

**JOINT COMMENTS OF SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT, ARIZONA PUBLIC SERVICE
COMPANY, MIDLAND COGENERATION LIMITED PARTNERSHIP, AND
NEW ENGLAND POWER COMPANY**

To: GISB Executive Committee

Salt River Project (“SRP”), Arizona Public Service Company (“APS”), Midland Cogeneration Limited Partnership, and New England Power Company, active end-user participants in the Report prepared by the Intraday Nominations Task Force, and representatives of the End User Segment to the GISB Executive Committee (hereinafter “Indicated End Users”) submit the following comments with regard to certain of the Intraday Committee Contentious Issues, dated December 5, 1997, and appended as Attachment 4 to the Report.

Issue 1: Where a firm nomination precipitates a bump during the nomination cycle starting at 6:00 PM, whether flow will be effective at 9:00 AM or 5:00 PM the next gas day.

Indicated End Users fully support Standards Proposal 1.3.2.ii which establishes that scheduled quantities resulting from an Evening Nomination be effective at 9AM on gas day. Those who argue that bumps should only be effective at 5:00 PM the next gas day are concerned that a 9 AM effective time would require them to expand operations to accommodate possible late evening purchases and rescheduling by bumped parties. These concerns were debated in both the Standards Language Committee and the Task Force, and ultimately resulted in the adoption by the Task Force of Standards Proposal 1.3.2.ii. On a revote of the 5 PM issue at the final Task Force meeting on December 5, 1997, the Standards Proposal was reconfirmed with three of the segments failing to register any votes for the proposed change. Key arguments supporting a 9 AM effective time include the following:

1. GISB Standard 1.3.4 provides that “[a]ll parties should support a seven-days-a-week, twenty-four-hours-a-day nominations process,” and reflects industry recognition that the nomination process “is dependent on the availability of affected parties’ scheduling personnel.” The minority position is inconsistent with existing GISB standards and contrary to the multi-cycle direction that the pipeline industry is moving towards.
2. The Commission’s policy is clear that in return for their payment of fixed demand charges “firm shippers should have the right to submit an intra-day nomination on the day prior to gas flow and have that nomination become effective at the start of the gas day, rather than eight hours later.” NOPR at 22-23.
3. Contrary to the arguments of the minority, allowing a firm intra-day nomination which bumps to take effect at 9 AM will not create a disincentive for firm shippers to submit Timely noms at 11:30 AM. First, the Commission has recognized that “firm shippers do not appear to have an obvious incentive to purposefully delay their initial

nominations or to submit nominations not based on their best assessment of their needs, at the time, for the next day.” NOPR at 24-25. Second, there are many reasons why customers require the flexibility to schedule after the first timely nom. As electric utilities, for example, SRP and APS daily nominations are driven by the need to meet the changing weather demands on their systems (which can vary by as much as 40 degrees), not by whether an evening bump will allow them to “put off” a reasonable nomination. There is no basis to penalize such companies by preventing them from obtaining their requisite supplies at the start of the gas day.

4. Bumping is necessary only on pipeline systems that are constrained, and is designed to provide firm shippers with a second opportunity to schedule the capacity for which they have paid. Delaying the effectiveness of their flow for an entire gas day will only devalue firm capacity, thereby fueling the unsubscribed capacity problems already facing the gas industry. Shippers who are concerned with being bumped have other options including purchasing firm capacity (and nominating at the Timely cycle), or purchasing released firm capacity and obtaining the scheduling benefits associated therewith. See NOPR at 23.

Issue 4: Whether in the absence of communication between TSPs during the confirmation process, the requested quantity should be the new confirmed quantity.

Indicated End Users oppose any effort by GISB to adopt standards which condone inaction by TSPs (jurisdictional or nonjurisdictional) in response to a request for confirmation during the intraday nomination/confirmation process, thereby denying a firm shipper **who has properly arranged for the purchase and transportation of its supplies** the ability to meet its increased demands. As currently written, GISB Standard 1.3.22 requires that “[a]t a receipt or delivery point, the lesser of rule (confirmed or nominated flow) applies when confirming. If no communication is received, the lesser of the new nomination or previously scheduled quantity applies.”

