

**Title Transfer Tracking  
Final Meeting Minutes  
Thursday-Friday, May 14-15, 1998**

**TTT Framework Questions:**

**A. The question was asked, "Does the TTT-PT-TF believe that the "Operator Model" and the "Account Model" title transfer tracking scenarios can coexist and effectively enable title transfer tracking?"**

Greg Lander replied, "They can coexist in 4 cases:"

1. Account model alone on TSP and doesn't charge
2. Account model alone on TSP with TSP charging – timing needs adjustments
3. Account and operator models on TSP
4. Operator model – default – if TSP doesn't want to do any tracking (i.e. doesn't want to set up account's).

Greg was asked the following questions:

1. Why does there have to be timing differences between the account model and the operator model if both are supported?
2. Why, if TSP is not supporting TTT is the operator model the only one that can exist?

Greg replied, "The TSP is the one who sets up the account in the account model and by virtue of that they are required to track the transfers between the accounts. Therefore, if they do not want to track titles, then they can only do it via the operator model."

"As to the timing – the only time both would be in operation would be if GISB determines not to adjust the timing for, TP Title Transfer Tracking Service Providers competing with Transportation Service Provider using the account model. You can accomplish the business results by recognizing that when the pipeline is charging for TTT, the 3<sup>rd</sup> party TTTSP is competing with the TSP to do the TTT. If the requirement is that the TSP has until 11:30 a.m. (referring to the Timely Nomination) to receive all information, then there is zero time for the 3<sup>rd</sup> party TTTSP to perform their tracking therefore, the TTTSP would have to back up from that time (11:30 a.m.) to obtain the information and then process so that they can pass it on to the TSP by the 11:30 deadline. This is a competitive disadvantage. The two times that TTT transactions leave control of TTTSR need to be the same. The level playing field can be achieved if, in the account model, the time for the 3<sup>rd</sup> party TTTSP to send information to TSP is later than 11:30 a.m.. The only other way to achieve that is for the operator model to be the model used and for the TP TTTSP to be treated as any other confirming operator on the TSP. However, the timing change evens out by having the TP TTTSP under the operator model begin confirmation at 12:30 instead of having the operator model TTTSP operate as a physical operator which has til 3:30. Either way will work, it just is easier for all concerned to move towards the 12:30 p.m. lockdown."

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Greg said, "Both models may support many TTTSPs at a given nomination location." Joe Bianchi asked, "If the TSP elects not to establish a separate DRN for the TTT business, how does the TSP confirm the physical quantity attributable to the TTTSP from that location? And with either model?"

Greg replied, "One DRN can be used if the DRN is sent as both the receipt location and delivery location. Next, a transaction type of, say "TTT" would be used to designate that this is a TTT transaction. In this example, the downstream contract could designate which TTTSP the transaction is for. This could also designate the downstream entity as the TTTSP party or the first purchaser of the gas within that TTTSP. There are actually many ways this could work, this is only an example for this particular case."

The following questions were posed working off a picture proposed by Dale Davis.

- 1) In order for gas to move into and out of a TTTSP, is it a two-way nomination (two transactions) that have to match? One being the Push from TTTSR1 to TTTSR2 and the other being a Pull from TTTSR1 to TTTSR2? Mr. Lander recommended yes to both questions.
- 2) Is it a nomination on a transport contract or on another type of contract, i.e. TTT contract? Mr. Lander recommended a TTT contract arrangement.
- 3) Does the account model support the business conducted between from TTTSR1 and TTTSR2:  
Push side: downstream party is TTTSR2  
Pull side: upstream party is TTTSR1

In the operator model, if you don't have to set up a separate DRN, how does that coexist at a given location where there may be separate accounts in the account model. Also, how does the operator model work at a given DRN when you already have a point operator that you have to confirm with? Mr. Lander replied, if you use the same DRN, with TTT transactions you would see CR from TTTSP based upon their contract with the TSP.

How does the priority of service get passed through the TTTSP?

Mr. Lander responded referring to the diagram and the three threshold questions on the meeting materials (framework questions), said the answers to the three questions could be, "If the answer to question A is Yes, the B is possible (yes) and therefore, so is C possible (yes)."

