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PipeLines**

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VIA FAX: (713)757-2491

Gas Industry Standards Board (GISB)  
1100 Louisiana Street, Suite 4925  
Houston, Texas 77002

**Re: Request for Industry Comments on Proposed Standards  
Intra-day Nominations Standards**

Attention: Ms. Rae McQuade, Executive Director

Dear Sirs,

TransCanada PipeLines Limited (TransCanada) has concerns regarding the potential negative impact of GISB's proposed intra-day nominations standards. TransCanada supports the objectives of: (a) reducing the time between nomination and flow, and (b) increasing the number of opportunities each day for grid-wide nominations. However, there may be other alternatives that could accommodate these objectives in a more cost effective manner and provide the industry with a more stable foundation for the future.

**1. TransCanada's Concerns Regarding the Current Intra-day Proposal**High Cost

- There could be a substantial increase in staffing costs by many shippers and pipelines to accommodate the extended hours of operation. A 6:00 PM intra-day nomination (scheduled quantity by 10:00 PM) would require a second shift by many pipelines, shippers, etc..
- Significant computer systems changes will be required by many pipelines to accommodate incremental and overlapping scheduling cycles.

Operational Complexities

- There is inherent confusion and inefficiency in a model that has 4 nomination cycles for only 3 distinct flow periods. There is a built-in incentive for shippers to delay nominations from the 11:30 AM (Timely) cycle until 6:00 PM since shippers would, whenever possible, wait and utilize the most current market information. We note that a large portions of nominations are currently received within 30 minutes of the deadline for these reasons.
- Grid-wide synchronization of intra-day nominations is not assured. Operational complexities and uncertainties would occur as a result of the differences in the various business practices across the grid (e.g.. non-FERC regulated entities may not have bumping provisions). This could potentially result in confirmation disputes and under-utilized pipeline capacity.

- There would be grid-wide uncertainty regarding the use of interruptible services as scheduling changes (cuts) could occur on 2 of the 3 intra-day cycles.
- Overlapping nomination cycles could create confusion with respect to the intent of a shipper's nomination.

### Inconsistent with Long Term

- A longer term approach should be considered which would address firm shippers' grid-wide flexibility requirements in a more orderly process. For example, a firm shipper would have more flexibility than with the proposed model if each grid-wide synchronization time was a full rescheduling cycle (for a shorter period).
- Given the grid-wide operational complexities in this model, future changes to accommodate the long term objectives to reduce the time from nominations to flow and increase the number of nomination cycles each day could be unworkable. Thus, any computer system changes to accommodate this model may only have short term value.
- Given the costs, operational complexity and shorter term approach of this model, non-FERC regulated entities are less likely to voluntarily become fully compliant with these standards. Consequently, the objective of full grid-wide synch-up is less likely to be realized.

## **2. Improvements to the Intra-day Model**

While TransCanada does not agree that the proposed model is the best for the industry, it is recommending the following improvements that would reduce hours of operation, costs and confusion:

- The 6:00 PM intra-day nomination cycle should be eliminated and the Timely cycle should be moved from a start time of 11:30 AM to 3:00 PM. Key benefits include:
  - Reduced complexity and confusion since there would be 3 nomination cycles for 3 distinct flow periods (i.e., less overlap of cycles, increased incentive to nominate timely).
  - Firm shippers would have an additional 3.5 hours to nominate for a full rescheduling process.
  - Reduced hours of operation.
- The 5:00 PM intra-day cycle should be moved to 4:00 PM to reduce the hours of operation and increase the time shippers have to react to the Scheduled Quantity to 1 hour (the current proposed model has the effective flow and scheduled quantity for this cycle at the same time).

## **3. Recommended Long Term Model**

TransCanada recommends that the industry reconsider a full rescheduling model ("FRM") which was originally proposed to GISB in June, 1997. Under FRM, the Gas Day would be divided into two or more discrete scheduling periods (for example: two-twelve hour periods or four-six hour periods). Pipeline capacity would be fully rescheduled and reallocated for each of these discrete periods.

