

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 to work on and test the Proposed Compromise Model, (“Model”) which is posted on the GISB Website and attached as Appendix A. The Model is a “strawman” developed for purposes of moving forward, while recognizing that many of the issues raised by the Model have yet to be resolved by the Task Force. 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 is a base framework and should not be misinterpreted as a final agreed upon work product. Resolution of the unresolved issues may indeed effect key concepts currently presented in the Model. The Model (including the times specified in 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”) and confirming parties 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 scheduled its entire system. The Model adds three nomination cycle opportunities to the existing timeline following the existing Timely Nomination schedule. There is one “Untimely Nomination²” that is available to schedule gas for flow

¹ All times are set forth in Central Clock Time.

² Also referred to as a Type II intraday.

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the next gas day and two “Intraday Nomination³” cycles for scheduling gas during the actual gas day.

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 untimely or 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 Model 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 to 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

³ Also referred to as a Type I intraday.

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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 day⁴.

If the gas does not flow until 5 PM, the bumped party will still receive 8 hours of scheduled service (one-third of the gas day). The bumping party will be able to schedule 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 Cycles and thus mitigate the effect of the bump, having gotten as much as 12 hours notice 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 to 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, providing 4 hours notice to the bumped parties.

Again, if a party is bumped as a result of the First Intraday Nomination Cycle, a bumped party will still receive 8 hours of scheduled service (one-third of the gas day). The bumping party will be able to schedule 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 to 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.⁵ As a result, gas will be scheduled only if there is available capacity.

⁴ Some parties believe that gas scheduled during the untimely cycle should have the opportunity to be scheduled to flow at the start of the gas day (9AM), regardless of whether a bump is involved or not. The Task Force is attempting to provide the choice for a TSP to bump scheduled gas in the untimely cycle to be effective at 9AM rather than 5PM as currently shown in the model.

⁵ 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 compromise that, once tested, we believe could be further developed and become 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 scheduled across the grid.

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Some parties have a concern about the effect of 5PM and 9PM flowtimes. In some cases, these may result in physical changes being required under less than favorable night time operating conditions.

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

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 flowing interruptible shippers during the gas day 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 both have the opportunity to reschedule. Some on the Task Force believe 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 quantity reports are provided. Many on the Task Force felt that the second grid wide intraday nomination opportunity should 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 and 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, some argue, 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 scheduled flow and bumping parties 16 hours of scheduled 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.

KEY OPEN ISSUES

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.

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 coexist 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 coexistence does seem workable. When a bump has to take place, coexistence 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 of intraday (i.e. multiday) nominations. The task force is grappling with this issue due to the 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 feel that intraday nominations should allow for the ability to nominate for a specific date range, be it 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) intraday 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 balance 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.