Gene Nowak asked, "Is the 'A' question coexisting at the same location contemporaneously?"

Diane responded, "It depends on how the pipeline chooses to support a particular model."

Ken Schubert stated, he would wanted more information regarding the title requirements for the account model.

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Greg said, "The operator model says that the TTTSP does not take title to the gas.  
Mr Lander stated that if this room said the only non-TSP administered TTT activity that can occur is where the TTTSP takes title, that it would be a restraint of trade..

Dale Davis stated, "In both models, the TTTSP is doing the accounting functions for the trades that go on. In the account model, the account holders have to have title and the TTTSP (be it the TSP or a third party) does not have to have title."

Greg said there are three fundamental questions:

- 1) Title?
- 2) Information up and downstream on the nomination?
- 3) How does the 3<sup>rd</sup> party TTTSP coordinate with the TSP?

Donna Scott said, "In the account model, when the TTTSP is an account holder with the TSP, then they have title. How do third party's get an account without having to take title if the requirement is on the TSP to ensure that the shipper has title to the gas they are shipping?"

Gene said, "Even in the account model, just because you have an account, you are only saying that you as the account holder you are responsible for knowing who has the title.

**Question A:**

**Does the TTT-PT-TF believe that the "Operator Model" and the "Account Model" title transfer tracking scenarios can coexist and effectively enable title transfer tracking?**

**A sense of room was taken concerning Question A:**

- 3 Yes**
- 2 No**
- 15 Don't Know Yet**
- 0 Abstain other than "don't know"**

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Discussion continued concerning clarification of the Operator model and the Account model responsibilities.

All the responsibilities in the account model (AM) exist in the operator model (OM) with an additional requirement in the OM being there is a specific arrangement between the TTT-SP and TSP.

Discussion continued on what are the distinctions between the OM and AM:

- Title
- Title representations
- Or no knowledge of “ownership”

The account holder within the TTTSP service requires a contract between that account holder and the TTTSP.

Rick Santerre initiated the discussion as to “should the account model agreement provide the ability for the account holder which is also a TTTSP to either take title or not.” No determination was made.

Greg Lander provided an explanation of TTT activity resulting in determination that TTTSP activity should probably occur on either side of physical interconnect rather than in the middle of the flange.

Based on Jerry’s list

	Account	Operator	Both: Note
1	Requires a contract between the account holder and TSP. There are responsibilities associated with having the account.	No account required between the TTTSP and the TSP, but there needs to be a K (arrangement, i.e. TPA) between the TTTSP and TSP.	1, 2, 3
1a			
2	The TSP should be prepared to accept all of the TTTSP transactions, unless processed by other TTTSP. (doesn’t say there can’t be TTTSP other than the TSP)	TSP not required to perform the TTTSP function (tracking acct. to acct. transfers)	4
3	Nom of account to account transfers are communicated from the account holders to TSP by nom deadline	information and timing between TTTSP and TSP TBD	

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Discussion Notes:

1. In the account model - why can't the account holder and the TTTSP be the same? The answer is they can if neither are required to take title. The TTTSPs could be taking the risks that the ins equal the outs. The fact that they may also choose to do other things (i.e. hedging), would be their choice within their account. If they choose to do so, they may have financial risk. They may have financial risk without taking title.
2. All the responsibilities in the account model exist in the operator model with the additional requirement in the operator model being that there is a specific arrangement between the TTTSP and the TSP.

Norm stated, "There is no requirement for a "contract" at the wellhead interconnect point (similar to the OBAs between pipelines at interconnect), there are "arrangements." However, even if a contract does not exist, there is liability to some extent and they can't be absolved of any responsibility. The physical interconnects are in the "physical" flow chain. TTTSPs may, or may not be in the physical flow chain. They may only be in the money and paper value chain."

Note: The TTTSP is the entity providing the title transfer tracking service. The TTTSP may also be the TSP.

Jean Ford said, "Within the account model, the TTTSP can be the TSP or a 3<sup>rd</sup> party. The difference is who has title."

Rick Santerre said, "With respect to the account model, can both versions be available (where the TTTSP takes title and where they don't)?"