Under the proposed GISB model, capacity is initially scheduled for a 24 hour period, but can then be revised 3 times. In our view this has the potential to create unnecessary

confusion and uncertainty, particularly with respect to interruptible services which can be first authorized for 24 hours and then subsequently cut.

By comparison, FRM contemplates that capacity would be fully rescheduled for each 12 or 6 hour period. Once scheduled, pipelines, producers, shippers and consumers alike can count on the authorized volume of gas flowing. In our view this provides all segments with a much more orderly and certain approach to scheduling.

Additional features of an FRM approach are as follows:

- a. Interruptible shippers will have the certainty that, once scheduled for a period, their gas will not be bumped. Granted the scheduling period will be shorter (6 hours or 12 hours instead of 24 hours). However, TransCanada suggests that the benefits of scheduling certainty will far outweigh the "costs" of a shorter scheduling period. This approach also enables the industry to "price" interruptible capacity and gas on a shorter term basis which may better reflect actual hourly value of the service.
- b. Firm shippers would have full flexibility to nominate for the start of each 12 or 6 hour nomination period based on their service rights. This is an increase of flexibility versus that which would be available with bumping.
- c. Non-FERC regulated pipelines which do not have bumping provisions may be more likely to comply with the nomination standards. This should help to foster total grid-wide synch-up.
- d. On a longer term basis, incremental rescheduling periods can be added more easily while still preserving the basic concept of the FRM approach.
- e. No extra costs over the current proposal would be required for measurement or billing since the FRM approach still contemplates a 24 hour gas day for these purposes.

The following two examples illustrate how this concept could be phased in which would allow for a more orderly implementation.

#### Phase 1

Period 1:	Nomination due:	3:00 pm (18 hours before flow)
	Scheduled quantities complete:	7:00 pm
	Effective flow:	9:00 am - 9:00 pm (12 hours)
Period 2:	Nomination due:	10:30 pm (10.5 hours before flow)
	Scheduled quantities complete:	2:30 pm
	Effective flow:	9:00 pm - 9:00 am (12 hours)

#### Phase 2

Period 1	Nomination due:	6:00 pm (15 hours before flow)
	Scheduled quantities complete:	10:00 pm
	Effective flow:	9:00 am - 3:00 pm (6 hours)
Period 2	Nomination due:	9:00 am (6 hours before flow)
	Scheduled quantities complete:	1:00 pm

	Effective flow:	3:00 pm - 9:00 pm (6 hours)
Period 3	Nomination due:	1:30 pm (7.5 hours before flow)
	Scheduled quantities complete:	5:30 pm
	Effective flow:	9:00 pm - 9:00 am (12 hours)

If this model cannot be supported at this time by GISB, TransCanada recommends that GISB consider this approach in the development of a detailed long term nominations strategy.

Attached are 4 simplified diagrams of the above models which illustrate the improvements proposed herein versus the current proposal.

TransCanada appreciates the opportunity to present the above comments. If there any questions, please contact the undersigned at (403) 267-8606 or by email at ken\_schubert@tcpl.ca.