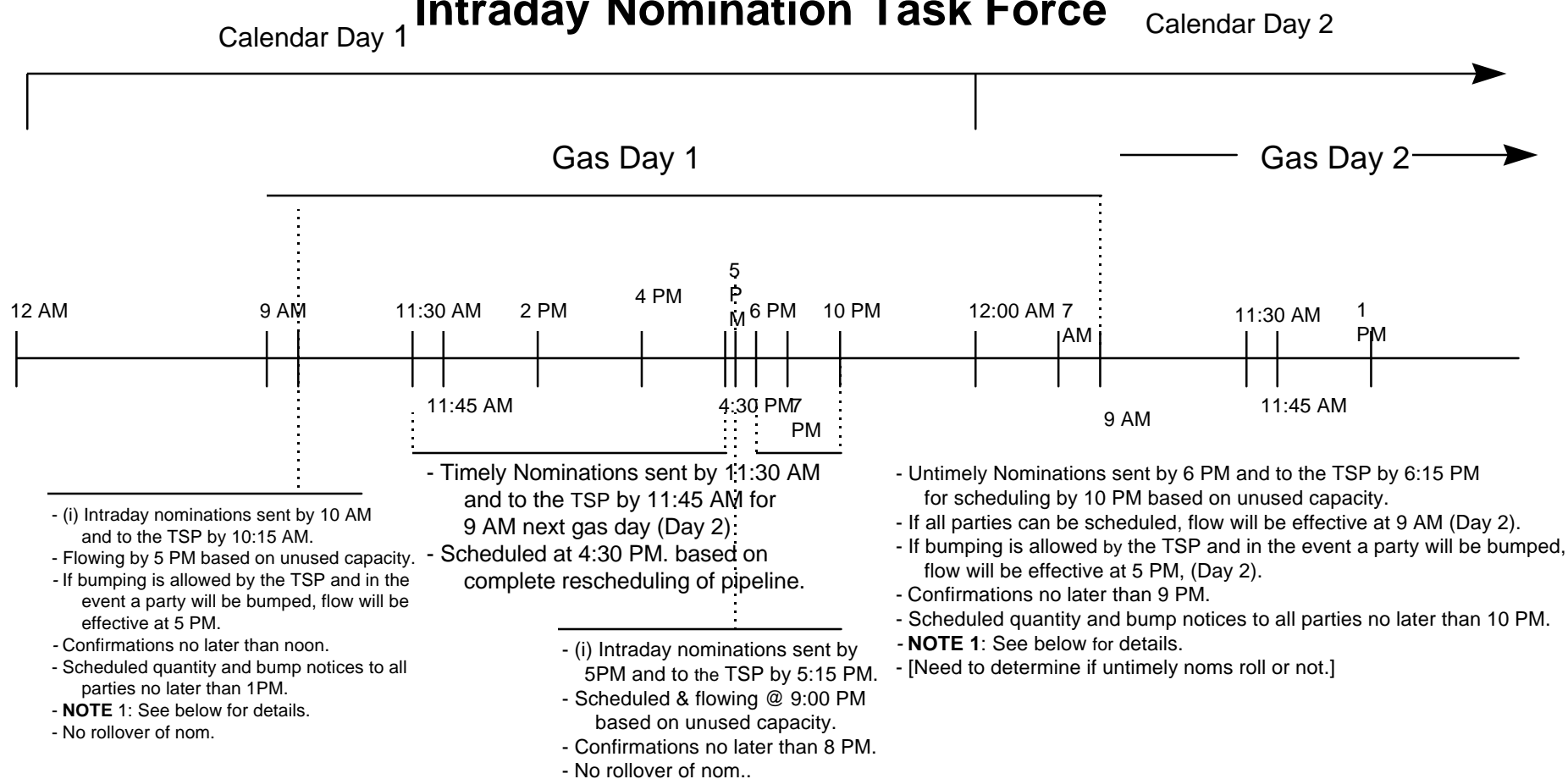
TIMING TO THE EXECUTIVE COMMITTEE

The goal of the Task Force is that Standards will be submitted for consideration and approval by the Executive Committee before the end of 1997 .

Proposed Compromise Model

(as Modified 8/14/97)

Intraday Nomination Task Force



- (i) Intraday nominations sent by 10 AM and to the TSP by 10:15 AM.
- Flowing by 5 PM based on unused capacity.
- If bumping is allowed by the TSP and in the event a party will be bumped, flow will be effective at 5 PM.
- Confirmations no later than noon.
- Scheduled quantity and bump notices to all parties no later than 1 PM.
- **NOTE 1:** See below for details.
- No rollover of nom.

- Timely Nominations sent by 11:30 AM and to the TSP by 11:45 AM for 9 AM next gas day (Day 2):
- Scheduled at 4:30 PM. based on complete rescheduling of pipeline.

- (i) Intraday nominations sent by 5 PM and to the TSP by 5:15 PM.
- Scheduled & flowing @ 9:00 PM based on unused capacity.
- Confirmations no later than 8 PM.
- No rollover of nom..

- Untimely Nominations sent by 6 PM and to the TSP by 6:15 PM for scheduling by 10 PM based on unused capacity.
- If all parties can be scheduled, flow will be effective at 9 AM (Day 2).
- If bumping is allowed by the TSP and in the event a party will be bumped, flow will be effective at 5 PM, (Day 2).
- Confirmations no later than 9 PM.
- Scheduled quantity and bump notices to all parties no later than 10 PM.
- **NOTE 1:** See below for details.
- [Need to determine if untimely noms roll or not.]

- The above nomination opportunities represent times which a shipper can expect to be supported by TSP's and all confirming parties for synchronization across the N. American pipeline network (GRID).
- "Unused" capacity means additional pipeline capacity available for scheduling as determined by the TSP.
- The "scheduled quantity and bump notices" means that the response from the TSP is in the Shipper's designated site by the time stated above.
- **NOTE 1:** GISB takes no position on whether a pipeline bumps or not. This NOTE 1 is applicable to TSP's that have chosen to allow intraday bumping. These bumping opportunities are to be determined by the TSP and its customers and as necessary, through regulatory filings.