Diane stated, "There has to be a contract between the enduser and either the TTTSP who tracks the transfers, or a contract with the TSP verifying title if the TTTSP doesn't."

With regard to Question #3,. The account holder within the TTTSP service in both models requires a contract between that account holder and the TTTSP.

Stony said, "This could make it possible for there to be an arrangement between people such that the TTTSP can perform the service within the account model, without having to take title."

Jean Ford agreed.

Stony further said, "In the operator model, the TSP won't get the nomination from the account holders. Those noms go to the TTTSP. The transport nominations will have nominations to and from the TTTSP (somewhat like an interconnect)."

Greg said, "If you have the TTTSP "between" the two physically interconnecting parties (the 2 pipes), then they are like a physical operator, with respect to determining the physical flow and, in his judgment, the pipelines would not agree to that."

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With regard to question #4, “TTTSP (including when TSP is TTTSP) should be prepared to accept all of the TTTSP transactions, unless processed by other TTTSPs.”

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Framework Questions

1. Is it clear that the Commission is proposing that pipelines would not be compelled to provide TTT?

Yes - Answered by Order 587-G. No longer an issue.

2. Is it self-evident that if pipelines do offer TTT, that they could either charge for it or do it for free?

Yes - Answered by Order 587-G. No longer an issue.

3. Is it self-evident that third parties performing administrative services for TTT would not enter the marketplace if pipelines offer TTT for no charge?

Unknown:

Diane said, "It is not GISB's roll to tell TSPs whether they charge for the service."

Greg said, "Any model should be able to be supported regardless if there is a charge by the TSP."

Tammy said, "This is not about how you communicate information. These questions will be answered by the market outside the standards being built."

Greg said, "This is an issue of a timing rationale as to whether there is an adjustment for timing."

With regard to Question # 4, "Is it self-evident that third parties would enter the marketplace if pipelines offer TTT and do charge for it?"

This question was skipped

Question 5. If pipelines and third parties are offering TTT service, should these services be offered on a comparable basis? Or, in other words, do people believe that the pipeline functioning as a TTTSP should communicate with the TSP in a manner that is not comparable with that used by third party TTTSPs?

Joe said, "The issue is the data that is communicated and not how they function."

Greg reworded question to read, "Do people believe that the TTT standards should provide that the pipeline, functioning as a TTTSP, should coordinate with the comparable data, with the TSP as would be provided by third-party TTTSPs to the TSP? ('same data' is broadly defined and at this time is not defined as to whether it is nomination data or confirmation data)

Yes

6. Given the above, does anyone see another way to achieve comparability other than that proposed in the NOPR (i.e., the "Operator" Model)?

This question was stricken at the request of Greg Lander.

7. Is TTT part of the scheduling "critical" timeframe of GISB Standard 1.3.2? Or, is TTT accomplished either before or after the critical transportation transactions have been completed?

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The answer to this question was deferred.

8. When TTT results in no transportation (loops) is there a requirement to "track" them? If so, can these be accomplished before and after the critical scheduling processing? (Norm)

Initially deferred until Norm returns

Greg said, "He thinks there are some that never start or end with a transportation agreement and they just loop around, there is a need to track them. – Yes, regardless of whether the gas hits a transportation agreement (you won't know that up front), then you have to track all the transactions. To the extent one determines a loop, one can process such that it resolves and does not continue to loop.

ANSWER: Yes, either the TSP or TTTSP will track.

TTT must adhere to the scheduling processes.

9. Do TTT users receive reports reflecting the results of their trades on a monthly, daily or more often basis? (Norm) [Donna: thinks Norm is asking: are you going to receive reports like a Scheduled Quantity report to track their trades?]

Initially deferred until Norm returns

Yes, it adheres to the scheduling process and the information related thereto.

**BREAK FOR LUNCH**

10. Are TTT users required to have proven title to gas before they are allowed to transfer title to another user? Put another way, can a TTT user sell supply they do not have? i.e. are TTT users required to have a deal put together before they can enter the transactions? (Norm)

10 (a) Greg restated Norm's question to be, "Are TTT users required to have a buy quantity and a sell quantity balanced by the nom deadline?"

Joe said, "Some pipelines are not looking at the balancing nomination."