Yours Truly,

**TRANSCANADA PIPELINES LIMITED**

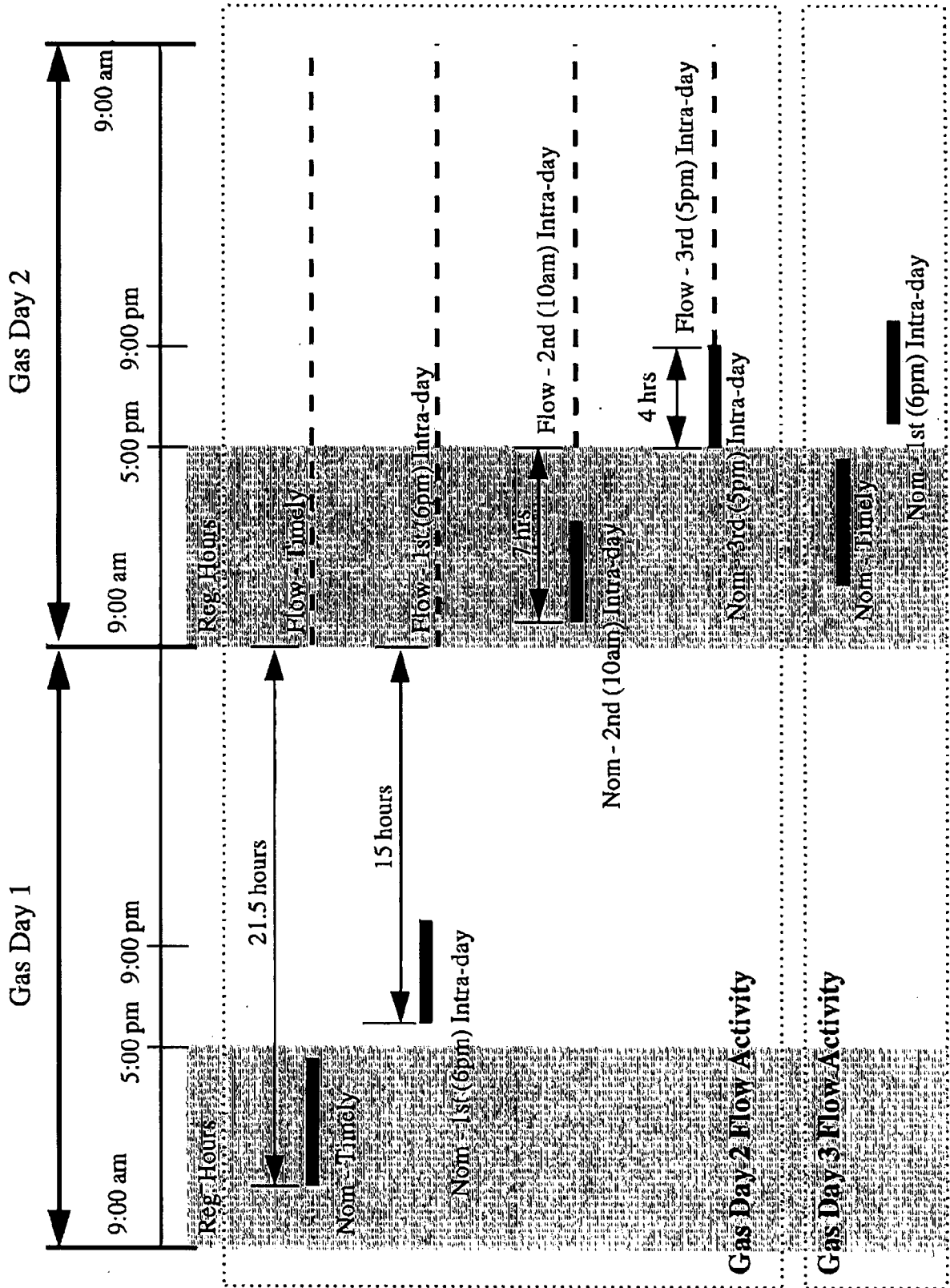


Ken Schubert  
Sr. Business Analyst

cc. Max Feldman, Steve Emond (TransCanada)

