment as a result of standard 1.3.13. In order to streamline the process, many felt that intraday nominations should allow for the ability to nominate for several days, months, or years, similar to the timely nomination process.

“One” Intraday Nomination

Current standard 1.3.10 provides that at “at least one (1) intra-day nomination can be submitted” This should be clarified so that parties are not confused over its meaning. Shippers need the ability to make changes to multiple receipt points and/or multiple delivery points in the same nomination transmittal in order to stay in balanced on the TSP. The group attempted to clarify that “one” nomination allows for changes to multiple receipt/delivery points for at least one nomination transmittal per contract; but, failed to reach consensus.

This issue is still on the table and needs to be clarified in order to streamline transactions across the grid.

TIMING TO THE EXECUTIVE COMMITTEE

The Model will be submitted for consideration and approval by the Executive Committee at its November 11, 1997 Meeting.