Proposed Standard 1.3.22.i-iv would completely replace the existing language, but maintain the lesser of rule in situations where there is no communication. Proposed Standard 1.3.22.i would restate the rule, while Proposed Standards 1.3.22.ii and iii would apply the lesser of rule to intraday requests for increases and decreases, respectively. Specifically, 1.3.22.ii would require that where a shipper requests an increase during the intraday nom process and there is no response to a request for confirmation or an unsolicited confirmation response anywhere along the chain, the previously scheduled quantity should be the new confirmed quantity.

Communication among all participants in the transportation chain is essential to a successful intraday nomination process. To insure that these lines of communication are constantly open, GISB Standard 1.3.4, discussed above, recognizes that the reality of the pipeline industry is that the natural gas nominations and scheduling process is not a nine to five job. Someone needs to be available at all times to respond to nomination and scheduling requests, inquiries and problems. Communications between scheduling parties

always has been important; now, with an industrywide bumping policy, communication is essential.

But contrary to GISB Standard 1.3.4, Proposed Standard 1.3.22 recognizes “no communication” as an anticipated event and condones “no communication” as appropriate conduct. In so doing, Proposed Standard 1.3.22 undermines the principle that communications between interconnecting pipelines is essential to the scheduling and confirmation process. Since parties involved in this process are supposed to be available on a twenty-four hour basis, there is no reason for the absence of communication from an upstream TSP and therefore no need to provide for the “no communication” scenario; not to mention any basis for rewarding a non-communicating pipeline via a “lesser of rule.”

The inclusion of the “no communication” scenario is problematic for shippers. The failure of an upstream TSP to communicate with the downstream TSP in situations involving a nomination increase automatically triggers the “lesser of the confirmation quantity or the previously scheduled quantity” rule, preventing a shipper from receiving his increased nomination. The application of this rule is particularly offensive when applied to an intraday nomination (affecting more than one pipeline) made on the evening of scheduling day. For example, in the new bumping world, if a firm shipper submits an intraday nom to its TSP to increase its previously scheduled nom on the evening of scheduling day and lines up and confirms the necessary supply with its producer or marketer, the firm shipper should be able to rest assured that its new nom will in fact flow at 9 AM on flow day. In theory, a shipper’s confidence level in the flow of its new nom should even be heightened if the shipper knows that its producer or marketer is a firm capacity holder on any affected upstream TSPs. Despite the fact that the firm shipper has taken all the necessary steps (i.e., communicated with its supplier and immediate TSP) to insure the confirmation and reliability of its increased nom, if for some unexpected reason an upstream TSP or another party in the chain of custody (probably unknown to the shipper) fails to communicate with the downstream TSP, the “lesser of rule” dictates that the firm customer will not receive its requested increase.

Indicated End Users recognize that legitimate reasons could result in the rejection or modification of an intraday nom, but in those instances communication dictates the outcome, not the absence of communication. Our concerns are not related to situations where the TSP for operational or supply reasons cannot confirm the requested nom or needs to modify it. Rather we are concerned solely with GISB endorsement of a “no communications” scenario. With today’s technology, there is no excuse for “no communication” and thus no reason for GISB standards and/or TSP tariff provisions to condone such inaction.

The proposed replacement to Proposed Standard 1.3.22.ii and iii, which is supported by Indicated End Users, among others, would correct this inconsistency and inequity. It would provide that if there is no response to a request for confirmation or to an unsolicited confirmation response, the requested quantity should be the new confirmed quantity, but, in any event, no less than the elapsed

prorated scheduled quantity (defined in Proposed Standard 1.3.22.iv). Moreover, the replacement language makes clear that TSPs may unilaterally change scheduled quantities when necessary for safety or to maintain the operational integrity of their systems.

For the above reasons, Indicated End Users seek your support for this measure. Its adoption by GISB will send an important message to the gas industry that communication among service providers is critical to the success of an integrated and seamless North American grid, and that no less is expected.

Respectfully submitted,

By Joel L. Greene

Joel L. Greene
Energy Advocates LLP
1225 Eye Street NW, Suite 1225
Washington, DC 20005
Counsel to **Salt River Project**

Kelly A. Daly
Morrison & Hecker, LLP
1150 18th Street NW, Suite 800
Washington, DC 20036
Counsel to **Arizona Public Service Company**

Lee Smith
Vice President Gas Supply
Midland Cogeneration Venture Limited Partnership
100 Progress Place
Midland, Michigan 48640

Kristine Mespeli
Fuel Analyst
New England Power Company
25 Research Drive
Westborough, MA 01582

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