



North American Energy Standards Board

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TO: NAESB Managing Committee, Posting for Interested Industry Participants
FROM: Rae McQuade, Executive Director
RE: Conference Call Regarding Request R03035: Gas Quality and Recent Actions
DATE: February 9, 2004

**NAESB Managing Committee Conference Call
February 10, 2004, 2:00 p.m. to 3:00 p.m. Central**

Dear Managing Committee –

Please join a conference call on February 10 at 2:00 pm Central, to consider the disposition of request R03035. The conference calling instructions have already been emailed to you. This is an open meeting and the Board and Executive Committee members have also been invited. Below is background and related information.

BACKGROUND:

The Triage Committee met earlier this month and addressed portion of the request R03035 and forwarded its recommendations to the Executive Committee (EC). It found two of the three parts of the request within scope. The third part was referred to the EC for consideration without a scope recommendation. The EC met late last week and recommended that the request was outside NAESB's scope. While not all quadrant votes are in yet, the wholesale gas quadrant met quorum requirements and voted in out of scope. A request is found within scope only if all quadrants through a simple majority vote determine that the request is within scope. Should the EC recommend that a request is out of scope, it is remanded to the Board and Managing Committee for final determination.

NAESB's scope is cited in the NAESB Certificate (Article 2):

- **“Section 1.** The objects and purposes of NAESB are to propose and adopt voluntary standards and model business practices designed to promote more competitive and efficient natural gas and electric service, as such standards apply to electronic data interchange (“EDI”) record formats and communications protocols and related business practices that streamline the transactional processes of the natural gas and electric industries.”

It should be noted that in March 1996, GISB, the precursor of NAESB, filed with the FERC a set of business practice standards, and in that filing so noted with regard to gas quality that:

- (page 24 of Volume 1) “Work will commence after January 1, 1997 on the following issues: 2.37 – Gas Quality Reporting, 3.35 – GRI – Customer Education, 4.24 – Work space for batch work in progress, 5.46 – Include 100% load factor tariff provision, 5.50 – contingent bids, 5.52 – Title to Gas in Released Storage, 5.53 – disclosure of minimum conditions associated with a release.
- (page 38 of Volume 1) “Upon review of these proposals, the Executive Committee has adopted the principles and standards (collectively, the “standards”) set forth in sections B and C below. The Executive Committee has also identified several issues requiring further examination: standard resolution of imbalances, penalties and cashout; reallocation; difference between transporter to shipper allocations and scheduled quantities; multi-tiered allocations and title transfer; and gas quality reporting.”



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In addition, on November 10, Chairman Wood sent a letter to the organization and in that letter, noted: "In addition, I find it quite important to resolve LNG gas quality standards, as LNG is an important element of our natural gas supply and, in some areas like Maryland, feeds directly into the market area with little opportunity for commingling."

Also, you should be aware that several trade associations are working on related issues regarding gas quality, including an industry collaborative effort outgrowth from the Natural Gas Council. In addition, the FERC is holding a technical conference on a related topic – gas interchangeability on February 19. NAESB will make a presentation at that meeting regarding the process used by NAESB to develop standards.

Supporting documents have been posted for this conference call including the request itself, the triage committee minutes and voting record, and the Executive Committee minutes and voting record. They can be found on the NAESB web site on the page reserved for the Managing Committee: (http://www.naesb.org/managing_committee.asp).

Best Regards,

Rae McQuade