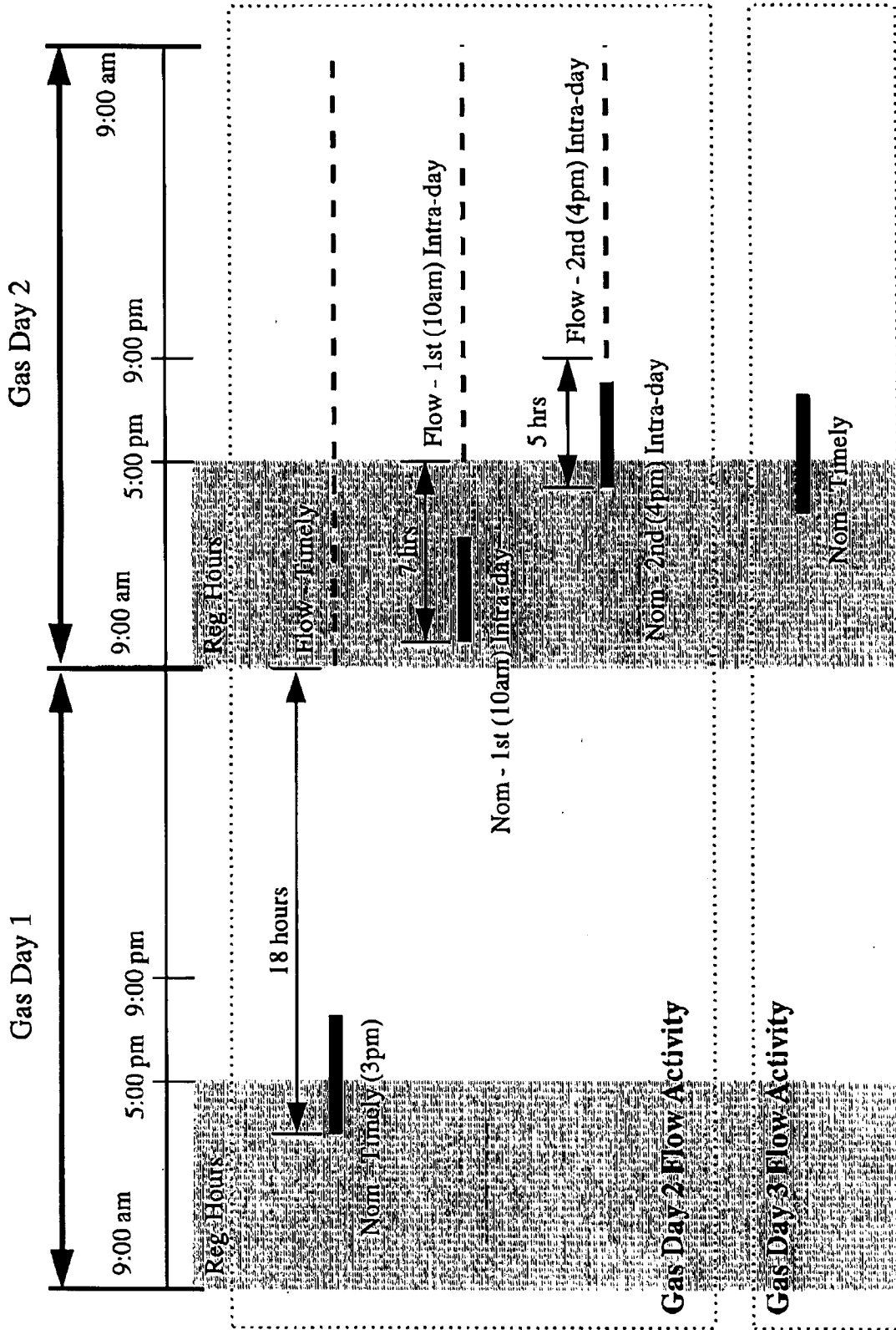
Attachments

# GISB's Proposed Intra-day Model



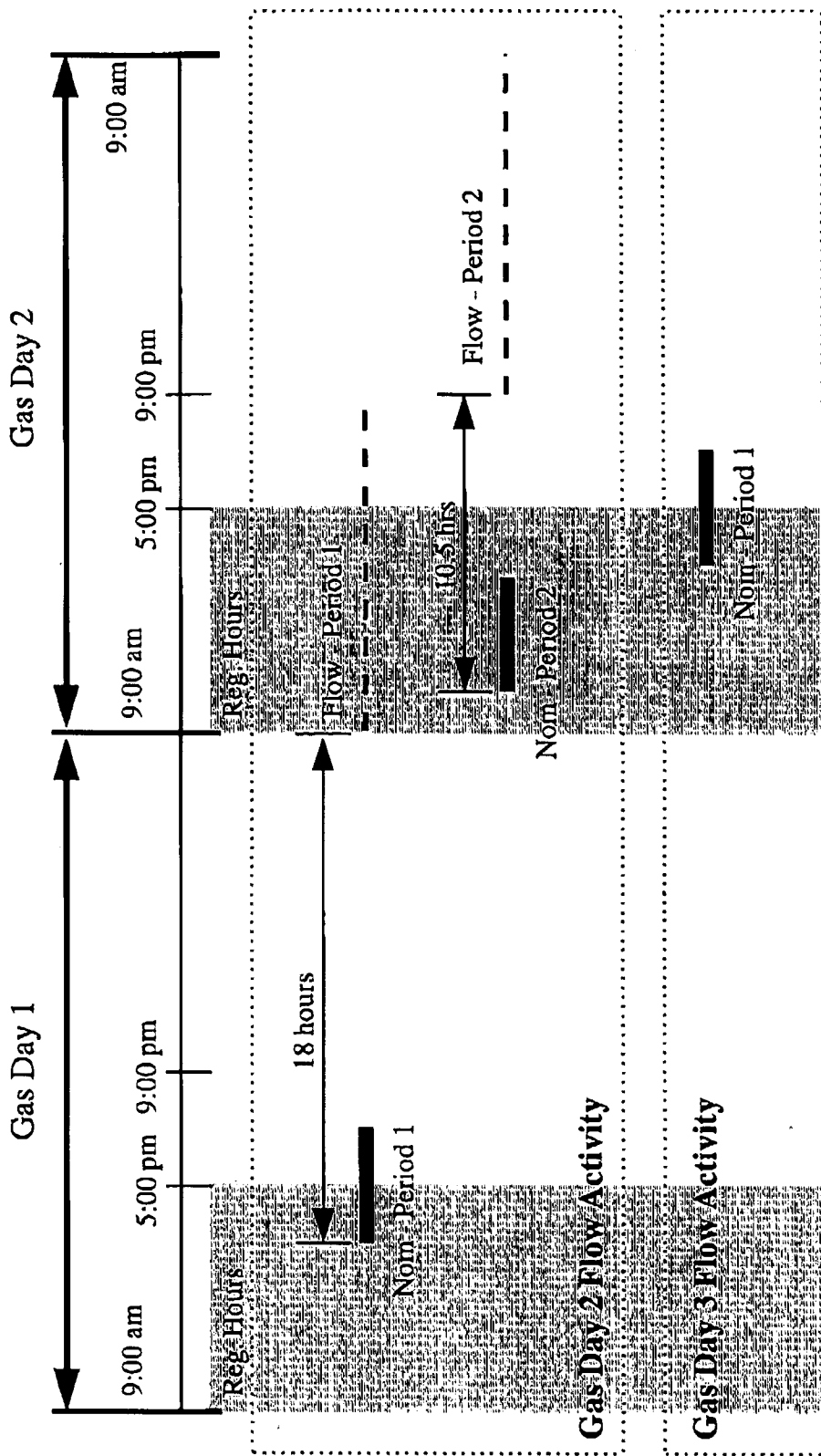
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# Proposed Modifications to Intra-day Model



