

TO: GISB
FROM: Dolores Chezar, KeySpan
RE: Comments- Order 636 Priority Action Items 1 and 2
Date: December 8, 2000

KeySpan submits the following comments on Order 637 Priority Action Items 1 and 2 Revised. KeySpan supports Executive Committee approval of revised or new GISB Standards 5.3.2; 5.3.7; 5.3.31; 5.3.32; 5.3.35; 5.3.36; 5.3.41; 5.2.z1; 5.3.z1; and 5.3.z2. These proposed revisions or new standards represent a major first step in achieving one of the goals of Order 637 that of making capacity release transactions comparable to pipeline service offerings. We would also like to thank the Chairs of the BPS for their extraordinary efforts since September to produce these recommendations.

KeySpan does however have concerns with proposed revised standard 5.3.6; and with proposed new standard 5.3.z3.

Proposed Revised Standard 5.3.6:

- **“Recall terms should be agreed to in advance between the releasing and acquiring shippers.”**

While KeySpan has no objections in principle with this language, and has and will continue to provide notice to acquiring shippers as to whether the capacity is recallable, we do have concerns with suggestions that this is all that is needed to deal with recalls. More specific standards are necessary so that the pipelines will have the necessary procedures in place to effectuate a recall. As is the case today, an acquiring shipper always has the option not to bid on a recallable release. In order for a prospective acquiring shipper to determine whether or not to bid on a capacity release package the recall conditions must be clearly stated in the posted notice.

KeySpan suggests the following revision:

“Recall terms, if any, should be clearly identified in the posted capacity release notice and should indicate whether the release is subject to a full or flowing day recall.”

- **Proposed Timelines:**

(1)“Evening recall notice should be provided to the TSP and the acquiring shipper no later than 1:00 P.M. and 1:15 respectively, Central Clock Time on the nomination day such that the releasing shipper may place an evening nomination for the next day’s gas flow.”

(2)“Flowing day recall notices effective for the Intraday 2 nomination cycle should be provided....”

In establishing timelines for recall notices it is necessary to take into consideration the actual recall requirements of the releasing firm shipper. Recalls will most likely only be used in situations where a marketer (who has taken an assignment of the LDCs' firm capacity to serve firm customers) fails to deliver sufficient quantities to satisfy its firm obligations behind the releasing shipper’s city gate. Two real world scenarios may help explain KeySpan’s suggested modifications to the proposed recall timeline.

Scenario One: At 3:30 PM CCT, the day before the gas is scheduled to flow, the LDC (releasing shipper) receives from the pipeline the Marketer’s (replacement shipper) volumes to confirm. The LDC compares that volume to what the Marketer (serving firm customers behind the city gate) is required to deliver. At that point, if the confirmed volumes are lower than what is required, the LDC may need to recall the capacity and place an evening nomination to make up any difference for flow at the start of the tomorrow’s gas day.

Scenario Two: At some point during the gas day, the LDC is notified that the pipeline is reducing volumes delivered by the Marketer. In order to have sufficient volumes to meet expected daily requirements or peak needs (which is generally between 6 AM and 8 AM CCT) the LDC may need to recall the capacity on a partial day basis and place an Intraday nomination.

KeySpan suggests the following changes:

Evening Recall Notice: **Change “1:00” to “4:00” and “1:15” to “4:15”**

Intraday Recall Notice: Replace the proposed standard with the following:

“Flowing Day Recall notices effective for the Intraday 1 and 2 cycles should be provide to the TSP and the acquiring shipper within one hour of the notification by the pipeline that a replacement shipper’s flowing scheduled volumes to the releasing shipper’s primary delivery point(s) are being reduced. Recalling shippers should be provided an opportunity to make a nomination at the next available Intraday nomination cycle.”

“Flowing Day Recalls are only available in instances where a replacement shipper’s scheduled firm volume is reduced by the pipeline at the releasing shipper’s primary delivery point(s).”

Proposed New Standard 5.3.z3: “Where a Flowing Day Recall has been issued and made effective, volumetric charges, including commodity charges, should be billed to the parties that utilize the capacity.”

KeySpan does not object to what it believes is the intent of the proposed new standard. However, the language is confusing and unclear as to what is meant by “volumetric” and “commodity” charges. On one of our pipelines, the “volumetric” charge is made up of fixed A&G and other costs that are allocated to the services and rate zones on a volumetric basis rather than on a mileage basis – hence the “volumetric” label. The following proposed revision replaces the confusing rate terminology with what is generally the standard.

Proposed KeySpan revision:

“ Where a Flowing Day Recall has been issued and made effective, applicable usage and fuel charges should be billed to the parties based on their actual use of the capacity.”