ANSWER: Yes

10(b) Joe rephrased the question to be, "The question is whether the parties transferring title actually have to have title and through some vehicle (i.e. contract) can give an assurance to that effect.

Joe stated, "Yes. Otherwise there can be dishonest actions where people try to do things they don't have title for. You can only buy and sell gas that you have title to. Otherwise, this turns into a link that can break in the chain. Shippers and TTT service requesters do not necessarily have to show proof of title before scheduling but they may have to sign an agreement that says they will have responsibility and be liable.

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Without that, the TTT service requester can walk away when there is a problem with no liability or consequences.

Greg stated, "By the 11:30 a.m. time, the buys and sells have to balance. In other words, a buy that occurs at 10:00 a.m. can match up with a sale at 11:15 a.m. By the 11:30 a.m. deadline, both sides are there and they balance out to zero."

Joe said, "The issue is accepting the legal responsibility?"

ANSWER: Yes

11. May a TTT user change their mind between processing cycles within one flow day as to the market and/or supply?

Joe said, "Yes. TTT transactions fall under the GISB intraday standards including the elapsed pro rata scheduled quantity."

12. Is the TTT transaction the actual buy/sell "contract" that both the buyer and the seller guarantee to through another agent, a financial broker-like entity like the New York Stock Exchange? If there is another contract, then what is the purpose of the TTT transaction?

Defer until Norm returns

Donna said, "It sounds like Norm thinks TTT is the actual buy / sell. The TTT transaction is not the buy/sell - purchase/sale contract. There is another contract, where the transfer of the gas under the (pursuant to) the buy / sell occurs. There are two ways the TTT transactions can occur. One, there is a TTT contract and another way is to use the upstream and downstream information identifier on the underlying transportation agreement to link the transactions together, so you don't need a contract in that instance."

Additional Framework Questions from the April 17, 1998 TTT-PT-TF Meeting:

13. Who has the responsibility for ensuring that the wellhead operator has sufficient authority to confirm the gas flowing through the wellhead orifice meter?"

Joe said, "As the TSP, we accept that if the working interest owners have designated an operator for that location, we are not authenticating the title. We rely upon the existing communication and reliance factor."

Donna said, "The interest owner should provide sufficient information to the wellhead operators that the wellhead operator can confirm with the TSP - The issue as she understands is that the interest owners and the operators may not have written the JOA (Joint Operating Agreement) in such a manner that the information of the daisy chain sales at the wellhead location are tracked or revealed (they feel it is competitive information). The producers want someone to come in and take over the TTT function."

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Diane said, “Whomever the TTTSP is (be it the TSP, a 3<sup>rd</sup> party TTTSP, or possibly even the operator) tracks the title on the side of the flange the TTTSP is happening, they are responsible for ensuring the title on that side of the flange.

Gene asked, “Do we need to get into the issue of which side of the flange (wellhead operator or the TSP) to say where the TTT is tracked. For example, should we be saying that TTT is only on the receipt side?”

Clancy stated, “If we are only talking about physical flow, we know that answer – it is covered under existing legal documents. If it is more than physical flow, then we need to wait on answering that.”

Kim Van Pelt asked, “If the sub-committee could take the who, what, where, when and how questions approach?” The chairs discussed this and agreed to an agenda for the next few meetings.

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**DEFINITION OF ACCOUNT HOLDER**

Greg proposed the following.

An Account Administrator is a third party TTTSP that administers accounts and account-to-account transfers for its title holding account holders.

An Account Holder is defined to be the party holding title to gas or, an Account Administrator which has elected to perform administrative services related to TTT for its parties holding title to gas and is the party coordinating with the TSP with respect to the results of these administrative TTT service(s).

After discussion, the latter was revised to:

An Account Holder is defined to be the party holding title to gas.

Note: The remaining language may be the beginning of the definition for another type of relationship.

“ or, an Account Administrator which has elected to perform administrative services related to TTT for its parties holding title to gas and is the party coordinating with the TSP with respect to the results of these administrative TTT service(s)”

**Discussion on the goal for the next few meetings:**

What: TTT

Who: Whoever wants to provide the service

How: Models

When: Timing Issues

Next meeting: Start discussing timing