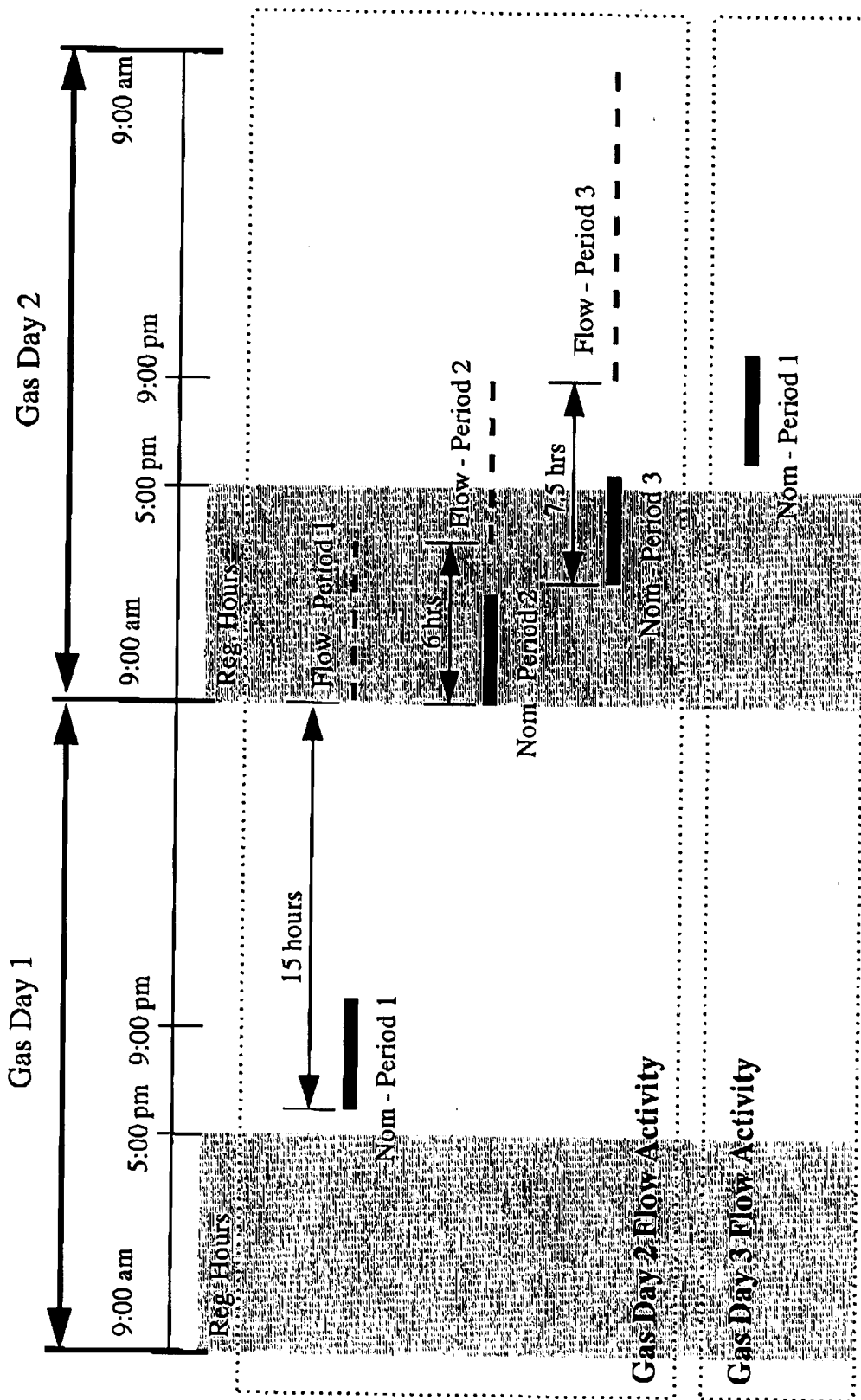
Note: All times are in CCT and "Nom" means from the Nomination deadline to the completion of Scheduled Quantities.

# Proposed Long Term Model (Phase 1)



Note: All times are in CCT and 'Nom' means from the Nomination deadline to the completion of Scheduled Quantities.

# Proposed Long Term Model (Phase 2)



Note: All times are in CCT and "Nom" means from the Nomination deadline to the completion of Scheduled Quantities.